

**CHARLES UNIVERSITY IN PRAGUE
FACULTY OF SOCIAL SCIENCES
GEOPOLITICAL STUDIES**

MASTER'S THESIS

**POST NEOLIBERALISM
AND THE PATH
TOWARDS
INTEGRATION IN
SOUTH AMERICA**

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Key words: Unasur, South American integration, Post Neoliberalism

Thesis title: “Post Neoliberalism and the Path towards Integration in South America”

Hypothesis:

My hypothesis is that South America is currently undergoing a transformation in which it is leaving Neoliberalism behind, whilst entering into a new phase of heightened autonomy and stability. In this context, it is likely that South America’s new plans for integration will be a success.

Aim of research:

My thesis aims to understand South America’s current situation of increased economic growth, political stability, and previously unprecedented levels of autonomy from external powers. Thereby, my thesis aims to familiarize itself with the historical factors that explain the South American context, and understand recent developments, both regional and international, that may explicate the current South American situation. Thereby, my thesis aims to provide a review of integration efforts in the region, and explore the ways in which the recent commitment towards *Unasur* may differ from the previous initiatives. This includes expanding on what seems to be South America’s political shift to the left, and which suggests that South America is entering into a Post Neoliberal era. Furthermore, the thesis will explore the various areas of potential integration and investigate possible challenges that the true consolidation of Unasur may face. In the light of these findings, my thesis aims to determine the role and potential of Unasur for the South American region.

Methodology

The main component of my research will consist of a literature review, including analytical works written by various scholars and think-tanks. Wherever possible, I will attend meetings and conferences that discuss relevant topics. News articles will also be closely followed, that discuss the latest developments on my area of research.

Literature:

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DECLARATION:

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography. The thesis as submitted is 121252 keystrokes long (including spaces), i.e. 80 manuscript pages.

Celeste Flores

Signature

A handwritten signature in cursive script that reads "Celeste Flores".

Date

04.01.2013

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Chapter 1: Introduction

The Cold War long determined the relationships between states throughout the globe, and the ensuing end of the Cold War generated many changes in the world of international relations, marking the disintegration of what had previously become a crystallized world structure. Importantly, the Post Cold War era opened the door for the formation of new relationships, including the rise of several regionalist initiatives, which has allowed for both a deeper and wider integration of states worldwide. In a world which had previously been separated into two rivaling blocks, regionalist movements had been confined by Cold War divisions and ideologies, resulting in a homogenous, closed, and rigid regionalism. The end of the Cold War unfolded into the development of mixed regionalist movements, in which very different types of states can participate, and which cover a wide area of action. We see a continuing trend towards regionalism, witnessing countries becoming committed to projects aspiring integration at the regional level, covering aspects such as economics, security, and infrastructure. The establishment of the European Union in 1958 marked the beginning of the search for an increasingly profound form of integration, and has been both expanding and deepening since the end of the Cold War. The current international system is composed of several networks in which states cooperate and are interdependent in many ways, all of which have contributed to today's globalized world.

South American nations too have a long history of striving towards integration, particularly in the broader Latin American sense. Due to the current financial crisis, the European Union today finds itself in a discouraging situation which has been resulting in considerable damage to its credibility. However, the European Union remains the most complete form of integration between states that we can find in today's international system, and many regionalist initiatives still take the European Union as the supreme example of regional integration. Indeed, the relatively recently established Union of South American Nations, known as *Unasur*, has resulted from the aspiration to integrate South American nations to a similar degree that the European Union has achieved.

This is particularly important, considering that many scholars foresee an increasingly strong and stable area, which may be on the verge of ground-breaking transformations, particularly on its geopolitical role in the world. It is said that South America has left Neoliberalism behind, today creating its own rules on its path towards becoming an independent, stable, and integrated region. Nonetheless, widespread skepticism exists about the feasibility of South American nations ever truly integrating. Understanding the path that the South American region has undergone towards integration is a key to understand the current enthusiasm towards South American integration, and to simultaneously understand the widespread reservations that exist about the notion of South American integration.

This thesis therefore aims to familiarize itself with the historical factors, in combination with recent regional and international developments, which may explain the current renewed integration efforts that exist in the South American region.

Furthermore, the thesis aims to discover South America's path towards regional integration, in order to measure recent integration initiatives up to previous regional initiatives. A particular focus will be put on what seems to be South America's recent political shift to the left and its Post Neoliberal tendencies, a development that is currently said to be the main driving factor towards integration in the region. More specifically, based on empirical research and a critical analysis of these mentioned aspects, this thesis aims to determine the role and relevance of Post Neoliberalism, particularly in the light of the recently established Unasur. Conclusively, this research should give an indication of the role and potential that Unasur may signify for the South American region, which includes exploring the various areas of potential integration and investigating possible challenges that the true consolidation of Unasur may face.

Chapter 2: Latin America: A Historical Review

Understanding the South American region requires being familiar with the region's past, including the region's colonial experience, followed by independence, and finally by more recent political developments. As many people find it easy to observe, South America as a sub-region has much in common with the entire Latin American region, although it may be becoming increasingly easier to identify ways in which South America is distinguishing itself from the Latin American region. A historical review is a good starting point in order to understand many of the social, economic, and political developments we see occurring today.

2.1 Colonial Latin America

It is often argued that understanding present-day Latin America cannot be disconnected from the 200 year period of European colonization. The discovery of the New World, followed by colonization of the region, marked the insertion of Latin America onto the world stage, and has undoubtedly left its traces in modern Latin America. In other words, it is argued that colonization has left Latin America with a *colonial baggage* which still explains many of the predicaments the area faces today¹. Nonetheless, although Latin America shares much of its colonial history throughout the region, there are certain differences between the Spanish and Portuguese colonies which must additionally be considered.

¹ Adelman, J. (1999) *Colonial legacies: The problem of persistence in Latin American History*. Routledge. Print

It is important to know that the geographic and climatic variety of the Americas, in combination with the extensive territory that the continents cover, allowed for a large diversity of cultures and societies to develop and co-exist in the Pre-Columbian period². Thereby, it is relevant to understand that at the time of European discovery of the New World, some areas were inhabited by extensive and advanced civilizations such as the Aztecs and the Incas, meanwhile other areas, such as most of present-day Brazil, had been populated by smaller cultures and societies.

The colonial period followed the discovery of the Americas in the late fifteenth century, leading to conquest by European powers throughout the early sixteenth century. The Spanish Crown had been seeing its influence in Europe wane, making it particularly of interest for the Spanish Crown to control a region of its own. Aspiring to exploit the region for trade, colonization made many resources available to the Spanish Crown, including precious metals that corresponded particularly to the regions of the Aztec and Inca empires³. At the time of discovery, however, the Portuguese had been enjoying control over a large share of European trade, and were thereby focusing mostly on entering the commercial network of the far East. When the Portuguese explorer Pedro Alvares Cabral claimed present-day Brazil as territory for the Portuguese Crown in 1500, little attention was given to its new American territory. As opposed to Spain's success in attracting Spaniards to the American territories, initially few people from Portugal migrated to the New World, with those

² Holloway, T. (2008) *A Companion to Latin American History*. Blackwell Publishing. Print.

³ Jefferson, A, and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

willing to leave Portugal more prone to settling down in western Africa, which was then considered to be more lucrative than the untamed American lands⁴.

Upon arrival, the Spanish encountered complex hierarchical empires in the New World, comprised of organized systems, intensive agricultural production, and an urban class of nobles. Notably, following conquest, the Spanish maintained much of the existing system, although the structure was modified in order to place the colonizers at the top of the hierarchy⁵. In this context, precious metals played a key role in Spanish exploitation of the people and the land. Furthermore, in order to ensure tight control over its colonies, the Spanish Crown implemented the viceroy system⁶. This institution was governed by a viceroy, sent from Spain, in order to represent the king and his will in its colonies⁷. The first Viceroyalty had been created in New Spain (present-day Mexico) in 1529, followed by the Viceroyalty of Peru in 1542. Some native political institutions were preserved at local levels, however due to a perceived religious and cultural superiority by the Spanish, state building according to the Spanish model and the extension of Catholicism were among the Crown's main objectives⁸. In part, the conquest of the Americas could therefore be considered a mission to embark on God's will in the world, alongside the more obvious lucrative ambitions of exploiting natural resources. The royal administrative structure therefore served to reinforce the role of the Church, as well as other systems, such as the imposition of forced labor systems for the exploitation of land and resources⁹. In order to more tightly control its southern South American territories, as well as a response

⁴ Jefferson, A. and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

⁵ Jefferson, A. and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

⁶ Mabry, D. (2002). *Colonial Latin America*. Llumina Press. Print.

⁷ Jefferson, A. and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

⁸ Mabry, D. (2002). *Colonial Latin America*. Llumina Press. Print.

⁹ Jefferson, A. and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

to foreign threats to Spanish territory, the late eighteenth century saw the creation of the Viceroyalty of New Granada and the Viceroyalty of Rio de la Plata¹⁰.

Despite Portugal's slow involvement in its new territorial acquisition, the Portuguese Crown did not wait long in order to establish its own organizational structure. As opposed to Spanish America, Portuguese territory remained unified, and in 1549 the Crown created the governor-general system, directed by the Overseas Council in Lisbon, marking the beginning of the centralized, bureaucratic administration system. Similar to the viceroy system, the governor-general system had been created in order to obtain a tighter grip on its colonies, as well as in defense against foreign intruders interested in its South American lands.

Although some evidence indicates that certain indigenous people, usually those from the upper levels of pre-Columbian society, may have learnt ways of benefitting from cooperation with the European colonizers, it is often argued that the goals and motives of the Europeans who went to the Americas to serve the Crowns' interests were recurrently incompatible with those of the native peoples¹¹. The systems in both Portuguese and Spanish America were fundamentally racially imbalanced, with Europeans dominating the most important occupations in the colonies, including positions as high officials, large estate owners, mine owners and church representatives. This left natives at the bottom of the system, often restricted to manual labor or slavery¹².

¹⁰ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

¹¹ Jefferson, A, and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

¹² Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

In Brazil the *engenho* – the cane sugar mill- is said to have surpassed the town in many ways as a chief center of power, for a very long time. In fact, up until the mid-seventeenth century, the entire economy of the Portuguese colony was constituted solely on sugar, and this acted as a chief force behind colonization as soon as word had spread about its profitability. Immense numbers of African workforce were shipped to areas where indigenous peoples had largely ceased to exist within the first decades of European colonization, due to exposure to European disease, as well as the harsh living and working conditions (Jefferson and Lokken, 2011). Workers from African heritage were thereby incorporated in the Latin American social structure, particularly in Brazil and the Caribbean, occupying a place on the bottom of the socioeconomic pyramid as slaves.

On the other hand, in the Viceroyalties of New Spain and Peru, the indigenous had far more advanced societies by the time that the Spanish conquerors arrived. As a result, the indigenous were not wiped out at the rates observed in much of Brazil. Following this situation, natives could therefore provide for tribute and labor to imperial elites, in a similar system to the *engenho*, known as the *encomienda*. In the *engenho* and *encomienda* systems, natives and Africans worked the lands, either as slaves or in a peonage system, whilst the owners thereby vowed to protect their workers. This relationship did much to explain the paternalistic attitude often developed between land owners and workers. The relationships had become so embedded in the system, that land owners became extremely wealthy and politically powerful, a social and racial phenomenon that lasted well into the twentieth century, of which remnants can still be observed today in certain areas¹³.

¹³ Jefferson, A, and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

The importance of race during the colonial period led to an explosion of racial categories, many of which are still used today¹⁴. The *purity of blood* was a notion that determined one's status on the social pyramid, with little social mobility between the levels. Those who had been born on American soil, known as *creoles*, ranked lower than those who had recently arrived from the motherland, followed by those of mixed blood and at the bottom the indigenous and those of African heritage. It is argued that taxing and educational systems have always favored the elites, whilst those from indigenous and African descent have always suffered from restricted access to resources and to political power. In a context where the elite have long attempted to abolish native and African languages and cultural practices, the indigenous and African heritage has often been paired with shame and submission.

The race-based social structure is argued to have been a powerful institution which explained society during colonialism, but that has continued to exist, informally, far into the post-colonial period¹⁵. Indeed, today indigenous and black peoples are overrepresented in the poverty category throughout the entire hemisphere¹⁶. Also, the relationship between Latin Americans from European descent and those from indigenous and African descent that can presently be observed, may contain remnants of the *engenho* and *encomienda* systems, in which European descent suggests superiority, wealth and respectability in relation to other Latin American backgrounds. Moreover, policies in the late nineteenth century encouraged migration from Europe to the Americas, intending to 'whiten' the population in the Latin American states, but ultimately merely reinforcing the imbalanced colonial

¹⁴ Jefferson, A, and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

¹⁵ Jefferson, A, and Lokken, P. (2011) *Daily Life in Colonial Latin America*. Greenwood. Print.

¹⁶ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

relationships after independence¹⁷. It is this persistence of the colonial legacies that is widely criticized; as it is noted that Latin America has not been willing or able to overcome the racial stigmas and inequalities established during colonialism. It is feared that this colonial baggage is the main point of instability in the region, and that it will hinder any true development of Latin America, including the development of a lasting integration project, if it is not carefully handled and ultimately abolished.

2.2 Independence

Though the United States' declaration of independence in 1776 may have marked the beginning of decolonization of the Americas, it wasn't until 1825 that the grand majority of Latin America had succeeded in obtaining its independence from European rule. Revolutionary movements in France and the United States had particularly inspired the creole class, that had been developing a deep discontent with the asymmetrical relationship between the colonies and the mainland. Even though the revolutions had been ignited by the creole class, the uprisings found widespread support by the lower levels of the socioeconomic pyramid, which attributed the imbalanced conditions to Iberian rulers, rather than local ones¹⁸.

It is argued that the French Revolution had a sound impact on leaders in Spanish America, who sought to realize similar social and political change in newly independent nations. However, the Latin American independence movements began during the Napoleonic Wars, with the French occupying Portugal and Spain in 1808. With the commotion occurring within the Iberian peninsula, influence of the respective powers upon their colonies had been weakening, marking the ideal timing

¹⁷ Appelbaum, N.; Macpherson, A.; and Roseblatt K. (2007). *Race and Nation in Modern Latin America*. The University of North Carolina Press, 2007. Print.

¹⁸ Mabry, D. (2002). *Colonial Latin America*. Llumina Press. Print.

for independence¹⁹. Inspired by the French Revolution, and taking advantage of the instability throughout Europe, General Simón Bolívar, with help from José de San Martín, forcefully liberated most of the South American continent from Spanish rule. In Brazil however, independence occurred peacefully, when the Portuguese prince Pedro I declared Brazil an independent nation under his rule in 1822²⁰. Observing the developments in Latin America, the United States in turn, fearing that the European powers would not hesitate to occupy the power vacuum forming in the Americas, supported Latin American independence until the end²¹.

A drastic shift of European perceptions on the Americas followed, when it became apparent that the United States would be able to consolidate its role as a regional power, and later on as a true challenger to European power²². Furthermore, inspired by Bolívar, the idea was instilled of a democratic and above that, unified, South America, a notion which has never completely left the continent, and has been making its resurgence in recent years²³.

2.3 The U.S. Empire

As European domination of the Americas came to its closing stage; the United States started to consolidate itself as the leader of the western hemisphere²⁴. It was in this timeframe that the popularity of the concept of *Panamericanism* began to grow, based on the notion of brotherhood among the United States and its Southern neighbors, as

¹⁹ Blaufarb, R. (2007). "The Western Question: The Geopolitics of Latin American Independence." *The American Historical Review*. Web. 7 May 2012. <<http://www.historycooperative.org/journals/ahr/112.3/blaufarb.html>>

²⁰ Fausto, B. (1999). *A Concise History of Brazil*. Cambridge Concise Histories. Print.

²¹ Blaufarb, R. (2007). "The Western Question: The Geopolitics of Latin American Independence." *The American Historical Review*. Web. 7 May 2012. <<http://www.historycooperative.org/journals/ahr/112.3/blaufarb.html>>

²² Blaufarb, R. (2007). "The Western Question: The Geopolitics of Latin American Independence." *The American Historical Review*. Web. 7 May 2012. <<http://www.historycooperative.org/journals/ahr/112.3/blaufarb.html>>

²³ Wepman, S. (1988). *Simon Bolivar*. Burke Publishing Company Limited. Print.

²⁴ Bastable, J. (2006). *Wie Weet Het? Wereld Geschiedenis*. Uitgeversmaatschappij The Readers Digest NV. Print.

well as the ability of the U.S. to protect the entire American hemisphere²⁵. There may be no more apparent piece of evidence of this relationship than the Monroe Doctrine, a policy introduced by President James Monroe on behalf of the United States in 1823. This document stated that any attempts by European nations to colonize land or interfere with the newly independent states in the Americas would be viewed as acts of aggression requiring U.S. intervention²⁶. The Monroe Doctrine was received by widespread approval and gratitude in Latin America, as it guaranteed the safeguarding of their liberty and their autonomy from Europe. In addition, the United States, being perceived as a brother nation with similar roots, was considered to be a model of progress for all the Americas²⁷.

Nonetheless, when emphasis of the Monroe Doctrine was relocated onto the U.S.' expansionist ambitions, the Doctrine transformed into a mechanism with negative connotations for Latin American nations²⁸. With the United States undergoing a period of industrialization, a greater demand for raw materials was created, making it necessary to obtain this outside of the existing United States' borders. The concept of a U.S. Empire arose as a consequence of the Mexican-American War in 1846, when U.S. President Polk's administration sought to expand U.S. territories towards the Pacific coast. Taking advantage of the conflict of Texas with Mexico, the United States proceeded to obtain a vast amount of Mexican territory, forming a source of fear for other Latin American nations. In addition, Latin American skepticism towards the United States' intentions continued growing as a result of the 1898 war against

²⁵ Bermudez Torres, C. (2011). "The Regional Integration at the Beginning of the 21st Century: Mercosur and Unasur." *Memorias. Revista Digital de Historia y Arqueología desde el Caribe*. Vol. 8, No. 14. Print.

²⁶ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

²⁷ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

²⁸ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

Spain, which resulted in colonial rights over Puerto Rico, Guam and the Philippines, as well as U.S. control over Cuba. Especially when the United States assisted in Panama's independence from Colombia in 1903, thereby ensuring its control over the Panama Canal, the U.S.' strength and importance in the region was confirmed²⁹.

The United States' expansive tendencies in the Western Hemisphere gave rise to the notion of a *U.S. Empire*, and hereby also lay ground for a distrustful relationship between the United States and its Latin American counterparts. This has been reinforced due to its ability throughout the twentieth century, to influence Latin American politics through its great economic and military weight in the region. Due to the great prominence of the United States throughout Latin America, the United States is considered by many to be an empire in the informal sense. The asymmetrical relationship that resulted from the power imbalance in the region has given rise to the notion of Latin America being the United States' 'backyard', which has become a popular term to describe the relationship in the Western hemisphere³⁰.

2.4 The Neoliberal Era

Beginning in the nineteenth century, and continuing throughout the twentieth century, the United States is considered to have acted as an empire, capable of exercising its authority and influence in the Western Hemisphere. The notion of Latin America being the United States' backyard describes an asymmetric relationship between the United States and its neighbors, where the United States has a great deal of influence

²⁹ Holloway, T. (2008). *A Companion to Latin American History*. Blackwell Publishing. Print.

³⁰ Unspecified Author. (2009). "Nobody's Backyard." *The Economist*. Web. 7 May 2012.
<<http://www.economist.com/node/16990967>>

throughout an extensive range of areas, including the economy and politics³¹. The implementation and preservation of Neoliberalism throughout Latin America has been one of the main effects of U.S. influence throughout the region, which has proven extremely controversial, and which has been receiving much political criticism, especially in the more recent years of the twenty-first century.

Throughout the world, the United States can be considered to be the main promoter and defender of Neoliberalism, deeming economic liberalization, free trade, and open markets to be the key to economic development. Furthermore, the Neoliberal model endorses a greater role of the private sector, therefore encouraging deregulation and the privatization of industries, and thereby diminishing the role of the state³². These policies form what is known as the Washington Consensus, describing the guiding principles promoted by Neoliberals in order to achieve economic growth and stability.

Since colonial times, the insertion of Latin America into the world economy relied almost entirely on the export of its natural resources. While protectionism in the form of import-substituting industrialization in North America in the early twentieth century went paired with rapid industrialization and the development of a service sector, protectionism in Latin America did not immediately develop these same positive effects. It was only in the interwar period that Latin America started witnessing some growth of an internal market and a more diversified economic structure. This development involved forms of state intervention in the economy, making part of Latin America's long history in economic protectionism. Nonetheless,

³¹ Anzelini, L. (2009). "Imperio Informal en las Americas. Un analisis de las relaciones Estados Unidos- America Latina." *Entre la Integracion y la Fragmentacion Regional: el Desafio Politico de Nuestro Tiempo*. Ed. Pinto, J. Eudeba. Print.

³² De la Barra, X; and Dello Buono, R. (2004). *Latin America After the Neoliberal Debacle: Another Region is Possible*. Rowman & Littlefield Publishers. Print.

despite the measures taken, reliance on the export sector persisted throughout the years, and Latin America has yet to catch up with North America's diverse economic structure³³.

Following the end of WWII, the Bretton Woods Conference was held in 1944 in order to discuss the restoration of the global economic system and the regulation of commercial and financial relations. This gave birth to the Bretton Woods system, which delineated an economic outline for the world, basing its principles on Neoliberal ideology. Two well-known institutions that arose from the conference are the International Monetary Fund (IMF) and the World Bank, which were established in order to provide loans for countries with payment imbalances and to reduce poverty. Both institutions are based on the commitment of their member states towards Neoliberalism, with the IMF focusing on the international payment system and on stabilizing exchange rates, whilst the World Bank has centered on making loans available, especially to developing countries.

Throughout the eighties, many Latin American governments still assumed a broad set of responsibilities in the economic area. With the region undergoing a serious debt crisis in this decade, the United States quickly succeeded in achieving support for Neoliberal reforms in much of Latin America by fostering their relations with the Latin American political elite. In this timeframe, most countries were found compelled to trade in the *import-substitution industrialization* model for the open, export-oriented strategy promoted by Neoliberal ideology³⁴. A great majority of Latin American nations have therefore been following the guidelines delineated by the

³³ Ocampo, J.A. (2006). "Latin America and the World Economy in the Long twentieth Century". *The Great Divergence: Hegemony, Uneven Development and Global Inequality*, New Delhi: Oxford University Press. Print.

³⁴ Verbeek, B.J. (2012). "Soevereiniteit bedreigd door investeringsverdragen". *La Chispa*. Vol. 26. No. 360. Print.

Washington Consensus, and in return qualifying for loans by the IMF and the World Bank. The attraction of foreign investments is a big component of the Neoliberal approach, inspiring many Latin American states to look into free trade agreements, and signing bilateral investment agreements, guaranteeing the investor a large degree of independence and protection from the state³⁵.

As a result of Neoliberal reforms, Latin American economies could begin to see each other as potential trading partners, thereby exploring the possibilities of integration as a means of bolstering economic growth³⁶. However, despite the belief that the prescriptions promoted by Neoliberalism would lead to greater development and economic growth, criticism has been on the rise due to evidence that Neoliberal policies have led to a variety of negative social effects in Latin America, such as the reinforcement of greater inequality³⁷. It is argued that not only do Neoliberal practices emphasize the already existing racial disparities, it has also increasingly made Latin American countries dependent on the corresponding financial institutions. In turn, this indebtedness has been contributing to the inequality between the North American and the Latin American region, as well as undermining Latin American governments' ability to act autonomously on its internal affairs, making it increasingly difficult to reverse its Neoliberal policies.

Although many Latin American leaders willingly embraced the Neoliberal reforms, pressure from the United States and the financial institutions has made it difficult for decision-making on the economic area to be even slightly autonomous for most Latin

³⁵ Verbeek, B.J. (2012). "Soevereiniteit bedreigd door investeringsverdragen". *La Chispa*. Vol. 26. No. 360. Print.

³⁶ De la Barra, X; and Dello Buono, R. (2004). *Latin America After the Neoliberal Debacle: Another Region is Possible*. Rowman & Littlefield Publishers. Print.

³⁷ Pinto, J. (2009). *Entre la Integracion y la Fragmentacion Regional: el Desafio Politico de Nuestro Tiempo*. Eudeba. Print.

American states. Therefore, criticism has been amounting due to the harsh policy conditions imposed from abroad, as well as due to the detrimental effects on social and economic equality³⁸. Furthermore, Neoliberal reforms are also held responsible for widespread environmental damage, as Neoliberal practices were in most cases solely profit-oriented and thereby putting pressure on the environment. In most cases, the promoters of Neoliberalism, such as the IMF and the World Bank, were on particularly friendly terms with extreme right-wing and authoritarian leaders such as Chile's Augusto Pinochet and Peru's Alberto Fujimori, since they embraced and implemented the framework provided by the Washington Consensus. Thereby, critique exists due to the observation that Latin American dictatorships were financed by Neoliberal financial institutions and militarily backed by the United States. This has made it very difficult for individuals and collectives who encouraged economic alternatives to the Neoliberal model in most of the Western Hemisphere to survive and to consolidate themselves as political parties. On the other hand, it can be argued that these Neoliberal reforms were absolutely necessary, in order to combat the economic problems the region has been facing. Nonetheless, South Americans are increasingly believing that the ideal situation may be one where there continues to be economic growth, yet finding a balance that avoids the high social and environmental costs, as well as avoiding the dependency on foreign powers and institutions. It is precisely this balance that South American nations are attempting to find, through recent political reforms and integration initiatives.

³⁸ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

Chapter 3: A Changing World

It is argued that South America has been undergoing some changes, and that today it is leaving Neoliberalism and its close relationship with the United States behind. Nonetheless, a combination of internal and external influences and changes need to be explored in order to understand where South America stands today, and how it got to the point that we can say that South America has entered into a stage of Post Neoliberalism, and what Post Neoliberalism precisely entails.

3.1 New Regionalism

Alongside the end of the Cold War, world politics broke away from the rigidity that had come to dominate international relations after the Second World War. The Cold War had been characterized by two opposing poles of power that had expressed high levels of tension between them, and all world matters were necessarily to be interpreted within the confines of this bipolar world³⁹. When the bipolar world was brought to an end following the fall of the Soviet Union, the doors were once again opened for the emergence of new centers of powers and the resurgence of multilateralism. A new type of regionalism could flourish throughout the world, which by taking advantage of the reduced tension in world politics, could be much more open, flexible, and inclusive in nature, and no longer would be confined to a

³⁹ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz.

homogenous and defensive composition⁴⁰. It is argued that during the Cold War, the capitalist market economy had needed to coexist with the planned economy model, however from the 1990s onwards the market economy has become widely accepted as the global principle of economic organization⁴¹. Therefore, capitalism quickly became a common and main element in the newly developed forms of what is today denoted as *New Regionalism*.

Some scholars argue that New Regionalism arose specifically as a result of competition for market access, and indeed we observe a sharp increase in preferential trade agreements with a pronounced emphasis on commercial liberalization since the 1990s, particularly so in the Western Hemisphere⁴². The above-mentioned process has contributed to an increasingly globalizing world, where the policies of one country influence the balance of domestic interests in other countries more and more over time⁴³. Additionally, New Regionalism has played an important role in allowing for multi-level governance and blurring the previously strict divisions between the areas for action⁴⁴. Thereby, it is said that this type of regional integration has allowed states to intensify their relations with the rest of the world, complementing the process of globalization⁴⁵.

⁴⁰ Rojas Aravena, F. (2008-2009). "America Latina y los Desafios para la Integracion Regional". Anuario CEIPAZ. Print.

⁴¹ Baccini, L; and Dur, A. (2011). "The New Regionalism and Policy Interdependence." British Journal of Political Science. Print.

⁴² Baccini, L; and Dur, A. (2011). "The New Regionalism and Policy Interdependence." British Journal of Political Science. Print.

⁴³ Baccini, L; and Dur, A. (2011). "The New Regionalism and Policy Interdependence." British Journal of Political Science. Print.

⁴⁴ Rojas Aravena, F. (2008-2009). "America Latina y los Desafios para la Integracion Regional". Anuario CEIPAZ. Print.

⁴⁵ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

Although the Post Cold War era is considered to have allocated space for new intergovernmental organisms to form, these new circumstances have additionally allowed for non-state actors to grow in number and importance on the world stage⁴⁶. This includes an increased role of actors such as international organizations, non-governmental organizations, as well as regional blocs. However, a negative aspect to globalization has been the internationalization of crime and other security threats, and consequently, the notion of security has undergone a transformation into a phenomenon that does not necessarily involve the threat of foreign states⁴⁷. The international security agenda has thereby come to include threats to humanity and state security such as poverty, disease, migration, narco-trafficking, and terrorism.

An important event that illustrates the transformation of the security agenda were the September 11th attacks on the United States in 2001. The security agenda of the United States and much of the West, as well as much of their foreign policy, have prioritized the international fight against terrorism. Although the United States has continued to keep an eye on security issues that involve the Latin American region, including migration and drug trafficking, it has been much less engaged in other areas of potential cooperation with the region than it had been in previous decades⁴⁸.

With the international community now focusing particularly on developments in other parts of the world, Latin America has come to enjoy a previously unknown regional autonomy from Europe and the United States. This has created space for new political

⁴⁶ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz.

⁴⁷ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

⁴⁸ Gutman, M.; Cohen, M; and Fernandez de Kirchner, C. (2007) *America Latina en Marcha: La Transicion Postneoliberal*. Infinito. Print.

actors and ideologies to arise, presenting Latin America with alternatives to the Neoliberal economic model⁴⁹. At present, many governments are once again assuming a greater role in the national economy, although in a different manner than during its protectionist decades, because several elements of capitalism have been preserved. By prioritizing poverty as a main national and regional concern, many Latin American nations have succeeded in realizing an extent of social improvements⁵⁰. Aiming to solve recurrent regional problems, Latin American leaders have been exploring options that had failed to be considered during Neoliberalism, even if these options challenge the capitalist system in one way or another⁵¹. In this way, regional integration is nowadays seen as an important mechanism in order to cooperate in addressing regional social issues, particularly those that can be considered part of the region's colonial baggage.

3.2 Today's Latin America

During Latin America's period of relative autonomy, the region started a process of both political and economic change. Governments have hereby been able to resist some aspects of Neoliberalism, thereby not necessarily completely rejecting capitalism, but in any case challenging those extreme characteristics that have been reinforcing social inequality⁵². Simultaneously, the region has been experiencing relatively high rates of economic growth, and has thereby been searching innovative ways in which to restructure their economies in order to ensure socio-economic improvements.

⁴⁹ De la Barra, X; and Dello Buono, R. (2004). *Latin America After the Neoliberal Debacle: Another Region is Possible*. Rowman & Littlefield Publishers. Print.

⁵⁰ Unspecified Author. (2009). "Nobody's Backyard." *The Economist*. Web. 7 May 2012. <<http://www.economist.com/node/16990967>>

⁵¹ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

⁵² Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

In the past decade, Latin American economies have been growing at an average rate of 5.5% annually, whilst managing to keep inflation rates low⁵³. Although the current global financial crisis has affected some Latin American economies more than others, many financial experts remark that the Latin American region has been able to stay on the periphery of financial crises rather than be at the center of it⁵⁴. Due to economic growth, most likely in combination with economic reforms, poverty has been decreasing in the region, whilst developing a substantial middle class. Brazil, considered to be one of the most important emerging economies in the world, may be considered to be the main force behind economic expansion, although Chile, Colombia, Peru, and Mexico are seeing particular regional highs in economic growth⁵⁵. Moreover, it is predicted that the region's economy will continue expanding by at least 5% in the coming years, envisaging an optimistic future for the Latin American region⁵⁶.

Interestingly enough, South American economies have been experiencing higher growth rates than Central America and the Caribbean⁵⁷. Simultaneously, it is argued that South America is undergoing a further democratization and demilitarization process, whilst Central America is experiencing further militarization of the region⁵⁸. While most South American countries are experiencing an economic boom, Central

⁵³ Unspecified Author. (2009). "Nobody's Backyard." The Economist. Web. 7 May 2012. <<http://www.economist.com/node/16990967>>

⁵⁴ Unspecified Author. (2009). "Nobody's Backyard." The Economist. Web. 7 May 2012. <<http://www.economist.com/node/16990967>>

⁵⁵ Unspecified Author. (2009). "Nobody's Backyard." The Economist. Web. 7 May 2012. <<http://www.economist.com/node/16990967>>

⁵⁶ Unspecified Author. (2009). "Nobody's Backyard." The Economist. Web. 7 May 2012. <<http://www.economist.com/node/16990967>>

⁵⁷ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

⁵⁸ Verbeek, B.J. (2012). "Politieke en economische uitsluiting niet verdwenen". La Chispa. Vol 26. No 360. Print.

American countries are doing so much less, with the exception of Mexico. However, even Mexico's economy, which is the strongest one Central America, is said to have reached the point of stagnation⁵⁹. External emerging economies such as India and China have contributed in creating an increased demand in raw materials, thereby mitigating the effects of the global financial crisis in the entire Latin American region. However, specific improvements in South America in economic management are said to have contributed to economic stability and the reduction of inequality, as well as the strengthening of democracy⁶⁰. We have therefore come to the point in which it is important to distinguish the path that South America is taking, from that of the rest of Latin America.

The South American region has seen the emergence of new, nontraditional leaders, thereby breaking away from many of the long established patterns and practices. During a debate on growth in the Andean region⁶¹, Ecuadorian Ambassador to the Netherlands outlines the main reasons behind Ecuador's growth of the past years. The ambassador explains that a renegotiation of Ecuador's public debt as well as reforms in the tax system, have made more money readily available to the Ecuadorian government. Its increased role in the national economy has led to a heightened public investment in infrastructure, as well as several projects aimed to reduce poverty. Improvements in transparency levels in combination with an increased focus on indigenous rights and the well-being of the poorest, have all contributed to a strengthened public satisfaction in democracy. It is bold steps such as these that have

⁵⁹ Verbeek, B.J. (2012). "Politieke en economische uitsluiting niet verdwenen". La Chispa. Vol 26. No 360. Print.

⁶⁰ Unspecified Author. (2009). "Nobody's Backyard." The Economist. Web. 7 May 2012.
<<http://www.economist.com/node/16990967>>

⁶¹ Debate: Democratic processes and economic development in the Andean region. 15 March, 2012. The Hague, The Netherlands.

been on the rise in South America, which mark the beginning of a new chapter in the region's history.

Central America however, is undergoing a very different set of developments, largely in a negative sense. Physically being situated between the regions of production (South America) and of consumption (North America) of illegal drugs, Central America takes part as an important drug trafficking route which in the past years has been seeing a sharp increase in related criminal activity. Drug trafficking in Central America has been identified as a major security threat, and with the United States financially backing Central American armies in the war against drugs, we see militarization taking place in the region. Furthermore, political developments such as the 2009 coup d'état in Honduras and Ortega's illegal third term in Nicaragua, suggest that democracy in Central America is being threatened. Indeed, the fragility of democracy can be observed throughout the entire region, where weak institutions, little political rivalry, and partisan judicial powers describe politics in many Central American states, much more so than in South America⁶².

A combination of all these factors is said to have led many third parties to see South America as having an important advantage in comparison to Central America. Many foreign states also see South American states as a potential partner in terms of opportunities in trade and equal cooperation, rather than merely a receiver of development aid⁶³. At the same time, South American countries are considering regional cooperation as a main priority in order to enhance regional economies, as well as deal with recurring regional problems. Sharing many historical, economic, and

⁶² Haanskorf, M. (2012). Democratisering en sociale bewegingen. *La Chispa*. Vol 26. No. 360. Print.

⁶³ Encuentro Latino-Europeo. 7 June, 2012. The Hague, The Netherlands

social characteristics, the joint pursuit for change is leading to a new type of regionalism inspired by post- Neoliberal values, very much in contradiction to previous integration projects which had focused on commercial liberalization⁶⁴. One important aspect that has been heavily criticized with regard to past projects that had promoted regional integration, is that these projects did not sufficiently attempt to achieve social equity within the region, and had solely focused on generating economic growth⁶⁵. Known as an elite-based regionalism of the twentieth century, this type of regionalism is becoming increasingly unpopular, while current leaders are progressively attempting to use new regionalist projects as a means to finding local solutions to local problems⁶⁶, including those concerning socio-economic factors, among others.

During the Neoliberal era, a main principle of reforms had been the removal of all obstacles to foreign investment, in order to ensure economic development. However, the new political scene has prioritized the reduction of poverty, which has therefore inspired states to become more autonomous in decision-making, and thereby to not necessarily follow the Washington Consensus prescriptions. Today, many South American leaders argue that from a political and ethical perspective, economic growth without social equity does not make sense, explaining many of the measures currently being implemented⁶⁷. Thereby we see a diminishing position of the United States in terms of its potential as a regional role model that promotes Neoliberalism, as well as the prospects of U.S. regional leadership losing ground in the Western Hemisphere

⁶⁴ Gutman, M.; Cohen, M; and Fernandez de Kirchner, C. (2007) *America Latina en Marcha: La Transicion Postneoliberal*. Infinito. Print.

⁶⁵ Pinto, J. (2009). *Entre la Integracion y la Fragmentacion Regional: el Desafio Politico de Nuestro Tiempo*. Eudeba. Print.

⁶⁶ Crandall, R. (2011). "The Post-American Hemisphere." *Foreign Affairs*. Web. 29 Feb. 2012
<<http://www.foreignaffairs.com/articles/67731/russell-crandall/the-post-american-hemisphere>>

⁶⁷ Gutman, M.; Cohen, M; and Fernandez de Kirchner, C. (2007) *America Latina en Marcha: La Transicion Postneoliberal*. Infinito. Print.

due to recent aspirations towards regional integration that exclude the United States as a central player.

3.3 South America's shift to the Left

In Latin America the left has recurrently been struggling for its survival, as their ideals and methods have typically been stigmatized as harmful to democracy and stability. In recent years however, social movements have been moving closer to formal political structures, thereby raising their chances to succeed as legitimate parties and leaving their guerilla image behind. Today many South American states have been experiencing the consolidation of democratically chosen left governments, and some would say that the Latin American left and democracy are meeting for the first time in the regional history⁶⁸. Many scholars believe that this shift to the left may be the answer to many of the region's problems, particularly with regard to diminishing the socio-economic inequality, as well as establishing a permanent democracy and widespread stability in the region.

South America's shift to the left commenced with the election of Hugo Chávez as president of Venezuela in 1998, breaking away from many traditional political tendencies in the country. By winning the elections, Chávez broke through the Venezuelan bi-party system which was known to be corrupt, and due to his background of poverty, Chávez hereby finished with the tendency of political rule by a traditional elite⁶⁹. Characteristically, as in other Latin American states, this political elite had had friendly ties with the United States, however Chávez has openly criticized the United States for its role in implementing Neoliberalism in Latin

⁶⁸ Haanskorf, M. (2012). Democratisering en sociale bewegingen. *La Chispa*. Vol 26. No. 360. Print.

⁶⁹ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

America. Consequently, in the past decade Venezuela has refused to follow Washington's strict economic guidelines, and has been increasing its budget on social spending. Venezuela has furthermore also resisted pressure by the United States to exclude Cuba diplomatically, and has instead been working closely politically and economically with Cuba and other political outcasts.

Chávez identifies his political approach as *socialism of the twenty-first century* and has inspired many changes in surrounding countries⁷⁰. This new socialism is a revolutionary process that emphasizes urgent problems such as poverty and exploitation, and thereby prioritizes the needs of those that have traditionally been overlooked by the political system. It is said that the difference between this new type of socialism and classical socialism, is that socialism of the twenty-first century is based on a participative democracy, and has a foundation in regional cooperation and solidarity, to a much greater extent than classical socialism had. Socialism of the twenty-first century is therefore considered to be a more flexible and modern approach to socialism⁷¹. Throughout the past decade, we have witnessed strong alliances particularly between Venezuela and Bolivia, Ecuador, and Cuba. However, even the remaining neighboring countries are largely on friendly terms with Venezuela, even when they do not participate in strong anti- Neoliberal or anti- United States discourse.

Importantly, Chávez has inspired much of the resource nationalism that has developed throughout South America today. Having previously followed the Neoliberal

⁷⁰ Kennemore, A; and Weeks, G. (2011). 21st Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador. *Bulletin of Latin American Research*. Print.

⁷¹ Beekman, L. and Heuvelink, T. (2012). "Vijf jaar Burgerrevolutie in Ecuador". *La Chispa*. Vol 26. No. 360. Print.

principles of privatization of services and resource exploitation, today governments are reversing many of these previous measures and assuming a much more central role in the economy⁷². Governments are becoming more assertive in seeking ways of regional integration, focusing on cooperation with reciprocal benefits within a wide range of working areas. This opposes previous times, when the focus had been chiefly on cooperation initiatives that were solely economic in nature, such as initiatives towards free trade schemes.

Although the governments within the South American region differ in many ways, they all share the will to achieve a greater extent of regional autonomy in decision-making processes⁷³. It is therefore argued that South America is making a strong statement that may inspire many in the third world, since it has managed to challenge the capitalist system, as well as raise its degree of autonomy within the international system⁷⁴. From a geopolitical point of view, the rising left movement in South America, in combination with the tendency towards regional integration, is a development with the potential of significantly altering the composition of the international scene as well as the relationships between regions. However, this would particularly be the case if the shift towards the left taking place in South American politics, would allow the region to speak with a single voice through political integration.

3.4 Consolidation of Two Lefts

Although Venezuela has been a source of inspiration throughout South America by demonstrating the ability to resist to foreign pressure, as well as proving to be able to

⁷² Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

⁷³ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

⁷⁴ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

redefine the terms on which it functions in today's Neoliberal world, there are different degrees to which fellow South American leaders have followed in Chávez's steps. There is significant evidence that suggests that there are in fact two very different types of left-inspired governments becoming consolidated in the region. While Venezuela positions itself clearly on the left, in the past decade Brazil has established itself on a more center-left position, thereby presenting the region with an alternative to Chávez within the post-Neoliberal ideology.

Many consider Chávez to be becoming increasingly controversial in his ways, whilst there seems to be an increasing popularity for Brazil's approach to left-inspired governance. Although Chávez prioritizes the well-being of the socially disadvantaged, criticism arises due to what is considered to be the unsustainable formula of Chávez's twenty-first century socialism. Although foreign firms had been extensively criticized for the exploitation of resources during the Neoliberal era, Chávez and his followers too rely on these practices as the main source of funding for social programs. Due to a substantial decrease in foreign investment as a result of nationalization policies and the hostile relationship with Western nations, twenty-first century socialism is coming to increasingly rely on natural resource extraction. Ecuador's Correa and Bolivia's Morales- Chávez's two closest followers, - who were initially immensely popular in their own countries, are undergoing increasing pressure and dissatisfaction from citizens. Due to the low economic activity that the countries find themselves in, citizens are not experiencing significant improvements in their quality of life, meaning that the gap between political promises and actual progress is growing. Therefore, this particular model raises questions concerning its sustainability, and

fundamentally, also its ability to continue functioning in today's essentially Neoliberal world⁷⁵.

In 2002, Luiz Inácio Lula da Silva, also known as Lula, won presidential elections in Brazil. Having been born into poverty and having played a major role in strikes against foreign businesses through his labor-union organization, president Lula might have seemed a very unlikely candidate for presidency only a decade earlier⁷⁶. Although president Lula had opposed the creation of the Bush administration's Free Trade Area of the America's (FTAA), as well as prioritized a focus on anti-poverty programs, Lula continued to pursue market-oriented policies as well as foster friendly relations with the United States. Even though Brazil still largely follows the Neoliberal model, there is a much greater accent put on social measures, meaning that the Brazilian model provides a pragmatic way for center-left governments to allocate any capitalist surplus into social programs⁷⁷.

Brazil, as well as other states such as Chile and Uruguay, have historically had a very distinct relationship with the left than states like Venezuela, Bolivia and Ecuador. This difference explains the political differences we see today to a large extent. In Venezuela, the left won elections during times of economic and political crises, which resulted in the breaking of the old party system. With democratic institutes having been extremely weakened by the political elite over time, little faith in democracy remained at the time Chávez came to power. Having been an outsider in the traditional political system, Chávez won votes by completely turning against the

⁷⁵ Kennemore, A; and Weeks, G. (2011). *21st Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador*. Bulletin of Latin American Research. Print.

⁷⁶ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

⁷⁷ Kennemore, A; and Weeks, G. (2011). *21st Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador*. Bulletin of Latin American Research. Print.

political system, using populist means in order to implement radical change. Due to an unorganized and strongly divided right-wing opposition, radical changes were made possible, expressed for example in the creation of a new constitution in Venezuela. In the case of Bolivia and Ecuador, a similar line of events took place, resulting in a comparable outcome. The opposite is true for the Brazilian model, where the right-wing has remained well-established, accounting for the current level of compromise between prioritizing social aspects and retaining the Neoliberal model⁷⁸.

Due to Chávez's strong rhetoric against the United States, as well as calling upon nationalistic sentiment in Venezuela, Chávez is often considered to have populist tendencies. This is mostly deemed undesirable because it encourages a defensive and hostile relationship between peoples from different backgrounds, as well as being unsustainable due to the exploitation of natural resources as the main source for funding⁷⁹. In addition, Venezuela is by far the country where most referenda take place, helping Chávez to legitimize his plans and strengthen the extent of his power. This means that the decision-making process is coming to center more around the president over time, while Venezuelan democratic institutions are becoming weaker in response. Observers warn about Chávez slipping into authoritarianism, and worry that its effects are starting to take its toll on democracy in Venezuela, which is cause of much criticism worldwide as well as within the region⁸⁰.

Meanwhile, Brazil has chosen a more pragmatic approach and has thereby succeeded in safeguarding its reputation internationally, in ethical, political, and economic

⁷⁸ De Kievid, J. (2012). "Elkaar eindelijk ontmoet". La Chispa. Vol 26. No. 360. Print.

⁷⁹ De Kievid, J. (2012). "Elkaar eindelijk ontmoet". La Chispa. Vol 26. No. 360. Print.

⁸⁰ De Kievid, J. (2012). "Elkaar eindelijk ontmoet". La Chispa. Vol 26. No. 360. Print.

aspects. Similar to Venezuela, Brazil uses an energy company as a tool to gain sovereignty over natural resources, and has been using it further for both economic development and a more equal distribution of wealth for all Brazilians⁸¹. The difference however in Lula's approach, is that by breaking with his originally radical roots, and by maintaining investor-friendly measures, Brazil had been able to safeguard its reputation as an attractive destination for foreign direct investment. At the same time, Brazil has been investing in social programs, and evidence suggests that Brazil has succeeded in lifting the poorest out of extreme poverty as well as triggering the growth of a middle class. These developments have resulted from Brazil's decision to take these social measures, even when these are explicitly opposed to by the Neoliberal model. As opposed to Chávez who has been in power since 1998, Lula did not renew his candidacy for presidency in the 2011 elections. In that year, Dilma Rousseff took office as Brazilian president, and has nonetheless been upholding Lula's approach to Brazilian politics and foreign policy, enjoying widespread support from the Brazilian population. Finally, Brazil has emphasized its will to build friendly relations with both the United States and Venezuela throughout the years, thereby perhaps establishing itself as a relatively neutral, yet largely autonomous nation.

It is clear that the South American region seems to be united in its determination to overcome inequality, observed by the political shift to the left. An innovative approach towards the organization of politics is believed to enhance the transformation of historical, social, and economic imbalances, although the measures taken vary significantly, specifically between Brazil and Venezuela. Nonetheless, the

⁸¹ Verbeek, B.J. (2012). "Soevereiniteit bedreigd door investeringsverdragen". *La Chispa*. Vol. 26. No. 360. Print.

will to cooperate at a regional level in order to overcome problems in common, as well as become a more autonomous region, is currently very strong. This will is furthermore reflected in recent integration initiatives, which can be considered innovative due to their focus which covers more than merely free trade areas.

Chapter 4: Integration Initiatives

The concept of regional integration, and the interest to commit to integration, has long existed in the South American region. By looking into previous integration initiatives, one can ascertain the reasons why the region has not yet achieved any concrete form of integration, particularly not to the extent that the region wishes to integrate. This information will tell us more about how to interpret the current integration climate in South America, and to identify the opportunities and challenges for integration.

4.1 Early Integration Initiatives

The notion of the integration of Latin America commenced with the independence of Spanish American nations, as specifically promoted by their liberator Simón Bolívar, who aspired towards the formation of a confederation of Latin American nations. Though this specific project did not become fulfilled, it marked the start of a long history of integration attempts in the region. Soon after independence, Pan-Americanism became a widespread source of inspiration for the integration of the Americas, due to the leading role that the United States had been developing throughout the region. From then on, many initiatives with the United States as a central player were initiated.

In the Western Hemisphere, as in other areas throughout the world, the end of the Cold War in the 1990s inspired new schemes and ideas for integration. The Organization of American States (OAS), although established in 1948, now gained

renewed meaning as a platform where the United States could propose its latest ideas for Inter-American integration, especially with regard to Neoliberal reforms. Especially the 1990s saw an increase in trade agreements and a pronounced emphasis on commercial liberalization. As a consequence of competition for market access, existing integration schemes were reformed (such as the 1969 Andean Pact), and others were newly created (such as the 1991 Common Market of the South, known as Mercosur).

Within the framework of the OAS, the first Summit of the Americas was held in 1994, declaring the commitment to a Free Trade Area of the Americas (FTAA), signed by 34 countries, including its initial advocate, the United States. With the United States encouraging Inter-American integration, the intention was to create an open network of democratic and stable nations, characterized by free markets, and led by the United States⁸². The OAS therefore played an important role in the establishment of democracy throughout the region, as well as in the protection of human rights and as a political forum for conflict resolution⁸³. Subsequently, the OAS came to exclusively promote a Neoliberal model of integration, focusing mostly on economic aspects, in particular the liberalization of trade, rather than the all-encompassing European model of integration.

Besides willing to be surrounded by democratic, stable countries, the United States sought to boost economic relations, in this manner promoting mutual economic benefit with its neighbors. Despite the initial belief that following the prescriptions

⁸² Feinberg, R. (2009). "The Eclipse of the Americas." Foreign Affairs. Web. 29 Feb. 2012
<<http://www.foreignaffairs.com/articles/65081/richard-feinberg/the-eclipse-of-the-americas>>

⁸³ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz.

imposed by the Neoliberal model would lead to greater development and economic growth, widespread disappointment in the projects up until the twenty-first century led nations to explore alternatives, this time attempting to find inspiration from within the Latin American region.

4.2 Post Neoliberal Integration Processes

While the Neoliberal integration model had made adaptations in the political and social system solely where necessary in order to succeed in its economic objectives, Latin American leaders have started to prioritize social aspect as the center point of a lasting political and economic transformation. As opposed to U.S.-led projects which deliberately maintained the degree of shared sovereignty at a minimal level, Latin American leaders have been inclining towards deeper and wider degrees of integration, such as that of the European model. In the development of Post Neoliberal integration processes, the United States no longer takes on a leading role, due to the search for a more autonomous and socio-economically equitable region. Due to the realization that the level of development determines the capacity to benefit from integration, Post Neoliberal integration aims to establish instruments that amend asymmetries within states as well as within the region⁸⁴.

The clearest example illustrating the shift towards a post-Neoliberal integration process is without a doubt Chávez's Bolivarian Alliance for the Americas, known as ALBA, based on the initial integration aspiration initiated by Simón Bolívar. Although Chávez may have started out politically isolated due to his views, he succeeded in quickly becoming the main leader in the battle against U.S.-led free

⁸⁴ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

trade. Besides Venezuela, member nations consist of several small Caribbean islands, as well as Bolivia, Cuba, Ecuador, and Nicaragua. Its participating leaders have openly challenged the Neoliberal order, viewing free trade agreements as a tool imposed by the United States in order to mask its intentions of legalizing a new form of Latin American colonization, this time through Neoliberalism⁸⁵. Acting as a blatant antithesis towards the Washington Consensus, ALBA seeks to integrate its member states in a variety of aspects, including education, finances, health, energy, and many more sectors⁸⁶. Through ALBA, Chávez seeks to create an integration relationship based not on economic profit, but on social solidarity, in most cases going against Neoliberal principles and prescriptions.

A further analysis of ALBA however, reveals its geostrategic and military view of integration, which is charged by ideological elements, whilst being severely inflexible to differing points of view. Due to its unlimited access to the use of resources, as well as the importance of resources for the development of its programs, it is feared that the military doctrine is growing stronger, and increasingly absorbing natural resources at the cost of other priorities⁸⁷. Additionally, the coherence of ALBA is based mainly on meetings of the heads of state of its members, whilst there are no consolidated structures that guarantee its continued existence, or the realization of its ambitions⁸⁸. Uncertainty about the viability of ALBA as a regional bloc is furthermore based on the fact that many significant states are not included in the bloc, because they are not completely in line with Chávez' views on twenty-first century socialism. Brazil for

⁸⁵ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz. Print.

⁸⁶ Rojas Aravena, F. (2008-2009). "America Latina y los Desafios para la Integracion Regional". Anuario CEIPAZ. Print.

⁸⁷ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz. Print.

⁸⁸ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafios de la UNASUR ante la Prevencion de Crisis Regionales." Anuario Ceipaz. Print.

example, having little to do with the Spanish American liberator Simón Bolívar, has not been sufficiently convinced of ALBA's Bolivarian ideology, whilst countries like Peru, Colombia, and Chile find it important to remain on good terms with the United States. Skepticism therefore exists due to the perceived unsustainability of its mechanisms, as well as its military doctrine, with many states in the region preferring a more soft approach towards regional autonomy.

Most South American states are interested in a new model that simultaneously embraces twenty-first century markets as well as prioritizes social welfare through a well-established and structured integration process. The newly created Union of South American Nations (Unasur) seems to find the balance between these aspirations seeking a deep and wide integration such as the European Union's, and aiming to become an economic and diplomatic power, rather than a military one⁸⁹. Unasur aims to reduce conflict and distrust in the region, as well as mark the first step toward regional autonomy and social equity. Unasur, having been created in 2004 as the South American Community of Nations, changed its name to Unasur in 2008. In the meantime, it has been ratified by all South American states, and has begun its proceedings towards integration. In order to avoid an increase in bureaucracy, Unasur has been using existing institutions belonging to CAN and Mercosur, in order to facilitate a smooth transition. This having said, Unasur combines many aspects of these two pre-existing integration projects, however emphasizing the social benefits of economic growth⁹⁰. Although Unasur finds itself in a stage of infancy, many observers already see Unasur as a success, especially due to the high levels of

⁸⁹ O'Neil, S. (2011). "The End of ALBA: Latin America's Market-Based Integration." Council on Foreign Affairs. Web. 6 Mar. 2012

<http://blogs.cfr.org/oneil/2011/04/04/the-end-of-alba-latin-americas-market-based-integration/>

⁹⁰ Serbin, A. (2008). "Multipolaridad, Liderazgos e Instituciones Regionales: Los Desafíos de la UNASUR ante la Prevención de Crisis Regionales." Anuario Ceipaz. Print.

political commitment, as well as the leading role that Brazil plays within Unasur. We have already seen the accomplishment of political interventions take place by Unasur, starting from the Bolivian crisis in 2008. Due to the perceived success and potential of Unasur, a similar Community of Latin American and Caribbean States (Celac) was created in 2010, consisting of 33 American states. Similar to Unasur, Celac aims to reduce the United States' power in the region, acting very much as a direct alternative political forum to the OAS. However, the nature of Celac will very much rely on the developments in South America, depending on whether the South American continent succeeds in establishing itself as a consolidated region through Unasur.

By now we see that a change in circumstances have gradually made integration increasingly possible as well as desirable, although we must explore any structural restrictions remaining, which may continue posing an obstacle to the consolidation of a regional bloc⁹¹. Nonetheless, the current rising left movement in combination with regional integration is drawing much attention at an international level, due to its potential geopolitical impact as a center-left bloc⁹². The significance and influence of the region however, will depend entirely on the ability to coordinate policies and speak with a single voice on behalf of South America.

4.3 Fragmentation of the Inter-American System

The Inter-American system in the manner that the United States had promoted through the OAS has most certainly come in danger due to the political developments taking place in South America. Brazil, Venezuela, and even a growing number of in the U.S. congress do not see a future in the OAS, and have therefore recurrently

⁹¹ Pinto, J. (2009). *Entre la Integración y la Fragmentación Regional: el Desafío Político de Nuestro Tiempo*. Eudeba. Print.

⁹² Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

threatened to withhold funding for the OAS⁹³. The fifth summit of the Americas was considered a failure for OAS, when Chávez appointed himself as the regional spokesmen, and ALBA members declined to sign plans for further Inter-American collaboration⁹⁴. In the meantime, Celac has been created, which aims to cover many of the OAS' functions, however excluding the participation of the United States.

Although we can observe that Neoliberalism has majorly backlashed and that political leaders are searching for left-inspired alternatives, there is a growing fragmentation in the degree to which political leaders are taking on an anti-elite and anti foreign-influence approach within South America⁹⁵. Even so, the threat of South American fragmentation continues to pose a risk, even to Unasur.

While Venezuela would like to see Unasur and Celac take on the nature of ALBA, many regional leaders are seeing the limitations of twenty-first century socialism as a model for Post Neoliberal integration and development. Although Chávez remains loyal to his twenty-first century socialism, we see a gradual preference for Brazil's pragmatism throughout South America, reflected by the gradual transformation of once-radical leaders, such as Ecuador's Correa and Peru's Humala. These leaders seem to be opting for a more moderate approach, as promoted by Brazil, and have thereby been taking distance from Chávez⁹⁶. Moreover, a recent study on competitiveness, demonstrates that ALBA members are very much underperforming

⁹³ Unspecified Author. (2012). "Our Friends in the South." *The Economist*. Web. 7 May 2012
<<http://www.economist.com/blogs/democracynamerica/2012/04/dilma-rousseffs-visit-america>>

⁹⁴ Feinberg, R. (2009). "The Eclipse of the Americas." *Foreign Affairs*. Web. 29 Feb. 2012
<<http://www.foreignaffairs.com/articles/65081/richard-feinberg/the-eclipse-of-the-americas>>

⁹⁵ Kennemore, A; and Weeks, G. (2011). *21st Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador*. Bulletin of Latin American Research. Print.

⁹⁶ Kennemore, A; and Weeks, G. (2011). *21st Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador*. Bulletin of Latin American Research. Print.

in terms of competitiveness, which ones again raises the question of ALBA's sustainability⁹⁷.

While many South American states are moving closer to Brazil, some political scientists warn that Brazil's aspiration to consolidate the South American region sometimes comes into conflict with its aspiration to take on an even greater role in the world. Brazil has come to take center stage on an international level due to its partaking in BRIC, as one of the top emerging economies in the world, meaning that it needs to find a balance in its foreign policy between these priorities⁹⁸. However, others are confident that Brazil realizes that its role as a regional leader will only further enhance its role at a global level, meaning that it is likely that Brazil will continue to prioritize regional integration through Unasur. This could draw South American nations together, thereby finally overcoming the cultural and linguistic differences, that had traditionally separated Brazil from the rest of South America.

Although the EU has always fostered region-to-region relations, the lack of regional coordination in South America has often made it impossible for the EU to work in this way⁹⁹. Brazil, having been the first Latin American country that was recognized as a strategic associate of the EU, demonstrates how bilateralism also poses a threat to the Inter-American system. The United States has also been working on bilateral agreements- particularly with Chile, Colombia, and Peru- and this increase in bilateral

⁹⁷ O'Neil, S. (2012). "Latin America Becomes More Competitive." Council on Foreign Affairs. Web. 8 Oct 2012. <<http://blogs.cfr.org/oneil/2012/09/20/latin-america-becomes-more-competitive/>>

⁹⁸ Caballero Santos, S. (2011). "Brasil y la Region: Una Potencia Emergente y la Integracion Regional Sudamericana." Revista Brasileña de Política Internacional. Vol. 54, No. 2. Print.

⁹⁹ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

opportunities has been facilitating further fragmentation of the region¹⁰⁰. The threat exists that bilateralism could make regional integration irrelevant, making it important to articulate a common policy that will work towards achieving the goals of the individual states and the region simultaneously, in order to ensure a constant commitment to integration.

It is argued that, over time, South America has not been able to portray a more global and united vision of the region, having made the region extremely fragmented instead of integrated in the past decades¹⁰¹. However, seeing that Unasur is becoming more politically aligned on the center-left over time, it seems likely that it will develop into a union that broadly represents the interests of the entire South American region. Having a well-consolidated bloc will oblige third parties to work within Unasur's framework, thereby simultaneously reducing the role that bilateralism has been playing in regional fragmentation.

¹⁰⁰ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

¹⁰¹ Rojas Aravena, F. (2008-2009). "America Latina y los Desafios para la Integracion Regional". Anuario CEIPAZ. Print.

Chapter 5: The role and potential of UNASUR

Unasur has been receiving widespread enthusiasm from its member states, whom consider the integration of South American states to be an important measure to further foster regional growth, to increase regional autonomy, and to combat socio-economic inequality. The ambitious project aims to integrate South America in a wide range of areas, and in so doing aims to find South American solutions to South American problems. Unasur is believed to be an alternative to the Neoliberal model, through which South American nations can work together in dealing with historically-rooted problems, as well as in confronting today's highly competitive and challenging international climate.

5.1 Unasur and its main characteristics

Regionalism is seen as an intermediate step for South America towards a more elevated position in world affairs, as well as the key to eliminating many of the region's persisting colonial legacies. As thoroughly explained in the second chapter of this thesis, the patterns of social and economic inequality can be clearly traced back to colonial times. At the same time, civil society in South America has been undergoing a transformation that has been increasing its demands towards the state, hereby reversing and counteracting the traditional Latin American relationship between state and people¹⁰². Furthermore, due to the shortcomings of previous regional integration

¹⁰² Pinto, J. (2009). *Entre la Integración y la Fragmentación Regional: el Desafío Político de Nuestro Tiempo*. Eudeba. Print.

projects, the need of coming up with an innovative and all-encompassing integration project has been identified by most South American leaders as the key to further development and to securing South America's present and future interests.

It is believed that Unasur has the potential of bringing upon economic benefits to its member states, enhancing regional stability and mutual trust, and it is furthermore hoped that it may ultimately put an end to fragmentationalist tendencies in the South American region¹⁰³. In sum, it is said that the aims of Unasur rest on three pillars, these being (1) the coordination of foreign policies for the international projection of South America (2) economic integration through the convergence of CAN and Mercosur, and (3) the integration of an array of aspects, ranging from cultural to infrastructural integration¹⁰⁴.

Through Unasur, member states aim to set up a permanent integration project that will be based on cooperation and mutual benefits. This integration model is innovative as it differs in many ways from pre-existent models in the region, although some institutional structures of Mercosur and CAN may remain as part of its continuous evolution and transition towards the true and permanent consolidation of Unasur¹⁰⁵.

Currently, Unasur's organs consist of (1) Council of Heads of State and of Government; (2) Secretary General.; (3)President Pro Tempore; (4)Council of Delegates; and (5) Council of Minister of External Relationships. Unasur consists of eight ministerial councils, these being those of Social Development, the Fight against Drug Trafficking, Health, Education and Culture, Defense, Energy, Economy and

¹⁰³ Wagner Menezes Teixeira, A. (201). "Regionalismo y Seguridad Sudamericana: ¿Son Relevantes el Mercosur y la Unasur?"Revista de Ciencias Sociales. Print.

¹⁰⁴ Caballero Santos, S. (2011). "Brasil y la Region: Una Potencia Emergente y la Integracion Regional Sudamericana." Revista Brasileña de Política Internacional. Vol. 54, No. 2. Print.

¹⁰⁵ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

Finances, and Infrastructure. The *Banco del Sur* (Bank of the South) was additionally created in 2009, which makes capital available for infrastructure and social purposes throughout South America, aiming to replace the need for the World Bank and IMF. Additionally, there are plans for a South American Parliament which will further allow Unasur to become a more deeply integrated region, as stated in Unasur's constitutive treaty¹⁰⁶. As can be seen, Unasur is working on clearly delineating its structure, which ensures its functioning, and which moreover, covers a wide range of aspects, which is in line with Unasur's aspirations. These structures will play a vital role in ensuring that all of Unasur's aims are carried out, particularly in the long-term.

5.2 Areas of Integration

Since Unasur aims to become an integrated entity much like the European Union, the creation of a supranational political system is vital in order to ensure political integration. The *political integration* of Unasur will therefore entail a considerable transfer of sovereignty from its members to the Unasur decision-making body, which in turn will allow Unasur to act as one cohesive bloc. Unasur's various institutions play a vital role in ensuring that the region has the necessary instruments available to allow for political integration, as well as for integration of the other areas of potential integration. Annual summits by the Heads of the member states are already being held, serving as the device with superior political mandate of the organization. Twice a year, the Ministers of Foreign Affairs of each member state as well as sectoral ministers come together to discuss specific matters related to Unasur's ministerial councils¹⁰⁷. Thus far, Unasur's member states have focused on increasing

¹⁰⁶ Tratado Constitutivo de la Union de Naciones Suramericanas. 2008.

¹⁰⁷ Kaspar, P. (2011). "The Logic of UNASUR: Its Origins and Institutionalization". Master Thesis. Aalborg Universiteit. Web. 9 July. 2012.
<http://projekter.aau.dk/projekter/files/53154638/The_LOGIC_OF_UNASUR.pdf>

transparency and information sharing between its members, in order to achieve higher levels of trust as well as confidence in this new organization.

Regional security is promoted through cooperative security arrangements by the South American Defense Council. Although the council promotes military cooperation and regional defense, it also has a broader security agenda, including a variety of threats to human well-being, democracy and human rights. Unasur's members have clarified that the council will not function as a NATO-like alliance, but rather will serve to develop multilateral military cooperation, enhancing confidence within the region, and coordinating security building measures¹⁰⁸ This means that as opposed to NATO, the council does not have access to armed forces of its member states. Importantly, the Council complements existing supranational mechanisms such as the UN charter, which indisputably increases its legitimacy and its regional purpose.

In 2009, Unasur members held the first meeting of the newly formed South American Defense Council. This led to the Santiago de Chile Declaration, which explains the nature of the council, and additionally sets some initial goals for the council. Most importantly, the council serves as a program for the coordination of external security as well as a platform for dialogue on regional conflict. Since then, an action plan has been designed that lays the ground for future cooperation in areas of defense policies and military cooperation; humanitarian actions and peace operations; defense industry and technology; and military education and training. One important issue that will increasingly be in the South American region's interest, is to reduce the instability in

¹⁰⁸ Kaspar, P. (2011). "The Logic of UNASUR: Its Origins and Institutionalization". Master Thesis. Aalborg Universiteit. Web. 9 July. 2012.
<http://projekter.aau.dk/projekter/files/53154638/The_LOGIC_OF_UNASUR.pdf>

Central America, a matter that in the near future may even be wise to carry out in cooperation with the United States. In the meantime, we have been able to witness that the council has taken a strong stance against states that threaten to endanger democracy, such as we have been able to observe following the June 2012 legislative coup in Paraguay that led to its suspension from Unasur. Unasur members have made clear that Paraguay will be welcomed back to the organization once it holds fair and democratic elections¹⁰⁹. Hereby Unasur openly demonstrates its commitment to democracy, in order to ensure a secure and stable region.

In terms of *energy*, South America has an extensive supply of several types of energy sources, and is therefore also considered to be an important factor for future integration. Venezuela and Brazil, respectively having one of the largest petroleum reserves and ethanol production in the world, are especially interested in boosting their influence internationally by means of energy integration. At the same time, Bolivia and Argentina have the largest gas reserves in the Western hemisphere, while Colombia also has significant carbon reserves, making the South American region an important energy supplier worldwide. What may be noted is that whilst the continent has enough reserves for its own use as well as for export in the coming decades, it experiences much less international pressure than the Middle East, giving the Unasur members more space for devising an integration plan regarding energy¹¹⁰.

In 2007, the first South American Energy Summit was held, gathering Unasur leaders for the brainstorming of ideas for integration. While no concrete ideas have yet

¹⁰⁹ Unspecified Author. (2012). "Mercosur/Unasur anticipate 'appropriate measures' against coup in Paraguay". Mercopress: South Atlantic News Agency. Web. 1 July. 2012 < <http://en.mercopress.com/2012/06/23/mercosur-unasur-anticipate-appropriate-measures-against-coup-in-paraguay>>

¹¹⁰ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

formed, in 2009 it was decided that Unasur should initially focus on playing an important role in resolving energy disputes involving member states. Nonetheless, disagreement exists primarily on the role that energy should play in Unasur, with Venezuela assuming a geo-strategic approach to energy, seeing energy as a tool that increases national power and that can therefore be used for political means and state security. Brazil on the other hand, embraces a softer stance on the benefits of energy, preferring to consider energy as an opportunity for development, as well as for the consolidation of institutions, and most importantly, for the security of society¹¹¹.

Although consensus exists on the potential importance of energy for Unasur, divergence in opinion between its members therefore primarily exists with regard to the role and influence that energy should play for the region. Therefore, we can assume that it may take a considerable amount of time and negotiations before any specific steps towards energy integration will be considered.

Another one of Unasur's main aspirations is to achieve *economic integration* through the formulation of economic policies and the creation of institutions, which will greatly support the coherence of the region. The first step towards economic integration will be the creation of a single market which aims to eliminate all tariffs within the region in the coming years. This process has been initiated, and will be facilitated by merging CAN and Mercosur, meaning that many of the economic institutions and policies of these subregional blocs will currently stay in place, and consequently be merged to fit into the larger Unasur scheme.

¹¹¹ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

Additionally, the Banco del Sur has been set up as bank with the intention of granting loans throughout the region, with the purpose of funding social programs and infrastructure throughout the Americas. The bank has been designed to act as a development bank, offering an alternative from the previously established IMF, Worldbank, and Inter-American Development Bank. Unasur's 2008 Constitution supports the Banco del Sur, with the establishment having taken place the following year with an initial capital of US\$20 billion, consisting of contributions by each member state. The bank symbolizes one of the main backbones of Unasur's economic integration, which aims to assist the region to grow economically whilst combating economic inequality. Banco del Sur has gained widespread support, especially since it offers an alternative to the previous, Neoliberal oriented development banks. Although the bank is still in its initial stages, it has been closely cooperating with de Brazilian Development Bank until Banco del Sur becomes further consolidated¹¹².

As mentioned several times, in the long run Unasur would like to see itself become a South American version of the integration that the European Union has achieved. This includes the implementation of a common currency, which has often been mentioned by Unasur's leaders. However, these remain mere plans for the future, and especially in the light of the current economic crisis in the EU, it is likely that Unasur will further postpone this aspect of economic integration. In the meantime, Unasur's members are working on firstly eliminating all tariffs by 2019, as well as further exploring the capabilities and possibilities that Banco del Sur offers.

¹¹² Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

Furthermore, although South America has seen considerable improvements in the number and quality of infrastructure in the more recent years, the region still scores low on these measures of infrastructure. It is particularly notable that the distribution of infrastructural provisions is extremely unequal, both within individual member states, as within the Unasur region as a whole. The development and integration of infrastructure has therefore been identified as one of the main keys to sustainable growth, as well as an excellent tool to achieving the physical integration of the South American region. Furthermore, the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA) plays a key role in bringing South American states closer together through the development of transportation, energy, and telecommunications projects. Geographically, the continent has always been home to many remote and isolated places, and therefore the IIRSA projects aim to incorporate these secluded places into the Unasur community. These projects are therefore believed to have social benefits, as well as economic benefits by facilitating the entire region's access to a greater market¹¹³.

Thus far, South American nations have agreed upon 348 infrastructural projects which will aid the region in becoming more integrated, marking a unique first time that such a list is agreed upon by all nations¹¹⁴. Nevertheless, these plans are running behind schedule, although we can ascertain that some concrete accomplishments have been achieved. One of the most important steps has been the building of the Inter-Oceanic highway, which finally has succeeded in connecting the South American East coast to the West coast.

¹¹³ Perz, S. et al. (2011). "Regional Integration and Local Change: Road Paving, Community Connectivity, and Social–Ecological Resilience in a Tri-National Frontier, Southwestern Amazonia." *Regional Environmental Change*. Print.

¹¹⁴ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

Although the concern exists that this delay is due to an underestimation of the projects involved, the gravest worry may be that of securing a lasting commitment and funding of member states towards the projects, especially in terms of long-term maintenance¹¹⁵. Due to the crucial role that infrastructure plays in the integration of Unasur, it is important for Unasur to succeed in binding its member states in order to ensure that these projects continue functioning in the long run.

Lastly, the *cultural integration* of the South American region is another vital step towards Unasur's social cohesion. Cultural and educational exchange will allow South Americans to more extensively get to know each other, an aspect which South America had not yet been able to achieve in the past. Specifically the linguistic barrier between Brazil and the rest of South America should be reduced by encouraging citizens to learn either Spanish or Portuguese as a second language, thereby bringing South American citizens closer together. Furthermore, Unasur has been taking steps towards the free movement of people, primarily by removing visa requirements for tourists from fellow Unasur member states. Ultimately, the cultural integration of South America is a long-term goal of Unasur, which besides social cohesion, could aid in the exchange and development of further knowledge and skills. This could, for example, be expressed in the amplification of employment opportunities, as well as improvements in the quality of education¹¹⁶. Consequently, the successful integration at the cultural and social level, would contribute to making Unasur a more competitive region at the international level.

¹¹⁵ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

¹¹⁶ Bertoni, L. (2008). *La Infraestructura Centro de la Integracion Sudamericana*. Dunken. Print.

It hereby becomes apparent that the integration of Unasur's member states will occur on several levels, ranging from political to economic, to cultural integration. Although this will require a lengthy process, the advantages are clear: integration as intended by Unasur, will greatly contribute to a more stable, cohesive, and competitive region. Nonetheless, it is now necessary to explore whether Unasur can to prove to be more than 'yet another integration project' to add to the Latin American list of integration initiatives. Becoming a success will require Unasur to demonstrate to be able to overcome the integration challenges that previous integration projects did not succeed in rising above, as well as to be equipped to confront any new challenges that may arise.

5.3 Internal Challenges to Integration

Politically united and economically integrated, hope lays in the notion that South America might finally know how to reach its potential and act as an important player on the world stage. Although democracy and stabilization have made some integration possible, many unfavorable conditions and structural restrictions remain, posing potential threat to the consolidation of Unasur. Since Unasur's aim is to build on Mercosur's and CAN's existing institutions rather than create a complete new range of institutions, it is additionally crucial for Unasur to learn from past experiences, and thereby consider the shortcomings of Mercosur and CAN in order to be sufficiently equipped for overcoming these deficiencies.

Politically, today we see that South American nations are significantly divided on the ideological front, and that we must distinguish between the two types of left governments that are have developed in the region. This has implications for the

proceedings that Unasur must undertake in order to consolidate itself as a region, since it will very much depend on the specific role that its members believe that Unasur should play in the region as well as in the global context.

In recent years it seems that a trend towards a center-left approach such as that embraced by Brazil is evolving and building up in South America, in this case making it important for Brazil to take on a leading role in the further consolidation of Unasur. This would ultimately aid in developing a 'single voice' for Unasur, which would augment to Unasur's efficiency and credibility. However, this will not occur without a significant degree of counteraction on Venezuela's behalf, which would also like to see itself become the regional leader, and which still enjoys considerable support in some South American nations. This struggle for leadership however, may cause considerable damage to the realization of further integration, as well as to the image that Unasur portrays.

Many would say that South American nations are more enthusiastic about Unasur than previous integration projects, perhaps due to the fact that it is one of the few times that it has been completely locally-inspired rather than imposed from abroad. Looking at CAN for example, some argue that it has largely lost its significance following the crisis in 2006 when Venezuela left the community due to opposition to the free trade agreements between the United States and the other members. This may indicate that previously, a lack of commitment had existed for the integration of CAN members, as well as a lack of a clear ideological direction that CAN would develop in, which has largely led to a deadlock for integration. Furthermore, both Mercosur and CAN have been experiencing a growing number of unilateral decisions, which

has led many skeptics to believe that regionalization is no longer a realistic option for South America¹¹⁷.

Although today there seems to be much political will to become an integrated region, Unasur members must ensure that this political will is translated into actual steps taken towards integration, thereby avoiding a gap between public discourse and concrete achievements. Thereby, the decision-making capacity of Unasur must be adhered to, aiding the region to become more visible as a coherent bloc. Also, it is important to determine the orientation that Unasur will further develop in, in order to avoid its members dropping out of Unasur due to ideological disagreements. Related to this, it has been observed that the new left governments are quick to turn inwards, responding to local priorities, rather than upholding the regional agenda, particularly when these come into conflict with each other¹¹⁸, hereby jeopardizing Unasur's legitimacy. This occurs because the new left governments wish to respond primarily to their own people, which damages the cohesiveness and continuity of integration measures. Furthermore, although Brazil and the rest of South America share many historical traits and legacies, there are sufficient differences which have impeded the cultural merge between former Spanish American colonies and Brazil, resulting in the lack of a shared identity, which once again poses a threat for the political and social cohesion of Unasur.

Furthermore, we can observe a low level of economic interdependence and intra-regional trade between member states. Looking at Mercosur and CAN too, we can

¹¹⁷ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

¹¹⁸ Caballero Santos, S. (2011). "Brasil y la Region: Una Potencia Emergente y la Integracion Regional Sudamericana." *Revista Brasileña de Política Internacional*. Vol. 54, No. 2. Print.

note that the respective members have continued experiencing a low economic interdependence throughout the years. Despite efforts of economic integration, a mere 25% of trade is intraregional, as opposed to the European Union's 75%¹¹⁹. This is an important issue which may have several explanations, yet which needs to be improved urgently in order for the region to become an economically strong and coherent bloc.

To an extent, the low economic interdependence can be explicated in terms of the asymmetry in economic relevance of member states, which has additionally resulted in some political frictions. For example, contradiction arose when Brazil, being the strongest economy within Mercosur, had not been willing to modify its fiscal or monetary policies to fit within the Mercosur framework¹²⁰, all together causing a blow to Mercosur's image. Additionally, institutional insufficiency became apparent due to the lack of an existing organ that would ensure the fulfillment of agreements. Therefore, particularly considering that Unasur involves members from a wider economic background than Mercosur or CAN individually had, it is important to take these past experiences into account, and to take necessary measures for the existing disparities.

Further analysis reveals that Mercosur and CAN have failed to diversify and widen their economic scope, still relying mostly on commodity prices. This proved to be dangerous during the 1997 Asian crisis, that severely affected Mercosur members due to their reliance on commodity exports¹²¹. The lack of economic diversification is most

¹¹⁹ Gutman, M.; Cohen, M; and Fernandez de Kirchner, C. (2007) *America Latina en Marcha: La Transicion Postneoliberal*. Infinito. Print.

¹²⁰ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

¹²¹ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

certainly also true for Brazil, that is considered to be one of the most important emerging market nations, receiving vast amounts of foreign investment and having one of the top-performing stock markets in the world¹²². However, Brazil's economy too is vulnerable to swings in commodity demands. In order to avoid an over reliance on commodity prices and the vulnerability associated with this, Unasur will need to prioritize the diversification of its member states' economies.

Furthermore, the structural and institutional challenges that Unasur faces have very much to do with the previously discussed 'colonial baggage', which ultimately weakens Unasur's member states as well as their institutions. The structural composition of South America remains in many ways unfavorable for regional integration, due to unequal development and economic growth, which have been the cause for the region's subordinate international insertion. Therefore Unasur members must continue focusing on combating social inequality, in order to eliminate structural problems from their root. By wisely managing the funds resulting from economic growth, the lower socio-economic classes should be able to improve their situation, hereby permanently eliminating the deep-rooted and widespread inequality.

Additionally, Mercosur and CAN serve to remind us that integration and regional security go together, as we have witnessed certain improvements in regional stability following the implementation of these two integration initiatives, despite the fact that they have not covered issues of security in the traditional sense. Nonetheless, when we look at Mercosur specifically, we see that Mercosur has served as a forum for reducing long-existing rivalries between its members, although it is said that the lack

¹²² Sharma, R. (2012). "Bearish on Brazil" *Foreign Affairs*. Vol. 91, No. 3. Print.

of transparency has often hindered the achievement of complete mutual trust. Developing mechanisms of transparency therefore, can aid Unasur in achieving its aims, for example by being transparent on a range of matters, including each individual member states' defense spending¹²³. It is therefore important to create an environment of trust within Unasur, in order to oppose South America's rivaling and nationalistic history that have often been the cause of border struggles as well as wars that until today may carry on resentment¹²⁴. . At the same time, Unasur members must look into the threat of transnationalization of criminal activity from Central America, and ensure that this does not further spread into South America.

Lastly, if South America wishes to continue attracting foreign investment, Unasur's members must work hard to demonstrate that South America is a stable region. This includes demonstrating that Post Neoliberalism can also simultaneously embrace certain features of capitalism, even if its on its own terms, and that thereby the region will continue being an attractive place for foreign investment. Also related to the region's image, South American nations have long been infamous for the perceived weakness of their institutional mechanisms as well as the high levels of corruption. Therefore Unasur must tackle these points, in order to gain legitimacy for Unasur internally and externally¹²⁵. In other words, Unasur must make certain that its institutions will be of adequate quality, design, and with a sufficient degree of enforcing powers, in order to make the integration process feasible and a success. Furthermore, looking at Mercosur and CAN demonstrates many threats that may

¹²³ Wagner Menezes Teixeira, A. (201). "Regionalismo y Seguridad Sudamericana: ¿Son Relevantes el Mercosur y la Unasur?" *Revista de Ciencias Sociales*. Print.

¹²⁴ Rava, M. (2012). "UNASUR Moving Forward with Its Integration Efforts". *Policy Interns Online*. Web. 9 July 2012. <<http://policyinterns.com/2012/05/14/unasur-moving-forward-with-its-integration-efforts>>

¹²⁵ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

ultimately result in the region's fragmentation, meaning that Unasur must take measures in order to implement any lessons learnt from these and other previous integration schemes.

5.4 External Challenges for Integration

During Neoliberalism, a main principle had been the removal of all obstacles to foreign investment, in order to ensure economic development. However, the new political scene has allowed itself to take measures that prioritize social well-being, even when these come into conflict with Neoliberal principles.

Even though few South American countries have completely rejected Neoliberalism, most South American governments have established an array of regulations on foreign corporations, as well as an increased demand in taxes expected from these corporations. Additionally, new environmental laws are being implemented throughout the continent, often coming into conflict with the practices of many foreign companies. These new and stricter guidelines that companies are being obliged to work under, however, are often being seen as a breach to the bilateral investment treaties that stem from the Neoliberal era¹²⁶. Although there is proof that some foreign corporations find themselves with little choice but to adapt to the new political and economic reforms¹²⁷, others are suing South American governments at the International Center for Settlement of Investment Disputes (ICSID). This is a challenge to South American integration, as this implies that the core principles that Unasur bases itself on, are being widely criticized, and may be warding off potential investors. In response, however, South American governments claim that ICSID does

¹²⁶ Verbeek, B.J. (2012). "Soevereiniteit bedreigd door investeringsverdragen". *La Chispa*. Vol. 26. No. 360. Print.

¹²⁷ Kozloff, N. (2009). *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan. Print.

not sufficiently take into account non-commercial interests, such as health and the environment. Unasur members are therefore planning to replace the ICSID by a regional arbitration center, with what is considered to have less of a Neoliberal bias, thereby helping South America become a more autonomous region¹²⁸.

Another challenge that Unasur faces, is its limited recognition as a serious and cohesive regional bloc. Bilateralism between a third party and a single Unasur member is a threat to Unasur's cohesion, and which may lead to fragmentation. The European Union has been one of Unasur's most enthusiastic supporters, but in the current circumstances, the threat exists that the EU is becoming increasingly self-absorbed due to its own internal problems, meaning that Unasur seems to be losing a partner valuable to its credibility¹²⁹. Unasur must therefore work hard to demonstrate that it is a unified regional bloc, with the capability of overcoming its political, structural, and institutional discrepancies.

Furthermore, as already mentioned, South American nations have not yet been able to sufficiently diversify their economies, making the region rely overly on the external demand of primary goods. The region has known to profit from China's immense growth and corresponding demand for primary goods, however, the upholding of this trend cannot be guaranteed, raising the question of South America's economic sustainability. Therefore, Unasur should encourage its member nations to diversify economically, therefore making them less vulnerable and dependent on a few specific markets.

¹²⁸ Fiezzoni, S. (2011). "The Challenge of UNASUR Member Countries to Replace ICSID Arbitration." Beijing Law Review. Vol. 2 No. 3. Print.

¹²⁹ Cienfuegos, M; and Sanahuja, J. (2010). *Una Region en Construccion: UNASUR y la Integracion en America del Sur*. CIDOB. Print.

It is clear that Unasur must foster a shared vision in order to act as a regional bloc, thereby adhering to the framework that it wishes to develop itself in. This will be necessary in order to overcome its regional challenges, including both internal and external ones, before it can hope to truly make an impact as a sound and cohesive region.

Chapter 6: Conclusion

The notion of integration has been prevalent in the Latin American region for an prolonged period of time, since the independence of South America in the early nineteenth century. Following a rough period of 200 years of European colonization, independence brought with it the sentiment of brotherhood among American nations, giving rise to the notion of Pan-Americanism, and marking the beginning of Latin America's path towards integration.

Particularly with the United States quickly growing strong and gaining international power during the time of Latin American independence, the U.S. was considered to be a role model for the newly independent states throughout Latin America. Therefore, when the United States declared, through the Monroe Doctrine, that any attempt by foreign powers to colonize or otherwise intervene in Latin America would lead to U.S. intervention, Latin Americans gladly accepted the United States' protection.

Rapidly, however, the Latin American perception on the Monroe Doctrine transformed into a concept with negative connotations, following a series of events which hinted at the United States' expansionist intentions. This marked the beginning of a relationship of asymmetrical nature between the United States and Latin America, with the United States quickly gaining a great deal of influence in the Latin American region. Latin America was hereby informally termed as the United States' backyard, indicating a relationship where the United States had an unproportional share of influence throughout Latin America, exerting its authority and interests in

economic, political, and military issues. This development brought with it the implementation of the Neoliberal model in Latin America, leading to widespread economic liberalization, free trade, and open markets.

It is in this context of Neoliberalism that new integration initiatives were launched in Latin America, based on Neoliberal principles, and focusing mostly on integration of economic aspects. It is argued, however, that under this model, historically rooted imbalances of the Latin American region were pronounced and became more aggravated. While a political elite cooperated with the U.S. and thereby embraced the establishment and utilization of Neoliberal institutions, there are indications that the majority of Latin Americans did not experience socio-economic improvements under the Neoliberal model. Over time, even those political leaders that had once been on board with the Neoliberal programs, realized that their ability to act outside of the prescribed Neoliberal principles has become very limited, particularly due to their inferior relationship with the United States.

Over the past decade, however, the situation has altered significantly, particularly in the case of the South American region. Due to a series of events at the international scene, including new security issues and the economic crisis, South America has found the space to act more autonomously. Simultaneously, South America has been experiencing significant economic growth, particularly due to China's high demand of primary goods. These developments has opened the window for new ideologies to form, and for new political actors to enter the scene, which no longer necessarily needed to adhere to the Neoliberal framework.

In this new situation, South America has found common ground, particularly on wanting to cooperate in the field of poverty reduction and combating racial inequality. Thereby, the conception arose that South American solutions are necessary in order to deal with such South American problems, particularly considering that Neoliberalism did not prove successful in addressing these issues. The South American region is thereby said to be entering an era of Post Neoliberalism, which is at the core of the recently established integration scheme: Unasur.

Unasur aims for integration of South American states at many levels, with the ambition to become a strong and stable region. Although Post Neoliberalism is said to be the foundation of Unasur, a distinction must be made between two streams of Post Neoliberalist ideologies that have developed. Venezuela would like to see Unasur take on a similar stance as ALBA, thereby completely rejecting all aspects of Neoliberalism. Brazil, on the other hand, is less drastic in its views, and would like to see Unasur balance some aspects of capitalism whilst prioritizing socio-economic issues.

In recent years, a growing number of South American leaders seem to be favoring Brazil's approach, which is considered to be more center-left and less radical than Venezuela's. Perhaps this may be due to Brazil's continued growth and its socio-economic improvements, next to the fact that Brazil is considered to be more democratic in its practices than Venezuela. Thereby, Brazil has retained certain aspects of capitalism, which have been favorable to its economic growth, and which are important for continued foreign investment. Moreover, Brazil has succeeded in remaining on friendly terms with most of the international world, and may therefore

be considered to have a more realistic way of dealing with the capitalist world of today. Nonetheless, the direction that Unasur will take is still being formed, and will further determine the nature of its institutions as well as its relationship with third parties.

Many challenges can be identified that Unasur will need to overcome, ranging from political, to institutional, to infrastructural setbacks. These challenges also become highlighted when looking at Mercosur and CAN, two South American integration schemes which were limited in their success, mostly due to the fact that they were unable to overcome a range of challenges. Unasur must therefore learn lessons from previous integration efforts, and identify measures in order to prevail over these, thereby ensuring that South America becomes a consolidated region through Unasur.

Finally, if Unasur succeeds in becoming a consolidated and cohesive regional bloc, Unasur has the potential of bringing about significant geopolitical changes. An economically strong, stable, and united South American region will have the capability of having its voice heard on the international platform, thereby bringing South American needs and interests to the forefront. Locally inspired and demonstrating high political commitment, South America may finally have found its path towards integration through Unasur. Nonetheless, South America will most certainly have to undertake a series of challenges before Unasur reaches the stage of consolidation and thereby accomplishes the region's ambitions of true regional integration.

Abstract

Over the past decade, South America has been undergoing many transformations, through which it has been experiencing rapid economic growth, has heightened its ability to act more autonomously from international influence on matters of decision-making, and in general is perceived to have become a more stable region in several aspects. In this outlook, South America is increasingly distinguishing itself from the rest of Latin America.

South America has been seeking integration for more than two centuries, when independence from the colonizing powers marked the introduction of the notion of integration in the region. However, most observers would argue that until now, South America has not succeeded in achieving its integration aims. Today, however, a new form of regional integration is being introduced in South America, which is said to differ significantly from previous integration schemes.

This time, integration is based on left governments, and thereby South America is thought to have entered a Post Neoliberal stage. Historical factors explain the need for a Post Neoliberal approach to government nowadays, as it may be the only sustainable way forward for the region's development. Post Neoliberalism is therefore at the core of new integration efforts. Particularly the recently established Unasur stands out as an initiative that has the potential for succeeding in the region's integration goals.

Unasur seeks to integrate the South American region on many levels and in a wide range of aspects. Although there have already been some advances, these are occurring gradually, and will still need to overcome many challenges. One major challenge may be that of achieving to speak with a single voice through Unasur, particularly since there seem to be two different political trends within the left that have developed in the region. There are clear differences for regional integration between the approach as promoted by Venezuela, and the center-left approach as promoted by Brazil. Today however, it seems Brazil is increasingly gaining ground in its approach towards Neoliberalism and integration, with South American governments increasingly identifying with Brazil's less-radical approach.

Conclusively, South America still has a long way to go before achieving true integration through Unasur, although there are sufficient reasons to be optimistic about the future of Unasur. Thereby, if Unasur is able to overcome its challenges and thereby succeeds in truly consolidating itself as a region, Unasur may succeed in largely eliminating historically-rooted regional problems, and would additionally have a positive geopolitical impact on South America's international standing.

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