

# **Interregionalism: A Case Study of the European Union and Mercosur<sup>1</sup>**

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## **ABSTRACT**

Since 1999, the European Union (EU) and Mercosur have been negotiating an association agreement. In order to understand the relation between the two regions it is necessary to establish a theoretical framework and the context in which they operate. Therefore, it is important to bear in mind that, since the end of the Cold War, the world has become a more complex place. Consequently, the old theories of International Relations that used to explain the relation between superpowers and their satellites are no longer useful to understand the current dynamics. The objective of this article is to comprehensively analyse the relations between Europe and the Southern Cone, by studying relations between the regions under a new theoretical approach: interregionalism.

This article is divided into two parts. Part one analyses the spectrum of EU and Mercosur interregional relations based on the typology suggested by Heiner Hänggi. Here it is assumed that the EU possesses a greater quantity of institutionalised interregional relations than Mercosur. It is clear, then, that the EU is the hub *par excellence*. Moreover, the article analyses the Triad relations' network; it states that relations between North America, Western Europe and East Asia create the world's most complex interregional space and have provided a basic structure for new interregionalism. The origin of interregional relations between the Triad regions was due to many factors. In the context of Latin America in general and Mercosur in particular, the latter is attractive to extra-hemispheric regions as a consequence of the United States' negotiations in the framework of the Free Trade Area of the Americas (FTAA). In this context, Europe fears being excluded from this process that could end up with the construction of a mega-region that would connect the whole Western Hemisphere. Consequently, the EU is interested in establishing summits and special relations with Latin America and the Caribbean. Part two deals with the functions of interregionalism described by Jürgen Rüländ, applied to the specific case of EU-Mercosur relations. These functions are: balancing and bandwagoning, institution-building, rationalizing, agenda-setting and controlling, identity-building, stabilizing and development.

Following Hänggi's analysis, interregional relations between two regional organisations constitute interregionalism in the most pure, institutionalised and complex variety. This is the context in which EU-Mercosur relations take place.

**Keywords**:- European Union, Mercosur, interregionalism, regionalism, Free Trade Area of the Americas

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## Introduction

*“I think that all students of regional integration – first and foremost, those working on the European Union – now understand that no single theory will be capable of explaining its dynamics and predicting its outcome. (...) I can think of no better way of concluding but by re-iterating what I said at the end of my 1969 article: *understanding and explanation in this field of inquiry are ... best served not by the dominance of a single “accepted” grand model or paradigm, but by the simultaneous presence of antithetic and conflictive ones which – while they may converge in certain aspects – diverge in so many others. If this sort of dialectic of incompleteness, unevenness and partial frustration propels integration processes forward, why shouldn’t it do the same for the scholarship that accompanies them?*”*

**Philippe C. Schmitter** (July, 2002),  
“Neo-neofunctionalism”, Florence, EUI: 39-40.

The European Union (EU) and the Common Market of the South (Mercosur) have been negotiating an association agreement since 1999. In order to understand relations between these regions, it is important to establish a theoretical framework and the context where they are settled. Consequently, it is crucial to bear in mind that since the end of the Cold War the world has become a more complex place and therefore theories of international relations that explained relations between both superpowers and their satellites are no longer useful to understand current dynamics. Nevertheless, some arguments can be rescued from the old realist school, since relations among states are still being established from power relations. That theory also stated that actors of the international system were only states, but today we can see that there are other important ones, like Non Governmental Organisations (NGOs), transnational companies, international organisations, regionalisation processes, individuals, among some units of the international system. This argument, which belongs to the complex interdependence theoretical approach is still valid. Another concept that can be taken from that theory in order to analyse EU-Mercosur relations is asymmetry. EU-Mercosur relations are an example of evident power asymmetry. The EU is much more advanced in terms of the level it reached in its integration

process; Mercosur is less institutionalized and consists of states that are still developing economies.

Another aspect that is still valid from the above-mentioned traditional theories is the distinction among levels of analysis. For representatives of structural realism, such as Kenneth Waltz (Waltz, 1988), there are three levels of analysis: systemic, domestic and individual. Andrew Moravcsik studies the first two, which are analysed by the negotiation theory: two level bargaining/ two-level-game. As for the first level, the international arena, Moravcsik affirms realism assumes that nation-states are single actors that respond to **external incentives**. In other words, states act in response to stimulus and external changes, not to internal ones. Moreover, realism indicates that almost all states have similar domestic preferences and share decision making procedures. What distinguishes states is their relative position in the international system. In contrast, the second level, the internal one, considers that causes of international politics may be found inside nation-states; in other words, it is centered in **internal issues**. Moravcsik indicates that, for domestic explanations, state behaviour does not respond to what happens at the international level, but it is part of it. This second level is analysed by theories that stress domestic issues, such as liberal institutionalism (Moravcsik, 1993a: 5-6).

We have already distinguished classical theories of international relations that emphasize external aspects and others that insist on internal ones. Now we can say that this differentiation also applies to current international commercial negotiations, which, according to a recent report presented by UNCTAD “are processes at various levels”. In other words, these negotiations include the ones between national representatives with domestic interests groups on the one hand, and negotiations between states that represent such national interests on the other hand. This dimension of multilateral commercial negotiation has been defined as a “two-level-game (Putnam, 1988). This implies that in the negotiation process there are meetings around two tables: the international one and the national one. As it has been mentioned by the UNCTAD report, in some regional integration processes the situation can be even more complex. For example, in the case of developing states that are negotiating association or enlargement agreements with the EU the document states that: “in the case of the EU, the game is open in at least three levels, because of the participation of national groups, EU member states, the

European Commission and the level of the World Trade Organisation (WTO), as bi-regional agreements should be considered in function of regional integration norms of this international institution...” (UNCTAD, April, 2002: 34). This differentiation of levels is present at the EU-Mercosur relation. Consequently, we can distinguish at least three levels of analysis: internal, external (at the interregional level) and external (at the multilateral level). Below we will analyse the **external** one, where interregional relations are engaged.<sup>3</sup>

The objective of this article is to study a wide range of relations between regions and to determine where EU-Mercosur relations are placed. In order to do so, this paper presents a review of the typology suggested by Hänggi, as well as the functions of interregionalism detected by Rüländ. It is important to stress that one of the main contributions of this paper is to apply these theoretical deductions and give empirical evidence on the EU-Mercosur relation.

Three main arguments guide this article: 1) The EU does not consider Mercosur a priority of its external relations; 2) The EU is prioritising bilateral relations with single states. In terms of Hänggi’s typology, as it will be addressed below, these bilateral relations are considered Type 1 interregional relations (quasi-interregional relations of a regional organisation with a single state). In this context, after almost eight years of bi-regional negotiations between the EU and Mercosur, the EU may change its strategy in order to concrete bilateral agreements with single Mercosur states. The case of Brazil will be addressed; and 3) Functions of interregionalism analysed by Rüländ can be applied to the empirical case of EU-Mercosur relations. Below the article will describe and provide examples of these functions, identifying which are the most applicable to analyse this interregional relation.

### **Interregionalism: the External Factor of the EU-Mercosur Relation**

The EU-Mercosur relations are framed in a global context, where other relations between regions and states that belong to different regions coexist. Consequently, in order to integrally analyse

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<sup>3</sup> The concepts “interregional” and “bi-regional” are used as synonyms in this article when they describe relations between two regions.

the EU relations with the Southern Cone, it is relevant to quote some authors that have been studying relations between regions under a new theoretical approach: interregionalism.

Although a globalised reality confronts us with a complex web of relations that can no longer be explained by a state-centred theoretical approach, some of the postulates from classical theory can help us find a guiding light to address the relatively new research field of interregionalism. In other words, interregionalism is a quite new theoretical approach, but it takes elements from old theories, such as balance of power and power relations, analysed by Classical Realism.

On the other hand, asymmetries and pluralistic units of the international system, analysed by Complex Interdependence, are still predominant features of the current international arena; that is why the multilevel analysis offered by traditional theories turns out to be very useful at analysing interaction between regions at a systemic level.

As it was mentioned above, although Interregionalism is a new theoretical approach of international relations, it is not a completely new phenomenon: it appeared more than fifteen years ago. During all these years many authors have been publishing on the topic (Aggarwal, 2003; Gilson, 2002; Grugel, 2007; Hänggi, 2002/2005; Santander, 2005; Roloff, 2001/2002; Rüländ, 2001/2002/2005; Söderbaum, 2001/2005; Stuhldreher, 2002/2003). Since the beginning of the 1990s, the number of interactions between regional organisations and groups of states belonging to two or more regions increased considerably. At present, most of the world regions and subregions are involved in institutionalised relations with others. The proliferation of interregionalism began with the end of the Cold War and the advent of two forces that characterised the international system from that moment: globalisation and regionalism (Hänggi, 2005: 31).

According to Roloff (2001), globalisation and regionalisation are external challenges for states, which make them establish regional relations in order to face the growing complex interdependence – explanation offered by liberal institutionalism, and balance challenges provoked by other regions – neorealist explanation. This is how the new theoretical approach called new regionalism aroused. As Hänggi remarks (2005: 31), in a post-Cold War scenario,

regional actors, such as regional organisations, groups of states and independent states started to increase the level of their regional relations, in order to balance the relations between them in a global multi-layered system of global governance.

Hänggi also argues that during the Cold War an “old interregionalism” prevailed, because at that time regional relations had a global reach. This author indicated that under the conditions of the bipolar system, interregional relations were basically limited to the ones established by the European Economic Community (EEC) through informal dialogs with different groups of countries, regional organisations or states. Since the 1960s these dialogs evolved, and at the end of the 1980s they covered all regions. It is worth mentioning that, as the ECC at that time was considered the most advanced regional process, during the Cold War the interregional relations network followed the format of hub and spokes. This system implies that there is a centre (hub) from which other actors (spokes) depend. Hänggi explains that Brussels, which established relations with different groups of countries, represented the hub. In other words, the features of old interregionalism consisted on the pre-eminence of an actor (the ECC) that had a limited relevance in the international system (Hänggi, quoting Regelsberger, 2005).

New interregionalism, instead, is not centred in the action of one actor, but on the system itself; that is why it has a greater impact in the international arena. Since the 1990s the network of interregional relations has grown rapidly and has integrated almost every state. Apart from the EU, which is still the actor that has developed the biggest number of interregional relations, other regions have also started to expand their interregional relations, especially ASEAN and Latin America. Moreover, Hänggi states that interregionalism produced new types and forms of interregional relations, such as APEC’s, which transcend interregionalism in the narrow sense.

Many authors consider important to differentiate interregionalism from transregionalism (Rüland, 2002; Gilson, 2002 and Aggarwal, 2003). During the 1990s, interregionalism implied relations between groups that did not have common institutions. Instead, transregionalism related states that possessed a more diffuse membership but had common – although weak – institutions.

*The Spectrum of EU and Mercosur Interregional Relations*

Taking into account the fact that interregionalism has a variety of types and forms, Hänggi (2005: 34) went beyond the differentiation between transregionalism and interregionalism: he classified all the varieties of interregionalism in one typology that includes five kinds of interregional relations, later on regrouped into three categories. Hänggi explains that relations among regional organisations or regional groups are the “ideal type” of interregionalism, while relations between a region and a state can be considered “quasi-interregional”. Hänggi also introduces the category of megaregional relations, that is, between units of a very large region or the relations of that megaregion with another region. The table below illustrates Hänggi’s typology of interregional relations, which covers the whole spectrum of empirical cases of institutionalised interregional relations.

**Table 1**

**Typology of Interregional Relations**

Type	Region A	Region B	Type of interregionalism
1	Regional organisation or regional group*	State	Quasi-interregional relations (interregionalism in the wider sense)
2	Regional organisation	Regional organisation	Interregional relations in the narrow sense
3	Regional organisation	Regional Group	Interregional relations in the narrow sense
4	Regional Group	Regional Group	Interregional relations in the narrow sense
5	Group of states from more than the two core regions		Megaregional relations (interregionalism in the wider sense)

Note: \* Special case of a regional group which possesses its own relations (e.g. Rio Group).

**Source:** Author’s elaboration based on Hänggi (2005: 41).

Hänggi explains that types 1 and 5 correspond to interregional relations in the wider sense. Type 1 constitutes the lowest end of the spectrum. These relations can serve as a substitute for group-to-group relations because one of the two regions does not have a regional organisation or a regional group of states that can act as a counterpart. The author affirms that, given the fact that

these relations are an essential component of relations between two regions, they may be called quasi-interregional, as they play a similar role as interregional relations in the wider sense.<sup>4</sup> At the upper end of the spectrum, there are relations between states, groups of states and regional organisations from two or more regions.<sup>5</sup>

Hänggi explains that the first of three types of interregional relations in the narrow sense (type 2) includes relations between two regional organisations (such as the EU and Mercosur), which are set between two regions exclusively represented by states that are members of two regional organisations. This type constitutes the paradigm of old interregionalism, but it still represents the most common form of new interregionalism. Relations between a regional organisation and a regional group (type 3) connect two regions through two different types of actors: a regional organisation and a group of states that can be more or less coordinated on the other. Type 4, that is, relations between two regional groups of states, is possible thanks to contacts between two loosely tied groups of states, each of them belonging to a different region.

As it was mentioned above, Hänggi unified the five types in three categories of regional organisations' foreign policies: two in the wider sense and three in the narrow sense. Each of these categories is a form of interregional relations that correspond to empirical cases. Below, particular cases where the EU and Mercosur participate are enumerated:

### **1) Current Relations with States from other Regions**

The EU has subscribed association agreements with: Chile, South Korea, Mexico, India, Indonesia, Algeria, Jordan, Egypt, Croatia, Macedonia, South Africa, Faeroe Islands (Denmark), Switzerland, Morocco, Tunisia, Lebanon, Israel, the Palestine Authority, Bulgaria, Rumania, Albania, Andorra, San Marino, Turkey, Syria and Russia. It also signed agreements with Canada, the United States and China. Mercorsur established agreements with: Chile, Bolivia, Peru, Ecuador, Colombia (associated states) and Venezuela (Member state in process of adhesion). It also subscribed agreements with: Japan, Mexico, Canada, the United States, India, South Africa and Israel;

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<sup>4</sup> Two empirical cases of this type of interregionalism are: EU-Mexico and EU-Chile.

<sup>5</sup> APEC is an example of megaregion.

## **2) Current Relations with Regional Organisations and Regional Groups**

It is possible to identify agreements between the EU and Mercosur, ASEAN, Andean Community of Nations (CAN), System of Central American Integration (SICA), Southern African Development Community (SADC), Rio Group, Gulf Cooperation Council (GCC), South Asian Association for Regional Cooperation (SAARC) Economic Community Of West African States (ECOWAS). On the other hand, Mercosur established agreements with: the EU, CAN, ASEAN, EU, CAN, ANSEA, Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA), Central American Common Market (CACM), ECOWAS, Southern African Customs Union (SACU) and GCC;

## **3) Relations with other Interregional or Transnational Mechanisms**

In this field the EU is engaged in relations with ACP countries, EuroMed countries, the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), the EU/Latin America and the Caribbean Summit and the EU-Africa Summit. Mercosur participates at the EU/Latin America and the Caribbean Summit, the FTAA and the Forum for East Asia-Latin America Cooperation (FEALAC).

The table below illustrates the spectrum of interregional relations of the EU and Mercosur. In brackets the year when both parties subscribed the agreement is indicated. This table indicates that the EU has been engaged in a greater number of institutionalised interregional relations than Mercosur. It is clear, then, that the EU is the hub *par excellence*, as Hänggi affirmed. On the other hand, relations between a regional organisation and a regional group aroused, such as the EU and Mercosur, in the majority of cases, during the 1990s; but, as it was argued by Hänggi, their creation was linked to the wake of the EU as a transforming actor of new interregionalism (Hänggi, 2005:46).

**Table 2**

**Interregional relations of the EU and Mercosur  
(Subscribed agreements)**

Regional organisation	Relations with single states	Relations with other groups	Relations with other interregional mechanisms*
EU	EU-Switzerland (1973) EU -Canada (1976/1990/1996) EU -China (1978/1985/1998) EU -Faeroe Islands (Denmark) (1997) EU-United States (1991/19995/1998) EU-Japan (1991) EU-Andorra (1991) EU-Bulgaria (1995) EU-Rumania (1995) EU-Chile (1996/2002) EU-South Korea (1996) EU-Turkey (1996) EU-West Bank y Gaza Strip (Palestine Authority) (1997) EU-Tunisia (1998) EU-Mexico (1997-2000) EU-Morocco (2000) EU-India (2000) EU-Indonesia (2000) EU-South Africa (2000) EU-Algeria (2002/2005) EU-Jordan (2002) EU-San Marino (2002) EU-Lebanon (2002/2006) EU-Egypt (2004) EU-Syria (2004) EU-Israel (2000/2004) EU-Macedonia (2004) EU-Croatia (2005) EU-Russia (2005) EU-Albania (2006)	EU-ASEAN (1972/1978/1980/2003) EU-CAN (1980/1983/1992/1996/2003) EU-SICA, San José Dialogue (1983/1996) EU-SADC (1986) EU- Rio Group (1987-2005) EU-GCC <sup>3</sup> (1988) EU-Mercosur (1995) EU-SAARC <sup>1</sup> (1994/1996) EU-ECOWAS (2000)	EU-ACP (1975) ARF (1993) EuroMed (1995) ASEM (1996-2004) EU-Latin America and the Caribbean Summit (1999/2002/2004/2006) EU-Africa Summit (2000)
Mercosur	Mercosur-United States (1991) Mercosur-Bolivia (1996) Mercosur-Chile (1996) Mercosur-Canada (1998) Mercosur-South Africa (2000) Mercosur-Mexico (2002) Mercosur-India (2003/2004) Mercosur-Peru (2003) Mercosur-Japan (2003) Mercosur-Colombia (2004) Mercosur-Ecuador (2004) Mercosur-Israel (2005) Mercosur-Egypt (2005)	Mercosur-EU (1995) Mercosur-ASEAN (1996) Mercosur-CACM (1998) Mercosur-CAN (1998/2002) Mercosur-ANZCERTA (1999) Mercosur-ECOWAS (2001) Mercosur-SACU <sup>2</sup> (2004) Mercosur-CCG (2005)	EU-Latin America and the Caribbean Summit (1999/2002/2004/2006) Summit of the Americas (1994-2005) FEALAC (1999/2001)

**Notes:** \* Either as a group or through all or some of its member states.

<sup>1</sup> Includes: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

<sup>2</sup> Includes: Namibia, Botswana, Lesotho, Swaziland and South Africa.

<sup>3</sup> The Gulf Cooperation Council (GCC) consists of the United Arab Emirates, Bahrain, Saudi Arabia, Oman, Qatar and Kuwait.

**Source:** Author's elaboration based on: (Hänggi, 2005: 35 y 37), European Commission, External Relations (2006) and Mercosur's institutional homepage (2006).

Another characteristic of new interregionalism worth mentioning is the fact that it appeared in a context of triadic relations, covering the five types of interregional relations; while old interregionalism is only related to type 2, basically as a poorly institutionalised way of the EEC to engage in relations with other groups of countries. Today, instead, relations established by the EU are much more institutionalized, and include a wider range of issues, which are not only related to commerce, but also include a democratic clause and a chapter on cooperation.<sup>6</sup>

As mentioned by Hänggi (2005: 52), the network of relations between regions that are part of the Triad (North America, Western Europe and East Asia) has been the most complex network and has provided a basic structure for new interregionalism. The creation of interregional relations between Triadic regions appears to arise from various causes. The United States saw in APEC a safeguard against the creation of subregional integration processes in East Asia, and Asian states considered APEC would buffer the negative effects of the European single market and NAFTA. On the other hand, the establishment of a New Transatlantic Agenda between the EU and the United States can be interpreted as an alliance in order to mitigate the challenges posed by East Asia's fast economic growth. Also, Europe feared to be excluded from APEC. Finally, the ASEM process that was created in 1996 had the objective of linking the missing connection of the Triad: East Asia and Europe. Here, Europeans feared to be excluded from APEC and East Asians from the transatlantic relation between the United States and Europe. On the other hand, these two poles, Asia and Europe, constitute the hubs with more institutionalized interregional relations with regions outside the Triad, mainly with Latin America and Africa.

Latin America is attractive to the EU as a consequence of United States negotiations in order to establish the FTAA. On this context, Asia and Europe fear to be expelled from this process that could derive in a megaregion that would cover the whole Western Hemisphere. This is one of the reasons why the EU is interested in establishing summits with Latin America and the Caribbean and why Asia created FEALAC. The European intention to create a close link with Africa is due to another cause: to prevent Africa from being marginalised and to create a close link with those territories that once were European colonies. This is the context of the special relation the EU has with ACP countries. Finally, it is clear that most interregional relations are North-North or

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<sup>6</sup> Today EU agreements include the three pillars: trade, political dialogue and cooperation.

North-South (such as EU-Mercosur). Interregional relations outside the Triad, that is, South-South, are more recent, and they have a low level of institutionalisation (Rüland, 2002: 2).

Another difference between triadic interregional relations and states outside of it is that triadic ones cover a larger scope and include more subjects than relations of regions outside the Triad. Transatlantic relations have a relatively higher level of institutionalisation<sup>7</sup> and prioritise security issues. APEC and ASEM converge around economic issues. Moreover, it is important to recognise that historic and cultural links play an important role in the level of institutionalisation of relations between regions. For example, transatlantic relations (between Europe and the United States) possess normative and cultural affinities that outnumber the ones present in other interregional relations. (Rüland, 2002: 3). Finally, we can affirm that the EU-Mercosur relation also has an important level of cultural affinity, apart from genealogical and historic bonds between them; this would theoretically enable them to carry out a more institutionalized and profound exchange, such as identity building negotiations, which will be addressed in the next section as part of the differences between old and new interregionalism.

### *The Systemic Functions of Interregionalism*

Because interregionalism is not a new phenomenon, scholars have distinguished “old” interregionalism from a broader, more institutionalized one that is beginning to emerge in contemporary world politics. To understand current interregional relations, the most prominent features of old interregionalism will be outlined and contrasted with those that show a higher level of complexity.

New interregionalism does not necessarily imply that only formally institutionalized regional organizations can engage in negotiations concerning interests that go beyond commercial exchange. That is why Hänggi’s classification comes as an important tool to understand and characterize the scope each of the possible forms interregional relations can take. Although the relation between Mercosur and the EU falls into the typology of interregional relations in the narrow sense (between two regional organizations), it is important to assert that both of them

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<sup>7</sup> These relations have a relatively higher level of institutionalisation, although the EU and the United States have not signed an association agreement.

hold separate relations with other actors and regions that fit into Hänggi's remaining categories; characterizing all of them allows us to prove the EU is the hub *par excellence*. This can be accounted for by relying on the fact that the EU has been the motor of new interregionalism as a consequence of its relations with the Triad.

Simultaneously, relations with the Triad have led the EU to lay eyes on Latin America, because the United States has shown interest in leading the construction of a new megaregion involving all the Western Hemisphere. Engaging in relations with Latin America follows the most frequent pattern that links northern to southern regions. This kind of relation is in a certain way destined to be less institutionalized, because relations between the Triad continue to be those with the greatest number of actors and political will. Nevertheless, cultural and historical affinities between Europe and Latin America must not be overlooked, for they constitute an important factor that in many ways marks the kind and level of relations in which they can engage.

Rüland (2002: 3-9)<sup>8</sup> asserts there are seven systemic functions of interregionalism that are implied from realist, institutionalist, liberal and constructivist statements. These functions are: 1) to establish balancing of power; 2) achieve institutional balancing; 3) bandwagoning, in order not to be relegated; 4) institution-building; 5) rationalising; 6) agenda-setting and 7) identity-building. Also, Rüland cites other two aspects: 8) stabilising and 9) development.

Balance of power is a concept that has generated a wide debate among academics. For some analysts, such as Nuria Okfen and Hanns Maull (quoted by Rüland, 2002: 3) it does not even exist. This is due to the fact that, in a context of the triadic economic order, security is addressed unilaterally. On the other hand, Kupchan (quoted by Rüland, 2002: 4) considers, through an explanation derived from the hegemonic stability theory, that the unilateral handling of security allows the development of economic interregionalism. For others, on the contrary, security unilateralism damages institution-building at the interregional level. This last analysis can be corroborated empirically in the context of EU-Mercosur relations. Since September 11, 2001,

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<sup>8</sup> Rüland has studied functions of interregionalism and has systematised what was written in the theoretical literature on the subject (Stuhldreher, December, 2002-January 2003: 9). It is worth mentioning that in 2000 Rüland deduced five functions, what confirms the fact that this theoretical approach is in constant evolution. Moreover, it should be stressed that in the literature many authors quote Rüland when they mention functions of interregionalism (Hänggi, Hettne, Söderbaum, Stuhldreher and Roloff).

United States' unilateralism, in particular through its intervention in Iraq, caused the war against terror to be at the top of the list of priorities of the international agenda. It is clearly stated that terrorism has gained a greater importance, to the detriment of international economic relations.

Institutional balancing, according to Rüländ (2002: 4), has greater empirical evidence. In part he agrees with Hänggi's analysis, which affirms that APEC was created as a reaction to the European common market and the Canada-United States Free Trade Agreement (CUSFTA), signed in 1989. ASEM emerged as a response to APEC and the growing Japanese and American power in Southeast Asia. The transatlantic agenda between the United States and the EU was settled as an answer to ASEM. According to Rüländ, EU-Mercosur relations were created as a European response to American plans to start FTAA's negotiations. For Mercosur, relations with the EU meant a reply to reduce the American influence in the Southern Hemisphere. This author is making reference to the external cause of the greater level of institutionalisation in the EU-Latin America relation. It is no coincidence that the EU has subscribed association agreements with Mexico, Chile (and is planning to do so with Central America), which have already signed free trade agreements with the United States.<sup>9</sup> In other words, the external causes of European association agreements subscribed with these countries are the North American Free Trade Agreement (NAFTA), the Chile-United States agreement and the Central American Free Trade Agreement (CAFTA).

According to Ralf Roloff, triadic balancing of power games resulted in a "concert of regions", while relations between regions that do not belong to the Triad can be instrumented by peripheral regions in order to be able to adjust to changes and dynamics in the equation of power inside the Triad. Therefore, he argues that inter and transregional relations bring pragmatic and flexible relations that are set in motion when actors decide to do so. Moreover, Roloff affirms that security after September 11, 2001 might increase the formation of inter and transregional balance games (Roloff, R., quoted by Rüländ, 2002: 4).

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<sup>9</sup> The EU has also considered the Andean Region as interesting ever since Colombia and Peru signed free trade agreements with the United States in 2006 and 2007 respectively. On June 8, 2007 Andean countries and the EU decided to launch negotiations in order to subscribe an association agreement.

Rüland states that the concept of “balance of power” reflects realist notions of international relations, while “institutional balance” indicates a more recent convergence between realist and institutionalist arguments. On the one hand, he gives importance to the substantial growth of the number of international institutions, while there is a decrease in the effectiveness of military power as a means to influence in the international arena. On the other hand, he agrees with the realist argument about the use of institutions by states, or groups of states, as a means to increase their power. This is evident in the case of Mercosur that was created in a regional democratisation context. The idea to develop Mercosur obeys to an incentive to end a historic Argentine-Brazilian rivalry and to join forces in order to gain greater power and influence in the world scenario. A by-product of transition to democracy in these countries was a more institutionalised relation with the EU. It is important to recall that the 1995 framework agreement between the EU and Mercosur includes a democratic clause at Article 1. Said clause conditions the validity of their agreement to the protection of human rights and the promotion of democracy as fundamental rights.

An interesting aspect of institutional balance is the fact that, through interregional relations, triadic members use this type of relations in order to export values and concepts. According to Rüland, through ASEM, and in general through all interregional dialogs, Europeans have spread their concepts of good governance, rule of law, liberal democracy and human rights so that their Asian counterparts adopt them. This is also true for the EU-Mercosur relation: the EU not only promotes those values, such as democracy and human rights, as we have mentioned above, it also donates money so that Mercosur incorporates them into its policy. A case in point is European cooperation for integration. On the other hand, the EU insists that Mercosur should be more integrated and during bi-regional negotiations it demands that Mercosur progresses on its institutionalisation process.<sup>10</sup>

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<sup>10</sup> Counselor María del Carmen Squeff, Argentine negotiator of the Interregional Association Agreement, expressed: “*Lo interesante de esta negociación con la UE es que nos empuja a integrarnos internamente. Por ejemplo, los europeos, durante la negociación, insistían con el tema del doble cobro que imperaba en el MERCOSUR. Durante Ouro Preto II (diciembre de 2004), éste fue uno de los logros: se eliminó finalmente el doble cobro.*” (Buenos Aires, Argentine Chancellery, January 3, 2005). Translation: “What makes this negotiation interesting is the fact that the EU is pushing us to integrate at the internal level. For example, during the negotiation process, European representatives insisted with the removal of double taxation. During Ouro Preto II we finally eliminated it”.)

According to Rüländ, the function of bandwagoning, in other words, the idea to participate in order to avoid being relegated from the system, has been ignored by realist interpretations. This is related to the above-mentioned concept of institutional balance when it was argued that triadic actors established certain institutional relations so that they would not get downgraded. For Rüländ, the best example of bandwagoning is the European consent given in order to create ASEM, what was motivated by Asian important economic growth and European fears of being relegated. As it was mentioned above, it is clear that the EU and Mercosur also made this analysis when they decided to negotiate the bi-regional association agreement. The EU does not want to be relegated from Latin America, considering a scenario in which the integration of the whole Western Hemisphere is a possibility. Mercosur is interested in establishing closer relations with its most important trade partner, the main source of investments and cooperation and most importantly, to have an alternative to its relation with the United States.

The fourth function deduced by Rüländ is institution-building. Here the author quotes Ralf Roloff, who argues that, given the fact that balancing is the main function of inter and transregional relations, the majority of these relations have a weak level of institutionalisation. Balancing responds to short term changes in power relations and alliances brake when their main purpose is lost; therefore, building strong institutions is considered a very costly investment. This is the reason why “multiple regionalism” takes place, that is, a system where a regional organisation has various memberships in regional forums (Rüländ, quoting Paul Bowles, 2002: 5). In the particular case of the EU-Mercosur relation, Rüländ’s statement is confirmed: both integration processes are engaged in various interregional relations, as it was explained through Table 2. As a result, we can declare that both regions are involved in multiple regionalism. Nevertheless, the importance one region assigns to the other one is different, and consequently brings an asymmetric relation.

Another aspect related to institution-building is the institutional repercussion generated by inter and transregional dialogues. Rüländ affirms that, although this situation is difficult to measure, interregional relations create the need to unify positions and, as a result, they increase the level of consultations and coordination, not only at the interregional level, but also at the interior of each region, before negotiating at the interregional level.

On the other hand, there is hope that interregional relations can become containers of world big powers. Brazil is a case in point: theoretically speaking being part of Mercosur makes this state minimize its unilateral external relations behaviours. Although Brazil prioritises its membership in Mercosur, in certain occasions it also exerts unilateral actions that not always are coordinated with its “strategic ally”: Argentina. An example that better illustrates the Brazilian will to obtain a permanent seat at the United Nations Security Council, while Argentina does not support its neighbour wish, as it considers the UN reform should not include new permanent members. Another example has to do with Brazilian bilateral relations <sup>11</sup>with the EU that definitely have an impact on EU-Mercosur relations.

At the end of May 2007, the EU announced it would give Brazil a special status as it considers the South American giant a world power. The European Commission formalized its wish to give Brazil the title of “world power” and “strategic partner”, a classification that so far has only been given to the United States, Canada, China, India, Japan and Russia. These qualifications have given Brazil political benefits. The Commission published a document entitled: *Towards a strategic relation with Brazil* (European Commission, 2007) where it mentions a number of issues where there is a coincident focus in the political dialogue between Brazil and the EU, such as: climate change, poverty, multilateralism and human rights. It is still soon to analyse if this political tie will also be transferred to an economic partnership. In that case, the EU-Mercosur relation will be damaged, as Brazil would gain exclusive benefits (*Reforma*, May 31, 2007). Rüländ sustains that there is not much empirical evidence that can demonstrate that interregional relations can exert that containment function. This is also clear, for example, through unilateral action of the United States, although it has engaged in a wide range of interregional relations (Rüländ, 2002: 6). <sup>12</sup>

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<sup>11</sup> EU-Brazil relations can be considered bilateral or, in Hänggi’s terminology, quasi-interregional relations in the wider sense.

<sup>12</sup> Another example that illustrates the fact that it is not clear whether interregional relations are containers to big powers’ free ride temptations has been presented by Mathew Doidge on a recent publication. He quoted Weiland (2006), who noted the economic power South Africa had within SADC has led the EU to focus on market access with South Africa, rather than engaging in a similar interregional agreement with SADC. That is why Doidge concludes: “Much, therefore, remains to be done in the study of interregionalism”.

Rüland also wonders if the lack of institutionalisation is the main cause of paralysis in cases of crisis, and concludes affirmatively. He claims institutionalisation by itself does not make the difference, but it is just a sufficient condition to achieve a better crisis management of regional organisations, as well as to improve inter and transregional relations. A case in point that is worth mentioning is the pulp mill crisis between Argentina and Uruguay in 2005-2007. This conflict could have been solved within Mercosur if the integration process had a greater level of institutionalisation. In other words, as Mercosur does not possess a sophisticated environmental legislation, the conflict between Argentina and Uruguay could not be settled in its jurisdiction.

Moreover, in a context of low institutionalisation, states are prone to making a cost-benefit analysis and not to prioritise higher institutionalisation. Rüland (2002: 6) states that regionalisation processes in Latin America have not demonstrated that moves towards greater institutionalisation had worked as a magical cure to overcome crisis. Current short-term problems, both in Mercosur and South America, are working examples.

A last interested aspect mentioned by Rüland in relation to this fourth systemic function of interregionalism is that inter and transregional relations can exert functions that were not anticipated by great (traditional) theories. Interregional relations can exert rhetoric and symbolic functions for certain states or can promote a convenient platform in order to establish bilateral relations. In some cases, they can also exert an idiosyncratic function. Rüland quotes Linda Low, who affirms the Prime Minister of Singapore, Goh Chok Tong, promoted ASEM and FEALAC with the aim to project himself as a regional leader. Luiz Inácio Lula da Silva is also a leader that has always stressed his interest in Mercosur. As it was previously analysed, the question now is how he will manage the relation with the EU after gaining the recognition as a world power. Another uncertainty is presented after Venezuela's status as a Mercosur member state. Hugo Chávez is a charismatic leader who competes with Lula da Silva in South America. It is clear that Chávez' actions not always convince Europeans. A living proof is the visit of European Parliament representatives to Caracas in May 2007, in order to analyse if Venezuela violated freedom of speech. Finally, the European Parliament passed a resolution on May 24, 2007, in

which it considered an “alarming precedent” the decision by Chávez to shut Radio Caracas.<sup>13</sup> Clearly, Venezuela can destabilize the interregional EU-Mercosur political dialogue.

The fifth systemic function analysed by Rüländ is rationalisation. This function responds to the fact that today multilateralism includes a great number of states that generally represent different interests. As a result, Rüländ argues that inter and transregional dialogues can serve to unlock multilateral gridlocks. Nevertheless, the author explains that there are few empirical evidences that illustrate this deduction. Rüländ quotes Jörg Faust, who argues that interregional relations can be considered a “second better solution”. According to that author, states engage in interregional relations only when the multilateral process is blocked (Rüländ, 2002: 7). However, the opposite scenario can be inferred: in the case of the EU-Mercosur relation, it cannot progress given the gridlock at the WTO, because states are not willing to make more concessions in the interregional arena, until certain issues are negotiated multilaterally, in the Doha Round.

The sixth function is agenda-setting. Rüländ argues that this function is related to rationalisation, and he insists that there is not great evidence to demonstrate that interregionalism has a real impact in establishing that function. Nevertheless, it can be argued that at present, in times of the war on terror, this issue has gained a predominant position in the global agenda, and it has been present in interregional agendas as well. It is important to recall that the EU is always concerned with debating crucial issues during interregional summits. In particular, it is worth mentioning the treatment of an important issue: social cohesion that was debated during the Guadalajara Summit in 2004 and in the Vienna Summit in 2006.

The seventh function corresponds to identity-building. On the word of Rüländ, inter and transregional dialogs are building collective identities. This generates solidarity, due to the fact that common norms are established. This author also mentions an empirical case: the EU and its federative action towards other regions (Rüländ, 2002: 8-9). It is worth mentioning that the EU

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<sup>13</sup> More recently, another bi-regional incident took place, involving the Venezuelan president. The king of Spain told Chávez to “shut up” at the Ibero-American summit in Chile. The king was upset after Chávez said that former Spanish Prime Minister, Aznar, was a fascist. Spain's current socialist Prime Minister, Rodríguez Zapatero, responded by urging Chávez to be more diplomatic in his words and respect other leaders despite political differences. After this incident the Venezuelan president declared he would review his country's ties with Spain and warned that the Bolivarian Republic does not need Spanish investment. Obviously Chávez words have practical repercussions in EU relations with South America.

provides Mercosur with funds designated to cooperation for integration. It is noticeable that the EU is interested in creating a collective identity together with Mercosur, differentiated from other less institutionalised integration processes, like NAFTA. A case in point is the fact that both the EU and Mercosur created structural funds that aim at alleviating asymmetries among members. On the contrary, the United States and Canada do not practice this solidarity with Mexico.

Apart from the above-mentioned seven systemic functions of interregionalism, Rüländ mentions two other that are interrelated: stability and development. He refers to the belief that economic development generates prosperity and therefore security. This is valid for EU-Mediterranean countries relations but also for EU-Mercosur, because if there were no stability in these countries, those regions would be less attractive for European investors and the EU might be more attractive to immigrants looking for better living standards and jobs.

After enumerating and analysing these eight functions of interregionalism in the specific case of EU-Mercosur relations, we can affirm that functions two, three, four and seven are the most important ones. Institutional balancing and bandwagoing (functions two and three) are crucial because they explain why the EU has an incentive to negotiate with a subregion in the Americas: not to get relegated from a space that can be absorbed by US influence. The exports of values such as democracy, human rights and integration are distinctive from US policies towards Mercosur, because the US did not sign an agreement with a democratic clause and does not prioritise integration with its Southern counterparts. As institutional building (function four) is a costly enterprise, Rüländ sustains that both regions subscribe multiple associations with a variety of partners. Nevertheless, the EU-Mercosur relation is considered important for both sides that would like to build a common identity (function seven), based on shared values such as solidarity, common norms, integration and social cohesion.

Finally, Rüländ explains that interregionalism is aided by other minor theories in order to analyse different interregional relations; he identified some authors that used realist points of view (such as Roloff and Kupchan), and others that preferred institutionalist arguments (such as Higgot/Dieter and Maull/Okfen). On the other hand, Robles and Faust follow political

economy's structuralist approach, and Holland bases his analyses on constructivism (Rüland, 2002: 9-10). Consequently, we can affirm that interregionalism is a relatively new theory of international relations that employs a variety of combined theoretical approaches in order to explain relations between regions. This new and eclectic approach is useful to understand EU-Mercosur current relations. Philippe Schmitter expresses in the epigraph above that eclecticism is important to explain what occurs in regional integration processes. After everything analysed above we can say that this is also valid when explaining interregional relations.

### **3. Conclusion**

All of the above demonstrates that interregionalism is a multifunctional phenomenon that not only refers to relations between two regional organisations, but also includes relations between a regional organisation and a single state or a regional group; it also takes into account relations between states that belong to two or more different regions. However, as Hänggi stated it, interregional relations between two regional organisations constitute interregionalism in the most institutionalised, pure, and complex variety. As was mentioned above, it is in this context that EU-Mercosur relations are found.

It has been demonstrated here that functions of interregionalism deduced by Rüland can be applied to the EU-Mercosur relation. It has also been analysed that four out of eight functions of interregionalism are important for EU-Mercosur relations. Nevertheless, Rüland may be right when he adopted a skeptic posture regarding the existence of empirical evidence to prove that interregional relations can become containers of world big powers. Brazil is a case in point: theoretically speaking being part of Mercosur makes this state minimize its unilateral external relations behaviours. Although Brazil prioritises its membership in Mercosur, in certain occasions it also exerts unilateral actions that not always are coordinated with its partners in Mercosur. The EU declared Brazil its strategic ally, obviating its membership to Mercosur. This is a contradiction with EU's historical foreign relations, which have always demonstrated Europeans cared about establishing relations with integration processes. This is why it is assumed the EU is a federator, what certainly differentiates European external relations from American ones. The United States has always prioritised bilateral relations, even during the

FTAA negotiation process. It is not clear whether the EU declared Brazil just a political strategic partner, or if this will mean a certain economic priority, in detriment of other members of Mercosur. This course of action is not new. The EU applied the same strategy with South Africa, when it decided not to sign an agreement with SADC, but just with its most powerful member.

At the beginning of this article three main arguments to guide research were presented. Now we are able to determine if they are valid. The first one stated that the EU does not consider Mercosur a priority of its foreign relations. This affirmation has been proved with Table 2, where we could see that the EU establishes more strategic relations with other regions and groups of countries, such as the Triad, ACP countries, its near abroad (like the Mediterranean region) and states that have already signed a free trade agreement with the United States. The second argument expressed that the EU is prioritising bilateral relations with single states. This issue has been debated above when we analysed that the EU has preferred to be close to hegemonic powers of regional integration processes, such as South Africa in SADC and Brazil in Mercosur. The third argument indicated that functions of interregionalism analysed by Rüländ could be applied to the empirical case of EU-Mercosur relations. We have also identified above that institutional balance, bandwagoning, institutional building and identity building are the most applicable to this interregional relation.

Interregionalism is expressed in various ways. Nevertheless, it is clear that the relation between two regional organisations, like the EU and Mercosur, is not only the purest form of interregionalism, but also the most beneficial to all members. Let us expect that both regions continue negotiating so they can take a further step in institutionalisation: the signature of the bi-regional association agreement.

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