

What Kind of Interregionalism? The EU-Mercosur Relationship within the Emerging 'Transatlantic Triangle'

Emanuele Pollio



Bruges Regional Integration & Global Governance Papers



UNITED NATIONS
UNIVERSITY
CRIS

Comparative Regional Integration Studies

3 / 2010



Brugge

College of Europe
Collège d'Europe



NatoLin

Bruges Regional Integration & Global Governance Papers

3/2010

What Kind of Interregionalism? The EU-Mercosur Relationship within the Emerging 'Transatlantic Triangle'

Emanuele Pollio

© Emanuele Pollio 2010

Joint working paper series of the *EU International Relations and Diplomacy Studies* Department at the College of Europe and the *Comparative Regional Integration Studies Programme* of the United Nations University, Bruges

About the Author

Emanuele Pollio holds a Bachelor's degree in Political Science and International Relations from the University of Pisa, Italy, and a Master's degree in European Studies from the Université Libre de Bruxelles, Belgium, as well as a Master's degree from the College of Europe in Bruges, Belgium. This paper is based on his Master's thesis in EU International Relations and Diplomacy Studies presented at the College of Europe (2010, Charles Darwin Promotion).

Editorial Team:

Sieglinde Gstöhl, Luk Van Langenhove, Dieter Mahncke, Xinning Song

College of Europe | Dijver 11 | 8000 Bruges, Belgium | Tel. +32 (0)50 477 251 | Fax +32 (0)50 477 250 | E-mail info.ird@coleurope.eu | www.coleurope.eu/ird

UNU-CRIS | Grootseminarie Potterierei 72 | 8000 Bruges, Belgium | Tel. +32 (0)50 471 100 | Fax +32 (0)50 471 309 | E-mail director@cris.unu.edu | www.cris.unu.edu

Views expressed in the *BRIGG Papers* are those of the authors only and do not necessarily reflect positions of either the series editors, UNU-CRIS or the College of Europe.

Abstract

This paper analyzes the evolving interregional partnership between the European Union (EU) and Mercosur in the context of the changing systemic constraints of the “transatlantic triangle”. It examines to what extent the EU-US relationship constrains the European “governance externalization” strategy towards Mercosur, and how the rise of Brazil affects the competing EU-US interregional strategies vis-à-vis the Southern Cone. Building on a realist declination of the “new regionalist” approach, the paper argues that the changing power configuration of the “transatlantic triangle” has a twofold impact on EU-led interregionalism: first, in the absence of the US-linked structural pressures stemming from the negotiation process of the Free Trade Area of the Americas (FTAA), the EU is expected to reduce its commitment to the political strengthening of the EU-Mercosur interregional partnership; second, the rise of Brazil constitutes the key driver behind the European shift from “pure interregionalism” to “selective bilateralism”. As a generalizable conclusion, the systemic constraints imposed by the “transatlantic triangle” relationship on the EU-Mercosur interregional partnership entail a pessimistic outlook for interregionalism both as a long-term relational pattern and as a strategy to foster global governance based on “regionalized multilateralism”.

1. Introduction: the EU-US-Southern Cone “transatlantic triangle”

“Two foreign gentlemen court the beautiful Latina (Latin America). One, the European, is an old rich gentleman, cultured, polite and of delicate manners, but a little slow and hesitant. The other, the American, is a young billionaire, brave and adventurous, but lacking in manners, and he can be at times harsh and even brutal in his ways.”¹

Shaped by a prominently rising Brazil, the Southern Cone² is emerging as a crucial “point of intersection” of the EU-US “rival (inter)-regionalisms”.³ Since the early 1990s, the post-Cold War international systemic changes provided a set of structural incentives for the establishment of a veritable “politics of new regionalism” in the Americas.⁴ On the one hand, the US-led renewed “western hemispheric” policy, launched through the 1990 “Enterprise for the Americas” initiative, culminated in the deadlocked FTAA negotiations; on the other hand, the EU’s strategy of “governance externalization” towards Latin America implied European support to Latin American sub-regional integration processes, namely to the Southern Common Market (Mercosur⁵).

The triangular South American “politics of new regionalism” is more and more challenging the feasibility of the EU’s ambitions to project its intra-regional multilateral governance through specifically targeted interregional policies. Thus, in an analytical perspective, the Southern Cone sub-regional context provides the most illuminating case study to uncover both the geostrategic implications of the emerging EU-US

¹ A. Valladao, “Le triangle atlantique: l’émergence de l’Amérique latine dans les relations Europe-Etats-Unis”, *Les notes de l’Ifri*, no. 6, Paris, Institut Français des Relations Internationales, 1999, p. 6.

² As a preliminary geographic terminological clarification, the paper will refer to the notions as follows: “Latin America” encompasses the Iberian-speaking “cultural region” from Mexico to Tierra del Fuego; “South America” refers to “Latin America” with the exclusion of Mexico and the Caribbean; the notion of “Southern Cone”, which traditionally includes Argentina, Chile, Uruguay and Paraguay, will also embrace Brazil. Such an inclusive notion of “Southern Cone” is twofold justified: geographically, the “Southern Cone” includes the whole area south of the Tropic of Capricorn, thus the southern part of Brazil; geopolitically, the Mercosur integration process binds Brazil to an integrated Southern Cone South American sub-region.

³ See J. Van Scherpenberg and E. Thiel, *Towards Rival Regionalism? US and EU Regulatory Regime Building*, Baden-Baden, Nomos, 1998.

⁴ S. Santander, *Le régionalisme sud-américain, l’Union Européenne et les Etats-Unis*, Bruxelles, Editions de l’Université Libre de Bruxelles, Institut d’Etudes Européennes, 2007.

⁵ J. Gruegel, “New Regionalism and Modes of Governance: Comparing US and EU Strategies in Latin America”, *European Journal of International Relations*, 2004, vol. 10, no. 4, p. 604.

“interregional competition” and the empirical limits to the European conception of interregionalism as a paradigm to foster a global-governance system change.⁶

This paper aims to analyze EU-Mercosur interregional relations in the context of the diverging EU-US policies towards an increasingly Brazil-led Southern Cone. It addresses a twofold research question: to what extent does the EU-US relationship constrain the European interregional engagement with Mercosur; and how does the rise of Brazil affect the competing EU-US interregional strategies vis-à-vis the Southern Cone? It is argued that the transforming power configuration within the “(trans)-Atlantic triangle”⁷ has a twofold impact on the EU-Mercosur interregional project. First, in light of the EU-US interregional divergence, the EU policy of “governance externalization” towards Mercosur is likely to be reconciled within the framework of the transatlantic link or “Euro-America system”:⁸ in the absence of the structural pressures stemming from the FTAA negotiation process, the EU is expected to reduce its commitment to the “EU-ization of Mercosur”.⁹ Second, the rise of Brazil as an autonomous regional and global power is expected to affect both the EU and the US interregional projects for the governance of the Southern Cone. It constitutes the key driver behind the EU’s shift from “pure interregionalism” to “selective bilateralism”.

This paper analyzes new regionalism and interregionalism both as structural post-Cold War inter-state relational patterns and as a “conceptual frame for the comparison” of EU and the US policies towards the Southern Cone.¹⁰ It is assumed that international actors’ respective interregional policies are driven by both intra-regional and extra-regional factors. In particular, the EU, being a multilateral entity internally, is keen, in the absence of structural constraints, to “externalize” its internal

⁶ N.A. De Flers and E. Regelsberger, “The EU and Inter-regional Cooperation”, in C. Hill and K. Smith (eds.), *International Relations and the European Union*, Oxford, Oxford University Press, 2004, pp. 317-342.

⁷ When inventing the notion of “Atlantic Triangle” in 1951, Arthur Whitaker regretted the lack of a triangular Atlantic cooperative framework. See A. Whitaker cited in Santander, *op.cit.*, p. 52. This paper conceives the notion of “transatlantic triangle” as a set of three bi-regional relations, implying both cooperative and competitive dynamics.

⁸ S. McGuire and M. Smith, *The European Union and the United States: Convergence and Competition in the Global Arena*, Basingstoke, Palgrave Macmillan, 2008.

⁹ EU-ization is here operationalized as the extent to which the EU provides the “exporting forms of political organization and governance that are typical and distinct for Europe beyond the European territory”. See P. Olson, “The Many Faces of Europeanization”, *Arena Working Papers*, Oslo, 2001, http://www.arena.uio.no/publications/wp02_2.htm, retrieved 26/2/2010.

¹⁰ Gruegel, “New Regionalism and Modes of Governance”, *op.cit.*, p. 604.

binding multilateral model in dealing with other regions; in a similar fashion, the US, as a nation-state attached to a more traditional conception of sovereignty, approaches its interregional relations in a classical power-based perspective. Thus, contrary to the realist assumption implying the absolute separation between internal and external policy-making structures, interregionalism appears as an intrinsically “intermestic” phenomenon.¹¹

In addressing these research questions, the paper proceeds as follows. Section 2 will analyze the diverging EU-US models for the governance of the Southern Cone as opposed conceptual poles: on the one hand, the hub-and-spoke US-led “soft (inter)-regionalism”, which is exemplified by the FTAA project. On the other hand, the “deep” EU-backed interregional “equal partnership”, which “transcends power inequalities through supranational institution building”.¹² Section 3 addresses the implications of the changing power configuration of the “transatlantic triangle” on the EU-Mercosur relationship. A first sub-part identifies the US-linked systemic pressures and its effects, while a second sub-part analyzes the rise of Brazil and the EU’s shift from “pure interregionalism” to “selective bilateralism” through the 2007 EU-Brazil Strategic Partnership.¹³ The conclusions elaborate on what the South American case study can tell us in general about the emerging EU-US interregional competition and the feasibility of the EU-led project to foster a better global governance through interregional cooperation. In this sense, the transforming “transatlantic triangle” dynamics test the extent to which the EU-led interregionalism might evolve in a set of postmodern institutional frameworks as cornerstones of new multilateralism or whether the EU-backed model of pure interregionalism is destined to dissolve into a more flexible, but less ambitious, mix of bilateralism and region-to-region institutional arrangements.

¹¹ See J. Legro and A. Moravcsik, “Is Anybody Still a Realist?”, *International Security*, vol. 24, no. 2, 1999, pp. 5-55.

¹² J. Gruegel, “New Regionalism and Modes of Governance”, *op.cit.*, p. 609.

¹³ S. Santander, “EU-LA Relations: from Interregionalism to Selective Bilateralism?”, in C. Franck, J.C. Defraigne and V. Moriamé (eds.), *L’Union Européenne et la montée du régionalisme: exemplarité et partenariats*, Louvain-la-Neuve, Academia Bruylant, 2009, pp. 263-274.

2. The diverging EU-US interregional designs for the governance of the Southern Cone

This section aims to provide a comparative analysis of the EU-US competing interregional models for the governance of the Southern Cone. In order to categorize the different "ideal types" of interregional cooperation at the international level, the section builds on Heiner Hänggi's distinction between 1) "deep" or "pure interregionalism", characterized by the relations between deeply integrated regional groupings; 2) "transregionalism", characterized by region-to-region interactions both at the governmental level and at the level of the civil society; and 3) "soft" or "quasi-interregionalism", including hybrid sets of relations between weakly institutionalized regional groupings and single great powers.¹⁴

Thus, the chapter scrutinizes the EU and US respective interregional projects in an analytical continuum between "soft (inter)-regionalism", close to the American policy preferences, and "deep (inter)-regionalism", embodied in the EU governance externalization strategy towards Mercosur. Sub-chapter 2.1 systematizes the US interregional ideal type in terms of "soft hub-and-spoke neo-hegemonic interregionalism", with specific reference to the historic and contemporary US (inter)-regional strategies towards South America. Sub-chapter 2.2 outlines the European ideal-type of interregional relations in terms of a deeply institutionalized interregional partnership. The EU-US interregional divergence implies the promotion of an EU-like and a NAFTA-like governance for the Southern Cone, in line with diverging EU-US geo-strategic interests.

2.1 The US hub-and-spoke interregional paradigm: combining new regionalism and Panamericanism

Historically, the United States has hardly conceived regionalism as an integral part of its foreign economic policy. Indeed, the rapid development of a North American regional concept in the late 1980s partly originated from an American reactive attitude vis-à-vis the completion of the Single European Market:¹⁵ as Mario Telò has

¹⁴ H. Hänggi, "Interregionalism: Empirical and Theoretical Perspectives", St. Gallen, University of St. Gallen, 2000, [http://www.ipw.unisg.ch/org/ipw/web.nsf/SysWebRessources/h%C3%A4nggi/\\$FILE/Haenggi.pdf](http://www.ipw.unisg.ch/org/ipw/web.nsf/SysWebRessources/h%C3%A4nggi/$FILE/Haenggi.pdf), retrieved 24/10/2009, p. 3.

¹⁵ Alberta Sbragia defines this reactive American regionalist attitude as a "domino effect" of the European regionalism. See A.M. Sbragia, "European Union and NAFTA", in M. Telò (ed.), *European Union and New Regionalism: Regional Actors and Global Governance in a Post-hegemonic Era*, Aldershot, Ashgate, 2007, p. 156.

pointed out, the creation of NAFTA constituted a major turning point in the American foreign economic policy, whereby the US “resigned itself to regionalism”.¹⁶

Such an abrupt conversion to regionalism is linked to what Robert Gilpin defines as a “neo-hegemonic attitude”:¹⁷ once acknowledged the relative decline of the post-war US hegemonic cycle (which is conventionally linked to the collapse of the Bretton Woods system), the US engaged with an assertive grand design, aimed at promoting a network of “hub-and-spoke” regional trade agreements.¹⁸ The “unipolarism through new regionalism” strategy targeted two main regional contexts. First, since the early 1990s the greatest priority for the US foreign economic policy remained the East Asian exchequer, where the alleged negative impact of “fortress-type” trade agreements led to the foundation of the Asia-Pacific Economic Cooperation (APEC) interregional dialogue forum. Second, with respect to the Latin American context, the 1990 bipartisan “Enterprise for the Americas Initiative” implied the corroboration of the US dominance in what the Monroe Doctrine portrayed as a “US courtyard”.

The peculiar combination of “new regionalism” and “Panamericanism” largely defines the US interregional policy towards South America, which may be summed up by the formula of “soft hub-and-spoke neo-hegemonic interregionalism”.¹⁹ The most tangible manifestation of this specific US interregional attitude is retraceable in the US-backed proposal of a Free Trade Area of the Americas. The project of a western hemispheric continental free trade area was officially launched under the Clinton Administration at the Organization of American States Summit of Miami in 1994, but gained public attention only at the Quebec City Summit in 2001, under the G.W. Bush Administration. The FTAA project sought to enforce the US-led neo-liberal globalization according to the “open regionalism doctrine”.²⁰

Hence, the US-led interregionalism was instrumentally conceived to open traditionally protectionist markets (such as Mexico and the Southern Cone), as well as to establish a form of continental *Pax Americana* in the post-Cold War pro-liberal

¹⁶ M. Telò, *Europe: a Civilian Power?, European Union, Global Governance, World Order*, Basingstoke, Palgrave Macmillan, 2006, p. 149.

¹⁷ See R. Gilpin, *War and Change in World Politics*, Cambridge, Cambridge University Press, 1981, pp. 17-18.

¹⁸ On the US post-Cold War grand strategy see E.B. Kapstein. and M. Mastanduno (eds.), *Unipolar Politics: Realism and State Strategies after the Cold War*, New York, Columbia University Press, 2003, pp. 319-352.

¹⁹ Santander, *Le régionalisme sud-américain, l'Union Européenne et les Etats-Unis*, op.cit., p. 6.

²⁰ F. Bergsten, “Open Regionalism”, *The World Economy*, vol. 20, n0. 5, 1997, pp. 545-565.

climate, where the triumph of free market governance was epitomized by the idea of the "end of History".²¹ In a realist perspective, a Panamerican US-led sphere of influence represented the only credible counterweight to the emerging European and East Asian economic poles. American-led interregionalism under the G.W. Bush Administration abandoned the "identity-building" logic, which was a mark of previous American-driven regional and interregional constructions.²² The weak institutionalization and the perpetuation of power asymmetries and trade imbalances within US-backed regional cooperation frameworks constituted a fundamental feature of the neo-conservative interregional concept, which implied the establishment of US influence in so called "porous regions".²³ According to Hänggi's categorization, US-led interregionalism is better described as "soft interregionalism" through which the only remaining superpower cultivates a series of hybrid relations with weakly institutionalized regional groupings.²⁴

The traditional American skepticism about regional cooperation played a significant role in shaping the hybrid character of the US-preferred "soft interregionalism". The low degree of institutionalization of US-led interregional cooperation is directly linked to the US preference for soft intra-regional cooperation in North America. Unlike the European regionalism, the North American regionalization process through NAFTA does not present any implication in terms of supranational power delegation and sovereignty pooling. Indeed, the US mistrust for pooled and shared sovereignty is inextricably related to what Robert Keohane has defined as the "Euro-American sovereignty divergence".²⁵

Therefore, the US has negatively regarded identity-building regional integration in Latin America, where a deliberate divide-and-rule policy was put in place since the 1960s. Empirical evidence of such US hostility towards South American regionalism is to be found in the American controversial approach towards the Council for Economic Cooperation in Latin America (CECLA) and the Andean Pact.

²¹ F. Fukuyama, *The End of History and Last Man*, New York, Harper, 1992.

²² Unlike the G.W. Bush Administration's conception of "new regionalism", the long-term project of the Clinton Administration's regional policy was the establishment of a North American Community which could have eventually led to a new interregional paradigm, similar to the European one. See R.A. Pastor, *Toward a North American Community: Lessons from the Old World to the New*, Washington, DC, Institute for International Economics, 2001.

²³ P. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium*, Ithaca, Cornell University Press, 2005.

²⁴ Hänggi, "Interregionalism", op.cit., p. 3.

²⁵ R. Keohane, "Ironies of Sovereignty: The European Union and the World Order", *Journal of Common Market Studies*, vol. 40, no. 4, 2002, pp. 743-765.

Furthermore, as Johan Gruegel has argued, a consistent correlation exists between the US-led "soft regionalism" and the US-led "soft interregionalism",²⁶ whereby NAFTA can be seen as an intermediary step towards an FTAA.²⁷ In Mario Telò's words, "the FTAA interregional project can be seen as a continental-size NAFTA, which interprets regionalism through the minimalist vision of the US".²⁸

In sum, the American ideal type of (inter)-regional cooperation is characterized by three key features: 1) the insertion of interregionalism in a global neo-hegemonic and neo-liberal grand strategy, 2) the hub-and-spoke structure of US-led interregional cooperation, and 3) the soft degree of institutionalization of both intra-regional and interregional cooperation frameworks. The ideational foundation of this peculiar US approach to "new regionalism" lies in the institutional philosophy underpinning the creation of NAFTA. In this sense, FTAA might be seen as a NAFTA-like interregional project.

2.2 The European model of interregional equal partnership: between myth and reality

The worldwide promotion of regional and interregional cooperation frameworks has constantly represented an identifying mark in EU external relations.²⁹ Since the 1970s, the European Commission has supported the creation and consolidation of regional groupings, notably in the framework of the Community-driven development cooperation policy.³⁰ The European support to regional cooperation, as part of a distinctive European approach to the promotion of regional stability and economic development, encompassed a wide geographical scope.

The patterns of the EU's global projection gradually evolved into a new paradigm of external interaction. The development of the EU-driven interregional relations resulted in several forms of "association" between regional groupings, which engendered a plethora of region-to-region cooperative frameworks and dialogue fora.³¹ The rise of interregionalism in EU external relations has been powerfully outlined by Aggarwal

²⁶ Gruegel, "New Regionalism and Modes of Governance", op.cit., pp. 603-626.

²⁷ W. Grabbendorf, "Biregionalism and US Policy towards Latin America", in W. Grabbendorf and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Nomos, Baden-Baden, 2005, p. 152.

²⁸ Telò, "Europe: a Civilian Power?", op.cit., p. 135.

²⁹ See M. Farrell, "The EU and Interregional Cooperation: in Search of Global Presence?", *UNU-CRIS Working Papers*, no. 9, Bruges, United Nations University, 2004.

³⁰ See L. Bartels, "The Trade and Development Policy of the European Union", *European Journal of International Law*, vol. 18, no. 4, 2007, pp. 715-756.

³¹ De Flers and Regelsberger, "The EU and Inter-regional Cooperation", op.cit., p. 322.

and Fogarty, which defined the European Union as the “patron saint of interregionalism”³² in international economic relations.

Interregionalism has represented a way to “externalize” the European regional governance.³³ The spreading of European standards and norms through the multiplication of region-to-region regulatory dialogues remains the most advanced instrument of European “normative influence” in an increasingly globalized world.³⁴ Such a “governance externalization” strategy has been either apologetically backed as a way to promote a “civilized” global multilateral market governance³⁵ or critically denounced as a form of “soft imperialism”.³⁶

As a European *trait distinctif* in the conduct of international relations, the promotion of regional and interregional cooperation is driven by two sets of determinants, the first empirical and the second theoretical. As far as the European administrative practice is concerned, the European Commission managed to focus, in a public rational-choice perspective, on the economic, political and social aspects of regional integration, where it could enjoy a comparative advantage over national diplomacy. Interregionalism appears as the most powerful tool to frame the European identity at the international level. As Regelsberger and De Flers have pointed out, “the logic of interregional cooperation derives from the successful European model”.³⁷ As a matter of fact, the promotion of regional cooperation through inter-regional dialogue fora has ensured a two-way process of legitimization of the EU’s external identity. In this sense, interregionalism has shaped not only the peculiarly European “structural foreign policy”,³⁸ but also the EU-level public diplomacy.³⁹

³² V. Aggarwal and E.K. Fogarty, “The Limits of Interregionalism: The EU and North America”, *Journal of European Integration*, vol. 27, no. 3, 2005, pp. 327-346.

³³ See K. Nicolaidis and M. Egan, “Transnational Market Governance and Regional Policy Externality: Why Recognize Foreign Standards?”, *Journal of European Public Policy*, vol. 8, no. 3, 2001, p. 454.

³⁴ Z. Laïdi, *La norme sans la force*, Paris, Presses de Sciences Po, 2ème édition, 2008, pp. 17-93.

³⁵ Telò (ed.) *The European Union and Global Governance*, op.cit.

³⁶ B. Hettne, “Interregionalism and World Order: The Diverging EU and US Models”, in M. Telò (ed.), *European Union and New Regionalism: Regional Actors and Global Governance in a Post-hegemonic Era*, Aldershot, Ashgate, 2007, pp. 107-123.

³⁷ De Flers and Regelsberger, “The EU and Inter-regional Cooperation”, op.cit., p. 319.

³⁸ S. Keukeleire and J. MacNaughtan, *The Foreign Policy of the European Union*, Basingstoke, Palgrave Macmillan, 2008.

³⁹ On the interregionalism cooperation as a “brand” for European-level public diplomacy, see S.B. Rasmussen, “Discourse Analysis of EU Public Diplomacy: Messages and Practice”, *Discussion Paper in Diplomacy*, no. 115, The Hague, Clingendael, July 2009.

Though neglected in the first phase of European “regionalist” policies (1970-1980s), the Latin American context gradually gained European policymakers’ attention. Following the accession of Spain and Portugal to the European Community (EC), South America increasingly constituted a veritable “laboratory” of European-led regional and interregional constructions. Following the first generation of region-to-region dialogue fora, which were established at the ambassadorial level through an Italian-Argentine Memorandum of 1968 opening the path towards a CECLA-EC dialogue,⁴⁰ the European interregional policy towards Latin America rapidly grew both qualitatively and quantitatively.

Departing from the US-led hub-and-spoke interregional model, which implied the destabilization of Latin American identity-building regional cooperation projects, the EU proposed the concept of “balanced equal partnership”. Since the early 1990s, a variety of complex interregional cooperative frameworks were established to help consolidating Latin American sub-regional integration. In particular, the EU decided to prioritize its support in favor of three sub-regional groupings, namely the Andean Pact, the Central American Common Market (CAMC) and, above all, Mercosur. The 1995 EU-Mercosur Interregional Framework Cooperation Agreement (EMIFCA) represented the first and most advanced example of pure interregionalism. The agreement, which came into force after the institutional strengthening of Mercosur through the Treaty of Ouro Preto (1994), still governs the relations between the two regional groupings and foresees the gradual achievement of a “EU-Southern Cone Free Trade Area”.

What is more, in spite of the marginal South American contributions to the Common Foreign and Security Policy,⁴¹ the European Security Strategy mentions Latin American sub-regional cooperation efforts, together with South-East Asian ones, as central elements of a “more orderly world”.⁴² This is why, according to Raimund Seidelmann, “the EU-Mercosur interregionalism constitutes the most elaborated,

⁴⁰ Santander, *Le régionalisme sud-américain, l'Union Européenne et les Etats-Unis*, op.cit.

⁴¹ As a partial mitigation of the irrelevance of Latin America in the framework of CFSP, one might mention Chile’s participation in the European Security and Defence Policy, as foreseen by the EU-Chile Association Agreement.

⁴² Council of the European Union, *European Security Strategy, A Secure Europe in a Better World*, 2003, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>, retrieved 14/10/2009, p. 10.

political ambitious, and the most challenging case of interregionalism vis-à-vis the US".⁴³

Theoretically anchored in the model of deep interregionalism, the European model for the governance of the Southern Cone might be outlined according to the following intra-regional and global implications: 1) intra-regionally, the EU has clearly emphasized a policy preference for the institutional strengthening of regional integration organizations towards a model of deep regionalism; 2) globally, the EU sees region-to-region cooperation as an instrument to promote a more balanced and pluralistic world order, based on the development of a "regionalized multilateralism".⁴⁴ Indeed, interregionalism appears as "a stepping stone to push global governance, because it aims towards interest adjustments, common policies and multilateral cooperation".⁴⁵ From this perspective, EU-Mercosur pure interregional relations constitute a decisive test for the overall viability of the EU conceptions of interregionalism.

To recapitulate, the EU-US regional and interregional ideal types are driven by opposed "institutional philosophies", linked to diverging conceptions of sovereignty. The US clearly saw the FTAA as an instrument to dilute regionalization in Latin America, thus preventing Mercosur from evolving in European-like terms. Both the US hub-and-spoke interregionalism and the EU-Mercosur interregional partnership are currently facing a transforming power configuration within the "transatlantic triangle" system. As Grabbendorf puts it, "the US-EU position in Latin America is much more affected by the emerging autonomous South American regionalism than one would think possible".⁴⁶

The EU-US interregional rivalry in the Latin American Southern Cone is driven by both relative power reasoning and diverging institutional philosophies. As Smith and McGuire have pointed out, the emergence of "rival interregionalisms" on the two

⁴³ R. Seidelmann, "EU-Latin American Bi-regionalism as Object and Subject of Global Change", in W. Grabbendorf and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Nomos, Baden-Baden, 2005, pp. 11-43.

⁴⁴ Björn Hettne defines the same concept as "multi-regionalism". See B. Hettne, "Regionalism and World Order", in M. Farrell, B. Hettne and L. Van Lagenhove (eds.), *Global Politics of Regionalism: Theory and Practice*, London, Pluto Press, 2005, pp. 269-285.

⁴⁵ K. Westphal, "Biregionalism: Projecting a New Pattern of Governance? EU's Relations with Latin America", in W. Grabbendorf and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Nomos, Baden-Baden, 2005, p. 194.

⁴⁶ Grabbendorf, "Biregionalism and US policy towards Latin America", op.cit., p. 219.

sides of the Atlantic is the most relevant aspect of an alleged 21st century transatlantic rift.⁴⁷ Arguably, the future geo-economic relevance of Mercosur makes regionalism and interregionalism key elements to understand the long-term evolution of the transatlantic relationship. In this sense, the evolving “transatlantic-triangle” power configuration seems a particularly promising perspective to analyze the present and future role of the European Union in the Southern Cone.

3. The EU-Mercosur pure interregional relationship in the bounds of the “transatlantic triangle” system

This section aims to assess the extent to which the systemic constraints⁴⁸ of the “transatlantic triangle” might impact the EU-Mercosur interregional relationship. In order to analyze the EU-US relationship as a constraining determinant of EU-led interregionalism, the chapter first identifies the systemic pressures provided by the transatlantic relations on the EU’s South American policy as well as its expected consequences. Second, it covers the main structural aspects linked to the rise of Brazil. The analysis will develop along two systemic dimensions: from an intra-regional perspective, the rise of Brazil is analyzed as a constraint to the institutional deepening of the Southern Cone regional integration process and as a limit to both “NAFTA-ization” and “EU-ization” of Mercosur. From an inter-regional perspective, the chapter will examine Brazil’s regional and global assertiveness as a constraint to both FTAA and EU-Mercosur interregional relations.

3.1 The EU-US system as a structural constraint to the EU-Mercosur interregional partnership

3.1.1 Systemic pressures: the logic of EU-US “rival regionalisms”

As far as the EU-US rival regional trade policies are concerned, the weight of the “US factor” in determining the EU’s interregional policy towards the Southern Cone should be critically scrutinized. Arguably, the European Union’s contractual trade policy is shaped by a complex mix of internal and external pressures, analytically

⁴⁷ McGuire and Smith, *The European Union and the United States*, op.cit.

⁴⁸ The concepts of “EU-US system” and “Euro-American system” are interchangeably applied by Smith and McGuire to the EU and US diverging (inter-)regional policies at the global stage. Nonetheless, the “EU-US system” is more focused on trade policy, while the notion of “Euro-American system” is broadly applied to the transatlantic political links. See McGuire and Smith, *The European Union and the United States*, op.cit.

synthesized by the "multi-level game" metaphor.⁴⁹ In particular, the weight of internal decision-making procedures makes the EU's trade policy largely dependent on inward-looking dynamics rather than outward-looking strategic reasoning.

However, empirical evidence of US-linked systemic pressures is observable in the framework of the respective EU-US "governance externalization" strategies towards the Southern Cone. Unlike static relative trade positions, the US fears about the alleged Europeanization of South American regulatory standards led to a US divide-and-rule policy vis-à-vis Mercosur: through a set of bilateral relationships, the US relied on countries such as Argentina in the 1990s which apply the doctrine of "realismo periférico".⁵⁰ The American strategy aiming at NAFTA-ization and fragmentation of Mercosur clearly limits the European Commission's efforts towards the strengthening of a binding multilateral intra-regional market governance in the Southern Cone.

Second, if new regionalism is to be analyzed as a multidimensional and "extroverted" political phenomenon, i.e. beyond its trade and economic focus, then it is clear the EU-US competing geopolitical designs lie behind their respective Latin American policies.⁵¹ In particular, political pressures on the European pure interregional pattern towards Mercosur arise from the US western hemispheric geostrategic design, which, in line with the "New Monroe Doctrine", tries to combine both Panamericanism and "interregionalism without supranational institution building".⁵² The American tactical employment of "selective bilateralism", which targeted Chile, Colombia and Argentina, seems to be functional to pursue such a Mercosur-diluting policy; in particular during the 1990s Argentina's shift from a confrontational anti-American foreign policy to the policy of "realismo periférico" adopted by the Menem Administration⁵³ favored the establishment of a "privileged" US-Argentine partnership, which culminated in the 1994 American proposition to

⁴⁹ See A. Young, "What Game? By Which Rules? Adaptation and Flexibility in the EC's Foreign Economic Policy", in M. Knodt and S. Princen (eds.), *Understanding the European Union's External Relations*, London, Routledge, 2003, pp. 54-71.

⁵⁰ With reference to the triangular relationship between the US, Argentina and Brazil, Escudé defines as "realismo periférico" the rational choice of bandwagoning global powers against the influence of a potentially rising regional power. C. Escudé, "Realismo periférico- una filosofía de política exterior para estados débiles", Buenos Aires, Universidad del CEMA, 2009.

⁵¹ See Telò, "Globalisation, New Regionalism and the Role of the European Union, op.cit., pp. 7-13.

⁵² T.G. Carpenter, "A New Monroe Doctrine", *The National Interest*, 21 September 2009, <http://www.nationalinterest.org/Article.aspx?id=22208>, retrieved 15/2/2010.

⁵³ See Escudé, "Realismo periférico- una filosofía de política exterior para estados débiles", op.cit.

integrate Argentina in the NAFTA Agreement.⁵⁴ Likewise, the consolidation of the US-Chilean relations during the late 1990s, which have been bolstered by a bilateral free trade agreement (FTA) in 2003,⁵⁵ was functional to prevent a deepened participation of Chile to Mercosur beyond its provisional status of associated country.

Quite interestingly, instead of favoring Chile's integration with Mercosur, the EU responded to the US selective bilateral approach through a parallel bilateral FTA, concluded in 2002.⁵⁶ Such a reactive European approach hastened the emerging departure from pure interregionalism to more flexible cooperation frameworks. As a matter of fact, a partial shift to bilateralism was a pre-condition to start FTA negotiations with Chile, which, after Mexico, was given the status of a frontrunner in trade liberalization, in light of its commitment to democratic consolidation and free market reforms.

As a result, there is ample empirical evidence highlighting the relevance of the "US factor" in shaping the European interregional policy towards the Southern Cone. More precisely, the structural pressures provided by the transatlantic link to the EU-led interregionalism can be observed as a constraint on the EU's "governance externalization" policy as well as on the EU's commitment to interregional "bloc building" strategy.

3.1.2 The consequences of the Euro-American system constraints on EU-led interregional policy towards the Southern Cone

As a consequence of US-linked systemic pressures, the EU shaped its South American trade policy through the acceleration of bilateral and interregional FTA negotiations. Undoubtedly, a "domino effect" dynamic moved EU and US regional trade policies towards Latin America.⁵⁷ As a matter of fact, a parallelism between EU and US preferential trade negotiations occurred in the framework of several sub-regional contexts, i.e. Mexico, Chile, the Caribbean Community and Mercosur. As Garcia puts

⁵⁴ Santander, *Le régionalisme sud-américain, l'Union Européenne et les Etats-Unis*, op.cit., p. 153.

⁵⁵ On the significance of the US-Chile FTA for the American trade policy, see G.W. Harrison, T.F. Rutherford and D.G. Tarr, *Chile's Regional Arrangements and the Free Trade Agreement of the Americas: The Importance of Market Access*, World Bank Research Working Paper, no. 2634, Washington, DC, 2001.

⁵⁶ The EU-Chile negotiations were not by chance accelerated in order to let the EU enter the Chilean market before the US.

⁵⁷ See R. Baldwin, "A Domino Theory of Regionalism", *CEPR Discussion Paper*, no. 857, London, CEPR, 1993.

it with specific reference to the EU-Chile Association Agreement, "more than the economic advantage of EU business, the prospects of entering that [Latin American] lucrative market before the USA seem to be the main justifications for the efforts expended on the negotiation of a FTA".⁵⁸

This observation could be generalized to the EU-Mercosur interregional free trade negotiations, which have been seen as a reactive European response to the start of the FTAA process after the 1991-1992 US-led bilateral talks.⁵⁹ The timing of the successive EU-US FTA negotiations with Latin American sub-regional and bilateral partners constitutes the most valid indicator of the "domino effect" dynamic. More accurately, it shows that the US proactive trade strategy towards Latin America is in direct correlation with the EU's acceleration of negotiations of regional trade agreements.⁶⁰ In Alan Hardacre's words, "the fluctuations in negotiations between the FTAA and EU-Mercosur are closely linked. As FTAA negotiations have speeded up, or slowed down, EU negotiations with Mercosur have followed suit".⁶¹ There is ample empirical evidence that the number of formal and informal EU-Mercosur contacts nearly doubled during the years 2001-2003 when FTAA was speeding up; moreover, not by chance, the most significant tariff offer between the parties took place during the 9th interregional round of negotiations in March 2003.⁶²

Furthermore, the exogenous pressures exercised by the complex relationship between regionalism and multilateralism offer an additional explanatory driver behind the EU-US regional trade policies towards Latin America.⁶³ Arguably, the pursuit of EU-US concomitant regional trade negotiations with an increasingly Brazil-led Mercosur has been shaped by the persistent stalemate of the WTO Doha Round, where Brazil played a key role within the Group of 20, which adopted an offensive

⁵⁸ M. Garcia, *Trade in EU Foreign Relations: The EU-Chile Free Trade Agreement*, Post-Graduate Conference on European Foreign Policy, London, LSE, 2-4 July 2004.

⁵⁹ See R. Bouzas, "Las negociaciones comerciales externas de Mercosur: administrando una agenda congestionada", in R. Roett (ed.), *Mercosur: integracion regional y mercados mundiales*, Buenos Aires, Altamira, 2002.

⁶⁰ P. Guerrieri and I. Caratelli, "EU's Regional Trade Strategy, the Challenges Ahead", *The International Trade Journal*, vol. 20, no. 2, 2006, pp. 139-184.

⁶¹ A. Hardacre, *The Rise and Fall of Interregionalism in EU External Relations*, Dordrecht, Republic of Letters Publishing, 2010, p. 90.

⁶² *Ibid.*, p. 197.

⁶³ The academic literature on the relationship between regionalism and multilateralism has flourished during the 1990s, either in a positive axiological connotation, seeing regionalism as a liberalizing phenomenon, or in a negative sense, seeing regions as "stumbling blocs" or fortresses. See, as paradigmatic contributions, J. Bhagwati, *The World Trading System at Risk*, Princeton, Princeton University Press, 1991; and F. Bergsten, "Open Regionalism", *The World Economy*, vol. 20, no. 5, 1997, pp. 545-565.

stance in negotiations on the liberalization of trade in agriculture. Of course, the paralysis of multilateral negotiations pushed both the European and the American trade policies towards Mercosur. Nevertheless, in the short term, the uncertain fate of the Doha Round raises the question whether the transatlantic competitive trends might be considered as a *longue durée* tendency or whether they are more likely to act as an underpinning of transatlantic economic relations, if the Doha Round was successfully completed.⁶⁴

As a partial *caveat*, chronology should not be confused with causality. In light of the described multi-causality in EU-led interregional trade policies, the correlation between the US-linked pressures and the EU's acceleration of its preferential trade policy towards Latin America, is hardly univocal. However, a clear short-term consequence seems to emerge: as Hardacre puts it, "since FTAA talks have derailed, EU-Mercosur have not been able to capitalize".⁶⁵ Nonetheless, closer attention to long-term effects might represent a better guide to understand the role of the "Euro-American System" in constraining the EU-Mercosur pure interregional project.

Whit this *caveat* in mind, it is likely that the institutional outcome of EU-Mercosur relations will reside in a flexible and hybrid model of "quasi-interregional" cooperation, closer to the US policy preference for "soft interregionalism". Once again, there is a gap between the EU's integrationist philosophy and the political reality of EU-Mercosur interregional relations, decisively shaped by the constraints of the "EU-US system". Mercosur has not adequately followed the EU-backed programs of institutional strengthening and customs union's consolidation. Analytically, the Mercosur regional polity remains inadequate to both EU-led deep interregionalism and US-led soft interregionalism. Far from the EU deep integrationist philosophy, Mercosur does not derive from genuinely transnational forces, but from a mere intergovernmental logic, which Malamud describes as Southern Cone "presidential diplomacy".⁶⁶ Nonetheless, unlike the North American regional model, Mercosur has irreversibly evolved beyond a merely trade-based construction, as it aspires to become a perfect customs union and a political "identity-building" bloc. On the

⁶⁴ See A. Valladao and P. Guerrieri (eds.), *EU-Mercosur Relations and the WTO Doha Round: Common Sectoral Interests and Conflicts*, Paris, Presses de Sciences Po, 2006.

⁶⁵ Hardacre, *The Rise and Fall of Interregionalism in EU External Relations*, op.cit., p. 91.

⁶⁶ A. Malamud, "Presidentialism in the Southern Cone: A Hidden Cause for a Successful Experience", in F. Laursen (ed.), *Regional Integration, Theoretical Perspectives*, Aldershot, Ashgate, 2003, pp. 53-73.

whole, Mercosur's paths of interregional cooperation are likely to continue to oscillate between the EU and US diverging models.

Bearing in mind the fundamental distinction between chronology and causality in regional and interregional trade negotiations, it is clear that EU-Mercosur relations are not mono-directionally constrained by the bounds of the Euro-American system. For this reason, an in-depth analysis of the structural constraints linked to the rise of Brazil is indispensable to clarify the implications of the changing "transatlantic triangle" power configuration and the alleged trends of the Southern Cone politics of new regionalism.

3.2 The rise of Brazil and its impact on the Southern Cone politics of new regionalism

3.2.1 The impact of Brazil's emergence on EU-US competing interregionalisms

The EU has consistently supported the institutional strengthening of Mercosur as a deeply institutionalized regional polity and a veritable interregional partner. Nevertheless, the transforming intra-regional dynamics within the Southern Cone are increasingly pressing the European Commission to adjust its traditional regional integration assistance policy. Such a recent policy adjustment essentially aims to take into account the emergence of Brazil's regional leadership. As Eleonora Mesquita Ceia has pointed out, "Brazil's engagement with Mercosur can be described as ambivalent".⁶⁷ On the one hand, Brazil has looked at the experience of the European integration process to foster a highly institutionalized regional cooperation framework in the Southern Cone. On the other hand, Brazil "has been systematically putting the brakes on the bloc's institutional development towards a supranational structure".⁶⁸

From a political perspective, Brazil is displaying an assertive intra-regional leadership which hinders the internal evolution of Mercosur both in EU-like and in NAFTA-like terms. In terms of intra-regional power structure, asymmetry is destined to widen

⁶⁷ E. Mesquita Ceia, "The New Approach of the European Union towards Mercosur: What is Behind the Launch of the Strategic Partnership with Brazil and What Are Its Chances of Being Effective?", paper presented at 2008 GARNET Conference, Brussels, <http://www.docstoc.com/docs/20879064/2008-GARNET-Conference-The-EU-in-International-Affairs>, p. 1.

⁶⁸ Mesquita Ceia, "The New Approach of the European Union towards Mercosur", op.cit., p. 13.

within Mercosur.⁶⁹ Indeed, Brazil increasingly views Mercosur not as an integrationist objective *per se* but as a means to pursue other foreign policy objectives, such as a reinforcement of its bargaining power at the international stage. Malamud and Castro define this “ideational gap” as the intra-Mercosur cognitive dissonance between “existentialists” and “instrumentalists”.⁷⁰ In particular, Malamud argues that the phenomenon of cognitive dissonance in Latin America “is aggravated by a historical propensity towards ‘magical realism’ and high rhetoric. Even though Mercosur was created to mitigate such tendencies, it has been lately drifting back again towards magical realism”.⁷¹

In the framework of an emerging realist foreign policy approach, regional integration can be considered as an instrument to enhance Brazil’s international actorness and its relative bargaining power in multilateral and interregional negotiations. Brazil’s regional leadership in the South American politics of new regionalism can be defined, through a realist declination of the new regionalist approach, as “intra-regional hegemony”.⁷² As a combined consequence of its new realist approach to international politics and its intra-regional hegemony, Brazil is gradually implementing a “policy of concentric circles” in Latin America, which hinders the European approach of pure interregionalism.

In practice, the Brazilian approach to the integration of South America presents fundamental discrepancies with the EU-backed regional integration assistance policy. In multiplying regional integration initiatives in South America Brazil clearly diverts political and economic resources from the EU-preferred institutional strengthening of Mercosur. Moreover, far from the European “existentialist” connotation of regional cooperation, Brazil’s realist declination of new regionalism implies the tactical use of interregionalism in order to increase bargaining power within multilateral fora. Brazil does instrumentally conceive its own hybrid interregional

⁶⁹ Santander, *Le régionalisme sud-américain, l’Union Européenne et les Etats-Unis*, op.cit., Appendix 1.

⁷⁰ A. Malamud and P. Castro, “Are Regional Blocs Leading from Nation States to Global Governance? A Skeptical View from Latin America”, *Iberoamericana, Nordic Journal of Latin American and Caribbean Studies*, vol. 37, no. 1, pp. 115-135.

⁷¹ A. Malamud, “The internal agenda of Mercosur: interdependence, leadership and institutionalization, in J. Grace (ed.), *Los nuevos enfoques de la integración: más allá del regionalismo*. Quito, FLACSO, 2008, pp. 115-35.

⁷² The role of the regional hegemon in leading the main intra-regional integration dynamics is highlighted by the realist school of thought, namely with reference to the European Franco-German axis and to the role of the US in North America. See R. Gilpin, *The Political Economy of International Relations*, Princeton, Princeton University Press, 1987.

relations both in the economic and trade field, such as at the WTO, and in the security sphere, such as at the UN. As a member of both North-South and South-South interregional cooperation frameworks (and in particular IBSA – India-Brazil-South Africa), Brazil conceives itself as a bridge between developed and developing countries, which enhances its negotiating power thanks to its pivotal position.

As a consequence of President Lula's assertive leadership, Brazil successfully circumvented the FTAA process at the 2005 Summit, where the Brazilian dilatory approach has practically deadlocked the FTAA negotiation process.⁷³ As Grabbendorf has rightly pointed out,⁷⁴ the Lula Administration was not unconditionally hostile to FTAA, but interpreted it in a very different way than the US did: while the US pushed for a hub-and-spoke network which should have eventually resulted in trade liberalization in the western hemisphere, Brazil adopted a more gradual two-steps approach: first, through the creation of a South American Free Trade Area (SAFTA), Mercosur and the Andean Pact would liberalize trade between themselves; and only at a second stage a unified South American bloc could eventually start to negotiate with NAFTA countries on an equal basis.

From a systemic perspective, the Brazil-led deadlock of FTAA impacted the EU-Mercosur interregional trade negotiations as it deprived the EU from a structural pressure to pursue the negotiations. As the FTAA is no longer to be considered as a threat for the EU, the role of the EU as "external unifier" for the Mercosur regional bloc has consequently declined.

3.2.2 From pure interregionalism to selective bilateralism: the 2007 EU-Brazil Strategic Partnership and its impact on EU-Mercosur interregional relations

Moving to the impact of Brazil-linked constraints on the EU-Mercosur interregional relations, one might argue that the 2007 EU-Brazil Strategic Partnership provides evidence of a changing European approach towards South America, namely through the alleged shift from pure interregionalism to selective bilateralism.⁷⁵ In Mesquita Ceia's words, the EU-Brazil Strategic Partnership "represents a clear change in EU strategy for dealing with Mercosur, since the Europeans have always favored a

⁷³ Ibid.

⁷⁴ Grabbendorf, "Biregionalism and US Policy towards Latin America", op.cit., p. 149.

⁷⁵ See in particular Santander, "EU-LA Relations", op.cit.

multilateral bloc-to-bloc approach over a bilateral route in reaching agreements with Latin American and Caribbean countries".⁷⁶

Selective bilateralism in the context of EU-Mercosur relations would certainly constrain the EU's South American agenda, as it would imply a realistic taking into account of the US- and Brazil-linked power politics. In this sense, the only possibility for the EU-Mercosur pure interregional partnership to survive lies in the ultimate nature of the EU-Brazil Strategic Partnership and whether it is conceived as complementary to the Southern Cone regionalization process.⁷⁷

The common narrative about the EU-Brazil Strategic Partnership, which highlights the functional differentiation between the EU-Mercosur and the EU-Brazil cooperation frameworks, seems to be straightforward. In fact, from a technical perspective, Mercosur differs from mere trade-based FTAs in that it is on the way towards a complete a customs union. Mercosur's institutional setting is thus not limited to a free trade area, whose members can freely negotiate external contractual trade obligations. Nevertheless, if one considers the EU-Brazil Strategic Partnership from a more political standpoint, then the supposed "harmonic coexistence" between interregionalism and bilateralism in the framework of the EU's relations with the Southern Cone becomes much more problematic. In particular, through a genuine political lens, one might easily recognize two key drivers behind the new European approach vis-à-vis Brazil: first, the necessity to find an agreement with Brazil to unlock the Doha Development Round and, second, a renewed concern with the destabilizing impact of populist regimes in Venezuela and Bolivia.⁷⁸

With regard to the South American politics of new regionalism, the potential accession of a Venezuelan-Bolivian axis to Mercosur was clearly pursued by the two prominent figures of the "Bolivarian Alternative for the Americas", i.e. Presidents Hugo Chavez and Evo Morales, in order to foster a "new Mercosur" in opposition to the "old" pro-Western Mercosur. In the broader context of South American politics, the EU-Brazil Strategic Partnership implied the recognition of Brazil's regional leadership as an element of "containment" of the rising populist regimes of Bolivia and

⁷⁶ Mesquita Ceia, "The New Approach of the European Union towards Mercosur", op.cit., p. 2.

⁷⁷ M.A. Garcia, "The Strategic Partnership between Brazil and the European Union", in G. Grevi and A. de Vasconcelos (eds.), *Partnerships for Effective Multilateralism EU - Relations with Brazil, China, India and Russia, Chaillot Paper*, no. 109, Paris, Institut d'études de sécurité de l'Union européenne, June 2008, pp. 49-57.

⁷⁸ Santander, "EU-LA relations", op.cit.

Venezuela. The highlighted European shift from pure interregionalism to selective bilateralism has met an increasingly widespread criticism amongst Brazil's most significant Mercosur partner Argentina,⁷⁹ but also other key players in the wider Latin America such as Venezuela and Mexico.

This is why, in practice, the impact of Brazil's emergence on the South American politics of new regionalism is threefold. First, the rise of Brazil tends to crystallize Mercosur's lack of institutionalization; as the Brazilian concept of state sovereignty in international relations remains anchored in anti-supranationalism, Mercosur is likely to remain a *sui generis* model of regional polity, very deep horizontally, i.e. for a remarkable variety of issues tackled and for its advanced stage of integration, but still intimately intergovernmental in its institutional foundation. In pursuing its own policy for regional integration, the rising Brazil is clearly constraining the EU regional integration assistance policy, which aims, on the contrary, at the deep institutionalization of Mercosur.

Second, the rise of Brazil significantly hindered the US-led Panamerican policy in successfully sidestepping FTAA. The Brazil-driven deadlock of FTAA negotiations certainly pushed the US shift from its western hemispheric policy to a "free traders coalition of the willing" strategy. This also deprived the EU of an exogenous pressure to pursue its interregional trade negotiation with Mercosur.

Third, the recognition of Brazil's regional leadership and global role has shaped the changing European approach vis-à-vis the "South American giant", which implied to bilaterally deal with Brazil through the 2007 bilateral Strategic Partnership. Although Brazilian diplomacy tries to reassure the other Mercosur member states that "the EU-Brazil Strategic Partnership is compatible with Brazil's commitment to regional integration and will overall benefit Mercosur development",⁸⁰ the new privileged status conferred to Brazil engenders several constraints to EU-led interregionalism towards the Southern Cone, specifically in relation to the recognition of Brazil as a great power, while the European model of interregional relations was aimed at "transcending power inequalities through supranational institution building",⁸¹ and the erosion of Mercosur's internal political cohesion. In Alan Hardacre's words, "the fact that the EU has felt it necessary to address Brazil bilaterally on the political level is

⁷⁹ See Valladao, "The New Tordesillas Lines", op.cit.

⁸⁰ Mesquita Ceia, "The New Approach of the European Union towards Mercosur", op.cit., p. 16.

⁸¹ Gruegel, "New Regionalism and Modes of Governance", op.cit., p. 604.

indicative of its interregional failings. [...] As it had previously done in Asia, the EU has simply realigned its political relations with Brazil from the interregional to the bilateral level".⁸²

4. Conclusions: the "transatlantic triangle" as a brake on interregionalism

This paper analyzed the extent to which the systemic constraints of the "transatlantic triangle" affect the EU's interregional policy towards the Southern Cone, as conceived by the European Commission in terms of bloc-to-bloc or pure interregional relations, and how the rise of Brazil impacts the competing EU-US interregional strategies vis-à-vis the Southern Cone. The findings show that the changing "transatlantic triangle" relationship has a twofold impact in terms of structural constraints on EU-led interregionalism. First, in the absence of the US-linked structural pressures stemming from the FTAA negotiation process, the EU is expected to reduce its commitment to the political strengthening of the EU-Mercosur interregional partnership. Second, the rise of Brazil can effectively be considered as the key driver behind the European shift from pure interregionalism to selective bilateralism or hybrid interregionalism.

In the framework of the EU's governance externalization strategy towards the Southern Cone, the European shift to a "softer" interregional ideal type shows that EU-Mercosur relational patterns prove to be still constrained by US-linked systemic pressures. As a result of the competitive transatlantic regional dynamics, the European interregional policy vis-à-vis the Southern Cone has proved to be hardly proactive in the absence of FTAA-related exogenous pressures. The eventual accomplishment of the EU-Mercosur interregional free trade agreement (which has been recently re-launched under the Spanish EU Presidency 2010) could nonetheless challenge the weight of US-linked constraints.

Intra-regionally, the rise of Brazil proved to display a "crystallizing effect" on Mercosur's lack of institutionalization. In Freres and Sanahuja's words, "despite the EU strategy, [Mercosur] remains a 'light' regionalism, which rejects the construction of strong regional institutions and the idea of supranationality in the basis of traditional notions of state sovereignty and the supposedly greater efficiency of

⁸² Hardacre, *The Rise and Fall of Interregionalism in EU External Relations*, op.cit., p. 242.

intergovernmental schemes".⁸³ Moreover, in the context of the EU-US interregional competition over the governance of the Southern Cone, the rise of Brazil proved a significant structural constraint to both the US-led FTAA and EU-Mercosur interregional relations. While the Brazil-driven deadlock of FTAA negotiations provoked the US shift from Panamericanism to a "free traders coalition of the willing" approach, the EU felt obliged to accept the recognition of Brazil's regional leadership and global role through the 2007 EU-Brazil Strategic Partnership.

In light of these findings, it is worth briefly elaborating on what the Southern Cone case study can tell us in general about the role of interregionalism in EU external relations. As a generalizable trend, the impact of the "transatlantic triangular" relationship on EU-led interregionalism unambiguously implies a pessimistic outlook of interregionalism as a long-term relational pattern to foster global governance and favor the shift to pooled-and-shared-sovereignty-based regions which could found a regionalized multilateral global governance. Despite the apparent deepening of Mercosur, the EU has so far been short of a persuasive rationale to coherently pursue a pure interregional relationship towards the world's most advanced regional polity outside Europe. This might foster the long-term decline of pure interregionalism in the EU external relations, as long as European policy preferences are called to face, sooner or later, the Westphalian reality of intra-regional power politics.

Hence, the limits of interregionalism which Aggarwal and Fogarty outlined in relation to North America do approximately apply to the South American politics of new regionalism; in essence, "if the EU lacks a compelling reason to pursue an interregional strategy toward a region [...] which already has its own regional institutions, how viable could interregionalism really be as a more general strategy?"⁸⁴ Further research should address this fundamental question in relation to other key regional contexts.

⁸³ C. Freres and J. Sanahuja, "Study on Relations between the European Union and Latin America: New Strategies and Perspectives", Madrid, Universidad Complutense de Madrid, 2005, cited in Hardacre, *The Rise and Fall of Interregionalism in EU External Relations*, op.cit., p. 243.

⁸⁴ Aggarwal and Fogarty, "The Limits of Interregionalism", op.cit., p. 117.

Bibliography

Books

- Buzan, B. and O. Waever, *Regions and Powers: The Structure of International Security*, Cambridge, Cambridge University Press, 2003.
- Dominguez, J., *The Future of Inter-American Relations*, New York, Routledge, 2000.
- Farrell, M., B. Hettne and L. Van Langenhove (eds.), *Global Politics of Regionalism: Theory and Practice*, London, Pluto Press, 2005.
- Franck, C., J.C. Defraigne and V. Moriamé (eds.), *L'Union Européenne et la montée du régionalisme: exemplarité et partenariats*, Louvain-la-Neuve, Academia Bruylant, 2009.
- Gilpin R., *War and Change in World Politics*, Cambridge, Cambridge University Press, 1981.
- Grabbendorf, W. and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Baden-Baden, Nomos, 2005.
- Iglesias, E., *A Uniao Europeia, o Mercosul e os seus Parceiros Regionais*, Sao Paulo, Instituto de Estudos Strategicos e Internacionais, 2000.
- Jakobsen, E. and R. Martins, *ALCA: quem ganha e quem perde com a livre comercio nas Americas*, Sao Paulo, Editora Fundacao Persues Abramo, 2004.
- Kapstein, E.B. and M. Mastanduno (eds.), *Unipolar Politics: Realism and State Strategies After the Cold War*, New York, Columbia University Press, 2003.
- Katzenstein, P., *A World of Regions: Asia and Europe in the American Imperium*, Ithaca, Cornell University Press, 2005.
- Laidi, Z., *La norme sans la force*, Paris, Presses de Sciences Po, 2^{ème} édition, 2008.
- Laursen, F. (ed.), *Regional Integration: Theoretical Perspectives*, Aldershot, Ashgate, 2003.
- McGuire, S. and M. Smith, *The European Union and the United States: Convergence and Competition in the Global Arena*, Basingstoke, Palgrave Macmillan, 2008.
- Nogueira, A., *A formacao de ALCA e de um acordo de livre comercio entre o Mercosul e a Uniao Europeia: uma análise comparada*, Sao Paulo, Universidade de Sao Paulo, 2004.
- Santander, S., *Le régionalisme sud-américain, l'Union Européenne et les Etats-Unis*, Bruxelles, Editions de l'Université Libre de Bruxelles, Institut d'Etudes Européennes, 2007.
- Smith, G., *The Last Years of the Monroe Doctrine, 1945-1993*, New York, Hill and Wang, 1994.
- Telò, M., (ed.), *European Union and New Regionalism: Regional Actors and Global Governance in a Post-hegemonic Era*, Aldershot, Ashgate, 2007.
- Telò, M., (ed.), *The European Union and Global Governance*, London, Routledge, 2009.
- Valladao, A. and P. Guerrieri (eds.), *EU-Mercosur Relations and the WTO Doha Round: Common Sectoral Interests and Conflicts*, Paris, Presses de Sciences Po, 2006.
- Van Scherpenberg, J. and E. Thiel, *Towards Rival Regionalism? US and EU Regulatory Regime Building*, Baden-Baden, Nomos, 1998.

Articles and papers

- Aggarwal, V. and Fogarty, E.K., "The Limits of Interregionalism: The EU and North America", *Journal of European Integration*, vol. 27, no. 3, 2005, pp. 327-346.
- Baldwin, R., "A Domino Theory of Regionalism", *CEPR Discussion Paper*, no. 857, London, CEPR, 1993.
- Bartels, L., "The Trade and Development Policy of the European Union", *European Journal of International Law*, vol. 18, no. 4, 2007, pp. 715-756.

Bergsten, F., "Open Regionalism", *The World Economy*, vol. 20, no. 5 1997, pp. 545-565.

Bouzas, R., "Las negociaciones comerciales externas de Mercosur: administrando una agenda congestionada", in R. Roett (eds.), *Mercosur: integracion regional y mercados mundiales*, Buenos Aires, Altamira, 2002, pp. 224-272.

Carpenter, T.G., "A New Monroe Doctrine", *The National Interest*, 21 September 2009, <http://www.nationalinterest.org/Article.aspx?id=22208>, retrieved 12/3/2010.

Cervo L., "Political Regimes and Brazil's Foreign Policy", in J.F. Sombra Saraiva (ed.), *Foreign Policy and Political Regime*, Brasília, Instituto Brasileiro de Relações Internacionais, 2003, pp. 341-361.

De Flers, N.A. and Regelsberger, E., "The EU and Inter-regional Cooperation", in C. Hill and M. Smith (eds.), *International Relations and the European Union*, Oxford, Oxford University Press, 2004, pp. 317-342.

Dominguez, R., "A New Generation of Agreements between the EU and Latin America: The Cases of Mexico and Chile", *Monnet-Schuman Paper Series*, vol. 6, no. 13, June 2006, <http://www6.miami.edu/eucenter/Dominguez.pdf>, retrieved 6/11/2009.

Escudé, C., "Realismo periférico- una filosofía de política exterior para estados débiles", Buenos Aires, Universidad del CEMA, 2009.

Farrell, M., "The EU and Interregional Cooperation: in Search of Global Presence?", *UNU-CRIS Working Papers*, no. 9, Bruges, United Nations University, 2004.

Farrell, M., "The Global Politics of Regionalism: an Introduction", in M. Farrell, B. Hettne and L. Van Lagenhove (eds.), *Global Politics of Regionalism: Theory and Practice*, London, Pluto Press, 2005, pp. 3-11.

Freres, C. and J Sanahuja, "Study on Relations between the European Union and Latin America: New Strategies and Perspectives", Madrid, Universidad Complutense de Madrid, 2005.

Garcia, M., *Trade in EU Foreign Relations: The EU-Chile Free Trade Agreement*, Post-Graduate Conference on European Foreign Policy, London, LSE, 2-4 July 2004.

Garcia, M.A., "The Strategic Partnership between Brazil and the European Union", in G. Grevi and A. de Vasconcelos (eds.), *Partnerships for Effective Multilateralism EU - Relations with Brazil, China, India and Russia*, Chaillot Paper, no. 109, Paris, Institut d'études de sécurité de l'Union européenne, June 2008, pp. 49-57.

Grabbe, W., "Biregionalism and US Policy towards Latin America", in W. Grabbe and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Baden-Baden, Nomos, 2005, pp. 141-157.

Grugel, J., "New Regionalism and Modes of Governance: Comparing US and EU Strategies in Latin America", *European Journal of International Relations*, vol. 10, no. 4, 2004, pp.603-626.

Guedes de Oliveira, M., "Mercosur: Political Development and Comparative Issues with the European Union", *Jean Monnet Robert Schuman Paper Series*, no. 5 (19), 2005.

Guerrieri, P. and I. Caratelli, "EU's Regional Trade Strategy, the Challenges Ahead", *The International Trade Journal*, vol. 20, no. 2, 2006, pp. 139-184.

Hänggi, H., "Interregionalism: Empirical and Theoretical Perspectives", St. Gallen, University of St. Gallen, 2000, [http://www.ipw.unisg.ch/org/ipw/web.nsf/SysWebRessources/h%C3%A4nggi/\\$FILE/Haenggi.pdf](http://www.ipw.unisg.ch/org/ipw/web.nsf/SysWebRessources/h%C3%A4nggi/$FILE/Haenggi.pdf), retrieved 24/10/2009.

Hardacre, A., *The Rise and Fall of Interregionalism in EU External Relations*, Dordrecht, Republic of Letters Publishing, 2010.

Harrison G.W., T.F. Rutherford and D.G. Tarr, *Chile's Regional Arrangements and the Free Trade Agreement of the Americas: The Importance of Market Access*, World Bank Research Working Paper, no. 2634, Washington, DC, 2001.

- Hettne, B., "Regionalism and World Order", in M. Farrell, B. Hettne and L. Van Langenhove (eds.), *Global Politics of Regionalism: Theory and Practice*, London, Pluto Press, 2005, pp. 269-285.
- Hettne, B., "Interregionalism and World Order: The Diverging EU and US Models", in M. Telò (ed.), *European Union and New Regionalism: Regional Actors and Global Governance in a Post-hegemonic Era*, Aldershot, Ashgate, 2007, pp. 101-119.
- Keohane, R., "Ironies of Sovereignty: The European Union and the World Order", *Journal of Common Market Studies*, vol. 40, no. 4, 2002, pp. 743-765.
- Legro J. and A. Moravcsik, "Is Anybody Still a Realist?", *International Security*, vol. 24, no. 2, 1999, pp. 5-55.
- Maihold, G., "Más allá del interregionalismo. El futuro de las relaciones entre Europa y América Latina", *Foro Internacional*, no. 188, 2007, pp. 269-299.
- Malamud, A., "Presidentialism in the Southern Cone: A Hidden Cause for a Successful Experience", in F. Laursen (ed.), *Regional Integration: Theoretical Perspectives*, Aldershot, Ashgate, 2003, pp. 53-73.
- Malamud, A. and P. Castro, "Are Regional Blocs Leading from Nation States to Global Governance? A Skeptical View from Latin America", *Iberoamericana, Nordic Journal of Latin American and Caribbean Studies*, vol. 37, no. 1, pp. 115-135.
- Malamud, A. and P.C. Schmitter, "The Experience of European Integration and the Potential for Integration in South America", *IBEI Working Papers*, Barcelona, 2007.
- Malamud, A., "The Internal Agenda of Mercosur: Interdependence, Leadership and Institutionalization", in J. Grace (ed.), *Los nuevos enfoques de la integración: más allá del regionalismo*. Quito, FLACSO, 2008, pp. 115-35.
- Mesquita Ceia, E., "The new approach of the European Union towards Mercosur: what is behind the launch of the strategic partnership with Brazil and what are its chances of being effective?", Paper presented at the 2008 GARNET Conference, Brussels, <http://www.docstoc.com/docs/20879064/2008-GARNET-Conference-The-EU-in-International-Affairs>, retrieved 12/2/2010.
- Monclaire, S., "Le Brésil et la quête d'un nouveau statut international", *Questions internationales*, no. 18, 2006, pp. 81-87.
- Olson P., "The Many Faces of Europeanization", *Arena Working Papers*, Oslo, 2001, http://www.arena.uio.no/publications/wp02_2.htm, retrieved 26/2/2010.
- Sanchez Bajo, C., "The European Union and Mercosur: a Case of Interregionalism", *Third World Quarterly*, vol. 20, no. 5, 2009, pp. 927-941.
- Santander, S., "EU-Mercosur Interregionalism: Facing up to the South American Crisis and the Emerging Free Trade Area of the Americas", *European Foreign Affairs Review*, vol. 4, no. 7, 2002, pp. 491-505.
- Santander, S., "EU-LA Relations: from Interregionalism to Selective Bilateralism?", in C. Franck, J.C. Defraigne and V. Moriamé (eds.), *L'Union Européenne et la montée du régionalisme : exemplarité et partenariats*, Louvain-la-Neuve, Academia Bruylant, 2009, pp. 263-274.
- Sbragia A.M., "European Union and NAFTA", in M. Telò (ed.), *European Union and New Regionalism: Regional Actors and Global Governance in a Post-hegemonic Era*, Aldershot, Ashgate, 2007, pp. 153-164.
- Valladao, A., "Le triangle atlantique: l'émergence de l'Amérique latine dans les relations Europe-Etats-Unis", *Les notes de l'Ifri*, no. 6, Paris, Institut Français de Relations Internationales, 1999.

Valladao, A., "The New Tordesillas Lines: The Great Latin American East-West Divide", Observatorio de las Relaciones Union European – America Latina, *Background Series*, Paris, 2008, http://www.obreal.org/obreal/articulos.php?idpublicacion_mediateca=74, retrieved 21/3/2010.

Westphal, K., "Biregionalism: Projecting a New Pattern of Governance? EU's Relations with Latin America", in W. Grabbendorf and R. Seidelmann (eds.), *Relations between the European Union and Latin America: Biregionalism in a Changing Global System*, Baden-Baden, Nomos, 2005, pp. 75-105.

Young, A., "What Game? By Which Rules? Adaptation and Flexibility in the EC's Foreign Economic Policy", in M. Knodt and S. Princen (eds.), *Understanding the European Union's External Relations*, London, Routledge, 2003, pp. 54-71.

Documents

Commission of the European Communities, "The European Union and Mercosur: an enhanced policy", COM(1994) 428, Brussels, 19 October 1994.

Commission of the European Communities, "Basic Document on Relations between the EU and Latin America and the Caribbean", Brussels, 31 October 1994.

Commission of the European Communities, "A New European Union-Latin America Partnership on the Eve of the 21st Century", COM(1999) 105, Brussels, 9 March 1999.

Commission of the European Communities, "Mercosur - European Community Regional Strategy Paper 2002-2006", Brussels, 10 December 2000.

Commission of the European Communities, "A stronger partnership between the European Union and Latin America", COM(2005) 636, Brussels, December 2005.

European Parliament, "Report on EU-Mercosur Economic and Trade Relations with regard to Negotiating an Interregional Association Agreement", DT/605665EN, February 2006.

European Union, "EU-Mercosur Interregional Framework Cooperation Agreement", *Official Journal*, L 069, 19 March 1996, pp. 4-22.

List of *Bruges Regional Integration & Global Governance Papers*

1/2008

Kennedy Graham, *Towards a Coherent Regional Institutional Landscape in the United Nations? Implications for Europe*

2/2008

Sieglinde Gstöhl, *'Patchwork Power' Europe? The EU's Representation in International Institutions*

3/2008

Daniele Marchesi, *The EU Common Foreign and Security Policy in the UN Security Council: Between Representation and Coordination*

1/2009

Quentin Weiler, *The European Union and Security Sector Reform in Africa: A Leader in Theory, a Laggard in Reality?*

2/2009

Simona Lipstaite, *EU-US Cooperation in International Peace and Security: Bilateral versus Multilateral Dialogues*

3/2009

Andrew Cottey, *Sub-regional Cooperation in Europe: An Assessment*

4/2009

Giovanni Molano Cruz, *La coopération entre l'Union européenne et la Communauté andine contre le trafic illicite de stupéfiants : une étude de cas d'interrégionalisme*

5/2009

Anne Willenberg, *The Promotion of Regional Economic Integration in the EU's Neighbourhood: CEFTA 2006 and the Agadir Agreement*

1/2010

Helena Lindholm Schulz, *Security as an Interregional Concern: The EU and the Middle East*

2/2010

Tobias Felix Franke, *Nosce Te Ipsum: Positioning the EU's CSDP as a Regional Ordnungsmacht*

3/2010

Emanuele Pollio, *What Kind of Interregionalism? The EU-Mercosur Relationship within the Emerging 'Transatlantic Triangle'*