

# Mercosur in South America: A Cooperative, Shared, or Consensual Hegemony?

Written by Fernando Jose Ludwig

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FERNANDO JOSE LUDWIG, SEP 19 2012

International Relations are in constant evolution (Cox, 2007) and regionalism is no exception. From the non-precedent *boom* of creation and deepening of regional organizations in the 1990s, regional integration presents the most significant impact since then with the European Union and, most recently, the Southern Common Market (Mercosur) crisis. Thus, what does Mercosur's formation represent for the re-configuration of socio-economic-political influence, both locally and globally in terms of hegemony? That is the question that we should bear in mind regarding the role of regionalism, more specifically with, Mercosur in South America. In spite of this, this article's main goal is to explore the crisis that affects the concept of regionalism nowadays. Bearing in mind that our goal is to see whether there is a new role for regionalism in South America (Mercosur), which implies the role of the United States as the *superpower* (*hegemon*) in the region, we shall try to find where Mercosur fits best in this classification (regional or great power). We shall also point out its main features, which will permit a better comprehension of its domestic sphere of influence and its projection in the regional and international system.

On the occasion of its creation, one of Mercosur's main goals was to coordinate macroeconomic policies among its members (Martins and Carcanholo, 2005). Thus, the Treaty of Assunción announces the establishment of a common market[2] establishing: (a) the free movement of goods, services and factors of production; (b) a common external tariff, and (c) the adoption of a common trade policy in relation to third-party states or groups of states (Treaty of Assunción, Article I). Mercosur's trajectory after its creation involved successive attempts at consolidation. For example, the Protocol of Ouro Preto in 1994 gave the bloc "international legal personality" and elevated it from a free trade area to a customs union; the Protocol of Brasilia, which redefined the mechanisms for resolving controversies; the Protocol of Ushuaia, signed in 1998, which established the democratic clause for participants; and finally, the Protocol of Olivos in 2002, which marked the re-launch of Mercosur's integration vis-à-vis international crises and its continued stagnation. Here, as always, it is necessary to bear in mind the regional and international context in order to better understand the pros and cons of regionalism in South America, mostly due to its high dependence on external factors in economic and cohesion terms.

On the one hand, in the first years of its existence, and especially after the 1994 signing of the Protocol of Ouro Preto, Mercosur achieved an impressive degree of integration and intra-bloc convergence, growing about 400% in terms of internal trade up to 1998 (Drummond, 2003: 88). The Asian financial crisis, which started in 1997, had an impact on South America from mid-1998 through early 1999, resulting in serious disagreements among Mercosur's member states and leading Brazil to take the most significant action related to the integration process in this period: the devaluation of its currency. International crises continued to drag South American countries into recession and instability, and in 2001, the economic collapse of Argentina weakened the integration process still further. In a way, these two crises made it possible for Brazil and Argentina to bring their economies closer together[3]. The course of these events was followed by an attempt to re-launch the very basis of economic integration (2002 onwards), and at the same time expand it to other strata to create cohesion.

But there were, and continue to be, at least two significant conditions influencing the relative failure of the original premises proclaimed by Mercosur's members: first, the notorious economic and socio-political asymmetries among its members, with Brazil and Argentina on one side, and Paraguay and Uruguay on the other, and second, the high

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concentration of neoliberal projects within domestic structures, as part of the exogenous influence of international organizations such as the International Monetary Fund and World Bank, derived from the structure of the international system and the debt crisis in the 1980s. In relation to this, the sum of power (exercised) and fragility of South American regionalism today configures the importance of effective leadership in the region. This article's focus is on the balance of power of Brazil, Argentina and, more recently, Venezuela, for analysis. Therefore, following Buzan and Waeaver's classification, Mercosur would be better classified as a *regional power*.

The underlying question related to cohesion or disagreement in South American countries relative to their different forms of integration is whether they are individual or collective hegemonic projects. Can it be said, then, that Brazil, Argentina and Venezuela's economies are more competitive than complementary? There is no consensus about this among the international relations community at present (see Burges, 2007, 2008; Carranza, 2003)

Pedersen (2002) discusses the relationship between power, institutions, forms of domination and leadership, forming what he calls "co-operative hegemony." Stressing different interpretations of regionalism within mainstream IR theories (neoliberal, rational choice, and neorealism institutionalisms), he concluded, and we agree, that the traditional concept of hegemony can be revised, taking it, especially, beyond the realist state-centrist explanation of institutionalism as being a scenario of relative gains for its members while simultaneously fulfilling each particular national interest. According to Pedersen, cooperative hegemonies consist of a "grand strategy", adopted by certain countries (normally those with low-level military capacity, but important actors in the international system on another level – economic or political, for example), with both realist and institutionalist dimensions (Pedersen, 2002: 683-684). They may act offensively, where the actor presumes to expand its sphere of influence through diffusion and inclusion, or defensively, where the benefits of stabilization are the goal (*ibid*). Continuing his line of thinking, "cooperative hegemony" is inversely (directly) related to "unilateral hegemony", and as he puts it, while "co-operative hegemony promises benefits, especially long-term benefits, it also involves costs" (Pedersen, 2002: 687). In order to see the main differences between these two concepts, the author points out their advantages and disadvantages (see Table 2).

**Table 2 – Unilateral and co-operative hegemony: a comparison**

### *Type of hegemony*

#### *Advantages*

#### *Disadvantages*

Unilateral hegemony – Freedom of action- Direct and immediate influence – Invites balancing- Involves extensive free-riding	Cooperative hegemony – Stable and legitimate rule- Predictability- Power-aggregation- Indirect influence- Prevention of extensive free-riding – Power-sharing- Costly side-payments- A long time-horizon required
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Source: (Pedersen, 2002: 687).

Transposing these arguments to South America regionalism, it is easy to see the problems arising from the disadvantages pointed out by Pedersen. In fact, it is difficult to conceive, for example, that Brazil and Venezuela, who have the same political leaning (left), will ever agree on certain aspects of foreign policy (for example, about relationships with the universal *hegemon*, i.e. the United States, and the acceleration of the Free Trade Area of Americas – FTAA[4] – process). Another aspect that has been a prime target for critics of the relative failure of Mercosur's member states applies to Brazil, in relation to deepening the integration process. It is that being the region's natural leader/*hegemon* necessarily implies costs and flexibility in key features of regional trade agreements (common external tariff, for instance), a price that Brazil, so far, has been reluctant to pay. Nonetheless, Venezuela's joining the bloc and its initiatives and different relationships with other countries will change this scenario. The official position adopted by Brazilian foreign policy is that emerging countries are more susceptible to external influences than developed countries. In fact, Brazil and Venezuela have started to fight, though not openly, for the legitimate

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leadership of Mercosur and other groups. The most recent example of this leadership contest in regional policies may be seen in the formation of the Union of South American Nations (UNASUR) and the most recent crisis generated by the turbulent entrance of Venezuela in the bloc, where these countries have developed mechanisms of understanding and consensus-forming in issues where agreement is hard to achieve, like energy problems. These external factors that influence the domestic/regional policies of South American countries directly affect the decisions taken in relation to regional integration, which are usually long-term policies.

The concept of cooperative hegemony presented by Pedersen has some similarities with Santos' (2003) conceptualization of "shared hegemony." In his work, he shows how the formation of the present universal *hegemon* (i.e. the US), especially after the Cold War, no longer enjoys an omnipresent position within the international system (2003: 46-48). In order to explain the new hegemonic centre of today, Santos relies on Kondratiev's cycles (Santos, 2003) to identify the actual moment for the critical timing of a global change. He sees this as the most reasonable explanation for the creation of the Trilateral Commission<sup>[5]</sup> (the United States, Europe and Japan) in the mid-1970s (*ibid*), consistent with the offensive cooperative hegemony upheld by Pedersen and the spread of these *hegemons'* influence. Santos stresses the fact that the strengthening of regional organizations is a new trend in the reconfiguration of the international system, pointing to the role of Mercosur in the deepening and widening integration of South American countries and the role played by Brazil, according to him, the regional *hegemon* (Santos, 2003: 100-101). In his article, Pomfret draws attention to the fact the regionalism (mostly initiated by regional trade agreements) has become more and more an irreversible feature of the global economy, achieving unprecedented levels of integration since the 1990s (Pomfret, 2007). The Pedersen and Santos point of view on this is that the present international order's configuration is mainly dictated by power-sharing achieved by a complex system of alliances, in which regional organization has become the ultimate form. So, even though the Trilateral Commission was necessary for the *hegemon* to re-establish its strategies of leadership throughout the world, South American regionalism could be understood as a movement that is attempting to halt or diminish this process.

One last aspect concerning the current role of regionalism, its hegemonic projects, and their dynamics in relation to establishing consensus is Burges' concept of "consensual hegemony" (Burges, 2008). Burges has suggested that it is possible to extend hegemonic power without necessarily resorting to forms of domination, and that Petersen's cooperative hegemony could end up as a consensual hegemony in the light of Gramscian thought. But, as we have pointed out, Brazil has not in fact extended its economic and political capabilities in order to influence the decision making related to regional integration, and so has not abstained from the "willingness" that Keohane and Nye stipulate as a requirement for hegemonic projects (Joseph, 2008). Burges notes in fact that the system of alliances<sup>[6]</sup> built up by Brazilian foreign policy, in contrast with those formulated by Venezuela's Chávez, has been more prone to create consensus among South American countries since the end of the Cold War. The concept of hegemony advanced by Burges suggests first that Brazilian actions and interests in regionalism extends into the region. And second, that Brazil helped to form the basis of a better position for the whole region in relation to the developed world. So he argues that the non-coercive aspect of consensual hegemony "can be created without domination" (Burges, 2008: 81). Nonetheless, this voluntary or involuntary hegemonic power exerted by Brazil towards the region presupposes a certain degree of legitimacy, supported by other states (in this case, Mercosur member states), with consent of internal strata which occupy current hegemonic positions. Research by Oliveira and Onuki (2000) shows how the southern elites have seen Brazil as the Mercosur leader. As they have observed, over 60% of the Mercosur member states' elites believe that Brazil defends the interests of the entire group (Oliveira and Onuki, 2000: 14).

In conclusion, at the moment we cannot disregard any of these three interpretations of hegemony *within* and *across* Mercosur's regional and international insertion. So Pedersen's cooperative approach, together with Santos' shared hegemony, provides the logical understanding of regional powers' cooperation, as an outcome of the globalization process itself.<sup>[7]</sup> Although with some reservations, the consensual hegemony advocated by Burges still has some relevance to understanding the balance of power in the region. For example, Brazilian foreign policy continues to practise a non-interventionist type of hegemony, while it has been seen, as mentioned, as the most influential country in the Mercosur bloc. But it would be prudent to stress the fact that this "consent" without "domination" should be applied very carefully to this case study, since it has been argued that to exist, hegemony needs the country's "willingness" to exercise it.

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[2] The constitution of an effective common market in the mould of the European Union integration, is far from being a reality for today's Mercosur regionalism, however.

[3] With these crises, the exchange rates could not converge to create effective macro-economic policies, and after the abandoning by Argentina of the “dollarization” of its economy and the Brazilian devaluation, together with its currency system of parity change, harmonization in this area became more likely. For further information of the impact in both Brazil and Argentina, and the repercussion on their economies, see (Costa, 2003: 77-86).

[4] An interesting approach has been made by Carranza about Mercosur/FTAA negotiations and its possible scenarios after the Argentine crisis in 2001 (Carranza, 2004: 319-337).

[5] For further information about the Trilateral Commission, see (Gill, 1992).

[6] In the case of Brazil, always opting for diplomacy to resolve controversies.

[7] As Robinson noted, “Globalization upsets the ability of individual states ... to regulate economic activity within national borders, to capture and redistribute surpluses, to harmonize conflicting social interests, and to realize their historic function of sustaining the internal unity of nationally conceived social formation” (Robinson, 1996: 35).

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