Presidential Diplomacy or Presidential Democracy?
The Institutional Underpinnings of Mercosur

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Abstract
It is commonplace to assert that the effective operation of Mercosur rests deeply on presidential diplomacy. Such a mechanism is understood as the usual resort to direct negotiations between the national presidents every time a crucial decision needs to be made or a critical conflict has to be solved. This paper argues that presidential diplomacy, understood as political, summit diplomacy—as opposed to bureaucratic, professional diplomacy—is not enough to account for Mercosur actual proceedings and results. Through the empirical analysis of three critical junctures of Mercosur history, a framework is thus advanced to show how long-neglected institutional incentives and constraints, defined by national executive format, have impacted upon the process of regional integration.
Introduction

It is commonplace to assert that the operation of Mercosur has fundamentally rested on presidential diplomacy (cf. Danese 1999 and, especially, Núñez 1997). This mechanism is understood as the common resort to direct negotiations between the national presidents every time a crucial decision was to be made or a critical conflict needed to be solved. Allegedly, such negotiations were carried out especially by the successive Argentine and Brazilian presidents, who would have had a free hand to accommodate the issues at stake according to what they personally saw fit. This paper questions the ‘presidential diplomacy’ argument – understood as political, summit diplomacy as opposed to bureaucratic, professional diplomacy— on the ground that it is not enough to account for Mercosur actual proceedings and results. Through the empirical analysis of three critical junctures of Mercosur history, a framework is advanced to show how long-neglected institutional incentives and constraints, defined by national executive format, have impacted upon the process of regional integration.

Mercosur is an uneasy matter for theories of regional integration (Malamud 2003b). This is so because the two main contemporary currents, namely liberal intergovernmentalism (Moravcsik 1998) and supranational governance (Sandholtz and Stone Sweet 1998), regard society as the departure point for integration, as transnational transactors increase their exchanges and subsequently demand that national or transnational authority accommodate regulations and policies to the new situation. Mercosur, instead, is an outcome of the political will of national governments, which only thereafter brought about demands for further action.

Liberal intergovernmentalism sees economic interdependence as a strong condition for integration. As trade liberalization augments export dependence and intra-industry trade, stronger pressures for integration come up. Regional institutions are thus conceived of as mechanisms to lock in and enforce agreements rather than as autonomous actors or broader political arenas. In spite of the utmost weight this approach reckons to national actors, the decision either to pool or delegate power to the regional level is regarded as unavoidable in order to manage higher levels of complex interaction. The history of Mercosur, however, militates against two of these arguments: first, it was not brought about by either increased economic interdependence or social demands; second, it has not created any significant kind of institutional structure.

In turn, supranational governance (also called neotransactionalism) stressed the significance of four main actors in pushing forward the process: national states, transnational transactors, the European Commission, and the European Court of Justice. The latter two are supranational institutions that do not exist in Mercosur, a fact that, added to the prevailing lack of importance of transnational transactors, leave national states alone as main actors. Therefore, no supranational bargainers but national officials have accomplished most crucial roles, and this article attempts to determine the role played by each of them in some key events. In order to explain supranational governance in the European context, Stone Sweet and Sandholtz (1998: 19) call on “the rule-centered logic of institutionalization,” by which transactors would demand clearer and more predictable rules as interdependence increases. In

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1 The main contrast with liberal intergovernmentalism is that national governments respond neither to domestic pressures nor to increasing interdependence but instead take the initiative of pursuing integration.
Mercosur, although increasing interdependence has created the need to manage a growing number of crises and coordination problems, transactors seem to demand (particular) decisions rather than (general) rules. For such a task—the argument of this research goes—, national presidents were by and large perceived as abler—more accessible, more responsive, more effective, faster—than any other actors or channels to get decisions made. Therefore, this article looks for traces of presidential intervention as both policy-crafters and dispute-settlers, in order to assess the real magnitude of the role played by the chief executives.

This paper focuses on three main events along the short history of Mercosur. Two of them regard the controversies originating around the special regimes established at the beginning of the process and still in force, i.e. automobiles and sugar—as they arguably are crucial areas within the bloc. The third one concerns the outburst and management of the most serious crisis that the bloc has faced so far, the one triggered by the Brazilian devaluation of 1999. The methodology draws to some extent on the neo-transactional approach, as it is especially sensitive to different policy areas and day-to-day politics. In so doing, it impinges on the intergovernmental approach to preference formation, since the hypothesis here tested challenges the liberal assumption that states act as agents of domestic social actors.

**Special regime: automobiles**

There are many reasons why cars have become a central issue to Mercosur. In the first place, the national bases of the automobile industry are being undermined everywhere by global competition. Furthermore, it would be improper to speak of an integrated world automobile market, as the sector is developing in a set of sub-regional processes—organized into regional clusters rather than worldwide (Bastos Tigre et al 1999). In the second place, cars are believed to be for Mercosur the equivalent to coal and steel for the early European Community. This is so for it is the sector in which intra-industrial complementation have developed most, and also because it is a dynamic sector as regards the expansion of both investment and labor markets. In the third place, the automobile industry acquired a special status as the only sector that, established since the first integrative steps, persisted despite all the subsequent changes. As key Argentine negotiator Roberto Lavagna pointed out, this is “el único acuerdo sectorial que sobrevivió al cambio metodológico de 1990, [constituyendo] un ejemplo exitoso de expansión de la producción, modernización tecnológica y modernización de productos y procesos con un razonable equilibrio entre las partes” (Lavagna 1999: 7-8). According to the same analyst, the reason for this outcome was that “el sector automotriz tuvo fuerza política suficiente como para impedir que se destruyera el proyecto sectorial” (Lavagna 2000). Whether sectoral interests had the political strength that Lavagna claims or not, the decision to continue with the sectoral agreements in this area was not politically contested. Instead, there was a coincidental decision by Argentina and Brazil to go on with such a sectoral strategy that was heralded, defended and rescued—when in jeopardy—by the national executives.

The automobile industry represented huge investments and many thousands of jobs for Argentina and Brazil. Its relevance for and impact on Mercosur becomes clear when

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2 According to ADEFA’s (Asociación de Fábricas de Automotores de Argentina) figures, investment in the sector reached 20,000 million dollars between 1991 and 1998—only in Argentina and only considering terminal plants (Sajem 1999).
analyzing the whole process of negotiations and renegotiations that established and kept working the special regime. Both the weight of the actors concerned and the massive investments in the area have turned it into a very sensitive issue for Argentine and Brazilian national governments—especially for the former, as the performance of the automobile industry accounted for half the increase of the whole Argentinean industry between 1990 and 1994.

The foundations that foster integration between the national automobile industries were established by Protocol 21, included in the Economic Complementation Agreement No 14 that Argentina and Brazil signed at the end of 1990. It was explicitly defined as provisory and its terms were supposed to be renegotiated in a few years. Indeed, Protocol 21 was eliminated four years later, when the signature of the Ouro Preto protocol in December 1994 established the customs union. In its place, the CMC’s Decision 29/94 created an Ad Hoc Technical Committee that was requested to elaborate, before June 1, 1995, a proposal for a Common Car Regime that should come into force on January 1, 2000. Meanwhile, a bilateral agreement between Argentina and Brazil, added to Decision 29/94, guaranteed reciprocal acknowledgment of the national regimes still in force in Argentina and Brazil. Both partners also agreed not to introduce unilateral restrictions on trade within the Free Trade Zone. From June 1995 on, bilateral agreements could be modified only in order to increase intra-regional trading exchanges, but not to bestow advantages to the respective industries with the purpose of attracting investment. However, this story would dramatically change shortly afterwards.

According to Eaton (2000: 363), “the first step in policy analysis is identification of all the relevant actors who have stakes in and the power to affect the outcome of a policy process.” Therefore, the following part presents the sequence of the crisis and its negotiation process, to subsequently single out the actors that took part at every time and analyze the role played by businesspeople, bureaucrats and government officials. The goal is to determine the veto power held by each player and to evaluate their strategies and impact, in order to gauge the relative importance of the actions taken by the presidents and their effective consequences.

The remaking of the automobile regime and the 1995 crisis

Between 1990 and 1996, there was a blossoming increase of intra-regional trade of cars as a consequence of tariff lifting and the agreements aimed at balancing imports and exports (see table 1). However, by mid-1995 Brazil was suffering from economic distress as a result of the Mexican crisis. Also Argentina was facing economic turmoil, although its public and financial sectors were more solid than Brazil’s. Automobile production remained stable in Argentina just because of its exports to Brazil, what generated a growing imbalance that exceeded the proportion accepted by the treaties and raised bitter complaints by Brazilian producers. The government was expected to take protective measures, but these were supposed to contemplate the Mercosur agreements and to be addressed toward extra-regional trade.

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3 The Argentine Special Regime, implemented in 1991, consisted of compensating imports with exports and was expected to last until the end of 1999. The regime encouraged the assembly plants to register a fair balance of trade through levying a tariff of 2% for each non-compensated dollar. For its part, the Brazilian Popular Car Regime was admitted to endure until December 1996 (Sajem 1999).

4 It should be noted that, besides free trade, there were other reasons contributing to a surprising performance, such as macroeconomic factors and economic recovery (Bastos Tigre et al. 1999).
Table 1
Evolution of bilateral trade in the automotive sector between Argentina and Brazil (in units of vehicles)

<table>
<thead>
<tr>
<th>Year</th>
<th>From Argentina to Brazil</th>
<th>From Brazil to Argentina</th>
<th>Volume of trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>1991</td>
<td>3,900</td>
<td>17,000</td>
<td>20,900</td>
</tr>
<tr>
<td>1992</td>
<td>13,200</td>
<td>64,500</td>
<td>77,700</td>
</tr>
<tr>
<td>1993</td>
<td>23,700</td>
<td>39,500</td>
<td>63,200</td>
</tr>
<tr>
<td>1994</td>
<td>35,200</td>
<td>31,000</td>
<td>66,200</td>
</tr>
<tr>
<td>1995</td>
<td>32,600</td>
<td>20,300</td>
<td>52,900</td>
</tr>
<tr>
<td>1996*</td>
<td>36,800</td>
<td>15,600</td>
<td>52,400</td>
</tr>
</tbody>
</table>

* First semester.


The crisis was finally triggered in June 13, Tuesday, when Brazil announced that it would limit imports of automobiles in the second half of the year to 50 percent of the total of imports in the first half of the year. Surprisingly, the Provisional Measure 2410 considered no exception regarding Mercosur. This fact caught observers unaware and angered the Argentine authorities. The Brazilian presidential spokesman, Sergio Amaral, communicated the decision to two Argentine negotiators that had flown to Brasilia, Jorge Campbell and Carlos Magariños. The Brazilian cabinet itself was divided about the decision, as finance minister Pedro Malán opposed restrictions to trade whereas planning minister José Serra supported them. Both were close aides to the president so he usually mediated between them, but this time the hard-liners carried the day.

Next day, Argentine papers covered their front pages with the alarming news: “limitó Brasil la importación de autos argentinos.” Actually, the quotas were not limited to Argentina; the issue became highly sensitive to the health of Mercosur because Argentine officials and producers considered that Cardoso’s decree violated the Ouro Preto protocol, which guaranteed free trade between all Mercosur partners. However, this protocol also set up the requisite of balanced trade, so the Brazilian government justified the measures on the lack of equilibrium concerning imports and exports.

The conflict was one of the most serious that Mercosur had faced thus far, and was furthermore exacerbated by the proximity of the Mercosur Economic Forum. This was a gathering organized by the World Economic Forum, and was scheduled for later that very week –from June 18 to 20 in São Paulo. On June 14, Menem threatened to boycott the summit meeting of Mercosur presidents that was to take place as the highest happening of the Forum. Menem’s menace brought about febrile negotiations aimed at preventing such a negative incident for the reputation of Mercosur.

Cardoso ultimately decided to postpone the entering into force of the decree for 30 days, faced with Menem’s strong stance. It is somewhat puzzling that either second level officials or the presidents themselves carried out the negotiations. Argentine foreign minister Torcuato Di Tella was stuck in Rome due to an air strike, but his deputy Fernando Petrella did

5 Clarín 14-06-1995.
not take part in the process either. Only the number three of Palacio San Martín, Jorge Campbell, got involved. The presidents went directly to the point and held conversations in order to work out a solution. As spelled by an Argentine journalist, “más allá de los problemas de transporte de Di Tella, lo concreto es que desde un principio la crisis fue manejada personalmente por Menem con más asesoramiento del ministro de Economía, Domingo Cavallo, que de la cancillería.”

According to public sources, Cardoso himself called Menem on the phone at 5 PM on Thursday 15, and sent him a personal letter at 8 PM. This time, direct presidential intervention was not limited to the main countries: Paraguay’s Wasmosy and Uruguay’s Sanguinetti also offered themselves as personal mediators in the dispute between their bigger partners.

Over the weekend, Menem responded to Cardoso through another letter, in which he accepted to concur to the regional meeting. It was formally agreed that all presidents would meet together, and thereafter Menem and Cardoso would hold a bilateral summit. In spite of the provisional accord, Brazil ratified the validity of the restrictions but accepted to negotiate them with Argentina. Strange enough, no partner ever mentioned the possibility of appealing to the Protocol of Brasilia, the institutional instrument by which Mercosur partners are supposed to solve their controversies.

Shortly afterwards, the discussion leaked into the Brazilian administration. While the official stand was to insist on the establishment of a national automobile regime, the cabinet hawks criticized the negotiators who, at Ouro Preto, agreed to a regional regime with a country (Argentina) that already had a domestic one at work. On Monday 19, Menem and Cardoso finally held the bilateral summit but only agreed to sign a declaration asking to keep on with the negotiations. The discussion was made public, and neither Wasmosy nor Sanguinetti were able to stop it. Cardoso explicitly asked Menem to act “políticamente, para que las partes se equilibren. Lo más importante es la voluntad política”. Again, no mention to institutional procedures was made. In turn, Menem replied that “podemos negociar, pero en el marco de los acuerdos firmados en el Mercosur, [que son] inmodificables porque en la Argentina son ya una ley superior de la Nación.”

The Argentine position was vocally more institutional, whereas the Brazilian kept focusing on the political will.

Next day, the situation took a dramatic turn around. Menem and Cavallo admitted that the negotiations of 1994 had left Brazil disadvantaged and slowed down with their accusations, while a heated discussion arose within the Argentina cabinet. Di Tella and Cavallo blamed each other, and the latter should acknowledge the reasonability of Brazil’s claims when, during the bilateral negotiation, he was informed that Mercosur technical committees had never met in order to adjust and enforce the automobile agreement.

President Cardoso finally pledged a negotiated settlement of the dispute and suspended application of the quotas to Mercosur partners. Negotiations proceeded and resulted in a two-party agreement: Brazil would not apply the quotas to Argentina for the remainder of 1995, and the two countries would begin negotiations to establish a definitive

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6 Clarín 16-06-1995: 5.

7 Clarín 20-07-95: 2-3.
common regime that would last until the year 2000 (Cason 2000). Menem officiated as the only spokesman of the accord.

**Who and how?**

The automobile issue was considered by both Argentina and Brazil as highly sensitive because it meant much more than commerce. As the Argentine industry secretary Carlos Magariños noted, “the real dispute is over investments” (Cason 2000: 31). Therefore, not only trade balance but also industrial planning and even macroeconomic stability were at stake. This fact explains why national governments were so receptive to the arising conflicts and so eager to solve them promptly. What it does not explain, however, is why it was the presidents themselves who got directly involved in an area that could be plausibly managed in a technical way by lesser public officials and domestic bureaucracies – whether diplomatic or technical.

In spite of the economic importance of the sector, the negotiation of the common automobile regime was called “a case with no economic groups involved” (Sajem 1999: 71). This does not mean that vested interests were absent, but instead that they lie on a few huge transnational companies that pursue their goals with little coordination with each other – rather than on a set of firms among which a formal and endurable link exists so as to permit a common policy. The transnational companies were not preexistent to the integration process, so they designed their strategies on the basis of the process but were used to dealing directly with the national governments since the beginning. For their part, governments had been quite receptive to the companies’ demands and kept aligned with the companies’ preferences, as was manifest in the maintenance of the automobile regime. As a result, the companies used to get what they looked for: direct links with the decision-makers and active policies in their favor. Also governments were satisfied, as they desired to attract investment and create jobs. Brazilian Provisional Measure 2410 disrupted the cross-the-border alignment between governments and companies, splitting up the interests along national lines.

The automobiles market was anything but free. Government intervention guaranteed not only positive incentives but also protective measures, both against extra- and intra-regional competition. Such intervention was not only accepted but demanded by auto firms: as a former Brazilian minister put it, “the auto firms love quotas” (Cason 2000: 30). On the Argentine side Oscar Salvi, director of Toyota Argentina, defended the protective measures as he stated that “the traditional policies of Brazil… have been, if not imperialistic, at least overwhelming” (Cason 2000: 31).

Therefore, carmakers’ strategies were not market-oriented but government-oriented. The Brazilian government was well aware, and it feared that current trade regulations for automobiles would influence transnational companies’ investments in Mercosur to Argentina’s benefit. On the other hand, many in Argentina feared that their country would become a “province of Brazil” had the situation not be reverted, as bluntly stated by well-known political journalist Mariano Grondona. The only surviving sector of the original integration project was, paradoxically, one of the most deeply rooted in national sentiments.

The dynamics of conflict and conflict-resolution in the automobile sector was the outcome of the interests at stake and the strategies of the involved actors. Systematically, the

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preferred option was the constant delay in the fulfillment of treaties, along with the protraction of the negotiations aimed at settling up a permanent agreement. Likewise, the favored course of action was always based on informal, bilateral (i.e. Argentina-Brazil) negotiations, never the request of formal procedures. Any time that the option to recur to the mechanisms established in the Protocol of Brasilia or the Ouro Preto Protocol arouse, businessmen insisted on the impossibility of respecting them “for the time being, at least” (Sajem 1999: 79).

The 1995 crisis in the auto sector ended up in the same way as all the subsequent conflicts in the sector would: the procedure was informal and bilateral negotiation –ultimately, presidential diplomacy—, the result was the maintenance of the status quo. Neither buildup nor spillover turned out, but for most observers the preservation of Mercosur was good enough –given the poor regional antecedents and the magnitude of the conflicts.

After only four years in place, few people were ready to consider Mercosur institutional performance as satisfactory. Fernando Henrique Cardoso himself would strongly criticize some of its features: “nós, brasileiros, inventamos a teoria de um Mercosul não institucional, baseado na relação direta dos governos e, fundamentalmente, dos presidentes. Quando há crises, eu, Menem, Wasmosy e Sanguinetti conversamos. Decidimos até problemas menores, como, por exemplo, se se pode ou não financiar a produção disso ou daquilo. Bobagem. Presidente não tem que se meter nisso. Se diminui o aumento a cota de automóveis, isso acaba na nossa mão. Tive de resolver um problema desses com o Menem, em São Paulo” (Cardoso and Toledo 1998: 126). What Cardoso calls a Brazilian-crafted theory, only to subsequently qualify it as a mistaken one, is not other thing than the way Mercosur has operated since its inception. Interpresidentialism, the term here coined to identify such an operation, accomplished the function to keep Mercosur working –however despised it uses to be. The presidents, because of their institutional capabilities and the traditional role of the presidential office, were targeted as the only plausible suppliers of rules, enforcement and dispute allocation. Therefore, every demand –from the most significant to the most trivial, either coming from national producers or from foreign governments— was channeled directly to the president. As regards the 1995 automobile crisis, this was a predictable, reasonable, and successful procedure.

**Special regime: sugar**

The choice of the sugar regime as a leading case for gauging presidential intervention in Mercosur was not made by accident. Since it has often been selected as an issue for underlining the importance of either national parliaments (Vigevani et al. 2001) or social actors (Vigevani et al. 2001; Lucca 2001; Romero 2001) in Mercosur, the hypotheses advanced in the present research face a direct challenge. Hence, the measurement of the relative weight of each actor –i.e. executives, legislatures and social actors— in shaping the final outcome is likely to feed controversy and, by so doing, stimulate research and shed further light upon the operation of Mercosur.

The presidential communiqué issued in the wake of the CMC meeting held in Buenos Aires on June 30, 2000, comprised thirty-one items. Two of them referred to cars and sugar respectively, and they manifested the differences that still remained between both issues. Paragraph 14 celebrated the progress done in the negotiations regarding the consolidation, complementation and productive specialization of a regional automobile policy. Subsequently,
paragraph 15 advocated that a similar agreement was reached for the sugar sector, with a view to integrating sugar to the free trade zone and the common tariff. However, the requirement for any proposals was delayed to the next CMC meeting. Between 1985 and 2000, no improvement in either cooperation or integration had been achieved in this area. Stagnation was evident; its causes were not.

The sugar regime: nature and conflicts

Sugar was a hot issue since the beginning of the negotiation process. Argentina and Brazil had, and still have, opposing interests deriving from a high differential of productivity. Such differential is not due to a diverse utilization of technology, as it is similar in both countries, but to the indirect subsidies that Brazil allocate to the production of sugar cane.9 This policy dates back to 1975, when the first oil crisis led the Brazilian government to encourage the use of cane alcohol as a proportion of gasoline—the so called Programa Proálcool, considered a strategic choice of paramount importance by the military administration (Fávero 2000). Although the proportion varied over time, it never ranked below 20%. As a result, the usual share of alcohol in the sales of any given sugar plant jumped from 8% to 40%, distorting both costs and prices. Henceforth, the production of sugar was artificially increased, and it became not the main product of cane but a byproduct tradable at marginal prices (Lucca 2001).

The commercial effects of the differential of productivity are sizeable. The subsidies to cane croppers have rendered Brazil the first producer of sugar in the world, its share in world trade ranking close to 30%. To properly assess the magnitude of this figure, it should be taken into account that sugar is one of the most protected commodities in world trade (Fávero 2000; Romero 2001). On the other hand, Argentina faces a difficult situation originated in the tough world competition and aggravated by the domestic conditions in which the production of sugar takes place. Argentine crops mainly spread over five provinces, the most important of which are Tucumán, Salta and Jujuy—all of them located in the poor Northwestern region.10 Sugar constitutes the basis of the regional economies in all three provinces, and it is the most significant source of employment—both direct and indirect—only after the public administration.11 Given the federal arrangements established by the Argentine constitutional regime, and in the wake of the social and economic reasons just mentioned, the senators and deputies representing the Northwestern provinces make up one of the most solid political blocs when it comes to defend their constituencies in Congress.

The Brazilian position has always insisted on the prompt inclusion of sugar into the Mercosur free trade zone. To the contrary, Argentina has delayed such an occurrence through diverse strategies. Hence, the most conciliating sectors in Argentina have claimed to only gradually incorporate sugar into the free trade zone. Their project was to establish a transition period spanning over ten years, in which the sector should create protective mechanisms that guarantee the supply to the domestic market—as no economic restructuring was planned. On

9 Although it is also true that economy of scale, transportation infrastructure, and the weather are more favorable to Brazil than to Argentina as regards sugar production.

10 To the contrary, in Brazil sugar is mostly grown in the wealthy states of the South.

11 Tucumán alone accounts for about 60% of the overall national production. The activity is calculated to generate some 50.000 direct jobs and 500.000 indirect jobs, over an area of roughly 27.000 kms².
the other hand, Brazil’s proposal called for a transition period no longer than twelve months; the two stances were impossible to reconcile. Furthermore, time was not the only source of disagreement between the two countries. Some of the Argentina’s toughest sectors have even asked Brazil to abolish the Proálcool system, a demand that was straightforwardly rejected. Brazil claims not only economic reasons but also strategic, political and ecological motivations for sustaining this plan, so it is not likely to give it in anytime in the near future.

Much as happened with most of the issues and controversies raised along the short history of Mercosur, Uruguay and Paraguay stayed out of the front line. The former did never represent a problem, since it imported all the sugar for domestic consumption from Brazil. Uruguay only produced a minimum amount of sugar, just enough to cover the American quota of imports. Instead, it preferred to increase its productivity by substituting crops, while importing refined Brazilian sugar (Fávero 2000). On the other hand, Paraguay recently started to constitute a minor problem, as its sugar plantations were expanded in the last years and its government and croppers are decided to keep on with the activity. Paraguay supports a program similar to the Brazilian Proálcool, even if its dimensions are quite more reduced (Fávero 2000).

Given the complexity of the issue at stake and the contradictory interests that had prevented any agreement, the CMC resolved to create a unique ad-hoc committee in 1994 and established the sugar special regime. Through three decisions taken between August 1994 and December 1996, the so called Grupo Ad Hoc was commissioned to define a regime that should adequate the sugar sector to the customs union –i.e. to the common external tariff and the intra-zone free trade zone. The parameters were two: first, the proposal should aim at the gradual liberalization of intra Mercosur trade of sugar; second, it should seek the neutralization of distortions stemming from the asymmetries between different national policies regarding the sector. The deadline was originally set to November 1, 1995, but it was later protracted to May 31, 1997. The latter date would bring about the first of the two serious crises that Mercosur would face as a consequence of the sugar issue; the second one would take place in 2000. Both are analyzed in the following section.

Who and how?

Between 1995 and 1997, Argentina acrimoniously questioned the ‘Mercosurness’ of Brazilian subsidies to sugar. According to senator Alberto Tell (PJ, Jujuy), “contra el azúcar subsidiado la Argentina no puede competir, porque tiene un régimen desregulado y de libre competencia.” Cane croppers and their representatives were demanding no additional protection, but instead that sugar imported from Brazil be charged as much as the one coming from any other country. In the same vein, Brazilian deputy Paulo Bornhausen (PFL, Santa Catarina) would counter that “Argentina exporta trigo a partir de una cultura fortemente subsidiada. Esta característica da sua produção de trigo torna invidível para os produtores brasileiros terem condições de competição justas ou ao menos razoavelmente aceitáveis para permitir que concorram no mercado interno com as

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12 CMC Decision 7, August 5, 1994; CMC Decision 19, December 17, 1994; and CMC Decision 16, December 16, 1996.

13 Clarín 04-09-1997.
importações advindas da Argentina”. These positions delineated the scenario in which both congresses would confront each other, embracing defensive strategies on behalf of their respective interest groups.

In May 1997, the Argentine Congress passed a bill (Ley 24.822) charging imports of Brazilian sugar with the same tariff as non-Mercosur countries. It was intended to be in force as long as the asymmetries caused by the subsidies to the Proálcio Program subsisted. Although the Brazilian authorities deny to have exerted any pressure on the Argentine government, Menem vetoed the law through decree 471/97. The alleged reason was that it opposed Mercosur treaties, a coincident stance with the position officially expressed by Brazil (Vigevani et al. 2001).

Some months later the dispute over the status of sugar trade was back, and by September 1997 the crisis reached a peak. On Wednesday 3, the Argentinean Senate rejected the executive veto, following the House’s position adopted earlier in June. Notwithstanding the opposite stance manifested by economy minister Roque Fernández and foreign minister Guido Di Tella, the congressional insistence was decided by unanimity. The electoral campaign was under way, and no legislator intended to be exposed to criticism by leaving a free road to sugar imports from Brazil.

The argument escalated bitterly after the overriding of the veto. Reaction on the Brazilian side needed not be waited for long. In the Brazilian congress “hubo amenazas de represalias, dirigidas a limitar las importaciones de trigo argentino. Además de su importancia económico-social, el episodio percutió de forma especialmente intensa por haber ocurrido en un contexto político delicado, marcado por divergencias públicas entre Brasil y Argentina respecto de la reforma del Consejo de Seguridad de las Naciones Unidas” (Seixas Corrêa 1999: 252). By public divergences, Seixas Corrêa referred to the obstacles that Argentine diplomacy was putting to Brazil’s securing of a permanent chair at the UN Security Council on behalf of Latin America and the Caribbean, should an institutional reform finally came into being. However, these divergences were no more than a background condition: the real issue rested with conflicting sectoral interests and their parliamentary echoing.

The Brazilian executive kept a prudent stand all along the conflict. Cardoso and his aides were aware that the Argentine legislators were acting under the pressures of the electoral campaign, so they opted to trust the efforts the Menem administration was doing to reduce the damage. The Argentine executive publicly condemned the congressional position, and eschewed plans that went from proposing a new bill revoking law 24.822 to appealing the constitutionality of the law before the Supreme Court. Simultaneously, it requested its Brazilian counterpart more time to solve the problem. There were some officials on the Brazilian side – notably foreign minister Lampreia— who were not convinced about the authenticity of the Argentine executive, but the presidential choice was to concede some more time.

The situation seemed to be in a dangerous deadlock. According to Danese (2001), “en la reunión del Copacabana Palace ... se vio que las cosas estaban llegando a un

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14 O Estado de São Paulo 06-09-1997.
15 Gazeta Mercantil 25-05-1997
16 Gazeta Mercantil 05-09-1997.
punto que era insuperable, y que sería necesaria una intervención presidencial muy firme para que las cosas pudieran avanzar; entonces se concertó (un encuentro presidencial)”. On November 10, Menem traveled to Brasilia. This trip was not an isolated gesture but a pattern, of which observers would come to notice in due time. In a later occasion, Brazilian deputy foreign minister would testify that “se observa ... un padrón de comportamiento según el cual las crisis comerciales en el Mercosur han sido superadas por entendimientos políticos en los más altos niveles, que invariablemente reafirman el compromiso común con la integración subregional… La visita de Estado del presidente Carlos Menem a Brasil, el 10 de noviembre de 1997, revertiría el clima negativo nuevamente creado con la crisis del azúcar en septiembre de 1997” (Seixas Corrêa 1999: 252/3). However, the controversial law was still in force and a formal solution had not been found. Instead, the Argentine president was just adapting to a practice dating back to the Virreinato del Río de la Plata: “acátese, pero no se cumpla”. In ancient times such a practice worked against the rulings coming from Spain; now, they did alike against laws coming from the Argentine Congress.

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The preeminence of the national executives vis-à-vis the Joint Parliamentary Commission and the national Congresses are better underscored by a further incident concerning the sugar issue. In August 24, 2000, the Argentine Congress passed a bill that, based on the usual arguments, aimed at protecting Argentine cane croppers from Brazilian competition. The law protracted the validity of Decree 797/1992, which had established a protection regime for the sugar industry and was to expire in December 2000, and set no new deadlines. Brazilian officials issued condemnatory responses, whereas the Brazilian congress menaced to limit imports of food containing sugar from Argentina. President De la Rúa was upset about the legislative decision. He was expected in Brasilia on August 31, when a South American summit would take place, and he was not pleased to be received by an unfriendly climate. After a bitter cabinet meeting, he sent his foreign minister17 to negotiate with the deputies from the northwestern provinces in order to avoid a “guerra entre los congresos del Brasil y la Argentina”.18

If in November 1997 only the visit of president Menem to Brazil had allowed the softening of tensions raised by the disputes between the two assemblies, providing a temporary resolution for the crisis, in 2000 the risk of an outbidding conflict that could jeopardize the whole process looked greater. Mercosur had not yet overcome the effects of the 1999 crisis, and legislators from both countries were menacing retaliation even when no electoral campaign was underway. Members of the Joint Parliamentary Commission also played a part on the issue, but they could not reach an agreement (Mustapic and Geneyro 2000). On September 1, De la Rúa promised Cardoso that his government would not endorse the controversial law, taking the risk of bringing about a domestic conflict of power.

17 The fact that it was the Argentine cancillería –and not other executive office— who was handling the situation was acknowledged and welcomed by the Brazilian administration (as confirmed at the Itamaraty’s Divisão do Mercosul by Mauricio Fávero, 2000), for such a decision highlighted the political relevance of the conflict.

18 “Ley de protección a la industria azucarera. El azúcar amargó al gabinete” (Clarín 30-08-2000).
When things seemed to get worse, the Gordian knot was cut by President De la Rúa: on September 4 he vetoed the law, just to subsequently sign a resolution with the same contents! (Although it additionally established a limit of five years of validity.) The goal was twofold. On the one hand, the decision prevented an open-ended outbid between congresses through the expedient of taking the issue out of the legislative arena. On the other hand, a decree in place of a law would improve the executive power of negotiation, since it turned the Argentine president able to guarantee its Brazilian counterpart that the decree would be lift as soon as an agreement was reached –thus, without the need of going through a neither secure nor rapid legislative process. Subsequently, both presidents agreed to initiate a round of negotiations with a view to incorporating sugar into the free trade zone, in the line they had manifested in the communique of Buenos Aires on June 30 (paragraph 15).

This event shows how the presidents have chosen to take all responsibility –and power— whenever Mercosur undergoes a serious conflict. They have done so even at the expense of relinquishing the likely benefits they could extract out of a two-level game (see Putnam 1988). To be sure, the presidents may no longer argue that domestic institutions keep their hands tied in order to obtain concessions from each other, since they have made plain that no actor stands over the presidential will.

Vigevani et al. (2001) argue that the sugar issue seems to expose the inadequacy of Mercosur structure to overcome the threats posed by negatively affected interest groups. They describe the process by which “grupos sociais e econômicos argentinos e brasileiros organizaram-se em articulações políticas nacionais identificadas com a questão para garantir seus interesses. Sua pressão buscou influir nas decisões dos respectivos parlamentares, ocasionando o enfrentamento entre os legislativos dos dois países, gerando uma crise diplomática” (Vigevani et al. 2001). As much as the evolution of the crisis illustrates the limitations of Mercosur institutional structure, its resolution similarly illustrates the extent to which the recurring mechanism for dealing with such events was interpresidentialism.

**The grand crisis of 1999: management and outcomes**

This section looks upon the crisis triggered by the 1999 devaluation of the Brazilian currency and the ensuing reaction by the Argentine government. Its aftermath would drive Mercosur members to the conclusion that a tighter macroeconomic coordination and a more effective overlooking and implementation of the common agreements were needed –hence, to further efforts at relaunching the process as defined in the summits of Buenos Aires (June 2000) and Florianópolis (December 2000).

The Brazilian devaluation and its aftermath

Along the 1990s, both Argentina and Brazil experienced periods of domestic turbulence, either due to political –uncertain electoral outcomes— or economic –inflation or recession— reasons. However, such difficulties were never undergone at the same time, what allowed integration to proceed as the largest Mercosur partners compensated each other in times of trouble. In 1999 the situation radically changed: both economies were simultaneously

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19 “De la Rúa firmó una resolución y vetó una ley. El azúcar, protegido hasta el 2005” (Clarín 05-09-2000).
in recession, and Brazil was furthermore compelled to devaluate its currency in January, thus threatening to alter dramatically intra-regional trade and investment flows.

Affected interests and receptive political leaders fostered a heated discussion in Argentina. The main request was that the government close the borders so as to prevent a flood of Brazilian exports from entering the domestic market—as well as a reciprocal runaway of local investments towards the now more profitable neighbor. As a result, by mid-1999 the government made resort to protective instruments at disposal according to WTO regulations and, especially, to those provided by ALADI. Brazil considered such resources to be a direct violation of Mercosur agreements, and vigorously menaced retaliation. Additionally, Brazilian officials charged the Argentine government with carrying out a foreign policy that directly undermined the regional unity, through an outspoken political and military alignment with the United States that went against Brazilian aspirations to regional coordination—and hereby, against its aimed regional leadership.\(^\text{20}\)

The 1999 regional crisis had, as usually in Mercosur, national underpinnings. After a tough struggle against market forces that pushed for a devaluation of the Real, the Cardoso administration gave in and decided to float its currency on January 13\(^{\text{th}}\). There were also political factors concurring to define the final outcome: some days earlier, former president Itamar Franco—by then governor of the key state of Minas Gerais—decided to default the debt his state had with the federal government. Although the defaulted amount was not large, the plausibility of a widespread fiscal disobedience alarmed foreign investors and creditors, further feeding the uncertainty and accelerating the crisis.

When the Brazilian decision to devaluate was taken, Menem was in the United States in an official visit. In Argentina, some criticism was raised pointing to the fact that the Cardoso administration had neither consulted nor informed its partner’s government about a decision that was so influential for Argentina. Both Menem and his economy minister, Roque Fernández, disregarded the critiques with two different arguments: for Menem, the measure was not technically a devaluation; for Fernández, a devaluation should logically be undertaken without previous warning. In any event, the contact between both presidents was so close that Menem received a phone call from Cardoso on January 14, while he was conceding an interview to an Argentine newspaper, to explain the situation and expected outcomes of the ongoing domestic process.\(^\text{21}\)

The reaction in Argentina to the Brazilian decision was heterogeneous. Whereas the government remained calm and comprehensive of its counterpart, many representatives of the industrial sector and the media warned about the possibility of an “avalanche” of cheap goods from the giant neighbor.\(^\text{22}\) Fears of invasion of Brazilian products was first called “\textit{efecto Brasil}”, to be later renamed “\textit{Brasil-dependencia}”. The former label, somehow neutral, denoted a likely danger by contagion; the latter connoted a sentiment of subordination that

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\(^{20}\) The Brazilian government was upset by three stances of Argentine foreign policy: the status of extra-NATO military allied conceded to Argentina by the US government, the Argentine resistance to support the Brazilian claim for a permanent chair at the UN Security Council, and the Argentine permission for the deployment of American military troops in joint exercises near the Brazilian border.

\(^{21}\) “Menem prometió a los inversores que la Argentina no devaluará” (\textit{Clarín} 14-01-1999).

\(^{22}\) “Efecto Brasil: temen avalancha de productos brasileños por la devaluación. Los industriales pedirán medidas de protección” (\textit{Clarín} 17-01-1999).
would subsequently call for a protectionist reaction. The Menem administration took some rapid measures to relieve its domestic pressure, such as reducing some taxes, diminishing import tariffs for sensitive goods coming from non-Mercosur countries and asking the Brazilian government to eliminate distorting subsidies. Nothing was enough to dissipate the public concern, and the Unión Industrial Argentina (UIA) insisted to ask for a tariff raise.23

The months following the devaluation witnessed an increasing tension between the largest Mercosur members. All South American countries except Bolivia—the smallest economy in the region—and Argentina had adjusted their exchange rate after Brazil, but the Convertibility Plan prevented a similar response from Argentina. In February, the presidents and ministers of Argentina and Brazil met twice: first in Mexico, in the frame of a Rio Group meeting, later on the 12 in São José dos Campos, Brazil. These summits, along with the ongoing Brazilian instability, were not enough to ease the apprehensions, so in April the Argentine government should act to appease its domestic front.

Between April and July, the Argentine executive issued three rulings aimed at balancing trade with Brazil. On April 19, Resolution 458 put in motion an antidumping procedure against steel imports; on July 14, Resolution 861 fixed import quotas for textiles; finally, on July 26, Resolution 911 incorporated to the Argentine legislation a norm of ALADI that would allow Argentina to apply safeguard measures. It did not mention any exception for Mercosur members, so it could be interpreted as an attempt to establish barriers to trade via the setting of import quotas—what was in open conflict with Mercosur rules. The Brazilian government reacted strongly: for the first time since the creation of the bloc, it announced—through undersecretary of foreign trade José Alfredo Graça Lima—that all negotiations were suspended.24 One year later Graça Lima (2000) would diplomatically downplay these events, preferring to speak of “commercial confrontation” rather than political crisis. However, the magnitude of the controversy can hardly be overlooked, as most key protagonists lived it as the most critical ever since 1985.

During the hard times running between the Brazilian devaluation in January and the Argentine Resolution 911 in July, some progress had been made though. On April 28, the first ruling of the Ad Hoc tribunal settled up after the Protocol of Brasilia was issued, generating expectations for a juridical institutionalization of Mercosur procedures. Shortly later, on June 7, Menem and Cardoso held a meeting in Olivos—first alone, then with their foreign ministers—in which they seemed to reach key agreements on fiscal responsibility and macroeconomic coordination. One week later, on June 14, they met again in Asunción in the friendly context of the Mercosur biannual summit, together with the presidents of Paraguay and Uruguay. However, by the end of July the dialog between Argentina and Brazil was dramatically broken. Domestic pressure for tougher measures was mounting on both sides and the prospects for Mercosur looked desperate. Paulo Skaf, chief of the Brazilian Asociación de Industriales Textiles, went as far as to state that “éste es el primer paso hacia el fin del Mercosur.”25 Could anybody prevent such a cheerless end?

23 “Los industriales insisten con subir los aranceles” (Clarín 22-01-1999).
24 “Presión por las medidas "proteccionistas" de la Argentina. El gobierno de Brasil pidió una reunión urgente del Mercosur” (Clarín 27-07-1999).
25 Idem.
Who and how?

In a letter sent to the temporary presidency of Mercosur in Montevideo, the Brazilian government accused Argentina of perpetrating “an explicit violation of the Treaty of Asunción,” and denounced “an alarming retrocession in the development of the integration process”. After declaring a halt on all negotiations, Itamaraty asked for an urgent bilateral meeting to protest against the establishment of quotas and to preclude its generalization. In this regard, both administrations were internally split. The Argentine foreign ministry blamed secretary of industry Alieto Guadagni for promoting the controversial resolutions, whereas the latter accused canciller Guido Di Tella for nurturing Brazilian distrust by unilaterally applying to NATO. In Brazil, hard-liners and soft-liners were inverted: while ministers of economy, Pedro Malán, and of industry and trade, Clovis Carvalho, showed comprehension towards Argentina, foreign minister Luiz Felipe Lampreia was extremely harsh. Knowing that Menem was planning to travel to Brazil in August, Lampreia discouraged the attempt by publicly declaring, on Tuesday 27, that the political climate was not good for a presidential summit. On Wednesday 28, Cardoso’s spokesman Georges Lamaziere added that the presidential visit “should be postponed for better times”.

On Thursday 29, the Argentine presidential plane Tango 01 landed in Brasilia; Menem was on board. After having dinner with Cardoso in the presidential residence, the two presidents went out to a press meeting where they denied that there were any differences between the two countries. What factors explain such a sudden transit from bitter anger to intimate friendship?

Menem arrived in Brasilia from New Orleans, USA, where he was taking part in a hemispheric conference of energy ministers. The trip back home contemplated a technical stop in Manaos, in the north of Brazil, late on Thursday. On Wednesday morning, however, Di Tella suggested to Menem —when the latter was boarding towards New Orleans— to arrange a summit with Cardoso. Menem accepted. Di Tella was planning a non-conclusive meeting, in which both countries would harmonize positions while Argentina might also take advantage of the stormy situation. The secretary general of the Argentine presidency, Alberto Kohan, had other plans.

Kohan was one of the closest men to the president. He was known for his disputes within the cabinet, in which he had confronted many ministers aiming to surround Menem with his own people of confidence. Menem’s style of command was shaped on a double-checking basis: he used to separately instruct two subordinates to carry out the same mission, so he would be able to control them both through one another. Kohan was his preferred emissary to command these parallel political operations, although usually such operations were kept at the domestic level. Parallel international diplomacy seemed a higher step, but this time such step was taken.

Kohan bypassed foreign minister Di Tella and called Lampreia by phone. On Wednesday evening, on route to the USA, he communicated to the Brazilian minister that Menem had decided to exclude Brazil from the scope of Resolution 911. They subsequently

27 “De Manaos a Brasilia” (Clarín 30-07-1999).
agreed that next day the stop from New Orleans to Buenos Aires would be done in Brasilia instead of Manaos, so as to allow for a presidential meeting. Notwithstanding his previous warnings against Menem’s visiting Brazil under the current conditions, Lampreia diplomatically accepted the unexpected decision. Also Di Tella, who had stayed in Buenos Aires, had to come to terms with the fait accompli, although not only was he skipped but also his substantive plans had been changed. In his view, the conditions accorded by Kohan were closer to capitulation than to negotiation. However, he called in his associates and decided to adapt his strategy to the new situation, preparing to travel to Brasilia the following day.

On Wednesday, Di Tella, Guadagni and Peña arrived from Buenos Aires and met with Lampreia before the arrival of Menem. The climate was tense. The Argentines informed about the lifting of safeguards against Brazil and asked for special treatment given the exceptional situation brought about by the devaluation, but Lampreia showed little concern. Instead, he claimed that Argentine had “crossed the red line” and reaffirmed that Mercosur would be destroyed if the decision were kept. Later on, the foreign ministers participated in the presidents’ meeting, and Lampreia repeated his vigorous complaints before Menem and asked for a written document, to which request Menem responded that his word was sufficient guarantee. In this opportunity, President Cardoso mediated in the argument and sided with his Argentine counterpart to ease the debate. At the end of the day, both presidents appeared together for the picture and their foreign ministers gave details of the agreement to the press. The efforts of the Argentine diplomacy calmed down the Brazilian government, but they were not enough to avoid an unwelcome interpretation. On Friday, the newspapers in Buenos Aires considered that Argentina had given up, entitling “Argentina cedió y bajó la tensión en el Mercosur.” Argentine officials made their best to counter such a view, but their efforts were not rewarded. Eventually, when the following extraordinary meeting of the CMC took place a few days later in Montevideo, Menem had already issued Resolution 955 exempting Mercosur countries from the effects of Resolution 911.

In the episode just related, Menem affirmed his supremacy vis-à-vis the cabinet and the diplomacy. Under his personal supervision, his man of confidence skipped both the political and bureaucratic line in order to arrange a meeting with the Brazilian president—a meeting that, incidentally, also went against the explicit wish of the Brazilian foreign minister. Presidents alone thus proceeded to settle the dispute. When asked the reasons why Di Tella accepted Kohan’s parallel diplomacy without a complaint, a chief Argentine official replied – off the record— that Di Tella was ready to accept any conditions so as to stay in office. Therefore, he once more accommodated to a presidential fait accompli, as he always had.

Norberto Moretti, secretary of the Brazilian Embassy in Buenos Aires, underlines that the condition that allowed Menem to stop at Brasilia was the previous decision to withdraw Resolution 911 (Moretti 1999). He would pay a domestic cost for such a decision, as the industrial sector and most congressional groups were demanding for more, not less protection against the Brazilian ‘menace.’ But, advised by Jorge Campbell, he decided to prioritize Mercosur over any transitory domestic issues, and he held the political resources to act in conformity.

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28 “Entretelones de un día muy agitado. El palo y la zanahoria” (Clarín 31-07-1999).
29 Clarín 30-07-1999.
Conclusion

The three cases analyzed above show the extent to which presidential intervention boosted the process of integration and shaped its outcome, by acting not only as decision-makers but also as dispute-settlers. The presidents were perceived as efficient problem solvers because they had popular legitimacy and the determination to intervene, but the tasks they performed were not merely based on charismatic leadership but on institutional capabilities. In order to negotiate and secure agreements with their counterparts, Menem, De la Rúa, Franco and Cardoso made extensive use of the attributions that the national constitutions and legislation granted them within a presidential design.

There are additional reasons that help explain the large room for maneuver that the presidents enjoyed. Among them, the tradition of executive supremacy in domestic politics was not lesser. A second cause was the feeble institutionalization of Mercosur, which featured neither veto points nor veto players that could either make the necessary decisions or block the presidents’ intervention. Finally, the absence or weakness of relevant social actors claiming for enhanced participation facilitated the predominance of presidential decisions. However, these factors add up –thus do not contradict— to the institutional resources at hand to the chief executives.

State-led—presidentially driven—integration was a persistent feature of Mercosur dynamics, as was the low level of involvement of business organizations—especially in Argentina and Brazil (Schneider 2001). It was already said that such a fact diverged from expected theoretical outcomes, since both liberal intergovernmentalism and neotransactionalism predicted governmental action as a result of sectoral or functional demands. In Mercosur, the evolution of business involvement in the integration process also diverged from other Latin American paths towards regionalization. Schneider (2001) demonstrates that both Chilean and Mexican business organizations took a much more active part in fostering and shaping open regionalism than their equivalents did in Argentina and Brazil. The absence of businesspeople and business associations in the process—even when they were invited to participate—did little to curtail the power held by the presidents. On the contrary, “la escasa participación del sector privado en la estructura institucional derivó en que su presencia se dio a través de las presiones ejercidas sobre los negociadores nacionales, antes que en forma orgánica” (Redrado 1999: 3). Informal lobbying through direct executive agents was thus another relevant factor to account for executive supremacy.

Some believe that Mercosur troubles do not stem from the integration process itself but from the recurring crises of its member countries. Therefore, a stronger institutionalization would not have solved such troubles; instead, it may have accentuated them by adding institutional discredit to enduring ineffectiveness (Pereira 2000). To accomplish a common market might require stronger institutions, but until 2000 the customs union seemed not to need them. However, by 1999 there was a growing awareness of the overwhelming position reached by the presidents, what ignited public reflections on the issue. In 1999, former Uruguayan president Lacalle stated that the Mercosur secretariat should be reinforced in order not to erode the presidents’ image.30 In 2000, Chilean president Ricardo Lagos was even

30 “Mercosur: Lacalle pide no desgastar la imagen de los presidentes” (El Observador 03-08-1999). The reason for Lacalle to protect the presidential image was not to diminish presidential power but to preserve it for crucial issues. Coherently, he later advocated the direct effect of regional normative in order to
more explicit: “Cuando hay dificultades entre nuestros países la política del teléfono presidencial no funciona. No es posible que los presidentes se agarren a telefonazos para resolver los conflictos.” It might have been undesirable, but it was certainly possible. And, above all, it was accepted and stimulated by the presidents of the larger partners.

In January 2000, the Brazilian government created, within the executive jurisdiction, the office of Embaixador Especial para o Mercosul, appointing ambassador José Botafogo Gonçalves for the post. The intention was to demonstrate the priority Mercosur had in the agenda of the Cardoso administration, in order to reassure the other partners that unilateral decision-making —such as the devaluation— had been a consequence of market pressures, not of the government preferences. Up to that moment, it was the foreign ministry’s undersecretary of Assuntos de Integração Econômica e de Comércio, ambassador Alfredo Graça Lima, who had conducted the Brazilian commercial coordination within Mercosur (Lima 2000: 18). Since 2000, he would be in charge of the bloc’s external negotiations. Graça Lima (2000) makes clear the institutional location of Botafogo’s office: “é um órgão da presidência da república, está fora da estrutura do Ministério de Relações Exteriores,” what meant that even in the country with the most professional diplomacy the president decided to keep direct command of Mercosur affairs.

To be sure, summit diplomacy is not a feature exclusive to Mercosur. The originality of Mercosur resides on its being the most significant integrating region whose chief executives are all presidents —and whose regional institutions are negligible. Provided that domestic regimes have an impact upon international relations, it is conceivable that not only the democracy-autocracy dichotomy (Schmitter 1991) but also the presidential-parliamentary one is likely to make a difference (Malamud 2003a). This paper has shown how Mercosur presidents, making use of their institutional and political capacities, have contributed to shape the integration process and to make it work. The conclusion is that summit diplomacy has not performed on its own, but it was rooted instead on specific, usually overlooked, domestic institutions.

increase the power of regional —executive— decisions vis-à-vis domestic institutional actors —such as the Congress (Lacalle 2001).

31 “El Mercosur tiene que integrarse en serio” (Ricardo Lagos in Clarín 14-05-2000).
References


