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**Spillover in European and South American Integration.  
A Comparative Evaluation**

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## Abstract

Spillover is a concept coined by neo-functionalism in the 1960s in order to account for the process of European integration. It refers to the inner dynamics whereby the members of a regional scheme would be compelled to either enlarging the scope or increasing the level of their mutual commitments or both. However, Latin American integration processes have questioned the meaningfulness and applicability of the concept, both in its political and technical dimensions. Through a comparison between the European Union, the Andean Community and Mercosur, this paper looks into the reasons why this happened, addressing conceptual as well as empirical matters.

**Keywords:** regional integration, integration theories, spillover, European integration, Latin American integration

## Resumo

*Spillover* é um conceito cunhado na década de 1960 pela teoria neo-funcionalista para explicar o processo de integração europeia. Refere-se à dinâmica pela qual os membros de um bloco regional são incentivados a alargar o alcance ou incrementar o nível dos seus compromissos mútuos, ou ambas as coisas. Todavia, os processos de integração na América Latina questionam o sentido e aplicabilidade do conceito, quer nas suas dimensões políticas quer nas suas dimensões técnicas. Por meio de uma comparação entre a União Europeia, a Comunidade Andina e o Mercosul, este artigo avalia as razões de tal limitação, abordando questões conceptuais e empíricas.

**Palavras-chave:** integração regional, teorias da integração, *spillover*, integração europeia, integração latino-americana

## Introduction<sup>1</sup>

In the last half century, European integration has been problematic but successful. Along the same period, Latin American integration has also been problematic –yet quite less successful. What accounts for such a different outcome and what are the lessons to be drawn regarding the divergent performance of these integration processes? This article addresses regional integration on both shores of the Atlantic so as to highlight the contrasting mechanics underlying each continental experience.

The article proceeds through three steps. First, it revisits the main contemporary theories of regional integration looking for their eventual application to contexts other than Europe. In so doing, it focuses on both institutional design and *spillover* effects. Second, it screens up three regional blocs in order to point out differences and similarities concerning their integrative development: the European Union, the Andean Community and Mercosur. Third, it compares the performance of the three regions as a function of both their external thrusts and their inner dynamics, and concludes by advancing a hypothesis that should also be tested in other regional contexts.

## Institutional design and spillover effects

### *Classic theories of integration*

Altiero Spinelli (see Mutimer 1994), David Mitrany (1943) and Karl Deutsch (1957) advanced the first classic theories of integration. Spinelli advocated federalism, Mitrany functionalism and Deutsch communicative interactionism. The former –federal integration— was supposed to start up from a constitutional assembly, whereas the latter –interactionist integration— was thought to rest on natural processes of communication and exchange between national societies. Functional integration would feature mixed characteristics: as in federalism, the beginning would be allegedly voluntary, as technical bodies should be created in order to carry out technical tasks. However, the subsequent steps would develop rather automatically –as in communicative interactionism—, stemming from the increasing necessity of technical management and the entailed learning processes.

As Nelsen and Stubb (1994: 99) put it, functionalism “failed as a theory for several reasons, but one stands out: it contained no theory of politics”. When economic problems proved to be unmanageable by technical experts and the theory could not explain why certain choices had been made, a new approach was required to understand the development of the European Community by re-addressing the deficiencies of functionalism. It was in this context that a group of scholars from the University of Berkeley, led by Ernst Haas, developed the neo-functionalist theory.

Haas carried out much of his work in the 1950s and 1960s, when he supported the idea that technological and scientific changes would produce incentives and pressures for international institutional innovation. In turn, innovation would lead to

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<sup>1</sup> The first version of this paper was presented at the *XXIII Latin American Studies Association Congress* (LASA2001), Washington D.C., September 6-8, 2001, in a session sponsored by the Europe and Latin America Section (ELAS). I am grateful to Stefano Bartolini, Alberto Cimadamore and Philippe Schmitter for comments; however, they have no responsibility for the errors that remain.

political learning by political leaders, national bureaucracies and international organizations. In sum, the neo-functionalist, just like the functionalist and other pluralist approaches, argued that “what matters most is a utilitarian calculus on the part of actors, and not a dramatic or passionate commitment to a new order” (Haas 1975: 12). The theory conceived of integration as an open *process*, characterized by the spillover from one area to another. Although the ending point was supposed to be open, it was “clearly intended to be institutional” (Mutimer 1994: 31).

Spillover, the central metaphor of neo-functionalist theory, is the process whereby “a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more, and so forth” (Lindberg 1963: 9). However, one major shortcoming of neo-functionalism was that it “always had more to say about the ongoing role of institutions than about the factors that explain the birth of regionalist schemes” (Hurrell 1995a: 60). Although it recognized the difference between background conditions, conditions at the time of union, and process conditions –thus allowing for different variables to have a different weight according to the stage—, the main accent and stronger predictions were oriented towards the process. Once integration had started, neo-functionalism saw it being fostered by two sorts of spillover: functional and political –unlike Mitrany’s purely technical conception. This two-fold mechanism predicted that integration would become self-sustaining. Such expected capacity of prediction was what neo-functionalist authors believed to be one the most salient features of their theory.

Schmitter (1969) conceived of spillover as a member of a more numerous family. According to the two defining variables, scope (coverage of issue areas) and level (decisional capacity) of authority, *spillover* meant the simultaneous increment in both indicators. In contrast, the simultaneous decline was called *spillback*. *Retrench* meant greater decisional authority along with less coverage of issue areas, whereas *muddle about* named the opposite case. Two extra possibilities were also anticipated: *spillaround*, that defined an increase in the coverage of issue areas with no change in the level of authority, and *buildup*, which implied greater levels of authority irrespective of any increment regarding its scope. In this view, both spillover and buildup were oriented toward the construction of a political community.

Over time, however, spillover did not take place as expected. What first appeared as a complex and mechanical process changed afterwards into an extremely contingent phenomenon, of little use for understanding general events. As a consequence, Haas began to stress the role of ideas and “consensual knowledge”, thus paying increasing attention to the relevance of political leaders and their goals (Waltz 1991).

The change of focus, from an automatic and incremental evolution of international complexity toward a less-determined process, led to the modification of some previous assumptions. Henceforth, the role that individuals could play in the international arena –when located in crucial institutional positions— needs to be highlighted as a key element of broader developments. De Gaulle’s outstanding appearance was decisive for Haas’s theoretical reformulation (Haas 1975). From then on, the challenge would be to endogenize the possibility of such an occurrence into the theoretical models of integration.

### *Contemporary theories of integration*

The decline of neo-functionalism, induced by the *eurosclerosis* of the 1960s and 1970s and the crisis of the Central American Common Market –where it had been promisingly applied (Schmitter 1970)—, would give way to a new debate in the succeeding decades. As from the early 90s, there would be two main theories of regional integration: liberal intergovernmentalism –or *intergovernmental bargaining theory*, as depicted by Moravcsik (1998)—, and the latest development of neo-functionalism, usually termed supranational institutionalism or supranational bargaining theory –albeit formally called a *transaction-based theory of integration* by Stone Sweet and Sandholtz (1998). Both will be briefly revised next.

Moravcsik presents a three-stage approach to regional building with a particular focus on the European Union. In the first stage, national preferences are defined by each state based on its economic interests; therefore, the theory dismisses the view that geopolitical interests may hold the same importance as economic ones to explain the formation of national preferences. The second step consists of negotiations between national governments to fulfill their nationally defined preferences; these negotiations depend on the asymmetrical interdependence existing between the bargaining states and not on any kind of supranational entrepreneurship. The last phase involves the establishment of common institutions; Moravcsik sustains that the choice to transfer sovereignty to international institutions is neither due to federalist ideology nor to centralized technocratic management, but to the will to ensure credibility for the achieved commitments. A subsequent option, that between pooling or delegating decision-making competencies, varies across countries and issues and responds to the equilibrium reached among national preferences in each bargain.

Supranational institutionalism is also crafted to explain the rise and shape of the European Union, although its usage of general theories to account for integration allows for generalization and application elsewhere. The fundamentals of supranational institutionalism draw on two of the previously mentioned classic theories, i.e. communicative interactionism and, especially, neo-functionalism. It assumes that the increase of transnational transactions between neighboring countries leads to the development of a more complex pattern of relations, both social and economic, within and among countries. The resulting increase in complexity cannot be managed satisfactorily by existing norms and regulations, as the costs of information and transaction are expected to rise. It is the need to reduce these costs what drive transnational transactors to claim for the establishment and standardization of regional rules.

Just like liberal intergovernmentalism, supranational institutionalism conceives of national states as paramount actors of integration. But, unlike the former, it sees other actors –namely transnational transactors, the European Commission and the European Court of Justice— as similarly powerful (Stone Sweet and Sandholtz 1998). Therefore, all the four national, transnational and supranational actors must be reckoned to play a part in determining the outcome of the European Union. Although the theory acknowledges that the integration process was set off by national decisions, it underlines that it was the Treaties of Paris and Rome themselves that established the first supranational bodies in 1951 and 1957. Supranational institutions were present since the very beginning of European integration.

Stone Sweet and Sandholtz (1998: 6) make explicit the theoretical roots of supranational institutionalism, as they observe that “the three constituent elements of our theory are prefigured in neo-functionalism: the development of transnational society, the role of supranational organizations with meaningful autonomous capacity to pursue integrative agendas, and the focus on European rule-making to resolve international policy externalities”. They also claim to agree with Haas “that there is a logic of institutionalization” (Stone Sweet and Sandholtz, 1998: 16). It is precisely at the institutional level that they advance significant modifications to the previous theorization.

While recognizing that the institutional structure is likely to generate feedback effects, Stone Sweet and Sandholtz (1998: 19) highlights two underlying dynamics that keep the integration process far from any mechanical or political automatism: one has to do with path-dependence, the other with principal-agent relations. Path-dependence means that the performance of institutions depends on historical developments as much as on purposeful design, thus paving the way for unanticipated effects; in turn, principal-agent relations express the possibility that institutional actors develop a considerable degree of autonomy vis-à-vis their principals. Therefore, supranational institutionalism departs from neo-functionalism and, especially, from intergovernmentalism, as the aforementioned dynamics reinforce their argument that “institutionalization in the EC is not reducible to the preferences of, or bargaining among, member governments. The expansion of transnational society pushes for supranational governance,<sup>2</sup> which is exercised to facilitate and regulate that society” (Stone Sweet and Sandholtz 1998: 19). Table 1 displays a stylized comparison of all mentioned theories.

Another crucial aspect of integration is its possibility of developing in either a negative or positive way (Caporaso 1998). Negative integration refers to the dismantling of national restraints on trade and distortion of competition, while positive integration implies common policies that shape the conditions under which markets operate (Scharpf 1996). This distinction is highly significant because the former may be attained through intergovernmental proceedings, while the latter would require to be enforced by supranational organizations and rules. Since negative and positive integration are generally sequential, the use of this criterion supports the view of those who see the passage from intergovernmentalism to supranationalism as progressive over time; however, progressive does not mean irreversible.

All in all, complex spillover is nowadays understood as a function of various factors: the expansion of transnational society, the institutional structure of both the regional bloc and its member states, path-dependence, and supranational bargaining. The next section focuses on three regional blocs, aiming to measure the weight of each factor in different contexts.

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<sup>2</sup> Supranational governance is defined by Stone Sweet and Sandholtz (1998) as the competence of the European Community to make binding rules, for its member states and citizens, in any given political sector.

**Table 1**  
**Theories of Regional Integration: comparative features**

	Classic theories				Contemporary theories	
	Federalism	Functionalism	Communicative Interactionism	Neo-functionalism	Liberal Intergovernmentalism	Supranational Institutionalism
Main actors	States	Technical bodies	Mass societies	States, supranational bargainers, national and regional economic elites	Mightiest states	States, supranational bargainers, transnational transactors
Central mechanism	Constitutional convention	Technical needs	Transnational transactions	(Simple) spillover	Interstate bargaining	Transnational transactions, supranational bargaining (complex spillover)
Domain	Region/World	World	Region	Region	State/Region	Region
Role of institutions	Independent variable	Unnecessary	Dependent variable	Independent and dependent (feedback)	Subsidiary	Independent and dependent (feedback)
Role of identity and values	Intervening variable	Irrelevant	Independent variable	Dependent variable	Subsidiary	Subsidiary

### **Spillover at work? The European Union, the Andean Pact, and Mercosur**

#### *The European Union*

According to some authors, integration is deemed to failure –or will simply not take place— if it is not based on previous economic cooperation (Tamames 1994) or interdependence (Moravcsik 1998). This is considered the reason why pre-war attempts at European integration failed to succeed, as they were oriented toward ambitious political goals but fell short of achieving a preceding level of economic integration. However, once adequate levels economic interdependence and cooperation have been met, some kind of institutional arrangement is needed to overcome emerging problems of coordination, externalities, and collective action (Wallace 1999). The Treaties of Rome and the earlier one of Paris, among other more encompassing agreements such as NATO, initially provided such arrangement to Western Europe.

Most theories of regional integration reckon two conditions, economic cooperation and (at least a minimum set of) common institutions, as necessary for the integration to proceed. Concerning the relation between regional and common institutions, however, Claude has pointed out that “the... achievements of the (EU) are attributable less to the formal capacity of its institutions to function without the cooperation of governments than to their success in stimulating that cooperation”

(Claude 1971: 111-112). Regional institutions have been, in this light, a “facilitating condition” for states to perform integration, not a reason *per se*.

From its very beginning, European integration was not only institutional but also supranational. The High Council –later Commission— and the Court of Justice were created in 1951, with binding powers over the member countries. A joint parliamentary commission was also established; it became a directly elected supranational parliament in 1979. In contrast, the Council of Ministers and, since 1974, the European Council were kept intergovernmental. The supremacy and direct effect of community law were built upon this mixed institutional structure, although such an end was not prefigured in the start. To the contrary, it was the operation of the European institutions what brought about institutional change and normative evolution.

A new dilemma arises when it comes to appraise the role played in integration processes by the national states. It concerns the inner division of functions and latent interests of office holders, especially regarding the leading agency in foreign affairs –the executive branch. In the EU, “state executives play a major role..., and much lobbying is channeled through them, but the Commission and the European Parliament (and on occasion the European Court of Justice) are also worthy targets for subnational governments” (Marks et al 1996: 45). This acknowledgment elicits a further question: what would happen in a region that lack common institutions such as the Commission or the Parliament? Would state executives concentrate upon themselves all the subnational and social pressures? In that case, through what channels could spillover effects manifest themselves?

Since “executive control over foreign policy depends to a large degree on the nature of the political institutions and domestic structures” (Risse-Kappen 1996: 57), the case of France acquires a particular exemplarity in the European context. Although the French regime is now considered as little different from classic parliamentarism,<sup>3</sup> in the beginning the 5<sup>th</sup> Republic was closer to a presidentialist design. From such institutional platform De Gaulle advocated an intergovernmental Europe. In 1962 he regretted the “statelessness” approach of the EC, and in 1963 rejected the first application of Britain (Nicoll and Salmon 1990: 80/1). It is a telling event that it was the head of the only “presidential” government of Europe who once jeopardized the integration process – even willing, Thatcher could never produce a similar impact. This fact highlights the wide room for maneuver that presidents, as heads of government, may hold with regard to integration (Malamud 2003).

While some authors have stated that ‘Europeanization’ implies power transfer from national states to the (albeit fuzzy) European level of governance (Wallace 1999), others claim that it may well strengthen national states (Milward 1992). Most, however, agree that it has tended to remove domestic issues from domestic controversy and into the arena of executive control (Risse-Kappen 1996; Moravcsik 1998). The convenience of formally acknowledging the authority of national executives over the integration process led to the belated creation of the European Council –the European executive summit—, which was established in 1974, twenty years after the EC was founded. The temporal progression displayed by the EU would be turned around in South America, as will be dealt with below, where national executives commanded the process from the very beginning.

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<sup>3</sup> I thank Jean Blondel for having called my attention to this point.

In what follows, I will pinpoint some paradoxes that characterize the EU, in the expectation that they may shed some further light on other cases of integration. The first paradox has been outlined by Wallace, who emphasizes how “governance is becoming increasingly a multi-level, intricately institutionalized activity, while representation, loyalty and identity remain stubbornly rooted in the traditional institutions of the nation state” (1999: 521). A second paradox has been observed by Streeck and Schmitter (1991); they were puzzled by the development of a pluralist organization of interests in a regional arena whose member states mostly featured corporatist forms of intermediation. A third paradox is likely to emerge from a growing unrest concerning the way of election of the Commission and the tenure of the President of the Council. Authoritative scholars such as Hix (1997), a number of statesmen –among whom Giuliano Amato and Felipe González—, and the European constitutional convention headed by Valéry Giscard D’Estaing have advanced proposals advocating whether direct, popular election of the president of the Commission or a longer term for the president of the Council –what would entail the making of a presidential European system out of (almost) all parliamentary European states. The *Americanization* of European politics would reach its peak if a fourth paradox comes true: the consolidation of a European party system following either an American or a Canadian scenario, as suggested by Katz (1999). He argues that the superior level of party interaction need not be dominant, and that cartellization may well be a response to a federal-like European constitution.

While the forces that set off European integration have been allocated either to an external threat (the USSR) or an internal hazard (Germany); to an external push (the USA) or an internal pull (reconstruction), the thrust for its evolution can be partially allocated to some kind of positive feedback –or complex spillover—, what led to unexpected outcomes. The EU has never had a defection or a hegemon –despite some arguments to the contrary as in Mattli (1999). Its success is due both to its institutional strength and to the firm commitment of its members (Keohane and Hoffmann 1991). Complex spillover has actually taken place in Europe, along with a kind of politicization –one of the spillover side-processes— that has not hindered the development of technical management. This has not been the case in other regional contexts.

### *The Andean Community*

The Andean Pact (or Andean Group), predecessor of the Andean Community (CAN), was established in 1969 within the framework of LAFTA (Latin American Free Trade Association). Together with CARICOM (the Caribbean Community), it made part of the second wave of integration processes in Latin America and the Caribbean. Its goals were to improve the conditions for participation of the less developed countries encompassed by the LAFTA agreements, while simultaneously aiming at the gradual formation of a Latin American Common Market. Five countries signed its founding treaty, the Cartagena Agreement: Bolivia, Colombia, Chile, Ecuador, and Peru. Venezuela joined the group in 1973, but Chile withdrew in 1976. The Andean Group constituted an agreement stemming from, and depending on, the Treaty of Montevideo, and would not acquire juridical autonomy until 1983, when the Tratado de Creación del Tribunal de Justicia del Acuerdo de Cartagena entered into force. In the 1990s, after a period of stagnation and crisis, the integration process was relaunched and its institutional structure was strengthened.

The emergence of the Andean Pact was a direct response to LAFTA's deficiencies, and its integration scheme was more far-reaching than anything ever before accomplished in this field in the Third World (Mace 1988). Two main features characterized it. At the economic level, it relied on two parallel processes: intra-regional trade liberalization and regional industrial planning. At the political level, it created a decision-making structure that comprised two main institutions, the Commission and the Junta, whose respective majority-rule voting and binding supranational authority were as ambitious as exceptional.<sup>4</sup> An additional element was an extensive program of special treatment for the less developed countries in the group (i.e., Bolivia and Ecuador).

The process of Andean integration had started in 1966 when two democratic presidents, those from Chile and Colombia, invited their counterparts to examine alternative courses of action to LAFTA. The subsequent instability of democracy in most partner countries would become a major liability of the process, whose origin and development were boldly marked by the character of the domestic political regimes. As a matter of fact, all founding members except Colombia were undergoing democratic breakdowns around 1970.

Although the Andean Pact performed quite satisfactorily in its early years, the enlargement to Venezuela and the withdrawal of Chile generated a succession of major crises. Given the complexity of the Andean integration scheme, those events led to the renegotiation of some important mechanisms of the process and, in the end, to the complete abandonment of the original integration schedule (Mace 1988). Apart from the rigidity of the Agreement, the failure was given many other reasons: (a) unequal distribution of costs and benefits, (b) politicization of integration issues, (c) incompatibility of national policies, (d) non-compliance of the member countries with the Andean Decisions (Vargas-Hidalgo 1979), (e) great political instability, and (f) lack of regional leadership (Mattli 1999). While causes (c –incompatibility) and (e –instability) were basically domestic, the others were intrinsic to the integration process. Among them, two variables were related to power issues – (a -distribution) and (f -leadership)— and two to institutional issues –(b -politicization) and (d -non-compliance). One of the recipes proposed to overcome the crisis was to build regional institutions able to settle conflicts between members, and so was done. The result was the creation of the Court of Justice and the Andean Parliament in 1979.<sup>5</sup> However, these institutions lacked real weight –due to, in neofunctionalist terms, the precedence of form over function. The integration process would not recover momentum until 1987, when the Quito Protocol was signed in order to flexibilize its working mechanisms.

The renewed institutional structure of the Andean Pact was broader and deeper than any other region's in Latin America –as it had also been since its very origins. Nevertheless, it was not until all presidents met in 1989 that the region firmly embarked on a process of deepening and opening; the setting of the Andean Presidential Council

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<sup>4</sup> Within the intergovernmental Commission, responsible for all the major decisions concerning the integration process, no member country was allowed to unilaterally veto community decisions except on very important subjects. In turn the Junta, endowed with administrative, agenda-setting, and decision-implementation functions, enjoyed supranational powers that entitled it to make resolutions binding on all member countries –at least formally (Mace 1988).

<sup>5</sup> The Court entered into activity in 1983; the Parliament is still comprised of representatives of the national congresses, but plans are laid for them to be directly elected shortly.

in 1990 was to consolidate such a bid. The Presidential Council is comprised by the presidents of the member countries and constitutes the highest-level body of the Andean Integration System (AIS). In turn, the AIS is the series of bodies and institutions that, working in coordination, directs the process of integration and governs over its operation (as shown in Table 2).

**Table 2**  
**Andean Integration System**

Ruling Bodies	Community Institutions
<ul style="list-style-type: none"> <li>• Andean Presidential Council (intergovernmental)</li> <li>• Andean Council of Foreign Ministers (intergov.)</li> <li>• Commission of the Andean Community (supranat.)</li> <li>• General Secretariat (supranational)</li> <li>• Andean Parliament (supranational)</li> <li>• Court of Justice (supranational)</li> </ul>	<ul style="list-style-type: none"> <li>• Andean Business Advisory Council</li> <li>• Andean Labor Advisory Council</li> <li>• Andean Development Corporation (CAF)</li> <li>• Latin American Reserve Fund (FLAR)</li> <li>• Simón Bolívar Andean University</li> <li>• Social Conventions</li> </ul>

In 1997, the Junta became the *General Secretariat of the Andean Community*, the executive body of the renamed bloc, while the *Commission* kept its role as central rule-maker. Today, the legal principle of direct effect and the preeminence of the community law turn the Andean Community into the second region in the world according to the level of *formal* institutionalization, only behind the European Union. Its economic record, however, is far less impressive. Although a free trade zone is in force since 1993 –first between Bolivia, Colombia, Ecuador and Venezuela, with Peru being incorporated later— and a common external tariff is operative since 1995, not economic development but social turmoil, political instability and economic failure have been the mark of the region. Furthermore, a brief war between Ecuador and Peru was waged in 1995 on the ground of territorial disputes. The balance of the process is rather ambiguous: despite the highly institutionalized organization and the commitment to establish a common market by 2005 at the latest, the Andean countries have not yet succeeded in creating a region of peace, stability and development. As a result, some of them have opted for negotiating complementary agreements with third countries or regions (e.g., Colombia and Venezuela with Mexico, and Bolivia with Mercosur).

The stages of the Andean integration process can be summarized as follows: a first, brief period of progress from 1969 to 1973; a long period of stagnation and crisis between 1973 and 1987/89; and the relaunching of the process since then. Yet the last two stages were not homogeneous: while the apparent failure of the earlier covered a wide process of formal institution-building, the apparent success of the later disguised a serious crisis between 1991 and 1994, a series of democratic comedowns, and even a war between two member states.

Some authors have controversially suggested that certain regions (e.g., Mercosur) have developed an institutional mimetism with the European Union (Medeiros 2000). To be sure, institutional mimetism was in the minds of the Andean Pact founders, but its outcome has been far distant from the European Union's. No spillover effects have taken place, and only joint national intervention could put back on track the integration process. Even so, both analysts and protagonists consider that the results have been unsatisfactory.

## *Mercosur*

As already said, most of the approaches to regional integration recognize a central position to economic –and social— aspects such as commercial flows and trade interdependence. The so-called convergence theories –stressing the convergence towards more liberal, deregulated, open, and market-oriented policies on the part of previous divergent national economies— acquire great importance in explaining the push for integration in many sub-versions of diverse theories.

Paradoxically, Mercosur challenges the above assumption. As Hurrell points out, “it is worth stressing that liberal theories (both neo-functionalism and [liberal intergovernmentalism]) which see co-operation as a response to the problems generated by increased interdependence have little to say about the moves towards subregional co-operation that gathered pace in the second half of the 1980s. Indeed state-led co-operation was a response to *declining* levels of trade interdependence” (Hurrell 1995b: 258). Neither liberal intergovernmentalism nor supranational institutionalism could explain the initiation of integration in Mercosur; still, the question might be posed as whether they can shed some light over its further steps.

Mercosur was formally founded in 1991 by Argentina, Brazil, Paraguay and Uruguay, but its origin dates back to 1985. This year, Argentina and Brazil started a rapprochement after decades of distrust,<sup>6</sup> and later this bilateral axis became the core of the regional process. Currently, Mercosur constitutes the most advanced project after the EU, as far as the level of integration –not the degree of formal institutionalization— is concerned: it has reached the stage of a customs union (albeit incomplete). However, its institutional development has not followed the European path: no supranational body has been set up, no community law has been created, and no fixed dispute-resolution court had been established until 2004 (Hirst 1995; Peña 1998). The institutional structure of Mercosur is completely intergovernmental, and all its rules need to be internalized through domestic procedures to enter into force. Nonetheless, a pure intergovernmentalist approach to this intergovernmental region would not be meaningful, since no major interstate bargaining (e.g. the Treaty of Asuncion of 1991 and the Ouro Preto Protocol of 1994) has led to either institutional pooling or delegation –the expected outcomes of the theory. Mercosur is still completing its negative stage of integration, while negotiations to advance through the positive phase have been repeatedly relaunched and subsequently forgotten.

A further complication for the advance of Mercosur is located at the subnational level of its largest member states. In the EU, federalism and regionalism are said to have given rise to multilevel governance; this is so because some regions skip the national level to deal directly with the European political center –i.e. Brussels. But what would the impact of federalism upon integration be if no such center exists? In Mercosur, the Argentine provinces and the Brazilian states are only able to impinge upon national decision-makers in order to exert any influence over the integration process. The link between presidentialism and federalism, in the absence of any regional bodies, may so acquire an increasing relevance in shaping the integration profile.

A key distinction between the contending theories of integration is that that discerns between politicized and technical-economic processes. Politicization refers,

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<sup>6</sup> Although the two countries had already started a confidence-building process in 1979, under military rule, it was only after the democratization took off that cooperation gained momentum (Lafer 1997).

according to Schmitter (1969: 166), “to a process whereby the controversiality of joint decision-making goes up”. Nevertheless, he underlines that “most investigated cases have involved expansion into ‘technical’ areas”, since “spillover can... occur without politicization”. While it is true that the neo-functionalists have been the main supporters of this distinction, intergovernmentalism also seems to accept the dyad simply to turn it upside-down, emphasizing the major importance of asymmetrical power over technical management. In contrast, the dynamics of Mercosur may be rather understood as running along a different continuum: from the politicization pole on one side to the institutionalization pole on the other (see Figure 1).

**Figure 1**  
**Different uses of the concept “politicization”**

Theory	Context	Conceptual continuum and emphasis	
Neo-functionalism	European Union	Politicization	————— <b>Technical management</b>
Intergovernmentalism	European Union	<b>Politicization</b>	————— Technical management
Inter-presidentialism	Mercosur	<b>Politicization</b>	————— Institutionalization

Assuming the first mentioned use of *politicization* –as opposed to technical management—, Caporaso (1998: 347) argues that “power has been strangely downplayed in the EC. I can see two reasons for backgrounding power. The first reason is that integration studies, as a field, have a ‘technicist’ orientation in a certain sense... The second...has to do with the nature of the EC itself”. But what does he mean by nature? The mechanism through which political leaders agree on general principles and leave the drafting of the detailed rules to leading national and supranational technicians is previous to the development of any *EU nature*. In fact, it was the process –lately known as the ‘Messina method’—used in the drafting of the Treaties of Rome (Haas 1967: 340). In contrast, the operation of Mercosur –so-called interpresidentialism (Malamud 2003)— fits better the second meaning of *politicization* as opposed to institutionalized proceedings. Mercosur presents a process of non-conflictive complementarity between politicians and *técnicos*, albeit featuring a sharp supremacy of the former, without supplying a solid institutional framework. Whether this is due to Mercosur’s *nature* or to its *immaturity* –hence temporary— is still to be seen. Only further events will tell if there is movement along the continuum, what the sequences are, and what kind of feedback eventually turns out –if any.

### **Spillover dynamics: when and why**

Until a few years ago, a major difficulty in studying integration was “the single-case issue” provided by the European experience (Caporaso 1998). Now that integration seems to have settled roots elsewhere, comparative studies have become possible. However, while most theorists concerned with integration are now switching from international relations to a comparative politics approach, they are still conceiving the EU as a novel, rather particular case instead of approaching it by contrast to other regions (Hix 1994; Schmitter 1996; Caporaso 1998). This may be fruitful for a better understanding of the EU domestic politics or the Europeanization of the national politics, but does not allow for a comparative understanding of integration processes as

such. Likewise, the contributions made in the field of public policy (Heritier 1996) and regulation theory (Majone 1993) are not yet generalizable to other regions.

What are the perspectives for the theoretical debate on integration? It is likely that it will widen up over the next few years, along with the expansion of the subject matter itself. The consolidation of regions other than Europe, whether following the European model or not, will demand further research to cope with. However blurred such development may appear at present, some of the major debates it is likely to raise are foreseeable: a) the prior relevance of micro or macrofoundations; b) the relationship between transnational society and supranational institutions; c) the relevance of history and path-dependence (Caporaso 1998); d) the scope, limits, and shape of regional institutionalization; and e) the role, extension and type of democracy –at both the national and regional levels (Schmitter 1996; Bartolini 1998).

The issue of *institutionalization* (points b and d, but also c) is certainly not missing in the debates on European integration. The role played by the Court of Justice has been recognized as crucial to foster integration, especially during the seeming stagnation ages of the 1970s and early 1980s (Weiler 1994; Stone Sweet and Brunell 1998). Moreover, some authors have arrived to the point of explicitly proposing “an institutionalist theory of European integration” (Tsebelis and Kreppel 1998) –albeit still shortly developed and empirically feeble. The difference between the EU and Mercosur, however, is that what must be explained in the European Union is the presence (and shape) of institutions, whereas in Mercosur the question to be accounted for is their absence.

Whereas the theories exposed in Table 1 have been devised to deal with the EU evolution, and hence have become part of the decision-makers’ background in a feedback process, this has not yet occurred in Mercosur. Neither federalism nor neo-functionalism spillover was in the minds of Mercosur founders, nor have they made their way into the main treaties. Rather, it seems that the eventual analyses and decisions profited from the failure of past Latin American experiences –among which the Andean Pact was paramount—, which were seen as excessively ambitious in terms of institutions, and naïve regarding the faith on supranationality. The dichotomy, in the political debate, opposed supranationalism to intergovernmentalism; and the former was clearly defeated by the latter. Yet, current institutional choice need not necessarily be forever: as Sbragia (1992: 16) puts it, “the logic of regulation and political conflict in a common market with a single currency is very different from that found in a customs union”. Therefore, if Mercosur is to be turned into what its name portrays, it will have to modify its institutional structure.

Before the 1990s, all attempts at integration in Latin America failed due to different factors. The most significant were (a) the low level of prior interdependence, (b) the scarce convergence regarding levels of development and economic policies, (c) the political instability brought about by the frequent breakdowns of democracy, and (d) the adoption of either too weak or too rigid regional institutions. The Andean Pact suffered from all four drawbacks, whereas Mercosur only suffered from the two former ones. However, it was able to overcome them –at least in part— via the stability of democracy and the prudence in choosing an adequate and flexible institutional structure. The point in case is that the latter two were somehow connected, since a specific type of political regime –presidential democracy— articulated with a loose regional institutionalization to bolster the process. The price to pay was the absence of sufficient

conditions to produce feedback or spillover, so progress in integration remained conditional to unanimity and national political will.

Table 3 Historical factors for integration failure in South America			
		Character	
		Political	Economic
Scope	Domestic	Democratic instability	Underdevelopment and zigzagging policies
	Regional	Inadequate institutionalization	Low interdependence

Table 3 classifies the four factors of failure above cited according to two criteria: character (either political or economic) and scope (either domestic or regional). It is visible how recent progress in Latin American regionalism was due to political factors, not to economic ones. This return of politics should not be a surprise. Haas (1967: 338-9) had already called attention to the fact that, given that political parties and parliaments were not regarded as “sufficiently central to the political process in some Latin American countries to serve the function their counterparts played in Europe”, technocrats were frequently encouraged to take their place as brokers within the integration process. Henceforth, it was the failure of Latin American *técnicos* to accomplish such a role what led to the stagnation or reversal of most integrative endeavors until the late 1980s, when leading politicians decided to take the task on them.

The historical mismatching between economic interests and political arrangements has frequently been noted, especially along the last two decades. Grugel and Almeida Medeiros (1999: 56) argue that “integration in LAC failed in the past because of a lack of real economic interests between LAC firms, despite the complex *de jure* structures of integration that were created.” Likewise, Mattli (1999) focuses on demand and supply of integration as *sine-qua-non* conditions for success, the latter being a political response that is triggered by the former.

Table 4  
Comparative regional institutionalization

Region	Start of functional cooperation	Start of regional integration	Momentous transformation of the process	Foundation of Regional Parliament	Foundation of Regional Court of Justice	Establishment of Presidential Summits
European Union	1947	1951	1957 and 1985	1957 - 1979	1951	1974
Andean Community	1966	1969	1996	1987	1983	1989
Mercosur	1985	1991	--	--	--	1991

The 90s meant a watershed in what South American integration regards. The birth of Mercosur in the first place, but also the relaunching of the Andean regional

efforts, might be signing a new beginning –although it is early to say. Many were the factors that brought about such a revival; crucial among them were the restoration (or inauguration) of democracy all across the region, the resolution of border and military conflicts, and the homogenizing constraints that the national economies ought to face in the wake of global processes. And still, economic interdependence was absent from the picture. As illustrated above, what accounted for the relative success of the new attempts was a political variable, not an economic one. The institutional novelty fueling the regional renaissance was the direct involvement of the national executives. In short, integration in South America is developing as a supply-side phenomenon (Perales 2003). Table 4 displays the key dates of the three regional processes analyzed above, showing how the creation or momentous transformations took place in South America only after the intervention of national executives, while in Europe the process unwrapped with greater autonomy from national governments.

	Supranational institutions	Spillover
European Union	YES	YES
Andean Community	YES	NO
Mercosur	NO	NO

I would like to wind up by advancing a last conclusion: as suggested by Table 5, I claim that the existence of supranational institutions is likely to be a necessary, but not sufficient, condition for spillover to proceed. As three cases do not constitute a statistically significant sample to test the argument, further research is needed to check whether the insights proposed here can be generalized to other regional blocs across space and time.

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