

## **Regionalism in the Global South:**

### **Understanding the Evolution of Mercosur**

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The world economy, especially international trade in goods and services, was already slowing before the COVID pandemic hit the headlines in early 2020. Rising protectionism, worsening trade tensions between the United States and China, cantankerous negotiations for Britain's exit from the European Union [EU], and an impasse in multilateral negotiations for global trade governance had already seen stagnation and disruption in world trade flows at the bilateral, regional and multilateral levels. Globalisation had not only increased international interconnectedness and interdependence, but also exacerbated national and regional vulnerabilities to external shocks. Unsurprisingly, the trends observed in global markets and trade were often as much about economic decision-making as about diplomacy and statecraft. They often reflected the power shifts and power diffusion that became an increasingly prominent feature of the international system after the global financial crisis of 2008-2009.

In the above context, where globalisation seemed to be unravelling and national governments struggled to maintain agency in external policy, regionalism often presented itself as an attractive option for a competitive integration into the global economy. Here, regionalism refers to the state-led formal process of closer relations amongst a group of countries in a region, involving greater inter-state co-operation and organisational cohesiveness that encourages the development of economic integration and societal interactions and regional awareness. This chapter considers the features of and theoretical approaches to examining the evolution of one of the most prominent and developed regionalism projects in the Global South, the Southern Common Market [Mercosur], which celebrated its thirtieth anniversary in 2021.

On 26 March 1991, the Treaty of Asuncion launched Mercosur – *Mercado Común del Sur* in Spanish; *Mercado Comum do Sul* in Portuguese; and *Ñemby Ñemuha* in Guarani, the three official languages of the bloc – with the aim of fostering economic development with social well-being. In 1994, the Ouro Preto Protocol established Mercosur’s permanent bodies and conferred a legal personality on the bloc allowing it to negotiate with third parties and international organisations. Mercosur’s four original members were Argentina, Brazil, Paraguay, and Uruguay. A fifth member, Venezuela, formally joined in 2012 but was suspended in December 2016 – and remains so, at the time of writing. A sixth state, Bolivia, signed an adhesion protocol in 2015 but had not formally joined by early 2021.

Mercosur’s original four territorially contiguous states cover about 15 million square kilometres of land, with a population of circa 295 million. It is a region rich in natural resources – energy, fresh water, minerals, and agricultural land. Mercosur’s official website describes itself as “a union of countries working as one to secure the well-being of its people” and notes its main objective as “to promote a common space that generates business and investment opportunities through the competitive integration of national economies into the international market”.<sup>1</sup> It is also proud of the social, cultural and human rights dimensions of its integration agenda.

It is worth noting some of Mercosur’s key features: inter-governmentalism, mixed economic and political objectives, incremental integration, low regional interdependence, non-exclusivity, and willingness to engage in inter-regionalism. First, Mercosur regionalism is a heavily state-led process, adhering to strictly inter-governmental decision-making processes and avoiding the creation of supranational bodies and mechanisms. By December 2019, Mercosur had signed 163 international treaties, agreements, and memoranda.<sup>2</sup> As such, it is significantly shaped by on-going diplomacy and statecraft employed by its member-states. This often takes place at the summit level, with presidents regularly getting directly involved in

resolving regional policy issues and disputes. Second, regionalism remained closely linked to locking in each government's liberalising reforms and easing their integration into global markets. Economic integration was expected to support Mercosur's founding political objectives of boosting regional security, trust amongst leaders, and support for democracy.<sup>3</sup> Third, inspired by the open regionalism ideas prevalent in the 1990s, Mercosur chose a gradual and incremental path to integration. It started life as an incomplete free trade area, aimed to become a customs union with a common external tariff by 1995, and then a common market by 2006.<sup>4</sup> These ambitious deadlines proved difficult: for example, a common customs code arrived only in 2010, but remaining unimplemented a decade later; and a Mercosur Trade Facilitation Accord finally signed in December 2019 with implementation still pending a year later. Thus, on its thirtieth anniversary, perhaps the best description of Mercosur is an incomplete customs union.

Fourth, intra-regional economic interdependence is rather limited, and the share of intra-regional trade in total regional trade modest, typically around 12 percent in recent years. It has ranged from a high of 21.6 percent in 1996 to a low of 7.8 percent in 2002 and 9.9 percent at the peak of the global financial crisis in 2009; it was 13.7 percent in 2018.<sup>5</sup> It is also notable that Mercosur economies have very similar factor endowments; they often competed against each other in international markets, which hampered member governments from endorsing steps to encourage regional level specialisation or scale economies. Deepening Mercosur integration and interdependence remained a challenge throughout, with economic asymmetries and institutional deficits at the heart of the problem.<sup>6</sup> Fifth, its members are not bound exclusively to Mercosur within South America, but instead are a part of the "rich tapestry of complementary, competing and overlapping institutions" in the region.<sup>7</sup> Periodically, Mercosur members raised questions about "dual velocity" or "variable geometry" in their relations with other trade partners: that is, respectively, the ability to open and engage in freer trade at

different speeds and selective involvement in trade agreements with third countries. Additionally, many non-traditional security threats, economic crises, political instability, constraints on development and policy autonomy, worsening environmental emergencies, and the pandemic all fed the desire to cater for alternative forms of diplomacy and opportunities to apply statecraft in the region. Nonetheless, they also created a rather messy set of overlapping regional projects.<sup>8</sup>

A final feature of Mercosur has been its willingness to engage in inter-regional negotiations, especially with the EU. This is a key area where Mercosur collective diplomacy had a chance to develop. The literature discusses the EU's "external federator" as well as regionalism "capacity building" functions as important elements for Europe, but these were also relevant for encouraging deepening integration within other regions.<sup>9</sup> Thus, during the years of negotiation with the EU, Mercosur benefitted from EU technical training, administrative know how, and financial assistance to support its regionalism project.<sup>10</sup> The external agenda of inter-regional negotiations with the EU often receives credit for the survival of Mercosur through its many crises. However, it could not compensate for low institutionalisation or substitute for weak political willingness to deepen Mercosur integration.<sup>11</sup>

Mercosur's sparse institutional structure relies on three main decision-making organs: the Common Market Council, the Common Market Group, and the Mercosur Trade Commission. A number of permanent organs and over 300 other negotiating fora and *ad hoc* bodies supports their work usually with representatives from each member-state. Amongst the most important permanent bodies are: the Mercosur Technical Secretariat, Mercosur Commission of Permanent Representatives, Permanent Review Tribunal, Mercosur Structural Convergence Fund, Mercosur Parliament, Mercosur Social Institute, Institute of Public Policies on Human Rights, and the Social Participation Unit. Given the consistently intergovernmental

character of these bodies, with the partial exception of the Mercosur Parliament, the framing and resolution of issues within them are a highly complex political exercise involving both diplomatic tactics and statecraft.

Mercosur regionalism developed along three fronts: widening membership and co-operation with other economies and/or regional organisations, deepening regional integration, and shifting the focus of integration efforts. The first refers to Mercosur's expanding relations with others, whereas the latter two point to developments within the bloc. Engaging in diplomacy and statecraft was relevant on all three fronts.

In the 1990s, Mercosur aroused much interest amongst its Southern American neighbours, a number of whom sought associate if not full membership in the bloc. Soon, Mercosur associate memberships expanded to include Chile, Bolivia, Venezuela, Peru, Colombia, Ecuador, and Surinam. Amongst associate members, only Venezuela and Bolivia subsequently signed adhesion protocols for full membership in 2006 and 2015, respectively. As noted above, although Venezuela joined the bloc as a full member in 2012, it had its membership suspended in 2016 because it had never fully complied with its incorporation commitments and had raised concerns about its democratic credentials.

Mercosur also managed to raise its international profile and gain recognition as a regionalism project that sought to emulate some of the values and integration goals of the EU. The EU's external agenda often received credit for propping up Mercosur's survival through times of internal crises. Initially, in 1995, the signing of an agreement to launch negotiations for an economic co-operation and free trade agreement with the EU was instrumental in supporting regionalism and enhancing the bloc's attractiveness as a trade and investment partner.<sup>12</sup> Although EU-Mercosur inter-regional negotiations dragged on for years, the bloc signed free trade or preferential trade agreements with a range of other partners, including six Latin American economies plus Egypt, Israel, India, and two regional blocs – the Andean Pact

and the South African Customs Union. Finally, in 2019, after 39 rounds of negotiations over a period of 20 years, the EU and Mercosur signed an association agreement – whose ratification was pending at the time of writing and likely to face a very rocky path. An agreement with the European Free Trade Area was signed in 2019 and also awaits ratification. In 2020, Mercosur was considering or already involved in negotiating agreements with Canada, Lebanon, Singapore, and South Korea. Given Mercosur members' reluctance to delegate or pool authority, these negotiations always involve representatives from all four member-states and as such engage considerable national resources in terms of diplomatic and ministerial personnel.

Regionalism also implies deepening intra-regional relations on a number of fronts, such as trade in goods and services, investment, infrastructure links, regulatory regimes, migration, and cultural exchange. Here Mercosur has had mixed and uneven results over time and issue areas. Initially, the main concerns were that Mercosur was encouraging trade diversion, and that asymmetries in the distribution of costs and benefits of regionalism might actually be welfare worsening.<sup>13</sup> Later, investment flows and industrial policy objectives became more pressing. In recent years, Mercosur made some progress on intra-regional trade policy by streamlining processes, clarifying rules, standardising regulations, mitigating for technical barriers to trade, recognising rules for geographical denominations, and more. But there are still many issues that remain unresolved, for instance, rules of origin, use of anti-dumping procedures, unilateral disruptions to trade flows, exceptions to the common external tariff, and incorporating sustainable development issues into the regional agenda. Often difficulties in the deepening agenda stemmed not from regional integration itself, but from other domestic crises both political and economic. Amongst the harshest economic crises were the Brazilian devaluation of 1999, Argentina's near economic collapse in 2001-2002, the global financial crisis of 2008-2009, the Brazilian recession of 2014-2016, and the COVID pandemic from

2020. Political or ideological incompatibility, especially between Argentina and Brazil, were also a recurring issue. Most striking was the dissonance between the Argentine president, Alberto Fernandez, and his Brazilian counterpart, Jair Bolsonaro, from 2020 onwards. Astonishingly, in contravention to past diplomatic practice, the two leaders only convened their first bilateral meeting on 30 November 2020, via an online conference call, on Argentina-Brazil Bilateral Friendship Day, 11 months after Fernandez took office.<sup>14</sup>

Another problem facing Mercosur's deepening integration was the failure to meet deadlines, non-incorporation into domestic legislation, and/or non-compliance with agreements. It constitutes the "Mercosur syndrome" of "empty promises".<sup>15</sup> Of all 1,033 policies adopted between 1994 and 2008, involving 3,560 incorporation processes in member-states – not all processes involved all four members – only about two-thirds of regional agreements saw incorporation nationally. Furthermore, rules requiring unanimity on almost every decision and national incorporation by all parties to an agreement further complicated progress on deepening integration. Effectively, the avoidance of any form of supranational institution building debilitated the prospects for extending regionalism. These are issues raised by many authors in the academic literature.<sup>16</sup>

The final factor having an impact on the evolution of regionalism was the changing functional demands on regional institutions, mainly due to shifting political-ideological and/or economic policy contexts. At the time of its founding, Mercosur rose out of the so-called "dual transitions" in the Southern Cone in the 1980s and 1990s – political and economic liberalisation processes involving democratisation and adoption of Washington Consensus-recommended policies – and the "open regionalism" discourse globally popular at the time.<sup>17</sup> Thus, Mercosur regional institutions were set up to lock-in both democracy and economic liberalisation. Likewise, although the diplomatic strategy behind the strongly state-led, even presidential-led, regionalism initiatives aligned with reducing bilateral security tensions – Argentine-Brazilian

– and propping up regional democratisation processes, Mercosur’s policy announcements in its first decade focused on economic aspects related to trade opening, investment flows, and production integration.

It was only later, in 2003, that Mercosur presidents announced their intention to include social issues in the regional agenda. Regional elites also focused more on constructing a Mercosur regional identity and increasingly used identity discourse to appeal to public opinion in favour of regionalism.<sup>18</sup> Thus, in the following years, bodies such as the Mercosur Parliament, Mercosur Social Institute, and the Social Participation Unit, with the slogan, “*Somos Mercosur*” [“We are Mercosur”], emerged to address the social deficits of regionalism.<sup>19</sup> Additionally, Mercosur governments took initiatives to promote social participation in the regionalism process, for example, the Social and Participative Mercosur Programme in Brazil, the Civil Society Consultative Council in Argentina, and the Dialogue and Consultation System in Uruguay.<sup>20</sup>

As more left-leaning progressive politicians with more developmentalist mind-sets took office in South America – not just in Mercosur – regionalism swung from the previous “open” and “hegemonic” economically focused regional integration towards a more politically and socially focused one with distinctly South American attributes. The “post-hegemonic regionalism” agenda first rose to prominence with the 2005 rejection of the American-led initiative for launching a free trade area of the Americas [FTAA].<sup>21</sup> Next, it went on to redefine regionalism in terms of development co-operation and social justice in the region. The post-hegemonic economic agenda prioritised regional infrastructure and energy security, rather than production integration via freer trade and investment flows.<sup>22</sup> However, by the late 2010s, the political mood shifted again; and the approach to regionalism swung back to prioritising economic integration, if anything at all, with Brazil especially eager to see a “lean Mercosur”. Bolsonaro’s economic team revived discussions that toyed with abandoning the customs union



and peddling Mercosur integration backwards into a free trade area.<sup>23</sup> Clearly, post-hegemonic regionalism had stumbled into irrelevance – at least for the time being – and the pandemic sealed Mercosur’s fate as a non-priority policy project.

With this discussion of Mercosur’s origins, features, and development, it is appropriate to turn to approaches analysing and explaining how Mercosur regionalism evolved over time. A better understanding of this regionalism also provides practical policy lessons in diplomacy and statecraft for other developing regions in the Global South interested in tackling the challenges and harnessing the opportunities of regional integration. Three approaches provide valuable lenses for analysing regionalism in Mercosur: liberal inter-governmentalism, inter-presidentialism, and strategic diplomacy. The first two are closely associated with scholarship on regionalism in Mercosur, whereas the last applies an innovative approach to examining the challenges facing Mercosur.

Liberal inter-governmentalism is amongst the most influential theories of regional integration and closely associated with explaining EU regionalism. It sought to go beyond earlier theories of functionalism and neo-functionalism that showed how emerging economic and societal needs drove demands for greater institutionalisation of regionalism and creation of supra-national structures.<sup>24</sup> Liberal inter-governmentalism places great emphasis on economic interdependence as a pre-condition driving regionalism, where regional institutions are set up to lock in and enforce trade and investment-related economic agreements. Increased economic interdependence often requires strengthening regional institutions to facilitate decision-making and settle disputes.<sup>25</sup> But civil society participation plays a key role in the regionalism process, something that remains very limited in Mercosur.<sup>26</sup> In the absence of substantial economic interdependence and/or civil society participation, the Mercosur experience does not fit mainstream theories of the liberal intergovernmentalism of some analysts, or the supranational governance of others.<sup>27</sup> Oddly, a theory called liberal inter-

governmentalism cannot explain the pure inter-governmentalism of Mercosur!

Of course, setting up regional institutions is not enough to gauge the depth of any particular instance of regionalism, since what really matters is the level of authority pooled or delegated to these institutions,<sup>28</sup> as well as the effort put into upholding regional institutions and agreements. A comparative regionalism approach is vocal on the point that economic interdependence is not the only factor driving regional institution building. Rather, it is the result of a mix of factors such as functional demands arising from regional interactions, supply of regional integration via elite efforts at regional identity construction, and diffusion of regional institutional designs across regions.<sup>29</sup> They develop their argument alongside a post-functionalism approach, which adds security interdependence and regime stability to economic interdependence as factors driving the demand for regional institutions.<sup>30</sup>

It is essential to understand that the main policy objective of regionalism in the Southern Cone was ensuring policy autonomy over the region's development path and insertion into global markets. Unsurprisingly, these objectives shaped the heavily state-led but institutionalisation-resistant regionalism project. It guaranteed opposition to any move away from inter-governmental decision-making structures. Thus, although the expanding range of Mercosur areas of activity suggested opportunity for neo-functional spillover, the inter-governmental logic of securing national autonomy ensured that these spillovers were limited in scope. Given the focus on avoiding the creation of any supranational regional authority, Mercosur had to rely on consensus decision-making, national incorporation of agreements, minimal compliance policies, and inter-governmental fora to resolve any conflicts or co-ordination issues. Thus, **issues that the EU treated as bureaucratic politics, instead were subject to diplomatic engagement and negotiation in Mercosur.**

Moreover, regional organisations in non-Western or developing economy contexts often seek to defend policy autonomy and resilience against external intervention.<sup>31</sup> Thus,

undertaking Mercosur initiatives occurred not only with an eye to secure policy space; it also involved untangling its members from any American-led efforts, such as President George W. Bush's "Initiative for the Americas" and the FTAA negotiations. In this situation, Mercosur added bargaining weight to the member-states' positions in international fora, but it did not much constrain their domestic policy space. In other words, liberal inter-governmentalism, although not applicable for explaining what did happen, provides a useful lens to analyse why it did not happen. Given that embedding intra-regional trade, boosting interdependence, and deepening economic policy co-ordination were not the priority objectives of Mercosur members, there was less functional value placed on creating supra-national institutions. Inter-governmentalism adequately served the immediate interest in protecting national sovereignty. Unfortunately, this stance also discredited Mercosur as a regional organisation, partly because it failed to mimic the EU's path to regional integration.<sup>32</sup>

Inter-presidentialism or reliance on presidential diplomacy is an alternative approach to analysing and explaining Mercosur regionalism. A definition of presidential diplomacy is "political, summit diplomacy as opposed to institutionalised, professional diplomacy".<sup>33</sup> When this involves a number of presidents, as in Mercosur, it is inter-presidentialism.<sup>34</sup> Looking through this lens provides an image of regionalism from the inside out. It focuses on the domestic political-institutional context and the level of autonomy accorded to presidents in the region. Presidential systems of government dominate Latin America, and given the levels of centralisation and personalisation, these regimes often have the label "hyper-presidential". Moreover, separation of powers and specialist knowledge requirements of foreign policy means both legislatures and the public typically defer to the executive.

Hence, in their dual roles as head of state and head of government, presidents have considerable means at their disposal to shape foreign policy and diplomatic outcomes. Often viewed as "more accessible, more responsive, more effective, faster" actors,<sup>35</sup> their qualities

are essential in the fraught, crisis ridden regionalism process of Mercosur. Given Mercosur presidents' ultimate, and frequently used, veto player status on foreign policy, the logic of two-level games was less applicable here.<sup>36</sup> Moreover, political elites strongly supported this type of presidential role, partly because there was little societal pressure to pursue – or constrain – measures for regional integration. Thus, Mercosur experienced an extreme form of inter-governmentalism, appropriately labelled inter-presidentialism.<sup>37</sup>

Mercosur regional integration heavily relied on presidential diplomacy in both bilateral and group relations. Presidents, individually and collectively, preferred informal negotiations to resolve issues, whether employing telephone calls, stopovers on trips abroad, or, more recently, even online conferences. In its earliest days, Mercosur presidents resorted to summit diplomacy or direct negotiations whenever needing crucial decisions or dispute settlement.<sup>38</sup> The many crises that battered Mercosur in its 30 years so far, unsurprisingly, repeatedly called forth the need for nimble and resolute decision-making at the highest level. In this sense, acceptance of the diplomatic practice of inter-presidentialism appears as a strength of regionalism in Mercosur that could apply more generally in the Global South. In addition, even the EU resorted to direct negotiations amongst heads of government in emergencies. For example, the Greek financial crisis (2011-2012), the refugee crisis (2014-2015), and roll out of the vaccination programme during the pandemic (2020-2021), all saw national leaders actively engage in regional level decision-making even with supranational structures in place.

Inter-presidentialism was especially effective in maintaining the *status quo* or settling disputes informally, with minimal need to deviate from Mercosur's inter-governmental governance style. Moreover, the inter-presidentialism argument is more complex than simply allowing presidents to take decisions. Rather, presidents exercise what is an almost institutionalised decisional leadership. Thus, “presidential intervention in the management of Mercosur has become a structural element of the integration process”,<sup>39</sup> with presidents

simultaneously maintaining their domestic autonomy and regional leadership due to the absence of any regional-level supranational institutions or veto players. Although slick and flexible responses made possible by inter-presidentialism might have allowed for agile action in times of passing crises, its fragile institutional foundations also created dangers in a world rife with uncertainties. As such, some argued that although genuine innovation in foreign policy often emerged from direct and sustained presidential engagement – most evident in Brazil<sup>40</sup> – it also caused disquiet, especially amongst investors and extra-regional partners. Moreover, the inter-presidential default arrangement meant Mercosur lacked an additional layer of supranational institutions to fall back on or cushion the impact of deeper structural changes in the global economy, not just due to the pandemic, but also driven by the fourth industrial revolution and the global power transition underway.

Both liberal inter-governmentalism and inter-presidentialism viewed Mercosur, directly or indirectly, through a comparative lens centred on the EU. Mercosur's problems and achievements tended to be analysed in terms of how far they deviated from the EU norm or model. Here, the emerging comparative regionalism literature does well to highlight that for most developing economies of the Global South, the value of regionalism does not derive from boosting economic interdependence with their neighbours – in fact, their economic interdependence often resides in ties with the advanced economies of the Global North. Instead, it could enhance their security interdependence, especially non-traditional security issues like narcotics, arms, and human trafficking, and mitigate their vulnerability to globalisation – especially the challenges of competitive integration into global markets. Diplomacy and statecraft related to regionalism in the Global South often found themselves geared to addressing these challenges, but in an ever more uncertain world, it has become an increasingly arduous task. Diplomacy and statecraft linked to regionalism needs to make strategic choices with a long-term perspective to enhance national and regional outcomes. Bearing this in mind,

this chapter suggests a pioneering approach and third analytical lens through which to examine the prospects for and contributions of Mercosur.

Strategic diplomacy is an innovative approach to understanding the challenges of systemic interdependence and globalisation, especially for states in the Global South. A recent effort developed the concept of strategic diplomacy, first applying it to Asia – both northeast and southeast.<sup>41</sup> Strategic diplomacy's definition is "the process by which state and non-state actors socially construct and frame their view of the world, set their agendas, and communicate, contest and negotiate diverging core interests and goals".<sup>42</sup> They note that states need to focus on using diplomacy to navigate the highly interconnected international system, even where there is a fog of uncertainty and a world of "unknown unknowns".

Applying the insights of strategic diplomacy allows states to learn to navigate the system to maximise their policy space. The complex context of globalisation, with dwindling domestic policy space and growing vulnerability to external shocks, forces states to become adaptive and agile, satisfying rather than maximising their national interests, and constantly readjusting their behaviour in the system. Nonetheless, it is increasingly clear that the states of the Global South bear a harsher burden. Their asymmetrical dependence alongside lower state capacity reduces the ability to control global events and outcomes, influence transnational actors, or easily pursue their national interest in the context of power transitions, strategic surprises, and black swan events. All the above factors have significant and sometimes unintended consequences for diplomacy and statecraft.

Given the disruption from frequent economic crises and long-standing issues of regional insecurity, Mercosur elites are alert to alternative forms of diplomatic statecraft. Looking beyond the region, their governments are well aware that the twenty-first century has created a world where the hallmarks of global order are tightly coupled inter-dependence and power struggle. They appreciate how issues are framed is a "political exercise subject to

strategy and statecraft".<sup>43</sup> As already mentioned, Mercosur members are especially sensitive to any attempts to pre-empt their policy autonomy in the name of global and/or regional governance and system functionality. Additionally, they are also cognisant of how hyper-connectivity and system complexity require both agile and strategic responses to evolving global and regional situations. Interestingly, Mercosur leaders valued regional co-operation and building a sense of community as the long-term strategic objectives of regionalism.<sup>44</sup> There was little divergence on these broad objectives between the more economically oriented regionalism of the 1990s and its more political and socially oriented variant from 2003 to at least 2016. Bolsonaro's early foreign policy moves suggested this might change, but President Donald Trump's electoral defeat could prompt a readjustment in Brazil's foreign policy behaviour and a return to Mercosur's longer-term integration trajectory.

So what insights can the strategic diplomacy concept provide? It possesses four features.<sup>45</sup> First, it takes a systemic view where diplomacy focusses on both navigating the international system and trying to reform it from within. Second, it is oriented towards achieving longer-term foreign policy goals that protect policy space and enhance the power, influence and/or status of the state in the system. Third, it has a dynamic understanding of the national interest, which is both socially constructed and responsive to systemic level changes and strategic surprises. Finally, it depends on engaged political leadership, with a strategic vision of system change and willingness to deploy resources and capabilities to deliver it.

If the essence of deploying strategic diplomacy is a foreign policy focused on developing strategic foresight to protect and enhance the long-term national interest, then viewing Mercosur through this analytical lens adds another dimension to understanding its evolution. Although the concept is usually deployed to explain the foreign policy actions of individual states, it can shed some light on understanding Mercosur regionalism both as part of the strategic diplomacy of individual member-states and also their collective efforts to navigate

the international system.

Have Mercosur member-states deployed strategic diplomacy successfully? The first feature, a systemic view, is apparent from Mercosur's very foundation, with the clear statement of the regionalism project conceived around the aim to help its members navigate globalisation and achieve a competitive integration into the global economy. Moreover, dissatisfied with the Washington Consensus policies guiding the international financial institutions' interactions with Mercosur member-states in the 1990s, Mercosur governments set about challenging them as became evident after left-leaning progressive governments took office across the region. Post-liberal or post-hegemonic regionalism, and the institutional arrangements it set up, were partly efforts to employ diplomacy and statecraft to reject hegemonic impositions and reform the system from within. The creation of the Union of South American Nations [UNASUR] is probably the best example of this type of strategic diplomacy, where Brazil took the lead in encouraging other South American nations to embrace a regional project that sought to manage wider regional issues from within.<sup>46</sup>

The second feature, protecting policy space and enhancing one's status in the system, is evident from Mercosur's heavy emphasis on inter-governmentalism.<sup>47</sup> A key objective of Mercosur was to maintain policy autonomy. This was especially true for its two larger members – Brazil and Argentina. A related objective was to protect themselves from entanglement with American-led initiatives, and Mercosur's larger members' opposition to the FTAA effectively scuppered the project. Regionalism sometimes helped enhance its members' status and influence in international fora, although at other times disagreements amongst the four members actually undermined their collective image. The literature often notes how Mercosur's external agenda was central to attracting trade and investor interest in the member economies, something seen from the strategic importance given to inter-regional negotiations between the EU and Mercosur.<sup>48</sup>



Mercosur's evolution, as discussed above, demonstrated the third feature of strategic diplomacy. The regionalism process was dynamic and responsive to shifting political agendas and societal identities. The shift from open regionalism to post-hegemonic regionalism are strong evidence of how Mercosur responded to the evolving national interests of its members as well as systemic structural change with power diffusion. Thus, for example, relations with China in some ways presented a conundrum for Mercosur members. On one hand, they competed with each other for Chinese markets and inward investment but, on the other, collectively benefitted from using China as a means of lessening American economic influence in the region. This situation in many ways depicts the very essence behind the concept of strategic diplomacy.

Finally, strategic diplomacy relies on political leadership, specifically a willingness to employ financial and diplomatic resources to develop and embed a strategic vision that can survive individual presidents' terms in office. Already difficult at the national level, strategic diplomacy at the regional level seems almost impossible to achieve. In fact, whenever regional electoral cycles and outcomes delivered compatible ideological positions across its members, Mercosur sought to present a strategic vision for its regionalism. However, this situation was often short-lived or ran into crises that shook the collective will to pursue integration. Economic volatility is certainly not conducive to practicing strategic diplomacy for any state, and much less so for a group of states. Clearly, Mercosur states engaged in diplomacy with each other as well as with external partners and rivals with longer-term objectives at stake. Thus, the concept of strategic diplomacy sheds some light on how regional integration – by definition a process rather than a static situation – benefitted from a strategic and future-focused policy effort to tackle the uncertainties emanating from structural shifts in the international system.

To conclude, Mercosur is an excellent example of how even economic logic of integration require diplomacy to develop and sustain regionalism. Where political logic or

social identities drive integration, both diplomacy and statecraft lay at the heart of interactions to construct a shared identity. This is especially marked in cases where inter-governmentalism prevails, and it rejects any supranational structures or efforts at statecraft.

## Notes

<sup>1</sup> See Mercosur website for an overview of the regional organisation: <https://www.mercosur.int/en/about-mercocor/mercocor-in-brief/>.

<sup>2</sup> Ibid.

<sup>3</sup> Mahrukh Doctor, “Prospects for deepening Mercosur integration: Economic asymmetry and institutional deficits”, *Review of International Political Economy*, 20/3(2013), 515-40.

<sup>4</sup> Jeffrey Cason, *The Political Economy of Integration: The experience of Mercosur* (London, 2011).

<sup>5</sup> Tanja Börzel and Thomas Risse, “Grand theories of integration and the challenge of comparative regionalism”, *Journal of European Public Policy*, 26/8(2019), 1231-52; Edmund Amann and Werner Baer, “Market Integration Without Policy Integration: A Comparison of the Shortcomings of Mercosur and the Eurozone”, *Latin American Business Review*, 15/3-4(2014), 327-35.

<sup>6</sup> See Doctor, “Prospects for deepening” for an extensive discussion of these problems. For more detail on economic aspects, Juan Blyde, Paolo Giordano, and Eduardo Fernandez-Arias, *Deepening Integration in Mercosur: Dealing with Disparities* (Washington, DC, 2008).

<sup>7</sup> Andrea Bianculli, “Latin America”, in Tanja Börzel and Thomas Risse, eds., *The Oxford Handbook of Comparative Regionalism* (Oxford, 2016), 154.

<sup>8</sup> Andrés Malamud and Gian Luca Gardini, “Has Regionalism Peaked? The Latin American Quagmire and Its Lessons”, *International Spectator*, 47/1(2012), 116-33.

<sup>9</sup> See Alan Hardacre, *The Rise and Fall of Interregionalism in EU External Relations*

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(Dordrecht, 2010); Fredrik Söderbaum, Patrik Stahlgren, and Luk van Langenhove, “The EU as a Global Actor and the Dynamics of Interregionalism: A Comparative Analysis”, *Journal of European Integration*, 27/3(2005), 365-80; Tobias Lenz, “Spurred Emulation: the EU and Regional Integration in Mercosur and SADC”, *West European Politics*, 35/1(2012), 155-73.

<sup>10</sup> For example, see European Commission, *Mercosur: Regional Strategy Paper 2007-2013* (Brussels, 2007).

<sup>11</sup> Mahrukh Doctor, “Interregionalism’s impact on regional integration in developing countries: the case of Mercosur”, *Journal of European Public Policy*, 22/7(2015), 967-84.

<sup>12</sup> Ibid.; idem., “Why Bother with Inter-regionalism? Negotiations for a European Union-Mercosur Association Agreement”, *Journal of Common Market Studies*, 45/2(2007). 281-314.

<sup>13</sup> Werner Baer and Peri Silva, “Mercosul: Its Successes and Failures During Its First Two Decades”, *Latin American Business Review*, 15/2-4(2014), 193-208.

<sup>14</sup> See “At 1<sup>st</sup> bilateral meeting with Argentine president, Bolsonaro mourns Maradona’s death”, *Folha de Sao Paulo International* (1 December 2020): <https://www1.folha.uol.com.br/internacional/en/world/2020/12/at-1st-bilateral-meeting-with-argentine-president-bolsonaro-mourns-maradonas-death.shtml>.

<sup>15</sup> Christian Arnold, “Empty promises and non-incorporation in Mercosur”, *International Interactions*, 4/3(2017), 643-67.

<sup>16</sup> See, for example, Ibid.; Gerardo Caetano, “New directions for Mercosur: A change in model and the consequences of the Brazilian crisis”, *Foro Internacional*, 59/1(2019), 47-88; Doctor, “Prospects for deepening”; Laura Gómez-Mera, *Power and Regionalism in Latin America: The Politics of MERCOSUR* (Notre Dame, IN, 2013); Andrés Malamud, “A Leader Without Followers? The Growing Divergence Between the Regional and Global Performance of Brazilian Foreign Policy”, *Latin American Politics and Society*, 53/3(2011), 1-24; José Antonio Sanahuja, “Post-liberal regionalism in South America: the case of UNASUR”, *European*

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<sup>17</sup> See Oliver Dabène, *The Politics of Regional Integration in Latin America: Theoretical and Comparative Explorations* (NY, 2009); Jose Raul Perales, “The Hemisphere’s Spaghetti Bowl of Free-Trade Agreements”, *Americas Quarterly* (April 2012). Cf. Gian Luca Gardini, *The Origins of Mercosur: Democracy and Regionalization in South America* (NY, 2010) for an analysis of the role of democratisation processes for Mercosur’s origins and early evolution.

<sup>18</sup> See Börzel and Risse, “Grand theories of integration” for the importance of elite efforts in region building, although they acknowledge that Mercosur never developed anything like “the ASEAN way” seen in Asian regionalism discourse.

<sup>19</sup> See Mercosur, *Construindo o mapa da participação social no Mercosul* (January 2019).

<sup>20</sup> Lucas Mesquita and Dawisson Belem Lopez, “Does participation generate democratization? Analysis of social participation by institutional means in Argentine, Brazilian and Uruguayan foreign policies”. *Journal of Civil Society*, 14/3(2018), 222-40.

<sup>21</sup> See José Briceño-Ruiz and Andrea Rebeiro Hoffmann, “Post-hegemonic regionalism, UNASUR, and the reconfiguration of regional cooperation in South America”, *Canadian Journal of Latin American and Caribbean Studies*, 40/1(2015), 48-62; Pia Riggirozzi and Jean Grugel, “Regional governance and legitimacy in South America: the meaning of UNASUR”, *International Affairs*, 91/4(2015), 781-97; Pia Riggirozzi and Diana Tussie, eds., *The Rise of Post-Hegemonic Regionalism: The Case of Latin America* (NY, 2012).

<sup>22</sup> INTAL, *Los Futuros del Mercosur: Nuevos rumbos de la integración regional*, INTAL Technical Note No. IDB-TN-1263 (Washington, DC, 2017).

<sup>23</sup> Sandra P. Rios, Pedro da Motta Veiga, Lucia Maduro, and Fernando J. Ribeiro, *Informe Mercosul 2020* (Washington, DC, 2020).

<sup>24</sup> See Andrew Moravcsik, *The Choice for Europe* (Ithaca, NY, 1998) for liberal intergovernmentalism theory. See Ernest Haas, *The Uniting of Europe: Political, Social and*

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*Economic Forces 1950-1957* (London, 1958) for functionalism and neo-functionalism theories developed to explain European regional integration and institution building.

<sup>25</sup> Walter Mattli, *The Logic of Regional Integration: Europe and Beyond* (Cambridge, 1999).

<sup>26</sup> Carlos R. Caichiolo, “The Mercosur Experience and Theories of Regional Integration”, *Contexto Internacional*, 39/1(2017), 117-34.

<sup>27</sup> See Moravcsik, *Choice for Europe*; Wayne Sandholtz and Alec Stone Sweet, eds., *European Integration and Supranational Governance* (Oxford, 1998) for more on their respective approaches.

<sup>28</sup> Börzel and Risse, “Grand theories of integration”, 1235.

<sup>29</sup> Ibid.

<sup>30</sup> Liesbet Hooghe and Gary Marks, “A Postfunctionalist Theory of European Integration: From Permissive Consensus to Constraining Dissensus”, *British Journal of Political Science*, 39/1(2009), 1-23.

<sup>31</sup> Amitav Acharya, “Regionalism Beyond EU-Centrism”, in Börzel and Risse, *Comparative Regionalism*, 109-130.

<sup>32</sup> Mahrukh Doctor, “Mercosur and the challenges of regional integration”, in *Oxford Research Encyclopedia – Politics* (Oxford, 2020).

<sup>33</sup> Andres Malamud, “Presidential Diplomacy and the Institutional Underpinnings of Mercosur: An Empirical Examination”, *Latin American Research Review*, 40/1(2005), 139.

<sup>34</sup> Andres Malamud, “Presidentialism and Mercosur: A Hidden Cause for A Successful Experience”, in Finn Laursen, ed., *Comparative Regional Integration: Theoretical Perspectives* (London, 2003).

<sup>35</sup> Malamud, “Presidential Diplomacy”, 138.

<sup>36</sup> Robert Putnam, “Diplomacy and domestic politics: The logic of two-level games”, *International Organization*, 42/3(1988), 427-60.

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<sup>37</sup> Andrés Malamud, “Mercosur and the EU: Comparative regionalism and inter-regionalism”, in *Oxford Research Encyclopedia – Politics*.

<sup>38</sup> Sérgio Danese, *Diplomacia Presidencial* (Rio de Janeiro, 1999).

<sup>39</sup> Malamud, “Presidential Diplomacy”; also see Gomez-Mera, *Power and Regionalism*.

<sup>40</sup> Sean Burges and Fabrício Chagas Bastos, “The importance of presidential leadership in Brazilian foreign policy”, *Policy Studies*, 38/3(2017), 277-90; Also, see Jeffrey Cason and Timothy Power, “Presidentialization, Pluralization, and the Rollback of Itamaraty: Explaining Change in Brazilian Foreign Policy Making in the Cardoso Lula Era”, *International Political Science Review*, 30/2(2009), 117-40.

<sup>41</sup> Jochen Prantl and Evelyn Goh, “Strategic Diplomacy in Northeast Asia”, *Global Asia*, 11/4(2016), 8-13; idem., “Why strategic diplomacy matters in Southeast Asia”, *East Asia Forum Quarterly* (April-June 2017), 36-39.

<sup>42</sup> Prantl and Goh, “Strategic Diplomacy in Northeast Asia”, 8.

<sup>43</sup> Jochen Prantl, “Reuniting strategy and diplomacy for twenty-first century statecraft”, *Contemporary Politics* (forthcoming 2021), 5.

<sup>44</sup> Goh and Prantl, “Why strategic diplomacy matters”; Acharya, “Beyond EU-Centrism”.

<sup>45</sup> Mahrukh Doctor, “Development banks as instruments of Brazilian strategic diplomacy”, *Contemporary Politics* (forthcoming 2021).

<sup>46</sup> On Unasur, see Briceño-Ruiz and Hoffmann, “Post-hegemonic regionalism”; Sanahuja, “Post-liberal regionalism”.

<sup>47</sup> Karl Kaltenthaler and Frank Mora, “Explaining Latin American economic integration: the case of Mercosur”, *Review of International Political Economy*, 9/1(2002), 72-97.

<sup>48</sup> Doctor, “Why Bother with Inter-regionalism?”. For a more sceptical evaluation of inter-regionalism’s impact, see idem., “Interregionalism’s impact”.