



Liquid Regionalism in Latin America: The Institutional and Trade Dynamics of the Latin American Integration Association

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Abstract: The Latin American Integration Association (LAIA) represents a commercial integration process that exemplifies the concept of liquid regionalism. Its defining characteristics include a lack of commitment and interest among member states, coupled with a pronounced pursuit of trade alternatives beyond regional boundaries. Rather than evolving into a robust common market, LAIA has primarily functioned as a zone of tariff preferences.

This article aims to highlight the fragility of commercial integration within LAIA and to analyze the strong tendency toward extra-regional trade, which undermines the foundational principles of Latin American regionalism. The study provides a comprehensive examination of the historical context, evolution, and institutional framework of LAIA, with a particular focus on intra-regional trade dynamics and the Association's interactions with other regions and countries.

The analysis concludes that LAIA epitomizes liquid regionalism in Latin America, a characterization stemming from the limited commitment of its member states, the institutional flexibility that defines its operations, and the prioritization of extra-regional trade at the expense of achieving its original objectives of economic integration and cooperation.

Although LAIA was conceived within the framework of open regionalism in Latin America, it has not developed into a fully-fledged regional integration process. Instead, its focus has remained narrowly confined to facilitating trade exchanges. The intergovernmental regionalism model underpinning LAIA has failed to progress toward the establishment of a free trade area, contradicting the objectives outlined in the Treaty of Montevideo.

Keywords: regionalism, regional integration, extra-regional trade, Latin America, Latin American Integration Association, LAIA, liquid regionalism

Latin America has experienced numerous attempts, both successful and unsuccessful, at forming regional integration blocs. These efforts trace back to the Bolivarian ideal of creating a "United America" in the wake of the independence movements, a vision intended to address the challenges faced by newly formed nation-states. Over time, these initiatives have reflected the evolving economic and political paradigms of the 20th century, each shaped by the specific circumstances of their era.

The historical trajectory of regional integration processes in Latin America can be traced to the 1960s, when the Import Substitution Industrialization (ISI) model inspired the first mechanisms of integration. This phase of regionalism, characterized by its distinct features, was designed under the guidance of the Economic Commission for Latin America and the Caribbean (ECLAC) to promote economic growth. The model initially relied on significant trade barriers to external markets, which were gradually lowered to align with the General Agreement on Tariffs and Trade (GATT) regulations (Briceño Ruíz et al. 2013). Key initiatives during this period included the Latin American Free Trade Association (LAFTA), the Andean Pact, and the Caribbean Common Market.

A second wave of regional integration emerged in the 1990s, characterized by the adoption of open regionalism. This phase aimed to reintegrate Latin American economies into the global economic system following the severe debt crises of the preceding decades. Unlike the earlier phase, these integration efforts drew inspiration from Asia-Pacific regionalism and focused primarily on fostering international trade to enhance regional productivity. Prominent blocs formed during this period included Mercosur, the Central American Integration System (SICA), and the Andean Community (AC).

The 21st century saw the rise of new integration attempts under the frameworks of post-hegemonic or post-liberal regionalism (Briceño 2013; da Motta Veiga and Ríos, 2007). These initiatives marked a departure from the principles of economic liberalization, emphasizing social objectives, community welfare, resource management, and an enhanced role for the state in the economy. Notable examples from this period include the Union of South American Nations (UNASUR) and the Bolivarian Alliance for the Peoples of Our America–People's Trade Treaty (ALBA–TCP). These efforts reflected the influence of progressive governments in the region and sought to prioritize people-centered development over market-driven approaches.

With the resurgence of conservative governments in Latin America, economic liberalization agendas have reemerged, marked by minimal institutional structures but significant ideological alignment. This trend presents a potential challenge to Latin American regional integration (Mariano et al. 2021). Notable examples of this development include the Pacific Alliance, ProSur, and the Lima Group.

This contemporary shift aligns with the concept of liquid regionalism (Mariano et al. 2021), characterized by its light and flexible institutional framework (Sanahuja 2008), as well as by the perception of high costs and limited benefits associated with

traditional regionalism. Such perceptions have contributed to political actors' disinterest in regional integration and a preference for pursuing trade and cooperation opportunities outside the region (Mariano et al. 2021).

The Latin American Integration Association (LAIA) emerged during the stagnation of early regionalist initiatives and in the context of the region's debt crises. While LAIA's operations gained momentum in the 1990s under the paradigm of open regionalism, its features and functioning are more accurately described as embodying liquid regionalism. LAIA's primary aim is to promote regional integration through trade¹; however, intra-regional trade has remained weak, with member states showing a preference for extra-regional trade. This dynamic reflects the political disinterest and lack of commitment to consolidating a common market. Despite its weaknesses, LAIA's regulations ensure that trade relations among member states cannot be severed, thereby maintaining a baseline of trade continuity.

Academic analyses of LAIA often do not directly associate it with Latin American regionalism, as the focus has been predominantly on commercial integration. Much of the existing literature situates LAIA within the framework of International Political Economy, addressing themes such as trade asymmetries, economic dependency, and the role of integration in enhancing the region's global standing (Quiliconi 2022). For example, Corbella and de Souza examined trade integration across different stages of production and its relationship to regional blocs like LAIA, Mercosur, and the Andean Community (AC) from 1995 to 2013 (Corbella and de Souza 2017). They emphasized the significance of intra-regional trade for certain members, such as Brazil, Argentina, and Mexico, particularly in intermediate goods, parts, components, and capital goods, while noting a stronger preference for extra-regional trade among others.

Additionally, Tarazona provided a retrospective on four decades of LAIA's operation, underscoring the importance of regional diversity (Tarazona 2021). Her analysis highlighted the challenges of consolidating the integration process and the role that Partial Scope Agreements have played in fostering convergence among member states.

One of LAIA's recent reports analyzed the quality of intra-regional exports in 2013, highlighting significant disparities in export quality across member states². The report also revealed that intra-regional sales exceeded extra-regional ones. According to the Export by Country Index, Mexico outperformed Brazil by 13.5%, while Brazil exceeded Argentina by 9.6% in terms of intra-regional exports.

¹ El Tratado de Montevideo 1980 (TM80). Sus principios y mecanismos. Serie Fichas ALADI. 2020. Serie Fichas ALADI 1. ALADI. Montevideo. URL: http://www2.aladi.org/biblioteca/Publicaciones/ALADI/Secretaria_General/Fichas_ALADI/01_TM80.pdf (accessed 20.11.2024)

² ALADI (2020). *El Tratado de Montevideo 1980 (TM80). Sus principios y mecanismos. Serie Fichas ALADI. Serie Fichas ALADI 1.* Montevideo. URL: http://www2.aladi.org/biblioteca/Publicaciones/ALADI/Secretaria_General/Fichas_ALADI/01_TM80.pdf (accessed July 10, 2024).

The objective of this article is to highlight the fragility of commercial integration within the framework of LAIA and to demonstrate the pronounced tendency toward extra-regional trade, which undermines the foundational principles of Latin American regionalism.

This study draws on a review of the literature on Latin American regionalism and employs LAIA's trade database to analyze trade patterns within this integration process. Following the introduction, the article begins with an analysis of the transition from the first phase of regionalism to the establishment of LAIA, providing insights into its institutional context and characteristics. The subsequent section examines intra-regional trade dynamics among blocs and member states from 2002 to 2022, underscoring the predominance of trade relationships outside the region. The third section addresses the inherent weaknesses of LAIA's regionalism, and the article concludes with a synthesis of key findings.

The primary conclusion of this research is that LAIA exemplifies liquid regionalism in Latin America. This characterization reflects a lack of strong commitment among its members, the institutional flexibility that defines its operations, and a prevailing preference for trade with extra-regional partners. These factors collectively hinder the realization of LAIA's original objectives of fostering economic integration and cooperation.

From LAFTA to LAIA

After the establishment of the new world order following the Second World War, Latin American governments turned their attention to inward-focused development strategies. These approaches prioritized economic growth through increased industrialization, active state intervention in the economy, and mechanisms to protect domestic markets (Estay 1997: 106). Rooted in Keynesian economic principles³, this model, known regionally as Import Substitution Industrialization (ISI), sought to transition Latin American economies away from their traditional agro-export orientation, which had predominated since the late 19th century, toward a manufacturing-based economy.

However, the optimism surrounding the ISI model proved overstated. Economic development remained heavily reliant on the intensive exploitation of natural resources and unskilled labor, limiting workforce specialization and product quality improvement. In response to these shortcomings, the Economic Commission for Latin America and the Caribbean (ECLAC) proposed a regional integration strategy in 1959 (Guillén 2001). This strategy aimed to address the limitations of ISI by reducing

³ From 1950 to 1973, the advantages of the model were: a recorded 5.38 percent average growth rate in the region (Madison in Urquidí 2005); a 6.8 percent growth in exports, and an increase in the share of manufactures in exports by 14.4 percent in 1973.

trade barriers and fostering reciprocal investment while maintaining or even increasing trade protection relative to external markets. Inspired by the European model of regional integration, it emphasized greater state intervention in economic processes⁴.

From this context emerged the first regional integration schemes in Latin America, designed with the long-term goal of reducing average tariffs and eliminating trade restrictions while promoting primary and industrial production to stimulate reciprocal trade (Lerman 2002). The formalization of Latin American economic regionalism began in 1960 with the Treaty of Montevideo, which established the Latin American Free Trade Association (LAFTA). The primary objectives were to increase intra-regional trade and create a framework that excluded U.S. involvement. Founding members included Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay, joined later by Colombia, Ecuador, Venezuela, and Bolivia.

Under the rules of the General Agreement on Tariffs and Trade (GATT), the Treaty envisioned a gradual 12-year elimination of tariffs and other trade barriers. Special provisions were included to benefit economically weaker members, such as Bolivia, Ecuador, and Paraguay, by facilitating productive activities, offering preferential tariff reductions, correcting balance-of-payments deficits, and protecting domestic industries involved in trade liberalization (Guillén 2001).

Despite some initial successes, including significant growth in intra-regional trade — exports grew by 6.7% and imports by 7.3% in 1961, rising to 14% and 12.5%, respectively, by 1980 — only a fraction of tradable items were negotiated (Ffrench-Davis et al. 1997; Guillén 2001). Key failures included the absence of mechanisms to establish a common external tariff, lack of harmonized economic policies, and the use of the agreement to reinforce the ISI model rather than move beyond it.

In 1969, the Caracas Protocol was introduced to expand trade liberalization and reduce annual tariff reductions. However, this initiative was never implemented. The Treaty also included provisions for Complementary Agreements, enabling trade liberalization among subsets of member countries and specific mechanisms to promote exchange within the bloc, but these measures failed to achieve their intended objectives (Ffrench-Davis et al. 1997).

By the 1970s, financial instability and the rise of authoritarian governments across LAFTA member states further hindered negotiations. As a result, the Treaty of Montevideo's goals — comprehensive tariff reductions and industrial complementation agreements — remained unrealized. Instead, the agreement devolved into a zone of tariff preferences rather than achieving the envisioned common market. Although the share of manufactured goods in trade increased significantly for some countries, particularly Argentina, Brazil, and Mexico (from 11% in 1960 to 46% in 1986) (Ffrench-Davis et al. 1997: 131), these nations disproportionately benefited from trade gains, despite mechanisms designed to support less economically developed members (Vacchino 1991).

⁴ Más allá de las fronteras. El Nuevo Regionalismo en América Latina. 2002. *Banco Interamericano de Desarrollo*. Washington.

By the 1980s, with LAFTA's Secretariat effectively reduced to a negotiation center (Almeida et al. 1991), member states sought structural adjustments. This led to the transformation of LAFTA into the Latin American Integration Association (LAIA) under the 1980 Treaty of Montevideo. The new agreement aimed to establish an economic preference area with the long-term goal of forming a common market. However, the absence of a fixed deadline or enforceable mechanisms for implementation underscored the ongoing challenges of regional economic integration.

LAIA: the Context and Characteristics of Regionalism

To facilitate the transition from LAFTA to LAIA, member states renegotiated the provisions of the initial regional framework to remove concessions that had minimal impact on trade or caused operational challenges (Salgado, 1991). Following these adjustments, new levels of regional tariff preferences were established, alongside specific guidelines for trade liberalization targeted at countries with lower relative economic development, namely Bolivia, Ecuador, and Paraguay.

However, the launch of LAIA coincided with significant economic turmoil in Latin America, marked by deteriorating balance of payments and a mounting debt crisis. During the early 1980s, factors such as the 1981 decline in oil prices, rising U.S. interest rates⁵, and increased LIBOR rates exacerbated financial and trade instability. These challenges disrupted Latin American economies through severe impacts on balance of payments, fiscal budgets, and monetary markets.

By the late 1980s, many of the most indebted countries had relied on external borrowing to finance current account deficits. Between 1981 and 1984, two notable trends emerged: escalating external debt and the substantial accumulation of private assets abroad (Urquidí, 2005). Consequently, regional trade contracted by 41.1%, with trade volumes stagnating at levels of \$7 to \$8 billion between 1983 and 1986. It was not until 1991 that trade levels recovered to those observed a decade earlier⁶.

Latin American nations began to emerge from the crisis through economic liberalization, embracing trade openness and regional integration as strategies for economic development. In this context, ECLAC actively promoted the liberalization of Latin American economies, advocating for a combination of multilateral and bilateral approaches to highlight the potential opportunities offered by regional economic integration.

This period provided a favorable environment for Latin American countries to capitalize on a shift in economic models and the democratic transitions occurring across the region. These changes laid the groundwork for the formation of regional

⁵ According to the World Bank, the loans granted in the second half of 1981 had very short maturities, at 20 percent and 22 percent resulting in a real interest rate of 14 percent after deducting the inflation rate (as cited in Urquidí 2005: 389).

⁶ Open Regionalism in Latin America and the Caribbean. Economic integration as a contribution to changing production patterns with social equity. 1994. September. ECLAC. Santiago de Chile. URL: https://repositorio.cepal.org/bitstream/handle/11362/37868/S9260981_en.pdf?sequence=1&isAllowed=y (accessed 20.11.2024)

blocs under the framework of open regionalism. This process, driven by market forces and formalized through integration agreements, sought to stimulate domestic and foreign investment, enhance the volume and value-added of exports, incorporate technological advancements into production, and develop sectors with increasing returns to scale⁷.

The context of open regionalism marked the period when LAIA began to function effectively. This shift necessitated the renegotiation of historical agreements from the LAFTA era, paving the way for new integration frameworks among members and emerging regional sub-blocs. As a result, LAIA's trade statistics have been recorded only since the 1990s. During this period, intra-regional trade figures struggled to exceed \$50 billion until 1997 and subsequently declined below \$40 billion by 1999.

Unlike LAFTA, LAIA adopts a flexible intergovernmental approach, encouraging bilateral, plurilateral, and joint initiatives as mechanisms for fostering cooperation among member states. LAIA's framework is built around three core components. The first is **Regional Scope Agreements (RSA)**, which involve all member states and facilitate trade liberalization mechanisms across the bloc. The second is the **Regional Tariff Preference (RTP)**, offering mutual tariff reductions on imports of goods originating within member territories, providing preferential treatment compared to third countries. Lastly, **Partial Agreements (PA)**, including **Economic Complementation Agreements (ECA)**, aim to optimize productive factors and stimulate economic complementarity. These agreements can focus on specific sectors or be as comprehensive as free trade agreements, and they may involve only a subset of members⁸.

These components enable trade both among member states and between regional sub-blocs or external partners. RSAs and RTPs serve as regulatory structures applicable to all members. For example, market-opening RSAs with economically less-developed members provide preferential trade conditions without requiring reciprocity. RTPs offer reductions of up to 20% in tariffs on reciprocal trade among LAIA members, irrespective of the presence of specific trade instruments.

ECAs, in particular, are widely utilized to facilitate sector-specific trade. Notable examples include **ECA 55**, regulating automotive trade between Mercosur and Mexico, and **ECA 41**, a free trade agreement between Chile and Mexico. Beyond trade, these mechanisms are also employed in non-commercial areas such as scientific and technological cooperation (**RSA 6**), agriculture (**AAP.AG 1** between Argentina and Uruguay), and trade promotion (**AAP.PC 19** between Chile and Peru).

⁷ Open Regionalism in Latin America and the Caribbean. Economic integration as a contribution to changing production patterns with social equity. 1994. September. ECLAC. Santiago de Chile. URL: https://repositorio.cepal.org/bitstream/handle/11362/37868/S9260981_en.pdf?sequence=1&isAllowed=y (accessed 20.11.2024)

⁸ El Tratado de Montevideo 1980 (TM80). Sus principios y mecanismos. Serie Fichas ALADI. 2020. Serie Fichas ALADI 1. ALADI. Montevideo. URL: http://www2.aladi.org/biblioteca/Publicaciones/ALADI/Secretaria_General/Fichas_ALADI/01_TM80.pdf (accessed 20.11.2024)

LAIA's institutional structure comprises several key bodies. The Council of Ministers serves as the highest political authority, while the Evaluation and Convergence Conference oversees multilateralization efforts, the application of preferential treatments, and the implementation of RSAs and RTPs. The Representatives Committee functions as a permanent political body supported by auxiliary bodies and working groups, and the General Secretariat, based in Montevideo, Uruguay, acts as the operational hub of the integration process. LAIA currently includes 13 member countries (Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, and Venezuela) and one state in the process of accession (Nicaragua).

Despite its broad institutional framework, LAIA has faced criticism for failing to progress beyond being a zone of tariff preferences, even as it has fostered increased intra-zone trade⁹. Evidence of progress includes 20 free trade agreements currently in force among LAIA members, supplemented by agreements involving the Andean Community, Venezuela, and Panama, resulting in 52 of the 78 possible bilateral trade relationships¹⁰. These agreements often extend beyond simple tariff reductions to include mechanisms for dispute resolution, investment protections, services, government procurement, and intellectual property rights, aligning with the principles of second-generation regionalism.

Currently, LAIA covers over 80% of goods with negotiated tariff preferences among member states, with 74.4% of its tariff universe comprising fully liberalized products¹¹. These achievements illustrate LAIA's role in deepening the integration of specific productive sectors, even as its broader regional ambitions remain unrealized.

LAIA Intra-regional Trade in 2002–2022

The analysis of this section was conducted using LAIA's database¹². The available statistics cover the period from 2002 to 2022 and are classified into two categories: exports and imports, categorized by regions and by countries.

In trade by regions, there is a bias in the total balance because the data is duplicated. In other words, the figures included in LAIA's statistical trade database account for trade with each of the regional blocs separately. For instance, USAN and Mercosur are counted separately, but the total balances are summed up, even though there are countries in Latin America that belong to more than one regional sub-bloc.

⁹ It is worth noting that LAIA's heritage was initially established through the creation of regional and partial mechanisms in the 1980s, with the dynamism of economic complementation agreements in the 1990s, and subsequently, in the past decade, with the continuation of the bilateral and subregional path in negotiations.

¹⁰ Leroux C. 2018. El proceso de integración de la ALADI. México: ALADI. URL: https://www.cepal.org/sites/default/files/presentations/2christian_leroux.pdf (accessed 20.11.2024)

¹¹ Ibid.

¹² Comercio Internacional de Bienes, Totales por país o región. 2023. ALADI. URL: <https://accesoamercados.aladi.org:8443/PLGNJavaEnvironment/com.plgn.maintotxpais> (accessed July 10, 2024)

This bias does not appear in trade by countries. However, for the purposes of this section, it was important to understand the participation of countries and regions outside the zone.

Initially, trade exclusively within the LAIA bloc is analysed. Subsequently, the analysis extends to the main regions and, finally, to individual countries.

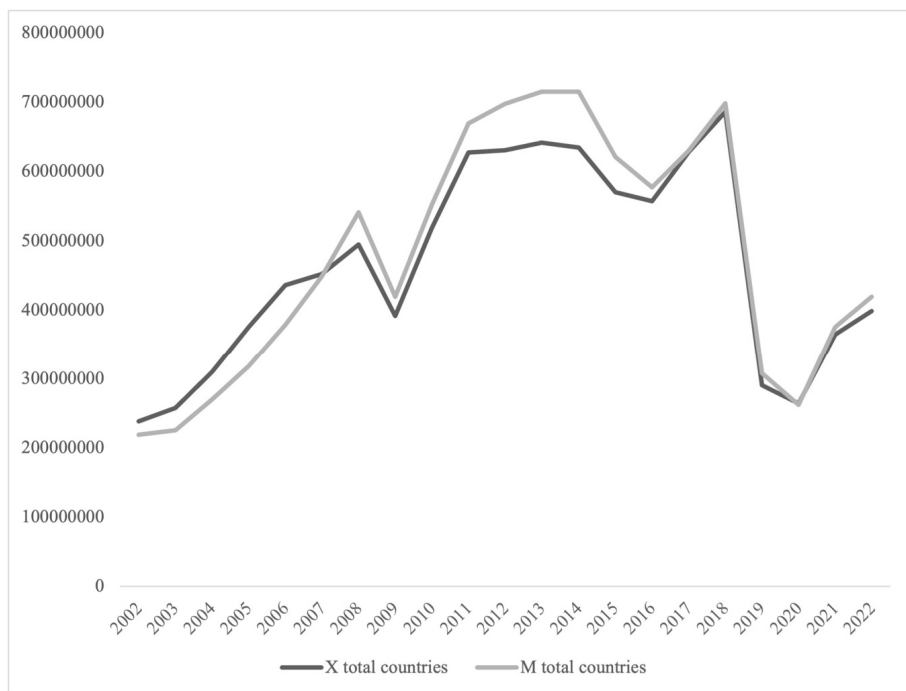


Figure 1: LAIA Trade – Imports and Exports, 2002–2022 (billions of US dollars)

Note: X: exports; M: imports

Source: Compiled by author with data from LAIA (2023)

Figure 1 depicts LAIA's total trade. LAIA's trade has predominantly presented a deficit. On average, during 2002–2012, the trade deficit amounted to US\$4.9 billion. However, during the first decade, it climbed to US\$6.5 billion, and in the last decade, it was US\$3.9 billion. In terms of value, the average for exports was US\$109 billion, and for imports, it was US\$ 114 billion. Notably, although there is a declining trend in Latin American trade, during the period 2012–2022, the average value of both exports and total imports was higher: US \$121 billion and US\$125 billion, respectively.

This first observation regarding trade value is a significant indicator of the weakness of this integration process. Trade balances are quite limited given LAIA's membership size, especially when compared to the two leading economies in the region, both of which are LAIA members. During the last decade, the average total exports for

Brazil exceeded US \$230 billion, while total imports averaged US\$200 billion¹³. Meanwhile, in the case of Mexico, the average total exports over the last decade reached US\$412 billion, with average total imports at US\$416 billion¹⁴.

The peak of LAIA's trade occurred in 2012, primarily due to the commodities boom in the region. Both exports and imports reached their maximum records (US\$158 billion and US \$169 billion, respectively). However, the consequences of the Great Recession and the COVID-19 pandemic were the transient events that led to declines in trade, to around US \$100 billion during and US\$80 billion, respectively.

The trends in Figure 1 underscore the significance of trade for LAIA member countries. Firstly, because it is a well-established fact that Latin American export activity is the primary driver of economic activity in these countries since the economic liberalization processes initiated in the late 1980s. Secondly, because in terms of value, regional trade has been at its highest since its inception. This can be attributed to the increased prices of commodities, which are the main export products of the member countries. According to ECLAC¹⁵, the export boom driven by high prices came to an end in 2012, revealing the region's pattern of specializing in products with low technological content and weak integration into global value chains. This contrasts with the more diversified offerings of imports, which are intensive in high-value-added goods with technological content.

While trade in the region has shown less dynamism during the 2012–2022 period compared to the first decade, the value of regional trade remained above the figures recorded during the Great Recession crisis until 2018. In 2019, the decline that had already been registered intensified during the pandemic period and then recovered its growth trend. However, as noted by ECLAC¹⁶, it is unclear whether trade recovery will solidify in the following years, as the region faces the conflict between Russia and Ukraine, which heightened global inflationary pressures recorded since 2021, leading to restrictive monetary policies in world economies. Additionally, the effects of slow economic growth in China have decelerated both the economy and global trade.

Therefore, the global events of the pandemic and the European conflict highlighted Latin America's dependence on the acquisition of strategic products such as medicines, medical devices, and fertilizers. Furthermore, intra-regional trade is insufficient to compensate for the declining trend witnessed in the last decade of the 21st century. The region's trade is relatively insignificant when compared to other regions. If we consider only the LAIA member countries, exports on average accounted for

¹³ Estadísticas de comercio exterior: Exportación/importación. 2023. *Ministerio de industria comercio exterior y servicios*. URL: <http://comexstat.mdic.gov.br/es/geral/80377> (accessed 20.11.2024).

¹⁴ Exportaciones Importaciones totales de México. 2024. México. Secretaría de Economía/Gobierno de México. URL: www.gob.mx/cms/uploads/attachment/data/file/81864/Acum-Importa.pdf (accessed 20.11.2024).

¹⁵ Panorama de la Inserción Internacional de América Latina y el Caribe, 2015. 2015. Santiago de Chile. CEPAL. URL: https://repositorio.cepal.org/bitstream/handle/11362/39010/4/S1501143_es.pdf (accessed 20.11.2024).

¹⁶ Perspectivas del Comercio Internacional de América Latina y el Caribe, 2022. 2023. Santiago de Chile. CEPAL. URL: https://repositorio.cepal.org/bitstream/handle/11362/48650/1/S2200846_es.pdf (accessed 20.11.2024).

12.3 percent of the total for all regions, and imports comprised 11.8 percent of the total for all regions. This suggests that extra-regional trade is more crucial for this regional bloc's exchange. Further analysis of LAIA in relation to other regions is detailed in the following section.

LAIA's Trade with Regions

In analyzing trade dynamics by blocs, ten key regional blocs were selected, encompassing six Latin American blocs, three extra-regional blocs, and a category for unclassified countries. This classification highlights a paradox within Latin American integration: despite the overlapping figures among Latin American blocs, the combined share of the four non-Latin American participants accounted for 61.21% of LAIA's exports and 56.86% of its total imports during 2002–2022. This underscores the dominant role of extra-regional trade in what is ostensibly a regional integration process.

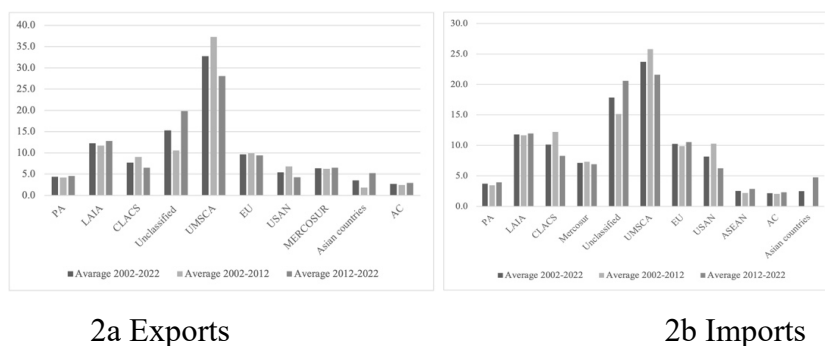


Figure 2. LAIA Trade by Regions (2002–2022)

Note: PA: Pacific Alliance; CLACS: Community of Latin American and Caribbean States; USAN: Union of South American Nations; AC, Andean Community.

Source: Compiled by author with data from LAIA (2023)

As depicted in Figures 2a and 2b, trade statistics reveal the significant roles played by the United States-Mexico-Canada Agreement (USMCA, formerly NAFTA), unclassified countries, the European Union (EU), and Asian countries in both exports and imports. During the 2002–2022 period, extra-regional countries accounted for an average of 61% of total exports, with the share peaking at 62.4% in the last decade. Similarly, extra-regional countries contributed 56.8% of total imports during the same period, rising to 60.3% in the last decade.

North America emerged as the leading region for Latin American exports during the earlier part of the period, with the USMCA averaging 32.8% of total exports. This share peaked at 37.3% during 2002–2012 but declined to 28.1% in the following decade, reflecting reduced competitiveness of the North American market. Unclassified countries and Asian economies have since gained prominence, with unclassified countries increasing their share of Latin American exports from 10.6% in 2002–2012

to 19.8% in 2012–2022, and Asian economies rising from 1.8% to 5.2%. By contrast, trade with European countries remained relatively stable, accounting for 9.9% of exports in the first decade and 9.4% in the second.

The total value of exports to LAIA's top ten trading partners across all regions exceeded \$890 billion on average during 2002–2022, with the highest levels recorded in 2012–2022 at \$981 billion. This growth is attributable to rising global commodity prices and the economic expansion of emerging markets, particularly in Asia. China and India were significant contributors to this trend. In the case of the EU, Latin American raw materials have been critical for Europe's energy transition, yet bi-regional relations stagnated between 2017 and 2023, with renewed engagement only occurring in July 2023 when heads of state met in Brussels (Alvarez, 2021).

On the import side, LAIA recorded an average trade deficit during the 2002–2022 period, with imports averaging \$977 billion, rising to \$1,091 billion in the last decade¹⁷. The primary contributors to Latin American imports were the USMCA and unclassified countries, which accounted for 17.9% and 23.7%, respectively, during 2002–2012. Notably, unclassified countries increased their share of imports from 15.1% in the first decade to 20.6% in the second, while the North American region's share declined from 25.8% to 20.6%.

Asian markets also experienced significant growth, particularly in the second decade, with their share of total imports rising to 4.8%. The EU maintained a relatively stable position, contributing an average of 10.2% of total imports during the 2002–2022 period.

These trade patterns reveal a clear preference among LAIA members for trading with extra-regional partners. While the North American market remains a key destination for exports, its declining competitiveness has been offset by the growing importance of Asian markets, especially China. However, as noted by ECLAC, the region's trade with its main extra-regional partners displayed mixed dynamics in 2022, with a 3% year-on-year decline in exports to China, contrasted with double-digit growth in exports to the EU (33%) and the United States (22%). Similarly, imports from the United States grew more dynamically (39%) than those from China (21%) or the EU (16%)¹⁸.

Trade relations with Europe highlight asymmetries in the participation of major Latin American economies (Argentina, Brazil, Chile, and Mexico) and the nature of exchanged goods. Latin American exports are dominated by raw materials, while European imports are primarily industrial products. Although this complementarity benefits both regions, Europe's share in LAIA trade remains limited compared

¹⁷ *Perspectivas del Comercio Internacional de América Latina y el Caribe*, 2022. 2023. Santiago de Chile. CEPAL. URL: https://repositorio.cepal.org/bitstream/handle/11362/48650/1/S2200846_es.pdf (accessed 20.11.2024)

¹⁸ *Ibid.*

to North America and Asia. These trends illustrate the continued reliance of Latin American economies on extra-regional markets, reflecting a persistent challenge for regional integration efforts within LAIA.

LAIA's Trade with Countries

Figure 3 illustrates LAIA's trade dynamics with individual countries, offering a clearer perspective as these figures avoid the double accounting that can occur with regional trade statistics. The data indicate that LAIA's trade balance with countries remained in deficit throughout 2002–2022. The average trade deficit during this period amounted to \$13 billion, rising significantly to an average of \$32 billion during the last decade (2012–2022). Over this latter period, the average annual value of exports stood at \$515 billion, while imports reached \$547 billion¹⁹.

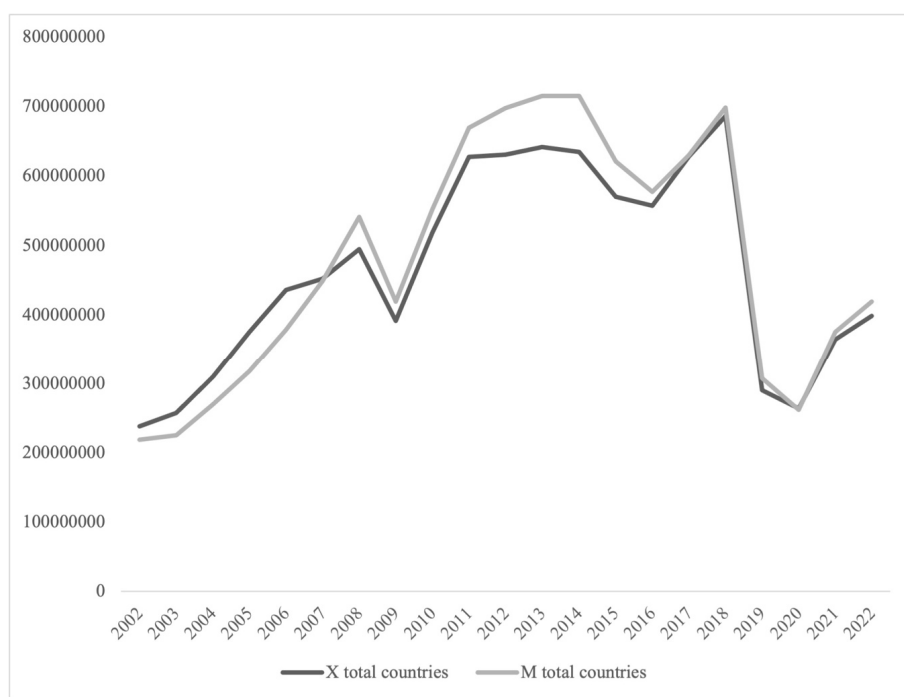


Figure 3. LAIA: Trade by Countries, 2002–2022 (Billions of US Dollars)

Note: X: exports; M: imports.

Source: Compiled by author with data from LAIA (2023)

The trade trends depicted in Figure 3 align with those in Figure 1, reflecting two critical downturns in trade: the Great Recession and the COVID-19 pandemic. The financial crisis of 2009 caused a sharp decline in the value of exports from the Lat-

¹⁹ Ibid.

in American bloc to \$391 billion, with imports falling to \$419 billion. Similarly, the pandemic reduced these figures to \$260 billion. Despite these disruptions, trade with both intra-regional and extra-regional partners showed eventual recovery. However, intra-regional trade rebounded more swiftly (see Figure 1) compared to trade with individual countries (see Figure 3).

This slower recovery in trade with countries poses significant challenges, as the economies within the LAIA bloc rely heavily on exports as a key driver of economic growth. Moreover, trade with extra-regional partners remains considerably more substantial than trade among LAIA members, underscoring the bloc's reliance on global markets.

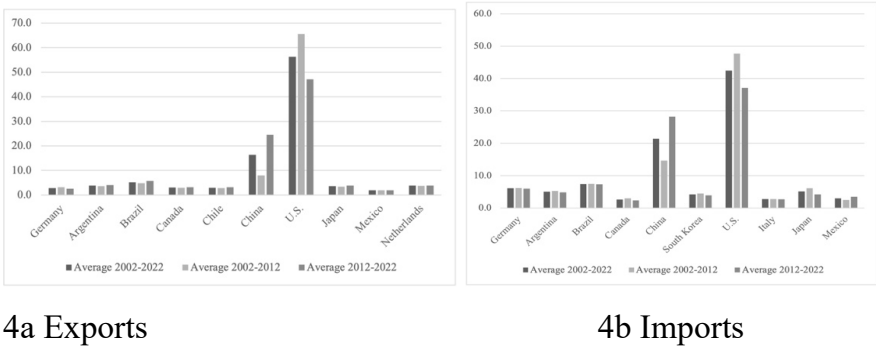


Figure 4: LAIA Trade by Countries (2002–2022)

Source: Compiled by author with data from LAIA (2023)

Figure 4 highlights the top nine export markets for Latin American goods, including Mexico, alongside the top ten import markets²⁰. This data reaffirms the prominent roles of the United States and China as key trading partners for LAIA. During 2002–2012, the United States accounted for an average of \$267 billion in exports from the bloc, while China received \$72 billion. Notably, while LAIA exports to the United States peaked during 2002–2012, averaging \$274 billion annually, the Chinese market expanded significantly during 2012–2022, averaging \$107 billion²¹.

In percentage terms, the United States accounted for 56.3% of LAIA exports over the two decades analyzed. However, its share declined from a peak of 65.6% during 2002–2012 to 47.1% in 2012–2022, reflecting a loss of competitiveness. This decline was offset by China's growing prominence as a trading partner. Over the entire period, China accounted for 16.4% of LAIA exports, with its share rising dramatically from an

²⁰ Mexico ranks 15th as a market for LAIA exports. The decision to include Mexico among the main markets for Latin American exports is based on the size of its economy in Latin America and due to the research project from which this article is derived.

²¹ Perspectivas del Comercio Internacional de América Latina y el Caribe, 2022. 2023. Santiago de Chile. CEPAL. URL: https://repositorio.cepal.org/bitstream/handle/11362/48650/1/S2200846_es.pdf (accessed 20.11.2024)

average of 8% during 2002–2012 to 24.5% in 2012–2022. China's increased integration into global trade has not only bolstered its role as a supplier to LAIA but also diversified the markets for Latin American exports, enhancing the bloc's trade position.

Latin American economies themselves played a more marginal role as markets for LAIA exports. The region's largest economies — Argentina, Brazil, Chile, and Mexico — accounted for an average of 13.4% of LAIA exports over the two decades. Their participation improved slightly in the last decade, rising to an average of 14.8%. Among these, Brazil showed the most significant increase, with its share of LAIA exports averaging 5.7% in 2012–2022, while Mexico's participation remained constant at just 1.9%.

Regarding LAIA's imports, the markets of the United States and China once again stood out. The former was responsible for an average of US\$201 billion during 2002–2012, and the latter for US\$106 billion on average. In both cases, during the second decade (2012–2022), their average shares increased to US\$214 billion and US\$146 billion, respectively.

In terms of percentages, LAIA's import markets were more diversified, but the importance of the United States and China continued to be notable. The US market accounted for an average of 42.5 percent of LAIA imports in 2002–2022, while China's participation averaged 21.4 percent over the same period. The United States performed best in the first decade (average of 47.7 percent) and experienced a loss of competitiveness in the last decade, with an average of 37.1 percent. On the other hand, the Chinese economy was highly competitive in the last decade, with an average participation of 28.2 percent doubling its previous decade's share (14.7 percent).

Other supplier markets to LAIA, including Germany, Canada, South Korea, Italy, and Japan, provided an average of 20.6 percent of imports. Meanwhile, Latin American markets themselves were responsible for an average of 15.4 percent of imports to LAIA during 2002–2022. In the case of other extra-regional markets, their average participation increased during the first decade (22.5 percent). In contrast, the average participation of Latin American markets remained constant.

LAIA's Latin American partners were limited to three economies, but their importance as suppliers of imports to the LAIA bloc increased, particularly for the Brazilian economy, which sold an average of 7.4 percent of LAIA imports, compared to an average of 5.2 percent of LAIA exports. However, the Mexican economy's participation remained marginal, even in imports, averaging 3 percent during the analysed period.

Weakness of Intra-regional Trade in LAIA

LAIA's approach to regionalism has remained narrowly focused on trade integration as the cornerstone of its integration process. However, in more than four decades, the primary objective outlined in the Treaty of Montevideo — consolidating a common market — has not been realized. Instead, LAIA continues to operate at the most basic stage of regional economic integration, functioning as a mere zone of tariff preferences.

A defining feature of LAIA is its institutional flexibility, both in structure and operation, which aligns with the characteristics of liquid regionalism (Mariano et al. 2021). Structurally, LAIA's decision-making body lacks representation from Heads of State and Government, relying instead on ministers from each member country. Operationally, while bilateral, plurilateral, and joint initiatives have been employed to implement trade integration, these mechanisms have not yielded substantial progress toward deeper regional trade integration.

One notable aspect of this institutional framework is the Regional Tariff Preference (RTP), which prevents interruptions in trade among members. Despite the challenges posed by presidentialism to regional integration in Latin America (Malamud 2011, 2015; Malamud and Rogelio Núñez 2020), the RTP has succeeded in maintaining a baseline level of trade among LAIA members, albeit minimal.

During the 2012–2022 period, average annual trade values surpassed \$120 billion. However, the composition of this trade underscores its limitations, being heavily reliant on raw materials and low-value-added manufactured goods. Data from 2013 confirm that Latin American exports predominantly consisted of primary products such as oil, minerals, soy, corn, meat, coffee, sugar, palm oil, and hides, with a smaller proportion of manufactured goods like automobiles, medicines, and auto parts.

An analysis of LAIA's intra-regional trade by country reveals limited trade balances. Only four regional economies accounted for 13.4% of exports, while three accounted for 15.4% of imports, indicating that the bloc cannot truly be considered a significant driver of intra-regional trade. Larger economies dominate these trade flows, repeating a long-standing pattern observed since LAFTA: the benefits of trade disproportionately favor the larger members, despite institutional efforts to support countries with lower levels of economic development.

Liquid regionalism's other hallmark traits—limited commitment to the integration process, political disinterest, and the pursuit of external alternatives—are evident in LAIA's evolution (Mariano et al. 2021). The bloc has not consolidated even as a free trade area, with member countries prioritizing trade with extra-regional partners over fostering their own integration. Both in exports and imports, blocs and economies such as the United States and China have played more significant roles than intra-regional partners.

The dynamics between member economies highlight competitive rather than complementary relationships, with only Brazil and Mexico having the potential to offer higher value-added products to LAIA members. However, one of these economies — Mexico — has demonstrated clear disinterest. Through its agreement with North America under the USMCA, Mexico has effectively resolved its trade profile and remains the least committed member of LAIA.

Mexico's disengagement from regionalism became particularly evident following the signing of NAFTA in 1992. Brazil invoked Article 44 of the Treaty of Montevideo, which required any trade advantages granted to non-LAIA countries to be extended to LAIA members. This led to a diplomatic impasse, resolved in 1993 by the adoption

of the “Interpretative Protocol of Article 44 of the 1980 Treaty of Montevideo.” This protocol allowed LAIA members to temporarily suspend the most-favored-nation principle when engaging in agreements with non-members (Hummer and Dietmar, 1997). While this modification resolved immediate tensions, it also incentivized member states to prioritize external agreements over strengthening intra-regional trade.

Ultimately, LAIA’s institutional flexibility, while enabling some degree of continuity in trade, has also facilitated a lack of commitment among its member states. The two largest economies in the region, Brazil and Mexico, have consistently prioritized strengthening trade ties with extra-regional partners over advancing the bloc’s integration objectives, further undermining the prospects of achieving meaningful regional cohesion.

Conclusions

LAIA began its operations aligned with the prevailing trend of open regionalism in Latin America, emphasizing a flexible institutional structure and prioritizing commercial integration among its 12 founding members, later expanded to include Panama. However, it has not developed into a comprehensive regional integration process, remaining focused exclusively on trade exchange dynamics.

The intergovernmental model of regionalism adopted by LAIA has not achieved significant progress toward the establishment of a free trade area. This limitation is particularly striking given that LAIA’s inception coincided with an era of global trade liberalization. Consequently, the prospect of realizing a common market, as originally envisioned in the Treaty of Montevideo, appears increasingly unattainable.

The inability to achieve its foundational objective stems from the lack of commitment among member states, who have consistently prioritized trade relationships with extra-regional actors over advancing the goals of regional integration. While LAIA provides a framework for commercial integration through mechanisms facilitating trade relations between member states and blocs, the institutionalization of these instruments has proven insufficient to consolidate a cohesive and effective model of regionalism.

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Гибкий регионализм в Латинской Америке: институциональная динамика и торговая в Латиноамериканской ассоциации интеграции

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Латиноамериканская ассоциация интеграции (ЛАИ) являет собой пример региональной экономической интеграции, соответствующей характеристикам неустойчивого (liquid) регионализма. Среди её отличительных черт: отсутствие строгих обязательств, слабая заинтересованность её членов в углублении интеграции, а также стремление к поиску альтернативных торговых партнёров за пределами региональных границ. Вместо реализации цели по созданию прочного общего рынка, ЛАИ остается зоной тарифных преференций.

Цель статьи – охарактеризовать причины хрупкости экономической интеграции в ЛАИ. Автор доказывает наличие выраженного тренда на усиление внерегиональной торговли, которая подрывает принципы латиноамериканского регионализма. Анализ включает изучение предыстории, эволюции и институциональной структуры ЛАИ с особым акцентом на анализе динамики внутрирегиональной торговли, а также торгово-экономических отношений с другими регионами и странами.

Основной вывод заключается в том, что ЛАИ является примером неустойчивого регионализма в Латинской Америке. Это обусловлено отсутствием обязательств со стороны государств-членов, институциональной гибкостью ассоциации и приоритетом, отдаваемым внешней торговле.

Несмотря на то что ЛАИ задумывалась как инструмент развития открытого регионализма, до настоящего времени ассоциация так и не смогла консолидироваться в полноценную региональную интеграционную группу, оставаясь сосредоточенной исключительно на торговом обмене. Модель межправительственного регионализма не достигла прогресса и в части развития зоны свободной торговли, что идёт в разрез с целями, изложенными в Договоре Монтевидео.

Ключевые слова: регионализм, региональная интеграция, внерегиональная торговля, Латинская Америка, Латиноамериканская ассоциация интеграции, неустойчивый регионализм

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