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New Regionalism and Modes of Governance — Comparing US and EU Strategies in Latin America

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This article explores the extent to which it makes sense to see EU policies towards the developing world as distinctive. It does so through a comparative analysis of EU and US policies for the governance of Latin America, paying particular attention to Mercosur. The conceptual framework is drawn from theories of new regionalism. Despite some similarities in so far as issues of economic governance are concerned, I argue that there are important differences between the EU and the US models of new regionalism, especially in terms of the discursive importance attributed to notions of 'partnership', support for sub-regional integration, and political and social inclusion. I suggest that the EU is using new regionalism as a way to lay down an identity marker of what it perceives as a more humane governance model for Latin America than that of the USA.

KEY WORDS ♦ EU ♦ US ♦ Mercosur ♦ regionalism ♦ governance ♦ regulation ♦ civil society

Europe, understood here chiefly to comprise the European Union (EU), lays claim to making distinctive policies towards developing countries that emphasize human rights, citizenship, regional integration, and poverty reduction, as well as economic growth, liberalization, and global integration (Lister, 1997). These policies have been linked to a strengthening of European identity with respect to the rest of the world and the adoption of more active common foreign policies (Maxwell and Engel, 2003). Nevertheless, the notion that there are identifiable 'European' positions and policies with regard to global issues is a contested one. This is partly due to

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the difficulties attendant upon defining and understanding what 'Europe' is and which 'Europe' we are talking about, as well as to the contested nature of common foreign policy within the EU (Manners, 1998). But it is also the result of the processes of convergence that took place across the Atlantic in the 1980s and 1990s and the ways in which the discourses and practices of globalization have been interpreted. As a consequence of both, doubts have been raised not only as to whether the EU can sustain a distinctive approach to North–South issues in the present global order, but more fundamentally, whether foreign policy itself is possible (see Hill, 2003).

This article explores the extent to which it makes sense to see EU policies towards the developing world as distinctive and whether we can specify more precisely the nature of their distinctiveness. It does so through a comparative analysis of EU and US policies for the governance of Latin America, paying particular attention to the Southern Cone, a region where both the US and the EU have embedded and, at times, competitive interests. The first section of the article outlines the conceptual frame for the comparison, namely new regionalism, which refers to the processes by which actors, public or private, engage in activities across state boundaries and develop conscious policies of integration with other states (Gamble and Payne, 1996a). The 1990s witnessed an explosion of regionalism of this type in the Americas, Europe, and Asia. As I explain, linkages between Latin America and the US and the EU are now structured through region-building and region-to-region relationships. Governance is an integral component of new regionalism. The article then considers the US and European models of regionalism and explores the philosophy of governance that underpins them. Lastly, I discuss the salience of any similarities and differences that can be identified.

New Regionalisms as Governance

In the 1990s, the combined weight of the pressures in favour of multilateralism, global economic integration, and the opening of markets in trade, finance, and production regimes led to a global political economy that reflected the trend towards social and economic globalization and, at the same time, created pressures within states to mount a new defence of national economies (Lawrence, 2003). One route through which states could mediate the range of economic and social pressures generated by globalization was through regionalism. The 'new regionalism' eschewed previously protectionist models in favour of 'open regionalism', that is, the pursuit of trade deals that were compatible with multilateralism and that did not formally discriminate against third parties. At the end of the 1980s and through the 1990s, new regionalist trade deals linked groups of countries that had no previous history of formal integration, as in the case of the 1988

US–Canada Free Trade Agreement, extended in 1994 to include Mexico and thereby becoming the North American Free trade Association (NAFTA). Existing integration pacts were also remade in a more liberal fashion, as in the EU following the Single European Act in 1986 (Schultz et al., 2001). New regionalism spread to Asia and the developing world.

The new regionalism, as I have argued elsewhere (Grugel and Hout, 1999), is best understood as a state strategy designed to minimize risks in the uncertain conditions of economic globalization by promoting activities at the meso-level of the region (see also Wyatt-Walter, 1995). For some states, it signifies the adoption of reflexive strategies to improve their global market position or, perhaps more properly put, the market position of those companies with production sites within their geographical boundaries; while for others, it reflects a defensive strategy aimed at securing or holding onto markets and investment in the face of greater global competition. New regionalism, then, has emerged principally as a states-led project in the context of global transformation. It is distinguished from the 'old' regionalism (based on protectionism, sealed internal markets or security communities) by an openness to global capitalism and by the porosity of the emergent regionalist formations to global norms.

The new regionalism radically reshaped the global political economy in the 1990s and transformed the North–South architecture in the process. One of its most innovative features was the way in which it pulled countries together in formalized relationships across the North–South divide that have, in turn, sponsored informal networks of cooperation. More harmonious North–South relations were predicated principally upon the turn to global neo-liberal development models and the reconstitution of the state in the developing world, as nationalist and protectionist policies were abandoned in favour of liberal strategies for growth through trade and investment. In place of hostility and resentment, then, developing countries shifted towards seeking accommodation and policy convergence with the core economies (McMichael, 2000). Nowhere was this conversion as dramatic as in Latin America. The intellectual home of nationalist/protectionist development strategies in the Bretton Woods era, Latin America's conversion to liberal economics was almost total by the middle of the 1990s, driven by debt, financial crises, industrial failure, and collapsing state infrastructure and capacity (Teichman, 2001). This paved the way for a softening of the tensions that had characterized relations within the Western hemisphere throughout the Cold War and for a subsequent realignment of US policy towards the South.

As is now well known, the US actively sought economic re-engagement with its own hemisphere in the early 1990s. The Enterprise for the Americas was launched in 1990 by Bush senior and was designed to lead to a Free

Trade Area of the Americas by 2005. Initially, new regionalism offered the US state a much-needed device through which to negotiate the tensions generated by global liberalization as well the opportunity to construct a new framework for inter-American relations (Payne, 1996). New regionalism appeared as a way to create an institutionalized arena in tune with the needs of US capital and, at the same time, to shape and contain the burgeoning new security issues (development, migration, and drugs) in ways that were both more appropriate and more responsive than the outmoded institutions of regional cooperation left over from the Cold War. Within Latin America, meanwhile, new regionalism proved remarkably appealing. Not only did it make sense for vulnerable regimes immersed in processes of liberalization to work with Washington, but open regionalism also appealed because it appeared to signify the possibility of winning stable access to a vital market in compensation for the adoption of programmes of free market liberalization and the undertaking of unpopular programmes of reform (Grugel, 1996). Hemispheric reconfiguration was the result, as the US sought to position itself as the hub of increasingly privatized and open economies and Latin American states responded with the creation of agreements designed to facilitate access to the US. Hemispheric integration operates as an important support for neo-liberalism across the Americas and serves to lock member states into neo-liberal development policies and trade liberalization (Hurrell, 1994).

More recently, the free-trade-area project has given way to a complex patchwork of bilateral agreements as well as hemispheric negotiations with the US at the centre and subregional pacts, the most significant of which is the Common Market of the South or Mercosur (Phillips, 2004a). I will return to a fuller analysis of Mercosur below; here, the key point to make is that the drivers behind the diverse patterns of regionalist associations are US hegemony, the responses of the US state to the challenges of globalization, changing notions of development within South America and, as a result, the urgent need of Southern economies to position themselves within the fabric of a globalizing political economy.

According to Jayasuriya (2003: 339), new regionalism can best be understood as an attempt at regulation or 'regional governance'. But new regionalism is not of one piece; the institutional linkages, the coalitional structures and the policy content that sustain it vary. We should not, therefore, expect the projects of governance that new regionalism encompasses to be identical. In one of the founding texts of new regionalism, Gamble and Payne (1996a) identified three models of new regionalism, namely American, European, and Asian. Each has generated different projects of regional governance in which the texture of North–South relationships, the institutional architecture, and policy range vary. For

Marchand et al. (1999), these differences are such that they prefer to speak of 'new regionalisms', in the plural. Diversity within new regionalism is inevitable, argue Gamble and Payne (1996b: 253), because of the different structures of power and production that have emerged over time in each of these three core regions. Moreover, region-building is shaped by the symbols that reflect and recreate the identity of states and societies, for regionalism is a process of identity creation as well as the fashioning of a new political-economic landscape. Nevertheless, such differences in regionalist projects are often missed, chiefly because the debate on regionalism has been shaped by the regionalist project in North America, which has come to be seen as the stereotypical model (Gamble and Payne, 1996b: 253).

Europe could not stand outside the new regionalism in the 1990s. But its engagement with new regionalism draws on the distinctive historical trajectory of integration which is linked, inside Europe, to processes of economic growth and security and, externally, with the global projection of European values and interests. Given that region-building has been a feature of European politics since the 1950s, the EU's conversion to new regionalism was inevitably rather less dramatic than that of the US. Nevertheless, in making its own response to the transformation of the global political economy, dramatic internal and external changes were introduced. In so far as European internal structures are concerned, deeper integration and harmonization through policies such as the introduction of the common currency and enlargement have become the order of the day. Europe's turn to new regionalism also ushered in important changes with the South. These changes have been driven by the liberalization of European economies and the attempt to reposition Europe within the new global political economy, prompting a realignment of Europe's global political economy in ways not dissimilar to that of the USA; they are also an outcome of a generalized view on the part of some member states, European bureaucrats, and civil society alike that the 'old' European instruments of engagement with the developing world were outmoded or no longer effective. In particular, by the 1990s, there was broad recognition that preferential trade deals, one of the cornerstones of EU development policies, could no longer be sustained in an increasingly multilateral global trading environment (Dearden, 2002). Lastly, the EU's turn to new regionalism was stimulated by competition with the USA for markets and investment.

The language the EU talks when speaking to or about the South and within the new regionalist constructions is significantly different from that employed by Washington. In particular, the European model is explicitly couched in terms of 'partnership' — a word that became almost the mantra of EU development policy in the 1990s (Maxwell and Riddell, 1998). Although to some extent merely a linguistic device, the concept of partnership is not entirely without significance. Despite the vagueness of the term, partnership can be understood to represent an idealized relationship based around notions of equity and cooperation that ignores or transcends the underlying power inequalities (Lister, 2003). Partnership challenges the notion of hierarchy and, as such, does not fit easily with openly hub-and-spoke models of new regionalism. Instead, the EU has endorsed the pursuit of 'inter-regionalism', that is an agreement between two distinct but equal regions (see Patten, 2002). A new 'inter-regionalism' emerged in the 1990s, bringing EU policy up to date with global transformations. It is based on the promotion of good government and development through dialogue and the implementation of mutually agreed and negotiated policies between two geographically distinct regions (Gilson, 2002). The new inter-regionalism attempts to go beyond economic governance to embrace political and institutional reform and social inclusion and, at the same time, seeks a discursive mediation of the power inequalities between Europe and the South. It is, therefore, more explicitly concerned with politics and institution-building than the US market-led pattern of new regionalism and endorses a North–South model of global cooperation in which 'the North' assumes some responsibilities for the development of 'the South'.

New Regionalisms in the Western Hemisphere

The politics of new regionalism in the Americas have been indelibly shaped by the US's unquestionable global and regional hegemony. From the creation of NAFTA in 1994 through to the Free Trade Area of the Americas (FTAA), negotiations which have dominated the past ten years of hemispheric relations, the goals of the US have been mainly ideological — regionalism is seen in Washington as a vehicle through which to create a stable mode of liberal economic governance across an area that has suffered not only severe and dislocating crises, but also dramatic policy swings between openness and protectionism. These are interpreted as having contributed, in turn, to the political and security crises in which the US has found itself embroiled to its cost, as in the 1980s (Smith, 2000). Hence neo-liberalism, which imposes trade and tariff discipline and, in Washington at least, is associated with political stability and liberal democracy, lies at the centre of this mode of governance. Neo-liberalism in the Americas and US hegemony are inextricably entwined (Phillips, 2003a).

Nevertheless, for the US, as global hegemon, the pursuit of new regionalism in the Americas is only one of its several strategic concerns — the politics of new regionalism in the Americas, in other words, is caught up in the USA's wider global interests. As a result, the FTAA agenda has come progressively to map directly onto the US's pursuit of multilateralism. This stands in sharp relief with the expectations generated by the signing of NAFTA in 1994. The subsequent opening of US markets to Mexican products (albeit partial and staggered) created widespread hopes that the USA would liberalize its own markets to Latin America, thereby mirroring the liberalization that was already under way in the South. The possibility of levelling the playing field in hemispheric trade thus ultimately lay behind Latin America's endorsement of the hemispheric integration project. The prospect of market opening was similarly responsible for the reinvigoration of subregional pacts within the Americas, the attraction of which, was at least partially, that they were more appropriate vehicles through which to negotiate access to the US market than bilateral negotiations. This project of sweeping trade liberalization has gradually been whittled away. The array of protectionist measures that shelter key US goods from competition have not been dismantled and protectionist interests within the US state remain extremely influential (Fischer, 2001). Moreover agriculture, perhaps the key sector for Latin America in terms of external trade at least, has effectively been excluded from the negotiating agenda and the USA has refused to review its commercial defence legislation. That it has not done so is indicative of the failure of the hemispheric project to win wide-ranging support within US society. The project of trade liberalization has also fallen foul of the US decision to tie the hemispheric negotiations into the global agenda of trade talks. Here, the US overwhelmingly seeks a favourable resolution of 'new' trade issues (intellectual property rights, government procurements, and global investment policy) rather than the more contentious issue of market access and trade expansion in which US businesses will undoubtedly suffer losses — and these issues have inevitably spilled over to dominate the regional trade negotiations as well.

Not surprisingly in light of the above, the US preference is for rules-based integration. The building blocks of the integration process are thin, in so far as formal institutions are concerned, and the FTAA depends upon the adoption and extension of rules governing trade, investment, business, and the role of the state. As Phillips (2004b) notes:

> The economic project in the Americas is not a sort which envisages the construction of genuinely region-level regulatory structures in the construction of supranational regulatory bodies, comparable to those which are emerging . . . in the EU. The challenges of governance and regulation in the Americas relate instead to the construction of a regime of rules.

The US preference, then, is for governance through the implantation of rules and legislation in Latin America, rather than through supranational institution-building. Moreover, this approach allows the US to determine the pace of integration. Instead of institutions, integration moves forward through summitry and rounds of regular ministerial talks across the Americas in which US acts as the hub and US policy developments are the main reference point. US concessions in market access have been limited and mainly on a bilateral basis, and have been presented as a reward for conscientious adherence to liberalization. As a result, the pace of the FTAA negotiations has gradually faltered as the 'easy phase' of integration has come to an end.

It is perhaps not surprising, in light of the above, that the early enthusiasm for hemispheric regionalism within Latin America is now somewhat tempered. Perceptions are increasingly not that the rewards for liberalization (market access, crucially) are slow in coming, but that they may not come at all (Marquis, 2004). In this sense, it is important to note the failure in the Miami summit in November 2003 to reach agreement on further liberalization (Puentes, 2003). The FTAA looks, from the Latin American perspective, to be turning into simply a device for strengthening the US's presence and US investments within Latin America in something of a zero-sum game. It runs the risk of being perceived as a process of 'annexation', as Brazilian President Lula da Silva dramatically put it (Blustein, 2003).

In light of the slow-down in hemispheric integration, the strength of subregionalism in South America is striking. There is now some ambiguity, moreover, as to whether the subregional associations are whole hearted in their endorsement of neo-liberal development, especially if it does not win them access to global, preferably US, markets. Mercosur, in particular, represents a more mixed approach to development, based on a combination of tariff protection alongside strategic liberalization. Formed in 1991, it groups together Brazil, the largest economy in Latin America, with Argentina, Uruguay, and Paraguay. It is an imperfect customs union, set within a broad and flexible institutional framework, the goal of which is to foster regional integration at all levels through intergovernmental cooperation (Bouzas and Soltz, 2001: 96). It benefits from a large internal market that is considerably more important than the export sector. Mercosur, which comprises a market of 2000 million people, fully one-third of the population of Latin America and more than half of its total GDP, aims to complete its own internal market by 2006. Progress in this respect is slow, however, and has been stymied by currency devaluation in Brazil in 1997, followed by economic crisis in Argentina after 2001. But, just as progress towards economic integration slowed, Brazilian activism within it increased and Mercosur has gradually been turned into a 'strategic and political platform' for the larger countries within it (Phillips, 2003b: 221). If anything, this has become more marked following the elections of Lula in Brazil in 2002 and of Nestor Kirschner in Argentina in 2003, for both are suspicious of unregulated markets and are committed to a new phase of cooperation and activism within the South (Tuckman, 2004).

In line with its new-found dynamism, Mercosur has embarked on a programme of economic integration schemes within South America. Chile and Bolivia are already associate members and a free-trade deal with the Andean Community is scheduled. The key driver to the new-found expansionism is the complex set of overlapping interests uniting Brazilian industrial exporters and agricultural producers and representatives of the Brazilian state. Brazil is the largest economy by far within Mercosur, with around 70% of Mercosur's total GDP, making the Latin American market important for Brazilian industry. Meanwhile, Brazilian state interests, long identified as seeking leadership within South America, have considerable latitude in so far as foreign policy is concerned (Lafer, 2002). At the same time, the idea that Brazil will 'lead' South America in some way is enormously popular inside the country (Price and Sztabinski, 2003). The sense that Mercosur is emerging as the nub of a putative South American bloc is reinforced by its more aggressive bargaining strategy vis-a-vis the FTAA (Carlsen, 2003). In sum, Mercosur is potentially evolving towards the status of an alternative project of integration (a new regionalist project in its own right) driven by a complex combination of political and economic logic that goes beyond the simple question of market access. Mercosur is now aiming to deepen and widen economic intercourse within South America and its profile is less that of a building block on the road to a hemispheric-wide free-trade agreement and more that of an alternative to it. As such, it is becoming an attractive partner in other region-to-region alliances that aim to rival or contest the USA's dominance of the South American space.

What conclusions can we draw from this brief overview of the new regionalism in the Americas? First, it is clear that US-led regionalism is predicated upon the US acting as the hub state. Second, US activism in the area is shaped by the US's role as global hegemon and its global preferences. Third, the dominant development model underpinning the FTAA is neo-liberal. The FTAA is seen in Washington as a device that will keep South American trade liberalization on track and 'open for business'. Nevertheless, the US rejects reciprocal liberalization in the sectors that really matter for Latin America, especially agriculture (Hakim, 2003). Fourth, institution-building is thin and progress depends upon processes of rules assimilation in different national contexts. Last, there are no central institutions envisaged within the FTAA that are charged with promoting equitable growth. The FTAA strategy is a one-size-fits-all approach to growth and development across the 34 states that make up the FTAA space. For all these reasons, the US sees subregional pacts such as Mercosur as temporary and ultimately as hindrances to the FTAA process — and therefore designed to wither away once the FTAA is completed.

The EU and Regional Governance in the Southern Cone

Latin America's international relations were stunted by the USA's fear of extra-hemispheric intervention for most of the 20th century and especially during the Cold War (Atkins, 1977). As a result, substantive political ties between Europe and Latin America date only from the 1980s. During the time of the Central American wars and the debt crisis, a range of differently situated European actors (the various institutions of the European Community, member-states, and civil society organizations) contributed to the emergence of dense networks of social and political relations between Europe and Latin America. This was followed by aid programmes and later, in the 1990s especially, by European investment in the privatized economies of the larger Latin American countries (Crawley, 2000).

The EU now lays claim to a set of interests in the region that go beyond questions of economic governance to embrace a range of social and development issues (European Commission, 2003a). Of course, Europe has neither the mandate nor the material power to impose norms within Latin America, and is, in any case, unwilling to bear the costs of doing so. Nevertheless, the EU consistently tries to encourage a shift within Latin America towards balanced growth, social responsibility, and what it sees as good governance through diplomacy and foreign policy, elite interaction, policy advice, political summits and EU-sponsored seminars. The EU seeks to transfer examples of its own best practice to Latin America. In 2003, for example, the EU embarked on a set of initiatives in Latin America based around the theme of social exclusion, including research funding, seminar programmes, and the creation of a fund to provide for the regular exchange of ideas within Latin America, in imitation of the EU's own policies (Da Camara, 2003). Significantly, the EU has also sought to broaden the social bases of its relationships in and with Latin America to include not only elites and governments, but also civil society actors (Grugel, 2000). The EU's relationship with Latin American civil society actors has deepened considerably since the introduction of aid policies that channel funds directly to Latin American social actors (Freres, 2000). These policies are not only different from the US approach, they also constitute a challenge, timid and partial but nonetheless real, to US hegemony in the region.

EU interest has centred particularly on the larger of the Latin American countries since the 1990s, including Mexico, Chile, and Mercosur in particular. This interest has developed almost in parallel with the hemispheric free-trade negotiations led by the US. EU agreements in the 1990s included an expanded budget for economic cooperation — the fostering of business contacts, technology transfer, cooperation of services, and industrial cooperation. As a result, more than 50% of EU funding to Argentina, for example, between 1990 and 1998 consisted of forms of economic cooperation that were designed to increase Europe's investment presence. Schemes such as the European Community Investment Partners (ECIP), which offered grants and support for European companies setting up joint ventures, and AL-INVEST, which promotes direct investment and business contacts by sector, have also provided funds to encourage European investors into Latin America.

But EU interest in Latin America is not confined to questions of trade and investment. The relationship with Mercosur, in particular, has been marked out as a strategic and long-term partnership. This is partly motivated by a view that, institutionally, Mercosur is evolving towards a process of integration modelled on the EU (Kaltenthaler and Mora, 2002). The range of concerns that EU–Mercosur agreements embrace and the weight given to political and institutional development indicate a relationship that is self-consciously distinct from the US's integration agenda with South America. Chris Patten (2000), the EU Commissioner for External Affairs, describes the EU–Mercosur relationship in the following terms:

> What is at stake in the EU–Mercosur negotiations is the possibility for a strategic, political and economic alliance between the only two real common markets in the world. The prospective association agreement will not only provide for short-term financial gains and closer political ties. It will create a free trade area covering nearly 600 million people. By doing this, it will generate democratic development, growing prosperity and respect for human rights. Where prosperity reigns, democracy and human rights can take root. Beyond free trade and greater prosperity, we will have to overcome the problems of poverty, injustice and exclusion . . . Increasing business opportunity can never be an end in itself . . . It is the duty of governments to ensure that the benefits of these processes are widely shared. A fair distribution of wealth and the elimination of extreme poverty make sense not only politically, but also economically: with increases in consumption capacity come new investment possibilities.

The building blocks of the new deal that will link the EU and Mercosur are set out in the Inter-Regional Framework Cooperation Agreement of 1995. They are political dialogue, aid policies, and the reciprocal liberalization of trade and investment. These are intended to lead to the creation of 'an inter-regional association of a political and economic nature based on enhanced political cooperation' (Framework Cooperation Agreement Between the EU and MERCOSUR, 1996). Nevertheless, progress, in terms of trade liberalization especially, has been slow and negotiations only seriously got under way in 2001. The difficulties that attach to market opening in the EU are mainly to blame; but divergent interests within Mercosur, which meant that the member-states were unable to agree upon common negotiating proposals for a long time, and the economic collapse of Argentina in 2001 followed by the effective suspension of trade preferences within Mercosur also hindered progress. Certainly, the impact of the political and psychological fallout from the Argentine crisis on the negotiations cannot be overestimated, especially in the short term, since it put European capital at risk and threatened the unity of Mercosur itself. At the time of writing (June 2004), the pace of negotiations has increased and there is a possibility that association status will be achieved in 2004. A 'final roadmap' for the conclusion of the EU–Mercosur negotiations was agreed in November 2003 (European Commission, 2003c). Even if the talks are prolonged, the 1995 agreement identifies core elements of a governance strategy for the Southern Cone based on economic openness and an enhanced market position for European capital, the consolidation of democracy, the promotion of subregional integration, and deepening consultation with non-state actors, especially in the areas of economic and social development.

Economic Governance

The Mercosur countries attracted considerable European investment in the 1990s. As a result, European foreign direct investment in Mercosur countries now represents around 50% of all foreign investment in Latin America (Inter-American Development Bank, 2002). Economic liberalization in the Southern Cone in the 1990s also created an important export market for European businesses; EU exports to Mercosur were worth around 24,000 million euros in 2001, roughly similar to the value of imports (European Commission, 2003b). In Mercosur, the value of Spanish-owned banks alone is greater than that of US banks (GTAmericas, 2002). Taken together, these indicate that Mercosur is a strategically important arena for European investment. Unsurprisingly, then, EU policies for the Southern Cone are designed to maintain and police open markets. At the same time, they aim to cement the current critical take on the FTAA within Mercosur and fix the EU, rather than the US, as the principal pole of the Southern Cone economies.

The process of mutual trade liberalization that the EU–Mercosur Agreement promises is intended to create a preference for European investment across the region. Access to EU markets is designed to compensate Mercosur for accepting the inclusion of the 'new' investment agenda of government procurement and provide European companies with a head start in this area. At the same time, the EU is using the negotiations set in train by the Agreement to protect its current market position. In particular, the EU negotiating position is that, should Mercosur go on to conclude a hemispheric free-trade deal within the Americas, tariffs with the EU cannot then be raised since negotiations to eliminate them are already under way (Tacone and Noguiera, 2001). To sum up, the Agreement offers Mercosur access to the lucrative EU market in return for a commitment to continued economic liberalization, combined with cooperation to protect and deepen EU interests across a range of non-trade issues such as investment and procurement.

As with the FTAA, however, open integration between the EU and Mercosur is easier to set out than to achieve. In the first place, there is resistance in Brazil to opening the markets of Mercosur any further, whether to the US or the EU, if there is no immediate and visible compensation in terms of greater access to external markets for agricultural goods produced inside Mercosur. The context of the negotiations with the EU only accentuates these difficulties, for the collapse of the Argentine economy has created region-wide fears that a too rapid economic opening could be both destabilizing and impoverishing. Second, the liberalization of EU markets has costs for the European farming lobby and, as such, has encountered opposition from within the EU. While estimates have consistently emphasized that the EU economies will benefit disproportionately as a whole (IRELA, 1999), opening agricultural markets to Argentina and Brazil will mean severe competition for temperate European agriculture. As a result, although agriculture is not excluded from the negotiations, EU offers remain quota based, on the understanding that detailed discussion of agricultural protectionism should take place in the context of World Trade Organization negotiations. Despite these problems, Mercosur trade negotiators proved more interested in 2003 and 2004 than in earlier years in prioritizing trade discussion and the opening of markets with Europe (Mercopress, 2003).

The relative slowness of the trade talks and the difficulties in reaching a firm agreement should not be taken as signs of failure, then. Even if they are inconclusive and drag on beyond 2004, the talks have an important role to play. From the EU's perspective, they are part of the longstanding bid to win a greater share of the markets within Mercosur. Moreover, the EU is using the talks to press for discussion on a range of 'business facilitation' measures designed to increase European investment in the region. In 2002, the EU made clear its willingness to press ahead with the reform of non-tariff barriers to interregional trade in order to bind the Southern Cone into the European trade axis (Seventh Meeting of the EU-MERCOSUR Bi-regional

Negotiations Committee, 2002). For Mercosur, meanwhile, the negotiations form part of the long-term strategy for diversifying its global market position and, at the same time, signal to the US that the FTAA is not its only trade option. Understood in this way, Klom's (2003) point that both the EU and Mercosur have embedded interests in continuing negotiations (even if a deal is elusive) makes sense, for the talks offer a range of immediate benefits to both sides and delay the moment when domestic interests groups will have to assume the costs that trade liberalization will inevitably imply.

Regulating the Political and Institutional Environment

If the EU's project of economic governance is similar to that of the US, then the EU's notion of the kind of political and institutional environment in which open markets are embedded is rather different. The EU has a longstanding vision of itself as a mirror for the political and institutional development of the Southern Cone. Political and cultural similarities mean that the countries of the Southern Cone tend to be viewed by EU elites as 'Europe in exile', in the telling phrase of the Argentine writer Jose Luis Borges. As a result, the EU has developed a conscious political leg to its new regionalism, absent from the FTAA, and which is based around the promotion of its own model of democracy, social welfare, and regional integration. These latter come as a 'package' — regional integration is seen as a way of managing social and political conflict and a device for spreading the cost of regional public goods and for embedding liberal democracy. Social inclusion is thought to minimize the risk of zero-sum politics, the collapse of democracy and the end of economic growth. The EU, in other words, endorses a model of liberal economic governance in which the market is mediated by authoritative supranational regional institutions (European Commission, 2004). Moreover, it offers a strong endorsement of subregional integration within Latin America, in contrast to the US view that subregional integration in Latin America should function principally as a building block for hemispheric integration.

The negotiations, at least until 2004, have taken place against a backdrop of economic crisis and governmental instability in Argentina, hard-fought presidential elections in Brazil, and trade disputes between the two economies that keep Mercosur together, Brazil and Argentina. As a result, the EU–Mercosur negotiations are perceived in Europe as a set of supportive structures for Mercosur. Negotiating documents reiterate endlessly the importance of the EU's model of capitalism for Mercosur; they also emphasize the introduction of social welfare policies alongside programmes of business promotion, investment, and trade liberalization. Patten (2001) seems to view democratic governance as endogenous to the

Southern Cone and argues that Mercosur can model its own development patterns on those of the EU. Other EU institutions make similar assumptions about the transferability of European norms to the Southern Cone. The European Economic and Social Council (ECS), for example, says that the EU–Mercosur relationship should proceed:

> based on sharing the core values of the European Union, especially the concept of the European social model, which combines free market aspects with social dialogue and public participation through civil society, and [should be] of a more ambitious scope than simple trade agreements (Economic and Social Council, 2002).

As well as promoting the European notion of market capitalism regulated by states or regional bodies, the EU is also attempting to provide Mercosur with a 'roadmap' for its own process of integration (Sanchez Bajo, 1999). As such, the negotiations have become an opportunity to shape the internal norms that govern Mercosur and to signal the EU's unwillingness to tolerate Mercosur's collapse. Despite the economic difficulties and political turbulence in the Southern Cone between 2001 and 2003, the tempo of the negotiations increased in 2002. The EU, moreover, has made clear the importance it attaches to Mercosur pushing ahead with its own agenda of integration — in January 2002, the European Commission expressed its view that 'Mercosur is the key to development within the area' (European Commission, 2002a). The view that region-building between the EU and Mercosur will be facilitated by deeper integration within Mercosur itself has been backed up by a series of EU grants. These include support for the development of institutions internal to Mercosur, including the Joint Parliamentary Committee and the Economic and Social Consultative Forum of the Mercosur (€9 million), customs harmonization programmes (€5 million), technical norms and standardization (€4.135 million), support for the single market (€4.6 million), and macro-economic coordination (€2.5 million) (European Commission, 2002a). In September 2002, the EU launched the Regional Indicative Programme with Mercosur which released a further €48 million for programmes in support of the internal market, institution-building, and civil society inside Mercosur (European Commission, 2002b).

Civil Society Inclusion

For the EU, new regionalism is part of a significant shift in the kind of development strategies it endorses. The new approach emphasizes not only the market, however, but also endorses the activism of a broad range of society-based actors. The new regionalism is conceptualized as a stimulus to governance through social networks, underpinned by a reliance on civil society to deliver and oversee policy, in contrast to state-led development strategies. As a result, civil society organizations, both in the EU and in Mercosur, are seen as playing a crucial role as agents of development. Of course, the centrality of the market in the global political economy means that the participation of business, trades unions, and non-governmental organizations (NGOs) is important to all forms of new regionalism (Tussie and Botto, 2002). Nevertheless, it is particularly marked and civil society participation is unambiguously endorsed (even if it is not fully effective) within the European model of new regionalism.

The EU tends to assume that civil society is a homogenous whole. In fact, however, civil society is a contested space and relations within it are conflictual. As a result, civil society groups have different interests and unequal resources. Consequently, in practice, European civil society groups have unequal access to the negotiations. The two sectors of EU civil society most directly concerned and involved with the negotiations are business groups and the development NGOs that deliver and partially design European aid policies (Kohler-Koch and Eising, 1999; Grugel, 2000). The present structure of trade-led negotiating rounds means that private sector business groups are privileged in terms of access. EU–Mercosur business meetings tend to run parallel to the official negotiations and are awarded high priority by EU officials. Business groups have their own Mercosur–EU Business Forum (MEBF), the role of which is to organize private sector meetings between EU and Mercosur business groups and arrange working groups on aspects of the negotiations that feed into the Bi-regional Negotiating Committee, the formal body charged with the negotiations (Devlin, 2000). Moreover, the MEBF flags up the investment and trade opportunities across the private sector and serves as an informal channel for information on investment opportunities. Its official views are, as might be expected, reflective chiefly of the opinions of dominant European private sector interests keen to take advantage of investment opportunities in the Southern Cone. As a result, a major issue is the market position of EU companies inside Mercosur vis-a-vis their US counterparts (Mercosur–EU Business Forum, 2002). Mercosur's business groups are also active within the MEBF. The Forum operates chiefly as an arena for them to press for a greater input in Mercosur itself. They are particularly concerned to prevent the Forum being used to lobby the governments of Mercosur to push for the strategic protection of specific sectional interests in the Southern Cone and as a space through which to manage the internal tensions within Mercosur's industrial groups over the costs of liberalization (Sanchez Bajo, 1999).

Business groups, then, enjoy a significant degree of stable, institutionalized access to the negotiations. Other civil society groups, however, have a less privileged position within the negotiating machinery. Nevertheless, their importance is growing. This is particularly so in the case of the European development NGOs that have longstanding relationships inside the Southern Cone. A range of European groups, including policy and academic institutes, development NGOs, human rights organizations, consumer groups, cultural associations, and immigrant organizations have taken part in two rounds of formal consultation between the European Commission and civil society movements which were held in Brussels in October 2000 and February 2002. Both attracted more than 200 individuals, representing mainly European groups. Nevertheless, the format means that the consultation is more ceremonial than substantive. The consultations were one-day events and notification of presentations or interventions were required in advance, with the result that engagement at the consultations was relatively limited (European Commission, 2000, 2002c). It is also unclear where the recommendations of the Civil Society Forum go — it lacks the same input into the negotiating machinery than business enjoys. Nevertheless, civil society opposition to what was seen as a trade and investment-led agenda was clearly voiced at the consultations. Moreover, it should not be assumed that European development NGOs are opposed to the content of the negotiations *en masse*. Many have responded positively to the emphasis on welfare, human rights, democracy, and dialogue that cements European new regionalism, even while they express disquiet over European support for economic liberalization (Oxfam, undated).

Nevertheless, European NGOs are undoubtedly less influential that European business groups. This has been compounded by the fact that their civil society counterparts in the Southern Cone tend not be part of the Mercosur–EU process. Southern Cone NGOs, citizenship groups, and human rights organizations are not only weaker than their European counterparts, but tend to be more focused on the FTAA agenda (Tussie and Botto, 2002). Mercosur, meanwhile, has few mechanisms for forms of civil society representation beyond that of business (Guinazu, 2002). Additionally, there have been few EU-funded programmes to increase civil society cooperation between the two regions (Freres, 2002). The outcome is that the texture of interaction between the EU and Mercosur in so far as bottom-up civil society groups are concerned is surprisingly thin, and despite enthusiastic endorsements of social inclusion and participation, input from these groups tends to be limited to primarily European actors. In sum, the rhetorical commitment to inclusion is there; but there are, as yet, few signs that it is active and influential.

Conclusion — Competing Modes of Governance

This article has interpreted new regionalism as a layer of governance within the global polity (Payne, 2000). It is part of the shift to patterns of regulation through market discipline, elite consensus, the dissemination of norms, and the incorporation of private sector actors as agents for the public sphere (Murphy, 2000). Specifically, new regionalism provides a framework for the ordering and regulation of the South. Both the FTAA and the EU's relationships with Mercosur establish new regulatory frameworks for the governance of the Southern Cone. Nevertheless, they advance rather different models of regulation.

Both rest, very centrally, on discourses of economic liberalization. Both aim to push economic liberalization in the South beyond the levels agreed and policed by the WTO. It is interesting to note that powerful protectionist interests in the cores appear to be blocking substantive progress in this respect in both cases. The consequence, in both cases, is the privileging of 'new' issues of investment and government procurement over market access, in terms of economic governance. These similarities are undoubtedly rooted in the fact that elites in the EU and in the US share a broad commitment to development through the liberalization of global markets. That they are similar is also reflective of the simple fact that the US and the EU are also engaged in competition for markets in the Southern Cone.

Nevertheless, there are also some differences that should be noted in terms of the economic agendas advanced through the FTAA and the EU association deal with the Southern Cone. Most importantly, there is less of a sense of compulsion in so far as the EU agenda is concerned. In the first place, EU-sponsored new regionalism is less explicitly coupled with multilateral negotiations. The FTAA, meanwhile, is inevitably entwined with the US's global agenda. It is also part of the overall package of US foreign policy in the Americas, dominated as much by concerns about labour migration to the US and security as trade issues. As a result, the FTAA agenda elides into other, overlapping US interests in the Americas. Moreover, the FTAA makes no substantive recognition of subregional difference within South America or of the fact that Mercosur, and Brazil especially, are significant players in the global economy. The EU, by contrast, has few strategic interests beyond trade and investment at play in Latin America. At the same time, the EU has few instruments of coercion. Mercosur is not compelled in any way to sign up to a deal with the EU and the negotiating procedures are, consequently, less conflictual. For the EU, moreover, Mercosur, as it stands, is an attractive and desirable partner and the EU is committed to supporting its internal cohesion.

Beyond questions of economic governance, there are other important differences. All governance strategies are premised on normative assumptions about how the world should be; in the case of Europe, this means a view that economic liberalization should be accompanied by support for democracy, rights, social inclusion, and regional integration. In discursive terms at least, the political components of the EU's new regionalism are as important as the elements of disciplinary governance through the market. The EU also displays sensitivity not just to the role of 'civil society' as a bloc, but also to particular actors within civil society, including grassroots development groups, however limited their role in practice might be. We can conclude, then, that the EU's approach to region-building with Mercosur is an attempt to diffuse and embed European norms outside of Europe. The EU aims to shape visions inside Mercosur of what regionalism should be and of where it fits in the world. As such, it reflects specifically European perspectives on region-building and development, built up through years of patterned and regular engagement under conditions of nominal equality with the developing world. In this, it draws on ideas embedded in the EU of 'responsibility' for the developing world (Holland, 2002).

So much, then, for the differences and similarities between the EU and the FTAA within the Southern Cone. Can more general conclusions be drawn from these differences in the models of new regionalism? I would argue that, to a degree, they can. Most significantly, the persistence of a distinctive model of European regionalism would seem to suggest that there is, as yet, no single narrative of liberal global governance. Perhaps surprisingly, little attention has been paid to the significant divergences between the US and European projects of regulation for the developing world. Since the end of the Cold War, the EU has pursued as a central objective the establishment of a distinctive foreign and security policy (Whitman, 1998). Material dependence on the US acts as an important limitation on this project.

Nevertheless, new regionalism appears to constitute a relatively safe space within which Europe can display identity and norm difference from the US. The EU can lay down an identity marker of what it perceives as a more humane governance model in its relations with the developing world, without having to confront or contradict US power head-on, in a display of what Manners (2002) terms 'normative power'. The result is a distinctive model of governance towards the developing world, assisted by the development of strong 'European' positions on the environment, debt, aid, the deployment of military power, and the nature of human rights (see the debate in *The Washington Post* on 1 July and 9 July 2002 between Robert Kagan and Chris Patten over the International Criminal Court for an exceptionally frank airing of some of these differences). Moreover, Nye (2003) speculates that these divergences may have actually widened in the wake of the events of 11 September 2001. For the EU, then, new regionalism is about more than how it copes with globalization. In contrast to the US, where the new regionalist agenda is essentially linked to the recreation of hegemony and the pursuit of multilateralism, the EU is attempting to establish new and deeper regional relationships in order to cope with and mitigate the impact of US power. New regionalism thus offers the EU a chance of reaffirming its role as a global actor; in creating a relationship with Mercosur, the EU also remakes itself.

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