

# ‘Soft’ integration and ‘rigid’ trade

There is a proliferation of different discourses on integration in Latin America in which it is conceived particularly in the form of trade agreements while other critical issues are overlooked, such as the changes in cultural patterns or the inheritance of neo-liberal reforms. *Eduardo Gudynas* argues that by ignoring this other essential dimensions, the region is experiencing a “soft integration” sustained by a diffuse discourse that does not generate much in the way of concrete measures, or achieve a political backbone. A new regional programme must take on the political reconstruction of societies that have changed substantially.

INTEGRATION schemes implemented by Latin American countries since the mid eighties moved forward, on the one hand by reformulating old agreements and, on the other, by creating new initiatives. In the first case, agreements with a long-standing history such as the Andean Community of Nations or the Central American Common Market suffered many changes that in fact curtailed their political aspects and highlighted the trade objectives. In the second case, the creation of the North American Free Trade Agreement (NAFTA) and the Common Market of the South (MERCOSUR) is emphasised.

These agreements take place in a geopolitical scenario in which the United States continues to play a dominant role in conditioning and modifying the regional agenda, both by diplomatic means and by economic instruments or even direct intervention. The US is advancing in a strategy that has abandoned multilateralism to base itself on unilateral postures (preferring bilateral free trade agreements to the global negotiations in the World Trade Organization (WTO); Gudynas, 2004). The trade relationship defended by Washington is asymmetric, based on gaining access to the markets of Latin American countries while maintaining the protection of domestic sectors (for example, agriculture), imposing a free flow of capital and regulations on issues such as patents and corporate protection. This vision of “free trade” has also become associated with its national security strategy.

On an economic and trade level, integration attempts are also limited by the



Brazilian President Lula da Silva. His government's economic strategy is very orthodox, and innovative changes in health, education and the environment have not yet taken place.

peripheral and subordinated condition of the Latin American countries. The productive structure depends on the extraction of raw materials, a high proportion of which is exported at international prices which are subject to the ups and downs of global markets. In almost all the countries neo-liberal reforms have been carried out, limiting economic options, but also conditioning possible options for integration. For example, state enterprises have been privatized, transnationalization of the economy has advanced, trade and capital flows have been liberalized and foreign investment has taken on a substantial role.

In many cases de-industrialization occurred with a loss of jobs, while informal labour increased and poverty persisted. Although exports grew, a qualitative

step forward in industrialization was not achieved and in many countries their profile as exporters of primary products was enhanced. At the same time, imports increased, generating trade deficits which added to the returning foreign debt burden (see CEPAL, 2001; Birch & Haar 2000).

Furthermore, it should be borne in mind that the stakeholders involved in the debate on regional integration have also changed. Economic transnationalization has entailed a notorious loss of political power for some of the traditional representatives of the national business community, who were replaced by the executives of foreign corporations. Depoliticization and democratic delegation ended up by giving a lesser role to parliaments, local governments and even to trade unions. The deficit of public information was heightened and therefore, discussion on regional insertion was impoverished.

Political life shifted towards a “democracy of delegation” with a strong presidential role, sometimes showing an authoritarian bias, the weakening of parliamentary opportunities and the erosion of citizen participation. This can be seen in the case of Alberto Fujimori in Peru or of Carlos Menem in Argentina. In the case of MERCOSUR, evolution stagnated in an intergovernmental agreement where “presidential summits” had to decide on a wide variety of issues. (The member states of MERCOSUR are Brazil, Argentina, Uruguay and Paraguay. Bolivia, Chile, Colombia, Ecuador Peru and Venezuela have associate member status). Trade agreements “without poli-

cies” were even put forward, as in the case of the negotiation of a free trade agreement between Bolivia and Chile, two countries without formal diplomatic relationships.

The State stakeholders that could have had an impact on channelling integration were also very much affected. Various state agencies with a key role in the design of development policies were dismantled and even the concept of planning faded away. Lacking clear development strategies on a national level it was even harder to agree on plans to be shared on a regional scale.

### **Diffuse concepts, diverse practices**

In spite of all these problems, the idea of regional integration continued to find support. Its most important basis appealed to the image of the “unity” of Latin America, invoking a strong political commitment and an alternative insertion before the rest of the world (see Devés Valdés, 2003).

The references to “Latin American unity” were maintained, but the contents changed considerably during the 1990s, with the propagation of a commercial vision. Certainly the best example of the conceptual approach used at that time was the proposal for “open regionalism” by the Economic Commission for Latin America and the Caribbean (ECLAC, or also known by its Spanish acronym CEPAL) (CEPAL, 1994), which conceived of integration as an essentially commercial process, based on the reduction of tariffs and the opening up of national markets. Liberalization was not only within a region but on a global scale, on the assumption that conventional competitive mechanisms would be in operation, allowing for enhanced export capacity.

The ideas of ECLAC were functional to the market reforms and therefore were expressed in a “political vacuum” on various levels. They ignored international politics (therefore they did not consider regional geopolitics or security conflicts); they did not discuss development policies adequately with a

regional perspective; and finally, there was a vacuum in citizen policy (the promotion of citizen participation and the political appropriation of integration were not explored in detail). It was a “contractual” vision of integration, where governments exchange trade concessions with a minimum of institutionalism and where they are the promoters of globalization. These vacuums generated enormous confusion in which the governments of Latin America talked time and again of “open regionalism” to defend different and sometimes contradictory positions.

### **The forgotten issues**

The conventional analyses – the ECLAC one is possibly the best example – even today continue to leave essential issues aside. Therefore it is necessary to recover the “forgotten issues,” and place them under discussion, analyzing their implications for regional integration. Some issues have changed, such as people’s expectations regarding political processes and available spaces, all of which are crucial factors in integration processes, as they not only generate images and symbols on regional integration, but also determine development options that must be linked among the countries.

### **A neo-liberal inheritance**

Recently it has been maintained that neo-liberalism has failed and the “new left” in Latin America is seen with optimism, a view that gains currency from a heterogeneous set of events, ranging from some citizen uprisings to the triumph of presidential candidates who define themselves as progressive. The conjunction between the neo-liberal “failure” and the “new left” will, it is said, make it possible to strengthen integration processes. However, there are many other signs that tone down this optimism.

The idea of the so-called “defeat of neo-liberalism” needs to be revised. In the field of party politics and governmental composition, it is true that over the past few years not many conservative candi-

dates who aimed at backing even further the neo-liberal programme of the 1990s have succeeded; it is also true that many leaders in government have defined themselves as progressive (Kirchner in Argentina, Lula in Brazil, Vazquez in Uruguay, Chavez in Venezuela; sometimes Lagos in Chile).

However, it should also be admitted that the neo-liberal programme developed in Latin America since the mid- 1980s brought about substantial changes in the organization of the state, political dynamics, the role of citizens and the economy. If the major demands for reforms submitted by the World Bank in the 1990s are reviewed, it will be recognized that nearly all of them were complied with. There has been a “slide” towards conservative postures and the definition of “left-wing” or “progressive” is made today with different points of reference than those used decades ago.

This situation is evident in various cases. For example, the Coalition for Democracy (Concertación para la Democracia) in Chile promotes the accentuation of labour flexibility and insists on unilateral trade opening almost without policy. The government of Lula in Brazil is carrying out some innovations (greater support to certain national industries, many mechanisms for citizen information), but his economic strategy is very orthodox and innovative changes in areas such as health, education and the environment have not yet taken place. However, in Argentina some innovative positions in economic policy are being explored, political re-composition is being attempted and positive gestures are being made regarding human rights (see Álvarez, 2003, Drake & Jaksic, 2002, López Maya, 1999, Smith & Korzeniewicz, 1997; Lewkowicz, 2002, CEPAL 2001).

Economic determinants seem to impose themselves over progressive aspirations and as a result, governments return to regressive measures similar to those implemented during the 1990s. These countries, as peripheral economies, compete among themselves for destination markets, fracturing integration efforts. They do not manage to gen-

erate productive coordination and avoid entering the field of politics. Therefore, although the governments keep emotional and sometimes pompous integrationist discourses, they have enormous difficulties in becoming effective in practice (a good example is MERCOSUR's incapacity to negotiate as a block with China in 2004).

### Individualist culture

Cultural dynamics have also changed substantially as a good part of our societies now privilege consumerism and material possessions; the quality of life depends on access to goods such as electrical household appliances or cars, and services that are transferred to the private sector. Many activities that were once coordinated in the public sphere have been outsourced, solidarity is in recession and personal benefit is sought.

Social responsibility has lost substance, deriving towards positions of assistance and compensation (see Larraín, 2000). The citizen's role as an active subject in political construction is also reduced vis-à-vis individualistic postures, with roles characteristic of a "consumer" seeking personal benefit before common welfare.

During different stages of the 1990s many people enjoyed high levels of consumption as a result of trade liberalisation and the invasion of low-priced imported products, and because of this, presuppositions on the quality of life and consumer satisfaction have changed substantially (García Canelini, 1999).

There is at least one generation that became socialized under this neo-liberal programme, where politics, in the broad sense of public deliberation of common welfare, were curtailed. Many people mistrust politics. Collective matters became a detached issue, as practices characteristic of a market "management" of services were favoured. This retreat towards private space partly explains the phenomenon of democratic delegation, accentuating presidential traits, with governments

becoming more authoritarian and more distant from the citizens.

### Loss of sovereignty

Attempts at regional linkages are taking place in a context of sweeping capitalist globalization. Some of its systems are well known, but a couple of key aspects in Latin America should be mentioned (see Giddens, 2000; Ianni, 1999; Beck, 1998).

There is a loss of effective sovereignty. The countries maintain certain forms of formal sovereignty (for example, issuing identity documents or printing their currency), but many other functions have been curtailed, faded away or been transferred to a trans-nationalized space. The most evident case is the serious limitations on designing national autonomous economic policies while they are conditioned by agents such as the IMF, the World Bank, the WTO and even rating agencies such as Moody's or Standard & Poor's. The World Bank, and the Inter-American Development Bank (IDB), condition national policies directly. Current regional integration processes have not managed to halt this loss of sovereignty and in some cases have even accelerated it (for example the case of Mexico in NAFTA).

Meanwhile the governments conceal their loss of real sovereignty and are happy to play with formal aspects. In fact, it must be admitted that many of our countries have a very narrow scope for manoeuvring due to this loss. On the other hand, a new integration is the only real opportunity they have to recover sovereignty because global conditions can only be successfully confronted by groups of countries acting in a coordinated way.

### Rules of production

The current form of globalization also promotes new rules on productive processes. The substantive conflicts do not reside in property over means of production but in imposing operational rules over them. The most notorious cases are those over investors' rights or the broadening

of the concept of "services." This occurs in a process where diverse elements have come to be considered as "goods" and therefore fall under the rules of trade and investment, while the rules of trade are expanded to cover new areas. The clearest example is the attempt to bring the "Singapore issues" into the WTO's jurisdiction.

Thus a type of regulation on capitalist production and capital flow is imposed, the notion of efficiency is centred on profit rates, and conflicts are settled by market instruments, where social and environmental externalities are ignored. The jurisdiction of the nation-state is redefined on the basis of these rules (for example in the World Bank's International Centre for Settlement of Investment Disputes).

This process is deeper and more insidious as it is reproduced in our own countries, generating new subjectivities that affect cultural patterns. In this way, "free trade" and agreements such as The Free Trade Area of the Americas (FTAA), find support not only in Washington, but also in the major Latin American corporations and many governments (the clearest cases being Chile and Colombia).

### Soft integration and productive disintegration

What is the objective of integration? In other words, why do we want closer links among the countries of Latin America? In the past, this question was answered by alluding to liberation and autonomy of the peoples; today it is answered invoking increased trade. It is clear, however, that restricting the answer to the commercial dimension is not enough and will probably end up being functional to the conventional free trade agreements. An adequate reply will incorporate other dimensions that also affect integration, such as cultural patterns that define expectations regarding the quality of life or the political spheres that make it possible to coordinate productive strategies.

In order to respond adequately to this question, it is necessary to recognize that many neo-liberal reforms carried out in the

region have triggered off substantial changes that seriously limit integration processes. Contemporary globalization strengthens these changes. As a result, our countries continue to be trapped in a peripheral capitalism where they compete among each other on the global markets. Under these rigid conditions, attempts at effective integration will be very limited and the weakening of political spaces also prevents seeking citizen support for real alternatives.

The real conditions at present are actually generating a productive “disintegration.” The countries do not manage to forge productive linkages and instead compete among themselves, with regard to both exports and attracting foreign investments. Therefore commercial disputes over issues such as tariffs or rules of origin are not the essence of integration problems but their epiphenomenon. Obstacles are to be found in much more substantial matters, such as the rejection of supra-nationality, the incapacity to generate regional policies or the very essence of development strategies, which are directly related to the “forgotten issues.”

Even within MERCOSUR where presently a certain political proximity among almost all the member governments exists, the policies followed do not contribute to regional integration and do not resolve tension. In fact the bloc is growing by means of agreements that are restricted to the trade level and that do not generate political commitments. Chile, Bolivia and Peru are new “partners” in this “weak expansion” that does not achieve real political coordination.

Regional integration under its present formats does not respond to the real problems of the region. It is a “soft integration” that flows under different attempts and different conceptual frameworks and its very essence of flexibility does not allow it to achieve binding political agreements among the countries. However, in parallel a very rigid commercial structure exists, imposed by capitalist dynamics, and this rigidity has much deeper ramifications for real integration. Proposals such as bilateral trade agreements do not necessarily contribute to wide-ranging integration, but rather hinder coordination in other aspects, such as political ones (Gudynas, 2005).

In this way, the integration we experience becomes a series of symbols and gestures, but they do not manage to curb or reverse economic dynamics that operate in the opposite direction, to economic disintegration. Possibly the most ambitious discourse took place in 2004 with the launching of the South American Community of Nations, although no one could conceal the tension caused by the absence of three MERCOSUR presidents, in disagreement with the attitude of Brazil.

It is essential to recover the “forgotten issues,” to discuss regional integration from the standpoint of wider sovereignty, where autonomy is conquered before globalization by effective coordination among countries. Any of these changes will require a reconstruction of political spaces, giving a new substance to the integration process, starting from citizens playing a leading role. In this effort, supra-nationality is not a problem but a means to enable integration to be re-politicized. Urgent challenges, such as the generation of a common regional policy for agriculture or energy, necessarily require a supra-national framework that, to be effective, cannot be restricted to the trade agreements in force or to the present style of development, but must be functional to other strategies. This new integration must aim at autonomy to stop citizens from being merely secondary spectators and allow them to recover a leading role in politics.

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