Lisbon School of Economics & Management
Universidade de Lisboa

Master's final project

Master of Development and International Cooperation

Intergovernmentalism vs. Supranationalism: A Comparative Study of Mercosur and the European Union's Integration Frameworks.

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October 2024

Abstract

This thesis investigates the intricacies of regional integration in Latin America, focusing on Mercosur and comparing it with global integration models such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN). Latin American regionalism is marked by significant fragmentation, reflecting diverse economic models and ideological differences across various initiatives, including Bolivarian Alliance for the Peoples of Our America (ALBA), the Pacific Alliance, and Southern Common Market (Mercosur). This thesis engages with theories, including Neofunctionalism, Liberal Intergovernmentalism, Postfunctionalism and Supranational Governance, and explores strategic, social, and productive regionalism. It also considers external influences from the U.S. and China, the challenges of national sovereignty, and the impacts of COVID-19, offering insights for building a more cohesive and resilient integration framework in the Latin America region. Through a comparative analysis of the EU robust institutional framework and Mercosur's more limited structure, this thesis provides strategic recommendations for advancing Latin American integration. It underscores the necessity for institutional reforms, enhanced political cohesion, increased public legitimacy, and stronger engagement with civil society to create a more unified and resilient regional bloc. By integrating lessons from global experiences and addressing regional specificities, this thesis offers insights into how Latin America can bolster its international role and promote sustainable development.

Keywords: Regional Integration, Mercosur, European Union, Latin America, Supranational Governance, Liberal Intergovernmental Governance, Postfunctionalism.

Acronyms

AA	Association Agreement
ABAG	Brazilian Association of Agribusiness
ACS	Association of Caribbean States
ALBA	Bolivarian Alliance for the Peoples of our America
ALBA-TCP	Bolivarian Alliance for the Peoples of our America – Peoples Trade Treaty
APC	Association Parliamentary Committee
ASEAN	Association of Southeast Asian Nations
BASIC	Brazil, South Africa, India, and China
BRICS	Brazil, Russia, India, China, and South Africa
CACM	Central American Common Market
CAN	Andean Community
CARICOM	Caribbean Community
CETA	Comprehensive Economic and Trade Agreement
CEPAL	Economic Commission for Latin America and the Caribbean
CFSP	Common Foreign and Security Policy
CJEU	Court of Justice of the European Union
CMC	Common Market Council
CP-TPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
COP26	26th UN Climate Change Conference of the Parties
ECLAC	Economic Commission for Latin America and the Caribbean
ECB	European Central Bank
EC	European Community
EEC	European Economic Community
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
G20	Group of Twenty
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GMC	Common Market Group
IBSA	India, Brazil and South Africa
IFCA	Interregional Framework Cooperation Agreement
IIRSA	Initiative for Integration of the South American Regional Infrastructure
ILO	International Labour Organization
IMF	International Monetary Fund
IPNs	International Production Networks
LAC	Latin America and the Caribbean

LAIA	Latin American Integration Association
LAFTA	Latin American Free Trade Association
MERCOSUR	Southern Common Market
MSI	Mercosur Social Institute
MTC	Mercosur Trade Commission
NAFTA	North American Free Trade Agreement
NCA	National Confederation of Agribusiness
OECD	Organisation for Economic Co-operation and Development
Parlasur	Parliament of Mercosur
PROSUR	Forum for the Progress of South America
UN	United Nations
UNASUR	Union of South American Nations
USMCA	United States-Mexico-Canada Agreement
WTO	World Trade Organization
WWII	World War II

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1. Introduction

In a rapidly changing global trade landscape, regional economic integration has become essential for fostering collaboration among nations. Latin America, with its rich history of cooperation, serves as a compelling case for how integration strategies can be tailored to meet specific challenges and capitalize on opportunities. Initiatives like the Bolivarian Alliance (ALBA), the Union of South American Nations (UNASUR), and Mercosur illustrate the region's diverse approaches to economic cooperation, political solidarity, and social cohesion, each shaped by its unique political and economic context.

In contrast, the EU represents a highly advanced model of integration, characterized by deep economic, political, and institutional ties among its member states. This thesis will compare Latin American integration efforts with global models, particularly the EU, by analyzing their goals, structures, and outcomes. Key theories, including Neofunctionalism, Liberal Intergovernmental Governance, Supranational Governance, and Postfunctionalism, will guide this analysis. Additionally, the thesis will recognize three models of economic regionalism: strategic, social, and productive regionalism, highlighting both the distinctive and shared challenges faced by Latin American nations.

This thesis begins by contextualizing Latin American regional integration, with a focus on Mercosur and its current scenario. It explores the Mercosur-EU partnership, regional coordination challenges during COVID-19, and Brazil’s role in shaping regionalism. The analysis also addresses environmental geopolitics and the strategic integration of Latin America, followed by a review of integration models and a comparative analysis of Mercosur and the EU. The thesis proposes strategies to enhance Mercosur’s integration efforts by drawing on internal experiences and external models, aiming for a more cohesive and resilient regional framework. The final section presents the research conclusions.

2. Contextualization

Latin American unity has been a longstanding aspiration, with early proposals for political unification emerging even before the end of the independence wars. Simón Bolívar, a prominent advocate, envisioned a united Hispanoamérica, as highlighted in his speeches at the Congress of Angostura (1819) and the Congress of Panama (1826).

Considering that regional unity has been a central theme in Latin American political discourse since the era of Bolívar and given the numerous attempts at integration throughout the past century, it is striking that no regional integration initiative has truly succeeded. This is particularly surprising when one considers the region's minimal linguistic and cultural divides, its shared colonial past, and the apparent inspiration that the success of European integration should offer to Latin American leaders and citizens alike (Fridlund, 2022).

Latin America's regionalism has never converged into a unified project. The failure of political unification led to pan-Americanism, focusing on flexible international relations. After World War II, emphasis shifted to economic integration, prioritizing functional cooperation in economic, social, and cultural areas over political unity (Villarreal, Portugal, Carrion & Quispe, 2023; Malamud, 2010, 2018).

In the 1960s, the first wave of Latin American integration was partly driven by the need to confront the rising threat of a "fortress Europe" (Malamud, 2018). This first wave, led to the creation of Latin American Free Trade Association (LAFTA) and Central American Common Market (CACM). The second wave introduced the Andean Pact in 1969 and Caribbean Community (CARICOM) in 1973. The third wave emerged in the 1980s, alongside democratic transitions, resulting in the formation of Mercosur and the relaunch of CACM and Andean Community (CAN). Although these initiatives achieved some early progress by combining regional preference with openness to external markets, they ultimately failed to meet their original objectives (Malamud, 2010; Lubbock, 2022).

The driving force behind the resilience of regionalism in Latin America is the idea that this latter could help achieving economic development and political autonomy. These goals have been sought by Latin American countries for decades. The commitment to regionalism was expressed from the 1950s to the 1980s in the project of creating a Latin American Common Market that embraced all the countries of this sub-continent, as proposed by the Latin America Economic Commission for Latin America (ECLAC) (Ruiz, 2014; Paranaiba, D'Andrea & Vaz-Curado, 2023). ECLAC's proposal focused on expanding national markets by establishing a common market. A coalition of technicians and reformist politicians, spearheaded by Prebisch, believed that economic cooperation was essential to move beyond the region's traditional reliance on primary commodity exports.

The CACM, formed in 1960, rapidly achieved success in regional integration, resembling a customs union by 1965. This progress was driven by technical, non-political management, low costs, and foreign financial support, resulting in significant trade growth. However, the momentum slowed as leaders shifted their focus from deepening integration to maintaining it. This shift increased institutional responsibilities without enhancing authority, ultimately hindering CACM's long-term effectiveness (Malamud, 2010).

LAFTA's design, which relied on selective negotiations rather than automatic tariff reductions, struggled due to the lack of institutional oversight and significant asymmetry among its members. Smaller countries felt disadvantaged, prompting the formation of the Andean Pact. The Andean integration process, despite establishing a Court of Justice and Parliament in 1979, faced institutional inefficacy and stagnation (Malamud, 2010; Villarreal, Portugal, Carrion & Quispe, 2023). This failure stemmed from regional heterogeneity and conflicting national interests, leading to LAFTA's transformation into the Latin American Association for Integration by the 1970s (Lubbock, 2022).

Established in 1980, Latin American Integration Association (LAIA) sought to foster regional integration through an economic preference zone, focusing on bilateral initiatives as building blocks for multilateral ties. Unlike a free-trade area, it emphasized flexibility, gradualism, and sector-specific integration, avoiding rigid reciprocity. By allowing subregional agreements, LAIA proved more effective than its predecessor, LAFTA, and played a pivotal role in the third wave of regional integration, particularly in the formation of Mercosur (Lubbock, 2022; Villarreal, Portugal, Robles & Loyola, 2023).

By the 1990s, however, the EU had transformed into both a model and a partner for a new wave of regional organizations, notably including the Andean Community (Malamud, 2018). While a free trade zone and common external tariff were introduced in the 1990s, they were overshadowed by social, political, and economic crises. Imbalances among members, ineffective oversight, and lack of reciprocity enforcement led to fragmentation, with a shift toward bilateral agreements. Ongoing instability and weak regional leadership further undermined integration, perpetuating disunity.

Efforts at political unification and economic integration in Latin America, like LAFTA and the Andean Pact, have struggled due to regional diversity, conflicting national interests, and weak institutions. Historical and structural fragmentation further hindered their effectiveness. Despite some progress, a lack of cohesive leadership and strong supranational institutions has impeded deeper integration. Strengthening institutions and improving political cohesion are essential to achieving greater regional unity and development.

3. Current Scenario

Viola (2009), categorized Latin American states into *Modern, Weak, and Fragile*. Taking into consideration his analysis, these categories can reveal distinct implications for regional integration.

Modern states, which include Brazil, Chile, and Uruguay, demonstrate varying degrees of advancement and governance capacities. Brazil, as an emerging global player, possesses a diverse economy rich in resources and exerts a strong regional influence. However, challenges related to governance and social equity hinder its ability to fully capitalize on this potential for leadership in regional integration. Chile stands out due to its impressive political stability, its economic reforms have been completed, crime is controlled, and it has committed to democratic governance. This stability has fostered a conducive environment for regional integration efforts, although Chile's relatively small economy limits its influence in a regional context. Uruguay, with its functional party system, has maintained a degree of stability; however, it remains stagnated in necessary institutional upgrades and has limited influence on regional integration due to its small size.

Weak states, such as Argentina, Peru, Colombia, Venezuela, and Ecuador, experience a range of vulnerabilities that complicate their roles in regional integration. Argentina's cyclical political and economic performance has undermined its ability to take on a leadership role. In contrast, Peru has made strides in modernizing its institutions but continues to grapple with political corruption that hampers its capacity to engage in regional cooperation. Colombia presents a more stable economic landscape, yet its ongoing struggles with narco-trafficking and political violence position it as a stronger supporter of U.S. hemispheric integration rather than South American regionalism. Venezuela, on the other hand, has seen a significant political decline under authoritarian rule, which complicates its regional integration ambitions and aligns it more closely with alternative integration initiatives.

Fragile states—including Paraguay, Bolivia, Suriname, and Guyana—face severe challenges that limit their potential for regional integration. Paraguay's economy, heavily influenced by organized crime and illicit activities, undermines its participation in cooperative regional frameworks. Bolivia's socio-political polarization and challenges to governance, despite its rich natural resources, hinder its ability to effectively engage in integration processes. Suriname approaches the brink of failed state status due to political instability and widespread corruption, while Guyana contends with pervasive poverty and limited rule of law, both of which stymie collaborative efforts.

Contemporary states face pressures from both political fragmentation, such as sub-state nationalism, and economic integration driven by globalization. To navigate these forces, states increasingly pursue regional integration, which reduces transaction costs and enhances cooperation. This process requires some transfer of sovereignty and leadership, alongside the establishment of institutions to manage and adapt integration. While voluntary, integration depends on effective institutional frameworks to sustain progress (Malamud, 2011).

In the early 21st century, Latin American economic regionalism diverged significantly from ECLAC's vision, fragmenting into three main axes. The open integration axis, led by the Pacific Alliance, emphasizes trade liberalization and global economic connections. The revisionist axis, represented by Mercosur, combines regional autonomy with protectionist measures. The anti-systemic axis, including ALBA and UNASUR, rejects neoliberal policies in favor of socialist-oriented integration focused on social justice and regional solidarity (Ruiz, 2014; Bressan & Gonçalves, 2023).

The end of the progressive decade marked a crisis in regionalism and a "shift to the right" in Latin America. Countries in the region embraced again globalization and strengthen their ties with industrial powers, adopting a pragmatic and non-ideological foreign policy in line with the tradition of "open regionalism" and the promotion of the private sector. The most notable changes occurred in Argentina (2015), Brazil (2018), and Chile (2017) (Frasquet, Escrig, Verdú & Soriano, 2024).

Conversely, some countries have withdrawn their memberships from UNARSUR and ALBA in the last decade, but 'the emergence of a new wave of progressive governments in Mexico (2018), Argentina (2019), Chile (2021), Colombia (2022), and Brazil (2022) has revitalized the spirit of integration, particularly among the expanded Mercosur countries in areas such as hydrocarbons and electricity. This progressive shift may lead to a boost in integration efforts, potentially creating an energy bloc characterized by accessibility, complementarity, cooperation, and subsidiarity (Frasquet, Escrig, Verdú & Soriano, 2024).

External influence has shaped regional integration in several notable cases. The United States played a pivotal role in the founding and early achievements of the CACM and later pushed for wider integration through the Free Trade Area of the Americas (FTAA). Additionally, ExxonMobil, a U.S.-based company, began oil exploration in the contested Essequibo region, intensifying territorial and ideological disputes between Guyana and Venezuela. In recent developments, the U.S. has contested the legitimacy of Venezuela's 2024 presidential election, where Nicolás Maduro claimed victory, further heightening political tensions in the area.

The EU has consistently promoted regional integration in Latin America, particularly in its dealings with Mercosur. This support comes through both direct measures, such as financial aid and technical cooperation, and indirect strategies, by acting as an example for other regional organizations. Additionally, the EU balances its interest in importing essential agricultural products from Mercosur nations with its commitment to advancing and promoting its climate change agenda.

Furthermore, over the past 15 years, China's influence in Latin America has dramatically increased, marked by substantial investments and numerous bilateral and multilateral agreements, making China a key trading partner for the region.

External federators, such as the EU, the U.S. and China often use economic tools to achieve ideological or geopolitical goals. These efforts reflect broader systemic pressures that drive countries toward regionalization and influence integration processes. (Malamud, 2010).

3.1. ALBA

The ALBA is an anti-capitalist and anti-imperialist integration model, at least according to documents and speeches of their leaders. This integration scheme was originally proposed by Hugo Chávez in December 2001 during the Third Summit of the Association of Caribbean States (ACS), under the name ALBA. Originally, the ALBA was a rather vague proposal, which simply sought to confront the FTAA proposed by the United States (Bastos, 2022; Ciupa, 2022).

Comprising nations that vary in their departure from capitalist practices, ALBA includes Cuba, which adheres to a socialist model; Venezuela, with its vision of twenty-first-century socialism; and Bolivia and Ecuador, which embrace concepts of "living well" and the Citizens' Revolution. This alliance employs anti-imperialist rhetoric and aims to establish alternatives to the neoliberal paradigm in the relationships among its member states, positioning the state as a crucial political and economic actor. ALBA is founded on principles of solidarity, cooperation, complementarity, and mutual benefit (Lo Brutto & Salazar, 2015; Ciupa, 2022; Bastos, 2022).

A pivotal moment occurred in December 2004 when Fidel Castro and Hugo Chávez met in Havana to relaunch the ALBA initiative. This proposal aimed to create a new integration model focused on eliminating social inequalities, improving quality of life, and encouraging people's participation in shaping their future.

ALBA key programs address issues like illiteracy, malnutrition, and healthcare, funded through the Bank of ALBA. Economically, the Bank also aims to boost intraregional trade, supported by the introduction of its own currency, the Sucre, which replaces the US dollar in government exchanges (Fridlund, 2022).

The Sucre involves Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela, it facilitates international payments for trade among member countries using a virtual currency, which is managed by their central banks. Local transactions for exporters and importers are conducted in their respective local currencies (Lo Brutto & Salazar, 2015). The gradual implementation of the Sucre is designed to bolster regional monetary and financial sovereignty by reducing dependence on the U.S. dollar. In parallel, Venezuela's Petrocaribe initiative, introduced in 2005, aims to create a cohesive energy policy for the Caribbean and Central America. This initiative facilitates deferred payments and long-term financing, enabling nine countries to establish binational state companies that promote energy independence. Petrocaribe complements ALBA's strategic objectives by tackling global challenges related to fossil fuel supply and competition for non-renewable resources.

ALBA embodies a distinct model of regional integration focused on "fair trade" and "people's trade," using barter instead of formal market transactions. It emphasizes state-driven productive integration, often neglecting domestic enterprises, which limits regional value chain development. Venezuela is a key leader and financier, prioritizing energy integration and social policies. ALBA's anti-neoliberal stance rejects traditional gradual integration in favor of strengthening its trade framework through initiatives (ALBA-TCP, 2012).

3.2. The Pacific Alliance

The Pacific Alliance, consisting of Mexico, Colombia, Peru, Chile, and Central American nations, seeks to strengthen trade ties with the U.S. and the Asia-Pacific countries, particularly China. It promotes neoliberal policies and counters the anti-capitalist ALBA bloc while adhering to the Washington Consensus. However, the Alliance lacks a strong social or productive agenda compared to Mercosur, and coordination among members is limited, resulting in weak trade relations, especially with Mexico. Its alignment with U.S. interests through free trade agreements has also faced criticism from the ALBA bloc (Fairlie & Collantes, 2022).

Identifying a single leader within the Pacific Alliance is difficult, as the group is primarily focused on promoting free trade and integrating into the global economy. This objective is explicitly outlined in the Framework Agreement governing the regional bloc: “The goal of the alliance is to create an area of deep integration that promotes greater growth, development and competitiveness of the participating economies through the progressive search for free movement of goods, services, capital and persons” (Acuerdo Marco de la Alianza del Pacífico, 2012).

The Pacific Alliance Framework Agreement aims to create a free trade area (FTA) with the free movement of goods and services, and eventually, capital and people, similar to a common market. Its social dimension includes a long-term goal of free movement of people and an immediate focus on facilitating immigration through cooperation between member states' migratory authorities (Fridlund, 2022; Fairlie & Collantes, 2022).

Finally, it faces challenges such as limited intra-regional coordination and perceptions of alignment with U.S. interests. To be more effective, it requires a stronger social agenda and mechanisms to address internal disparities.

3.3. The UNASUR

Established on May 23, 2008, by 12 South American presidents, UNASUR aimed to resolve regional conflicts, defend democratic order, and promote integration. Its strategic vision focused on development, emphasizing the importance of natural resources as a key driver in the integration process (Lo Brutto & Salazar, 2015; Mijares & Nolte, 2022; Bianculli, Hoffmann & Nascimento, 2022; Granato, 2023).

UNASUR's institutional structure encompasses various sectorial councils, including Energy, Defense, Health, Social Development, Economy, Education, and Citizen Security. This wide range of focus areas highlights its comprehensive objectives and strategic vision for addressing key regional challenges through coordinated action across multiple sectors (Lo Brutto & Salazar, 2015).

The Energy Council has held a series of meetings at the highest level, with the participation of ministers of energy, oil, and related sectors, for the creation of an energy agreement. All of the South American countries have expressed interest in these meetings (Mijares & Nolte, 2022). Recognizing the region's abundant natural resources, which include extensive oil reserves, large natural gas deposits, significant hydroelectric potential, vast coalfields, and bioenergy sources, it is crucial to emphasize the importance of asserting sovereign rights over these valuable assets.

UNASUR was initially established by the governments of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela, which constituted all 12 South American countries in 2010 (Agência Brasil, 2023). Yet, the ideological differences between the governments of the member countries led to a massive exit from the bloc between 2018 and 2020, when Colombia, Ecuador, Argentina, Brazil, Chile, Paraguay and Uruguay withdrew (Mercopress, 2023).

In March 2023 the Argentine President Alberto Fernández announced the return of his country to UNASUR. In this way they have decided to retrace the path initiated by the Macrismo (referring to the Argentine president between 2015 and 2019, Mauricio Macri), that alleged that the organization was plunged into a crisis due to an “agenda with a high ideological content” (Mercopress, 2023).

Recently, President Luiz Inácio Lula da Silva has also signed a decree that officially marks Brazil's return to the UNASUR. The country had previously withdrawn from the bloc in 2019, during the government of former President Jair Bolsonaro (Agencia Brasil, 2023).

UNASUR faced challenges due to internal disagreements, differing political and economic priorities, and the emergence of alternative regional groups, which diminished its effectiveness. Its limited adaptability and commitment hindered its impact. To improve the integration process, it is crucial to encourage dialogue among member states to bridge ideological divides, create flexible mechanisms to respond to changing political contexts, and establish clear, measurable goals for each sectorial council. Additionally, developing joint projects in key areas like energy and involving civil society and regional stakeholders can enhance the organization's legitimacy and ability to address the complexities of regional integration.

3.4. The Common Market of the South (Mercosur).

In March 1991, the Treaty of Asunción was signed, leading to the creation of Mercosur with the primary goal of forming a free trade area and a unified external tariff among Argentina, Brazil, Paraguay, and Uruguay. While the initial focus was predominantly on trade, Mercosur has gradually undergone changes to include social and productive aspects, expanding beyond its original trade-centered agenda (Hoffmann, 2023).

Early changes took place in the labour sector in the 1990s, resulting in the Mercosur Socio-Labour Declaration being approved in 1998, followed by the Social Security Regional Agreement being signed in 1998 and, the Treaty on Regional Labour Migration being passed in 2001. Subsequent changes occurred in other social domains. From 2000 onwards, Mercosur set up a regional social policy, namely the implementation of redistributive policies enabling the population to gain access to education, health, housing and quality public services (Araujo, 2024). These changes took place gradually, but they were deepened after 2003, when left-wing leaders took power in Brazil (Luiz Inacio Lula de Silva, 2003), Argentina (Nestor Kirchner 2003), Uruguay (Tabaré Vasquez 2005) and Paraguay (Fernando Lugo 2008) (Ruiz, 2014; Hoffmann, 2023; Campos & Timini, 2022).

The new leadership reassessed Mercosur's integration model, recognizing that a trade-focused approach was inadequate for addressing the structural realities of the Southern Cone. While preserving the principles of free trade, they enriched the framework by integrating social and productive policies, resulting in the emergence of what is now referred to as the new Mercosur.

After 2003, the new leadership established a Council of Ministers of Social Development in 2005 and the Mercosur Social Institute was created in 2007. A Strategic Plan of the Social Action was approved in 2011, the objective of which was to develop an ambitious regional social plan to reduce poverty, redistribute wealth, promote social justice and regulate market institutions (Campos & Timini, 2022; Lehoczki, 2022).

In 2004, Mercosur established a regional fund to promote social cohesion through redistribution and implemented various regulatory measures, such as a labor and social declaration, standardized pharmaceutical regulations, mutual social security benefits, and joint health and safety inspections. Additionally, member countries have agreed to recognize each other's educational qualifications, degrees, and diplomas.

Mercosur has boosted intra-regional trade and foreign investment, becoming an important international benchmark. Its development was linked to democratization and resolving Argentina-Brazil conflicts, promoting an outward-looking economic approach. Decisions are made through unanimous intergovernmental mechanisms, involving three bodies overseen by national bureaucrats to protect political leaders from bureaucratic interference. Regular presidential summits emphasize the role of presidential diplomacy in guiding the integration process (Lehoczki, 2022; Malamud, 2011).

Influenced by external models, Mercosur's leadership dynamic is often debated, particularly regarding Brazil's commitment to leading. Nonetheless, Argentina's role is crucial, making it difficult to envision Mercosur without both countries. This regional initiative aims to forge a new alliance between two major South American nations (Lehoczki, 2022; Malamud, 2010; Koval & Andrianova, 2022).

For Paraguay, Mercosur often feels like a burden—necessary but not always beneficial. As a landlocked nation, it cannot afford to be excluded from a bloc that includes its coastal neighbors. However, its suspension from Mercosur over an alleged coup has placed

Paraguay in a challenging position, as it pays membership dues without receiving benefits. In contrast, Uruguay, with direct sea access, is less reliant on Mercosur but remains cautious. Its historical role as a buffer state influences its actions, leading Uruguay to adopt a strategy of patience, determining that remaining in Mercosur is less costly than withdrawing (Malamud, 2018).

The Permanent Review Tribunal, established in 2005, serves as an optional appeals panel rather than a supreme judicial authority and has made only sixteen juridical decisions over the years. Mercosur’s Parliament (Parlasur), founded in 2007, lacks legislative power, budgetary control, and substantial oversight, with members still appointed by national congress rather than through direct elections. Although Mercosur's institutional framework resembles that of the EU, these similarities are mostly superficial, as Mercosur's entities, like its secretariat, function primarily in administrative and technical roles without significant political influence (Lehoczki, 2022; Koval & Andrianova, 2022; Malamud, 2022).

For many Europeans, Mercosur is a child of the EU process and structures and should closely follow its model of integration. For many North Americans it is being portrayed as nothing more than a regional political arrangement to better negotiate with the United States. They argue that Latin Americans do not have the conditions to create a stable integration process. Surprisingly for everyone Mercosur is there and is growing despite all adversities (Oliveira, 2005). Its ability to harmonize economic and social objectives is crucial in enhancing its role in regional integration.

Economically, member states have agreed on a common external tariff of 35% for certain imports, and the Protocol of Ouro Preto mandates the creation of a common market. Politically, Mercosur emerged from the democratic transitions of Brazil and Argentina, requiring members to uphold democratic values. The Ushuaia Protocol allows the suspension of members violating these principles. In trade, members are expected to adopt a unified trade policy. Socially, the 2009 Mercosur Residence Agreement enables nationals of member or associate states to live and work in other member states, with the option for permanent residency (Fridlund, 2022; Lehoczki, 2022; Koval & Andrianova, 2022).

As of 2024, Mercosur consists of its founding members along with Bolivia as a full member, while Chile, Colombia, Ecuador, Guyana, Peru, and Suriname hold associate member status, allowing them reduced tariffs but limited access to Mercosur's internal markets and no voting rights. Venezuela, once a full member, was suspended indefinitely in 2017 due to human rights violations under President Nicolás Maduro. Bolivia's recent accession as a full member contrasts with French Guiana’s non-participation due to its status as a French overseas department. This information is shown in the following Map 1 of the region, it also highlights the ongoing territorial dispute between Venezuela and Guyana over Essequibo.

Map 1: Mercosur’s Member Countries

Source: Elaborated by the Author based on Mercosur, 2024.

3.4.1. Mercosur partnership with EU

The EU-Mercosur Association Agreement (AA)[1] negotiations have lasted over two decades, reflecting both parties' intent to formalize economic and political ties amid significant challenges. Beginning in 1995 with the Interregional Framework Agreement, these talks marked Mercosur's first international legal engagement (Palmieri, Amice, Amato & Verneau, 2024; Müftüler-Bac, Aydın-Düzgit & Uzun-Teker, 2024).

EU-Mercosur interregional negotiations were part of a broader geoeconomic competition between the EU and the United States, which developed within the permissive geopolitical conditions brought about by the dissolution of the Soviet Union and the end of the Cold War (Malamud, 2022; Caetano & Pose, 2023). The U.S. push for the FTAA threatened EU's influence in Latin America and prompted the EU to strengthen ties through regular political dialogue and leverage its historical connections to counterbalance U.S. dominance (Caetano & Pose, 2023).

European agricultural producers see a potential agreement with Mercosur as a threat, fearing competition from South American producers, leading to resistance in countries with strong agricultural lobbies. Meanwhile, Mercosur's entrepreneurs and industrial workers worry about losing market share to European companies with better capital and technology. There's also concern that European firms operating in Mercosur could relocate if tariffs are removed. Additionally, South American governments, concerned about the reduced space for development policies, sought agreements that accounted for different stages of development. Mercosur's incomplete customs union further made a bi-regional agreement less attractive (Caetano, 2022; Palmieri, Amice, Amato & Verneau, 2024).

Unexpected to most observers, the parties eventually reached an agreement on 28 June 2019 that was announced by several EU and Mercosur heads of state during the G20's Summit in Osaka, Japan. What remained under the public radar was that it was just half of the AA, the trade part. The political part was agreed on one year later, on 18 June 2020 (Malamud, 2022).

The AA contemplates the establishment of institutional and social bi-regional structures.

[1]AA between the EU and Central America, retrieved from eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2012:346:FULL&from=en on 8 August 2024.

As mentioned, the institutional structures prominently include the Association Parliamentary Committee (APC), designed ‘to foster closer relations and ensure regular dialogue between the European Parliament and the Parliament of Mercosur.’According to the text, the APC shall consist of members of the European Parliament, on the one hand, and of the Parliament of Mercosur (Parlasur) on the other (Malamud, 2022; Torres & Aramayo, 2023).

Considering Parlasur's advisory role and its frequent disputes, the APC might facilitate bi-regional information exchange but is unlikely to serve as a strong instrument for accountability or oversight. However, it could help foster 'grassroots integration' and 'structured participation,' promoting greater involvement from civil society (Caetano, 2022; Caetano & Pose, 2023).

For Mercosur, the potential agreement with the EU may provide significant internal benefits, representing a crucial advancement for the bloc, which has been weakened in recent years. This agreement could enhance Mercosur's image and stabilize its internal agenda, often dominated by the bilateral interests of Argentina and Brazil at the expense of smaller members like Paraguay and Uruguay. Furthermore, it holds the potential to deepen Latin American economic integration, essential for reindustrialization efforts, by aligning countries under similar agreements with the EU and establishing much-needed intraregional disciplines. Additionally, it may serve as a foundation for harmonizing rules of origin among Latin American nations connected to the EU, fostering regional value chains and economies of scale currently hindered by conflicting regulations (Caetano, 2022).

However, over the two decades since the Interregional Framework Cooperation Agreement (IFCA)[2] that currently structures the relations between EU and Mercosur was enacted, the trajectories of the two blocs have diverged. The EU has expanded and integrated further, growing from 15 to 27 members, and its institutional framework has become more intricate with the treaties of Amsterdam, Nice, and Lisbon (Palmieri, Amice, Amato & Verneau, 2024; Eckes, Verheyen & Krajewski, 2023). Conversely, Mercosur's membership has remained almost unchanged, aside of a brief period in which Venezuela was a member,

[2]‘IFCA between the European Community and Mercosur. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:21996A0319(02)&qid=1500148284518&from=EN on 23 September 2024.

and Bolivia has become a full member, its legal framework has largely stayed the same.

The IFCA enabled regular meetings and trade discussions but failed to harmonize the institutional frameworks between the EU and Mercosur. Additionally, it could not stop China from surpassing the EU in commercial influence within Mercosur as U.S. power declined, resulting in the EU becoming. Mercosur's second-largest trade partner after China. Timing is critical, as the political cycles in both regions have rarely aligned. With

the April 2022 French presidential election maintaining a non-protectionist leader and the Brazilian elections in October 2022 altering the political landscape, favorable conditions now exist for trade policy, ecopolitics, and geopolitics to align, potentially leading to the signing of a treaty (Malamud, 2022).

The EU and the Mercosur group of five South American countries aim to conclude negotiations for a long-delayed trade deal before the end of 2024 after making progress towards resolving contentious issues. The agreement would create a market of 780mn people and save businesses in Europe more than €4bn annually in tariffs, according to the European Commission. EU companies have €330bn of investments in five South American countries (Financial Times, 2024).

3.4.2. The absences of regionalism in responses to the COVID-19 pandemic

The COVID-19 pandemic highlighted significant weaknesses in Latin American regionalism, including within Mercosur, which struggled to effectively address the crisis despite having intergovernmental mechanisms in place. The expected cooperation in health, such as minimizing border friction and ensuring access to medical supplies and vaccines, largely failed to materialize (Herrero & Oliveira, 2022).

In contrast, UNASUR's health council made notable strides in regional health cooperation, whereas Forum for the Progress of South America (PROSUR) achieved little beyond sporadic meetings. ECLAC, under Mexico's leadership, made progress by organizing expert meetings and establishing a COVID-19 Observatory. CARICOM initially responded quickly but faced challenges in implementing a unified health protocol. Mercosur's response was limited, featuring only a few meetings, a small fund, and tariff reductions for health goods, underscoring its difficulties in coordinating a comprehensive regional response (Caetano, 2022; Castro & Nolte, 2023).

Mercosur faced stagnation due to conflicting economic policies between Argentina and Brazil, a situation worsened by the COVID-19 pandemic. Argentina has prioritized protecting its industrial sector and has withdrawn from trade negotiations with Asian countries, viewing economic openness as a threat to its recovery. In contrast, Brazil aimed to liberalize its economy through preferential trade agreements and reducing the common external tariff, complicating the bloc's ability to create unified economic policies. Additionally, policy decisions within Mercosur member states appeared to be diverging, with leaders like Uruguayan President Luis Lacalle Pou that has advocated for solo strategies—such as seeking vaccines independently—rather than collaborative approaches to address the region's challenges (Caetano, 2022).

The COVID-19 pandemic also underscored the interconnectedness and vulnerabilities of Latin American economies, particularly within Mercosur. The pandemic triggered a rise in insolvencies across key sectors such as livestock, industry, commerce, transport, tourism, energy, and services, highlighting the economic interdependence of Mercosur member states (Ortiz, 2021). South America's Gross domestic product (GDP) was projected to drop by -5.2% in 2020, with Mercosur countries experiencing varying contractions: Paraguay (-1.5%), Uruguay (-4.0%), Brazil (-5.2%), and Argentina (-6.5%) (ECLAC, 2020).

4. Brazil

Brazil, home to 80% of Mercosur's population and 60% of the Amazon rainforest, is pivotal to both regional integration and global environmental dynamics. As a major participant in the global carbon cycle, the country holds one of the largest carbon stocks in its forests, highlighting its importance in carbon sequestration efforts. Understanding Brazilian society is crucial for predicting advancements in regional integration. Furthermore, Brazil's ability to align regional integration with its leadership in environmental sustainability will be essential for boosting its influence and contributions to global affairs moving forward.

For Frasquet, Escrig, Verdú & Soriano (2024: 272) “Brazil's commitment to South America has been indisputable, whose leadership has been reflected in Mercosur, CAN and UNASUR. It will be the "hard core" of integration, exercising benign leadership and making South America more functional”.

However, Lo Brutto & Salazar (2015: 9), claim that the threat of the imposition of an imperialist or *subimperialist* (Marini, 1977) project in South America must be tackled on several fronts: by the governments of the countries that are part of the UNASUR and perceive the danger of an integration subordinated to the Brazilian geopolitical interests; by those countries' indigenous communities and peasant groups, which are being affected by the strategic integration of Latin America and, particularly, by the UNASUR's Initiative for Integration of the South American Regional Infrastructure (IIRSA), in which Brazilian capital and investments play a fundamental role; and by the social movements, civil-society organizations, and members of Brazilian society in general that seek to bring both investment and the project of Brazilian expansion under popular control. This unilateralism could weaken regional frameworks, exacerbate imbalances, and jeopardize the progress made in democracy and regional integration, which are vital for all South American nations, including Brazil.

UNASUR is a regional cooperation initiative led by Brazil, was designed with the underlying aim of establishing a Brazilian sphere of influence. This was intended to reduce U.S. involvement in the region while countering Mexico's competition for leadership. As for Mercosur, it holds economic importance for Argentina primarily because Brazil is its largest trading partner, though for Brazil, China and the U.S. are more significant. The main commercial connection between the two countries lies in the automobile industry, which operates under a managed trade regime that exists outside of the free trade zone. Additionally, Argentina uses the bloc for implicit political objectives, such as keeping Brazil tied to the region and discouraging it from pursuing independent global ventures (Malamud, 2018).

Brazil's foreign policy has focused on gradually advancing regional integration, beginning with Argentina, its traditional geopolitical rival. Brazil, due to its large population, economic output, and natural resources, is pivotal to any continental integration effort. However, Brazil's significant fiscal constraints, driven by high public spending, create a gap between its desire to lead regional integration and its ability to finance the process. Mercosur's fragility is compounded by entrenched national interests and Brazil's dominant economic position, representing 70% of the bloc's economy. As the natural leader, Brazil faces disproportionate integration costs, including compensating for development disparities and funding regional institutions. The challenge lies in Brazil's inability to bear these costs due to fiscal limitations, while other member states expect substantial benefits without accepting proportional decision-making responsibilities (Viola, 2009).

Contemporary Brazilian politics is marked by coalitional presidentialism, extreme party fragmentation, and ideological polarization. Coalitional presidentialism describes a system where a powerful presidency must build coalitions due to a lack of majority in Congress, often through financial incentives and cabinet appointments. This system, prevalent in Latin America and other regions, contrasts with the U.S. model, requiring complex legislative bargaining. Extreme party fragmentation, resulting from proportional representation and open-list elections, leads to low party discipline and frequent party switching, making governance costly and unstable (Zucco & Power, 2024, Malamud, 2022; Michener, 2022). Although the Brazilian Congress has become more assertive since 2009, influencing executive actions is often more effective through engagement with economic stakeholders and civil society rather than through legislative efforts (Malamud, 2022).

In recent years, the issue of Amazon deforestation has heightened tensions between Brazil and the EU. However, not all Brazilian producers support the government's approach. A clear divide between environmentally aggressive and responsible agribusiness sectors emerged during COP26 in Glasgow in 2021. Brazil showcased two distinct pavilions: the official one, backed by the National Confederation of Agribusiness (NCA), and another organized by civil society groups, where the Brazilian Association of Agribusiness (ABAG) participated. The latter pavilion, known for its dynamic activities, drew more attention and a larger audience (Rabelo, 2022). This division suggests that, in the medium term, engaging with civil society and market actors may prove more effective for fostering interregional cooperation than trying to pressure an unresponsive government.

There is massive strong support in public opinion out of the Amazon for curving deforestation, but it is difficult to assess how deep that support could go if there is a need of strong confrontation with the coalition of interests supporting deforestation in the Amazon (Viola, 2009). Although public opinion supports conservation, the lack of organized civil society and widespread public education on the issue allows powerful financial interests to control the narrative in Congress and the media, enabling them to prioritize profits.

Moreover, 30 years after it began, Mercosur is still negotiating with the EU as a bloc. However, it is Brazil on its own that sits at top international tables such as the Brazil, Russia, India, China, and South Africa (BRICS) (largest emerging economies), India, Brazil and South Africa (IBSA) (largest Southern hemisphere democracies), Brazil, South Africa, India, and China (BASIC) (emerging economies environmental coalition), and the World Trade Organization (WTO) negotiations group (Malamud 2011).

Furthermore, Brazil's role in South American integration has not met the ambitions of the Lula administration due to structural and political constraints. National and industry interests, along with a short-term focus, have consistently taken precedence over regional and long-term integration goals. This mirrors the broader tendencies of elites across South America, prioritizing immediate gains over sustained regional cooperation.

The next section covers Latin America and Caribbean's (LAC) agricultural resources, climate challenges, and the geopolitical significance of its natural assets. It highlights China's influence, Mercosur's climate commitments with the EU, and Brazil's balancing act between environmental leadership and domestic development goals.

5. Environment and Natural Resources Geopolitics

The LAC region encompass some 2 billion hectares and is endowed with an abundance of agricultural resources. It houses more than 660 million people, almost 8.5% of the global population. While average population density is low, it is the most urbanised of the developing regions. By 2033, its population is expected to approach 710 million of which 84% could reside in urban settings. This implies that most of the region's poor will live in urban areas but almost 120 million people will remain in rural settings, where obstinately high incidence of poverty presents significant challenges (OECD/FAO, 2022).

Highly diverse farm structures range from large, commercial export-oriented farms dominating agriculture in the Southern Cone, particularly in Argentina and Brazil, to some 15 million smallholder and family farms responsible for much of the region's food production (OECD/FAO, 2022).

Regarding productive resources, approximately 37% of the 2 billion hectares of land in LAC is used for agriculture, and nearly 47% is covered by forests. The region is also rich in water resources: although it comprises only 15% of the world's land area, it receives around 30% of global precipitation (Coletta & Raftopoulos, 2016).

However, despite its abundant resources, the region struggles with persistent food security challenges. Since 2014, progress in poverty reduction has stalled, leading to a rise in moderate and severe food insecurity. This situation has worsened due to global disruptions such as the COVID-19 pandemic, ongoing conflicts, economic instability, and significant food price inflation, which has averaged nearly 15% over the past three years (OECD/FAO, 2022).

Agriculture in LAC is responsible for roughly 870 million tons of CO2 equivalent emissions each year, which represents about 18% of the global total. A significant portion of these emissions, around 65%, originate from enteric fermentation occurring in the digestive tracts of livestock in the region (FAO, 2014).

Many countries in the region face significant challenges due to prolonged droughts, extreme heat, and wildfires, which threaten their agricultural productivity. The region's capacity to adapt to climate change is crucial not only for its agricultural performance but also for global market stability. Agricultural production is concurrently shaped by the effects of climate change and by measures taken to adapt to them. The strong interlinkages between them makes it impracticable to separate out their individual effects in the medium term (OECD/FAO, 2022). Although many countries have developed institutional frameworks and adaptation plans to tackle climate change, the absence of comprehensive monitoring and evaluation systems impedes their effective execution and complicates the allocation of essential funding.

In a world shaped by conflicts over power and resources, Latin America's vast reserves of strategic natural resources, such as minerals and water, make it a crucial player in global competition. Strengthening state control over these assets is key to safeguarding sovereignty and resisting external pressures. The region's significant reserves of minerals, essential to industries driving global capitalist production and military technologies, highlight the national security importance of managing these resources effectively (Lo Brutto & Salazar, 2015).

Both ALBA and UNASUR highlight the strategic importance of natural resources in fostering regional integration. For sustainable progress, LAC must move beyond the traditional extractivist model, focusing on more inclusive state-society dynamics, especially in tackling climate change. The region's current development approach has faced criticism from social movements, indigenous communities, and intellectuals due to its environmental impact and continued dependence on resource extraction.

Moreover, the rapid growth of economic ties with China signifies a shift in the global economy, challenging U.S. dominance, particularly in Latin America, and creating a new landscape. The pivotal role of natural resources in this relationship is clear, as China's demand for external raw materials, coupled with its advantage in low-cost labor, has fueled its economic expansion, which has consistently exceeded 7 percent annually over the last two decades. This development has impacted the strategic decisions of left-leaning governments, enabling them to carve out a new role in the global economy due to China's significant geoeconomic, geopolitical, and geostrategic impact (Lo Brutto & Salazar, 2015).

Mercosur's countries had agreed on the need to create a negotiating group to tackle climate change. Ministers of the four full Mercosur members attending Glasgow's COP26 Climate Change Summit insisted on the relevance of agriculture for global food security and that measured need to be taken in that regard to adjust to the pursuit of the 2015 Paris Agreement goals (Mercopress, 2021).

Uruguay's Nelson Adrián Peña Robaina said that "we agreed to start working together on environmental issues through cooperation actions and in this way to position ourselves as food-producing countries that are on the way to environmental responsibility in their production systems, to facilitate access of our products to the markets, it seems clear and logical that those countries that have the same interests and similar difficulties join together in the search for common objectives" (Mercopress, 2021). However, there is no evidence that this meeting has been held again or that any concrete actions have been implemented.

In the context of Mercosur's relationship with the EU, it is clear—though not always openly acknowledged—that Mercosur is often perceived as a potential competitor due to its significant agricultural capacity, while the EU is regarded as an ineffective enforcer. Critics are urging the EU to establish firm limits, questioning the reciprocity principle when it comes to environmental standards.

However, it is important to highlight that per capita emissions in Brazil and Paraguay are lower than those of the EU, while those of Argentina and Uruguay are at levels similar to those of the European bloc (Caetano, 2022).

Asked to comment, a representative from a European NGO retorted that “civil society had not been mobilized in the Mercosur countries. As to counterparts, he added, while some Argentine and Uruguayan organizations worked fine, Brazilian organizations were harder to work with, and Paraguayan organizations were nowhere to be found” (Malamud, 2022).

As Brazil rises as a key economic and political player with ambitions for global leadership, its environmental commitments are under increased scrutiny. Historically, Brazil prioritized national sovereignty and differentiated responsibilities for developing nations regarding natural resources. However, it has recently pledged to reduce carbon emissions and engage actively in climate negotiations, aiming to highlight its climate policies internationally and promote initiatives in climate monitoring and renewable energy. While these efforts could enhance Brazil's regional and global leadership, conflicts between its environmental goals and developmental objectives present challenges. Nonetheless, Brazil has made significant strides in environmental management, particularly in renewable energy and deforestation, indicating a growing acknowledgment of the responsibilities of emerging powers in addressing climate change (Viola & Franchini 2017; Coletta & Raftopoulos, 2016).

Brazil has historically resisted external oversight of Amazonian deforestation, viewing it as a violation of its sovereignty. This stance was notably expressed by former President Lula during the 2012 protests against the Belo Monte Dam, where he asserted Brazil's commitment to protecting the Amazon. The country believes it can independently manage its environmental challenges and actively participates in international climate discussions to address its ecological vulnerabilities and improve its global standing. Brazil promotes nationally defined emission targets for developing nations, aiming to mediate between developed and developing countries in climate negotiations. Its commitment to transparent environmental policies and global agreements reflects its ambition to lead regional and global climate governance while retaining control over its natural resources and advocating for renewable energy initiatives (Coletta & Raftopoulos, 2016).

Under President Luiz Inácio Lula da Silva, Brazil has taken a more assertive and proactive stance in Latin American foreign policy, reestablishing its position as a regional leader after a challenging period for Latin American regionalism. A notable initiative has been Lula's mediation in the escalating territorial dispute between Venezuela and Guyana over the resource-rich Essequibo region, which has intensified following the discovery of oil and Guyana's 2015 decision to grant Exxon Mobil concessions in the contested maritime zone. This has led to heightened tensions, with Venezuela strongly opposing these developments. In this complex scenario, Lula is working to facilitate dialogue between the leaders of Venezuela and Guyana to achieve a peaceful and diplomatic resolution, thereby promoting regional stability (Maldonado, 2024).

The Mercosur-EU agreement offers potential to support Mercosur's green transition by promoting green technology transfers and sustainable value chains, aligned with the European Green Deal. It facilitates dialogue between businesses and civil society to raise environmental standards. However, concerns remain due to the lack of binding environmental provisions, particularly in Brazil, where critics worry this could undermine progress. While the agreement impacts agricultural interests moderately and provides market access, disagreements persist over including enforceable environmental clauses. Some EU stakeholders call for renegotiation to link market access with enforceable environmental standards, which is currently absent (Caetano, 2022).

The 2018 EU-MERCOSUR agreement meets 11 out of 24 comparison criteria, surpassing CETA and USMCA (10 each) but falling short of CP-TPP (15). It uniquely integrates commitments to the Paris Agreement, marking a first among major preferential trade agreements. While it lacks a binding dispute resolution mechanism, it offers stronger environmental protections than CETA and explicitly links the Paris Agreement to trade between the two regions (Caetano, 2022). The environmental comparison between agreements is shown in the Table 1 below.

Stronger state control, inclusive policies, and regional cooperation are crucial for addressing the fragmented response to crises in the region, as evidenced during the pandemic. While trade agreements like the EU-Mercosur deal offer pathways for green transitions, their lack of binding environmental provisions raises effectiveness concerns. Brazil, vital for Amazon preservation, faces domestic challenges that impede its leadership in regional integration and environmental governance. To make meaningful progress, the region should prioritize renewable energy, enhance monitoring frameworks, and engage civil society, while Brazil needs to align its policies with broader sustainability goals. Without addressing these internal and external challenges, the region's resilience against climate risks and its unified approach to sustainable development remain at risk.

Table 1: Environmental issues in four preferential agreements of global reference

Environmental clauses or issues dealt with in trade agreements		EU-Mercosur	CETA	CP-TPP	USMCA'
Principles	Principle of common but differentiated responsibilities	✗	✗	✗	✗
	Precautionary principle	✓	✓	✗	✗
	Sovereignty in determining its own environmental policies according to the priorities of the State	✓	✓	✓	✓
	Sovereignty in the execution of environmental measures	✗	✗	✓	✓
	Environmental protection as a precondition for trade or development	✗	✗	✗	✗
	Reference to mutual support between environment and trade or development	✓	✓	✓	✓
Level of environmental protection	It is inappropriate to encourage trade or investment by relaxing environmental measures	✓	✓	✓	✓
	States must improve and strengthen levels of environmental protection	✗	✓	✓	✓
	Prohibition of discriminatory or unnecessary environmental measures	✓	✗	✓	✗
Interaction of the environment with non-environmental issues	With trade or investment policies	✓	✓	✓	✓
	With energy policies	✗	✓	✓	✗
	With tourism	✗	✗	✗	✗
	With gender policies	✗	✗	✗	✗
	With social issues	✓	✓	✓	✓
	With rural development	✗	✗	✗	✗
	With urban development	✗	✗	✓	✗
	With construction activities	✗	✗	✗	✗
	With agriculture	✗	✗	✗	✗
	With indigenous communities or traditional knowledge	✓	✗	✓	✓
	With human health	✗	✗	✓	✓
Other forms of cooperation in environmental matters	Encourage the production of environmental goods and services	✗	✗	✓	✗
	Encourage trade and investment in environmental goods and services	✓	✓	✓	✓
	Commitment to cooperation in the context of bilateral, regional or multilateral environmental negotiation	✓	✓	✓	✗
Commitment to the effective implementation of the Paris Agreement		✓	✗	✗	✗

Source: Caetano, 2022.

6. The Strategic Integration of Latin America

Latin America recognizes three models of economic regionalism: strategic, social, and productive. Strategic regionalism, rooted in new trade theory, sees governments promoting key industries to enhance global competitiveness, a concept popularized in the 1980s by the U.S. Social regionalism integrates social policies with economic initiatives, prioritizing resource redistribution and the protection of social rights to address inequality. Lastly, productive regionalism emphasizes regional economic development through collaboration and shared production strategies (Ruiz, 2014).

Regional social redistribution can be enhanced through initiatives such as regional funds for underdeveloped areas, health services, and cross-border cooperation. Implementing standardized social and labor regulations can help avoid a regional "race to the bottom." Agreements on gender equality and minority rights, along with empowering citizens to advocate for social rights—as exemplified by the EU—present a model of integration that transcends economic liberalization. This approach promotes cooperation on social and environmental issues, fostering a vision of a "federated" world where wealthier regions support poorer ones through regional organizations (Ruiz, 2014; Börzel & Risse, 2016).

Productive regionalism, rooted in structuralist economic theory from both France and Latin America, focuses on economic development and regional integration as pathways to strengthen power. It promotes cooperative economic policies between nation-states and productive sectors, emphasizing state intervention rather than dependence on market forces, consistent with structuralist ideals (CEPAL, 1959).

This interventionist approach emphasizes the importance of a strong industrial sector for development, productivity, employment, and income growth. Regional integration is viewed as a catalyst for industrialization and transformative production, with economic progress increasingly tied to technological innovation. Such cooperation fosters collaboration in research, education, and knowledge exchange, while also strengthening institutional frameworks (Ruiz, 2014; Hoffmann, 2023; Granato, 2023).

Regional integration is influenced by state size, as smaller states benefit from specialization and protection within regional markets, while larger states depend on internal markets and face decision-making challenges due to diverse preferences. This integration centralizes economic and defense efforts for efficiency, allowing for regional cooperation while preserving national control in areas with more uniform preferences (Malamud, 2011).

Mercosur initially emerged as a form of strategic regionalism but has evolved to include social and productive dimensions. In contrast, the Pacific Alliance is centered on trade and exhibits strategic characteristics, while ALBA prioritizes social regionalism and political mobilization against U.S. dominance. Each bloc illustrates the ideological divides within Latin America: the Pacific Alliance emphasizes trade, Mercosur seeks a balance between trade and social objectives, and ALBA actively challenges capitalist influences (Hoffmann, 2023; Herrero & Lins de Oliveira, 2022).

The institutional structures of regional blocs vary significantly. The EU depends on its common parliament and courts for deeper integration, while Latin American blocs possess regional institutions that are often deemed ineffective. ASEAN and NAFTA avoid establishing such bodies, favoring pragmatic decision-making processes. In Mercosur, the influence of regional bodies is constrained by reliance on national governments, limiting broader participation. In contrast, NAFTA's technical top-down structure has a more direct impact, making it a more attractive platform for collective action and civil society engagement (Malamud, 2011).

The Pacific Alliance contrasts with strategic regionalism by closely aligning with the U.S. and pursuing bilateral free-trade agreements that incorporate conditions on investment, intellectual property, labor rights, and environmental protection, influenced by NAFTA and ASEAN. In ALBA, Venezuela's dominance and the limited involvement of Caribbean nations, coupled with presidentialism, create imbalances and potential instability (Lo Brutto & Salazar, 2015).

In contrast to Europe and North America, regional integration in Latin America and Asia is driven primarily by national governments rather than transnational interests. This "supply-driven integration" is typical of developing countries, where governments control the pace and direction of regionalization efforts (Malamud, 2011).

Regional blocs like Mercosur, the Pacific Alliance, and ALBA represent different models of integration: Mercosur blends strategic, social, and productive elements; the Pacific Alliance prioritizes trade, influenced by U.S. policies (Granato, 2023), NAFTA, and

ASEAN; while ALBA combines social regionalism with political activism. Despite external influences, Latin American regionalism is shaped by its own historical and political context, reflecting a diverse and evolving approach to regional cooperation (Ruiz, 2014). This is summarized in Table 2 below.

Table 2: Models of regional economic integration in Latin America

	Economic model	Leadership	Agenda	Institutional framework	Economic approach	Main external influence
Pacific Alliance	Strategic regionalism	Diffuse	Trade and trade related issues)	Intergovernmental	Liberal	NAFTA ASEAN
Mercosur	Hybrid (social regionalism, Productive regionalism)	Core-countries	Complex (Trade, social issues, production)	Intergovernmental	Mixed	EU
ALBA	Non-capitalist	Venezuela	Complex Ideological (security, energy, social issues)	Intergovernmental	Anti-capitalist	?

Source: Ruiz, 2014.

7. Models of Integration

Comparative political analysis has primarily focused on nation-states due to their structured nature, while regional governance presents challenges for comparison due to its fluidity and informality. Early studies on regionalism, particularly from neo-functionalists in the 1960s, broadened the understanding of regional integration beyond Europe. However, the EU should not dominate comparative frameworks, as regional governance varies significantly, and many theories remain Eurocentric. Research often contrasts the EU with Mercosur, using the EU as a benchmark, but comparisons with NAFTA and ASEAN also reveal Mercosur's distinct challenges and the diverse successes of regional integration in different contexts (De Lombaerde, Mattheis & Vanfraechem, 2010).

Four key variables influence the impact of external models on Latin American economic regional integration: *hegemony*, *agenda*, *institutional framework*, and *ideological model*. *Hegemony* involves the leading country or countries that drive and finance regional processes. The *agenda* encompasses the range of issues addressed, including trade, security, social policies, and infrastructure. The *institutional framework* refers to the governing institutions and their decision-making structures, whether supranational, intergovernmental, or a combination. Lastly, the *ideological model* distinguishes between liberal and interventionist integration strategies. Together, these variables help to define three ideal types of regional integration models globally (Ruiz, 2014; Börzel & Risse, 2016).

Type 1, The European Union, led by core countries like Germany and France, navigates regional integration through a comprehensive agenda and a mix of institutional frameworks. Initially focused on functional cooperation in coal and steel, the EU's scope has expanded to include trade, agriculture, monetary cooperation, and social cohesion. It balances supranational and intergovernmental structures, sharing decision-making power between the Council and Parliament while allowing member governments substantial influence. The EU's economic strategy blends neoliberal principles with targeted interventionist policies in areas such as agriculture and regional development, showcasing a nuanced approach to market integration and state involvement (Ruiz, 2014).

Type 2, NAFTA, Primarily led by the United States, NAFTA focuses on trade issues, with security concerns addressed later through initiatives like the Security and Prosperity Partnership of North America and the Merida Initiative. Operating within an intergovernmental framework and emphasizing trilateral interaction for dispute resolution, NAFTA adopts a liberal economic approach that promotes trade and investment openness. However, it lacks the comprehensive scope of the EU, as it does not encompass social policies, regional development, or monetary cooperation. (Ruiz, 2014).

Type 3, ASEAN, Founded in 1967, ASEAN has a diffused leadership structure without a single dominant leader. During the Cold War, U.S. influence shaped its dynamics, with Indonesia and Vietnam vying for regional power; Indonesia served as a stabilizing force while Japan and China challenged U.S. dominance. Vietnam’s 1995 entry added complexity as it sought to assert its influence, particularly in Indochina. ASEAN's agenda focuses on economic growth, social progress, cultural development, and regional security, aiming to ensure stability and autonomy from external interference (Ruiz, 2014).

The "ASEAN Way" characterizes the bloc's institutional model, focusing on norms that prioritize the sovereignty of member states, intergovernmentalism, and consensus-based decision-making. Unlike the EU's deep political integration and sovereignty pooling, ASEAN states have aimed to protect and reinforce their individual sovereignties rather than integrate them (Börzel & Risse, 2016; Nolte, 2014; Garzón, 2015). These ideal types are shown in Table 3 below.

Table 3: Ideal types of models of regionalism around the world

	Case	Leadership	Agenda	Institutional framework	Economic approach
Ideal type 1	European Union	Core countries	Complex (Trade, security, social issues, production, regional policy, etc.)	Supranational	Mixed
Ideal type 2	NAFTA	Hegemony	Trade and security	Intergovernmental	Liberal
Ideal type 3	ASEAN	Diffusion	Trade and security.	Intergovernmental	Liberal

Source: Ruiz, 2014

ASEAN's economic strategy emphasizes liberal market forces and economic interdependence through trade and foreign direct investment (FDI), contrasting with the EU's more integrated institutional approach. ASEAN relies on international production networks rather than supranational governance, focusing on political, economic, and social integration through its three pillars. Unlike Mercosur, which has shifted toward social and productive issues, ASEAN's integration prioritizes economic restructuring and security concerns, especially in countering Chinese influence. Though ASEAN aims for a single market, progress has been slow, with integration efforts centered more on regional security than Latin America's anti-U.S. strategies, like ALBA and Unasur (Fridlund, 2022; Ruiz, 2014).

Contrary to late 20th-century expectations, the world is not moving toward governance by large regional blocs. Intergovernmental organizations based on territorial proximity remain relevant but lack the consolidation needed to replace nation-states. Instead, emerging global networks among major states and megacities may connect regional centers while sidelining peripheral areas. The future of integration will depend on the consolidation of nation-states: regions where sovereignty is shared, like Europe, may empower regional organizations as global actors, while areas without shared sovereignty, such as East Asia, will likely continue to follow Westphalian political dynamics (Malamud, 2011).

The various models of economic regionalism in Latin America illustrate the complexities of integration across the continent. Mercosur could enhance its integration by adopting standardized policies to reduce inequality and implementing state-led initiatives for industrialization. Despite challenges, Mercosur's combination of social and productive models offers a path to align trade liberalization with regional development and social equity, promoting a more cohesive approach to economic integration in Latin America.

8. Neofunctionalism

Neofunctionalism views regional integration as a sporadic and conflict-prone process, where democratic and pluralistic governments increasingly become involved in regional cooperation. Over time, they resolve conflicts by granting more authority to regional organizations. As citizens and social groups shift their expectations toward the region, economic and social integration may eventually spill over into political integration. In the 1950s and 1960s, it was argued that technological and scientific advancements would drive international institutional innovation, leading to political learning among governments and organizations. This pragmatic approach, emphasized by neofunctionalism and similar theories, focuses on practical calculations rather than ideological commitments to a new world order (Haas 1958, 1964).

Whereby, for Neofuctionalism, integration between states in one sector creates incentives for integration in further sectors to fully capture the benefits of integration in the original sector, and so forth. Once integration had started, neofunctionalism saw it being fostered by two sorts of spillover: functional and political, as politicization was seen as initially avoidable but later inescapable. This mechanism predicted that integration would become self-sustaining (Malamud, 2010).

However, the spill-over process did not unfold as initially anticipated. Recognizing this complexity, Ernst B. Haas shifted his focus from automatic sectoral integration to the role of political leaders and their ideas. He introduced the concept of "consensual knowledge," emphasizing that the success of integration depends heavily on the shared beliefs and objectives of decision-makers, rather than just structural processes. This placed greater importance on human agency in shaping the course of integration. (Malamud, 2011).

The shift from viewing international complexity as a gradual process to recognizing it as contingent and variable has prompted a reevaluation of global dynamics. This perspective highlights the significant impact of individual actors—such as political leaders and diplomats—on international outcomes while acknowledging that institutional structures, including international organizations and governance systems, can either facilitate or limit these actions. Thus, these institutions serve as active agents that shape development and global interactions, influencing the trajectory and speed of political and economic changes (Haas, 1975).

For Schmitter (1969) spillover is a part of a broader process of integration, it involves the expansion of both the scope (the range of issues addressed) and the level (the decisional authority or capacity) of governance within a region. As integration in one area leads to pressures for further integration in related areas, it was expected that authority would gradually extend across sectors. However, variations in these dimensions can produce a range of outcomes beyond straightforward spillover. For instance, *spillback* occurs when integration reverses, *retrenchment* involves scaling back commitments, *muddling* represents slow or uncoordinated progress, *spillaround* leads to integration that avoids core issues, *buildup* refers to selective strengthening of integration in key areas, and *encapsulation* involves the containment of integration within a limited scope. These nuanced outcomes reflect the complex and sometimes unpredictable nature of integration processes (refer to Table 2).

Table 4: Spillover Family

		Scope of authority		
		Increased	Unchanged	Decreased
Level of authority	Increased	Spillover	Buildup	Retrench
	Unchanged	Spillaround	Encapsulation	Spillback
	Decreased	Muddle about	Spillback	Spillback

Source: Malamud, 2010 elaborated the table based on Schmitter, 1969.

Empirical data suggests that regime asymmetry—where countries with varying levels of democracy or authoritarianism coexist—has been a significant factor driving cooperation within Mercosur. Although democracy was not initially required for integration, many leaders in democratizing nations saw regional cooperation as a way to promote peace and reduce the influence of the military, thus protecting democratic values. This focus on peace as a foundation for sustaining democracy highlights the intricate interplay between political regimes and regional cooperation efforts (Hoffmann, 2023; Herrero & Oliveira, 2022).

Countries' motivations to join regional associations are influenced by different factors than those that prevent their exit, such as path dependency and sunk costs, which can either reinforce the status quo or drive transformative changes, as seen in the costly reversals of currency integration in the Eurozone. In Mercosur, domestic social actors have had limited influence, and significant negotiations have largely avoided transferring sovereignty to regional institutions, reflecting considerable internal and external power imbalances in regionalism. Moreover, the executive branch has been pivotal in Mercosur's initial achievements, primarily driven by presidential diplomacy, despite the absence of strong interdependence or institutional frameworks (Malamud, 2010; Granato, 2023).

This underscores the significant roles of political leadership, power dynamics, and the gradual democratization of member states, as well as the limitations of institutional frameworks in Latin America. Mercosur's integration process, viewed through Schmitter's concept of spillover, highlights significant challenges to achieving expected functional and political integration. The dominance of Brazil and varying levels of democratization among member states have led to an intergovernmental structure with limited authority transfer to regional bodies. Integration has largely been driven by elites rather than public engagement, resulting in selective progress and insufficient internal economic ties. As a result, Mercosur's integration efforts are constrained by muddling and encapsulation Moreover, a comprehensive analysis of the Latin American context—beyond the neofunctionalist matrix—is essential to fully understand the unique challenges and opportunities facing regional integration efforts.

8.1. The Impact of Domestic Institutions

European integration has been marked by interventions from leaders like De Gaulle in the 1960s and Thatcher in the 1980s, which hindered deeper cooperation and prompted the establishment of the European Council to formalize national executives' roles. In contrast, Latin American integration, especially within Mercosur and Central America, remains heavily influenced by national leaders due to institutional constraints, focusing on sovereignty preservation rather than delegation (Malamud, 2010).

This state-centric approach diverges from Europe's reliance on transnational actors and supranational institutions. In Mercosur, integration is driven by national decisions for domestic needs and trade liberalization, with regional institutions acting as tools rather than independent entities, sharing sovereignty only when economically necessary. Conversely, the EU's supranational governance, exemplified by the European Commission, supports a self-sustaining integration process that transcends national control, resulting in a more institutionally driven model compared to Mercosur's state-led framework (Malamud, 2011; Hoffmann, 2023; Herrero & Oliveira, 2022).

8.2. Timing of Institutionalization

The timing and order of establishing institutions can influence their impact. For instance, the early implementation of executive summits tends to mirror, and strengthen, more robust intergovernmental processes. In the EU, the Court of Justice has been acknowledged as a key factor in advancing integration, often leading to unforeseen and sometimes unintended outcomes (Börzel & Risse, 2016). The option for triadic (judicial) rather than dyadic (diplomatic) institutionalization of dispute-settlement mechanisms distinguishes the EU from Mercosur and has shown greater spillover potential (Malamud, 2010).

In the early 1990s, there was an ongoing debate regarding the political mechanisms that should shape Mercosur (Garzón, 2015; Nolte, 2014). Advocates for supranational institutions believed that these structures could create an independent dynamic within Mercosur, potentially leading to a spillover effect. In contrast, a more cautious perspective argued that, given the region's economic and political constraints, intergovernmental structures would be more suitable. This pragmatic approach was viewed as adequate to tackle the challenges faced by Mercosur, aligning better with the region's developmental level and practical realities (Oliveira, 2005).

Therefore, Mercosur performed reasonably well in its first years precisely because it chose not to replicate the strategy of the Andean Pact, which had tried to emulate the EU form instead of process. Had Mercosur done the same, its ineffectiveness could have eroded the legitimacy of the integration project as a whole (Malamud, 2010). Creating shared institutions is crucial for improving integration, but their development must align with the changing needs and views of member states. Effective reforms should be carefully planned to address institutional underdevelopment, ensuring they promote integration while taking practical constraints into account.

8.3. The Nature of Politicization

In the EU, the emphasis on technical management, exemplified by the 'Messina method,' has reduced the influence of political power, allowing political leaders to set broad principles while experts handle detailed rule-making. Conversely, in Latin America, politicization is increasingly perceived not as a rival to technical management but as a challenge to institutional checks and balances (Franca, Lixinski & Giupponi, 2010; Malamud, 2010).

Latin American countries view their states as works in progress, grappling with significant developmental challenges such as high debt, social exclusion, corruption, weak social security systems, and widespread poverty. These economic and social disparities shape their regional integration efforts, as initiatives like Mercosur prioritize addressing foundational issues and achieving economic and political stability, in contrast to Europe, where integration aims to reinforce existing standards (Oliveira, 2005).

To address institutional underdevelopment, it's crucial to align common institutions with member states' needs and improve their capacity to tackle economic disparities. Involving diverse domestic actors can enhance transparency and legitimacy, while consensus-building reduces fragmentation. Additionally, flexible sovereignty-sharing governance models can promote deeper integration without compromising national interests.

8.4. Mercosur Comparative Issues with the European Union

The European common market after WWII greatly influenced Latin American approaches to economic development and free trade (Garzón, 2015; Hoffmann, 2023; Herrero & Oliveira, 2022). However, Europe's integration was driven by security concerns, a factor less relevant in Latin America. Europe's post-war instability and global conflicts highlighted the need for unification, whereas Latin American integration, such as through

Mercosur, focuses on addressing underdevelopment, colonial exploitation, and socio-economic challenges rather than survival. European states, seeking to enhance interconnectedness and democratic standards, pursued integration to bolster regional and global security. In contrast, Latin American countries, still facing issues like debt, social exclusion, and poverty, aim to overcome these foundational problems and foster democratic and entrepreneurial cultures, reflecting a different set of priorities compared to Europe's more advanced integration goals (Oliveira, 2005).

In Latin America the shared beliefs were: belonging to a region with a common identity; a need to increase interaction and integration among states in order to achieve common strategic goals (Oliveira, 2005). The EU has identified the dual objectives of deepening and widening its integration as key challenges for its consolidation. These goals align closely with Europe’s economic aspirations and strategic ambitions (Börzel & Risse, 2016; Sekulić & Sekulić 2020).

European integration has been shaped not only by official agreements between governments but also by unexpected events that emerged during the routine operations of EU institutions—transformations that national leaders did not foresee (Sekulić & Sekulić, 2020; Börzel & Risse, 2016). However, in Latin America, similar institutions like the European Commission, Court, and Parliament did not exist (Malamud, 2010). The timing of the establishment and the degree of authority assigned to these institutions reflect the goals and results achieved in both regions.

Although Mercosur's institutional framework resembles the 1949 Council of Europe statute, the EU has evolved a hybrid structure that combines intergovernmental and supranational elements, whereas Mercosur's institutions remain solely intergovernmental (Oliveira, 2005; Granato, 2023).

In Mercosur, a significant imbalance exists because of Brazil's dominant position, which undermines attempts at policy harmonization and diminishes the institutional unity of the integration effort (Caichiolo, 2017; Hoffmann, 2023; Herrero & Oliveira, 2022). The stark asymmetry in MERCOSUR, characterized by uneven member state size and power, contrasts sharply with the EU, where more evenly matched states enable mutually acceptable agreements. The EU benefits from similar governmental structures and shared values, facilitating cooperation, while MERCOSUR struggles with political discord and differing values among its members, hindering integration efforts (De Lombaerde, Mattheis & Vanfraechem, 2010).

Mercosur aims to expand its influence through two primary strategies: improving regional infrastructure for communication, transport, and energy to enhance economic ties and attract non-member countries and pursuing global free trade agreements to foster regional integration and connectivity. These initiatives seek to bolster the region's economic and political power while mitigating the dominance of larger blocs. However, critics contend that Mercosur's dependence on limited intergovernmental structures and minimal institutional frameworks may weaken its effectiveness, even as this approach prevents the establishment of costly organizations with restricted authority, allowing for more practical and functional institutions (Oliveira, 2005).

Amid growing crises, the need to strengthen crisis management capabilities is more critical than ever. Mercosur's ineffective response to the pandemic, which revealed a lack of basic cooperation and coordination among member states, emphasizes its difficulties in addressing major challenges collectively.

The core principle suggests that the state and its institutions should lead and coordinate a thorough response to crises, as an organized approach can mitigate their impact (Zucco & Power, 2024). However, the link between a response and its outcome is intricate, influenced by various factors affecting recovery from a crisis. Nevertheless, a well-coordinated effort is likely to diminish threats and lessen consequences (Boin & Rhinard, 2023).

The idea of crisis capacities and their utilization is consistent with European integration theories, especially the neofunctionalist viewpoint. Taylor (1991) described this capacity refers to a supranational organization's ability to understand and address external demands, serving as a key indicator of its performance. Neofunctionalist theorists contend that as a supranational body proves its effectiveness, member states are more likely to delegate greater authority to it within the collaborative framework.

The EU exhibits some characteristics of a traditional state but lacks many of its features, particularly in crisis management. Its uneven distribution of policy competences restricts its ability to act as a primary crisis responder, placing it within a multi-level governance framework where critical resources are controlled by lower levels of government. Unlike a federal system, it does not have a centralized mechanism to consolidate power in exceptional situations. Despite an initially slow response, marked by political delays and inward-focused member states, the EU's crisis management performance improved significantly over time. The response speed and effectiveness were closely linked to the EU's competences, with the focus often remaining on managing cross-border issues rather than addressing health impacts due to limited legal authority. This evolving crisis management capability reflects the EU's gradual development as a supranational polity, as theorized by integration scholars (Boin & Rhinard, 2023).

These capacities encompass financial instruments such as the Instrument for Security and Stability, as well as essential knowledge-based assets, including situation assessment reports, expert teams, and decision support mechanisms. Effective crisis management within the EU relies on both the availability and timely deployment of these resources. Material resources, such as financial aid and logistical supplies, and institutional resources, including decision-making processes and coordination protocols, are critical. Additionally, the EU’s organizational culture and personnel, which foster improvisation and innovation, further enhance its crisis response capabilities. Systematic evaluation of the EU’s crisis management performance, guided by consistent metrics, is essential for assessing the effectiveness of these supranational institutions in addressing and mitigating crises (Boin & Rhinard, 2023).

The establishment of formal institutions is vital for maintaining agreements between nation-states, as seen in Mercosur, where neofunctionalism prompted the creation of various institutions aimed at promoting integration. However, these bodies have often been ineffective due to limited performance, low representation, and technical and budgetary deficiencies. Additionally, the minimal decision-making power within Mercosur has restricted civil society involvement and weakened Parlasur, contrasting with the EU, where the growth of the European Parliament and increased participation of organized interests have responded to the union's expanding competences (Caichiolo, 2017; Malamud, 2022). Table 5 shows the comparison between EU and Mercosur institutionalization.

Table 5: Mercosur and EU institutionalization comparison

Case	Mercosur (Southern Common Market)	European Union (EU)
Founded	1991	1993
Countries	Argentina, Brazil, Paraguay, Uruguay, Bolivia	27 Member States
Primary Institutions	o Mercosur Social Institute o Common Market Council (CMC) o Common Market Group (GMC) o Mercosur Trade Commission o Mercosur Parliament (Parlasur)	o European Commission o European Parliament o European Council o Court of Justice of the European Union (CJEU)
Legal Framework	Treaties and intergovernmental agreements	o Supranational legal system: Treaties, regulations, directives, and decisions. Takes precedence over national law of member states
Level of Institutionalization	o Moderate; institutionalized with formal structures.	o Very high; deeply institutionalized with comprehensive structures.
Governing Rules	o Trade liberalization, social development.	o The EU operates based on a series of treaties and enforces regulations and directives that member states are required to implement.
Agenda	o Economic, Social	o Economic, Political, Social, Environmental, Security.
Rules in Use	o Regional trade agreements focusing on tariff reductions and market access. o Social and productive policies: Promote labor rights, education, and social welfare. o Various regulatory measures and regional social policies.	o Single market legislation: Extensive rules governing trade, competition, and economic activities across member states. o Common Foreign and Security Policy (CFSP). o Social policies: Directives on workers' rights, gender equality, environmental standards, and public health.
Decision Making Mechanisms	o Intergovernmental decision-making. o Optional Permanent Review Tribunal. o Reliance on presidential diplomacy.	o European Court of Justice (CJEU). o European Central Bank (ECB). o European Ombudsman: Addresses complaints about maladministration in EU institutions.[3]
Trade & Economic Focus	o Combines tariff protection with strategic liberalization: While Mercosur aims to create a common market, it also protects certain industries within member states. o Social cohesion fund and labor regulations.	o Economic integration via the Single Market: Free movement of goods, services, capital, and labor. o Common agricultural and fisheries policies: Protects EU farmers and manages natural resources.[4] o Monetary union (Eurozone): 20 of the 27 member states.
Social & Political Aspects	o Emphasizes social policies and regional social development. Attempts to balance economic and social objectives.	o Promotes political stability, democracy, and human rights. o Structural funds and initiatives aim to reduce disparities between regions and improve quality of life.
Leadership & Structure	o Brazil and Argentina. o Intergovernmental structure with a focus on presidential diplomacy.	o Mix of supranational governance (e.g., Commission, Parliament) and intergovernmental cooperation (e.g., Council of the EU). o Germany and France play leading roles
Regional Impact	o The bloc has made progress in regional development and social policy implementation. o Mixed progress; significant trade growth but challenges in political cohesion and implementation.	o High integration with achievements in economic growth, peace, and regional stability. o Handling crises (e.g., Brexit, migration, Eurozone crisis, Covid 19 crisis) and balancing national sovereignty with supranational governance.[4]
Challenges	o Decisions are made by member states with minimal supranational authority. o Struggle to collaborate in joint decisions to tackle global emergencies. o As the largest economy, Brazil plays a leading role. o Budget constrains for furthering the Integration o Economic and Political external influence: USA, EU and China. o Low level of civil society mobilization towards the integration. o Lack of a "power state".	o Brexit. o Increasing political opposition within member states.[3] o Economic disparities: Significant differences in economic development and fiscal policies among member states. o Migration and asylum policies. o Concerns over the erosion of democratic standards in some member states.[4]
Spillover and Neofunctionalism Dynamics	o Limited; largely intergovernmental with minimal spillover	o High; well-developed and self-sustaining

Source: Elaborated by the Author

In *Liberal Intergovernmentalism*[1], states are influenced by both domestic actors and the international system, with each state striving to project its preferences externally. This external preference impacts other states, particularly those with less power. Disputes and preferences at the domestic level are mirrored at the international level, with more powerful states having greater influence over less powerful ones (Caichiolo, 2017). Therefore, in Mercosur, political elites and economic opportunities have been significant drivers, though power imbalances have hindered the development of supranational governance. Despite high regional cultural homogeneity, this alone is not essential for integration (De Lombaerde, Mattheis & Vanfraechem, 2010).

Hooghe and Marks contend in their *Postfunctionalism*[2] theory that European integration initially progressed through elite-driven processes with minimal public engagement, allowing major advancements from the Treaty of Rome to Maastricht without significant opposition. However, post-Maastricht, the process shifted into "mass politics," with public opinion and identity concerns playing a larger role, transitioning from "permissive consensus" to "constraining dissensus." This politicization, marked by the rise of extreme parties, complicates consensus-building. In Mercosur, politicization has also emerged but in the form of ideological identity rather than national identity. Decisions within the bloc are increasingly influenced by member states' ideological positions, reflecting Mercosur's entry into mass politics. Mercosur, reflect a more static elite-driven model. Political elites often navigate integration without significant public scrutiny or engagement, leading to limited accountability and responsiveness to the broader societal needs. While European integration has evolved into a politicized arena where public opinion shapes outcomes, Latin American integration remains largely insulated from such dynamics (Fridlund, 2022).

When assessing the economic interdependence of EU and Mercosur by comparing the value of their total goods exports to the value of exports sent within the bloc (intraregional exports). Data from the IMF’s Direction of Trade Statistics was used to create graphs showing total and intraregional exports and extraregional blocs, with the y-axis resized to highlight the relationship between these two figures. Refer to Graphic 1 (Fridlund, 2022).

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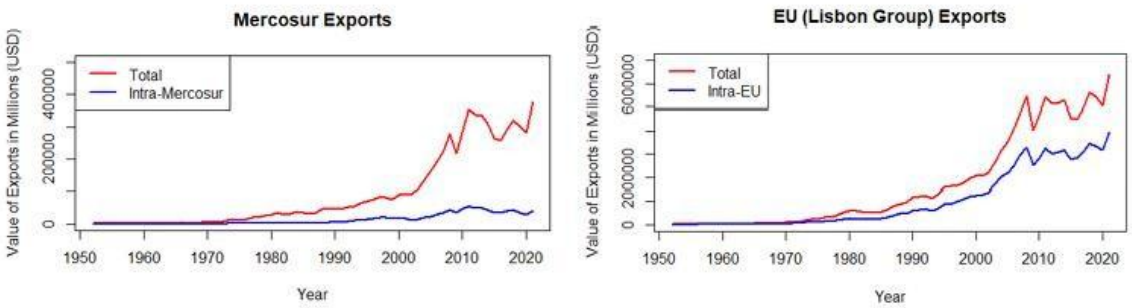
[1]Moravcsik detailed his theory in his seminal article “Preferences and Power in the European Community” in 1993, and then further in his magnum opus, The Choice for Europe in 1998.
[2]Postfunctionalism was developed by the team of Liesbet Hooghe and Gary Marks, who outlined the theory in their 2009 paper, “A Postfunctionalist Theory of European Integration: From Permissive Consensus to Constraining Dissensus”.

Graphic 1: Economic Interdependence between the blocs



Source: Fridlund, 2022.

This data reveals that Mercosur has been more successful in promoting exports to external countries and interregional blocs than in strengthening trade within its own borders. In contrast, the EU has seen growth both in internal trade and external exports, highlighting a more balanced approach to integration. This disparity suggests that Mercosur may be prioritizing global engagement over fostering deeper intraregional economic ties, limiting its potential as a fully integrated market. The focus on expanding global influence, whether intentional or not, positions Mercosur as a platform for external trade rather than promoting internal economic opportunities. While this strategy enhances global connectivity, it risks undermining the bloc's ability to generate internal economic synergies and deeper integration.

Mercosur's integration strategy reveals a troubling imbalance characterized by ideological polarization and elite-driven decision-making that undermines consensus-building. Unlike the EU, which has effectively engaged the public in its integration process. Mercosur’s focus on external trade has weakened internal cohesion and stunted the development of robust intraregional economic ties. When the focus shifts predominantly toward external trade, citizens within member states may feel disconnected from the integration process. They might perceive that the benefits of such trade agreements are not translating into tangible improvements in their economic conditions or social well-being. Overall, the divergent paths of integration in Latin America and Europe illustrate the importance of historical legacies, institutional design, and civil society engagement in shaping regional cooperation.

9. Conclusion

The analysis of regional integration in Latin America, especially through Mercosur, reveals those historical aspirations for unity—rooted in Bolívar's vision—have often clashed with political and economic fragmentation. Despite shared colonial histories and cultural similarities, various integration efforts have faltered due to factors like regional heterogeneity, conflicting national interests, and weak institutional frameworks. Mercosur exemplifies these challenges, as its intergovernmental structure and significant power asymmetries.

Mercosur's integration model starkly contrasts with the EU's comprehensive approach, which effectively balances supranational and intergovernmental elements supported by robust legal frameworks and crisis management capabilities. In the EU, politicization is influenced by public opinion, fostering accountability and responsiveness, while Mercosur's elite-driven processes suffer from weak institutional frameworks and minimal public engagement, leading to diminished societal legitimacy and fragmented decision-making influenced by ideological divisions.

This disconnect perpetuates elite agendas, alienating the public and hindering their involvement in shaping integration policies, ultimately complicating consensus-building and risking destabilization. Moreover, Mercosur's focus on external trade over intraregional economic ties exacerbates internal cohesion issues. By prioritizing relationships with non-member countries and interregional blocs, Mercosur attracts global investment but at the expense of nurturing economic cooperation among member states. This external orientation leads to a fragmented market, where the potential for mutual benefits is underutilized, stunting development and limiting collaborative efforts on shared economic goals like industrial development and infrastructure investment.

Consequently, citizens within member states may perceive a disconnect between trade agreements and tangible improvements in their economic conditions, fostering alienation and diminishing public support for Mercosur initiatives. The narrative around external trade often reflects elite interests, entrenching inequalities and marginalizing broader societal needs, which further complicates the pursuit of inclusive and equitable regional integration.

For Mercosur to realize its full potential as a regional integration bloc, it must not only enhance external trade relationships but also prioritize the development of robust intraregional ties, transforming elite-driven narratives into inclusive policies that reflect the broader population's needs and aspirations.

Mercosur's integration prospects are at a pivotal point, with opportunities for significant improvement through social and productive regionalism. However, the intergovernmental nature of Mercosur complicates deeper integration, as national governments maintain substantial control over decision-making, leading to fragmented cooperation and a lack of unified regional strategies. To overcome these challenges, Mercosur should strengthen its regional institutions akin to the EU's supranational frameworks. By blending social and productive regionalism, Mercosur can align trade liberalization with regional development and social equity. A comprehensive strategy focused on political cohesion, consensus-building, and active civil society engagement will be vital for addressing historical weaknesses and ideological divisions in the integration process.

A promising strategy for deepening Mercosur integration could focus on leveraging Brazil’s leadership, Uruguay’s stability, and Chile’s potential full membership. This would involve balancing Brazil’s resources and influence with the contributions of smaller member states, while using Chile’s strong governance as a model to improve accountability and transparency. By fostering a collaborative framework that integrates Brazil’s leadership, Uruguay’s reliability, and Chile’s political commitment, Mercosur could promote greater policy harmonization and cohesion. Additionally, adopting flexible sovereignty-sharing models would help address power imbalances and strengthen institutional cohesion, enabling each member state to pursue national interests while contributing to shared regional objectives.

Empowering civil society and promoting long-term policy continuity are crucial for increasing public legitimacy and inclusivity. Involving civil society in integration efforts helps bridge the gap between elite agendas and public needs. Addressing economic and social disparities through targeted regional development programs will further strengthen cohesion and support sustainable growth.

Future research should examine the connection between regional integration and environmental sustainability to tackle climate challenges in Latin America, guiding organizations like Mercosur in formulating cohesive sustainable policies. Additionally, investigating public perceptions of governance and incorporating civil society into policymaking would enhance inclusivity and transparency, bridging the gap between elite decisions and societal needs.

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