

## The Regional Integration Process and its Impact on the International Activities of Brazilian and South American Sub-National Governments

By **Alberto Kleiman**, Coordinator, International Cooperation, Secretariat for Federative Affairs, Presidential Office, Federative Republic of Brazil

### **Introduction**

The deepening of the regional integration process in South America has called forth further efforts from national and sub-national governments to intensify their actions and at the same time to articulate initiatives on all sides as a way of invigorating integration and ensuring that it reaches out in concrete terms in the form of knowledge and awareness, participation and development to the territories and the citizens themselves.

The tremendous potential that sub-national authorities have for contributing towards integrating the region and strengthening Mercosur has been identified and is being intensified by means of joint actions and movements and the setting up of new institutional spaces like the Committee of Cities and Regions of Mercosur – CCRM.

To gain an understanding of the context that gave rise to the creation of the CCRM and of the way in which states and municipalities have been part of the Mercosur and regional integration process, broadening the scope of their international actions, it is first necessary to understand the recent history of South American integration and the Mercosur as well as the distinct national realities of the countries that make up the region, the different degrees of autonomy and authority enjoyed by sub-national governments and the way in which the construction of a regional agenda has been increasingly achieved through dialogue and the forging of mutual agreements, most notably in the case of Brazil.

To present a panoramic view of that process and to illustrate it with specific cases, this article develops five points beginning with the wider sphere of regional integration and working towards more specific cases of international participation by local governments and the CCRM. The five points address the following topics: i) the option of deepening regional integration and Mercosur; ii) the role of local governments in regional integration; iii) some political, legal, and institutional considerations on international action by South American sub-national governments; iv) the Brazilian case; and v) the CCRM.

## **1. From Mercosur to Unasur: maturing and deepening South American integration**

The recent constitution of the Union of South American Countries – UNASUL – in May of 2008 introduces a new fact in the South American scenario. For the first time, the presidents of the 12 countries that make it up have decided, in spite of their differences, to give concrete expression to their common intent of pushing further ahead with the process of integration.

UNASUL has no intention of being, and indeed, it should not become the major body for fostering the integration process, neither should it encompass other initiatives that are already underway. However, whatever form it eventually takes, there can be no doubt about its functions and functional structure which have already shown a clear trend towards deepening and intensifying integration, an option that the national governments have all committed to, and which enjoys large civil society backing in South America.

That decision was as much the fruit of a political decision as of a maturing process involving the elements that led up to the decision and which has become increasingly apparent over the last decade.

It is no mere coincidence that the said process is bound up with the political movements being lived out in the countries of the region, namely the election of populist and left-wing governments in various South American countries: Brazil, Argentina, Uruguay, Bolivia, Venezuela, Chile, Ecuador and, more recently, Paraguay. What those countries have in common is the election of presidents linked to groups with a strong social base, or to decidedly left-wing social movements or platforms. The coming to power of such leaderships has produced a 180 degree turnaround in the debate on integration models for the continent and the conditions for its insertion into the globalized world.

At the late 1990s and early 2000s, Brazil and Argentina (the two countries with the biggest economies in the region) struggled with each other to see who had the closest relations with Washington. That urge for “carnal relations”<sup>1</sup> was justified by the succession of economic crises each of them passed through and the fragility of their external accounts. At the end of 1999, Brazil found itself in the situation of having to take a 60 billion dollar loan from the IMF and in 2001, Argentina, in turn, saw its economy,

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<sup>1</sup> In 1991, President Carlos Menem of Argentina sent a frigate to take part in the Gulf War. The gesture was part of what Argentina’s ex-Chancellor Guido di Tella referred to as “carnal relations” with the USA. What lay behind that attitude, which was frankly contradictory to decades of friction with the United States, was the thesis of “peripheral realism” which proclaimed that countries with little strategic importance should align with the hegemonic powers in whatever was not essential. Although it brought in some improvement in the country’s international image, it was of absolutely no avail when the country saw its economy wash up on the rocks at the end of 2001 (extract from the Brazilian magazine ‘Época’, <http://revistaepoca.globo.com/Epoca/0,6993,EPT380546-1666,00.html>).

which had been one of the most important in the region up until the 50s, collapse, provoking a crisis that pushed 50% of its population down below the poverty line, the greatest economic crisis in its entire history and one from which it is still in the process of recovering.

On the international political scene, the debate was dominated by the FTAA – a Washington-led initiative to promote a Free Trade Area including 32 countries in the Americas, which would establish uniform trading regulations for all the countries irrespective of the profound differences in their levels of technological development, industrial parks, and competitiveness. Today, almost 15 years after the FTAA launching at the Miami Summit, it is quite clear that in addition to the innumerable discrepancies embodied in the original trade proposals, the issue has been practically swept off the agenda of international discussions. At that time it was quite common to hear FTAA supporters contrasting the model proposed for the Mercosur and that put forward for the FTAA. According to some specialists the options invariably highlighted advantages that would accrue to Brazil should it decide to adhere to the FTAA as it would open up possibilities for inserting itself in certain markets and sectors (strangely forgetting that those sectors in which Brazil was most competitive, like orange juice, textiles, footwear, and steel, had been relegated to a ‘list of exceptions’ drawn up by the USA itself).

The discussion clearly mirrored a vision that typified the economic situation at that moment, influenced by various factors existing at the time. Brazil, economically stagnant with its overseas accounts in a fragile condition, and with low national self-esteem, was oscillating between an ambiguous and unconvincing regional leadership with an image that produced very little confidence among its neighbors, and on the other hand, the pretension of transforming itself overnight into a developed country, welcomed at international forums and meetings of the developed countries (even though it had neither voice nor vote). The portrait was very similar to that of other countries in the region. Excepting Chile, which preferred to make a solo flight and establish a stable economic alliance politically aligned with the USA, and Colombia, hostage to internal conflicts and high dependence on foreign policy, the other countries were experiencing similar internal realities with variations in the degrees of control or lack of control. In Brazil and Argentina, the euphoria of economic sectors and a small middle-class due to economic stability and the artificial parity between the US dollar and the local currency created an impression that we might be able to enter the Club of Most Developed Countries, even though local economies continued to be stagnated, unemployment continued to grow, and poverty and inequality gave no sign whatever of going down – quite the opposite.

In that regard, Mercosur, and the whole notion of a regional integration project that was bound up with it, were treated by the media as a kind of “alliance of the poor” and the FTAA was projected as an advantageous and non integrationist position, a great opportunity for the country to develop alliances with rich countries that up until then had always been our major trade partners.

Opting for a Mercosur equally restricted to themes of commercial and economic interest was also imbued with several weaknesses. Because it represented an imperfect Common

Market, the lists of exceptions were constant features and were always questioned because of the interests of groups that envisaged the Mercosur as merely a good opportunity to expand their markets but which up till then had come up against obstacles in the form of national interests, on the other side of the border. It was not unusual for the frequent discussions among the presidents of the countries to reflect national economic and commercial interests on all sides and not contemplate the interests of the region as a whole.

After Mercosur had been established for a few years and there had been a huge increase in intra-bloc trade, towards the end of the 1990s, it found itself in a stagnant situation in the same way as the economies of the nations that were its components and members. With no clearly-defined common project or political project markedly proposing integration, the successive economic crises and the consequent unilateral reactions trying to alleviate their consequences pushed the Mercosur to the edge of the precipice every time the national economies suffered a new shock. The image that the media passed to the population was always negative and in spite of the trading advantages that the Mercosur had effectively demonstrated during its existence of almost a decade, Mercosur's detractors never refrained from declaring it from time to time as being something extinct.

Changes in the ways of thinking accompanied the resounding failures of the Brazilian and Argentine economic models, and this was also true for Paraguay, Uruguay, Venezuela, Peru, Ecuador and others. Neoliberal policies that recommended unrestricted freedom for trading, limits to spending by public authorities, privatizations and a general recipe that never took into account the national economic differences, the processes that concentrated incomes, unemployment, economic stagnation and the acute impoverishment of populations were massively rejected in the elections at the beginning of the years 2000 in practically all of South America. That rejection brought with it not only a rejection of economic models that offered the developed world in small installments but also the need to re-think the political models for inserting the continent in the globalization process, less dependant and more present as a protagonist. A new model for the continent that would take into consideration the hopes and needs of its populations, societies, whose claims and complaints reverberated in the successive World Social Forums, the Davos World Economic Forum and the Mercosur Social Summits, which have always taken place parallel to and on the outskirts of the Head of States Summit.

## **2. The role of local and regional governments in regional integration**

The role that has been played by local governments, above all by cities, during this process is very strange. Throughout the 1990s right from the moment the Mercosur was inaugurated, local governments have behaved in a way that suggests a strong questioning of the proposed model for constructing and integrating the Mercosur that the national governments were then engaged in implanting.

Their political agenda was structured on two complementary fronts: the first required the

institutional participation of local governments in the Mercosur, that is to say, the creation of a space for the direct participation of the mayors in the formal structure of the block. The second questioned the premises of the model which was exclusively directed at economical and commercial issues, and demanded the construction of a far more outreaching and participative Mercosur that would be concerned with social and political issues and with the priorities devoted to the incorporation and integration of human and citizenship-related values<sup>2</sup>.

The Agenda of political integration defended by the cities accumulated considerable energy with the re-enforcement that accrued from the creation of the Mercocities Network in 1995. Brought together as they were in a wide flung network of Ibero-American cities, big capital cities and Southern cone areas, they helped to create a space for discussion, for political articulation and for sharing experiences. Initially planned to bring together cities with over 500,000 inhabitants, the network is presently expanding and is beginning to include cities of any size.

The creation of the Mercocities network is an important reference mark for local governments throughout the continent. The network consists of a platform for the creation and articulation of a policy to confront and contest the directions imposed by Mercosur, and to propose new ways of proceeding. Urban issues were discussed at Thematic Units, which were in fact sub-networks ordered by age groups responsible for pulling in other cities for the purpose of carrying out activities and creating integration proposals for themes of interest, such as urban planning, gender, youth, social development, culture, citizen security and others. The network presently consists of more than 12 thematic units and more than 200 cities.

One ought not to ignore the fact that the Mercocities network became a space for the creation of political action that sought to criticize the integration model. Mayors of important South American capitals and large cities have indeed gathered there and strengthened their political and personal ties. Cities as Porto Alegre, Sao Paulo, Belo Horizonte, Rio de Janeiro, Rosario, Buenos Aires, Montevideo and Asunción were active members of the network and their mayors were important figures in the national political landscape. The relations established among these leaders motivated the construction of a new ideal of integration for Mercosur, as these same actors later came to be representatives, senators, and ministers. Mercocities had not only served as a resistance focus and a place of birth for another integration model, but also as a network and a public space so that its members could come to use lessons and alliances at other levels of regional politics.

### ***Mercocities and the world unification of cities***

At the late 1990's, another international process began and placed Latin America and the Mercosur – more specifically the Mercocities network – in a strategic position. Mindful that the challenges of globalization would demand a union of efforts, the two main

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<sup>2</sup> See the declarations of the Mercocities' Summits - [www.merciudades.org](http://www.merciudades.org)

international local government organizations IULA (International Union of Local Authorities) and the FMCU (Federation Mondiale de Cites Unies) decided to unite and create a new worldwide cities' organization, with the ambition of becoming a "UN of world cities".

The Latin American context of networks and national or international city organizations was diverse. The Quito-based Latin American Federation of Cities, Municipalities and Associations (FLACMA) had municipality-oriented principles and ambiguous political orientation with little clarity, but still tried to be the Latin American chapter of a new world organization. FLACMA was mainly active within national associations among municipalities in the Andean countries, especially Bolivia, Ecuador, and Colombia, but also in Mexico, Paraguay and Argentina. Generally speaking, as will be described below, the local governments of these countries, with their highly centralized governance models had very little autonomy and limited responsibilities. They wielded very little influence in defining national or international agendas.

On the other hand, the Mercocities network had clearly defined political identities and its elected representatives could be direct protagonists of action, having great affinity with the FMCU whose structure was very similar to that of the Mercosur network.

In general terms the big cities of the South American continent were concentrated in the southern cone (the big Brazilian metropolitan areas, Buenos Aires, Montevideo, Asunción and Santiago), but the more active associations came from the Andean countries and from the north of the continent. That scenario mirrored the dynamics of the global unification process, whereby the IULA, of Anglo-Saxon line, was made up of European associations, while the FMCU, of the French school, had the larger European and Latin American capitals among its members.

The process of unifying Latin America was not a linear one and there were frequent moments of high tension and even of imminent rupture. The political and mental cultures on both sides were diverse enough for them to question the real need for such a movement. Nevertheless, their efforts had a clear goal: to launch a unified Latin American candidacy with sufficient political clout to integrate the triad of presidents that would conduct the new organization through its first three years.

Finally, motivated by their common political goals and the talent of certain negotiators involved, the negotiations converged and a single Latin-American candidature was defined in the person of the Mayor of São Paulo, the largest metropolitan area in South America, and its main associated partner was South Africa, thereby forming a group of candidate cities that consisted of São Paulo, Paris and Tshwane (formerly Pretoria) and they were elected in the 2004 Paris Congress<sup>3</sup>.

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<sup>3</sup> The electoral group formed by the São Paulo, Paris and Tshwane mayors were in turn elected as the first presidential triad of CGLU - United Cities and Local Governments, which came to be called the new world cities organization. The Lady Mayor of São Paulo, Marta Suplicy, candidate representing Latin America, finished her mandate as mayor and as president of the CGLU to take up the office of Tourism Minister in the Federal Government.

There are many other examples of actions within the sphere of Mercosur, promoted by local governments and imbued with great potential for deepening the integration process and establishing links among local actors. One such initiative has been gaining force and may soon become an axis for local and regional development of strategic importance to Mercosur and to the relations between Brazil and Paraguay: the Bi-national Forum of Mayors of Municipalities bordering the Itaipu Lake.

This Forum was formed as a result of the construction of the Itaipu dam, and brought together over 40 municipalities from the two countries. On the Brazilian side, the 16 municipalities around the lake created a Council of Municipalities Bordering the Itaipu Lake. The high degree of local governance and cooperation achieved by those municipalities enabled a series of actions that, in the middle term, may serve as an important platform of bi-national integration after the creation of regional financing conditions – which, within the present structures of each country and of Mercosur, are not yet possible.

The asymmetries observed in Mercosur as a whole can also be seen in this particular case, since the Brazilian cities are located in a high productivity region with relatively high life and social levels, even for Brazilian standards. On the other side of the border, the Paraguayan municipalities, which count with a weak structure and high levels of poverty and unemployment, may find and build along with their neighbors possibilities of joint action and integrated development. In this case, the sub national governments could be excellent spaces for joint actions that seek to reduce asymmetries – one of the Mercosur priorities.

### **3. Considerations on the political, juridical and institutional framework of local and regional Latin-American countries, and their international action.**

To evaluate the impact of the regional integration process in South America and the international actions of sub national governments, it is necessary to understand the juridical and institutional contexts of these governments in their respective countries, along with their degree of autonomy, their competences, capacity of political action and resources, as well as their level of relationship and dialogue with their national governments.

Initially, it can be said that the reality of each country in the region is quite diverse, and that it is necessary to make an individualized in-depth analysis of each national reality. However, some common points can also be pointed out for the region, which collaborate in some way to the identification of common aspects and strategies:

- High degree of centralization by the national governments;
- Low degree of “real” decentralization: few competences and little political and financial autonomy;
- Low executive capacity: local governments are economically, politically and technically fragile;

- Urban centralization in a few cities – generally, in the capitals;
- Few and limited mechanisms of intergovernmental dialogue at national, regional and local levels.

Not rarely, some of these realities are mirrored at the national Constitutions, which also set limits to the international action by sub national governments or simply do not mention the theme, when they affirm that the formulation and execution of foreign policy is an exclusive competence of the national state.

In South America, one also notices the diversity among the political and administrative structures of each country. Of the 12 countries of the region, only Argentina, Brazil and Venezuela count with federative state structures and, in spite of being theoretically the same, the models adopted by the three countries present profound distinctions. The other countries are unitary and present various degrees of centralization and decentralization.

Based on their own national political realities, sub national governments often have little incidence on the international agenda, on the foreign policies of their countries, and even less on the degree of autonomy that they have for their own international movements. Maybe the only exception to this generalization, from the institutional and juridical standpoints, is the case of Argentina. Article 124 of the Argentine Constitution, which was reformed in 1994, states that the provinces “(...) *may also sign international agreements, as long as these agreements are not incompatible with the Nation’s foreign policy, and as long as they do not affect the prerogatives delegated to the federal government or the public credit of the Nation; with the acknowledgement of the National Congress. The city of Buenos Aires will have a regime that is suited to that end (...)*”.

Further in the Argentine Constitution, articles 125 to 129 seek to limit the types of actions that provinces cannot develop or execute, thus reinforcing the basic sovereignty notions (they cannot have their own currency or customs, for instance). International action by the province level must also be approved by the National Congress, which, for all practical purposes, may result in a greater restriction, instead of a greater freedom of action.

In the case of the South American regional integration, and specifically in the case of Mercosur, the rule – and not the exception – applies itself. As Mercosur and other South American integration initiatives, such as UNASUL, find deeper political motivations with a greater involvement by the national states – bearing in mind that in the previous model of trade and customs union, an increasing absence by the national states could be noticed – involvement by the sub national governments in this integration process ends up following a state logic, as if regional integration were only interesting to the national states.

However, one can notice more recently that a slow shift has made itself felt in a departure from this logic. Although changes have had so far little impact on the institutional and juridical structures of each country and of Mercosur, with the exception of the Mercosur



Committee of Cities and Regions, which will be presented below, one may notice that the shifts undertaken by the countries of the region in relation to the integration model and to the political decision of deepening it, take into consideration the potential of strengthening this process by local and regional governments. There has been a greater interest in the sub national integration agenda as an increasing consciousness about possible complementarities of action at the various governmental levels; in the penetrative power of territorial integration and in a greater involvement of citizenship in the process through local governments.

To put it another way, an increasing action by local governments in the integration processes has consistently helped facing Mercosur's "democratic deficit", its low degree of participation and, in many cases, lack of knowledge and interest by the populations in Mercosur and in regional integration. And as the political and social deepening of Mercosur and of integration has become a priority for most of the region's national governments, a greater participation by the local governments has become a part of this goal, both as complementary actions between governmental levels and as direct action by local governments.

#### **4. Brazil, the federative pact and federative international cooperation**

Brazil is one of Latin America's most decentralized countries and has a federal tradition that goes back to its rebirth as a Republic in the late nineteenth century. The main attempts to reduce federalism in benefit of the central state occurred during the Getúlio Vargas presidency (1937-1945) and during the military governments (1964-1985). After the end of the latter, decentralization policies were promoted in an attempt to overcome the state crisis. The 1988 Constitution defines Brazil as "an indissoluble Union of states, municipalities and the Federal District", with reinforced autonomies and increased competences. Municipalities began to have status and treatment of federative actors, as a sphere of governmental autonomy defined by federal Constitution. During the 1990s, after taming hyperinflation and dealing with the high state debt levels, the Brazilian government and many neighbors began to implement neoliberal policies, with deregulation and privatization of public services, and a strong fiscal recentralization process.

In 2003, the Lula administration enhanced dialogue and coordination between the federal level and municipalities through a Presidential Secretariat for Federative Affairs, whose mission is to create a new federative pact among the three governmental spheres – municipal, state-based and federal. A Cities' Ministry was also implemented to create a national urban development policy that assures the "right to the city", in coordination with the municipalities for the execution of income distribution policies and social programs such as the "Bolsa Família" (roughly translated, "Family Stipend") program<sup>4</sup>.

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<sup>4</sup> The "Family Stipend" program is a federal program of direct income transference under certain conditions, which benefits families in situation of poverty (monthly income of R\$ 60,01 to R\$ 120,00 per person) and extreme poverty (monthly income of up to R\$ 60,00), according to Act 10,836 of January 9, 2004, and Decree 5,749, of April 11, 2006.

In terms of international action, sub national governments have gained space in the many political, social and governmental agendas; at academic and research centers, at local governments themselves and their associations, at the offices of international agencies and, lastly, at various federal levels. Within the federal government, there is a growing effort to turn the theme into a state policy, as up to quite recently it had been treated in a marginal and fragmented way. This effort dialogues directly with the new status granted by the present government to federalism, which is seen as a strategic resource for tackling regional inequalities and strengthening the federation.

These federal actions are based on the assumption that, as much as the federative dialogue strengthens the federation at the national level and its three spheres, so does articulated action in the international sphere also benefit the federation as a whole, by institutionally empowering local governments, by seeking complementary cooperative actions, by optimizing regional integration initiatives and by granting greater reach to the formulation of foreign policy.

This articulation vision gains greater impact and importance in regard to Mercosur and to regional integration. The local governments' agenda becomes more dense and more interesting regionally, however much it may still count with little visibility and knowledge by other actors. The complementarities of actions and the construction of common agendas reinforce local, national and regional integration agendas as a whole.

Differently from the European and North-American contexts, in which international action by local and regional governments reveal, in many cases, the need for affirmation or rescue of ethnic, cultural and historical identities and, in many cases, the local and regional economical interest, in South America (particularly in Brazil) a completely distinct phenomenon takes place. Here, the interest in seeking support and greater articulation with the actions of the federal government becomes manifest on the part of local governments.

The creation of an International Advisory body to the Secretariat of Federative Affairs had the goals of promoting actions by sub national governments in the international sphere and to seek possible articulations with the axes of foreign policy and cooperation, while, at the same time, guaranteeing the autonomy of international agendas by local governments. On the one hand, its creation stems from the identification by the federal government of a potential for articulation with international actions in the federation; and, on the other, from a vindication by local governments that this articulation be made, in a context in which the existing agencies to this effect ended up having a precisely opposite role. That is, instead of stimulating and fomenting international actions by local governments, they ended up bureaucratizing and, consequently, hampering the development of such initiatives.

For practical purposes, data is still scarce on the international action of Brazilian sub national governments – the international federative cooperation. But some indications suggest that the activity has awakened an increased interest by governors and mayors,

who have tried to strengthen and institutionalize it through the creation of agencies and secretariats. Virtually all 27 Brazilian states, including the Federal District, have now some type of international secretariat, and the same is also true for all large cities and state capitals. Along with them, a growing number of middle-size cities (above 100 thousand inhabitants) have also mobilized and identified opportunities for some sort of international policy, to better arrange their generally ad hoc and unarticulated international initiatives.

Regarding the cities, their international initiatives and actions have been multiplied, many of them associated to technical cooperation activities and to the exchange of experiences, participations in international networks of cities and the raising of non-reimbursed funds from international organizations. A growing number of cities have also made loans at multilateral banks such as the IDB and the World Bank (although this initiative has been promoted more on the part of the Banks themselves than of local governments). Some cities have been active for many years due to their public policies and to the international visibility they have gained. Sao Paulo, Curitiba, Rio de Janeiro, Porto Alegre, Recife and other capitals have become of notice through their international projection and management in various fields of their public policies.

At the level of states, international actions have an agenda with a scope proportional to their competences and their political and economic power. In a regional integration context, a highlight is the Southern Development and Integration Council (CODESUL), created in 1961 and formed by Brazil's four southern states (Rio Grande do Sul, Santa Catarina, Paraná e Mato Grosso do Sul).

Another highlight is the South American Mid-West Integration Zone (ZICOSUL), which includes the Brazilian state of Mato Grosso do Sul. This state presents a lower level of institutionalism, but counts with a well-defined political agenda of its own, encompassing themes as trade and industry, infrastructure and services, environment, tourism and culture. ZICOSUL illustrates a move by local governments towards integration and is also formed by the Argentine provinces of Salta, Jujuy, Tucumán, Catamarca, Santiago del Estero, Formosa, Chaco, Corrientes and Misiones; by the Bolivian departments of Cochabamba, Chuquisaca, Santa Cruz and Tarija; by the Chilean regions of Tarapacá and Antofagasta; and by all departments of Paraguay.

Beyond the Mercosur and regional integration initiatives, there is also an action that synthesizes the concept of international federative cooperation and its practical application: the search for a sub national cooperation framework between Brazil and France, which began in 2005 in the wake of the festivities of the Brazil year in France<sup>5</sup>. An informal survey was made by many actors<sup>6</sup>, revealing the plural nature of this

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<sup>5</sup> The celebrations of the Brazil year took place in France in 2005 under the "Cultural Seasons" initiative, through which the French government promotes the presentations of a guest country's different cultural facets in the entire French territory. The Cultural Season of the Brazil year also included academic, scientific, political and sports activities, among others.

<sup>6</sup> The actors involved in the survey were the Secretariat for Federative Affairs of the Brazilian Presidency, the Embassy of France in Brazil, the Delegation for Foreign Action by French Collectivities and the Cites Unies France.

cooperation and the diversity of the ongoing projects. The Secretariat for Federative Affairs, the Ministry of Foreign Affairs of France and a French association of municipalities – the Cités Unies France – have approached each other with the goal of deepening discussions, and this collective move enabled the event of a Franco-Brazilian Decentralized and Federative Cooperation Meeting, which took place in 2006.

The meeting defined a theme agenda after the presentation of projects and good practices. This allowed the beginning of an institutionalization process for cooperation and, consequently, greater visibility and support by the national governments. A study is presently in progress on the creation of a fund that may support projects jointly presented by French and Brazilian sub national governments, and a Decentralized Bi-national Committee is already operational in an attempt to maximize cooperative relations. This committee is formed by local, state-based and regional governments, along with associations of municipalities and national ministries of both countries.

One of the most important results of this initiative was the signing of an addendum to the Landmark Agreement for Technical Cooperation between Brazil and France. For Brazil, this is the first official agreement that mentions decentralized and federative cooperation, setting an important precedent for the reduction of Brazilian juridical precariousness regarding international cooperative relations, as affirmed between French and Brazilian sub national governments. This agreement also sets a precedent and a discussion on its eventual reproduction along with other countries, after the necessary steps of dialogue, articulation and political ripening of an initiative have been taken.

##### **5. The CCRM: innovation, institutionalization, expansion and deepening of Mercosur**

Although the sub national governments of Mercosur countries have led initiatives and implemented actions in the economic, political and cultural realms in the past years, their role as relevant actors in the regional integration process had not yet been adequately acknowledged by the national governments.

The Committee of Cities and Regions of the Mercosur (CCRM) was created by Decision 41/04 of the Common Market Council at the Ouro Preto Summit of December, 2004, and started a new moment for Mercosur's sub national governments. This new representative instance for Mercosur's sub national governments has a similar status to the Economic and Social Consultations Forum (FCES), which is formed by representatives of the private sector and unions of the region, among others. Through these means, sub national governments may act directly in their pertinent Mercosur themes and may equally formulate recommendations to the Common Market Group, which is the block's executive entity. According to the text of the above-mentioned decision, the Forum is constituted by a committee of municipalities and a committee of states, provinces and departments.

But it was only in January 2007 – more than two years after its creation – that the CCRM began to work effectively. After its formal origin at the 2004 Ouro Preto Summit, two

years of intense negotiations with the other Mercosur countries and their sub national governments were necessary for defining minimal working terms, as CMC's Decision 41/04 had only pointed out to the need of internal rules of procedure without defining their guidelines. A fortunate decision, as the Committee members themselves – i.e., sub national governments – ought to have been the creators of its Rules of Procedure.

After its creation, the CCRM began intense work and produced results already in 2007 with the approval of its Rules of Procedure<sup>7</sup> and the organization of three important events: a meeting of governors from Brazil's Northeastern and Argentina's Northwestern regions, which took place in Tucumán, Argentina; a meeting of Mercosur mayors, which took place in Caracas; and a meeting of governors from Mercosur's Northern Front, which took place in Belém do Pará, in December of that same year.

The Tucumán meeting of Brazilian and Argentine governors in May 2007 discussed the role of regions traditionally distant from Mercosur's "classic axis" around the Plata river region. For Brazil, it involved the search for a greater involvement of the Northeastern region, which is geographically far from Mercosur's integrated frontiers, and whose economical and political concerns depend on the agenda of each state. Bahia, for instance is mostly turned to the Southeast in terms of export trade, tourism and other activities, whereas Maranhão, which is part of the 'Legal Amazon' system, is mostly turned to its Northern neighbors, in particular to Venezuela.

The creation of a new integration axis between states and sub regions within Mercosur demanded a joint effort by national, state and province governments, and, above all, a shared perception of the fact that the process of political integration in the region undergoes efforts that move beyond the inertial trade flows in the region. At the same time, new opportunities of business and cooperation have arisen. For the specific case described, Brazil's northeast and Argentina's northwest have common characteristics that make them mutually attractive regions, in spite of their geographical distance. Both are cultural references that live with great social inequalities and search new markets and economic activities that may enhance economical and human development.

The Caracas meeting of mayors attested to CCRM's political efforts, in particular the effort of those cities of the Mercocities Network, to contribute to the discussion and to Venezuela's de facto inclusion at Mercosur. As Venezuela does not yet hold full membership status in the block, the approximation between local governments of the other countries and their Venezuelan counterparts generated a political situation in which the actors responsible for Venezuela's eventual adhesion to Mercosur had to pronounce themselves.

On its turn, the Belém meeting of governors from Mercosur's Northern Front, which took place in December 2007, had as starting point the attempts to deepen discussions on Venezuela's adhesion to the block and on taking Mercosur to the Amazon region. The meeting was jointly organized by the government of the state of Pará and by Brazil's

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<sup>7</sup> To see the entire text of CCRM's Rules of Procedure, visit:

[http://www.planalto.gov.br/sri/foro\\_consultivo/documentos.html](http://www.planalto.gov.br/sri/foro_consultivo/documentos.html)

Presidency within the CCRM institutional framework, with the challenge of bringing together the governors of a region marked by extended distances and natural difficulties to integration and cooperation, along with their great social and economic deficiencies.

Besides these difficulties, the whole Mercosur concept was usually much more linked to the continent's southern region. This made more difficult the search for converging points and the persuasion of governors on the pertinence of discussing them. A solution to this impasse emerged as a natural reflex of the increasing consciousness by state-level decision makers, inasmuch as Venezuela could become a new development and integration reference for the region as a whole. At the same time, this possibility also awakens the interest of other sub-regions to the potential gains of cooperation and business opportunities with this new development reference.

Therefore, the very fact that a Mercosur meeting for governors from the Plata, Andes and Amazon regions has taken place calls attention to potentials of the area, of its actors and possibilities stemming from this initiative. The clarity expressed by governors regarding possible gains with the Venezuela adherence to the block became still more evident with the episode of September 2007, when President Hugo Chavez protested against the slow pace of the Brazilian Senate in voting the entrance of his country into Mercosur. Soon after the episode, with its bombastic repercussion in the national press, 12 of the 16 Northern and Northeastern governors (whose states amount to approximately two thirds of Brazil's territory) declared to support Venezuela's accession to the block<sup>8</sup> independently of their party or ideological positions. The episode showed that sub national actors – in the case, governors – can act nationally and have a relevant incidence in the South-American and international agendas, as decisions at this level can indeed have an impact on the national, state and local realities.

Beyond its institutional function within Mercosur's formal structure, the CCRM has important dynamic and catalyzing roles in the integration experience of the block and its sub national governments. With the proliferation of actions at this level, the creation of a space that gathers all existing experiences and publicizes them to national and sub national actors is a step that contributes decisively to complementarities among these actions, creating an environment conducive to new initiatives, such as bilateral efforts, cooperation agreements between two sub national governments, or multilateral initiatives like networks, forums and regional actions that bring together cities or states from two or more countries.<sup>9</sup>

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<sup>8</sup> For a collection of articles published on the episode, see:

<http://noticias.uol.com.br/ultnot/efe/2007/10/22/ult1808u103714.jhtm>

<sup>9</sup> For example, the cooperation agreements between the government of the state of Bahia and the province of Tucumán in Argentina, which resulted from the meeting between the two governors in Tucumán, 2007. For details, see <http://www.planalto.gov.br/sri/tucuman/>

## Conclusions

Advancements have indeed occurred in the international action by local and regional governments in the recent years, either within Mercosur and the regional integration process, or in a broader international sphere, encompassing actions of cooperation, fundraising and the attraction of investments, among others. These advancements reveal, on the one hand, the growing importance of the question in the various governmental levels and the need to go deeper in their discussion. On the other hand, they show the limitations faced by these governments in the juridical, constitutional and political realms, among others.

These limitations ought not to be seen as obstacles placed on purpose by national governments in search of a more independent, autonomous and legally acknowledged international course of action. At most cases, it can be noticed that these limitations arise from the very lack of information on the part of local governments, mayors and governors. This lack of information testifies the need of incorporating issues of regional integration, Mercosur and, in the last instance, world issues into the local and national agendas.

The national governments, and especially the government of Brazil, have grown convinced of the importance of working together with local and regional governments to promote the empowerment of regional movements, but also to the technical and human resources' potentials with which local governments can contribute for cooperative actions that expand dialogue and construct the foreign policy. In this sense, it must be stressed that South American integration counts with a historical process of its own, along with its idiosyncrasies, advancements and delays. The role of local governments in this context was marked in recent history by the search for sustainable and inclusive development, and by an increasing participative democracy. When the discussion of federalism and decentralization is used as coverage for political models that maintain social exclusion, the status quo of poverty and inequality, and antidemocratic and racist practices, one must be watchful and try to uncover the real interests that underpin the discussions.

In Brazil, a joint effort can be noticed among the three governmental spheres in the search for the highest possible degree of institutionalization for dialogue and processes related to the federative pact, either in the national or in the international realms, having as its horizon the strengthening of the Brazilian federation and the reduction of regional discrepancies as means towards defeating the social inequalities that historically mark the Brazilian society.

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