

## Chapter 3

# Presidentialism and Mercosur: A Hidden Cause for A Successful Experience\*

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*'El Mercosur es una historia exitosa'*

Adalberto Rodriguez Giavarini, Argentine Foreign Minister, October 2001

### Introduction

The consolidation of European unity since the signing of the Treaty of Maastricht in 1992, along with the contemporary mushrooming of integrating regions all around the world, illustrate a significant new phenomenon. This is the way most nation-states are choosing, at the turn of the century, to deal with new challenges that risk placing their previous positions in jeopardy. Some of the larger regional entities are the North Atlantic Free Trade Agreement (NAFTA), the Association of South-East Asian Nations (ASEAN), and the Common Market of the South (Mercosur or Mercosul). All of these initially – if not as maximum aspiration – aimed at becoming free trade zones, in order to increase both their intra-regional trade and investment flows and the competitive position of their member countries *vis-à-vis* the global markets. Notwithstanding these common goals, some of the newly created regions have attempted to go further, Mercosur being the most ambitious in this respect.

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Mercosur was formally created in 1991, when previous agreements between Argentina and Brazil were expanded and Paraguay and Uruguay joined these countries in the venture. Later on, Bolivia and Chile were accepted as associate members, and other South American countries expressed their wish to apply. Mercosur has now reached the customs union stage – albeit not completely – and is sketching the blueprint for its enlargement to the rest of the sub-continent, while deepening the scope and level of the integration itself. As the uppermost sign of the ambitious aims of the project, an increasing number of informal talks concerning monetary unification took place in 1998 and 1999. Shortly afterwards, the Brazilian crisis of 1999 triggered a heated discussion on the need to take a jump forward instead of delaying or setting back the integration process; however, the aftermath of the subsequent devaluation of the Real is still evolving in 2001.

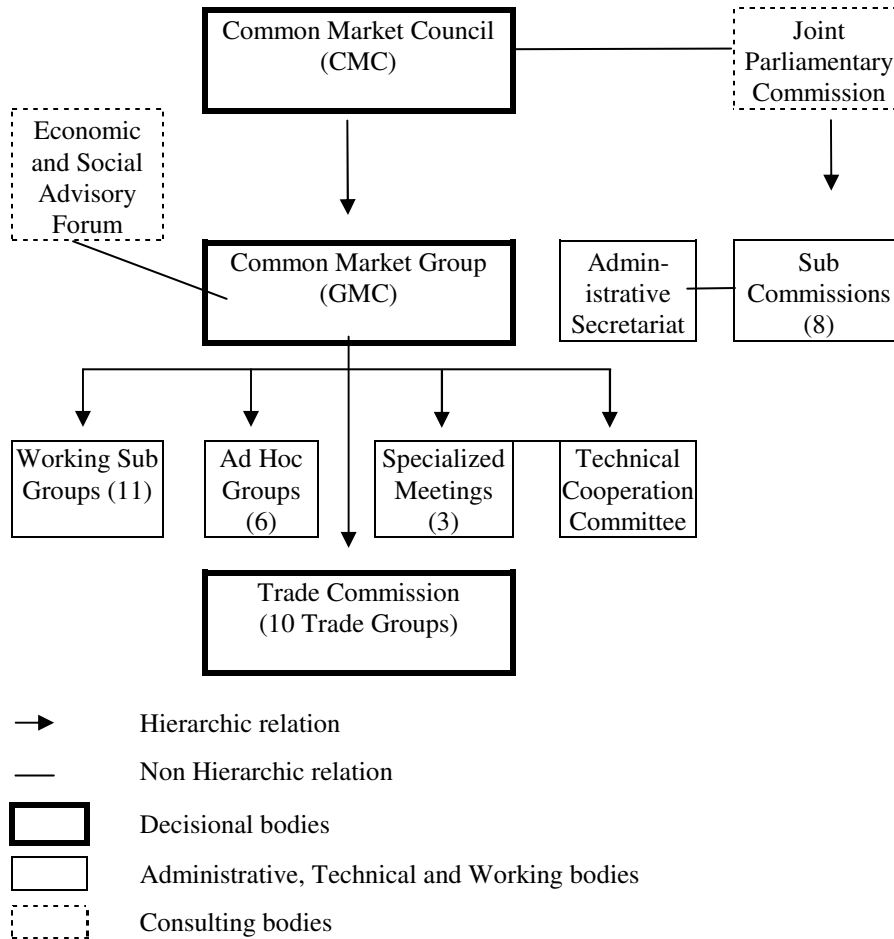
According to most of the literature concerning regionalization, based mainly on the European case, the goal of creating a common market and, furthermore, an economic union, implies sooner or later the setting up of regional institutions. These are supposed to deal with the two main dilemmas of collective action, i.e. the decision-making processes and the resolution of controversies. To date, however, Mercosur has not built any significant institutional structure, whether supranational or not.<sup>1</sup> Its decisions are taken through purely intergovernmental mechanisms, requiring unanimity in every case. The only decision-making organization consists of three regional bodies made up of either member states' public officials or nationally appointed technicians with low-level responsibilities, and a minimum Secretariat located in Montevideo (see figure 3.1). A limited dispute settlement system provides for an *ad hoc* mechanism of arbitration, but this has been called on only three times in a decade. Furthermore, neither direct effect nor any supremacy of the community law exist – even the term 'community law' does not fit the legal structure of Mercosur, since regional rules should be internalized by every member country through its own domestic procedures before coming into force. These features were purposefully advanced since the foundational stages, in order to clearly distinguish between the political direction and an eventual bureaucratic direction that could threaten the project.<sup>2</sup> In contrast, the European Union has developed a complex structure of multilevel governance, combining supranationalism with intergovernmentalism, unanimity with majority rule, and the supremacy of community law with the principle of subsidiarity (Hix, 1994; Schmitter, 1996; Sandholtz and Stone Sweet, 1998). It features a powerful Court of Justice that has been crucial in furthering integration, a Parliament whose members are directly elected by the European peoples, and an executive Commission with

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<sup>1</sup> Some public officials openly aim at a 'pooling' of sovereignty rather than at any supranational arrangement (author's interview with the then Argentine undersecretary of foreign trade Félix Peña, August 1998). However, not even this lesser form of delegation has been achieved so far.

<sup>2</sup> Author's interview with former Argentine foreign minister Dante Caputo, September 1999.

substantial autonomy – among other institutions. By and large, the European Union exhibits a highly institutionalized, and increasingly bureaucratized, shape.



**Figure 3.1 Mercosur institutional structure**

As for Mercosur, a great deal of political and technical debate has been fostered in some member countries with regard to the need to establish common institutions. Government officials, professional associations – especially lawyers’ –, academics, producers, and some other groups have postulated the necessity of supranational institution-building, especially focusing on the creation of a Court of Justice of

Mercosur (Calceglia, 1998; Oviedo, 1998; Rocha Filho, 1999).<sup>3</sup> Some have also argued that the Mercosur development would follow the European model, but neither the former claims nor the latter expectations have come true. Nonetheless, the progress in the indicators of integration – such as commercial interdependence, investment flows, policy coordination, and business strategies – is apparent to observers, and has puzzled most analysts and actors.

This chapter attempts to sketch this perceptible mismatch between the ambitious aims proclaimed by Mercosur – whether through official documents or public statements by its architects and rulers – and the scarce development of regional institutions. I will advance a main hypothesis in order to account for this novelty – namely successful integration without significant regional institutions. My claim is that this process has not grown out of an institutional limbo, but was upheld by other kinds of institutions that are less visible than the supranational ones. In short, I will argue that the coexistence of progress in integration with a minimum set of regional institutions has been possible due to the local shape of one national institution, that of the executive format. This chapter suggests that a specific type of executive format, namely presidentialism, has managed to act as a functional equivalent to regional institutions.

### Brief Antecedents

Although the first steps were taken in 1979, under military presidencies in both Argentina and Brazil, the current integration process can be reckoned as beginning in the 1980s, when democratic regimes were inaugurated in the region. Democracy would consequently become one of the main goals as well as an indispensable condition of support for the agreements reached (Schmitter, 1991; Hurrell, 1995; Lafer, 1997; Fournier, 1999). The turning point was the Argentine-Brazilian Integration Act (*Acta para la Integración Argentino-Brasileña*), endorsed in July 1986 in Buenos Aires, which established the Integration and Cooperation Program (*Programa de Integración y Cooperación Argentino-Brasileño - PICAB*) and can be seen indeed as the embryo of Mercosur.<sup>4</sup> This move was substantially due to the role the newly appointed democratic presidents had decided to play in the regional scenario. Arguably, neither the globalization pressures nor the democratization process as such would have been sufficient to overcome the secular distrust

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<sup>3</sup> In Argentina, the 1999-2001 government coalition (the *Alianza*) had issued public declarations along the same line while in the opposition (*Clarín*, 9-3-1999). Previously, two then top government officials (*Partido Justicialista*) had made clear their position to the contrary, stating that no stronger institutionalization was needed for the time being (Andrés Cisneros and Jorge Campbell, 'El Mercosur no necesita de la burocracia para crecer', *Clarín*, 18-5-1999).

<sup>4</sup> Both presidents had already signed the *Declaración de Iguazú* in 1985, expressing their 'strong will to accelerate the process of bilateral integration.'

between Argentina and Brazil, including as it did military cooperation and the mutual inspection of their nuclear installations.<sup>5</sup>

In 1988, during the same presidential tenures, the Treaty on Integration, Cooperation and Development (*Tratado de Integración, Cooperación y Desarrollo*) was signed. Conceived of as the culmination of a process of mutual recognition and confidence building, it instead turned out to be a crucial step into the next phase of the new relationship. During the period between the signature of the PICAB and the creation of Mercosur in 1991, a versatile institutional arrangement was settled in order to keep the process working. Its main features were the direct participation of top officials in the negotiations, under the coordination of the Foreign Ministries; the meeting of a six-monthly presidential summit; the high profile of bilateral diplomatic channels, especially the ambassadors in every capital; and the nonexistence of common bodies integrated by independent experts (Peña, 1998a). Most of these characteristics, imprinted by maximum pragmatism and flexibility, were maintained along the further stages of the process despite the establishment of some formal structures.

Mercosur has later changed what was a free-trade zone among its member countries into a customs union, with a long-term goal of becoming a common market. Such an organization constitutes one of the most developed forms of regional integration, only transcended by an economic union. Beyond this broad substantive classification, it should be noted that the framework adopted so far is distinctive of the region, different to any previous or contemporaneous experience. As observed by Peña (1998b, p. 2), Mercosur is '*un caso de regionalismo abierto en el marco de la Organización Mundial de Comercio,...un proceso de integración original que no sigue necesariamente una metodología similar a la empleada en Europa.*'

The most evident successes of Mercosur have been a notable increase in intra-regional trade, accompanied by a parallel increase in extra-regional trade (Informe Mercosur N° 3, 1997, p. 7; Bouzas, 1998, p. 219); a significant increase of direct foreign investment in the countries of the region (Secretaría de Relaciones Económicas Internacionales de la República Argentina, 1996, p. 14); and a growing international interest in Mercosur, both by investors and by governments and technicians or *técnicos* (Nofal, 1997). The combination of the first indicators (growth of intra-regional and extra-regional trade) indicates that trade creation surpassed trade diversion (see Table 3.1) – thus contradicting the pessimistic visions of some World Bank reports (Yeats, 1997). The other indicators show how Mercosur opened its way through the global economy, becoming a target of greater interest for businesses and impinging on the strategies of enterprises and governments from outside the area. Both the largest economies of Mercosur, Argentina and Brazil, are reckoned as global traders, and therefore any restoration of the policies of economic closure would harm rather than benefit them.

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<sup>5</sup> Along with the main Treaty the presidents signed a Joint Declaration on Nuclear Policy (*Declaración Conjunta sobre Política Nuclear*). For further developments on nuclear cooperation, see Hirst and Bocco (1989).

Furthermore, the region's new orientation made that its constituent countries be seen under a new light. As it was put in *The Economist*, 'in just five years Mercosur has already done much to help its members feature on the world's map for the new century' (Reid, 1996, p. 30).

**Table 3.1 Mercosur trade (imports) 1985-1996: creation, not diversion**

	U\$S millions			Percentage of variation		
	1985	1990	1996	1990-85	1996-90	1996-85
Intra-Mercosur	1.848	4.241	17.060	129.5%	302.3%	823.2%
Extra-Mercosur	17.418	25.061	67.370	43.9%	168.8%	286.8%
Total	19.266	29.302	84.430	52.1%	188.1%	338.2%

SOURCE: Nofal (1997, p. 74).

### The Particular Development of Mercosur

To account for the emergence of an integrating region is not the same as to explain its further progress (Haas, 1964). On the contrary, many approaches would argue that any concession on sovereignty can be seen as the consequence of a contingent necessity, brought about by a temporary weakness in the nation-state power which is urged to be overcome. Consequently, no subsequent progression can be expected from regional agreements – states do not go bankrupt, it is said; nor do they commit suicide, delivering their sovereign powers to other entities if they can avoid it. Other theories stress instead the feedback effect of the first moves towards integration, whether it be called spillover or not. However, none of these theories attempts to allocate the same causes to the origin and the continuation of an integration process.

While the factors that set off a process are not necessarily equal to those that keep it going, other variables likely to have a relevant impact on both stages may either change or hold. Many were ignored or at best taken for granted in the first theorizing efforts to grasp the move towards integration in Europe; among the most significant was the democratic condition of the contracting states. Later studies (Karl, 1989; Schmitter, 1991) demonstrated that this neglected factor was not trivial but crucial. Further research has been conducted in order to appraise the extent to which domestic regimes impinge upon international cooperation and regional integration (Putnam, 1988; Schmitter, 1991; Russell, 1992; Remmer, 1994; Moravcsik, 1997). Yet the main distinction was made between democratic

and authoritarian rule, somehow overlooking the differences within each type of regime. In this respect, as long as the homogeneity of these types was presumed, the kind of democracy – whether presidential or parliamentary, consociational or majoritarian – was ignored. Lately, new democracies and new regions, increasingly widespread over the last decade, allow – or indeed demand – us to test the accuracy of such an assumption.

In order to understand the reasons for the creation of Mercosur and its progress, many theories on integration may be considered. It is worthwhile reviewing the more plausible of them, while offering empirical evidence in each case to check their applicability.

Intergovernmentalism has a strong case to make, Moravcsik being its main defender. He applies ‘an alternative theory of foreign economic policy’ (1998, p. 6) to explain the emergence of integrative efforts. In this approach, economic interdependence is seen as a strong condition for integration. The working mechanism consists in the impact that increasing exchange has on the capability of single states to individually manage higher levels of complex interaction. Export dependence and intra-industry trade are, thus, reckoned to generate the strongest pressures for trade liberalization, which in turn is the main cause of integration. Although Moravcsik recognizes that the empirical data ‘are more suggestive than conclusive’ (1998, p. 496), he argues against geopolitics as an alternative explanation, and especially against regional particularities as a reasonable basis for explaining regional integration. Table 3.2 shows the data supporting the political economy hypothesis, by showing that Europe is the most natural region to embrace integration, and Pacific Asia the least likely to set off a similar process.

**Table 3.2. Regional trade dependence of Germany, United States, and Japan as a proportion of GNP, 1958 and 1990**

	Intra-Regional Trade/GNP (1960)	Intra-Regional Trade/GNP (1990)	Intra-Industry Trade/Regional Trade (1980s)
Germany (vis-à-vis EC6 then EC12)	6%	21%	66%
United States (vis-à-vis Canada & Mexico)	1%	2%	60%
Japan (vis-à-vis Northeast Asia, ASEAN and India)	2%	3%	25%

SOURCE: Moravcsik (1998: 495).

However, intergovernmentalists do not provide additional reasons for the further development of integration. According to their standpoint, each decision regarding integration is seen as independent from any preceding agreement. States would face a 'blank' situation whenever they engaged in negotiations for reaching an international accord, and the goal to grant new 'credible commitments' is not thought to build accumulative constraints for autonomous state action. To be sure, intergovernmentalists do not deny constraints derived from increasing interdependence; rather, their core argument is that states stay in control and all key decisions are intergovernmental.

With regard to origin and development, neofunctionalism may be considered the opposite of intergovernmentalism: neofunctionalists do not fully explain the starting up of an integration process, but advance a hypothesis on the causes for further expansion. Their central mechanism, spillover, departs from either or both the extension of the area scope and the deepening of the authority level required to sustain the process once initiated (Schmitter, 1969; 1971). Increasing technical necessities are seen as demanding further intervention and regulation over wider areas, in turn generating new necessities. Unlike sheer functionalism, neofunctionalism accords a role to politics: supranational bargaining and interest group lobbying influence the dynamics of integration, being crucial factors for the reproduction of the spillover logic. In short, the principle is that what fosters the process is, in due time, fostered through feedback, therefore keeping the wheel spinning. The logical corollary of this continuing movement approach is that the cessation of the expansion would jeopardize the process.

The neofunctional approach stresses the interaction between integration and institutions, rather than that between interdependence and integration (as intergovernmentalism does). However, its supporters do not deny the same basic sequence: both theories agree on the order of precedence, in spite of underlining different dyads according to their theoretical assumptions and heuristic goals.<sup>6</sup>

Neotransactionalism, to give a label to an extensively developed but so far unnamed theory (Sandholtz and Stone Sweet, 1998), draws centrally on neofunctionalism. It consequently highlights the 'inherent expansionary' nature of integration processes, sustained 'by means of policy feedback' (1988, p. 25), and the role of supranational organization. However, it does not dismiss the power of national governments and the primacy of intergovernmental bargaining in a number of areas. The relation stressed by this theory is that between interdependence – called exchange – and institutions – the process of institutionalization is included. Integration as a voluntary state policy is therefore seen as an intermediary transmission level, a sort of crossing point between the actions carried out by transnational transactors and the institutional channels that are developed in their wake and in turn regulate them. Briefly, increasing transnational transactions make the first move, the consequent demands for facilitating and regulating the

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<sup>6</sup> The discussion on whether the label of theory fits these theoretical stands, or rather approach (Schmitter, 1996) or framework (Moravcsik, 1998), would do better, is not relevant here.



transnational society give rise to an institution-building process, and the new institutions keep the cycle going and growing.

The first grand theory that calls into question the sufficiency of the three-stage sequence – i.e. interdependence, integration and institutionalization – has come to be called neoidealism. Drawing on the thought of Kant ([1795] 1985), it not only focuses on inter-state relations but also on intra-state structures and processes. According to this theory, the type of political regime influences the kind of link that countries may develop with one another. Moreover, the coincidence of one of these types – namely democracy– in two or more countries has shown to have dramatic effects, one of the most important of which is the impracticability of war (Schmitter, 1991). It is true that other theories had also recognized the importance of societal actors and their subnational or transnational links; none of them, however, had emphasized these points so strongly, nor considered the relevance of the political regime as such.

Empirical evidence is frequently displayed in order to prove that democracy accounts for cooperation among countries that feature such a regime, and even for integration (Schmitter, 1991; Sorensen, 1992; Dixon, 1994). In contrast, other studies call into question the very tenets of neoidealism with statistical data (Remmer, 1994). What is surprising is that both assertions, despite their opposition, are defended with evidence derived from the Southern Cone. Furthermore, not only is it difficult to verify the neoidealist hypotheses, but their claim to explain the causes of cooperation/integration is also incomplete: as intergovernmentalism, they account for the origin but not for the subsequent steps of integration. Nevertheless, the crucial novelty of this approach is to add a stage at the beginning while simultaneously keeping the rest of the sequence untouched.

However, none of these theories explains Mercosur. According to the data shown in Table 3.3, the sequence of interdependence-integration-institutions simply did not take place. Instead, as can be seen in Table 3.4, interdependence had been declining for some years by the time the first steps toward integration were taken, and only started to rise from then on (Hurrell, 1995; Nofal, 1997; Peña, 1998a). It is also noteworthy that regional institutions came into being as mere intergovernmental fora, where national representatives were constrained to reach unanimity as the only means to take a decision.

**Table 3.3. Regional trade dependence of Mercosur countries as a proportion of GDP, 1986 and 1997**

	Intra-regional trade/GDP (1986)	Intra-regional trade/GDP (1997)
Argentina	1.5%	5.1%
Brazil	0.9%	2.4%
Paraguay	11.0%	24.5%
Uruguay	12.5%	14.7%

SOURCE: own elaboration, from data of the World Bank report (1997) for GDP and INTAL databases for intra-Mercosur trade. Uruguay's small increase is due to the large augment of its GDP along the decade, not to stagnant trade. Data regarding Paraguay are not highly reliable.

**Table 3.4 Interdependence between Argentina and Brazil, 1980-1996**

	Exports (in M \$)	Imports (in M \$)	Exchange (in M \$)
1980	765	1.072	1.837
1985	496	612	1.108
1990	1.423	718	2.140
1996	6.615	5.326	11.941

SOURCE: Nofal (1997, p. 67).

The evidence eloquently shows, in the first place, that interdependence was not a precondition for integration in the case of Mercosur. Furthermore, the largest Mercosur economy Brazil – hardly exceeds at present one third of Germany's figures in the 1960s. So relevant for the objection of major integration theories as it could appear, such a claim is just half of the news. The remaining half goes beyond the mere invalidation of the causal relation between interdependence and integration, turning it upside-down: in the Southern Cone, the moves toward integration actually brought about increasing interdependence (see Tables 3.3 and 3.4 for the data, and Figure 3.2 for a comparative theoretical framework).

Having put into question the mainstream theories on integration, which underline interdependence as the determining variable, it is now necessary to

examine the role played by the institutional variables at their two levels: national and regional. While the former is considered either irrelevant or independent depending on the theory used, the latter is always reckoned as dependent on the other variables. There is little to say in this exposition about regional institutions: Mercosur countries have been regularly and consciously reluctant to set up any kind of institutional arrangement that could restrain national sovereignty. And they have certainly succeeded in this respect. Although the building of regional institutions has been verified only in the European Union thus far, many authors have used this case to elicit conclusions and generalize hypotheses (Deutsch, 1957; Mitrany, 1975; Haas, 1961, 1964, 1975; Sandholtz and Stone Sweet, 1998; Moravcsik, 1998). Some form of institution building was, therefore, believed to be a logical consequence – and a support means – of regional integration. However, the region coming right behind the European experience – in terms of accomplished stages of integration – contradicts this inference.

The many approaches to the rationale of Mercosur's emergence draw either on external or internal causes. The former stress in general the pressures coming from the globalization of trade and investment flows – since regional inter-dependence cannot be seen as a cause for Mercosur, as shown above –, and in particular those rising from the costs that NAFTA threatens to impose on non-cooperating and isolated countries in the western hemisphere (Bouzas, 1996). The internal causes involve instead more heterogeneous sources, ranging from regime change – democratization (Schmitter, 1991) – to economic change – from inward to outward looking economies (Foders, 1996). Regarding the nature rather than the source of the process, Hurrell arguably claims that 'the first moves towards regional co-operation were essentially political' (1995, p. 253; also Peña, 1996). Yet they were due to a shared sense of vulnerability rather than strength on the part of the newly established regimes.

Be it cause, consequence, or feedback effect, as the political movements that fostered the emergence of Mercosur got stronger the region was definitely becoming a 'pluralistic security community' (Deutsch, 1957). The most stunning effects were the nuclear agreements and the cooperation on security and defense policies.<sup>7</sup> These decisions were certainly an output of the confidence-building measures practiced by the incoming democratic authorities, but also of the new vision they shared about the ongoing changes 'out there' in the world. Therefore, to allocate the causes exclusively to one level, either external or internal, would not capture the whole picture.

Besides the factors that led to the integration in the first place, and kept up the momentum of the process later on, there is one element omnipresent throughout the history of Mercosur: the high profile of national presidents. The role performed by

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<sup>7</sup> 'The 1990 Declaration on a Common Nuclear Policy created a system of jointly monitored safeguards and opened the way for full implementation of the Tlatelolco Regime' (Hurrell, 1995, pp. 259-260). In addition to nuclear cooperation, military spending and arms imports started to decline steadily after democratization in all of Southern Cone countries, and augmented the decreasing rhythm since 1990 on.

these agents was not casual, but responded to the very logic of the region. As a key actor of the negotiations put it, the flexibility of the *diplomacia presidencial* manifested a clear political motivation and '*comprensión frente a las dificultades coyunturales de los socios*', proof of the '*lógica política*' rather than '*jurídica*' of the integration (Peña, 1996; see also de Núñez, 1997). Unlike the European Union case, no Court of Justice was at work more or less subtly to sustain and deepen the integration, nor were day-to-day politics adding to an increasing regional power.

The relevant role of presidents to keep integration from stalling is an outstanding characteristic of Mercosur. However, it is even more bewildering that it has also proved decisive in the other crucial stage of integration, i.e. its origin. While it could be said that the development shows no sign of completion so far, and the next stages may observe a diminution in the presidential importance, it is still true that without the presidents' action neither the initial impulse nor the crucial crises solution would have been accomplished (Peña, 1996). A more accurate appraisal of the difference between presidents as individuals and presidentialism as an institution is developed in the next section.

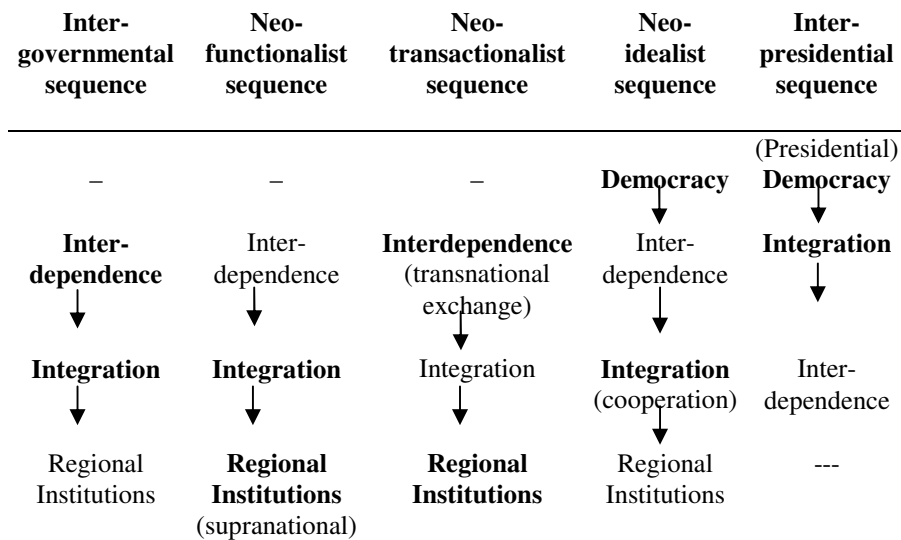
Another particular feature displayed by Mercosur, concerning its flexibility as well as its informal complexity, is the contrast between its public, or state-driven political inspiration and its private microeconomic implementation (Lafer, 1997, p. 261). This brings us to the role played by firms, interest groups and, in the language of a theory, transnational transactors. In Europe these actors are recognized for having sought common institutions, in order to reduce the costs of information and transactions through single rules (Streeck and Schmitter, 1991; Sandholtz and Stone Sweet, 1998). They believed that the uncertainty and sub-optimal outcome of multiple national institutions would hinder the realization of the customs union and, later, the consolidation of the single market. Today, the economic union would be unthinkable without supranational institutions.

The reality of Mercosur is still far from that of the European Union. On the contrary, national businesses in the Southern Cone are used to the, so to speak, 'institutional deficit' already prevalent in their countries – although some maintain that Mercosur deficit is not institutional but 'normative'.<sup>8</sup> Such a reality had accustomed them to addressing directly the core of the decision-making power in the case of necessity, instead of going through the less trustworthy institutional channels. As far as the political regime was concerned, this aspect was called 'other institutionalization' rather than institutional deficit (O'Donnell, 1996). Nevertheless, what matters here is that national regime institutions were already perceived as ineffective when it came to taking rapid decisions and solving problems fairly. From this perception about domestic institutions to a similar one regarding possible regional institutions there was a short distance, meaning that the only reliable authorities would be the same ones that resolved problems at home: the presidents. Figure 3.2 shows what inter-presidential dynamics fostering regional integration would look like. Paraphrasing O'Donnell (1994), it is not only

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<sup>8</sup> Author's interview with Norberto Moretti, Secretary of the Brazilian Embassy in Buenos Aires, September 1999 (see also Baptista, 1999).

metaphoric but heuristically useful to derive that, from delegative democracies, Mercosur might have engendered a ‘new regional animal’: delegative integration.



Note: The core relation (dyad of variables) for each theory is marked in bold letters.

Figure 3.2 Integration theories: sequence of phases and core relations

### National Institutions and the Performance of Mercosur

As noted above, Mercosur was born as a consequence of certain national processes underwent in Brazil and Argentina: re-democratization, the removal of old hypotheses of conflict between the two neighboring countries, and a new, more outwardly oriented, economic profile. It is worth underlining that Argentina exhibited the most radical changes, since Brazilian political transition, foreign policy definition, and economic restructuring had started much earlier, in the 1970s. At any rate, Alfonsín and Sarney headed a process of rapprochement signed by their personal and political high profile.

South American presidentialism has been sharply distinguished in the literature from its historical model, American presidentialism. The latter was originally conceived of and later developed as a regime of separation of power, whereas the former is better defined as a ‘centralized decision-making arrangement’ (Cheibub y Limongi, 2000) or a ‘concentrationist subtype of presidentialism’ (Malamud, 2001). This categorization stems from both formal and informal institutions. Among the formal institutions, Mainwaring and Shugart (1997) stress the degree of legislative power endowed to the presidents and their capacity to rule over the

cabinet without parliamentary interference – what adds up to the constitutive features of presidentialism, i.e. independent origin and survival. Among informal institutions are worth noting the political practices that favor particularistic exchanges and the personalization of power, which O'Donnell (1994; 1996) has termed 'delegative.'

Upheld by the institutional characteristics of South American presidentialism, the new presidents accomplished a crucial role for setting off the integration project. This 'presidential protagonism' was an institutional side-effect more than a purely personal one, as theoretically supported by other studies. Lijphart, for instance, asserts that American presidents compensate their institutional limitations in other areas by stressing their direct link to foreign policy. Therefore, 'the general pattern is that, during their terms of office, they tend to direct more and more of their attention and energy toward foreign policy issues' (1994, p. 102). Danese (1999), following Barilleaux, goes further in appraising the phenomenon, as he distinguishes five areas of the decision-making process where it is possible to assess the performance of chief executives regarding foreign policy.<sup>9</sup>

In the Southern Cone, the pattern described was reinforced by the new democratic regimes. As observed by Silva, in Sarney's Brazil 'the process of democratization has produced a major 'politicization' of the Foreign Ministry' (Silva, 1989, p. 94). In Argentina the effect was similar in terms of presidential involvement, but in contrast with Brazil – where the foreign policy defined in Itamaraty was upheld without significant breaks since 1971 – the new regime improved the country's historically erratic line. For the first time in sixty years, it was recognized that the 'central coordination of international relations within one ministry has given Argentina's foreign policy a higher degree of coherence and predictability. However, the power of decision is still concentrated too much in the hands of president Alfonsín and his minister of foreign affairs, Dante Caputo' (Silva, 1989, p. 91). This feature continued with the subsequent presidency. The strong role played by the *cancilleres* stresses the political dimension of the process – as opposed to its economic dimension – without shadowing the predominant position of the presidents.

Whereas Mercosur was intentionally created and kept as an intergovernmental process, the actual feature of the region appears to be its extreme type: let us call it 'inter-presidentialism'. As an analyst has pointed out:

el proceso del Mercosur está, a nuestro juicio, bajo el signo de un apriorismo ejecutivista y tecnocrático, que los partidos y las representaciones parlamentarias han tolerado, hasta el presente (Pérez Antón, 1997, p. 19).

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<sup>9</sup> The five areas are (a) foreign policy formulation and direction, (b) organization and constitution of foreign policy teams, (c) administration and supervision of foreign policy (especially in case of crisis), (d) skill to build and maintain consensus around foreign policy, and (e) accomplishment (Barilleaux, 1985, p. 114; Danese, 1999, p. 394).

This unique aspect brought about a kind of spillover that is not the one predicted by the neo-functional theories, but a different one driven from above.<sup>10</sup>

What distinguishes Mercosur from similar processes of integration is the celerity of its development as well as the exiguousness of the norms that rule the process (Pérez Antón, 1997, pp. 16-7). Both traits, velocity and political action regardless of the presence of regulations, are characteristics of Latin American presidentialism.<sup>11</sup> The beneficial paradox of the Southern Cone novelty is, thus, that the national and regional levels converge now towards a minimum and flexible institutionalization. Whereas past failures of democracy and integration in Latin America were attributed to deficit or excess of formal institutionalization respectively, at present an equilibrium has apparently been reached – as shown by the persistence of Mercosur despite the recent turbulence, brought about by the Brazilian devaluation and the simultaneous recession in both of the largest partners (Peña, 1999).

Another lasting – and sometimes misleading – attribute of Mercosur is decentralized bargaining as a basic mechanism. Once the bulk of a given bargain has been done, presidents exert a decisive influence to get their preferred outcome – sometimes even in contradiction with the proposals drafted by the national negotiators. As unified and authoritative actors, they can capitalize better on their resources facing a spread arena with many low-authority protagonists than a narrow one with fewer but stronger players. A last peculiarity favoring presidential power, especially of the largest countries, is that there are no overlapping cleavages in the region as there are in Europe. Instead, the axis Argentina-Brazil catches all the attention while in the European Union this is divided among the opposition between, say, Germany and France, the big and the small countries, the Nordic and the Southern, the supranational and the intergovernmental, and the like. Lane and Maeland (1998) have proved how, depending on decision rules, the more the members the less the power each one wields; in Europe, larger numbers concur with cross-cutting cleavages to diffuse power, whereas in Mercosur these conditions are radically different.

Two recent examples further illustrate the issues at stake. In chronological order, the first case refers to the management of the crisis set off by the Brazilian devaluation of 1999. The second case points at the resolution of a bitter dispute over the incorporation of sugar to the free trade area, which by mid-2000 seriously jeopardized the Argentine-Brazilian relations – thus Mercosur itself.

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<sup>10</sup> There have been other processes of integration in Latin America in which the presidents have played some role (e.g. the Andean Group and the Central American Common Market). However, their performances have been far less impressive than that of Mercosur, and presidential intervention – as a crucial factor of support for integration – has been to a much more limited extent.

<sup>11</sup> This point is usually acknowledged (for instance, Shugart and Carey, 1992; O'Donnell, 1994; and Carey and Shugart, 1998) and is further developed in Malamud (2000).

Throughout 1998, the Brazilian economy was under heavy external pressure. In January 1999, its authorities made the decision to devalue their currency, the Real. As a consequence, relative prices against Brazilian partners in Mercosur were halved, and Brazilian exports became more competitive, thus creating the perception of a threatening 'invasion' to the other Mercosur domestic markets. In July, the effects of the Brazilian devaluation led the Argentine government, pressed by domestic interests, to impose restrictions on Brazilian imports – a measure that went against regional agreements. The controversy heated up, and both foreign ministers Di Tella and Lampreia recommended their presidents not to get involved in a matter that could not result in any gain to them – as differences seemed irreconcilable and Mercosur was considered dead and buried by many analysts. Nonetheless, president Menem arranged with Cardoso to fly to Brasilia directly from the United States, where he was attending a meeting. The two presidents got together against the advice of their foreign ministers, one of whom was informed of the meeting only when the Secretary General of the Argentine presidency had already arranged it. The outcome of the summit was remarkably positive, since an agreement was reached that reduced the previous tension and reinstated the continuity of the integration scheme.

As for the debate about sugar trade regulations, it has been one of the most sensitive areas of Mercosur since its very inception, having needed a special treatment – as also happened with the automobile industry – and the establishment of an *Ad Hoc Group* under the jurisdiction of the GMC. The asymmetry between the larger countries of Mercosur is unequivocal in this matter: Brazil is the first world exporter of sugar, and subsidizes its production in order to develop combustibles derived from cane alcohol, whereas Argentina's lesser volume of production adds up to the fact that many provincial economies of the poor Northwest subsist exclusively from the production of sugar. Consequently, there have always been significant social actors and interest groups that advance their demands before both congress and the executive, and legislators have been especially receptive to such demands (Vigevani, Mariano and Oliveira, 2000). This situation led to an outbidding of measures, countermeasures, threats and retaliations throughout the last decade, mainly addressed from each congress to one another. In November 1997, only the official visit of president Menem to Brazil helped ease the tension caused by the disputes between the two congresses, providing a temporary resolution for the crisis (Seixas Corrêa, 1999). The Gordian knot, however, was to be cut by the Argentine executive three years later: in September 2000, president De la Rúa vetoed a bill just passed by the congress that established the protraction of the protection regime until 2005; simultaneously, he signed a resolution instituting the same provision! Closely analyzed, there is no contradiction: in this way, the Argentine president met a promise made to his Brazilian counterpart that would make possible for the presidents to conclude a new arrangement – without the restriction of having to revoke a law – as soon as



the conditions for it were favorable.<sup>12</sup> The refusal by the presidents to leave open the field for a two level game – which would have improved their bargaining positions *vis-à-vis* each other, by way of claiming domestic pressures to sustain each other's arguments – speaks eloquently of the decisive role they have played to keep Mercosur going.

### Conclusion

This chapter outlines the original development and operation of Mercosur as opposed to those that would be expected by most theories of regional integration. Moreover, Mercosur differs widely from the European Union in that the former does not present a pattern of increasing institutionalization at a supranational level, but progresses through inter-governmental mechanisms, in a more politicized, as opposed to institutionalized, shape. The hypothesis advanced here suggests that the above could be partially explained by the domestic institutional settings that the member countries feature in either case. Executive format is thus addressed in order to appraise whether presidential democracies have been able to back up a successful regional-building process in a novel way. The conclusion is that national, as opposed to supranational, institutions can provide effective bases for regional integration.

The perspectives for the forthcoming years seem to be quite stable for Mercosur – provided that it does not dilute into ALCA. Only the enlargement towards medium-sized countries such as Chile may dissipate the risk of a 'diarchy of authority'; but this is not likely to happen soon. With respect to the internal organization, as one of the main specialists on the region has put it

o modelo intergovernamental deverá assim ser mantido e o futuro de curto e médio prazo do Mercosul dependerá da capacidade de negociação de diferenças mais do que da identificação de interesses comuns (Hirst, 1995, p. 195).

In other words, as the negotiation over different positions has had no higher and, thus far, more suitable channel than the inter-presidential one, the operation and inner dynamics of Mercosur are not expected to change in the foreseeable future. This is not to say that presidentialism will be positive for regional integration any time anywhere; but, in the absence of regional institutions, it is plausible to assert – *ex post* – that it was a necessary condition for Mercosur to succeed.

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<sup>12</sup> Clarín, 5-9-2000, 'De la Rúa firmó una resolución y vetó una ley. El azúcar, protegido hasta el 2005'.

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