

Regional Dynamics in South America: The Decline of Neoliberalism and National Responses

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I. This paper aims to discuss some changes in South American regional politics that took place in recent years, highlighting the regionalization process, the nationalist tendencies and their implications for regional integration/disintegration. In this sense, two periods may be discerned. The first, from the end of the Cold War in the late 1980s to the September 11th terrorist attacks, marks not only the beginning the U.S.-led “War on Terror” but also a hinge on the development model based on and sustained through political and economic liberal policies. The 1990s can be seen as the peak of neoliberalism in South America. The second moment starts in 2001 and continues until the present time.

Therefore, a mapping of the region will be performed in order to observe some patterns of behavior regarding foreign and economic policies of some key South American countries in light of the latest transformations. Changes in government following economic and social crisis have been recurrent. Hugo Chávez in Venezuela, Nestor Kirchner in Argentina, Luiz Inácio Lula da Silva in Brazil, Tabaré Vázquez in Uruguay and Evo Morales in Bolivia are the some examples that stand out and continue to announce significant developments.

These “post-crisis” governments², democratically elected, entail a revisionist turn that sustains the current pro-nationalist regional tendency. It involves a certain ‘resurgence’ of the nation-state after the poor social and economic results of the economic liberal programs in the 90s. This process has crucial implications and it indicates political changes in three levels: 1) the domestic realm – through drastic changes among class alliances that came to power; 2) in the realm of foreign policy; 3) and in the regional realm – of regional

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² The crisis is that of the neoliberal development model and the perception of its failure by the majority of the population of the most affected countries.

complexes and integration/disintegration processes, a contradiction that appears as the core element of a new kind of regionalism, called “physical regionalism”.

II. The 21st century began with two processes whose development are of utmost relevance to our understanding of the nationalist change in South America.

- a) The first process can be understood as a crisis of the liberal development model, whose paradigmatic case is that of Argentina in 2001, but which had its first global incidences in Mexico, Asia, Turkey and Russia after the tough crises they underwent in mid-90s.
- b) The second process was the impact of 9/11 attacks in the USA and thereafter the reevaluation and reformulation of their global security polity. South America now plays a secondary role among key U.S. priorities.

These two processes are unfolding as the established unipolar system is ongoing, in which regional dynamics are no longer driven by the East-West security logic, and in which some regional and sub-regional complexes gain a relative autonomy in relation to the “War on Terror” priorities of the superpower, the USA. This is precisely the case in South America, a region relegated to a secondary rank in the security priorities of the US, as can be observed in the National Security Strategies issued in 2002 and 2006.³

Thus, to analyze regional political developments, the theory of regional complexes (BUZAN and WAEVER, 2003; FAWCETT and HURRELL, 1995; LAKE and MORGAN, 1997) can be of great use for our understanding of regional dynamics shaping the unit-level – that of national states – and its relation to the structural level (WALTZ, 1979) and the global economy. In this sense, the region is composed of *clusters* geographically determined and incorporated in a broader states-system, that has its own structure, and global reach (BUZAN and WAEVER, 2003:27). Therefore, the Regional Political

³ <http://www.whitehouse.gov/nsc/nss/2006/> and <http://www.whitehouse.gov/nsc/nss/2002/> Accessed on 04/20/06.

Complexes (RPC)⁴, as they will be termed, have analytic and ontological attributes; in other words, although they are units of analysis, they are not actors *per se* of the international system. Buzan and Waever argue that a regional security complex is confined by “a set of units whose major processes of securitization, desecuritization, or both, are so interlinked that their security problems cannot reasonably be resolved apart from one another” (BUZAN and WAEVER, 2003:44). On this conceptual basis, we will seek to ascertain which changes have taken place in the regional sub-complex of the Southern Cone in the post-Cold War period.

III. In the 21st century, there emerged new hopes of revitalizing the integration processes in South America, mainly around the Mercosul⁵ project, and more recently by the initiative of some countries led by Brazil towards the formation of a South American community of Nations (SCN-CASA), in an attempt to qualitatively overcome the model of open regionalism (CEPAL, 1994) or new-regionalism, that predominated in the 90s in accordance with free market principles. The social-economic crisis of the late 1990s and early 2000s in the region demonstrated that the integration process in South America required a deeper and more committed coordination on the part of states.

Such crisis, that inaugurated the new century, compelled the political actors to rethink what kind of model of regional integration should be developed. Therefore, external and domestic conditions enabled states to give a new drive to the regional integration process. This “new regionalism” ushered in after 2001 has been called by some analysts as “physical regionalism” (LIMA & COUTINHO, 2006). In this sense, the attacks in New York and the crisis of the neoliberal model in the region removed the veil that obscured the political potentialities⁶ of regional complexes. Thus, Lima & Coutinho argue that “the periphery

⁴ As the definition of security is used broadly by Buzan and Waever, we chose instead to use the definition of Regional Political Complex, that anyway is more suitable as it deals with South America regional dynamics.

⁵ It is known as **Mercosur** in Spanish and **Mercosul** in Portuguese (*Mercado Común del Sur* and *Mercado Comum do Sul*, respectively). In English, it would translate as the *Southern Common Market*.

⁶ Political potentialities that would materialize in the physical inter-connection by integration means, in which the main ways would be: energy resources – gas pipes, oil pipes, land and water transportation and altogether infrastructure investments. The II RSA initiative (initiative for the infrastructure for South American integration) goes in the same direction. For more information, see the website: <http://www.iirsa.org>

regions reacquired their political actor position that the end of the Cold War and the peak of the globalization process had obscured” (2006:4).

This is a crucial point regarding the validity of the national state as a relevant actor in the international system, and also as the integration engine in the regional complexes. It then coincides with the fact that regional dynamics in South America have garnered greater margins of autonomy after 2001, but this does not imply necessarily that the regional complexes consist in political actors *per se*. Perhaps this will happen in the future, as a result of the crystallization of political processes (e.g. through political and economic integration) that could be constructed and consolidated on the basis of its main actors, the national states.

In this way, our hypotheses can be summarized as the following:

1. In the 21st century, national states that are not implicated in the new threats arising from war against terror and related issues (terrorism, weapons of mass destruction, nuclear non-proliferation) acquire greater space of maneuver, or relative autonomy to implement nationalist policies in response to neoliberalism economic "failure". This will basically imply larger state intervention in areas that were sidelined and larger control of energy resources – whose prices have risen substantially from 2001 onwards. In other words, the shift takes place on the basis of the *securitization* of these resources through strategic planning, now directed by the state, to stimulate the growth of the regional economies.
2. This extended margin of maneuver has been widened along with a period of sustained growth in Latin America, and even more in South America, since 2002. The high prices of primary goods and of minerals and energy resources (gas and oil) explain, in large measure, this positive impact in South American countries. Another factor that strengthens this trend is the growing demand of the People's Republic of China for these products in the worldwide market.⁷

⁷ For more information, see the analysis in Conjuntura Internacional http://www.pucminas.br/imagdb/conjuntura/CNO_ARQ_NOTIC20051117105410.pdf

3. The larger margin of maneuver among South American states is giving rise to a new regional dynamic with greater autonomy, placing in the South American context the contradictions of a process that will have to be reconciled around state interests and agreements and, in the domestic realm, around alliances of sectors and social classes in power.
4. Directly related with the previous points, as it was highlighted, the region is witnessing the resurgence, in some countries, of nationalist policies? That have strongly manifested themselves as energy resources have been taken over, mainly in relation to non-renewable natural resources. It can be stated, in this direction, that, in large measure, these politics overshadow the debate regarding the high prices effects of oil and gas and the acquisition of natural resources income. Thus, energy security presents itself as an unavoidable question in the regional plane, as a central element for any type of integration process.
5. The process of regional integration by "physical regionalism" principles presumes joint policies by states regarding energetic resources, infrastructure, communication networks, etc. However, to achieve that, these same states must retake political control – not necessarily the property – of these resources, in order to contemplate a minimum plan of regional character, as a reply to the neoliberal programs of the 90s. This inevitable retaking of control is creating new regional disputes and challenges the integration process in the region. The most significant example of these contradictory dynamics is the dispute between Brazil and Bolivia⁸ over gas, after the nationalization of hydrocarbon resources by that Andean country in May 2006.
6. In sum, state-led energetic nationalism does not necessarily imply shifting from a ultraliberalizing, neoliberal model to a neo-developmental one, nor even the return of the import substitution industrialization (ISI) system. The contours of this new state protagonism are based on two elements:

⁸ It must be remembered that a problem of this nature regarding the natural gas resources between Chile and Argentina had already occurred, when Argentina breached the contracts for the sale of gas, signed in the 90s, with the Andean country. The fast Argentinean economic recovery and the posterior growth from 2002 on had led the Kirchner government to reformulate all its energy policies, leaving aside the private enterprise logic that was predominant in the 90s, in relation to energy resources.

- a. The breakdown of the model related to the Washington Consensus, whose paradigmatic case was the Argentinian crisis in 2002, brought about changes in some countries domestic policies. A leftist or more social bias followed the collapse of that model to the extent that, in countries as Bolivia or Venezuela, some traditional party structures did not remain or underwent radical transformation.
- b. A general trend of growth in world economy as the prices of commodities rise and China enters the market with high demands for these products. As a result, export of primary products and energetic and mineral resources has reached its peak, stimulating domestic economies.

As a result, then, policy dynamics may provide different and pragmatic national (state) responses⁹ to the crisis of the liberal development model in the region. These responses are upheld by a favorable global scenario: (i) rise in prices for primary goods, minerals, oil, gas, and other resources; (ii) China's striking demand for these products in the world market since 2001 (VADELL, 2007a); and (iii) U.S. low-rate, cheap-dollar policy.

IV. In this way, the 21st century inaugurated a stage of physical regionalism in South America, a sort of neo-regionalism based, essentially, on three pillars: 1) a more active political and planning role by the state – a critical revision of the liberalizing politics of the previous decade; 2) the growing relevance of energy resources, in a worldwide and regional economic growth stage, and increasing worldwide demand for gas, oil and minerals; and 3) a nationalist ideology, surrounding this process, as a critical neoliberalism revision of the 90s (VADELL, 2006).

Just as neoliberal programs had been implemented by democratically elected governments in the majority of countries in South America, the nationalist reaction occurs in a context of

⁹ No sentido do “double movement “ de Karl Polanyi, como respostas políticas para proteção das sociedades face os insucessos da aplicação de modelos econômicos baseados na utopia dos mercados auto-reguláveis.

pro-market model exhaustion and under the command of elected governments, to the point of provoking resignations of presidents, as the cases of De la Rúa in Argentina, Sanchez de Lozada and Mesa in Bolivia, and Lino Gutierrez in Ecuador¹⁰. This does not necessarily imply the consolidation of the young democracies in the region. Our objective in this paper is to raise some questions on the basis of the political processes in the region whose trends, far from being unequivocal, show differences in the similarities, demonstrating interesting paradoxes in the regional dynamics. In speeches of the president of Brazil, Luiz Inácio Lula da Silva, and of the Argentinean president, Nestor Kirchner, the claims to strengthen Mercosul and the strategic alliance that this would represent have been recurrent. Besides, the incorporation of Venezuela as a complete member of the bloc is expected. On the other hand, this process takes place in a decisive context of political changes around politics of nationalist character, mainly by the smaller states of the region¹¹, revealing the historical disparity among state actors in the region.

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¹⁰ For some countries, mainly the poorest, the challenge is even more complex, as this national response encompasses historical demands of participation in the democratic procedures on the part of indigenous populations, and rural area sectors. This implies, in turn, a revision of the national identity of these unsolved questions; in other words, the concretization of democracy. This is the case of Bolivia, Ecuador and Peru, for instance.

¹¹ Bolivia vs. Brazil in relation to the nationalization of hydrocarbons resources; Uruguay vs. Argentina related to the cellulose plants alongside the Uruguay river; Paraguay and Uruguay vs. Argentina and Brazil related to Mercosul non-benefits. These disagreements can generate others, reaching the relation between Brazil and Venezuela, potential Mercosul member, regarding the intellectual and material support that the president Hugo Chávez would have given to Evo Morales in the Bolivian nationalization.

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