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Abstract

The landscape of Latin American regionalism has experienced profound transformations in a relatively short period of time. Regional organizations have proliferated; the open regionalism of the 1990s has gone into decay; new organizations, often referred to as belonging to a new wave of a more political "posthegemonic regionalism," took center stage; only to be displaced in the attention of observers by newer trade-oriented organizations such as the Pacific Alliance. These developments have been puzzling scholars and policy makers, who for their most part have tended to converge on the view that a fragmented regional configuration with diverging or even incompatible models of regional integration is on the rise. This article challenges this interpretation by arguing that many of the trends we observe are rather the result of Latin American states' practical adaptation of their foreign policy strategies to the emergence of a multipolar political economy in the international system. One important consequence of this process of adaptation, I argue, is a "decoupling" of the economic function of regionalism from its other dimensions – a process that I show is facilitating the emergence of a regional architecture characterized by a finer division of labor among organizations.

Keywords

Regionalism, regional organizations, Latin America, multipolarity, foreign economic policy, open regionalism, posthegemonic regionalism, cross regionalism

Introduction

Few phenomena in the sphere of Latin American international politics have generated such controversy among scholars and policy makers in recent years as has the rise of new so-called "postliberal" or "posthegemonic" regionalist arrangements and the concomitant multiplication of regional organizations in the same continental area arguably following disparate, overlapping and even competitive models of regional integration. Indeed, the first decade of the twenty-first century witnessed the almost complete disarray of the for many years unchanged landscape of 1990s' Latin American regionalism. Next to the Common Market of the South (Mercosur), the Andean Community (AC), and the Central American Integration System (SICA) – all regional schemes that group each different countries and operate along the lines of a trade-oriented "open regionalist" strategy – at least four new, sizeable regional organizations have joined the fray since 2004: the South American Community of Nations (CSN) (2004), later renamed the Union of South American Nations (UNASUR) (2008); the Bolivarian Alliance for the Peoples of Our America (ALBA) (2004); the Community of Latin American and Caribbean States (CELAC) (2011); and the Pacific Alliance (2012).

The result has been a complex patchwork of many coexisting and overlapping projects that poses a significant challenge to established approaches to understanding and explaining Latin American regionalism. In their attempt to make sense of this new configuration, scholars have been unable to find a common ground with regard to the characterization and the consequences of this proliferation for regional integration and, more generally, regional order (Nolte 2014:2). Thus, from a critical perspective, some authors concluded hopelessly that the recent unfolding of "segmented and overlapping regionalist projects is not a manifestation of successful integration but, on the contrary, signals the exhaustion of its potential" (Malamud & Gardini 2012:117). In their view, within what they call "decentralized subregionalism," multiple membership and double loyalty will inevitably create friction between and within regional projects and will potentially lead to norm conflict and division (Ibid.:121-123). Representing a more open-ended perspective, other authors see in the current situation a trend toward greater diversification of (hybrid) regional organizations – though they diverge on whether this phenomenon is just a phase of transition (Sanahuja 2008/2009:24) or whether it necessarily leads to amalgamation or convergence (Tussie 2009:185-86). Drawing on the European experience (Hofmann & Mérand 2012), a third group of authors have recently taken a more optimistic view, emphasizing the positive potential of a plurality of overlapping regional organizations. According to them, across this broad spectrum of different regional organizations, each Latin American country can pick and choose the mix of regional organizations or cooperation structures that best fits its national interests and foreign policy priorities, thereby minimizing the risk of zero-sum politics in their interactions with other states (see: Nolte 2014:3; Gardini 2013).

Whether stressing the positive or negative implications of this new regional configuration, however, what all of these different interpretations have in common is that they start from the underlying assumption that divergent and even incompatible models of regional integration currently coexist and compete against each other in Latin America. Thus, according to Briceño-Ruiz (2014), Latin America is fragmented in at least three axes: an open integration axis (Pacific Alliance), a revisionist axis (Mercosur), and an antisystemic axis (ALBA). Each of these axes can be said to "subscribe to different economic models that are based on diverse approaches to economic development and different strategies of regional insertion in the world economy" (Ibid.:13). More straightforwardly, Quiliconi (2013:148-150) argues that Latin America is currently divided into two geopolitical blocs: one formed by countries more oriented to the Pacific and that still adhere to the neoliberal policies of the 1990s; the other, by those that have assumed a more neodevelopmental stance, allowing an active participation of the state in their economies. The ideological bid between these two blocs would also be reflected in that each subscribes to models of commercial integration that are "diametrically opposite" – namely, "competitive bilateralism" and "open regionalism." The same view has also been expressed in policy makers' circles. For instance, in September 2013 the former Chilean president, Ricardo Lagos, compared the current situation in South America with the Treaty of Tordesillas of 1494, by virtue of which the crowns of Spain and Portugal divided their dominions in the Americas (EFE 2013).

In this contribution I challenge this broadly diffused assumption – which henceforth I call "the competitive models of integration paradigm" – by examining the very roots of the proliferation of regional organizations in Latin America. My proposition is that the question of this proliferation and its implications for Latin American regionalism can be better addressed by looking at the interface between the rise of new so-called postliberal or posthegemonic political organizations such as UNASUR and ALBA,[1] on the one hand, and the crisis of open regionalism schemes such as the AC and Mercosur, on the other. I contend that both phenomena are the outcome of the same broader process by which Latin American states adapt their foreign policy strategies to the political economy of a multipolar world. The fact is that the gradual emergence of multipolarity in the international system is fundamentally disrupting the structure of incentives that once motivated Latin American states to band together to form open regionalist arrangements like the AC and Mercosur, thereby making the pursuit of this particular strategy of international insertion considerably more difficult or even unviable. However, the appearance of posthegemonic regionalism (UNASUR and ALBA) on the scene has not come to supersede, much less transcend, open regionalism by taking on the key tasks of providing access to international markets and attracting foreign direct investment (FDI) given up by the latter. The importance of these tasks has of course not vanished. They remain as vital for Latin American states' development goals as they were in the past. Instead, the bundle of policy issues open regionalism was designed to deal with (trade and investments) are progressively being taken up (although unevenly) by the relatively new international institution of "cross regionalism", which contrary to what is commonly assumed, avoids the high political costs usually involved in "north-south regionalism" via the triangulation of several extraregional trade partners. Increasingly disencumbered from these functions, there is consequently less and less need at the regional level for major exercises of interstate economic coordination as in the past. Regional cooperation can therefore concentrate on politics. In other words, in this new constellation regional organizations have more leeway to deal with the second major foreign policy goal that has traditionally been pursued by Latin American states either individually or in concert: autonomy. Thus, what we observe is not the proliferation of divergent and competing models of regional integration but a major (slow but steady) "decoupling" of the economic function of regionalism from its social, political, and security dimensions – the latter of which is reflected in the rise of "postliberal" or "posthegemonic" regionalism.

This argument, which I develop in the following pages, builds on at least three important considerations that are often neglected in the study of Latin American regionalism and comparative regionalism more broadly. First, following Hofmann and Mérand (2012:133-34), I believe that it makes little sense to look at regional organizations in isolation; to do so would risk "neglecting the specific properties of an institutional architecture (i.e., how different regional organizations are assembled together) and the impact that these properties have on regional order" (see also Nolte 2014:4). Scholars often assume that regional organizations should be "self-contained" and functionally similar, as if they were states. From such a perspective it is easy to conclude that regional organizations may be competing for membership or mandate if one observes two or more regional organizations overlapping in the same geographical space. Whether they do so and to what extent is an empirical question that needs to be substantiated "on the field" and not "built into" the theoretical framework in the first place. Short of an esthetic longing for symmetry, there are no reasons to a priori

[1] The concept of "posthegemonic regionalism" was first introduced by Riggirozzi and Tussie (2012) to designate the emergence of these new, arguably "hybrid" regional organizations as belonging to new "more political" kind of regionalism that would substantially diverge from regionalist practices in the region thus far. "Postliberal regionalism" is the label given to this same phenomenon by Sanahuja (2008-2009) in one of the first publications on the issue.

assume that states may not under certain conditions deem it expedient to pursue one policy goal within one organization at the same time that they go after another policy goal within a different organization.

This point leads us directly to the second consideration, which is that regionalism, insofar as it is an instrument of state action, has a big deal to do with foreign policy. Regionalism has been aptly defined as a "*states-led project* designed to reorganize a particular regional space along defined political and economic lines" (Payne & Gamble 1996:2, emphasis added). These particular "economic and political lines" are defined by states (not organizations) to better deal with collective action problems relative to each other or to their international environment. Therefore, the study of regional organizations should pay more attention to unit-level variables, especially to state actors' intentions. Instead of measuring regional organizations against each other, researchers should ask how (different) organizations may help their member states to achieve fundamental foreign policy goals. Regionalism is not an end but a means. In the face of certain international challenges, it may become imperative, useful to some purposes in other situations; it can, however, also prove to be a burden under particular circumstances. This is especially true for regions like Latin America, in which intergovernmentalism remains dominant.[2]

The third consideration refers to the fact that due to the relative laggard position of Latin America in the international system, regionalism in this part of the world has traditionally been about strategically adapting to perceived changes and opportunities in the international environment. As Dabène (2012:42-43) puts it, with regard to regionalism, Latin American states' "decisions derive not so much from lessons learned from past experiences within the integration process, but rather from signals received from outside the region, and the way they interpret them." One could think of a model in which the higher the position a region occupies in the international political economy (i.e., the more it approaches or becomes the core itself), the more likely the type of regionalism developing within this region (due to a general lower vulnerability *vis-à-vis* the world) is to be about dealing with intraregional policy challenges. Conversely, the lower a region scores in the international economic pecking order, the more likely regionalism within this region is to be an instrument for better dealing with the extraregional world, to which it is usually more vulnerable. In terms of its participation in the global economic output, Latin America went from fifth position right after independence to sixth in 1870 (its lowest historical point at the height of the *Pax Britannica*) back to fifth for most of the twentieth century. Due to the dissolution of the Soviet Union and the dramatic economic consequences thereof for the countries in that region, Latin America entered the twenty-first century in fourth position, behind North America, Europe, and Asia (ECLAC 2002:79). Thus given the region's relative systemic position, it is unhelpful to approach Latin American regionalism as it were unfolding in an international political vacuum; instead, it should be understood as a device that is constantly adapting and reinventing itself to better deal with the ever new challenges emerging from a changing world.

In the following pages, I first make the case that the gradual emergence of a multipolar international economy during the last decade has substantially altered the structure of incentives on which the strategy of "open regionalism" – adopted by Latin American states in the early 1990s – is supposed to operate. Second, I demonstrate how the new international institution of "cross regionalism" (and not the new so-called postliberal or posthegemonic regional organizations) is taking on the tasks open regionalism is increasingly unable to perform. I further show that cross regionalism is qualitatively different from "north-south regionalism", as some scholars have labeled some of the latest bilateral trade agreements signed by Latin American states (e. g., Quiliconi 2014:241). Contrary to this last type of regionalism, cross regionalism permits states to attain at least four important foreign policy goals at the same time: (1) to secure access to the most important world markets, (2) to reduce economic dependency on just one large trade partner, (3) to gain more control over the liberalization process (and thereby on the costs of domestic adjustment), and (4) to remain attractive destinations for

[2] This observation does not preclude the possibility that a group of state actors may choose to purposely use regionalism as a means to transcend their Westphalian society or even create a new geopolitical entity.

FDI. Third, I argue that this gradual “decoupling” of the economic function of regionalism from its other dimensions is responsible for the proliferation of regional organizations in this part of the world as it has facilitated the emergence of more specialized politico-security institutions. I contend that this increasing diversity is not leading to a dominant pattern of overlapping, conflict, and competition but to an emerging *regional governance complex* characterized by a finer division of labor among regional organizations.

Multipolarity and the Demise of “Open Regionalism”

There is a consensus among scholars that the regionalist schemes established by Latin American states in the early 1990s have become immersed in a deep crisis or, at best, stagnated in recent years (Sanahuja 2008-2009:13; Phillips & Prieto 2011; Malamud & Gardini 2012). In accounting for this decline, some pundits have emphasized the role of endogenous variables such as weak demand-side conditions for further integration (Burges 2005) or the volatile behavior of regional powers (Krapohl *et al.*: 2014). Others have begun to point at the world-region interface in terms of an increasing “tension between regionalist strategies and global priorities” (Phillips & Prieto 2011:121; see also Malamud & Gardini 2012: 128-29) but without really systematically fleshing out the implications of this tension for Latin American regionalism. Unlike the first group of observers, I am not concerned here with the role played by single critical events or the behavioral attitude of an individual state in accounting for the crisis of “open regionalism” but rather focused on its overall strategic logic and the specific structure of incentives that was supposed to sustain this cooperation game over time. In this section I contend that the structure of incentives of “open regionalism”, despite probably being the most appropriate answer under the international conditions prevalent during the 1990s, is very likely to unravel under the emergent political economy of a multipolar world.

The Strategic Logic of “Open Regionalism”

As the import-substituting “old regionalism” foundered amid the hardships of the 1980s’ debt crisis, Latin American states soon saw themselves wrestling with the question of how to best deal with the new international realities. This was specially pressing since the challenges posed by some of these changes were at the time threatening to spoil the development advances most countries had made during the last decade. These new realities were mainly characterized by the renewed impetus of globalization, driven principally by the expansion of multinational corporations from the OECD world, and the general desecuritization of the international system that had resulted from the end of the Cold War. Latin American scholars and policy makers asked themselves whether each state should be left to cope with these challenges alone or whether, once again, a strategic rationale to cooperate could be identified. And if the latter was the case, which type of regional cooperation arrangement (or *regionalism*) would most adequately meet these challenges under the most favorable possible conditions?

Within this context the think tank UN Economic Commission for Latin America and the Caribbean (ECLAC) soon advanced the new concept of “open regionalism”, which it concisely defined as the use of regional “preferential integration agreements and other policies in a context of liberalisation and deregulation, geared towards enhancing the competitiveness of the countries of the region” (ECLAC 1994:8). According to this strategy, regional states band together to form a larger market – either in the form of a preferential trading area or a customs union – not so much in pursuit of the direct gains of trade among each other but as part of an outward-looking strategy to insert themselves into better conditions into the world economy. The primary strategic challenge was to capture the largest possible share of the world’s FDI, the bulk of which came from OECD multinational corporations. This was no easy task, however, since many other developing countries with similar economic characteristics were also reforming themselves and entering the fray almost at the same time. As a consequence, developing countries’ bargaining leverage was generally very low and investors’ leeway to decide where to invest was high, which meant that any small comparative advantage a developing nation had over its competitors could translate into significant amounts of FDI being attracted and, by definition, diverted from other countries (Ethier 1998:1156). This partly explains the race toward domestic liberalization policies seen in so many countries during this period. Thus when the ECLAC referred to the goal of "enhancing the competitiveness of the countries of the region" in the definition above, it concretely meant enhancing their ability to compete effectively *against* countries in other developing regions equally eager to attract FDI in order to modernize their economies.

Open regionalism was designed to assist Latin American states to capture larger shares of FDI by enticing investors with the competitive advantages offered by a bigger integrated market. First, it was hoped that creating a larger market would increase the economic viability of many so-called lumpy investments – that is, investments that only make economic sense above a certain size. Second, the Latin American conceptualization of "open regionalism" foresaw the establishment of a common external tariff wall, the aim of which was also to attract FDI but one that could bring more technology with it. Concretely, it was expected that a common external tariff would make the import of some industrial products to the region slightly more expensive than those of regional competitors, not much in the spirit to shield regional producers from foreign competition as was the case in "old regionalism", but in an attempt to lure extraregional exporters to "jump" the external tariff by investing in manufacturing facilities inside the customs union (Fernández & Portes 1998:202).

A second strategic rationale of "open regionalism" was to increase the bargaining clout of individual member states in multilateral, plurilateral, or interregional trade negotiations. It was hoped that by using the bargaining chip of granting access to a larger market – or the threat of denying it – member states might be able to strike better trade deals with third parties. The application of this strategy was evident in the decision of Mercosur to negotiate as a bloc the now dropped Free Trade Agreement of the Americas (FTAA) proposed by the United States and in Brazil's intention to penetrate the highly protected EU agricultural market by using Mercosur as a bargaining bait (Tussie 2009: 183-84; Burges 2009: 56).[3]

Open Regionalism in a Multipolar Political Economy

The strategy of "open regionalism" rested on two important assumptions. First, it presupposed that the distribution of bargaining leverage was more or less even among the regional states trying to cooperate. In other words, if the market of one of the member states were to become considerably larger than those of its regional partners, the state in question may, in theory, be able on its own to attract large amounts of market-seeking FDI or strike advantageous deals in international trade negotiations with third parties. Second, it assumed that extraregional partners, at least in principle, would agree to negotiate with the regional grouping as a whole and abstain from pursuing a selective bilateral strategy. I contend that within the emerging political economy of a multipolar world, these two premises are unlikely to hold with the same strength as they once did.

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[3] It is necessary to distinguish the Latin American strain of "open regionalism" from its Asia-Pacific counterpart. In the Asia-Pacific, "open regionalism" has been defined as "regional economic integration without discrimination against outsiders" (Garnaut 1996: 1). Hence, Asia-Pacific "open regionalism" does not form part of "discriminatory regionalism" as when tariff barriers are lower for members than for non-members like in customs unions and preferential trading areas (Ibid.: 16). Since the partners of an open regionalist arrangement in the Asia-Pacific version commit to the most favoured nation rule, the main mean available to them for promoting regional integration is "trade facilitation" – that is, the provision of regional public goods that facilitate the operation of markets such as transport and communications infrastructure or regulatory regimes. As Garnaut (1996:31) points out, in Asia-Pacific "open regionalism" there is "no requirement of cooperation, and therefore no necessary costs of organization and enforcement, no free rider problem, and no need for hegemonic leader". This substantially differs from what we have seen thus far are the main strategic lines of Latin American "open regionalism".

I define emerging multipolarity as the parallel rise of new powers in different regions of the world.[4] From a strict liberal economic perspective, these new powers are just large markets (Armijo 2007:12). From an international political economy perspective, however, they are also states and governments, which to different degrees enjoy a measure of control over these markets and can therefore use them strategically as an instrument of foreign economic policy. The variety of ways in which this market power can be used potentially affects the position and calculations of other states. So defined, multipolarity may have an *inside-out* and an *outside-in* implication for open regionalism. The *inside-out* implication is that if the regional group in question contains a rising regional (great) power, the first premise of open regionalism (namely, the relatively even distribution of bargaining leverage) would be adversely affected, thereby potentially disrupting or changing the structure of incentives that once motivated neighbors to cooperate. On the one hand, the incentives for the rising regional power to "go it alone" and use its newly gained market power and political status to attract market-seeking and other kinds of FDI, and sign advantageous trade agreements with extraregional partners may prove very difficult to resist. On the other hand, smaller regional states may fear a situation in which the regional power ends up capturing a disproportionate share of the regional FDI and thus may start searching for policy alternatives to open regionalism.

The *outside-in* implication of multipolarity for open regionalism refers to the way in which old and new powers interact with world regions besides their own within this new constellation. Instead of concentrating on their home regions, both established and rising powers are increasingly projecting their economic power to distant latitudes.[5] For one thing, rising powers are growing eager to use their market power oversees to attain different foreign policy goals, such as expanding and securing markets for their exports, ensuring the supply of scarce raw materials or, simply converting their newfound economic power into political currency. To make the most of their market leverage, these states have incentives to deal with individual countries instead of regional groupings. This kind of behavior is, in turn, putting pressure on the policy options available to established powers, as they now have to face the competition of new powers equally keen to seize economic and political opportunities in the same target region. Under these new circumstances the margin of maneuver for alternative ways to reach out to other regions, such as bloc-to-bloc (also "interregionalism") or country-to-bloc negotiations, may become considerably thinner than when this competition was absent.

In theory, the balance of incentives sustaining a strategy of open regionalism could be disrupted by either of these dimensions of a multipolar political economy operating individually or by both at the same time. The emergence of a regional (great) power among the ranks of a regional grouping alone could potentially transform an original strategy of open regionalism into what has been called "north-south regionalism" (e.g., the North American Free Trade Agreement [NAFTA] or the Euro-Mediterranean Partnership). The structure of incentives of north-south regionalism diverges from open regionalism in that the asymmetry of power constitutes the very basis of the regional bargain. According to this strategy, smaller states adhere to the rules and standards set by the larger country (political costs) in exchange for market access (economic gains) (Perroni and Whalley 2000:2). These states' privileged access to the market of the regional agreement's largest partner (or regional power) would hence come to constitute the principal source of their ability to draw investments from abroad (Fernández and Portes 1998:211). A transformation of open regionalism into north-south regionalism is theoretically possible but, I argue, increasingly unlikely under the emergent international constellation, since the key attribute of multipolarity in this century is not the discrete emergence of *regional* powers as some scholars seem to believe but the *simultaneous* rise of several power centers in different regions of the world that interact with each other and with other states on a multiregional basis (Acharya 2014; Garzón 2015).

4 For a similar characterization of the emergent international constellation, see Acharya 2014: Pos. 2486.

5 Garzón (2015) has defined this phenomenon as a crisscrossing *decentered multipolarity*.

The Demise of the Andean Community and the Dilemmas of Mercosur

There is plenty of evidence that the AC and Mercosur have been increasingly struggling with these international pressures in the last years. In this section I show, first, that in the case of the AC, the policies of established and rising powers toward the subregional agreement (the *outside-in* implication of multipolarity) were ultimately responsible for the breakdown of the strategy of open regionalism and, second, that within Mercosur, even though open regionalism remains in operation, member states are faced with the difficult strategic dilemmas that both the *inside-out* and *outside-in* implications of multipolarity pose. As noticed above, the focus of inquiry lies in the structure of incentives that permits open regionalism to operate as a more or less coherent strategy and not in the continued persistence of the formal institutional structures of these regional schemes. Regional organizations may formally continue to exist for a long time after their strategic function has become obsolete, or even assume new functions and strategic rationales under the same name.

The AC, the direct successor of the Andean Pact of 1969, started to function as open regionalism at least since 1993–1994, when the free trade area and the common external tariff entered into operation. By the end of the first decade of the twenty-first century, however, this strategy was foundering as some member states decided to go it alone and negotiate individually with a number of large extraregional trade partners, thereby making the AC's common external tariff part of their negotiations with nonmember parties. A first assault on this regional scheme came from the north. After failing to persuade Latin American states to form the continental-wide Free Trade Agreement of the Americas (FTAA), the United States decided to resort to a selective bilateral strategy to engage the region first by negotiating and signing a free trade agreement (FTA) with Chile. Yet Chile was not taking part in any open regionalist scheme at the time. The same year this agreement entered into force (2004), the United States repeated the exercise and began bilateral FTA negotiations with two key AC member states, Peru and Colombia. Both sets of negotiations concluded in 2006, and the corresponding FTAs came into effect in 2009 and 2012, respectively. At almost the same time, a pulling force from the east emerged, as China attempted to brace its rapidly growing volume of trade with Latin America by seeking to establish bilateral FTAs. The first of them, signed with Chile, entered into force in 2006. A second FTA, with AC member state Peru, followed in 2010. Meanwhile, an additional FTA with AC member Colombia is said to be currently under discussion.[6] Perhaps in fear of being left behind the United States and China, the European Union forewent its interregional bloc-to-bloc negotiation approach and signed bilateral FTAs with Colombia and Peru in 2011 – both of which came into effect in 2013.[7]

Mercosur, created in 1991 along the strategic lines of open regionalism, performed better in resisting extraregional temptations than its Andean counterpart. However, it may be approaching the limits of its ability to withstand such pressures as a bilateral EU-Brazil FTA seems likely to follow anytime soon the strategic partnership already signed by both parties in 2007. Indeed, after more than a decade of discontinuous and ultimately unfulfilled interregional negotiations for a comprehensive EU-Mercosur trade agreement, Brazil looks about to succumb to the temptation of making the most of its privileged bargaining position as the world's seventh-largest economy and special EU partner as it presented a proposal in August 2013 to start negotiations over an FTA with the European Union.[8] Domestically, the Brazilian National Confederation of Industry (CNI) has been pleading for a more

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6 There are also rumors that China and Ecuador are studying the feasibility of an FTA.

7 The growing trade volume between China and Latin America is already threatening to displace the European Union to third in the list of Latin America's most important trade partners after the United States and China. In 2012 China was already the main trade partner of Brazil, Peru, and Chile.

8 Brazil's growing preference for going it alone is reflected in the words of former Brazilian foreign minister Antonio Patriota: "There are objective conditions that create strong incentives for an advance on the EU-Mercosur front…but there is also an anticipation that each [Mercosur] country may be able to negotiate at separate speeds" (quoted by Rathbone and Leahy 2013).

flexible Mercosur that allows its individual member states to negotiate trade and investment accords with third countries. It also called on the Brazilian government to actively seek to conclude new trade agreements, even without Mercosur (Tvevad 2014: 22-23). The future of Mercosur was also a prominent topic in the last Brazilian presidential race, fought between Dilma Rousseff (Partido dos Trabalhadores) and Aécio Neves (Partido da Social Democracia Brasileira). Neves suggested replacing Mercosur´s customs union with a free trade area that would allow Brazil to conclude partnerships with countries with which it has economic complementarities (Ruck Bueno 2014). Frustration with the straitjacket of open regionalism, however, seems to be greater in the smaller Mercosur member states. Uruguay, for instance, has unsuccessfully devoted much of its diplomatic efforts to obtaining temporary authorization from Mercosur to conclude a bilateral FTA with the United States.[9] Likewise, in the midst of Paraguay's readmission to the regional bloc after its temporary suspension for the alleged irregular impeachment of then president Fernando Lugo, the newly elected president, Horacio Cartes, called for Mercosur countries to be granted more "independence" to look for new markets and negotiate agreements (Infobae 2013). Uruguay's and Paraguay's requests for observer status in the Pacific Alliance may be interpreted as another signal of their dissatisfaction with the disciplines of open regionalism.

Thus, in less than a decade the new way in which established and rising powers engage with the region has practically dismantled the operation of open regionalism in the AC and rolled it back to the earlier stage of a free trade area. Meanwhile, within Mercosur the tensions between both the *outside-in* and *inside-out* pressures of an emergent multipolar political economy, on the one hand, and the norms of open regionalism, on the other, lie at the heart of the debates and political struggles among and within Mercosur's member states with regard to the future of this regionalist scheme. In view of these developments, it is possible to conclude following Phillips and Prieto (2011:116), that open regionalism "has essentially run aground as a force for structural transformation of the political economy in Latin America."[10]

The New International Institution of "Cross Regionalism"

In this section, I argue that the tasks open regionalism was supposed to fulfill – namely, to provide access to the world markets and attract FDI – have not been taken on by the new regional organizations (UNASUR and ALBA) described as representing postliberal or posthegemonic regionalism. As some scholars have already observed, no concrete strategy to improve the way their member states insert themselves into the world economy can be discerned from the goals, official documents, or actions of these two organizations (Sanahuja 2008-2009: 22-23). The UNASUR constitutive treaty states clearly that the organization's main priorities are political dialogue, social policy, energy, infrastructure and financial cooperation, and the protection of the region's natural

9 Due to the substantial institutional implications of such an authorization for Mercosur, Uruguay ultimately signed a trade and investment framework agreement (TIFA), instead of an FTA, with the United States.

10 Meeting the first operational condition of a strategy of "open regionalism" namely, the symmetrical distribution of market leverage, the member states of the Central American Common Market (CACM), – Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica, all small states of more or less similar market size – managed to maintain unity and negotiate important trade agreements collectively. In spite of this, however, the sub-region has not been completely immune to the pulling force of emerging powers which have no hesitations in negotiating bilaterally with individual member states of established regional groupings as China has signed a FTA with Costa Rica in 2010. Costa Rica, while remaining a member state of CACM, has also embarked on a parallel strategy of cross regionalism (see below) and signed additional bilateral FTAs with Singapore (2010) and Peru (2011). Elsewhere, customs unions have failed to crystallize either because the member state with the larger market leverage (or regional power) has chosen to "go it alone" as in the Southern African Development Community (SADC-CU) (Krapohl et al. 2014:891) or because smaller individual members have been tempted by extraregional powers to forsake regional commitments as in the case of Bahrain (2004) and Oman (2006) signing bilateral FTAs with the United States and leaving the Gulf Cooperation Council´s customs union in tatters (Janardhan and Rutledge 2004).

resources (UNASUR 2011). The sparse mentions of economic and commercial cooperation in the document remain at the declaratory level and are unrelated to any identifiable policy guideline. For its part, ALBA's institutions and mechanism are designed to redistribute resources "among" its member states and not to regulate the way resources flow between them and the world economy.[11] In this sense, it cannot be said that this new type of regionalism has transcended open regionalism by either replacing it with a new strategy or expanding its core functions as some authors seem to suggest (e.g., Riggirozzi 2012:426; Sanahuja 2012:149). Instead, the reality on the ground for most states is that the job of open regionalism is progressively being assumed by the new international institution of "cross regionalism", which – contrary to posthegemonic regionalism – does not only provide states with alternative ways to access world markets and attract FDI, it also offers a couple of important additional advantages. The spread of cross regionalism in the region, however, is not yet uniform. Due to their special economic characteristics (specially large market size or a dominance of the extractive industry), a few states are coping quite well with the demise of open regionalism without having to recur to any alternative strategy, or only partially engaging in some aspects of cross-regionalism.

Cross regionalism is by far the most rapidly expanding instrument of foreign economic policy in the world. A rarity barely a decade ago, in 2010 it already represented half of all preferential trade agreements in force (WTO 2011: 58-61). As its name suggests, "cross regionalism" refers to trade agreements between countries belonging to different regions of the world, thus challenging the notion that economic integration can only proceed at the multilateral or the regional level. Cross regionalism, however, should not be confused with "interregionalism", which is when two different regional trading blocs agree to liberalize trade among each other (Aggarwal & Fogarty 2004:5). Instead, cross regionalism is a policy pursued individually by states that engage in small-scale bilateral free trade areas with other states overseas. [12] Cross regionalism also tends to transcend the traditional agenda of multilateral trade liberalization as these agreements often contain elements not only of what has been called the "WTO-plus agenda" (such as investments, standards, and intellectual property rights) but also diverse mechanisms of high-level political consultation. In this sense, a key characteristic of cross regional agreements is their *hybridity*. They may range from limited framework agreements to deep integration accords covering a wide range of issues beyond trade (Whalley 2008: 517-518). Precisely because of the various forms it can assume, another characteristic of cross regionalism is that it is more *flexible* and oriented to *process* than other types of regionalisms, in which all issues have to be agreed and defined in a one-off "constitutive treaty" or "grand bargain." Last, many of these agreements involve countries of marked power asymmetry – that is, between developed and developing countries or established/emerging powers and smaller states (Ibid.: 523). However, cross regional agreements among developing countries and similar-sized states have also proliferated in recent years.

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[11] Indeed, ALBA's main institutions and mechanisms – such as Petrocaribe, the "major national projects" (*proyectos grannacionales*), the Unified System for Regional Compensation (SUCRE), and the ALBA Bank – are all designed to redistribute resources or facilitate the exchange thereof among ALBA member states (Altmann 2009).

[12] The term "cross regionalism" appeared for the first time in the field of economics, specifically, in early WTO research (Crawford and Florentino 2005). Although the concept seems to be new to analysts of Latin America's international politics, the phenomenon it describes has already been observed with a variety of alternative denominations. Sanahuja (2008-2009), for instance, talks of a "radial strategy", while Comini and Frenkel (2014) refer to a "polygamous" model of international insertion. The chosen label of "cross regionalism" can be criticized on the basis that the word "regionalism" should not be part of concept since the phenomenon it purports to describe involves economic cooperation with countries belonging to "other" regions of the world (that is, there is no region in this kind "regionalism"). Rather than a misconception, this lexical characteristic has to do with the use economists usually give to the term "regionalism" to designate all trade agreements which *are not* multilateral. I agree with this criticism but nevertheless I still choose to stick to the label of "cross regionalism" in favor of continuity and semantical consensus in the discipline. The reasons are twofold: first, unlike alternative labels, a considerable body of literature already uses the concept of "cross regionalism", especially in the context of the Asia-Pacific region, where this phenomenon has been widespread (Solís and Katada 2008). Second, follow-up research of initial WTO findings by the WTO itself as well as by other scholars has also chosen to adopt this terminology (e.g. Tovias 2008:11). I could not find similar reasons in favor of any alternative term.

The fact that a first wave of these agreements was signed by developed-developing country dyads seems to have led some authors to believe that cross regionalism is just another instance of "north-south regionalism". Thus, for example, Quiliconi (2014 and 2013:150) argues that the Pacific countries in Latin America are following a strategy of "competitive liberalization" under the leadership of the United States. Indeed, competitive liberalization was the name given by the former US trade representative, Robert Zoellick, to the US version of the strategy of cross regionalism (Evenett and Meier 2008). It is also true that the original aim of this strategy from a US perspective was to start an all-out race toward liberalization by triggering a domino-effect of bilateral FTAs, in which the fear of trade and investment diversion in favor of the first wave of signatories would motivate other states to seek to conclude FTAs with the United States on the latter's terms (Ibid. 38; Tussie 2009:179-180). In terms of outcome, that would indeed amount to a type of regional economic governance resembling north-south regionalism. The irony of cross regionalism is that even when it might have been unleashed by US trade policies, its diffusion eventually got out of control, with some smaller states developing their own version of the strategy and using it in ways that paradoxically seek to preserve them from having to agree to the terms of north-south regionalism. In fact, for smaller states and developing countries in general, the new international institution of cross regionalism is an specially appealing strategy as it can potentially assist these states to fulfill at least four functions crucially related to the overall goals of development and autonomy: (1) to secure access to the most important world markets, (2) to reduce economic dependency on one large trade partner, (3) to gain more control over the liberalization process itself (and, thereby, on the costs of domestic adjustment), and (4) to enhance their attractiveness as a destination for FDI.

The first function of cross regionalism, which is to secure access to most important world markets, is key for the development goals of developing countries. It is no wonder that the strategies of open regionalism and north-south regionalism were embraced by these states in the past precisely in pursuit of this goal. In fulfilling this function, however, cross regionalism is not superior to north-south regionalism in providing smaller states with an "insurance" against future trade wars or unilateral protectionist measures adopted by the larger partner with which they decide to integrate (see Perroni & Whalley 2000).[13] Just as in the latter strategy, smaller states adhere to the rules and standards set by the larger partner in exchange for secured market access. In this sense, to the extent that they have to unilaterally adjust to policies defined by others, engaging in cross regionalism may also entail a political cost for these states. Contrary to north-south regionalism, however, cross regionalism does not incur a second, potentially more risky, political cost of becoming dependent on the larger trade partner with which the agreement has been concluded, as this new strategy permits the smaller country to balance one trade relationship with a large trade partner with another trade relationship with a second, third or even fourth large trade partner – thereby fulfilling a second important strategic function. Thus, the practice of cross regionalism implies the simultaneous participation of a country in various FTAs. As Tovias (2008:4) puts it, by engaging in cross regionalism these states "strive to escape their initial uncomfortable status of so-called 'spoke' by signing agreements with more than one 'hub.'" This strategy would have been impossible or considerably more difficult to pursue in a world with only one or two "hubs." Hence, the proliferation of cross regionalism in the last decade may be a phenomenon closely related to the emergence of multipolarity in the international system.

With regard to the third function, precisely the availability of a plurality of "hubs" that come in different sizes and espouse different economic structures endows those smaller states and developing countries pursuing a strategy of cross regionalism with a measure of control over the liberalization process itself they never enjoyed before under open regionalism or north-south regionalism. This control operates mainly through the selection of the trade partner with which to engage in FTA

[13] Since it is based on reciprocity, cross regionalism is, however, certainly superior to practices whereby conditional concessions of trade preferences are unilaterally granted by developed countries to developing ones, such as the European Union's economic partnership agreements with the ACP countries or the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which gave Andean countries preferential access to the US market.

negotiations. Sure enough, considerations of market size are likely to be dominant in determining this choice, but in a "multihub" environment there is more room for other considerations, such as whether a potential partner does not pose a threat to import-competing industries or is more likely to make concessions on sensitive issues (Katada and Solís 2008:156). For those states fearful of negotiating agreements with much larger and powerful partners, cross regionalism even allows for the possibility of minimizing the costs of the liberalization adjustment by choosing less imposing extraregional partners (Solís and Katada 2008:22). This can be done either as part of an incremental liberalization strategy or as preparation for much tougher negotiations with larger partners. Cross regionalism's above-mentioned *hybridity* and orientation to *process* constitute additional avenues through which a degree of control over the liberalization process can be exerted. On the one hand, the inclusion in these agreements of new issues besides trade opens the possibility of obtaining concessions in the trade front (for instance, phase-in periods) in exchange for concessions in other fronts – that is, the *hybridity* of cross regionalism facilitates the use of so-called issue-linkage negotiation strategies. On the other hand, competition among the largest trade entities makes it possible for even very asymmetrical cross regional partnerships to become more process oriented. A major trade power such as China, for instance, is trying to improve its own attractiveness as a trade partner relative to the United States and the European Union by offering more flexible and customized agreements in which selective or gradual modes of liberalization are possible (Antkiewicz and Whalley 2005:1554).

Last, cross regionalism supersedes open regionalism in fulfilling the task of enhancing the attractiveness of developing countries as destinations for FDI. As already mentioned, by signing cross regional agreements with many extraregional partners, states pursuing a strategy of cross regionalism can enhance their reputation and economic visibility by establishing themselves as FTA "hubs" that bridge different regions (Katada and Solís 2008:152). By entangling themselves in a web of cross regional trade agreements, these states simultaneously signal their commitment to certain economic policies and guarantee investors predictable and secure access to foreign markets.

Thus, cross regionalism should not be confused with north-south regionalism. Neither the latter nor open regionalism set out to go beyond the goals of securing access to world markets and attracting FDI. While in north-south regionalism these goals were achieved by unilaterally adhering to the rules and standards of the larger trade partner, open regionalism was a more elaborate attempt to level the playing field by increasing the bargaining leverage of developing countries in negotiating trade agreements and drawing FDI in a similar context characterized by asymmetrical power relations. As we have seen, the strategy of cross regionalism, as brandished by some middle-income small states and developing countries, seeks also accomplish these two goals (functions 1 and 4) without having to incur all the political costs of north-south regionalism. If in the latter these states accepted these costs in exchange for economic gains, in cross regionalism they score both economic and political gains (Tovias 2008:24) – namely, reduced economic dependency on one large trade partner and more control over the pace and sector coverage of the liberalization process.

Table 1: The Spread of the Strategy of Cross Regionalism in South America

Year	Free Trade Agreements	Partial Preferential Agreements and Framework Agreements	Signed but not in Force	Under Negotiation	In Study
1994					
1995					
1996	Chile-Canada (1997)				
1997					
1998	Chile-Mexico (1999)				
1999	Chile-Central America (2002)				
2000					
2001					
2002	Chile-EU (2003)				
2003	Chile-EFTA (2004) Chile-South Korea (2004) Chile-USA (2004)	Peru-Thailand (2004)			
2004					
2005	Chile-China (2006) Chile-P4 (2006)				
2006	Chile-Panama (2008) Colombia-USA (2012) Peru-USA (2009)	Chile-India (2007)			
2007	Chile-Japan (2007)	Uruguay-USA (2008)			
2008	Colombia-Canada (2011) Peru-Canada (2009) Peru-Singapore (2009) Peru-EFTA (2011) Chile-Australia (2009)				
2009	Chile-Turkey (2011) Peru-China (2010) Peru-Thailand (2011)				
2010	Bolivia-Mexico (2010) Peru-South Korea (2011) Chile-Malaysia (2012)				
2011	Chile-Vietnam (2014) Peru-Panama (2012) Peru-Japan (2012) Colombia-EFTA (2011)	Ecuador-Guatemala (2013)	Peru- Central America	Colombia-Turkey Colombia-Japan	
2012	Colombia-EU (2013) Peru-EU (2013)		Colombia-South Korea Chile-Hong Kong		
2013			Chile-Thailand Colombia-Costa Rica Colombia-Israel Colombia-Panama	Peru-Turkey	
2014			Ecuador-EU	Chile-Indonesia	Ecuador-China Ecuador-Mexico Chile-Dom. Rep. Colombia-China

Author's elaboration with data from the Organization of American States' Foreign Trade Information System (SICE) (http://www.sice.oas.org/). The column representing years from 1994 to 2014 corresponds to the date of signature of the agreements. The year of entry into force is indicated in parentheses next to each bilateral agreement. Part of the information from agreements "under negotiation" or "in study" has been drawn from different press releases.

Table 1 shows the spread of the strategy of cross regionalism throughout the South American region.[14] As we can observe, with the exception of Peru (and its 2003 Framework Agreement on Closer Economic Partnership with Thailand), until 2005 the only South American country pursuing this strategy was Chile. The fact that Peru and Colombia were the first to jump on the cross regionalism bandwagon by each signing an FTA with the United States in 2006 probably helped to seed the notion that these two countries had yielded to a US project of regional economic governance along the lines of north-south regionalism. It is evident from Table 1, however, that both countries have attempted not only to triangulate their trade relationships with the United States by signing FTAs with other large trade entities like the EU, Japan, and China (a Colombia-China FTA is still under consideration) but also to form links with other high-income "spokes" and "regional powers" in Asia and elsewhere. More interestingly, Ecuador, a small economy and ALBA member state, also appears in Table 1.[15] Ecuador joined the ranks of cross regionalism practitioners in July 2014 when it signed its first bilateral trade agreement outside the AC framework with, remarkably, the EU. The country is also seeking to reach out to other "spokes" in Central America and North America.

The absence of some South American countries in Table 1, I argue, has less to do with these states' commitment to alternative models of regionalism (such as open regionalism) and more to do with the fact that their special economic characteristics meant they had less need to search the assistance of any kind of economic regionalism to attain their foreign economic goals. One case in point is Brazil. Referring to this country's trade policy, Pedro Da Motta Veiga (2009:124-125) points to the paradoxical fact that the limited results and overall defensive positions of Brazil's trade negotiation initiatives during the last decade stand in sharp contrast to the impressive growth of its foreign trade since 2002 and the boom in its inward as well as outward FDI. Indeed, while Brazilian exports have not even increased by 100 percent between 1992 and 2001 (from US$39.9 billion to US$67.5 billion), they have increased fourfold between 2002 and 2013 passing from US$69.9 to US$281.1 billion (UNCTAD 2014b). Likewise, inward FDI more than tripled between 2002 and 2012 from US$17.1 billion to US$65.3 billion. In 2006 Brazil also became a net exporter of capital as outward FDI surpassed inward FDI for the first time in Brazilian economic history (UNCTAD 2014a). It is remarkable that all these developments took place without Brazil subscribing to any relevant preferential trade agreement. Mercosur has only signed FTAs with Israel and Egypt, a framework agreement with Morocco, and two partial preferential agreements with India and the Southern Africa Customs Union (SACU).[16] This paradox has even led to a debate within Brazil about whether preferential trade agreements are even necessary at all for the country's development (Da Motta Veiga 2009:126). This divorce between strategy and outcome can be attributed to structural transformations in the Brazilian economy. As it has been argued above, the growth and sheer size attained by the Brazilian economy during the last decade may have reduced the added value of economic regionalism for this country in favor of what has been called the natural advantages of "size" to compete in the global political economy (Palan and Abbott 1996: 59-65). Although Brazil has thus far used its "market size" almost by default to attract large amounts of FDI and create new comparative

[14] I concentrate on the South American region because 9 out of the 12 sovereign states belonging to it are members of different open regionalist schemes – such as the AC (Bolivia, Colombia, Ecuador, Peru) and Mercosur (Argentina, Brazil, Paraguay, Uruguay and Venezuela) – and, at the same time, members of the most prominent so-called "posthegemonic" regional organizations, such as UNASUR (all 12) and ALBA (Bolivia, Ecuador and Venezuela). This helps show more clearly how, in spite of their multiple memberships in open and posthegemonic regional arrangements, some of these states have chosen to engage in cross regional agreements with several extraregional partners in Europe and Asia, as well as with some "neighbors" in Central America and North America.

[15] The Economic Complementation Agreement signed between Bolivia and Mexico in 2010, however, is in reality an adjustment of the ACE No. 31 (a partial preferential agreement that governed economic relations among both countries since 1995) in order to make it congruent to the new Bolivian Constitution of 2008.

[16] The products covered by the two Mercosur partial preferential agreements with India and the SACU represent only a small fraction of the tariff nomenclature and are given fixed preferences. The Mercosur-SACU and the Mercosur-Egypt agreements have not yet entered into force.

advantages for its products, the opportunity costs of not using this enhanced "market power" as a bargaining tool in international trade negotiations and the emergence of offensive interests in the Brazilian economy – specially highly competitive agribusiness and manufacturing sectors – mean that Brazil faces incentives to adopt a more offensive version of cross regionalism as have other major powers.

Another example of a country that has not fully engaged in cross regionalism is Bolivia. Unlike Brazil, a small country like Bolivia is unable to attract large amounts of market-seeking investment due to its limited market size. However, this did not prevent Bolivia from experiencing a fourfold surge in FDI between 2004 and 2013 from US$448 million to US$2.030 billion (ECLAC 2013:33). Though the Bolivian authorities have lamented the decline of open regionalism, the collapse of this strategy in the AC has not pushed them to embrace north-south regionalism or cross regionalism. This, however, may have not been an easy choice – given the prevailing high commodity prices in international markets – had resource-seeking investments not continued to flow into the country. In 2013, for instance, FDI accounted for more than 6 percent of Bolivia's GDP – more than Peru and Colombia, two well-versed practitioners of cross regionalism (Ibid. 34).[17] Up to 70 percent of these FDI inflows was poured by the extractive industry, thus suggesting that this performance may be closely related to the structure of the Bolivian economy, characterized by the dominance of this industry. By comparison, the average FDI concentration in natural resources for Latin America and the Caribbean was 26 percent in the same year (Ibid. 10).

Conclusions: The "Decoupling" of the Economic Function of Regionalism

This article started with the observation that the rise of postliberal or posthegemonic regionalism, embodied by UNASUR and ALBA, has led to a fuzzy layering of different regional organizations in the same continental area. This development has generated much controversy among scholars and policy makers and has given rise to what I called the "competitive models of integration paradigm" – that is, the widespread belief that divergent or even incompatible models of regional integration currently coexist and compete against each other in Latin America. It can be said that the scholarly debate on Latin American regionalism has revolved mainly around these two closely interrelated phenomena or puzzles (i.e., rise of posthegemonic regionalism and the proliferation of regional organizations). This contribution has attempted to shed some light on both of them by identifying some major trends in the transformation of regionalism in Latin America. I contended that these changes are the product of unit-level adaptations (and innovations) to the emergence of a multipolar political economy in the international system.

One of these major trends is the demise of open regionalism – a development that has already been observed and discussed by many scholars. I added to the debate by arguing that the strategy of open regionalism is very likely to become unviable or, at least, very difficult to pursue within the political economy of a multipolar world. This is because the emergence of multipolarity may have important *outside-in* and *inside-out* implications for regions, both of which have the potential to disrupt the balance of incentives underpinning this strategy. I provided evidence that these forces are closely linked to the breakdown of open regionalism in the AC and the current tensions within Mercosur. Contrary to what is often assumed, however, the tasks that open regionalism is increasingly unable to perform are not being taken on, much less transcended, by posthegemonic regionalism (nor by north-south regionalism), but rather by the new international institution of cross regionalism. This contention is substantiated by the increasing number of South American states that have been embracing this strategy since 2006. Even in those countries that have up to now refrained from actively pursuing it,

[17] Bolivia's exports also expanded almost fivefold between 2004 and 2013 from US$2.562 billion to US$12.498 billion (UNCTAD 2014b).

cross regionalism occupies a prominent place in their respective domestic debates on the formulation of foreign economic policy – that is especially the case for Brazil, Paraguay, Uruguay, and Ecuador.

I showed that cross regionalism is an especially appealing strategy for developing countries. This is so because it can assist these states not only to secure access to the most important world markets and enhance their attractiveness as FDI destinations (the two main functions of open regionalism) but also to reduce their economic dependency on one large trade partner and gain more control over the liberalization process. This is achieved through the triangulation of several trade partners, their selection as well as by taking advantage of the *hybridity* and *process* orientation of cross regional agreements. These last two functions would certainly have been impracticable without the availability of multiple and heterogeneous "hubs" or "powers" in the international system. Therefore, contrary to north-south regionalism, the practice of cross regionalism permits developing countries to attain both economic and political gains at the same time. An important consequence of this distinction is that it may be misleading to interpret the current regional economic governance architecture as being centered around two competing poles that consist of the United States promoting a strategy of "competitive liberalization" at one end and Brazil, or Mercosur, engaging in some kind of defensive regionalism at the other end (e.g., Quiliconi 2014 and 2013:150; Tussie 2009; Sanahuja 2012:147-148).

Instead, the demise of open regionalism and the spread of cross regionalism point to another, more significant trend brought about by an emergent multipolar political economy – namely, the gradual spatial and functional "decoupling" of the economic function of regionalism from its social, political, and security dimensions. This is taking place in two important ways. First, as the instruments through which regional states have chosen to pursue their foreign economic goals transcend the region (read "cross regionalism"), this issue area of policy is migrating to a level of governance beyond the region. This is not the case for regional social, political, and security cooperation (read "posthegemonic regionalism"). Second, if most states in the region are faring relatively well with a languishing open regionalism – either on their own or with the assistance of cross regionalism – there is accordingly no obvious functional need to engage in major exercises of regional economic coordination as in the past. These coordination efforts among states can prove to be very challenging. During the times of old regionalism, for instance, Latin American states attempted to coordinate industrial policies and the establishment of tariff barriers high enough to protect their import-substituting industries. Later, under open regionalism, member states had to coordinate a common external tariff wall for their customs unions as well as common positions in trade negotiations with third parties. None of this sort of cooperation games with their intrinsic collective action problems and distributional conflicts seems necessary today. This frees considerable political space for the emergence of other forms of regional cooperation or *regionalisms* that are geared toward other important strategic goals besides economic ones and that can now operate without being necessarily arrested (for good or for bad) by the logics governing economic regionalism. This "decoupling" of economic regionalism helps make sense of the phenomenon of posthegemonic regionalism as it may have facilitated the emergence of regional organizations with clear political mandates and permitted them to specialize by developing the relevant institutional mechanisms to fulfill the functions necessary to meet their main goal of maximizing their member states' political autonomy in the international system. In the case of UNASUR, for instance, these functions have been to manage regional instability, shield the region from external intervention, develop endogenous defense capabilities, and coordinate member states' foreign policies (Battaglino 2012).

Last, the *decoupling* of the economic function of regionalism can tell us something about the future of economic regionalism in Latin America itself. As has been shown, the pressures of a multipolar political economy have already rolled back the AC to a de facto free trade area – that is, a zone of preferential trade in which individual member states also have the freedom to negotiate their own preferential trade agreements with nonmember states. The Pacific Alliance was born in 2012 as exactly that, a zone of "deeper integration" in which individual member states had already signed separate FTAs with a plethora of regional and extraregional states. Hence, the Pacific Alliance does not represent a return to open regionalism as some scholars contend (e.g., Briceño-Ruiz 2014:3). In this sense, we see another tendency toward the consolidation of the "free trade area" as the dominant form of organizing economic relations within the region. This seems logical since, unlike customs unions, "free trade areas" are completely compatible, even synergetic, with the new international institution of cross regionalism. Inasmuch as the internal debate within Mercosur centers on whether it should transform into a "free trade area" (the well-known claim for a more "flexible" Mercosur), we may soon see the consolidation of a continental-wide "free trade area."

Therefore, in a multipolar world Latin American regionalism has become increasingly characterized by a finer division of labor among regional organizations. Nolte (2014) recently proposed the concept of "regional governance complexes" to capture how the overall configuration of regional organizations may (or may not) combine to contribute to the solution of collective problems within a region.[18] According to this idea, it is possible to visualize the emerging regional governance complex in South America as a structure comprised of at least three functionally differentiated layers. The first layer serves the foreign policy goal of autonomy and concentrates mainly on the task of preserving South American states from extraregional political (or military) intervention. Here we find UNASUR and ALBA, partially overlapping each other in the function of providing regime security. The second layer of regional organizations is geared toward the goal of development. This layer consists of organizations that operate as providers of regional public goods, such as the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA) (which has operated under the umbrella of UNASUR's Council of Infrastructure and Planning since 2009), or contain elements of what has been called "transnational welfarism" (Riggirozzi 2012:434) or interstate resource redistribution mechanisms, such as ALBA and, increasingly, Mercosur.[19] Last, the first and the second layers move freely over the third layer, which fulfills the function traditionally assumed by open regionalism of assisting regional states to insert themselves under the most favorable possible conditions into the world economy. Here we find "cross regionalism" working increasingly in tandem with regionally based "free trade areas" such as the Pacific Alliance.

[18] Nolte (2014:7) defined "regional governance (complexes)" as "the overall configuration of (intergovernmental) regional organizations that frame the regional discourse of the member states and generate the norms and rules for the region in different policy areas, thereby contributing to the solution of collective problems and to the realization of common benefits."

[19] As a means to regain relevance, Mercosur has moved in this direction by establishing a structural fond for structural convergence in 2006, which redistribute resources from the larger to the smaller states, as well as a Mercosur Social Institute in 2007. There is also a Strategic Plan of Social Action approved in 2011, which foresees the implementation of transnational social projects.

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