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## INTRA-REGIONAL INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN AND THE MISSING TRANSPACIFIC LINK

### *INTEGRACIÓN INTRA-REGIONAL EN AMÉRICA LATINA Y EL CARIBE Y EL OCULTO CORREDOR TRANSPACÍFICO*

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#### **Abstract:**

The Asia-Pacific (AP) and Latin America and the Caribbean (LAC) regions are not only the main poles of dynamism in what is considered to be an intractable global economic environment, but they are also at the forefront of important geopolitical transformations. Spurred by the promise of a greater role in world affairs, LAC governments have been actively pursuing new regionalization strategies with the aim of positioning LAC as an alternative constellation of power in an increasingly inter-dependent and complex multi-polar international system. Though LAC's emergence onto the world stage is in part explained by the growing importance of transpacific economic relations, these have been relatively understudied, particularly, as they concern the development of alternative regionalization processes in the Western Hemisphere. This essay seeks to explain the evolution of the latest waves of LAC intra-regional integration and cooperation in the context of robust transpacific economic relations. Broader theoretical perspectives on the regionalization of the international political economy help explain the transition from "open" towards "post-liberal" strategies of regionalism in LAC. The Union of South American Nations (UNASUR) serves as a case study through which to underscore the main characteristics of post-liberal regionalism, and assess the prospects for intra-regional integration and cooperation within a heterogeneous and multilayered landscape of regional groupings. Additional observations are made on the current trends in South-South trade and investment relations between the AP and LAC, how they impact regionalization processes in LAC and how intra-regional groups can help strengthen transpacific relations in the coming years.

**Keywords:** Regionalization, Transpacific, South-South, Post-Liberal, Integration

#### **Resumen:**

Las regiones del Asia-Pacífico (AP) y Latinoamérica y el Caribe (LAC) no son solo los principales polos de dinamismo en lo que se considera un difícil entorno económico global, sino que también están en la vanguardia de importantes transformaciones geopolíticas. Alentados por la promesa de un mayor papel en los asuntos mundiales, los gobiernos de LAC han implementado nuevas estrategias de regionalización, con el objetivo de posicionar a LAC como una constelación alternativa de poder en un mundo cada vez más interdependiente y en un complejo sistema multipolar. Aunque la aparición de LAC en el escenario mundial se explica en parte por la creciente importancia de las relaciones económicas transpacificas, éstas han sido poco estudiadas, en particular, en cuanto al desarrollo de los procesos de regionalización alternativos en el hemisferio occidental. Este ensayo trata de explicar la evolución de las últimas etapas de integración y cooperación intra-regionales en LAC en un contexto de fuertes relaciones económicas transpacificas. Las perspectivas teóricas sobre la regionalización de la economía política internacional ayuda a explicar la transición de las estrategias del regionalismo "abierto" hacia estrategias "post-liberales" en LAC. La Unión de Naciones

Suramericanas (UNASUR) sirve como estudio de caso a través del cual se pone de relieve las principales características del regionalismo post-liberal para evaluar las diferentes perspectivas de la integración y cooperación intra-regional en LAC dentro de un mapa de agrupaciones regionales heterogéneo y multifacético. Observaciones adicionales se realizan para esclarecer las tendencias actuales de las relaciones comerciales y de inversión Sur-Sur entre el AP y LAC, cómo éstas impactan los procesos de regionalización en LAC y cómo los grupos intra-regionales pueden ayudar a fortalecer las relaciones transpacíficas en los próximos años.

**Palabras clave:** Regionalización, Transpacífico, Sur-Sur, Post-Liberal, Integración

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## INTRA-REGIONAL INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN AND THE MISSING TRANSPACIFIC LINK

When the founder of WikiLeaks, Julian Assange, publicly claimed asylum from the tiny Ecuadorean embassy in London on the 19<sup>th</sup> of August 2012, the British foreign office—citing the *1987 Diplomatic and Consular Premises Act*—had already threatened to skirt the inviolability of the Ecuadorean mission. The standoff that ensued cut through the intrigue of the “Assange Affair”, and was caught in the undercurrent of the emerging geopolitical dynamics of the Latin American and Caribbean (LAC) region. By the 24<sup>th</sup> of August, the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of the Americas (ALBA) and the Organization of American States (OAS) had convened *ad hoc* high-profile ministerial meetings and issued strong coordinated statements to protect the inviolability of Ecuador’s diplomatic premises. Though the UK later retracted its initial threats, it held fast to what it claims are its obligations to arrest and extradite Assange to Sweden, where he faces sexual assault allegations. The diplomatic row has yet to produce any breakthroughs beyond those just mentioned, and with Assange now holed up in the Ecuadorean embassy with the imminent risk of being arrested should he exit its premises, it is unclear how this narrative will unfold. However, if there is one lesson to take from these events, it is that LAC countries are increasingly and effectively asserting their collective power in the world arena (Bhojwani, 2012). LAC’s unprecedented entrance onto the world stage can be better understood by contextualizing the contemporary wave of regionalization and the evolution of inter-regional South-South relations.

LAC countries and regional organizations have been actively pursuing alternative inter-regional partnerships in order to gain a greater role in world affairs. Particularly telling of this new scenario are the inter-regional links between LAC and the Asia Pacific (AP), LAC and the Middle East and LAC and Africa. The consolidation of these incipient inter-regional South-South relations will certainly transform the global order in ways that have yet to be fully understood. With this in mind, it comes as no surprise that the newly formed Community of Latin American and Caribbean States (CELAC), which groups together all 33 LAC countries, sent its first-ever troika delegation of foreign

ministers to India and China earlier this year. The proposed UNASUR/ASEAN, CELAC/ASEAN, as well as the already established UNASUR/Arab League Summit of South American and Arab Countries (ASPA), UNASUR/AU Africa South America Summit (ASA) high-level multilateral platforms signal the development of alternative regionalization processes in the global South. This paper seeks to better understand the evolution of intra-regional integration in LAC in the context of increasing transpacific inter-regional links, which taken together advance the development of a nascent constellation of power.

### **Some Theoretical Inflections**

Despite longstanding debates concerning the nature of the Post-Cold War international system, a consensus that views globalization and regionalization as by and large complimentary processes has been reached in most academic and official networks (Holm and Sörensen, 1995; Hurrell, 1995; Hänggi, 1999 in Hänggi 2000). These perspectives shed light on the impact of the uneven geographic distribution of global wealth and power, giving way to what is known as a “Tripolar” or “Triadic” world economy organized around the relations within and between regions (Hänggi, 2000; Hettne, 2003: 5; Rüländ, 2002: 2). According to this argument, the international system that comes into view is one in which the “core” regions of North America, Europe and East Asia constitute the three major pillars of the world economy. The designated “intermediary” regions of LAC and South East Asia, as well as the “peripheral” regions of the Middle East, South Asia and Africa are, thus, drawn into the gravitational pull of one or more of the core Triad regions.

More broadly, these regionalization processes of cooperation, integration, cohesion and identity creating within a regional space compel nation-states to engage in intra and inter-regional relations in order to “jointly manage increasingly complex global interdependencies, and to balance off regionalist challenges from other world regions” (Fawcett, 2005: 25 in Söderbaum, 2008: 4; Hänggi, 2000: 3; Hardacre, 2008: ix). Inter-regionalism, understood as a comprehensive relationship between two regional groups in two different world regions, “appears to have become a lasting feature of the international system, and it may be expected that a wide array of forms and types of inter-regionalism will continue to coexist, further enriching (and complicating) the emerging multilayered system of global governance” (Hadacre, 2008: ix; Hänggi, 2000: 3). In view of these complex dynamics, the question today is not so

much whether or not regional organizations are relevant global agents, but rather how is the current international economic and political context redefining regionalization around the world.

The 2007/2008 global financial meltdown and the current European sovereign debt crisis not only reinforced the integration of East Asia into the global economy, but it also brought other regional players in the AP to the forefront of world developments, sparking the creation of a new network of power involving diverse regions in the global South, in which LAC is a prominent player. These transformations in the global economy most directly affect LAC intra-regional integration and cooperation processes, and propel AP-LAC inter-regional relations to new heights (Dabene, 2012; Vadell, 2012; Peck et al., 2010 in Grugel and Ruggirozzi, 2012; Sanahuja, 2012). More specifically, the AP-LAC nexus has allowed LAC governments to redefine the terms and nature of intra-regional integration and cooperation. The approach to regionalization in LAC today can best be described as moving passed the “open” regionalist phase, and increasingly moving towards what is considered “post-liberal” regionalism. In turn, these intra-regional processes are state-led projections, which coincide with a general shift away from neoliberal economic development models towards post-liberal reconfigurations. The result is a situation of heterogeneous regionalism in LAC with open and post intra-regional integration and cooperation groups dynamically interacting and reshaping the geopolitical landscape of the Western Hemisphere.

### **From Open Regionalism towards Post-Liberal Regionalism**

Open regionalism was the response to the regionalization processes set in motion in the latter part of the 20<sup>th</sup> century. During this period, the stalled multilateral WTO negotiation rounds prompted governments around the world to pursue preferential bilateral and regional trade agreements with the objective of liberalizing trade amongst broad regional groups. These regional schemes sought to align intra-regional economic integration with the liberal free-market policies most associated with the so-called “Washington Consensus.” It was widely believed that by lowering external tariffs and other trade barriers, markets would have a greater role in determining efficiencies and global competitiveness (Burki *et al.*, 1996 in Sanahuja, 2012; Dabene, 2012; Grugel and Ruggirozzi, 2012). Open regionalism, as part of a wider multilateral strategy, was thought to generate a propitious environment for the development of institutional and policy frameworks that would promote technological change, productivity and

competitiveness in a way that would allow regions to better harness dynamic global market forces (ECLAC/CEPAL, 1994; IDB, 2002 in Sanahuja, 2012). Market liberalization was promoted through economic intra-regional integration formulas.

Open regionalism began to be seriously questioned in LAC as market-based liberalization reached its limits and failed to bring to bear professed results of economic development. By the time progressive governments came to power throughout LAC in the mid 2000s, the strategies of open regionalism were “outright rejected [...] opening up an intense debate over the interests, rationale and objectives behind intra-regional integration and about the ideas regarding development policies and international strategies” (Sanahuja, 2007, 2011, 2012). The transition away from open regionalism reached a dramatic turning point during the 2005 Mar del Plata Summit of the Americas, in which progressive LAC governments overwhelmingly opposed the US-led Free Trade Area of the Americas (FTAA). This public rejection of open regionalism was also viewed as a referendum on US policies towards LAC, which had increasingly become hollow, negligent and in some cases reminiscent of the old interventionist diplomacy of the 20<sup>th</sup> century. With the US waging a war on global terrorism halfway across the world, and insisting on a US-centric strategy of free-market liberalization in LAC despite overwhelming opposition, many regional governments failed to see how their countries’ interests were being served (Sanahuja, 2012). Instead, progressive LAC governments seeking greater autonomy in world affairs filled the power vacuum that emerged in this context, and proactively began reshaping the terms of intra-regional integration. This bold repudiation of the FTAA in LAC was in part made possible by the increasing economic ties with the AP, the details of which will be further discussed in the following sections.

In this stage of rebalancing in the Western Hemisphere, LAC governments promoted alternative post-liberal regional groups, such as ALBA, UNASUR and most recently CELAC. These multilateral platforms would allow LAC countries to scale political, economic and social policy coordination at the regional level and maximize synergies to effectively deal with diverse issues affecting all partners to varying degrees. The post-liberal model reflects what many analysts have described as the “return of the state” to the development agenda. However, it should be pointed out that this new developmental emphasis in LAC represents much more than a simple “return of the state,” and instead can be adequately described in the following terms:

[Post-liberal or post-neo-liberalism] is a set of political aspirations centered on reclaiming the authority of the state to oversee the construction of a new social consensus and approach to welfare, and the body of economic policies that seek to enhance or rebuild the capacity of the state to manage the market and the export economy in ways that not only ensure growth but are also responsive to social needs and citizenship demands (Grugel and Riggirozzi, 2012: 3).

Thus, post-liberal regionalism aggregates LAC governments' development agenda onto the regional stage in order to better deal with the social and economic asymmetries within and across countries whilst maintaining a stable macroeconomic environment that sustains export-led markets.

With this call for a new kind of politics associated with the return of the state to the social, political and economic realms, neo-nationalist discourses, rooted in and responsive to popular local traditions and communities, have also been more pronounced (Riggirozzi and Tussie, 2012; Grugel and Riggirozzi, 2012: 3; Sanahuja, 2011 and 2012). An uneasy balance, perhaps even an irresolvable contradiction, exists between the aspiration for greater intra-regional integration and the jealously guarded sovereignty claims of the individual member states that constitute these regional schemes. LAC states on the one hand hedge regional groups to obtain greater autonomy in world affairs, and on the other hand they subordinate them when it is deemed convenient or in the national interest. As a result of the intra-regional integration/neo-nationalist sovereignty disjunction, post-liberal regionalism has been characterized by weak and flexible institutional structures, which serve more as platforms for intra-regional cooperation rather than spaces of intra-regional integration.

### **Constructing Post-Liberal Regionalism: the Case of UNASUR**

LAC intra-regional integration has been on the agenda ever since the Hispano-American Independence Wars of the early 19<sup>th</sup> century. General Francisco de Miranda had first conceived of the independence struggle as one that required the successful fulfillment of two phases: the first aimed at militarily overthrowing the Spanish Empire's forces from the whole of LAC, and the second aimed at consolidating a confederated union of LAC countries, which he designated as the *Great Colombia*. This continental confederation would extend from what were then the northern Mexican territories West of the Mississippi and North of the Rio Grande (later usurped by the US during the Texas-American and Mexican-American Wars) all the way to Tierra del Fuego in southern South America. Miranda



understood the military overthrow of the Spanish Empire's forces and LAC integration as both necessary and sufficient conditions for independence.

Later, General Simon Bolivar would take the integrationist banner and reformulate the idea of independence through confederation best conceived in his 1815 *Letter from Jamaica* and the establishment of the *Great Colombia* in 1819, which brought together Venezuela, Colombia, Ecuador and Panama (then a province of Colombia). Despite these ambitious overtures, Bolivar failed to rally representatives from Mexico, the Federal Republic of Central America, the Peru-Bolivia Confederation, Chile and the United Provinces of South America to his 1826 *Congress of Panama*. Because continental integration would require a fundamental transformation of the post-colonial socio-economic order—something that the parochial oligarchy and their international backers violently opposed—and because the different processes of bureaucratization, economic development and geographic isolation across LAC countries would prove stubbornly difficult to surmount, the *Great Colombian* confederated union and the other sub-regional groups were destined to fail as they descended into a cacophony of fragmented and warring republics.

Today, the conditions for LAC intra-regional integration may not be the most favorable, but they certainly have never been more perfect. The centuries-old manifestation to build, rebuild and build once again the dream of that long lost utopian *Patria Grande* (Greater Fatherland) continues to fuel the integrationist discourse of its contemporary proponents. The origins of UNASUR can be traced back to those earlier calls for intra-regional integration. That is not to say that other important factors do not play a decisive role, such as Brazil's emergence as a powerful global broker desirous of establishing its regional influence or a more calculated strategy on the part of LAC national leaders to better integrate their countries' into the world economy. In fact, these factors are certainly driving integration, but the symbolic and ideational elements of integration should also be understood in conjunction to the others and as a continuation of a historical dialogue that shapes and legitimizes the contemporary processes of intra-regional community building.

On 23 May 2008, twelve South American countries signed the Constitutive Treaty of the UNASUR in Brasilia, Brazil. The institutional framework that was established would serve as a broad intergovernmental platform to harmonize the continent's main sub-regional integration processes, the Andean Community of Nations (Spanish

acronym: CAN), and the Southern Common Market (Spanish acronym: Mercosur). Additionally, the UNASUR framework would accommodate the diverse set of international strategies that each of its member states had been pursuing, and yet would place special emphasis on facilitating multilateral coordination on a number of areas, *inter alia*: (a) harmonizing regional energy security, (b) promoting intra-regional infrastructural integration, (c) managing humanitarian and environmental crises, (d) consolidating democratic governance, (e) designing a common cultural, educational and scientific agenda, (f) encouraging regional financial and economic integration, (g) curbing transnational crime and (h) supporting trust and confidence building mechanisms between the region's military and security forces so as to build the foundations for the prospective South American security community.

UNASUR's flexible governance architecture reflects the post-liberal blueprint that its member states have given it. UNASUR is headed by the intergovernmental *Council of Heads of State and Government*, which acts as the supreme governing body of the organization. The rotating *President Pro-Tempore* represents the organization in high-profile international events, and the *Council of Ministers of Foreign Affairs* meets twice a year to set the organization's external relations agenda. The *Council of Delegates*, the *Council of the Economy and Finance*, the *South American Defense Council*, the *South American Council of Health*, the *Electoral Council*, the *South American Energy Council* and the *Secretary General*, which is headquartered in Quito, Ecuador, work out respective sector cooperation in the UNASUR countries.

The proposed *UNASUR Parliament* and the ongoing negotiations on the formation of the *Bank of the South* highlight an important tension that has been driving regionalization processes in South America. Through these initiatives member states have hinted at their willingness to deepen intra-regional political and economic integration, notwithstanding UNASUR's material limitations, which are expressed in its weak and flexible institutional design. The product of this tension is an imperfect project of intra-regional integration, which is at the same time a very effective intra-regional multilateral cooperation platform. UNASUR as an organization may not necessarily encompass the original confederated integrationist project of the 19<sup>th</sup> century independence period; however, many observers claim that this organization is poised to provide competing sub-regional groups with a broad and inclusive stage for cooperation, which may serve to lay the groundwork for the eventual formation of a South American community. Only time will tell if this is indeed UNASUR's calling.

## The Missing Transpacific Link

LAC and AP economic relations have increased exponentially over the last several years. In fact, the commodities boom that has been largely sustained through transpacific trade and investment flows has benefited LAC economies in more ways than one. The increased tax revenues exacted from export-based windfall profits have provided LAC governments with expanded resources to restructure their strategy of development and promote the transition towards post-liberal intra-regional arrangements. By the time progressive LAC governments had opposed the US-led FTAA in 2005 at the Summit of the Americas, the AP had already begun making headway in LAC to eventually become one of the region's most important economic partners. The rise of post-liberal regionalism in LAC coincides with the emergence of the relative weight of transpacific economic relations in the Western Hemisphere. In the current global economic context, transpacific relations have taken on a whole new dimension.

Such is the great importance of transpacific relations that the United Nations Economic Commission for Latin America and the Caribbean (Spanish Acronym: CEPAL) just recently published a 2011-2012 report that stresses the need for deepening intra-regional economic integration in LAC, and strengthening ties with the AP region in order to better weather the challenging global economic environment associated with the perpetual European crisis, US sluggish growth, Japan's lackluster economic outlook and China's "soft landing." Despite this sobering note, both the AP and LAC regions continue to be the main poles of economic dynamism in the world economy (ECLAC/CEPAL, 2012). Promoting inter-regional links between the AP and LAC is not merely an exotic proposal coming from this specialized UN agency, but it is instead an expedient priority to which political, academic and business leaders across the Pacific have already endeavored to work towards.

|   |                                  |                                  |
|---|----------------------------------|----------------------------------|
| <b>Total GDP PPP</b><br>(2012-2013 est.)    | <b>LAC</b><br>USD\$ 7.3 Trillion | <b>AP</b><br>USD\$ 29.9 Trillion |
| <b>Total Population</b><br>(2011-2012 est.) | <b>LAC</b><br>600 Million        | <b>AP</b><br>3.77 Billion        |

(Source: IMF World Factbook 2012)

The two regions represent two-fifths of the world's population, and one-third of world economic output. Inter-regional trade between the AP and LAC has grown at an annual average rate of 20.5%, reaching an estimated USD\$ 442 Billion in 2011 (ADB and IDB, 2012). Within LAC, AP's share of inter-regional trade rose to an unprecedented 21%, rivaling the US's 34% share, and displacing the EU as the region's second most important trading partner. Although LAC's share of AP's trade stood at only 4%, this rate is twice as high as it was a decade ago, and trends seem to indicate that inter-regional trade between the AP and LAC will continue to grow in leaps and bounds.

AP and LAC Foreign Direct Investment (FDI) flows have also seen a remarkable boost in the last couple of years. AP's FDI flows went from virtually non-existent levels to comprising 10.92% of LAC's total inward investment projects. Conversely, LAC's share of AP's total inward FDI flows hovered around 0.64%, whilst this same region's total outward FDI flows towards the AP stood at a robust 11.7% (ADB and IDB, 2012: 112-113). Clearly, there is ample room for improving inter-regional FDI flows; however, when put in perspective, the current levels of transpacific FDI have increased dramatically since 2004 when these figures were insignificantly miniscule. More importantly, the tendency in this area of economic activity points towards a rapid movement of upward progression and rising opportunities for the AP and LAC.

There is no doubt that the immense inter-regional resource and productive complementarities as well as the dynamic domestic markets on both sides of the Pacific have brought the AP and LAC regions together in ways that are starting to become more clear as this relationship matures. Since the first AP-LAC Free Trade Agreements (FTAs) came into effect in 2004, an average of two trade and investment agreements per year have been implemented, bringing the total to 18 as of early 2012 (ADB and IDB, 2012). By some estimates there is potential to see in effect 30 such agreements by 2020, in addition to the proposal for an inter-regional FTA through the Free Trade Area of the Asia-Pacific (FTAAP) under discussion in the Asia Pacific Economic Cooperation (APEC) and spearheaded by the efforts of the enlarged Trans-Pacific Strategic Economic Partnership (TPP). The ASEAN+ model also serves as an alternative to achieving the FTAAP.

Market forces have mainly driven this sudden surge in trade and investment flows with little direct input from the governments involved. For all that, concerted policy action will be needed to consolidate these gains and address emerging imbalances in transpacific economic relations. Despite the great potential for diversification, trade and investment flows have been greatly concentrated on a few economies (China, India, South Korea and Japan in the AP; and Mexico, Chile, Argentina and Brazil in LAC), and, on the LAC exports side, on a few goods (iron, ore, copper, soy, oil, sugar, paper pulp and poultry). In contrast, AP exports to LAC are focused on manufactured goods, including ships, cars, electronics equipment, parts and components. It is clear that inter-regional trade must quickly make a qualitative leap lest the current dynamic lock LAC countries in a downward “re-commodification” and “de-industrialization” spiral (ADB, 2010; and ECLAC/CEPAL, 2012). Analysts warn that if these imbalances are left unchecked, transpacific political and economic relations could turn sour.

To overcome these challenges, AP and LAC governments have signaled the need to diversify and deepen transpacific inter-regional cooperation. Through the rationalization of trade and investment regulatory regimes, as well as increased efforts to improve non-market cooperation, AP and LAC governments can vastly enhance transpacific linkages. Regional multilateral development bank studies recommend that AP companies can invest directly in LAC instead of just importing commodities in order to “expand, secure and add value to their supply” (ADB and IDB, 2012: 53). AP companies can also provide “manufacturing expertise, and in the process, jump trade barriers to regional and US markets, save on transport costs, and adapt their products to local consumers by making them more competitive” (ADB and IDB, 2012: 56). For their part, LAC companies can increase the technological content of their products in the biotechnology, energy and mining sectors. Furthermore, LAC companies can “capitalize on agricultural advantages by offering their expertise in product development, branding and channel management,” and increase “FDI to improve their access to AP’s manufacturing market and increase their understanding of AP consumers” (ADB and IDB, 2012: 58). Beyond these recommendations, it is imperative that the current transpacific imbalances be addressed now before they become irremediable.

Post-liberal intra-regional groups provide LAC governments with an appropriate platform to maneuver around these structural traps, and proactively promote the strengthening of transpacific relations. LAC governments

can coordinate their positions at the UNASUR and CELAC levels to devise a grand strategy of engagement with the AP region. Along with other AP partners, LAC countries can also jointly reinvigorate and expand the membership base of the Forum for East Asia-Latin America and Caribbean Cooperation (FEALAC). Given FEALAC's broader geographical coverage, this transpacific multilateral forum has the potential to generate more inclusive and comprehensive cooperation; thereby, supplementing the inter-regional FTAAP market integration projects underway. FEALAC can also serve to build inter-regional consensus in key policy areas with the objective of scaling cooperation in international multilateral governance bodies, such as the UN, WTO, the G-20, etc.

LAC governments on the Pacific Rim have already responded to the economic pull of the transpacific axis by speeding up their own intra-regional integration processes with their sights set on AP markets. The LAC Pacific Basin Initiative (ARCO) was launched in 2006, and out of this scheme, the Pacific Alliance (ALIANZA) was formed in 2011 in order to intensify their efforts to pivot towards the Pacific. The ALIANZA brings together Mexico, Colombia, Peru and Chile (Panama and Costa Rica's membership is pending), accounting for 35% of LAC's GDP and 36% of its population (Viswanathan, Rengaraj, 2012). The ALIANZA aims to create a zone of deep economic intra-regional integration and has already established an integrated common stock exchange in order to attract and expand transpacific trade and investment flows. It should also be noted that the member states of the ALIANZA are all members of CELAC, and are already linked by a series of bilateral FTAs with full membership, associated member status and/or observer member status to the main intra-regional cooperation and integration schemes in LAC, such as NAFTA, CAFTA-DR, CARICOM, UNASUR, CAN and Mercosur.

The economies of the AP and LAC are increasingly becoming more intertwined, and although these nascent transpacific links have expanded spontaneously over the last couple of years, there is now room for improvement and concerted action to initiate a new stage of engagement. This will entail a period of rebalancing and coordination beyond the trade and investment agendas. In the same way that transpacific linkages prompted the realignment of development strategies and post-liberal intra-regional ensembles in LAC, these governments will need to turn to these very groups to reorient their sights across the Pacific.

|   |                                     |   |                                    |
|---|-------------------------------------|---|------------------------------------|
| <b>Total GDP PPP</b><br>(2012-2013 est.)    | <b>UNASUR</b><br>USD\$ 6 Trillion   | <b>ARCO</b><br>USD\$ 3.4 Trillion         | <b>ALIANZA</b><br>USD\$ 3 Trillion |
| <b>Total Population</b><br>(2011-2012 est.) | <b>UNASUR</b><br>404 Million        | <b>ARCO</b><br>265 Million                | <b>ALIANZA</b><br>207 Million      |
| <b>Total GDP PPP</b><br>(2012-2013 est.)    | <b>ASEAN+3</b><br>USD\$ 23 Trillion | <b>ASEAN+ India</b><br>USD\$ 8.7 Trillion | <b>ASEAN</b><br>USD\$ 3.6 Trillion |
| <b>Total Population</b><br>(2011-2012 est.) | <b>ASEAN+3</b><br>2.1 Billion       | <b>ASEAN+ India</b><br>1.8 Billion        | <b>ASEAN</b><br>617 Million        |

(Source: IMF World Factbook 2012)

## Final Remarks

In the last couple of months intra-regional integration and cooperation groups in LAC have been going through an unprecedented readjustment period. Member countries of the UNASUR and Mercosur suspended Paraguay following President Fernando Lugo's ousting from power in a hasty impeachment trial on 21 June 2012. Subsequently, Venezuela's full membership bid to join the Mercosur was controversially ratified in spite of the Paraguayan parliament's objection to accept this country's incorporation. Paraguay's suspension from these intra-regional groups prompted the strategic flanking strategy that led to the expansion of the bloc's membership base, making it the fifth largest economy in the world. In the aftermath of this readjustment, Uruguay filed to obtain full membership in the CAN, Bolivia began processing its application to join Mercosur as a full member and, the temporarily isolated Paraguay sounded the possibility of joining the ALIANZA.

At first glance it may seem like intra-regional integration and cooperation in LAC is experiencing a major political and institutional upheaval, but it is incorrect yet admittedly tempting, to view these crosscutting dynamics as somehow related to a purported confrontation between advocates of open and post-liberal intra-regional projects. In fact, post-liberal intra-regional cooperation groups (UNASUR, CELAC, ALBA, etc.) have not replaced open intra-regional integration groups (NAFTA, CAN, Mercosur, ALIANZA, etc.), but have instead accommodated the latter

within their much broader and flexible institutional underpinnings. These distinct intra-regionalist processes, though driven by varying logics and strategies, are in actuality operating at complimentary levels. This, in part, explains how it is inconceivably possible for center-right, center-left, and radical leftist governments in South America to cooperate on key issues at the UNASUR level, despite the development of competing sub-regional blocs in the Pacific (ALIANZA and CAN), and the Atlantic (Mercosur).

Recently, Brazil and Argentina seem to be more preoccupied with consolidating the Mercosur than with providing the UNASUR with renewed impetus, whilst the countries of the ALIANZA are carving out a space for themselves out of the CAN's institutional jurisdiction. This reminds us that within the much broader rebalancing between the US vis-à-vis LAC, there is an internal realignment in South America between the Mercosur and the ALIANZA. But then again, it can also be said that within the Mercosur there is a major rift amongst those member countries that are moving towards more protectionist stances, and those that are seeking to loosen the bloc's constraints on their countries' economic governance. This geopolitical drama has yet to unfold, but it is perhaps safe to ascertain at this point that the structural constraints of the world economic order have deployed centripetal forces in LAC favoring cooperation, regardless of the ideological inclinations of the various governments in question. Furthermore, the challenge of harmonizing competing claims and rules between sub-regional groups are a clear indication of the continuing demand for intra-regional cooperation in the years to come, particularly if one takes into consideration that Bolivia, a member state of the CAN is crossing over to the Mercosur without canceling its commitments to the former bloc.

It is evident that intra-regional integration and cooperation in LAC is adjusting to the increasing pull of the AP's economic influence. This process has allowed LAC governments to go beyond the traditional US and European transatlantic vector, advancing a new momentum for transpacific ties, and providing the region with alternative models of integration. The EU no longer captures the imagination of those who support the construction of a LAC community of inter-locking regions. Surely if there is an "ASEAN-way" of doing intra-regional integration, there must also be a "South American-way," and a "LAC-way."



What's more, AP-LAC transpacific linkages have not only provided countries across the Pacific with important economic opportunities to sustain growth levels in an otherwise challenging world economy, but they have also bolstered the ability of LAC governments to sketch out new policy spaces to address social, democratic and political demands that mark the transition towards post-liberal development models and intra-regionalist strategies. Through the revenues accumulated from taxing the windfall profits of the commodities export boom linked to enhanced transpacific economic relations, LAC governments have garnered enough resources to redefine the role of the state in various areas of social life.

AP-LAC inter-regional ties and LAC intra-regional convergence are part of much broader processes of change that will have wider ripple effects on the global arena. As a result, the transpacific relationship has rapidly become a top priority for a critical mass of stakeholders across the Pacific. As such, AP and LAC governments should be expected to continue to promote comprehensive inter-regional economic, political and strategic cooperation due to the fact that these relations promise to help consolidate the construction of a multi-polar world order. Many are aware that should this qualitative leap in transpacific relations come to fruition, they will certainly usher in a new era of South-South cooperation with the potential to generate new extensions of global power beyond the core Triad regions.

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