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# South American Trade Blocs: A Risk Assessment Of Nationalist Movements

Christian Bonds

*University of Mississippi. Sally McDonnell Barksdale Honors College*

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**South American Trade Blocs:  
A Risk Assessment Of Nationalist Movements**

**Christian Bonds**

**University of Mississippi**

**May 2018**

Approved by

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Advisor: Weixing Chen, Ph.D.

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Reader: Enrique Coteló, Ph.D.

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Reader: Douglass Sullivan-González, Ph.D.

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**Abstract**

Nationalist movements internationally are negatively affecting economic integration around the world. South American trade blocs must consider the risks posed by these threats in order to determine action that needs to be taken in the future. Through examining the collective body of literature on the function, motivations, and historical development of economic integration, we can determine the current status of these organizations in South America. Then, the origin and consequences of current nationalist movements will be outlined. These organizations, such as MERCOSUR, CAN, LAIA, and the Pacific Alliance, can finally be addressed, as to what their specific risks are and potential consequences. This is best served by including recent trends of these nationalist movements, of economic integration, and the potential for future movements. The research conducted should serve as an indicator of the risks these markets face, and the steps they could take in the future to be face these risks.

## **Introduction**

A wave of nationalism has swept over the developed world since around 2012. The rise of figures like Nigel Farage, Marine Le Pen, and Donald Trump has stunned many as to how quickly these movements have taken hold and how powerful they have become. These movements have become major points of concern for trade blocs in Europe and North America. The risks posed by these movements, however, are potentially the most avoidable in South America. South America has rich history of trade liberalization and has increased their commitment to this in recent years. In order to bolster the progress that has been made so far, it is important to recognize the risk these nationalist movements impose both externally and internally.

Nationalism is a term that gets thrown around a lot and has many different connotations. This analysis uses a conventional definition of nationalism. The encyclopedia Britannica defines nationalism as “an ideology based on the premise that the individual’s loyalty and devotion to the nation-state surpass other individual or group interests.” Therefore, movements that support protectionist, isolationist, and occasionally xenophobic policies in order to move out of the international sphere and protect national interests is what is being examined here. Also, it is important to determine what exactly is a trade bloc. Over the last twenty-five years, this has been a term best clarified by example, and that is a critical role in understanding present day analysis, however this analysis uses a broad definition to encompass a myriad of trade organizations. Oxford Dictionary defines a trade bloc as “A group of nations (or occasionally other political units) united by a trade agreement or agreements.” This analysis includes preferential

trade areas, free trade areas, customs unions, common markets, and economic unions.

There are an infinitesimal amount of these organizations, therefore the analysis will mostly follow the larger more impactful organizations in South America as well as on the world stage.

In order to examine the risks posed by nationalist movements, several different layers to the issue must first be explored. First comes a necessary understanding of the background and history of trade blocs and specifically the major trade blocs in South America. Next is the benefits of participating in a trade bloc and the factors that usually drive countries into creating a bloc. Following that is the recent history of these nationalist movements and some of their effects on other regions. Then comes the examination of these movements as an external risk to trade blocs in South America. Afterward comes an analysis of nationalism within these blocs. Finally, there is a proposal for actions that can be taken to mitigate or avoid these risks moving forward and capitalize on the opportunities. The goal of this analysis is to provide an informed and current perspective on the risks facing South American trade blocs from these movements in order to support trade liberalization in a changing international political environment.

### **The History of Trade Blocs**

Understanding the origins of trade blocs and common markets is a most necessary step in understanding the reality of how they operate today. Trade blocs can trace their roots back to the beginning of the colonial empires. They saw rapid development during the Cold War in response to post WWII reconstruction concerns as well as becoming an essential tool in multinational coalition building. Today, they are an essential part of global economic engagement and often reflect the concerns of the regions they represent. There is a strong tradition and precedent for these organizations making them as strong as they have ever been.

The imperial resource grab during the colonial period brought to life a system of economic advantage through direct arrangements of the trade of goods from colonies to their imperial rulers (Bernal, 1997). Western powers conquered, claimed, and governed most of the continent of Africa, North and South America, Southeast Asia, India, Australia, and many Island Territories in Oceania and the Caribbean. These utilized economic systems of closed trade where every stage of production and most all types of trade were controlled by a singular organization, an empire. The rights to trade with these territories were mostly exclusive to the empire. Of course, these empires were created through force and were essentially monopolies for the exploitation of resources and workers. However, the way the internal and external trade network operated, as far as the lack of trade barriers for certain countries and complete shutdown of trade to others, created a precedent for future economic integration to form (Bernal, 1997). The decisions

made about how to run those empires are some of the same decisions that trade blocs are faced with today.

As the world moved to a post-colonial environment, the Organization for European Economic Co-Operation (OEEC) formed to bolster economies and administer the Marshall Plan among Western European countries that were undergoing reconstruction post WWII (Bernal, 1997). This organization provided the foundation that would lead to the creation of the European Economic Community (EEC) which is known as the European Union (EU) today. The Soviet Union began developing the Council for Mutual Economic Assistance (COMECON) shortly after the end of WWII. This linked the economies in the Communist Bloc in a scheme to control the distribution of resources in exchange for cheap oil in favor of the USSR. Ultimately this failed alongside the Soviet Union (Torday, 1990). These integration efforts were essential in building up post war economies and production. However, they were also essential in building solidarity between countries on the same side of the Cold War. Other trade blocs were created between developing countries all over the world (Bernal, 1997). However, a lack of successful precedent and the political turmoil surrounding the Cold War made it difficult for developing countries to have lasting success arranging regional economic integration. Also, the trade blocs they were attempting were shallow. These blocs did not integrate economies heavily at all, but more or less loosely tied regions together for preferential treatment in trade. Today we have trade unions, common markets, customs unions, and free trade areas that have a depth of policy covering all kinds of specific relationships and issues within the organizations.



In the 1990s, after the fall of the Soviet Union, the EEC underwent reforms including the edition of many new countries in Eastern Europe, as well as the creation of standards that qualify a country for EU membership (Bernal, 1997). These reforms turned the EEC into the European Union we know today. It is currently the strongest example of economic integration and has been a role model for other integration efforts. The EU is a trade union which has opened free trade, exchange of resources and travel between governed countries. It has adopted a singular currency and handles external trade via collective bargaining. It has sponsored peace in Europe since it was initially created and has provided an excellent platform for countries to settle their differences.

During the same time, the US, Canada, and Mexico entered into the North American Free Trade Agreement (NAFTA). Originally, trade blocs were established between countries who were all similar in economic strength. COMECON was an exemption, however this integration between the strong Soviet Union and weaker Soviet states was heavily in favor of the Soviet Union. NAFTA was the first, largely equitable, integration effort between a reigning economic powerhouse and a developing country (Bernal, 1997). NAFTA was able to realize the benefits that could come from this type of arrangement, and it has become a model for these types of agreements to be carried out in the future.

East Asia has also been undergoing many efforts to grow economic integration. The Association of Southeast Asian Nations (ASEAN) was formed in 1967. It works as both an economic integration effort, but also a multinational diplomatic effort. It consists of Singapore, Brunei, Malaysia, Thailand, Indonesia, Vietnam, Philippines, Laos, Cambodia, and Myanmar (Bernal, 1997). Also China, South Korea, Japan, India,

Australia, and New Zealand as observers having some arrangements with the larger group. Post Cold War, it has grown into a strong multinational organization that has overseen a vast amount of export growth within its member countries. Another example of economic integration efforts in East Asia is the failed Trans-Pacific Partnership (TPP). The TPP was a plan to propel a partnership between eastern Asian countries, Latin American Countries, Australia, Canada, New Zealand, and the US. It was poised to be a strong competitor to the strength of Chinese export markets. However, the political climate in the USA led to the withdrawal of the USA's commitment and a redrawing of the agreement to become the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The new TPP has many of the same aspects of the original and represents one of the most geographically expansive trade agreements in the world.

There are hundreds of amounts of trade blocs and agreements in the world. They all build off the experiences of past arrangements and the needs for future integration efforts. They have become an essential tool in negotiating agreements between countries to promote efficiency of resources and good faith trade for the benefit of all parties. These agreements have come under great risk due to the rise of nationalism, therefore the threats of nationalism must be scrutinized.

### **The History Of South American Economic Integration**

There is a rich history of regionalism and cooperation in South America. This history has made it possible for many trade blocs to exist and flourish between the countries in the region. Trade blocs have been a part of the trade conversation since the late 1800s when post-colonial South America was just coming into its own. They have grown consistently as the region has become more developed. Today they are an essential piece of South American trade policy. Four specific organizations, two antiquated and two prominent, serve as the best examples of the history of these blocs.

Long-term and broad integration efforts have been consistently part of the greater discussion in South America since the departure of colonial powers. The Latin American Free Trade Association (LAFTA) was formed in February of 1960 by the Treaty of Montevideo (Rivera, 2014). It sought to increase trade liberalization and accelerate economic development in the region by gradually eliminating barriers to intraregional trade, maximizing the utilization of available production factors, and coordinating the development of international programs. (Rivera, 2014). The treaty included provisions for this to be a 12-year plan. Its founding members were Argentina, Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. It has grown to include Bolivia, Colombia, Cuba, Ecuador, Panama, and Venezuela. It also included, however, clauses that allowed individual member nations to maintain certain trade barriers against other member's products should the importation of them threaten their national economy. These clauses took away the enforcement power of the organization. This resulted in several issues some of which included the power of individual state interests, state owned industries,

and the growth of sub-regional blocs. It ultimately did not accomplish the goals it set out to achieve. Instead it served as a venue for negotiations and an agreement to a wider support of trade in the region. It worked closely with these sub-regional blocs to push for integration between them. In 1980, a new Treaty of Montevideo was signed to reform LAFTA into the Latin American Integration Association (ALADI). It set out to establish a common market that could unify Latin America and the sub-regional blocs (Rivera, 2014). It began without a timetable to do so and was unable to make the common market happen. Still it acts as an organization founded in the Bolivarian principle of Latin American unity that pushes for the more effective sub-regional organizations to work together. It did however create many benefits for South America. It allowed for greater specialization to meet the production needs of the region. It attracted greater investment due to the attractiveness of the collaboration effort on the international scale. Also, it established a foundation and precedent for integration that future blocs could build off of and utilize for the betterment of the region.

In 1969, a sub-regional organization was formed named the Andean Pact. Its original membership included Bolivia, Chile, Colombia, Ecuador, and Peru (Notre Dame, n.d.). In 1973, it added Venezuela who would later leave to join MERCOSUR in 2006. Also, Chile decided to withdraw in 1976. It challenged LAFTA during its early years as it was better able to specialize and address the needs of its members with more flexibility. It created several institutional bodies to deal with individual areas of economic integration. In 1990, it decided to move forward with the creation of a free trade area. In 1993 the free trade zone was established and in 1995 they adopted a common external tariff. In 1996, the Andean Pact was reformed to incorporate several political goals into the economic

integration effort and became the Andean Community (CAN). CAN strived to develop itself to the strength of neighboring MERCOSUR but was ultimately unsuccessful. It was successful however in attaining trade preferences with MERCOSUR and increased integration between the two organizations. It is structured as a customs union meaning its members have eliminated internal barriers and agreed on a set of external barriers (Notre Dame, n.d.). However, across the board these standards are not as uniform or efficient as they were originally sought out to be. It has recently suffered many of the harms that LAFTA incurred in that the development of other blocs has weakened its ability to move forward.

In 1991, while the EEC was being reformed into the EU, the Treaty of Asuncion founded MERCOSUR (Gardini, 2010). MERCOSUR is known as the Southern Cone Common Market. Its membership includes Brazil, Argentina, Uruguay, Paraguay, and Venezuela (who is currently suspended). In the last 25 years, it has developed into one of the strongest and most viable trade blocs in the region (Roett, 1999). MERCOSUR developed originally through agreements between Brazil and Argentina designed to create increased cooperation between two countries who have always been rivals (Gardini, 2010). The necessity of considering your neighbor as an economic, political, and military threat was draining on both countries therefore they desired to reconcile their differences through international cooperation agreements. The two countries signed agreements and treaties concerning nuclear energy, agriculture, and automotive manufacturing. After several stages of trade liberalization, both countries agreed to expand their efforts to regional economic integration, including bordering countries Uruguay and Paraguay. In the five years after its founding, intraregional trade between

member countries increased from 8% to 21% (Roett, 1999). It has become an attractive place for external investment, and has lately pushed to significantly expand external trade. MERCOSUR was founded on the beliefs of democracy and its benefit to international cooperation, therefore it included democracy as a requirement for membership. This, however, caused conflict when Venezuela was allowed to join. Venezuela has since been suspended, but remains an issue for the stability of the organization. On the other side, it has used this power to promote democracy in the region. It prevented a potential coup in Paraguay on threat of removal from the organization, and drove Chile and Peru into further promoting democracy before it would allow increased liberalization with those countries (Roett, 1999). MERCOSUR has helped to bolster many industries in the region, has become a powerful bloc on the international scale, and has served as a method to allocate resources more efficiently.

The newest trade bloc in the region and the other half of the two-pronged power of South American blocs is the Pacific Alliance. Founded in 2012, the Pacific Alliance represents Mexico, Columbia, Chile and Peru (Rivera, 2014). It was established to foster free trade between these countries, to promote neo-liberalism and trade liberalization, and also to increase trade relations with countries across the Pacific. It was founded as part of a political reaction to Venezuela and the Bolivarian Alternative for the Americas (ALBA). ALBA was founded on the back of anti-American political movements in Venezuela, Cuba, Nicaragua, and Ecuador. It promotes regional trade and protectionism from engagement with western powers. The Pacific Alliance felt the necessity of increasing trade with developed western countries and aligned themselves in opposition to ALBA. The alliance has had a lot of success in the growth and development of

member economies and is largely considered a model for developing countries to integrate. It has integrated the stock exchanges of the member countries to become the largest stock exchange in the region. It is currently engaged in talks with Canada, Australia, Singapore, and New Zealand to establish these countries as associate members with preferential access to the market and resources. This bloc represents about 1/3 of the region's GDP and over 200 million people (Stratfor, 2017). It has been a substantial burden of the Andean Community in that it is attracting investment and has overshadowed CAN efforts much like CAN did to LAFTA.

It is clear that there is a strong foundation for economic integration in South America. Countries in the region understand the benefits of these organizations. They have a strong history of integration and have many goals to continue this integration in the future. Therefore, it is currently in their interest to understand the risk that they face moving forward.

### **Benefits of Trade Agreements**

Before the risks of these nationalist movements can be assessed, we must first understand why nations are drawn to be a part of a trade bloc in the first place. The World Bank has published extensive literature on this area. It is inciteful and can provide clarity when we begin discussing the harms posed upon these organizations. The benefits of trade blocs are largely fivefold (World Bank, 2000). Integration promotes Security for member nations. It allows for greater bargaining power when it comes to external trade. It provides a mechanism to host multinational project cooperation. It makes economic and political reforms more permanent and therefore safer. Finally, it manipulates the status quo of lobbying efforts to be more beneficial for the governing body. These benefits have driven countries together since the end of WWII and are benefits South America has an interest in maintaining.

The European Union completely understands the value of integration in respect to security. Integration efforts that eventually formed the EU began in the 1950s and since then member countries have been completely removed from the history of wars that have plagued the continent (WB, 2000). Security was also a critical issue in the development of MERCOSUR. The Brazilian and Argentine militaries always had the perception of each other as a threat. In the 1980s, the countries decided to make trade agreements concerning their automotive and steel industries. This greatly helped to ease political tension, however the formation of MERCOSUR in 1991 clearly established the two countries as partners (WB, 2000). We see this same trend in Southeast Asia with



ASEAN. They have been able to use their collective position to protect themselves from Chinese geopolitical aggression.

There are many assertions as to why this is the case. The World Bank sees two specific causes. One is that negotiations between politicians concerning trade relations builds a good faith relationship that becomes stronger overtime and creates an avenue for diplomatic relations concerning conflict (WB, 2000). The other reason is that when strategic resources are integrated it can become impossible for countries to war with each other. When two countries depend on each other's coal, oil, and steel then warring with one has become much more difficult to do (WB, 2000). Therefore, highly integrated regions may not have as much internal conflict.

This is not an absolute result. Economic issues and income distribution within the UK led to Irish secession and similar issues in Pakistan led to the split of Bangladesh (WB, 2000). However, despite these examples, countries still seek integration to provide a greater level of regional security. There are steps that can be taken to better obtain this desired result. The EEC did its best to always reach consensus when making sweeping reforms. When a member expressed how a policy would cause them major issues, the organization did its best to accommodate. This allowed for there to be few major inequalities with income distribution and keep conflict areas from arising (WB, 2000).

Another benefit is the increase in bargaining power. The same reason that laborers unionize is a reason that countries create trade blocs (WB, 2000). The EU is a great example of this. It would be difficult for a country like Estonia to negotiate a deal with the US or China that is fair for all parties. But, as part of the EU which represents one of the largest economies in the world, Estonia can negotiate equitable deals for its industries

as a part of a larger deal. Although, the success of the EU is not necessarily a model for developing countries in regional integration. The EU created an economy that was larger than that of the US and commanded attention in that way (WB, 2000). It has greatly opened US-European trade liberalization to this day. Smaller regional blocs of developing countries do not necessarily have the same opportunity. Developing countries instead benefit more from creating enough bargaining power to be better noticed. Trade deals operate so that organizations with clout make less concessions than those without. However, with these developing countries, success comes from the ability to make more concessions and propose more lucrative trade deals by combining their resources (WB, 2000). This greatly increases the opportunity to make deals happen and thus benefits the participating economies.

One example of developing countries using bargaining power to be better noticed and create more lucrative concessions is the Caribbean Community and Common Market (CARICOM). It would be nearly impossible for one island country to negotiate deals with the larger economies in the world, but this coalition of Caribbean states has made significant progress (WB, 2000). They have negotiated multiple preferential trade agreements with Canada, the EU, and the US. Operating as a region garners international attention that then can be focused by member countries in a way that was previously unavailable.

A third benefit is being able to collaborate on international projects. When countries share resources like rivers, railroad connections, hydroelectric power or join to overcome problems like environmental protection or immigration crises, it can be greatly beneficial to have a mechanism in place to facilitate cooperation. Many issues can come

into place when attempting to cooperate such as political tensions, lack of trust, high coordination costs among a large number of countries, or the unequal distribution of costs and benefits (WB, 2000). International cooperation agreements are generally more difficult to attain than national ones because there is no enforcement mechanism to see them through. Participants must be individually responsible for upholding their part and this can be tricky considering the hindering factors. Regional integration can make this cooperation more viable. Frequent exchanges between governments can create a higher level of trust among policy makers. Also, trade blocs will put more issues together as part of a wider agreement that better disburses costs and benefits.

A great example for the success of regional integration in regards to international cooperation is the Southern African Development Community (SADC) and its role in the creation of the Southern African Power Pool (SAPP). The SAPP provides for regional exchanges of electricity (WB, 2000). This is important because peak power usage times may not coincide. Upon its creation, it was projected to save over \$785 million dollars. With electricity market integration, each country has an incentive to hold on to spare capacity and use the spare capacity of others. This is an issue that a regional agreement can disallow and provide mechanisms to enforce, and this has mostly been the case with the SAPP.

Under integration agreements, domestic reforms become harder to reverse and therefore more viable in the long term. Reform plans are often voted down just because of the possibility they can be reversed. Investments are essential in adjusting to reform plans, however investments will not be made unless the investors have confidence in the longevity of the reform. If investments are not made, politicians face the possibility of

having to reverse the reforms anyways. Institutions can provide credibility that locks in decisions and makes investing more fortuitous

Trade blocs are effective at locking in reform in many areas. Trade liberalization, for example, only happens if both parties agree to a standard. I will lift my tariffs if you lift yours. They are self-enforcing in that the consequences of reversing the reform are clear and apparent (WB, 2000). When expanding that reciprocal behavior, it becomes even more effective. In 1989, a wave of democratization swept across the globe. This created a need for constitutional lock-in. Some regional trade arrangements have explicitly added a commitment to democracy to their original. This was successful for MERCOSUR when it squashed a potential coup in Paraguay on threat of removal from the trade bloc (WB, 2000). Also, Chile and Bolivia had to commit to supporting democracy as a condition for forming free trade areas with MERCOSUR. This is the same scenario that played out in Europe when Spain and Portugal were disallowed from joining the EU until they adopted democracies.

Another avenue of locking in reforms, is with economic policies outside of trade. NAFTA was as much geared by US and Mexican interest in locking in new Mexican economic reforms as it was liberalizing trade in the region. A condition for Mexico's access to American markets and aid was to maintain these reforms (WB, 2000). The US benefited from this because a growing economy in Mexico was thought to be a solution to the growing immigration issue at the southern border.

Again, this is only pertinent when the bloc has the power to enforce certain actions. If the bloc does not have much internal trade or cannot restrict something of value from its members it does not have the teeth to allow for this lock in of reforms. In

general, larger wealthier blocs have a larger impact than smaller regional blocs often amongst developing countries (WB, 2000). The more connected, engaged, and committed to the bloc members are, the greater the benefit they receive from the bloc.

Lobbying groups often shape the outcome or direction of policies by investing in political outcomes that are favorable to themselves. However, when the benefits of a policy are wide spread it does not serve for lobbies to invest heavily on that policy. When policies have a more direct impact, it is useful for the groups effected to invest heavily in the outcome. Within trade blocs, this results in lobbies supporting transfers of wealth and resources from the many to the few (WB, 2000). This usually means that producer groups capitalize the most on lobbying. This comes with a host of benefits. This limits the amount of international competition for producers, since there are only a limited number of countries that have preferential trade. It opens up markets that are protected from competition from outside the bloc. Also, this in turn satisfies the producers with minimal costs to others in the market.

Pluralism in general is frowned upon in the public eye. Lobbying politicians for the benefit of specific causes can create tension for those who are not among the benefactors. However, blocs make it so that lobbying is drawing attention to where aid or policies could be the most beneficial. It singles out opportunities with low cost and high reward with a narrow scope (WB, 2000). When pressing policy to have an impact on the development of a region it is best to invest in these high impact projects anyways instead of making broad and ambiguous changes. These targeted reforms add up and ultimately lead to the overall growth that politicians so desire for.

Joining a trade bloc provides a mechanism for international cooperation to facilitate these benefits. Increasing collective security, bargaining power, potential for multinational project development, long term reforms, and targeted investment are the reasons that there are hundreds of these organizations across the world (WB, 2000). It is even more essential that developing countries utilize trade blocs as a tool to compete with the developed countries of the world and also to further benefit their own people. South America has recognized these benefits and needs to have these organizations operating to their potential to continue and see the benefits that come from them.

### **The Rise Of Nationalist Movements in the World**

Over the last decade, nationalist movements in the developed countries of the world have caused many issues for trade organizations and multinational political agreements. A nationalist movement is a social and political movement for obtaining and maintaining national identity and autonomy among a group of people that some of its members consider a nation. In action, this looks like isolationism and withdrawal from international engagement. There are many situations that make up this global trend as a whole. However, there are a few examples that best describe the effects this movement has had on multinational organizations.

The Scottish independence movement is a continuation of an ages old political dispute between the United Kingdom and the nations it represents. The movement has gone through several waves of heated viability and others with very little potential. In 2011, the Scottish National Party won the majority of seats in the Scottish Parliament and over 3 years successfully maneuvered to hold an independence referendum amongst the Scottish people (Black, 2014). The referendum was held in 2014 and became international news instantaneously. The result was 55% in support of British unity and 45% in support of Scottish independence with 84.5% of eligible voters participating. This movement constitutes a political response to a wave of nationalism. The Scottish National Party was in favor of Scottish solidarity, autonomy, priority, and strengthened national identity. This nationalist push nearly fragmented the United Kingdom for the first time since the Wars for Irish Independence.

Northern Spain has also dealt with a nationalist divide since the fall of the Spanish Empire in the 1800s. Catalonia is the northeastern most region of Spain with Barcelona as its Capital. Catalonians have many cultural and racial differences from the rest of Spain. Its renaissance era architecture resembles that of Italy compared to the moorish and gothic styles of southern Spain. Many people speak Catalan as well as Spanish. Also, native Catalans can have blonde hair whereas the rest of Spain is exclusively brunette. On top of all of this, Catalonians have a strong national pride and have desired secession for decades. A wave of nationalism in Catalonia has grown stronger since the beginning of the 2011-2014 wave of Scottish nationalism. In 2010, parties that support Catalan Independence received 50% of the vote in regional elections (BBC, 2018). In 2012, nearly a million people gathered in Barcelona to support Catalan Independence. In 2013, 1.6 million people made a 300 mile human chain across Catalonia in support of independence. In 2017, Independence parties gained a plurality of seats in the Catalan parliament (BBC, 2018). That October the parliament voted to create a free Catalan state and the Spanish Federal Government moved to dissolve the Catalan government and establish direct rule.

Nationalism in the UK was not limited to Scotland. After 2014, British policy makers, including the nationalist party UKIP, began turning their eyes towards withdrawing from the European Union. In June of 2016, the UK held a referendum on leaving the EU that passed with 51.9% of the vote. In March of 2017, the government invoke Article 50 of the EU Treaty moving to officially leave the EU by March of 2019 (Cox, 2017). The UK's withdrawal from the EU will be detrimental to the Euro, the Eurozone, and the economies of the world. It has moved Germany into a strong



leadership position within the organization as it has taken out one of the biggest contributors to the EU. Factors like increased immigration to the UK with little control, the Greece bailout, and lack of control over trade led to the popularity of Brexit to its supporters.

Following the Brexit vote in 2016, National Front Leader and French Presidential Candidate Marine Le Pen began campaigning for a French referendum on EU membership. Le Pen was the runner up for President with 33% of the vote losing to Emmanuel Macron. Pew Research polls show that 61% of the French have an unfavorable opinion of the EU. Current President Macron said that if given the opportunity the French people would vote to leave the European Union. Le Pen's position on what has come to be known as Frexit turned the French Presidential Race into an international phenomenon (Nowack & Branford, 2017). Many policy makers suggest that if France also withdrew from the EU it would lead to a collapse of the whole organization.

Germany has also been faced with a series of nationalist backlash due to 777 concerns with immigration. In 2017, the Alternative for Germany (AfD), a political party that is anti-immigrant and far right, became the 3<sup>rd</sup> largest political party in Germany winning 94 seats in the German Parliament. This was the first time the group had ever won seats in Parliament and it is the largest far right representation in the German government since the fall of the Third Reich. The AfDs support comes from people who favor much stricter immigration policies, xenophobia, islamophobia, and neo-nazism. The 2017 election granted the party 13% of the overall vote and a platform to act on the nationalist movement that is growing (Wildman, 2017). Germany, outside the political

conflict, has dealt with many acts of violence on its immigrant populations. Housing built for refugees and immigrants often gets vandalized and in some cases entire complexes have been burned down. These acts have been committed in the favor of greater nationalism and have become a concern for Germany and Europe as a whole.

The most recent US presidential election also is a sign of nationalism growing around the world. Donald Trump ran on an “America First” campaign that greatly upset favored Democratic Party candidate Hillary Clinton. The deciding voters came from the American Midwest. Their concerns were largely with protectionist economic policies that could keep the plants that sustain employment there open. Donald Trump promised a nationalist movement and greater protectionism for workers. Also, Trump ran on an anti-immigrant platform not dissimilar to those of Europe (Valdary, 2017). The difference is that it was motivated by Hispanic immigrants crossing the southern border of the US. This has been a recurring issue in US politics but became a deciding factor in the election. Moreover, Donald Trump campaigned with the help of other nationalist leaders like Nigel Farage, the former leader of UKIP. Trump himself traveled to the UK to celebrate Brexit shortly after the referendum was held. After the election, Trump began acting on nationalist policy proposals. He instituted a travel ban to many countries in the Middle East. Recently, Donald Trump has imposed tariffs on imported steel and aluminum and has begun pressuring Canada and Mexico towards a renegotiation of NAFTA. The world is paying close attention to these actions in order to protect their own economies and exports from being impacted.

What is the cause of these nationalist movements, as well as many others? Across the globe we have seen economic stagnation for the middle and lower class accompanied

with a general rise in social status and liberties for ethnic minorities. The white middle class more or less sympathizes with the idea that prosperity and liberty is being taken from them. The influx of Syrian refugees has pushed many Europeans to backlash with xenophobia. The lack of reform for Hispanic immigration to the US over the last twenty years has allowed politicians to capitalize on the same feelings there. Terrorism has been on the rise in every developed country. Stabbings, shootings, and bombings in Paris, Orlando, San Bernadino, New York, Barcelona, and London at the hands of Islamic radicalism has fueled a desire for us versus them policies across the developed world. Nationalism movements have become an undeniable trend and the way they are dealt with moving forward could have a great impact on the trade organizations of the world.

Outside of the substantial anecdotal evidence, the broader trends of globalization are pushing these movements. The benefits of the rise of globalization were initially in the hands of the western powers and world powers. Colonization through Cold War Era politics designed relationships between the developed and developing world that were extremely one sided. Since the end of the Cold War, we have seen a greater pursuit of collective power for developing nations. Relationships between these two sides have become more favorable for developing countries inherently necessitating developed countries to give up more to partake in international relations. That does not mean that developed countries are ceasing to benefit from these arrangements. In some cases they are benefitting more now than they ever have. However, the tangible and perceived harms that are incurred are growing. This has motivated the working class in many of these western liberal democracies to react and favor isolation instead of engagement. They romanticize a past when the opportunity cost for a world power to engage was

lower. They see their production jobs being moved abroad and the social protections for immigrants rising and make the mistake of equating correlation to causation. The transition period in which western powers must play a fairer game with developing countries has been difficult for many people. Thus, the rise of nationalism is a movement of self-interest and protectionism.

### **External Risks Posed**

The wave of nationalist movements throughout the developed world has threatened to segment international cooperation everywhere. These movements are sponsored as a backlash to immigration and the political results of foreign cooperation. They have ultimately aimed to take a step back from engagement. The external threat of nationalism must be examined and should be considered when taking steps to expand future integration. We can look at these risks through two relationships: that of South America and United States and also South America and the European Union.

The United States has a strong trade relationship with South American trade blocs. Around 11% of total trade done by MERCOSUR is done with the United States (Ferreira, 2015). The US accounts for a drastically higher rate at 50.5% of the total trade of the Pacific Alliance. These blocs represent nearly 93% of the entire regions GDP. US industries do a lot of contracting in Brazil and Argentina. However, Mexico's position in NAFTA accounts for the single largest relationship of a country participating in the Pacific Alliance or MERCOSUR. Consequently, US President Donald Trump has been very open about renegotiating the terms of NAFTA. Mexico has been one of the greatest benefactors of NAFTA and could be the most drastically effected. The connectivity of the region could allow a renegotiation of NAFTA to cause a ripple effect into South America.

The Pacific Alliance could be the most affected by this. The alliance has removed over 92% of trade barriers between member nations and has undergone an extensive stock market integration initiative. The Mercado Integrado Latinoamericano (MILA) is

an integration of the stock markets of Peru, Colombia, Chile and Mexico. Mexico integrated later than the others, and in order to make the integration successful, purchased 6.7% of shares from the Lima Stock Exchange (Molina, 2016). Mexico's addition to MILA has made it the largest stock exchange in the region in terms of traded companies and market capitalization. Furthermore, member countries have been establishing and opening access to diplomatic missions in places like Ghana, Algeria, Morocco, and Vietnam. This has provided resources that can help establish relationships to build up the alliance as a whole.

The potential for harm with these conditions is significant. A renegotiation of NAFTA would likely result in trade barriers being established between the US and Mexico. US based companies are already halting expansion plans in Mexico in favor of keeping that production in the US. Ford decided to open a plant to produce Ford Fiestas in Detroit instead of Mexico after rhetoric around establishing trade barriers between the US and Mexico arose. Trade barriers would decrease the economic efficiency of Mexico, lower the number of total exports, and decrease investment in Mexican companies. Around 80% of Mexican exports go to the US. Many Mexican companies are traded at the MILA and could therefore harm the viability of this new stock exchange. Companies traded on MILA could see a decrease in investment because of perceived potential for harms and loss of viability due to a downturn in the Mexican economy. Mexico would be incentivized to decrease investment in foreign engagement whether it be trade integration or diplomatic missions. They would instead begin investing more money into preventing economic downslide. This could hurt the negotiating power of the Pacific Alliance and cause a rippling effect of economic down turn for all members.

The Pacific Alliance also has a vested interest in negotiating preferential trade with other trade blocs in the region. Argentine President Mauricio Macri has openly expressed a desire to open integration efforts between MERCOSUR and the Pacific Alliance (Stratfor, 2017). This opening of markets and expansion of regional power could be beneficial to all parties. Argentina and Brazil do a lot of business with the US and Mexico. A renegotiation of NAFTA and an increase in US tariffs would harm the expansion of inter bloc integration because MERCOSUR would seek to distance itself from the harms the Pacific Alliance would be facing. However, Argentina and Brazil were exempted from the recent steel and aluminum tariffs imposed by the US and have therefore dodged that risk. Nevertheless, an expansion of US protectionism in the future could pose a significant harm to industries in MERCOSUR member countries, and further exemptions are not a guarantee.

Venezuela is currently a suspended member of MERCOSUR, but still effects the economies of South America. A rise in US oil production during the Obama administration and the subsequent price war between US oil companies and the Organization of Arab Petroleum Exporting Countries (OAPEC) led to downturn in Venezuelan Oil that has created an economic crisis in Venezuela that has persisted for over six years. Venezuela had issues with inflation and shortages of consumer goods before the crisis. Of Venezuela's revenue, 9 of every 10 US Dollars in revenue came from oil (Field, 2013). The price war led to oil prices cutting in half and a significant crash in Venezuela's income stream. This created shortages in all goods, hyperinflation, record unemployment, rioting, violence, and a broad destabilization of the country. Donald Trump has expressed interest in investing more into US oil production and oil

production in the Gulf of Mexico. Protectionist policies surrounding US energy production would only perpetuate the harms that have occurred in Venezuela.

Another consideration is the introduction of Mike Pompeo as the new US Secretary of State. Rex Tillerson, former secretary of state, had a tumultuous relationship with President Trump. Tillerson often was potentially more centrist than Trump was looking for, finding common ground with North Korea, Iran, and others. Trump is replacing Tillerson with former CIA Director Mike Pompeo, who is a less known quantity. All signs, however, would suggest that Pompeo is going to be more in line with President Trump's goals for foreign policy. These goals are protectionist and to a degree isolationist. Trump has threatened leaving NATO and has been against many of the UN's policies. How Pompeo will directly affect South America is yet to be seen, but instability in the US Department of State is threatening to any trade bloc participating in a significant amount of trade with the US.

The second venue in which to identify threats to South American trade blocs is their relationship with the European Union. MERCOSUR was formed in the same year that the EEC was reformed into the EU and since that time has been seeking increased trade liberalization with the EU. The Pacific Alliance is new and growing and has instituted reforms to model itself more like the EU (Sultana, 2016). Both MERCOSUR and the Pacific Alliance have considered a common currency and open travel between borders. The success of the EU has been a model for South American blocs, but what are the risks concerning the EU's failures?

Recently, the EU and MERCOSUR have been engaging in talks to expand beef exports to the EU and automotive imports to MERCOSUR (Reuters, 2018). These deals



have yet to be finalized, but play a part in the trending partnership across the Atlantic. Partnering with the EU is risky at this juncture for MERCOSUR. The effects of Brexit will not be fully realized until months after next March, when it is scheduled to take full effect. Elections have been more in favor of nationalism in France and Germany than in years past. Angela Merkel had to take a more nationalist position after this previous election pulled German politics in that direction. The European Union is in a volatile position and could be a harmful investment for MERCOSUR.

In response to the US's tariffs on steel and aluminum, both the European Union and China have been planning retaliation tariffs against the US. Tariffs on certain products that are directed at the US but do not provide immunity for South American countries could put exports at risk. Trade wars and tariff retaliation in general drives prices up, which makes it more expensive to import goods. Nationalism in the EU has also come with a focus on building up security. The US's threat to leave or not support NATO coupled with security risks posed by terrorism, unassimilated immigrants, and Russia has caused the EU to discuss expansion of security forces. Losing the UK deals a significant blow to the ability to create a strong standing army because the UK has the strongest military in Western Europe. The EU has announced plans to develop and institute a defense union by 2025 (European Commission, 2018). This ultimately makes the region and the world more unstable. The US, China, and Russia are all increasing defense spending. Russia is actively involved in conflict in the Ukraine and Syria. The Middle East is completely destabilized. China is instituting harsh Geopolitics in Southeast Asia. India and Pakistan have been in a continuous conflict. President Donald Trump has already announced the use of the US military to defend their southern border

from Mexican and Central American immigrants (Sánchez, 2018). This is the largest arms buildup and mobilization of military presence across the globe since the Cold War and is largely due to nationalist rhetoric that is disengaging countries from diplomatic methods.

South America is not directly affected by this rising tension. However, a conflict between developed countries could have ramifications on the longevity of trade blocs in the region. Also, security is an important asset to have that is provided by these organizations. Should conflict breakout internationally, it would put these blocs to the test stressing their commitment to security and each other. Furthermore, the exports from South America are largely agricultural, primary resources, or manufactured goods. These are the products that are the most essential to sustain a large international conflict and therefore are the most vulnerable industries should a conflict arise.

MERCOSUR, the Pacific Alliance, and the Andean Community have all been working to establish some trade avenues with the European Union. The window to lock in these arrangements may be closing soon. The factors that led to the rise of these nationalist movements have not been solved. Nationalism is still gaining ground in Europe and therefore the likelihood of trade liberalization being an EU priority in the future is becoming slimmer and slimmer. These blocs run the risk of not being able to establish these agreements if they are not able to work out the deals soon.

### **Internal Risk Factors**

The governments and leaders of South America have had political changes in the last few years that does not necessarily follow the trend of the rest of the world. This political change represents a move away from the status quo of politics we saw in the preceding era. Before 2007, we saw an explicit relationship between MERCOSUR and the US. The United States sought increased trade liberalization with MERCOSUR but explicitly Brazil and Argentina. At that time, Brazil and Argentina was controlled by leftist nationalist who favored protectionism. The US would hold meetings on expanding trade liberalization with the two countries and could not establish a deal due to the political desires coming from the nationalist voice. Today this has shifted in the opposite direction. Donald Trump and other nationalists are have taken the lead in US Trade policy and are establishing tariffs and their protectionist policies. At the same time, Argentine President Mauricio Macri has become fully engaged in increasing Argentina's relationship with the rest of the world. Also, Brazilian President Michel Temer has also expressed interest in MERCOSUR having greater trade liberalization with external economies. MERCOSUR is now coming to the US to negotiate freer trade and the US is making it harder for industries in MERCOSUR to do business with Americans.

Internal risks are among the greatest risk to MERCOSUR moving forward. The nationalists in the Argentine and Brazilian governments have not gone away for good. Politics in these countries often happens in cycles and it is not unreasonable to believe that isolationism and protectionism will be back in play eventually. The risk is that there is an indefinite time limit of how long support will be available for expansionism.

Accomplishing goals like furthering integration between MERCOSUR and the Pacific Alliance or adding other countries to the large blocs, like Bolivia, could become harder in the future.

What is the potential for these nationalist movements to resurge? Looking at where they came from is important. From the 1980s to the 1990s many countries in South America went through neo-liberal market led reforms. These reforms included financial deregulation, opening of trade, privatization, and fiscal stringency. Ultimately this did not lead to sustainable development for the region (Rivera, 2014). GDP stagnated, inequality rose, and due to this an opposition to neo-liberalism was formed. As a reaction, leftist anti-American protectionist policies rose to the top on waves of rising leftist nationalist politicians. Venezuela formed the Bolivarian Alternative for the Americas, an alliance with Cuba, Bolivia, and Nicaragua to promote protectionism and anti-American trade policies.

A counter movement of pro-western engagement in the Pacific Alliance and MERCOSUR consisted of those that are making policy decisions today. Ultimately, results create sentiments. Being able to translate trade liberalization to benefits for the working class is important in preventing a return of internal nationalism. At this juncture, MERCOSUR and the Pacific Alliance are seeking greater trade liberalization while the developed world is moving towards nationalism. This inherently makes these efforts increasing more difficult. Should expansionist policies fail due to a lack of external support or commitment from a country like the US or the UK, a reaction to the policies failure and the subsequent harms incurred could be an increase in nationalism and a return to the protectionism and isolationism.

Another consideration of the risks that nationalist movements impose internally, is the idea that nationalism often is cousin to increased authoritarianism and threatening to healthy democratic expression. In Germany, the returned rise of the nationalist socialist ideals and political parties within the formal structure of government poses this kind of threat. The Alternative for Germany (AfD) proposes an increase of federal power to introduce sweeping changes to tread on the rights of immigrants and their supporters (Wildman, 2017). They believe an increase of federal authority to control the people, trade, industries, and in many ways culture of the country is the “alternative” that is necessary for the benefit of the nation. This rhetoric ultimately leads to discrimination, disenfranchisement, and less freedom for the people as a whole.

Nationalism in Venezuela has been enacted through authoritarianism. The government controls profitable industries like oil, access to goods and services, and in economic crisis the distribution of the finite amount of resources that they have. Being open to assistance that has been offered from the US or Brazil is not an option because of the perceived harms of international collaboration with the west and regional powers. Opposition leaders have been imprisoned to protect the political elite from upheaval. Venezuela is one of the more authoritarian countries in the region (BBC, 2017). It was suspended from MERCOSUR because it was failing to show a commitment to Democracy. The countries of the Pacific Alliance and MERCOSUR are still developing, do not have the strongest of institutions, and are vulnerable to corruption. Nationalism’s threat to democracy in these countries must be attended to. Requiring a commitment to democracy, often these blocs have prevented harsh political change and the fall of democracy. MERCOSUR halted a potential coup in Paraguay on threat of long term

suspension (BBC, 2012). Chile and Peru have gone to greater lengths to be more democratic in order to establish trade arrangements with MERCOSUR. However, MERCOSUR has been vulnerable to letting this rule slide if the benefits are there. They admitted Venezuela despite an authoritarian past and only suspended them after the political climate had deteriorated significantly. Should nationalism create a political shift away from democracy in a country like Argentina or Brazil it would destroy the bloc to suspend the country, but would also significantly harm the institution to allow this to happen.

Another internal threat is based on what response is taken to nationalism in general. It is important not to be reactionary. Reactionary thinking leads to things like trade wars which could potentially be happening with the US and China. Policies must be thought out, considered, and analyzed. Nationalist movements often push reactionary policies. It is easy to make an equally reactionary response, but difficult to deal with it in a more thoughtful way. Reactionary policies can lead to immediate harms for your own population. Donald Trump's steel and aluminum tariffs have caused other countries to look at taxing US agricultural exports. This would directly affect farmers and their families, of whom a majority supported President Trump (Stoil, 2018). This could have political ramifications on top of the apparent harms to the welfare of these people.

Reactionary policies harm the integrity of trade blocs. The USA's tariffs caused a scare amongst NAFTA supporters that the relationship between those countries was about to be significantly changed. In South America, countries need trade blocs to work on international projects such as the governance of waterways and highways, natural resources, infrastructure projects, and other things that benefit the development of the

nations there. There is much more potential benefit in international project cooperation between developing countries, however reactionary policies can harm these the most. Trade blocs make negotiating these agreements easier, however, they are still pretty delicate. National interests in both countries, international interests of larger organizations and neighboring countries, local interests, environmental impacts, economic impacts, and distribution of costs are a few among many considerations that have to be accounted for. Reactionary policy can stifle or kill projects that have been in the works for years because all the necessary considerations were not made.

Mercosur and the Pacific Alliance has done a fairly good job at minimizing internal threats and building up the political structures of member countries to be stronger than they were before. They have mostly avoided reactionary policies while correctly identifying threats and combating them. Being able to realize a potential for harm arising within the social or political structures and being able to adequately respond to that potential in these blocs is essential moving forward. Both MERCOSUR and the Pacific Alliance are stronger than they have ever been but success and conflict comes in cycles therefore it is important to build off the success they have had and past issues to be prepared to deal with conflicts as they rise in the future.

## **Proposal**

South American blocs have risks and opportunities when it comes to the rise of nationalism around the world. Economic integration and trade liberalization in the EU, the US, and other developed countries is under fire from a political backlash of protectionism and isolationism. So, what can blocs like the Pacific Alliance and MERCOSUR do to mitigate harms in the future or outright prevent the consequences of nationalism effecting their blocs? A necessary response to external threats is to increase regionalism a liberalization within and between blocs in order to gain increased bargaining power and also facilitate further development of multinational infrastructure projects. In regards to internal risks, a few steps can be taken. Politicians should be public and transparent with their intentions, engage directly with nationalist ideals, and communicate the benefits of globalization to the working class. These actions are a significant step in preventing and mitigating the harms of rising nationalism.

The Inter-American Development Bank outlined in a 2016 study that only 3% of trade done by the Pacific Alliance is conducted intra-bloc. This is supported by a publication from the World Bank in 2015 that also adds that less than 15% of trade in MERCOSUR is intra-bloc and that neither have expanded internal trade since 2006. Intra-bloc trade is an opportunity that is being missed in general, but within the scope of external threats, it could be a way to mitigate the harms that come from rising nationalism. An interdependent South America would be stronger to face the issues surrounding protectionism abroad.



This has the greatest potential in the Pacific Alliance specifically. Mexico is a major industrialized producer and has leveraged NAFTA to funnel goods into the consumer population of the US. With the threat of a NAFTA renegotiation on the line, Mexico should turn its prospects towards further regionalism. Increasing trade liberalization between the Pacific Alliance and MERCOSUR could enable Mexico to have similar advantages exporting to countries like Brazil and Argentina who already have a stronger foundation for engaging in regionalism. MERCOSUR does 3-4% more intra-bloc trade than trade with the US. This is still only at 14% and has plenty of room to grow, and shows a willingness to commit to regionalism greater than that of the Pacific Alliance. Lowering the amount of total trade done with the US and increasing the amount of trade done with South American countries will reduce the impacts felt by the Pacific Alliance due to the ramifications of US protectionism.

Furthermore, increasing inter bloc integration and political and economic unity with South America will increase the bargaining power of the region with the rest of the world. Argentina and Brazil were able to secure exemptions from the steel and aluminum tariffs instituted by the US because they had the necessary bargaining power to protect themselves. MERCOSUR and the Pacific Alliance should commit to bargaining for these types of exemptions together. This puts more at stake for the US and further incentivizes them granting the exemption. Furthermore, countries like Peru who would have a difficult time gaining these on their own would have the advantage of being a part of a greater negotiating body. This already exists in the status quo, however an increase in threats necessitates a recommitment to capitalizing on the strengths of these blocs.

Another way to mitigate the external threats, would be to focus investment on multinational infrastructure projects. One of the greatest differences between developed and developing countries is access to infrastructure. Collaborating on projects like railroads, highways, hydroelectric dams, sea ports, and environmental protection will open up new markets and expand economic opportunities for the region. This is also a way to incentive intra-bloc trade. South American blocs are wired to make this more effective because of the shared resources and importance of border interactions among populations.

Should the current rise of nationalist movements curtail and regress, it would still be beneficial to have established stronger regional affiliations and interests. South American blocs and countries have to seize the opportunity of western powers being divided. Being able to strengthen the region as a whole will give these blocs a larger seat at the table when the developed countries return to global engagement.

Nationalist movements are often populist and are therefore led by the desires and will of people pushing the movement forward. In order to combat these movements, you have to relate to those people. Nationalist politicians often characterize traditional politicians as corrupt, unconcerned, or asleep at the wheel. Populism is often the result of a reaction and if you want to halt the reaction you must show that those characteristics are untrue. Publicly express your interests, concerns, and motives. Show people that you are explicitly concerned with their interests. Also, explain clearly the benefits of globalization to the individual. These benefits come in the form of cheaper goods and better trading power due to specialization. Engagement allows for cooperation on infrastructure projects and nuanced approaches to labor relations. These are all benefits to

the working class that are not easily discernable. Therefore, it is the job of policy makers to be clear about what these benefits are and how they affect day to day life.

Where there is a lack of clear and honest communication the gap will be filled with miscommunication and misinformation. Populists tell the people what they want to hear, not necessarily the truth. They utilize passion to push forward their own agenda and to achieve power. Organizations and institutions that fact check politicians catch populists in these lies all the time however they still seem invulnerable. This is because those that are being emotionally driven already chose passion over facts. Moreover, these politicians attack these institutions as corrupt. The “corrupt media”, “fake news”, “liberal controlled media”, these are all ideas that many have bought into and those that have not often consider it a wash, that both sides are right or wrong equally. There is a void of honest dialogue between policy makers and the people. Being able to create that dialogue could take away this opportunity and push back nationalist and populist sympathies.

These are options that can be taken to mitigate the harms of nationalism. External threats necessitate the growing of regional strengths and internal threats necessitate a clearer relationship with the citizenry that supports the movements. Recognizing options going forward will allow for blocs to be better prepared for the effects of these growing protectionist trends.

## **Conclusion**

Trade Blocs have become a vital tool for the future of development, cooperation, and security of South American countries moving forward. There is a rich history of international cooperation between these countries. Around the world Nationalist movements have grown substantially. Over the last decade they have gained increasingly more power to dictate the way western liberal democracies interact with the rest of the world. In the UK, France, Spain, Germany, USA and many other places these movements have risen to prominence. It is in the interest of South American trade blocs to mitigate the harms imposed from these blocs and capitalize on the opportunities. Being able to bolster regional cooperation and the strength of the trade blocs that currently exist is extremely important. This will benefit South America in its dealings with external nationalism but also with the world after the nationalist movements pass. Furthermore, policy makers must be transparent about their intentions and the benefits of global engagement to the working class. This will bolster support for trade blocs but also combat any nationalist threats at home. The goal is ultimately to allow the countries of South America, in these blocs, to continue to reap the benefits of these trade organizations in the future.

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