The space left for regional integration (or lack thereof): Structural causes of institutional fragmentation in Latin America (1991-2019)

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Abstract

Regional integration in Latin America and the Caribbean has seen better days. We claim recent retreat trends are related to China and Brazil acting respectively as extra-regional and regional catalysts of institutional fragmentation. Our main hypotheses propose the following conditions are necessary for increasing fragmentation in the region: advances of an extra-regional emerging power, and the absence of a regional paymaster that promotes integration. By comparing regional organizations using longitudinal data, we find that growing ties to China and shrinking ties to Brazil can be associated with evidence of institutional fragmentation in Latin America. We claim that the two factors increase competition between regional organizations through a mechanism of changing set of costs and benefits of engagement and participation promoted by China’s interest and Brazil’s disinterest on each project.

Keywords: regional integration; institutional fragmentation; Latin America; China; Brazil.

Introduction

Whether in the form of institutional retreat or political inertia, regional integration in Latin America and the Caribbean has been experiencing setbacks. To understand how those organizations, formerly treated as poster children of new and post-hegemonic regionalism, are now associated with fragmentation, we attempt to identify the centrifugal forces that pull the region apart and the centripetal forces that should have kept it together (and why they have not) by asking: what are the structural causes of institutional fragmentation that affect regional
integration processes in Latin America? For that, we look to China and Brazil as, respectively, extra-regional, and regional catalysts of institutional fragmentation of Latin American regionalism.

We perform qualitative and longitudinal comparisons of three regional organizations, chosen for their increasing regional scope: MERCOSUR, the main sub-regional project of the Southern Cone; UNASUR, which encompasses South America; and CELAC, the most geographically comprehensive project in Latin America. We recognize the plurality of regional organizations that share the purpose of integration, but we chose these three cases for comprising the closest we have to concentric circles that represent a common institutional project for regional integration in Latin America in our temporal scope (1991-2019), even if this selection has limitations, as will be discussed.

The article has four sections. In the first one, we define fragmentation, contrasting and comparing it to regional disintegration, and present four applications of fragmentation, one of them being institutional fragmentation at the regional level. In the second, we present our analytical model and the scope conditions of our hypotheses. In the third section, we conduct the comparative case studies and evaluate the hypotheses. Lastly, we conclude that growing ties to China (both in relation to the US and the region collectively) and shrinking ties to Brazil can be associated with evidence of institutional fragmentation in Latin America. We support this claim by arguing that the mechanism that lies between the two actors and regional fragmentation is the following: China's interest and Brazil's disinterest in each project promote a changing set of costs and benefits of participation for members which increases competition between organizations in a context of project proliferation and low institutionalization. We find both conditions are necessary for the outcome through a longitudinal analysis of the instances of fragmentation and variations on indicators for regional relations with China and Brazil.

(Dis)Integration and fragmentation

Regional integration has experienced conceptual stretching because of frequent attempts to insert each new regionalist initiative in its conceptual umbrella. This has made it difficult to determine what precisely constitutes an integration process and, consequently, what does not. The dismantling of integration processes is usually associated with disintegration. But how can we apply that to regions that have yet to achieve a certain degree of integration? How can something not-yet-integrated, disintegrate? That being the case of Latin America, as we will advance below, we argue that regional fragmentation allows us to qualify the setbacks of its regional efforts.

Disintegration has been used to characterize the difficulties faced by multiple projects of Latin America, for example, describing the crisis in UNASUR (Mijares and Nolte 2018). However, this assumes that the project in question has reached regional integration in the first place. Regional

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2 It should be noted that we understand regional integration both as a result—the ideal type of shared sovereignty—and as the political process of active pursuit of said result and the steps to achieve it. The second understanding allows us to treat the Latin America case as a process of regional integration, even if most of its efforts are cooperative or consultative in definition (see Mariano et al. 2021 for a discussion on this classification). This is also why we use “regional integration” to refer to Latin America projects throughout the paper.
integration, as an ideal type, is an effective and voluntary sharing of sovereignty by states in the same region. In Malamud and Schmitter’s (2006) understanding, the maintenance of member states’ sovereign prerogatives moves a project closer to the definition of regional cooperation and further from integration. Schmitter and Lefkofridi (2016, 2-3) define disintegration in neo-functionalist terms, treating spillbacks from supranationality to intergovernability as signs of disintegration. However, this definition derives from the analysis of the European case, understood as a contingent phenomenon even by those authors. In practice, most integration efforts—Latin America being one of them—occur with the maintenance of certain sovereign prerogatives, in line with assumptions from intergovernmentalism (Moravcsik 1998) and power considerations (Gómez-Mera 2008).

Moreover, Schmitter and Lefkofridi (2016) apply disintegration to a single regional organization, the European Union, which—unlike most—is encompassing in size and scope, with the other projects conforming to its rules. There is no such organization in Latin America. CELAC, for example, is a recent geographically encompassing project, but that barely qualifies as cooperation, as it will be further discussed in the third section. Mijares and Nolte (2008) use disintegration to discuss UNASUR, but its ambitious goals have not been implemented so far and, with most members leaving the organization, odds are they will not be any time soon.

So, in cases where there is no achieved supranationality to spill back from, how can we define regionalist stepbacks? How can we define the situation in Latin America, with its inconsistently overlapping organizations and varying degrees of implementation, scope and, more recently, state disengagement? For us, fragmentation can lend the conceptual tools necessary for that by recognizing that there is a regional integration effort as defined in theory but is limited in practice. A systematic analysis of frequent applications of fragmentation leads us to four different common uses, associated with two combinable elements: level of analysis and domain. Global or regional levels define the level of analysis, while legal/institutional or political compose the domain, focusing, respectively, on the proliferation of agreements and organizations, and on actors’ diverging interests.

In its global-institutional emphasis, fragmentation is defined as the growing number of regional organizations and/or free trade agreements around the world. This definition can be associated with Baldwin’s (2006) ‘spaghetti bowl’ of overlapping institutional forms and the debate on the relationship between multilateralism and regionalism (Winters 1996). The political dimension of global fragmentation analyzes the interaction between two dynamics: first, an increasingly diverse crowd of actors in world politics (as exemplified by the cyclical relevance of regions, which comes and goes with each new wave of regionalism) and, second, the liberal order sustained by American hegemony. Katzenstein (1993) and Acharya (2014) represent this application with their respective focus on how American hegemony promotes the creation of regions and on how politically strong regions weaken the American order.

Regions play a significant role in global fragmentation, but their internal inconsistencies are the primary focus of regional fragmentation. In its political dimension, regional fragmentation pays attention to how states (and other groups which contribute to the definition of regional projects) can
have varying degrees of convergence when it comes to their interests in regional projects. Gómez-Mera (2013) and Meissner (2019) exemplify this concept when analyzing the impacts of diverging interests in different projects (Mercosur; UE) and scenarios (regional conflicts; inter-regional agreements). On the other hand, the legal/institutional dimension focuses not on interests, but on the coherence of different institutional arrangements (which can be both agreements and organizations). Malamud and Gardini (2012)’s concentricity-based definition of integration development fits here. Regional integration deepens when it spreads with shared geographical and institutional centers, in centripetal movements that embrace the same countries and common political goals.

The place those definitions occupy on different studies’ causal chains is not predetermined. For Gómez-Mera (2015, 20-21), overlapping agreements (which she defines as legal fragmentation) and conflicting state interests (political fragmentation) in the Americas reinforce each other, although her primary focus is on the mechanisms which link the former to the latter. Regional and global fragmentation can be complementary, as the author also highlights by analyzing the Americas’ proliferation trend in the broader framework of international regime complexity.

In our understanding, the concept of fragmentation and its regional-institutional emphasis are more adequate than disintegration to debate the Latin America case as an effort to meet somewhere in the middle of recognizing that an integration process is attempted (with recent initiatives trying to expand members and institutionalization levels), but results have been limited and, more recently, put into question. In the following subsection, we further debate the concept of institutional fragmentation by applying it to the Latin American case and identify events that can be treated as evidence of this result. To do that, we employ two auxiliary concepts: concentric and supply integration, both serving methodological purposes of, respectively, case selection and definition of scope conditions.

Institutional fragmentation of concentric circles of regional integration

Many adjectives have been added to regionalism in an effort to make sense of the current state of the regional integration enterprise, especially in Latin America. To name a few: liquid regionalism (Mariano et al. 2021), modular regionalism (Gardini 2015) and overlapping regionalism (Mariano and Ribeiro 2020; Nolte 2018). While the first two have a broader focus on the process as a trend, similar to characterizations of the so-called waves of integration3, the last one highlights relative arrangements and interactions between regional organizations and how they overlap in mandates (function) and memberships. Here, we employ the definition of concentric integration (Malamud and Gardini 2012), which shares a relational lens with overlapping regionalism, but focuses mostly on memberships and the trajectory of expansion and institutional consolidation. In geometry, concentric circles have a common center. Extending that to a political enterprise such as regional

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3 See Warleigh-Lake (2006) for a discussion on the limits of these typological divides for theory building on regional integration.
integration, concentricity refers to projects with common members and complementary goals, which relate to each other in an aggregative way.

Our choice is motivated by two reasons: first, it allows us to operationalize institutional fragmentation in a comparative research design and to justify our case selection. We recognize the limitations of the comparison of organizations brought up by De Lombaerde et al. (2010), but attempt to circumvent that by following their recommendation of tying case selection to a conceptual framework. Second, this definition follows the neo-functionalist tradition (Haas 1958), which understands integration as a cumulative effort, even if non-linear (Malamud and Schmitter 2006) and a more pessimistic—as defined by Mariano and Ribeiro (2020, 39-40)—point of view on the proliferation of non-complementary organizations tied to our definition of fragmentation. Together, these approaches point to two sets of recent institutional developments in Latin America, one where proliferation is concentric and complementary, and one where it is neither. We understand that the association of the concepts of concentric integration and fragmentation bridges the gap of regional integration as theory and as practice in the Latin America case.

Unlike disintegration, which can be associated with the dismantling of a specific project, institutional fragmentation, as defined here, is a relational concept. Because of that, it can take on multiple forms. As pointed out by Gray (2018), international organizations can get weaker without effectively ‘dying’ in multiple ways, to the point that they become zombies, as she calls them. Take, for instance, a robust project in a given region. If said project is incompatible with and non-concentric to other (concentric) projects in the region, this could be evidence of regional fragmentation. In this case, the consolidation of a regional organization (as in growing implementation and membership) can mean institutional fragmentation for the region. However, when the institutional deepening of projects occurs in a compatible and concentric way, the consolidation of an organization could mean institutional strengthening, and not fragmentation, is underway in the region. On the other hand, signs of institutional weakness (shrinking implementation and membership) in a concentric organization could indicate institutional fragmentation as well. Using as an example a given project $A$, in a certain region that simultaneously also has a project $B$ and a project $C$, we outline this conceptual difference:

<table>
<thead>
<tr>
<th>ORGANIZATION $A$ CONSOLIDATES</th>
<th>ORGANIZATION $A$ WEAKENS</th>
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<tr>
<td>$A$, $B$ AND $C$ AS CONCENTRIC ORGANIZATIONS</td>
<td>Consolidation of concentric integration in the region</td>
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<tr>
<td>$A$, $B$ AND $C$ AS NONCONCENTRIC ORGANIZATIONS</td>
<td>Institutional fragmentation Type I</td>
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<td>Institutional fragmentation Type II</td>
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<td>If in favor of concentric organizations, consolidation of concentric integration in the region</td>
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Our case selection aims to represent the model of concentric initiatives described in type II (in table 1). In a pragmatic definition, MERCOSUR, UNASUR and CELAC are the projects which best allow us to represent the concentric circles we aim to analyze. This is not without limitations—it can be argued that the more encompassing the cases, the less consolidated they get. We stand by this case selection for the following reasons. First, their geographical scope allows us to compare the region as a whole with two of its subregions (the Southern Cone and South America). Second, another case selection criterion is having Brazil as member, which is a background definition of concentricity, and allows us to examine Brazilian engagement as a regional paymaster and excludes cases such as the Bolivarian Alliance for the Peoples of Our America (ALBA) and the Andean Community (CAN) from our case pool, even if it can be argued that UNASUR is an effort to aggregate CAN and MERCOSUR (Schelhase 2010, 181). Third, we set our temporal scope to 1991-2019 to limit ourselves to recent trends, which also excludes the Latin American Integration Association (ALADI, created in 1980) as a possible case. Finally, the case of CELAC is especially difficult to justify as it can be classified as a consultative initiative, not fitting an intentional effort of concentric integration in the same way as MERCOSUR and UNASUR. However, we understand that CELAC can be inserted in the post-hegemonic intentions of the 2010s (Mariano et al. 2021, 12), following trends such as the political (over economical) orientation (Nolte and Weiffen 2021, 9), and could also be understood as a concentric extension of other weaker initiatives such as Grupo do Rio (Aravena 2012, 21). Nevertheless, to account for this complexity, we treat CELAC’s creation as an instance of institutional fragmentation and further discuss its institutional limits in the empirical analysis.

As Table 1 exemplifies when comparing MERCOSUR’s and the Pacific Alliance’s development, our cases’ choice does not mean that institutional fragmentation in Latin America can only be substantiated through a dismantling of concentric projects; the creation of organizations such as the Pacific Alliance, Lima Group and the Forum of the Americas for the Progress and Development
of South America - Prosur (2019) point to the direction of institutional fragmentation through competing projects (type I in table 1), however distant from the ideal type of regional integration those examples may be. We highlight these projects as setbacks due to either an intentional opposition to established organizations or a regression to old regionalist trends, such as emphasis on economic liberalization (Mariano et al. 2021, 4-5). To account for this type of fragmentation, we consider the creation of the aforementioned organizations as evidence of fragmentation, which allows us to include other organizations in our research design while recognizing their distinct impact on integration/fragmentation.

In short, our research design groups regional organizations in two categories: MERCOSUR and UNASUR are treated as concentric initiatives and are selected as case studies; the Pacific Alliance, the Lima Group and Prosur are treated as competing projects and are included as instances of institutional fragmentation; CELAC, due to the previously stated reasons, exceptionally fits both categories. The following events (and their corresponding geographical scope of impact and classification according to figure 1) are considered instances of institutional fragmentation in our research design:

2010 – CELAC is created (Latin America-II);
2012 – The Pacific Alliance is created (Latin America-I);
2015 – Venezuela is suspended from MERCOSUR (Cone Sur-II);
2017 – The Lima Group is created (Latin America-I);
2018 – Argentina, Brazil, Chile, Colombia, Paraguay, and Peru exit UNASUR (South America-II);
2019 – Ecuador exits UNASUR (South America-II);
2020 – Brazil exits CELAC (Latin America-II), Uruguay exits UNASUR (South America-II), and PROSUR is created (South America-I).

We consider the 2020 exits even if our data expands only up to 2019, as we aim to explain a developing process and results can be lagged. Other events, such as the 2001 currency crisis and its impact on MERCOSUR and Brazil-Argentina relations (see Krapohl 2020), are not considered as we treat them as signs of political, not institutional fragmentation, although they compose the larger picture of Latin American regional integration and interact with the result of institutional fragmentation. We consider the suspension of Venezuela in MERCOSUR as an instance of fragmentation, even if it could be treated as evidence of rule maintenance and group cohesion by the members because it had negative impacts on both CELAC and UNASUR (Nolte and Weiffen 2021, 11; Mariano and Ribeiro 2020, 50) – unlike what happened in the 2012 case of Paraguay’s suspension (see Nolte 2018, 138-140). The degree of implementation of each organization could also be used as evidence of institutional fragmentation.

It is important to note that the evidence presented above, whether considered in our framework or not, can have their causes traced to internal conditions, e.g., political regimes (Onuki and Oliveira 2006) and interpresidencialism (Malamud 2015). Yet, internal factors can interact with regional conditions, such as the engagement of a regional leader, and periods of systemic change, with the
rise of revisionist powers, to produce effects on the durability of international organizations, as shown by Eilstrup-Sangiovanni (2021).

**Structural causes of institutional fragmentation in cases of supply integration**

Our model aims to test the extra-regional and regional causality of the result of institutional fragmentation in Latin America. On the extra-regional structure, we look at growing ties to an extra-regional power such as China and, on the regional structure, at the engagement of the region's wannabe leader, Brazil, with emphasis on the role of paymaster. We expect to support the argument that the presence of the former (China's approximation) and absence of the latter (Brazil's paymaster duties) act as necessary conditions of institutional fragmentation in Latin America. By classifying Latin America as a case of supply integration, we mean that it is mostly led by formal and intentional efforts from states to restrict their own sovereignty in favor of a regional organization as opposed to increasing interdependence led informally by society; that is, integration in Latin America is characterized by regionalism, not regionalization (Malamud 2011a). This claim is not consensual as some authors advocate a greater impact of regionalization (Phillips 2003; Riggirozzi and Tussie 2012) to dispel criticism about fragmentation and stagnation. Regionalism and regionalization can also be understood, according to Mattli (1999), as conditions of supply and demand, respectively. This focus on supply conditions directs our interest to extra-regional powers and paymasters as causes of fragmentation, as opposed to demands conditions such as regional cohesion and identification.

The logic of necessary conditions points to causal elements which are more relevant for their absence than their presence, that is, the outcome would not happen without them, but they cannot explain it by themselves (Braumoeller and Goertz 2000). This allows us to consider China's and Brazil's impact as incentives to our outcome, in interaction—not competition—with internal conditions. Similarly, to Nolte (2018), our research design follows a logic of costs and benefits resulting from certain incentives, in our case, an engaged extra-regional power and an absent paymaster. The underlying causal mechanism, similar to the one proposed by Gómez-Mera (2015), is that those incentives alter the costs and benefits for participation in certain integration projects, which leads to competition between projects which proliferate in a non-complementary manner (Mariano et al. 2021, 6; Mariano and Ribeiro 2020, 37). In the following subsections we present our hypotheses and their respective causal mechanisms and testable implications.

**Extra-regional structure**

Regions and the autonomy of a regional level of analysis are frequently associated with systemic power distribution. The degree of extra-regional power overlay is highlighted by Buzan and Weaver
(2003) as a defining characteristic of a region. For Katzenstein (1993), seen as an example of neorealist regional theory, unipolarity gives regions leeway only through hegemonic disinterest and neglect; when there is active hegemonic engagement, the region is defined on systemic terms (not on their own autonomous interests). On the other hand, post-regionalism defends regional autonomy by pointing to active opposition to a hegemonic presence (Riggirozzi and Tussie 2012). New regionalism and its focus on globalization resistance and insertion (Hettne 1999) highlight the role of the American hegemony in leading the neoliberal globalization under which Latin American regionalism came to be (Llenderrozas 2012).

In the face of those competing hypotheses, the question of the impact of systemic distribution of power on regional integration remains open (Mansfield and Solingen 2010, 158), especially when we consider most of them aim to explain an environment of unipolarity and uncontested preponderance of the US, which is no longer the case. As debated in the previous section, when introducing the discussion on global fragmentation, systemic impacts on regional integration are usually associated with the rise of multilateralism, which parallels the United States' consolidation as a liberal hegemonic power at the end of last century. Because of this intersection, the United States’ relative decline may pose a threat to the multilateral paradigm (Garzón and Nolte 2018, 173). Concomitantly, models presented by emerging powers have received more attention, as in China's preference for bilateralism (Malamud and Gardini 2012). The high institutionalization promoted by the US created a distinct environment for China's growing presence (Alter and Rastiala 2018, 345). The contextualization of the institutional background demonstrates why different hypotheses may apply to different power distributions.

Although US hegemony has been associated with the promotion of regionalism in Europe and East Asia (Katzenstein 1993), regional integration in Latin America has occurred in a different context, with regionalism (supply conditions) prevailing over regionalization (demand conditions). The region's relations with the US and China take place in different contexts as well: while the United States has a long hegemonic history that has been contested since the end of the Cold War, China is in an ascendency path. They are an old power and a young one. While the former is seen as a long-term obstacle to be resisted (Mijares and Nolte 2018, 107), with regionalist initiatives that deliberately exclude the United States’ participation, as well as the rejection of continental projects, such as the Free Trade Association of the Americas (FTAA); the latter is viewed as an opportunity, especially as a source of investments and a buyer of Latin American commodities (Jenkins 2012; Urdinez et al. 2016). For that, the process of power redistribution between the United States and China has been identified as a centrifugal force for regions (Malamud and Viola 2020) and a stress factor for integration (Weiffen 2020).

Drawing from those different backgrounds, we propose the following hypothesis of an extra-regional cause of recent institutional fragmentation in Latin America: \( h_1 \) The advances of a large extra-regional emerging power are a necessary condition for increasing regional fragmentation in Latin America. We propose that the mechanism of this causality lies in the increased benefits for overlapping members choosing the power's preferred organization, which is a more attractive partner
than both the US and the region, besides increasing costs of choosing other organizations as venues. In relation to MERCOSUR and UNASUR, this tips the scale towards competing organizations, such as the Pacific Alliance and CELAC. The testable implication of this hypothesis is that instances of fragmentation are more likely to happen during periods of greater proximity to China.

To test this hypothesis, we chose indicators of external powers’ relative importance in comparison to the rival power, the US, and the region. We use data on the volume of Latin American exports to the USA and China on the grounds that the region’s structural dependence on commodity exportation is one of the elements responsible for limiting the space for political maneuver in Latin America (Campello 2015; Rivera-Quiñones 2018) and is one the main channels through which China has grown closer to the region. The use of economic variables to compare the US to China is under debate (Beckley 2018), however, since our goal is not to discuss whether China has surpassed the US’s prominent global position, but to identify the impact of their relative approximation to another reference (Latin America), we employ trade as an indicator. We also include data on the diplomatic ties between China and Latin America to account for the political dimension of this approximation.

Regional structure

Within the regional structure, certain units can take a central, mobilizing role, regional leaders being the primary example. Regionally powerful states usually try to exercise regional leadership, seeing it as means to the ends of regional hegemony or international insertion (Nolte 2010). The presence of a regional leader impacts a projects’ maintenance (Mansfield and Milner 1999, 609) and this role entails not only leading the project, but also paying for it (Malamud and Schmitter 2006, 11-12). This material dimension of regional leaders takes form in the function of a paymaster, which we view as necessary to regionalism because material rewards provide stronger motives to justify integration, despite the need to build a symbolic common ground (Campos 2016).

Based on that, we propose our second hypothesis: (h₂) The absence of a regional paymaster is a necessary condition for increasing fragmentation in Latin America. The proposed mechanism for this condition is that an absent regional paymaster reduces benefits of members’ engagement on a given regional organization. In interaction with the extra-regional hypothesis, this increases costs of ‘missing-out’ on the ties fostered by the extra-regional power on competing organizations. The testable implication of this hypothesis is that instances of fragmentation are more likely in regional organizations with a declining share of investment and credit from Brazil.

Albeit central to most—if not all—processes of regional integration, the supply condition of an engaged regional leader becomes even more relevant when there is little demand (regionalization) to rely on, as it happens in Latin America. When present, a regional leader acts as a centripetal force in a regional process. The promotion of MERCOSUR and UNASUR are representative of Brazil’s intention to lead the regional integration enterprise in South America. Its material
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preponderance demonstrates it had the capacity to do so; the recent withdrawal from UNASUR and CELAC, on the other hand, suggests the position is now vacant, despite previous efforts. Malamud and Scholvin (2020) address the expectations that come with Brazil’s size—and how they have not been fulfilled—by analyzing what they call geoeconomic nodality, in which the paymaster’s task is one in the long list of expectations linked to this geographic role.

In addition to not bearing the costs of being a paymaster, Brazil’s leadership is not recognized by its neighbors (Malamud 2011b). Other potential regional powers, such as Mexico and Venezuela, claim, respectively, Central America and the Andes as their areas of influence. This competition leads to diverging concepts of region, with different geographical scopes (Jenne et al. 2017).

The claim of Brazil’s regional negligence is a frequent one in the literature. However, this argument is seldom accompanied by empirical evidence. The focus on the paymaster dimension of leadership—its material base which is, consequently, quantitatively measurable—allows us to provide empirical support for this claim in regard to institutional fragmentation. To examine whether Brazil has really been fulfilling this self-appointed role of regional paymaster, we must observe how much the country invests in the region. In line with the conceptualization of integration development as institutionally concentric, Brazil is a member of three regional projects that follow this structure, although not consciously reproducing this logic (Gratius and Saraiva 2013). As a measure of engagement, we use data on Brazilian investments in MERCOSUR and UNASUR and on credit provided to states that compose those organizations as well as CELAC.

**Empirical analysis**

To analyze the concentric institutionalization of regional integration in Latin America, we compare three regional organizations, MERCOSUR, UNASUR and CELAC, which have common members, in increasing order of geographical scope. Their existence does not immediately qualify as a sign of deepening institutionalization. Voluntary withdrawals and the creation of competing organizations point to the institutional fragmentation of the Latin American integration initiative, as argued in the previous section.

In seeking to qualify the structural causes of this phenomenon, this section compares the effects of two structural dynamics of extra-regional power approximation and regional paymaster engagement through case studies of those three projects. We examine three territorial boundaries: Southern Cone for MERCOSUR; South America for UNASUR; Latin America for CELAC. Having the concept of regional integration as a concentric development of projects (Malamud and Gardini 2012) as our starting point, we argue that comparison between the circles that comprise Latin American integration is a methodological illustration of our premises.

In this last section, we first examine how the three Latin American initiatives—MERCOSUR, UNASUR, CELAC—interact with the United States and China, and then analyze the degree of Brazil’s commitment as a paymaster.
MERCOSUR

Based on the data on export flows of MERCOSUR’s members to China, trade relations were weak in the period of its creation in 1991. Starting from 2004, economic ties begin to strengthen, with an exponential growth in exports to China. While China started to gain ground as a partner of Southern Cone countries, the United States lost its relative pre-eminence in this region after the 2008 crisis.

The data presented in Figure 1 suggests there was a shift in MERCOSUR’s closest extra-regional power in 2009, a moment associated with the organization’s stagnation (2000s). It has been argued that China’s rise and the US’s recent bilateral preference amid the crisis of multilateralism led to partner diversification (Serbin 2010), a trend corroborated by the data. This diversification has been accompanied by a growing gap between China and the US in terms of relative economic importance for the Southern Cone, which coincides with Venezuela’s suspension.

It should be noted that MERCOSUR is more institutionally robust than UNASUR and CELAC. This is supported by exits not being voluntary, at least so far. Argentina threatened to leave in 2020, but, considering it did not go through with it, we do not treat it as an episode of institutional fragmentation—although it points to a larger context of political fragmentation.
UNASUR

According to Figure 2, similarly to our findings on MERCOSUR, UNASUR was created at a moment of American preponderance compared to China’s economic presence in the region (2008). However, this gap was considerably reduced in the following year, with a sharp decline in exports to the United States, largely due to the financial crisis of 2008, a trend also found when observing only MERCOSUR members (Figure 1). Even with the United States’ upward trend in the following two years, this was not enough to overcome China’s new position in South American economies.

![Figure 2. Exports from UNASUR members to the USA and China (USD).](image)

Source: UN Comtrade Database.

Our findings point to the reproduction, in South America as a whole, of the trend verified in the Southern Cone: that of China’s increasing presence since the 2000s. China’s relative economic presence has surpassed the United States in 2013. Nevertheless, the gap between South American exports to China and the US is not much wider than the one found in MERCOSUR countries only. This information points to a greater intensity of China’s ties to the Southern Cone region, precisely where the United States had less influence (Urdinez et al. 2016). The gap in South America became larger in 2017, preceding a wave of disbandment between 2018 and 2020 and...
the creation of Prosur in 2019, which lends strength to our hypothesis that regional fragmentation requires proximity to an extra-regional power that weakens integration.

**CELCAC**

CELCAC was created in 2010 and is the most geographically comprehensive initiative analyzed here, expanding the scope of MERCOSUR and UNASUR to encompass all Latin America and the Caribbean. However, CELAC cannot be classified as an integration project because there is no sharing of sovereignty. Calling it a regional organization is also a stretch. It is a regional forum for promoting projects to later become regionalist initiatives (Figueroa 2012). Unlike the other two organizations, CELAC was built in a scenario of absolute preponderance of the US, as shown in the graph below, which is due to the productive integration that exists between the United States, Central America, and the Caribbean, mainly Mexico (Ibarra 2019). The large volume of trade between Mexico and the US explains the wide gap seen in Figure 3, which points to a very different scenario from the ones found in MERCOSUR (Figure 1) and UNASUR (Figure 2).

**Figure 3. Exports from CELAC members to the US and China (USD).**

Source: UN Comtrade Database.
Therefore, in Latin America as a whole, we find an opposite trend to the one verified in the cases of MERCOSUR and UNASUR. However, this result strengthens our hypothesis on systemic causality for two reasons.

First, CELAC, albeit more geographically inclusive, is the weakest institution among all three analyzed. It can only be classified as a cooperative effort, not an integration initiative per se. The emergence of an institutionally loose project (which goes in the opposite direction of UNASUR’s purpose to tighten institutional ties) as well as its endurance (while the other two organizations are now on the fragmentation path) is evidence that the Latin American concentric project is weakening, even if it is harder to fit in our scheme (Table 1), since it cannot be qualified as a regional organization and because it complexifies fragmentation by adding another institutional layer of fragmentation—that of intentionally looser initiatives. The greatest advances in consolidating Latin American integration were made before the increase in China’s importance and involved countries less dependent on the US (MERCOSUR in 1991 and UNASUR in 2008, right before the relative shift), although this space was later occupied by China.

Second, CELAC is the project that receives the most attention from China, acting as a forum for dialogue and being prioritized over the consolidated MERCOSUR and the ambitious UNASUR (Llenderrozas 2012, 141), as indicated by the creation of a joint forum (China-CELAC Forum) that has met twice so far (2015 and 2018), produced several documents (Vadell 2018) and led cooperation on the ongoing COVID-19 crisis (Cepik and Rodriguez 2021, 95-96).

In summary, we see the creation of CELAC as evidence of institutional fragmentation and, even in a context of closer economic ties to the US, it happened in a period of ascending levels of proximity with China (2010), the same applying to the creation of the other competing organizations, the Pacific Alliance (2012) and the Lima Group (2017). Politically, China has also increased its presence in the region starting in 2007, as shown by table 2. We compiled 35 diplomatic ties which support our hypothesis of proximity, including the CELAC-China meetings, free trade agreements (FTAs), presidential visits, official policies on the region, associations to the Belt and Road Initiative and upgrade in diplomatic rankings. We find that these relations have been fostered and expanded since 2007 and gained annual frequency starting 2012 (the same year the China-CELAC forum was created).

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Costa Rica</td>
<td>Costa Rica and China sign FTA</td>
</tr>
<tr>
<td>2008</td>
<td>LAC</td>
<td>China launches official policy on Latin America</td>
</tr>
<tr>
<td>2009</td>
<td>Brazil</td>
<td>Brazil and China launch the BRIC Forum</td>
</tr>
<tr>
<td>2009</td>
<td>Chile</td>
<td>Chile and China sign a FTA</td>
</tr>
</tbody>
</table>
Continuation

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Brazil</td>
<td>China classifies Brazil as a global strategic partnership</td>
</tr>
<tr>
<td>2012</td>
<td>LAC</td>
<td>China-CELAC Forum for dialogue and cooperation is created</td>
</tr>
<tr>
<td>2013</td>
<td>LAC</td>
<td>Second official policy on Latin America</td>
</tr>
<tr>
<td>2013</td>
<td>LAC</td>
<td>Second meeting of the China-CELAC Forum</td>
</tr>
<tr>
<td>2013</td>
<td>Argentina</td>
<td>China classifies Argentina as a global strategic partnership</td>
</tr>
<tr>
<td>2014</td>
<td>Ecuador</td>
<td>China classifies Ecuador as a global strategic partnership</td>
</tr>
<tr>
<td>2014</td>
<td>Chile</td>
<td>China classifies Chile as a global strategic partnership</td>
</tr>
<tr>
<td>2014</td>
<td>Peru</td>
<td>China classifies Peru as a global strategic partnership</td>
</tr>
<tr>
<td>2014</td>
<td>LAC</td>
<td>Xi Jinping visits Latin America</td>
</tr>
<tr>
<td>2015</td>
<td>Mexico</td>
<td>China classifies Mexico as a global strategic partnership</td>
</tr>
<tr>
<td>2016</td>
<td>Venezuela</td>
<td>China classifies Venezuela as a global strategic partnership</td>
</tr>
<tr>
<td>2016</td>
<td>Peru</td>
<td>China-Peru FTA</td>
</tr>
<tr>
<td>2016</td>
<td>Chile</td>
<td>China-Chile FTA Upgrade</td>
</tr>
<tr>
<td>2016</td>
<td>Cuba</td>
<td>Cuba joins the Belt and Road Initiative (BRI)</td>
</tr>
<tr>
<td>2016</td>
<td>LAC</td>
<td>Xi Jinping visits Latin America</td>
</tr>
<tr>
<td>2017</td>
<td>El Salvador</td>
<td>El Salvador joins the BRI</td>
</tr>
<tr>
<td>2018</td>
<td>Costa Rica</td>
<td>Costa Rica joins the BRI</td>
</tr>
<tr>
<td>2018</td>
<td>Panama</td>
<td>Panama joins the BRI</td>
</tr>
<tr>
<td>2018</td>
<td>Ecuador</td>
<td>Ecuador joins the BRI</td>
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<tr>
<td>2018</td>
<td>Peru</td>
<td>Peru joins the BRI</td>
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<tr>
<td>2018</td>
<td>Venezuela</td>
<td>Venezuela joins the BRI</td>
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<tr>
<td>2018</td>
<td>Guyana</td>
<td>Guyana joins the BRI</td>
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<tr>
<td>2018</td>
<td>Suriname</td>
<td>Suriname joins the BRI</td>
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<tr>
<td>2018</td>
<td>Bolivia</td>
<td>Bolivia joins the BRI</td>
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<tr>
<td>2018</td>
<td>Chile</td>
<td>Chile joins the BRI</td>
</tr>
<tr>
<td>2018</td>
<td>Uruguay</td>
<td>Uruguay joins the BRI</td>
</tr>
<tr>
<td>2019</td>
<td>Trinidad and Tobago</td>
<td>Trinidad and Tobago joins the BRI</td>
</tr>
<tr>
<td>2019</td>
<td>Antigua and Barbuda</td>
<td>Antigua and Barbuda joins the BRI</td>
</tr>
<tr>
<td>2019</td>
<td>Jamaica</td>
<td>Jamaica joins the BRI</td>
</tr>
<tr>
<td>2019</td>
<td>Barbados</td>
<td>Barbados joins the BRI</td>
</tr>
</tbody>
</table>


It should be noted that this approximation happens in a context of decreasing regionalization in Latin America. Although we are unable to directly compare this indicator (percentage of total exports) to the one used to compare China and the US (total exports) due to the nature of the data, we can observe that intra-regional trade levels have been decreasing since 2008 (figure 4). This coincides with China’s growing presence (starting in the 2000s) and could be an indicator that there is room for China to grow as a partner, in the absence of ‘competition’ from the region.
By associating China’s economic proximity to the emergence of looser initiatives and the fragmentation of consolidated projects, it is possible to identify China as a demobilizing factor in Latin American regional integration.

Brazil

In this last subsection, we analyze Brazil’s engagement as a regional paymaster and whether it can be traced to the result of institutional fragmentation in our three cases. In the opposite direction of China’s increasing presence, it is possible to observe decreasing investments from Brazil in the region through two dimensions: first, in mobilizing funds for regional organizations, and second, in credit to countries of the region.

For the first dimension, we collected data on the levels of investment disbursed to MERCOSUR and UNASUR on Brazil’s annual budget (Lei Orçamentária Anual); there was no indication of investment in CELAC. Figure 5 displays the annual number of financial operations to both organizations, showing a large gap between the two, with MERCOSUR peaking with 14 operations in 2014, and UNASUR only 2 by 2012; however, the gap shrinks when MERCOSUR’s operations drop to 3 in 2018 (UNASUR had previously dropped to 1 operation in 2013). This is the same trend displayed by the total value invested by Brazil in the organizations (figure 6), which was significantly reduced in 2015 for MERCOSUR. It should be noted that the large gap\(^4\) between the organizations could be explained by the differences in age and institutionalization.

\(^4\) The gap would be even larger had we considered infrastructure projects which were not a part of the same program in the documents. We restricted data collection to the budget program that refers to Brazilian participation in International Organisms to control for temporary (but expensive) projects such as Corredor Mercosul (program 0233) which would create large distortions.
Figure 5. Number of financing operations of MERCOSUR and UNASUR executed by Brazil by year.

![Figure 5](image)


Figure 6. Total invested by Brazil in MERCOSUR and UNASUR by year (R$);

![Figure 6](image)

For the second dimension (figure 7), the measure used here, which does not represent the total investment outlays, is that of *pós-embarque* (post-departure) disbursements by the National Bank for Economic and Social Development (BNDES) in infrastructure exports, which allows us to observe the efforts to strengthen economic ties in the region (Hochstetler 2014, 361-362). Another limitation of this measure is being restricted to lines of credit for countries to import Brazilian products, which demonstrates the main goal of these investments is to strengthen Brazil’s economy instead of regional integration. However, in addition to the unavailability of other indicators, BNDES data is useful to compare Brazil’s deliberate efforts to promote intraregional trade.

![Figure 7. Brazilian lines of credit destined to countries of MERCOSUR, UNASUR and CELAC (USD).](image)


Notes: Data before 1998 is not available.

The graph indicates MERCOSUR members are the main receivers of BNDES disbursements. When compared to the levels of investment found in the rest of Latin America, this reveals that the institutional expansion (from MERCOSUR, to UNASUR, to CELAC) was not followed by an expansion of Brazilian engagement. Of these projects, the only one that did not have a prominent leadership position of Brazil at its origin was CELAC, which is consistent with the smaller share of investment. A trend of general reduction in investments for all regions began in 2014, during the recent political and economic crisis which culminated in the 2016 presidential impeachment.
This indicates Brazil has left the post of regional paymaster, a position that was already limited, as shown by the fact that Southern Cone neighbors are favored. This disengagement culminated in, and is corroborated by, the country leaving UNASUR in 2019 and CELAC in 2020.

The sinking levels of Brazilian investment reflect a recurrent behavior since the 2000s, which Krapohl (2020, 20) calls the performance of a regional Rambo, in which the state with more room for maneuver in the regionalist dynamic puts its interests above what is best for the project, giving more weight to global demands. The rising systemic multipolarity created more room for Brazil’s autonomous objectives, which caused the region to lose the center of gravity provided by regional leadership (Malamud and Viola 2020, 51). The gap generated by the power distribution at both regional and global levels also explains the preference for cooperation or integrative arrangements: the greater the possibility of autonomy, the less the incentive to consolidate regional ties (Malamud and Rodriguez 2013, 175). It is worth noting that China has been the main destination of Brazilian exports since 2009, which presents an opportunity for further studies on the systemic explanations of this country-specific trend.

**Conclusion**

The deterioration of Latin American regional integration is demonstrated by a higher degree of institutional fragmentation of concentric organizations in the region. Together, MERCOSUR, UNASUR and CELAC represent the closest that we can find in Latin America to a concentric effort to promote more solid institutional ties. The comparison of those three cases served to identify the presence and absence of structural conditions of institutional fragmentation in the region and to assess if they act as incentives to integration setbacks.

The characterization of the Latin American case as one of supply integration lends support to structural analysis as an explanatory possibility, since the systemic and regional structures act as constraints on institutional consolidation. The impact of the systemic structure is analyzed in extra-regional powers’ roles as centrifugal forces, while the impact of the regional structure is analyzed in the regional paymaster’s role as a centripetal force on integration. China and Brazil, respectively, represent those conditions.

We find that China’s presence in the region (as observed in MERCOSUR and UNASUR) has been markedly higher since the major financial crisis of 2008. MERCOSUR (1991) and UNASUR (2008) were created when the United States was economically closer to South America, but not as much politically, with integration acting as a challenge to this proximity. The first project started the process of institutionalization and the second aimed at deepening it by expanding members and agendas. These trends are consistent with the space left by the US for such regional mobilization, as argued by neorealist theorists of regions. But that space was soon occupied by China, especially after the commodity boom of the 2000s. In other words, at the beginning of the process, there was no demobilizing power, which allowed institutional consolidation of the region’s integration enterprise. The situation changed when China got closer and started to act as a demobilizing power.
In this context, UNASUR’s efforts proved more effective in theory than in practice, resulting in low institutionalization and more cooperation than integration. After the shift in the nearest external power, CELAC intentionally—unlike UNASUR—emerged with an institutionally looser model. China’s preference for CELAC as a forum with Latin America demonstrates that the rapprochement is also political, but uninterested in the regional integration projects already underway. The greater scope of the projects was not accompanied by greater institutionalization of integration objectives, but instead by a growing Chinese presence. The creation of competing projects such as Prosur, the Pacific Alliance and the Lima Group during periods of closer ties to China reinforces the relation between the extra-regional structure and the process of institutional fragmentation.

With regard to Brazilian engagement, the increasing rate of credit to member states after the creation of UNASUR—even if mostly limited to the Southern Cone—was coherent with intentions to deepen integration as a leader. However, this trend was reversed in 2010 and then consolidated in 2013. Brazil’s disengagement as a paymaster is, therefore, verified both in the weakening of more consolidated projects (MERCOSUR, UNASUR) and the emergence of an institutionally loose project (CELAC). Direct investment in the maintenance of regional organizations has also fallen, especially in MERCOSUR, since 2014.

By collecting data on Brazilian investments in the region, it was possible to strengthen the recurring, but not often verified, claim of disengagement. By using longitudinal data and distinguishing the different institutional context of China’s rapprochement, we highlight the importance of temporal contextualization and the need for different explanations for the different moments of integration. The constantly low regionalization of Latin America and the characteristics of export economies give distinctive qualities to the institutionalization of integration in the region. The same goes for explanations of its fragmentation, since causes of integration are not the same as causes of attempts, and failures, at institutional consolidation.

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