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**An Economic Road to Peace, a Peaceful Road for Growth:
Regional Integration through the Side Door in Western Europe and
South America**

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Abstract

This article provides a historical comparison between initial integration strategies in Western Europe in the 1950s and South America in the 1980s. In both cases, regional leaders constrained by structural determinants were forced to make the first move towards regionalization outside of their primary area of interest. That is, Europeans seeking pacification and the establishment of a “United Europe” negotiated a common market for French and German coal and steel industries, whereas South Americans, trying to alleviate their debt-ridden economies, negotiated as the first regional agreement of the democratic period Argentine-Brazilian nuclear cooperation. Why if the primary regional goal for the Europeans was sustained peace did they agree on a commercial pact? By the same token, why did Argentines and Brazilians negotiate nuclear integration, when the economic problems of the two countries were so urgent? This article answers these questions by placing the key players of the two regions in their historical context, showing that in both cases the dominant political strategy was “aim low to score high.”

Keywords: international cooperation, regional integration, nuclear energy, European Union, MERCOSUR

Resumo

Este artigo apresenta uma comparação histórica entre as estratégias de integração regional na Europa Ocidental nos anos 50 e na América do Sul nos anos 80. Em ambos os casos, os líderes regionais iniciaram o processo de integração regional salientando áreas de interesse periférica. Assim, europeus em busca de pacificação negociaram um mercado comum do carvão e o aço entre a Alemanha e a França, enquanto sul-americanos, visando melhorar as suas frágeis economias, negociaram um acordo de cooperação nuclear entre Argentina e Brasil. Mas, se o primeiro objectivo para os europeus era a paz, porquê é que negociaram um acordo comercial? Da mesma forma, porquê é que Argentinos e Brasileiros negociaram a integração nuclear quando os seus problemas económicos eram tão urgentes? O artigo responde a estas perguntas situando os actores no seu contexto histórico, mostrando que em ambas regiões a estratégia dominante foi a de “aspirar a pouco para conseguir muito”.

Palavras-chave: cooperação internacional, integração regional, energia nuclear, União Europeia, MERCOSUL

Introduction

“Aiming low and scoring high” may be a useful principle for policy makers interested in leading their countries into regional integration arrangements (Etzioni 1963: 35). At least this principle seems to have guided Western Europeans in the early 1950s and South Americans, 30 years later, in their first efforts to forge supranational agreements that would eventually lead to the EEC-EU and the Mercosur¹. Western Europe, responding to the necessity of pacifying the region after the war and overcoming the French-German Ruhr problem, organized the 1952 European Coal and Steel Community (ECSC). The ECSC became an economic agreement that established a single market and a central authority to regulate the production, distribution, and investment policies concerning coal and steel. But its ultimate goal was to reconcile former enemies, reincorporate Germany to the region, and set the basis of a united and federated Europe. South America, on the other hand, approached integration through an agreement of political and security characteristics between the recently democratized Argentina and Brazil. Nuclear integration, starting in 1985, involved regional safeguards, common foreign policies in the area, and the establishment of a bilateral agency in charge of controlling all nuclear activities in both territories. Yet however security-defined this integration, the true motives urging the leaders of the two countries were economic: to end diplomatic isolation in order to secure new financing for their indebted states.

Thus, the paradox: Western Europeans sought security through an economic pact; South Americans sought economic revival through security. If policy-makers in both instances had clearly defined objectives, why did they pursue a type of integration that only indirectly responded to their main concerns? The answer to this question lies, I argue, in two different historical and international causes. To begin with, attempts in Europe to create a political or defense federation in the post-war had failed. Similarly, before the Mercosur Latin American attempts to establish all-inclusive trade agreements (such as ALALC and ALADI) in order to spur growth rarely prospered. Secondly, in the two cases particular international circumstances constrained regional policy choices, preventing the adoption of certain strategies for integration. Europe, still under the tutelage of the Allied powers, was unable to form a political community with Germany as an equal partner, nor could her re-armament be permitted for a common defense scheme, nor could she be excluded, given the painful lessons of the first post-war. Argentina and Brazil, on the other hand, were debt-ridden economies with little if any leverage to negotiate with the international financial community. Economic integration, furthermore, was unpractical given that the two economies are competitive and not complementary. The urgency in finding new international financing and the need to front the democratic transitions added more pressure to Argentina and Brazil to find a viable common solution.

This chapter provides a historical comparison of the origins of the EEC-EU and the Mercosur. The analysis focuses on the “entanglement” of domestic and international factors defining regional integration, and how political actors decide the best strategy to achieve policy goals at the regional level given domestic and international constraints (Putnam 1993). Students of regional integration have stated that “...in the final analysis,

¹ Mercosur: The Common Market of the South with Argentina, Brazil, Paraguay and Uruguay as full members since 1991.

the decisions to enter a Preferential Trading Arrangement is made by policymakers. Both their preferences and the nature of domestic institutions condition the influence of societal actors on trade policy” (Mansfield and Milner 1999: 604). In the following sections I describe the negotiation processes that led to the creation of the ECSC and the Argentine-Brazilian nuclear agreements. Particular international configurations, forged by the rationales of the post-war, the Cold War, the debt crisis and democratization, shaped in turn the interests and preferences of the European and South American leadership. Shared interests and preferences brought decision-makers together, allowing the formation of a regional community.²

New Regional Orders and Old Problems

In the Europe of the early 1950s and the South America of the mid-1980s there were two debates taking place that surprisingly had many points in common. Western Europeans and South Americans had to forge new regional orders; the former, following a war fought in their territory that had virtually engulfed the whole world, the latter, emerging from years of military rule that had driven their states nearly to bankruptcy. The emerging new orders had to resolve the problems of the past and provide guarantees for a future free of the same problems. For Europe, peace and prosperity were the goals, for South America, sustainable democracy and development.

The first stage of the reorganization of Europe focused on the economic recovery of the region. This first effort was led by the leaders of the Allied forces (the US, UK and USSR), who set up the temporary institutional and political terms for the post-war transition. Economic reconstruction was most effectively achieved by the partnership between the US and most Western European states. The US, emerging from the war as the most powerful economy, helped finance the recovery of the region through its 1947 Marshall Aid Program. As a requisite to receiving American financial aid, European states had to establish a regional association that became the Organization for European Economic Cooperation (OEEC). While the OEEC was the first major institutional arrangement of the post-war, it did not encourage political nor economic unification for it was created solely for the purpose of organizing Marshall Aid and was directed from outside (Etzioni 1963).

Once certain level of economic recovery had been attained in most of Western Europe, and in the case of West Germany the recovery was absolute, the focus of Western leaders shifted towards more permanent arrangements that would secure regional pacification and unity. The consensus among the top political European leadership was that if these objectives were to be achieved, the proposals for integration would come from Western Europeans themselves and would necessarily include Germany as an equal partner (Fulbrook 2001; Milward 1984, 1993, 2000). Jean Monnet, the ideologue of the future ECSC, reflected on this with remarkable foresight in 1943 while pondering the role of France once the war was over. “The desolate people will seek hope for better conditions. They will want to know what solutions have been prepared to resolve the problems that led to war. They will turn towards the Allies: the United States, Great Britain and Russia. Unless the conditions have changed, the Allies will not be able to offer any constructive plan to answer their anxieties...France is the

² In this essay I focus on historical structural determinants constraining political actors deciding on whether or not to integrate. Elsewhere I have analyzed the role of ideas and transnational epistemic coalitions and their influence on how states decide *how* to integrate (Alcañiz 2003).

only European among the Allies, and what is necessary is a solution to the European problem: the others, British, Americans, Russians, have their own worlds to which they will soon return.”³

The importance of France in a new regional order was hardly disputed. As the major continental player emerging on the Allies’ side, the viability of a “united Europe” depended on her decisions concerning the role to be played by Germany. “The key to progress towards integration is in French hands. France needs, in the interest of her own future, to take the initiative promptly and decisively if the character of Western Germany is to be one permitting healthy development in Western Europe. Even with the closest possible relationship of the US and the UK to the continent, France and France alone can take the decisive leadership in integrating Western Germany into Western Europe.”⁴

French resentment towards Germany largely predated the Nazi occupation of France. The origins of bilateral strife had originated, besides the historic competition for regional hegemony, in the claim over the natural resources of the Rhineland (the *Ruhr Problem*) that dated back several centuries and had exacerbated in recent times with industrialization and the development of the steel industry. Together with the regions of Alsace and Lorraine, the valley of the Ruhr passed from one country to the other throughout the centuries. But it was with WWI that the conflict peaked. For more than a hundred years Alsace and Lorraine had been in French hands and the Ruhr in Prussian’s. But during the war, Germany took over Alsace-Lorraine and established a supply-production circuit where iron ore from the former French region was used to produce steel in the Ruhr. “The mineral wealth and industrial development of the Ruhr and the Rhenish provinces that surrounded it provided the foundation for the development of other manufactures”...this “impetus catapulted Germany ahead of Great Britain as Europe’s premier industrial power” (Loriaux 2000: 144).

After WWI, France regained Alsace and Lorraine and through reparations was granted rights on German coal and coke to be delivered to French iron mills. But unsatisfied with German transfers, France occupied the region from 1923 to 1925 (Loriaux 2000: 144). The Ruhr problem resurfaced after WWII; France, as a victim of German invasion, claimed rights to Western Europe’s industrial core of coal and steel. But the Allied leaders opposed France in her efforts to seize individual benefits from the Ruhr. The French reviewed their strategy and “now invested in efforts to internationalize it – that is, to contribute to the success of multilateral agreements and institutions that placed constraints on Germany’s sovereign power to exploit the wealth of the Ruhr” (Loriaux 2000: 146).

The first international solution for the area came with the establishment of the International Authority for the Ruhr in 1949. Under this agreement the members of the Authority (US, UK, France, Belgium, Luxembourg, and the Netherlands) controlled all German production of coal, coke and steel. Proclaiming “that the resources of the Ruhr shall not in the future be used for the purpose of aggression but shall be used in the interest of peace,” the Authority guaranteed foreign access to German coal and steel by

³ Jean Monnet, *Note de réflexion*, 1943: 2-4.

⁴ Secretary of State, Dean Acheson.

ruling on pricing, trade quotas, tariffs and export allocations.⁵ In particular, the internationalization of the Ruhr sought to impede the resurgence of German industrial cartels in the region. Germany participated in the agreement, but her vote was decided by the occupying powers. Thus, this first step towards solving the Ruhr problem was not consistent with the new European order being forged at the time, rather it resembled the arrangements following WWI, for it did not incorporate Germany as an equal and sovereign state. The solution to historic disputes in the Rhineland, and the dawning of a new order would only come with the creation of the ECSC.

In the mid-1980s most of South America was coming out of a military rule that for years had driven their countries to increasing international isolation and indebted economics. Democratization of the region was in part triggered by the inability of the military to front the foreign debt crisis. The new civil leadership of South America faced the harsh prospect of restoring trust-worthy relations with the rest of the world, sustaining domestic democratic transitions and refinancing the debt accrued by the departing military. Economic growth was the only way to respond to these needs. “Today, we are all convinced that growth is the solution. High interest rates and the fall in international commodity prices make it clear that austerity cannot solve the debt crisis. Only strong and growing economies can meet their obligations. But growth requires a coordinated effort by all: creditor nations, financial institutions and debtor nations.”⁶

One way the South American governments coordinated their efforts to repeal the economic situation and defend their fragile democracies was the 1984 Consensus of Cartagena, a Latin American intergovernmental forum, led by Mexico, to pressure international creditors on the foreign debt issue. The main goal of *Cartagena* was to approve by regional consensus the rejection of payment to international creditors. This goal was not reached, but what was achieved was the politicization of the issue, which to certain extent questioned the legitimacy of the foreign debt. Increasingly, South Americans were realizing that the negotiation was as much political as it was economic. “Joint action with other debtor nations, such as Brazil and Mexico is both possible and desirable. Together we can explain how the debt crisis, and more specifically the transference of domestic savings to foreign countries, is at the root of problems that transcend economics and become political.”⁷

The new regional order hoped for by South Americans was thus one where the solutions to shared problems were tackled together. In a sense, it remitted to the situation in Europe after 1945. “After WWII, the exhausted European countries faced the task of reconstructing their democracies. Today, Latin America and Argentina, devastated by years of authoritarianism, are faced with the same task. In 1948 the European countries benefited from the Marshall Plan, an imaginative and generous response from the rest of the world which helped consolidate democracy and secure liberty in Europe. Today, in Argentina and Latin America, democracy is again flourishing. But unlike postwar Europe we have not benefited from a Marshall Plan.”⁸

⁵ Agreement for the Establishment of an International Authority for the Ruhr in the American Journal of International Law, Vol. 43. N° 3, Supplement: Official Documents (July 1949).

⁶ Quoted from President Raul R. Alfonsín in *New Perspectives Quarterly*, Vol. 4 # 3. Fall 1987.

⁷ *Ibid.*

⁸ *Ibid.*

Argentina and Brazil, the two most important economies of the Southern Cone, found themselves on the same side of the negotiating table regarding the debt issue. But in the past, more often than not, these two states had developed a history of rivalry. Particularly, the quest for nuclear energy development had increased mistrust between neighbors and moreover, had raised suspicions from the international community regarding their motives in pursuing nuclear technology. The nuclear problem, thus, was as much a bilateral as an international issue. The two nuclear programs were created in the 1950s under the conviction that sovereign states had the right to develop nuclear energy free of international supervision (Adler 1987). From the beginning Argentina and Brazil rejected the attempts made by the nuclear powers to regulate and condition transfers of technology to non-nuclear countries. In the late 1960s these regulations were crystallized in international treaties that curtailed the right of non-nuclear countries to explore nuclear energy options without international supervision. Argentina and Brazil together denounced these agreements, in particular the American sponsored Non Proliferation Treaty (NPT), as discriminatory and unfair and refused to sign.⁹ They claimed that with the pretext of proliferation this treaty was affecting their right to explore and develop new technologies, while the countries doing the real proliferation, such as the United States, were not affected.¹⁰

While Argentina and Brazil had already put most of its nuclear facilities under international safeguards established by the International Atomic Energy Agency (IAEA), they refused to sign the NPT and the Latin American Tlatelolco on principle.¹¹ In addition they both protested, in order to protect national industrial secrets, international on-site inspections justified solely on suspicion of diversion of nuclear material for non-peaceful ends, which were contemplated in both the NPT and Tlatelolco (Carasales 1997). This anti-NPT sentiment became official nuclear policy in both countries. A public statement from the Brazilian Foreign ministry (*Itamaraty*) declares: “The NPT is not a strategic or military issue for Brazil. It is, rather, a matter of principle. Were Brazil to accede to the NPT, it would have no substantial effect in terms of non-proliferation. It would amount to formal acknowledgement of the status of the five nuclear-armed powers and acceptance of an international order founded on the imbalance of rights and duties among States. Brazil recognizes the status of the five nuclear powers as a temporary fact of international life, not as a right to which these powers are entitled for all time.”¹²

Argentina shared Brazil’s position, and also refused to sign the treaty. NPR members interpreted this refusal as proof that Argentina and Brazil were involved in a secret nuclear arms race in South America.¹³ Argentina and Brazil were deemed “countries to

⁹ This sentiment is best expressed in the book by Argentine Ambassador Julio Carasales “El Desarme de los Desarmados”.

¹⁰ As one Brazilian actor put it: “We saw the NPT not only as a way of avoiding the proliferation of nuclear weapons, but also as preventing knowledge.” Interview with the Brazilian ambassador to Argentina, Dr. Rego Barros, Buenos Aires, July 2000.

¹¹ The 1967 Tlatelolco Treaty proclaimed Latin America a nuclear-free zone.

¹² *Itamaraty* statement – Brazilian Foreign Policy, January 26, 1997.

¹³ For a discussion on international perception on this topic see *Adverting a Latin American Nuclear Arms Race*, Eds. Levethal and Tanzer, 1992.

be monitored” for their nuclear activities¹⁴ and were often compared to India and Pakistan as potential nuclear enemies. But, after years of resisting foreign pressure, Argentina and Brazil’s refusal to comply with the mandates of the US led Non-Proliferation Regime had turned the nuclear problem into a great liability for the now democratic (and more accountable) governments. In addition, US warnings that economic aid would be partly conditioned to the review of the two countries nuclear foreign policy exacerbated even more the nuclear problem.¹⁵

The establishment of the ECSC: Trade for peace

Before the war was over, Europeans began to realize that permanent peace in the region could only come from the federative or supranational integration of Europe (Etzioni 1963; Milward 1984, 1993, 2000; Monnet 1943). Already in 1944 there were discussions on the establishment of European federation (Etzioni 1963), but it was only after the war that a web of regional institutions mushroomed on a trial and error basis. The search for a federative or supranational solution was crisscrossed by discussions regarding the role to be played in a new regional order by Germans, Americans, and Soviets; the impact of the withdrawal of the Allied forces from Europe; and whether the creation of a political or security organization should reflect a North Atlantic community, or just a Western European one (Etzioni 1963; Walton 1953; Fulbrook 2001). Before the 1950s, several organizations dealing with regional integration were created but to little avail. “Other activities were of only a symbolic nature. For example, the grand convention in The Hague in 1948 which saw the participation of Churchill and other major statesmen did not achieve anything, although it aroused much attention as it called for the creation of the United States of Europe, including the reintegration of defeated Germany in the community of nations. The establishment of the Council of Europe in Strasbourg in May 1949 did not result in any meaningful economic or political integration of Europe either. The Organization for European Economic Cooperation was also unable to contribute to the unity of the European continent” (Fulbrook 2001: 197).

On top of the German issue, that is, how to avoid excluding Germany (given the lessons of the first post-war) while still controlling her, Western Europeans had to deal with an expanding Soviet Union and from 1950 on, with the Korean war. Given these events, achieving peace within the region was no longer the only goal; the rationale of the cold war, magnified by the first conflict of the bipolar world, urged the search for a European defense scheme. Not surprisingly, the United States led the first attempt for external defense with the creation of the North Atlantic Treaty Organization (NATO) in 1949. While most Western European states participated in NATO, it was not a “European” organization, and thus was unable to provide the foundations for a political integration of the region.

Parallel to the emergence of NATO, negotiations began for a solely European defensive community that reflected the supranational and federative desires of many

¹⁴ NPT world survey map.

¹⁵ Interviews with CNEA’s former president Dr. Ema Perez Ferreira, March 2001; Dr. Jorge Coll from CNEA, July 1997 and December 1998; and the director of International Relations of CNEN, Dr. Laercio Vinhas, April 2000.

regional statesmen.¹⁶ The projected European Defense Community (EDC) provided for a common army to be coordinated by a democratic supranational authority led by a European defense minister. Negotiations for the EDC reflected existing political concerns regarding intra-region security, in particular, French preoccupations with German rearmament. At the first meeting for the creation of the EDC at Strasbourg, in August 1950 a French delegate stated: "...this is the only way to resolve a problem of which there is much talk, the problem of Germany's participation in this defense organization... We cannot favour the re-establishment of a German army... But once a European army is set up it would be an army responsible for defending the whole territory of Europe, with all the citizens of Europe. There would be no more problems of a national character."¹⁷

On May 27, 1952 France, Germany, Italy, and the Benelux countries (Belgium, Netherlands and Luxembourg) signed the EDC in Paris.¹⁸ "In organization the Community mirrored the Schuman Plan: it was to have a European Defense Authority, a Council of Ministers, a Parliamentary Assembly and a Court of Justice. As far as principle was concerned... the most important aspect was the acceptance of the idea of a supranational authority" yet... 'it was evident that no clear compromise had been worked out to reconcile Germany's demand for practical equality and France's fear of a revived *Wehrmacht*" (Walton 1953: 60-61). The EDC embodied most of the goals and ideas of the European federalists. Furthermore, linked to the signing of the Paris treaty, began the negotiations for a political community (EPC) among the six EDC members, led by Belgium's Henri Spaak (founding-father of the ECC). But the German question was not resolved, and this resulted in the refusal by the French National Assembly to ratify the agreement, which in turn doomed both the EDC and EPC in 1954.

The reasons why the EDC failed explain why the institutionalization of peace in Europe had to be sought outside strictly political or security pacts. On the one hand, the experience of war among them was still too present and the weight of the nation-state so big that to give up so much power all at once to countries who had been enemies just a few years before was unrealistic. In defense matters, national sovereignty was still sacred. As Etziona states, "military or political unification ... requires tackling the very institutional and ideological core of the nation-state; its constitution, government, parliament, its sovereignty" (Etzioni 1963: 36). On the other hand, Western Europeans were still unable to accept Germany as an equal partner. While recognizing the necessity to include Germany in any regional scheme that aimed at sustained peace, "German rearmament without surrounding it with proper safeguards caused a wave of apprehension among the nations which had fallen victim to German aggression" (Etzioni 1963: 53).

Even the Germans themselves recognized that it was still too early for political unification. "There were a number of German businessmen who argued that it had been

¹⁶ The leaders of France, Germany and Italy are credited as being the strongest proponents of a united Europe. "Schuman, de Gasperi and Adenauer, the three European architects of the draft treaty, had all spoken of the EDC as needing to be governed by a supranational democratic parliament" (Milward 2000: 186).

¹⁷ André Philip, French delegate to the Consultative Assembly of the Council of Europe, cited in Walton (1953: 47-48).

¹⁸ Benelux states: Belgium, Netherlands, and Luxembourg.

a mistake to press for EDC, that it would have been sounder to proceed gradually with economic measures of integration, instead of frightening the French with the prospect of German rearmament, even in an integrated form” (Almond 1956: 178). Thus, mainly political or defense agreements were paradoxically unable to provide such looked for security. European guarantees for peace would have to come from some other venue. As Milward argues, Germany could not be considered a military partner on equal standing, but she had to be considered a key economic and industrial player in order to secure the region (Milward 2000: 119).

The old Ruhr problem that had divided France and Germany over centuries would give the clue to where integration could start. Stating that “the coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany” and that “any action taken must in the first place concern these two countries,” the French foreign minister Robert Schuman announced in 1950 a plan to put France and Germany’s coal and steel production under a common supranational authority.¹⁹ The announcement of the plan (originally proposed by Jean Monnet, head of the French Planning Agency) was full of optimism that relinquishing sovereignty of the coal and steel industries would become the first step towards the political integration of Europe. Schuman invited other European nations to participate in the negotiations, which proved to be strained due to the particular fears and concerns each country brought to the table.

France, while undoubtedly committed to her own plan, had to answer to French industrialists’ fears that the more competitive Germans would take over the common market. In addition, the French businessmen saw with great apprehension the bureaucratization –whether supranational or national- of the sector (Ehrmann 1954). Germans, on the other hand, tended to be generally supportive of the proposal. Still, there were many concerns regarding the lifting of the Allies’ control on the Ruhr, and the extent to which the prohibitions on cartels and combines covered in the plan, would interfere with their access to their own coal and coke supplies. In order to become part of the common market, Germany had to reorganize the coal and steel industries, dismantling existing monopolies on sale and distribution of coal. German industrialists feared that this would affect them especially in periods of shortage or surplus.²⁰

Once they recovered from the unpleasant fact that “the French Government had behaved extremely badly in springing this proposal on the world at this juncture without any attempt at consultation with H.M Government,” the British decided to take a “non-committal attitude” to the whole business of integration.²¹ And to reduce British support even more, the French requested from the UK government that before entering negotiations they agree wholeheartedly to the supranationality of the agreement. The British therefore did not participate of the ECSC (Ranieri 1993). The smaller countries involved in the plan mainly were weary about the potential cartelization of the market, led in first place by German industrialists.²² Americans also shared these fears about

¹⁹ Robert Schuman’s radio announcement of the Schuman Plan, May 9, 1950.

²⁰ Briefing paper drafted in the office of the US High Commissioner for Germany, Frankfurt. February 2, 1951.

²¹ Record of the (British Cabinet) Meeting at No. 1 Carlton Gardens, 10 May, 1950.

²² In the recent past, the Ruhr region spurted many international cartels, such as the International Steel Cartel (1926) and the International Steel Export Cartel (1933).

combines, steel cartels and coal monopolies, as they worried about how well a future ECSC would take over the Allied controls on Germany, and how its creation would affect the functioning of NATO.²³ Still, due to their security interests in the region given the cold war rationale, the US supported the formation of a common market and its implications for a future united Western Europe.

Thus, the Schuman plan became the European Coal and Steel Community in 1952, integrated by France, Germany, Italy and the Benelux countries. Within its objectives were the abolishment of tariffs, quotas, subsidies and any restrictions affecting the free trade of coal, iron and steel. The established single market had several institutions that set common policy regarding production, investment, pricing and distribution. The high authority was the supranational executive organ that ruled by majority vote, together with a common assembly formed by national parliamentarians. The council of ministers served as a link between the high authority and the six governments. Finally, the ECSC created a court of justice, where to resolve any emerging disputes. Although many problems remained regarding trade policies towards third countries (which fell out of the competence of the single market), the ECSC managed to quickly liberalize trade in the region, becoming in the process “the single most decisive step in the creation of the European Union” (Loriaux 2000: 146).

Nuclear integration in South America: Atoms for dollars

The search for economic development in Latin America through regional on top of national strategies began with the creation of the UN Economic Commission for Latin America (CEPAL) in 1949. The director of CEPAL, the Argentine economist Raul Prebisch, argued that the problems that affected Latin American economies had a structural origin in the international division of labor. As developing countries, the regional economies suffered the increasingly unfavorable terms of exchange in their trade with the industrialized states. Primary products, the main type of exports of Latin America, were increasingly losing their relative value in relation to manufactures, imported from the central economies. Prebisch’s solution, what came to be known as the *Cepalian* paradigm, was a model of inward-looking development that had as its main principium the import substituting industrialization strategy (ISI).²⁴

The first efforts towards regional integration were in 1960 when the majority of Latin American countries, including Argentina, Brazil and Mexico, signed the Montevideo Treaty that established the Latin American Association for Free Trade (ALALC). The ALALC sought to complement Latin American economies and liberalize intra-regional trade through the regionalization of ISI strategies, and under the developmentalist model of the CEPAL and the CECLA.²⁵ But Latin Americans failed to remove national restrictions to trade nor could they agree on common external tariffs, and thus ALALC did not produce the expected economic boom for the region. Twenty

²³ The United States High Commissioner for Germany to the Secretary of State, March 15 1951.

²⁴ As described by Osvaldo Sunkel: “Inward-looking development places the emphasis on demand, on the expansion of the domestic market, and on replacing previously imported goods with locally produced goods, instead of placing the emphasis on accumulation, technical progress, and productivity” (Sunkel 1993: 46).

²⁵ CECLA: the Special Commission for Latin American Coordination, created to realize regionally *Cepalian* goals.

years later, ALALC was transformed into ALADI, the Latin American Association for Integration. In contrast to its predecessor, the much more flexible ALADI allowed for sub-regional preferential treatment, and did not established any timeframes for unrealizable objectives. Yet despite its flexibility, ALADI also failed to have an effect on regional economic growth. ALADI and ALALC shared the lack of strong commitment for a regional solution to economic problems from the participating Latin American governments. “The Latin American “*desarrollista*” integration process was supposed to create interdependence as a stepping-stone to economic development and to political cooperation, and not the other way around. It didn’t aim at reinforcing a previously existing interdependence through controlling its negative effects by increasing political cooperation” (Albuquerque 2000: 3).

Just two years after the signing of ALADI Mexico declared the impossibility to continue repaying her debt, setting off the infamous debt crisis that hit hard the countries of the region, in particular Argentina and Brazil. The first regional response to this crisis was the formation of the Cartagena Consensus, discussed earlier in this chapter. But given the region’s vulnerable debtor position, it was with little surprise that the Consensus group fizzled before crystallizing their objectives. Latin Americans were caught in a delicate dilemma, they had to live up to the financial responsibilities acquired by the exiting military while at the same time financing the difficult democratic transitions at home. Funds were scarce and desperately needed, and there was little that Latin American countries could do about the situation. “The only proposal currently available for facing the economic crisis – strongly encouraged by international agencies responsible for implementing adjustment and restructuring policies, by the governments of industrialized countries, by transnational banks, and by the transnationalized sectors of Latin American society – is the neoliberal program with its well-known social and dynamic limitations” (Sunkel 1993: 44).

One thing Argentina and Brazil could do was to improve general political and diplomatic relations with the creditor nations. One pending issue was the nuclear problem, which domestically became exacerbated in the two countries by the debt crisis that forced even greater budget reductions on the nuclear sector than the ones resulting from the change from military to civilian government. Adding to US and NPR (Non Proliferation Regime) pressure to internationalize their nuclear programs, Alfonsín and Sarney had to deal now with national reactions to the sector’s downsizing. The presidents faced conflicting demands from above and from below respectively to internationalize and nationalize (even more) their nuclear programs (Alcañiz 2000). Facing a common nuclear problem the leaders of Argentina and Brazil, with their foreign ministries and nuclear sectors, worked together towards a regional solution.

Nuclear integration was the strategy chosen to deflect international accusations of hidden strategic agendas without having to renounce a nuclear plan altogether (which was equated with giving in to NPR’s demands). As Alfonsín’s president of CNEA stated: “We reached the conclusion that a governments can show that it has a program without strategic diversions by opening it, but on equal standing. That’s why the agreements with Brazil were made. Nobody can say you haven’t opened up, but you disclose to whom discloses in turn. On equal standing. That is the reason for the agreements.”²⁶ But regional integration also provided a strategy to avert domestic

²⁶ Interview with Dr. Ema Perez Ferreira. Buenos Aires, March 2001.

reactions against the impending restructuring of the nuclear sector. Regionalization has been recognized as one way to avoid internal conflict. “Although governments may choose to join regional agreements to promote domestic reforms, they may also do so if they resist reforms but are anxious to reap the benefits stemming from preferential access to other members’ markets” (Mansfield and Milner 1999: 605). Argentine and Brazilian nuclear industrialists and professionals had longed believed in the economic potential of a bilateral partnership, and hoped at the time that integration could revive the sector sufficiently in order to ward off reforms.²⁷

Throughout the process two bilateral groups were formed in order to advance integration. The first Joint Declaration on Nuclear Policy of Iguazú, signed by presidents Alfonsín and Sarney in 1985 created a working group (*grupo de trabajo*) chaired by both foreign ministries and formed by nuclear experts from the two national commissions. Three years later the group was renamed the Permanent Committee and bore the responsibility of “setting and coordinating all initiatives in the political, technical and business areas of the nuclear sector.”²⁸ The second institutional actor involved in the negotiations was the CEABAN, formed by Argentine and Brazilian industrialists, who worked as a sort of binational lobby, advocating for greater commercial integration.²⁹ These two groups, in charge of carrying out nuclear integration, represented the institutionalization of a preexisting bilateral epistemic community.³⁰

Alfonsín, Sarney, and their foreign ministries favored political coordination that would show that Argentina and Brazil were not diverting nuclear material for non-peaceful ends. The objective was to improve political relations with the US and their western allies and refinance the foreign debt. In order to do this they set about revising nuclear bilateral relations and establishing trust mechanisms between the two states that would show the international nuclear community the transparency and openness in their bilateral nuclear dealings. In this line, the presidents held high profile meeting at previously covert nuclear locations (such as the Argentine enrichment plant Pilcaniyeu). This carried great political weight for the invitations were to facilities that were not under IAEA full-scope safeguards. In addition a series of presidential Joint Declarations were signed, establishing the goals and foundations of integration.

Representatives of both nuclear sectors, on the other hand, were more concerned with technical and economic cooperation. Their preferences were clearly oriented towards finding common solutions to the financial crisis that was hindering further development of the sector. One top priority shared by the CNEA, CNEN and nuclear industrialist (both private and public companies) was to finish the nuclear power plants

²⁷ Interviews with Dr.L. Vinhas, 2000; E. Palacios 1997 and 2000; Captain R. Ornstein 1999 and 2001; A.C. Raffo 1997 and 2000; Dr. E. Perez Ferreira, 2001; Ambassador Rego Barros 2000.

²⁸ Declaración de Iperó.

²⁹ The Coordinating Committee of Argentine-Brazilian Businessmen in the nuclear field (CEABAN) was created in 1986.

³⁰ Elsewhere (Alcañiz 2001) I argue the existence of a bilateral nuclear epistemic community pre-dating the 1980s agreements, mainly formed by members of the Argentine and Brazilian national commissions of nuclear energy, and a few diplomats with experience in nuclear foreign policy. This epistemic community was key in advancing nuclear integration in such a swift manner.

under-construction, Atucha II (Argentina) and Angra II (Brazil).³¹ For them, integration was a viable alternative to seeking sources of technology, know-how and financing from the not always receptive central nuclear countries. Professionals on both sides of the border believed in complementing their industries in order to reap economic rather than political benefits. Yet they understood that in order to advance on industrial cooperation they needed their governments to first crystallize a political agreement that would serve as an institutional framework for future commercial exchanges, in addition to improving general international conditions of nuclear transfers from the North to the South.

The CEABAN was very active in pushing its industrial agenda on Argentine-Brazilian nuclear integration. In the Permanent Committee they found support with the professionals of CNEA and CNEN, for these nuclear experts also preferred technical and industrial cooperation to political coordination. The old developmentalist agenda of the nuclear sector in Argentina and Brazil found its way into the new regional agenda of the industrialists. Nuclear bilateral ISI was the key strategy proposed by the CEABAN, but their economic proposals went mainly unanswered. “The CEABAN has still not received a clear answer. If this does not occur in the near future, the initiatives of industrialists in both countries, oriented towards integrating the existing capabilities and supplying goods and services, will frustrate beyond repair and will only have served to feed empty political declamation without any real base.”³²

Despite the discontent of some of the negotiating parties, political integration advanced swiftly. In 1990 the new civil leaders of Argentina and Brazil met again in the city of Foz de Iguazú and produced a Joint Declaration even more ground breaking than its predecessor of 1985. In this document, presidents Menem and Collor de Mello approved the Common System of Accounting and Control of Nuclear Materials (SCCC) which had been concluded by the Permanent Committee. The SCCC was “the set of criteria and procedures applicable to all nuclear materials of all nuclear activities carried out in the territories of the signatory nations, in order to detect opportunely and with a reasonable degree of certainty any diversion of significant quantities of nuclear material for unauthorized uses as established in the Bilateral Agreement.”³³ The declaration provided for the first mutual inspections and the immediate exchange of lists describing all nuclear facilities together with their respective inventories. In addition, negotiations would begin with the IAEA in order to set forth an agreement, with the SCCC as a basis for the treaty. Finally, the presidents stipulated that once the safeguard agreement with the IAEA was concluded, Argentina and Brazil would together ratify the Treaty of Tlatelolco.³⁴

Only a few months later the Bilateral Agreement was signed in Mexico, institutionalizing the resolutions of the joint declaration. An Argentine-Brazilian agency (ABACC) was created in order to administer and implement the common system. This legal entity had the power to designate, carry out and evaluate inspections, represent Argentina and Brazil before third parties regarding the SCCC, and sign international

³¹ CNEA and CNEN are the Argentine and Brazilian national commissions for nuclear energy.

³² Declaración de Comité de Empresarios Argentinos y Brasileños del Área Nuclear (CEABAN) a la 6ta Reunión del Grupo de Trabajo sobre Política Nuclear. March 1, 1988.

³³ The SCCC in the ABACC Bulletin.

³⁴ *Declaración sobre Política Nuclear Común Argentino-Brasileña* (Carasales 1997).

agreements with authorization of the parts.³⁵ This last capacity was put into practice only a few month later when the ABACC became party to a safeguard agreement signed with Argentina, Brazil and the IAEA. The Quadripartite Agreement, as it was known, was based on the SCCC and the presence of IAEA came to guarantee a sort of international auditing of the Bilateral Agreement (Carasales and Ornstein 1998). A few years later, in 1994, Argentina and Brazil ratified the Quadripartite Agreement and the Tlatelolco Treaty. Adhesion to the NPT would be in 1995 for Argentina, and 1998 for Brazil.

In conclusion, in only six years Argentina and Brazil unified their system of control, verification and accountability of the uses of nuclear material. In that short period of time a regional system of safeguards was instated, and connected to international standards of control through the auspices of the IAEA. Nuclear industrial integration lagged behind political integration, yet common interests and needs were identified and to some extent, met. The issue of financing, a common problem of the whole industrial-energy apparatus, remained the key obstacle to further integration. The nuclear sectors of Argentina and Brazil, especially through the actions of the CEABAN, conceived alternative options to outside funding, such as a “compensated exchange” regime by which services rendered by one country would be paid in kind by the other. Still, this system of bartering was not effective in finishing the constructions of Atucha II and Angra II/III due to the massive financing required for such projects.

Shared normative and political beliefs brought the members of the two nuclear sectors together and allowed for speedy integration. In their common stand against international interference, Argentine and Brazilian nuclear professionals had discovered each other as potential alternative partners.

Conclusion

We can find many similarities between the two regions at study here that encourage historical comparison. Most importantly, both Europe and Latin America looked for common (regional) solutions to shared problems. The two regions strove to forge new regional orders and tackle old problems that had in the past driven them apart. Europeans and Latin Americans had to deal with new international constraints that forced their choice of regional policy in certain directions. Both sought integration through a side door, avoiding giving up sovereignty in sensitive or impractical areas. But here the similarities end. The ensuing development of the European ECSC and the Argentine-Brazilian nuclear integration show how divergent the two integration experiences turned out to be.

The ECSC served as a platform for further integration; its supranational institutions were transferred later on to the new EEC. The initially restricted political scope of the agreement was gradually broadened into what later became the EU. In contrast, the economic aspects of the Argentine-Brazilian nuclear agreements never took off. While nuclear political coordination was achieved quickly and smoothly, the expected nuclear trade between the two partners lagged behind. True, the nuclear accords led to the Mercosur, but even the proposal of a common market did not set the basis for an equally

³⁵ Agreement between the Argentine Republic and the Federative Republic of Brazil for the Exclusively Peaceful Use of Nuclear Energy (also known as the Bilateral Agreement). Guadalajara, Mexico, July 18 1991 (Carasales 1997).

beneficial and sustained economic partnership. In that sense, the Mercosur bears little comparison with the EU.

To understand these differences, we must look at the existing level of consensus among the policy-makers involved in the two processes. In Western Europe, despite the two great wars that had divided them, key political actors were bound together by their commitment to a regional or supranational project. European statesmen, such as the Belgium Henri Spaak, the French Monnet and Schuman, and the German Adenauer shared to a great extent the belief that a permanent solution to the divisions of the past would only come from binding their political and economic systems together, although not necessarily in that order. The short period of time that passed from the end of the war to the creation of the ECSC showed a remarkable growth of diverse institutional attempts to integrate Western Europe. The wide institutional activity from 1945 to the early 1950s indicates that the leaders of the time had common interests in integration, and that the only thing that was put up for discussion was the best strategy to achieve said goals. The number of communities and organizations created, such as the OEEC, the Council of Europe, NATO, SHAPE, EDC, EPC, and finally the ECSC, give the impression that Europeans were so to speak casting an institutional net as wide as possible in order to emerge in the end with at least one workable integration arrangement.

In stark contrast, South Americans had little faith in the benefits of integration. The political decision to associate in the nuclear field had more to do with fending off international pressure than as a viable strategy for further integration. Communal institutions were not sought nor desired. “The very idea (and practice of course) of common institutions with its implicit need for concessions of sovereignty were (and still are) strange to Latin American constitutional traditions” (Albuquerque 2000: 3.). But once nuclear cooperation began working, South American leaders were ready to broaden the scope of integration to other areas. Already in 1986 presidents Alfonsín and Sarney signed the Program for Economic Integration and Cooperation, which defined through a series of protocols the different sectors (including the nuclear one) which would benefit from unrestricted trade between the two countries. Still it was in 1991, under the new administrations of Menem and Collor de Mello, when bilateral trade took off due to the projected Mercosur. But in the ten years since the Treaty of Asunción, the Mercosur has not gone beyond a preferential trading arrangement, failing to set the foundations for greater and deeper integration in the region.

The existence of some sense of “community”, be it political or epistemic, seems to be key in advancing the programmatic and operative stages for integration, and overcoming any obstacle to arise. In Europe, the supranationalists and federalists took upon themselves that endeavor and given the degree of commitment at the highest level of political decision-making, their success seemed certain. In Argentina and Brazil, the existence of a community –with coherent and genuine interests in regional integration– was limited to just one sector of the economy, which on top of everything was increasingly losing its political and economic relevance. It is hardly surprising that nuclear integration failed to launch economic integration in South American in the way the ECSC did for Western Europe.

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