

BUSINESS ASSOCIATIONS OF COLOMBIA AND VENEZUELA IN REGIONAL INTEGRATION POLICY: AN INTERNATIONAL RELATIONS APPROACH

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I. INTRODUCTION

This is an analysis of the participation and/or reaction of two business associations (ANDI from Colombia and FEDECAMARAS from Venezuela) to the establishment in 1994 of a free trade agreement among the members of the Group of Three (Mexico, Colombia, and Venezuela), with the aim of assessing their role in the configuration of this new regional policy. Our point of departure can be summarized in the following questions: where can we find the causes of national preferences for regional integration in the 1990s? In the international state system or in the domestic sphere? And, if it is in the latter, shall we start by looking at organized interest groups affected by integration decisions? What light can these studies shed on the internal power configuration and on national preferences?

This article is divided into three sections: first, we revise some central lines of thought about regional integration and international relations theories; second, we evaluate ANDI's and FEDECAMARAS's position toward the G-3; and, in the last section, we discuss the implications of this research for further studies.

II. THE THEORY OF REGIONAL INTEGRATION AND INTERNATIONAL RELATIONS

In the late 1950s Haas opened the way to the study of regional integration from a neo-functional point of view. According to him, regional integration is a process which involves some degree of institutionalization and produces changes in the expectations and activities of governmental and non governmental political actors. His central thesis is that the process of regional integration has an expansive logic, according to which integration within one sector tends to have its own impetus and spread to other sectors (Tranholm-Mikkelsen 1991:6). This "spillover" mechanism affects the behavior of economic elite who develop the perception that their interests are better served by supranational solutions

and they put pressure on unintegrated sectors to be included in the process (Haas 1958:199)¹.

If we consider regional integration theory in the context of international relations theory, we can place it within the present debate between neo-realism and neo-liberalism. Haas' ideas belong to the second group of theories that emphasize process (interaction and learning) over structure (anarchy and the distribution of power). According to these theories "the process of creating institutions is one of internalizing new understandings of self and other, of acquiring new role identities, not just of creating external constraints on the behavior of exogenously constituted actors" (Wendt 1992:417). Wendt represents this line of thought and for him "actors do not have a 'portfolio' of interests that they carry around independent of social context; instead they define their interests in the process of defining situations" (Ibid. 1992:398). Accordingly, the first stage in the transformation of a competitive system into a co-operative one --by means of integration -- is the breakdown of consensus or satisfaction with the pre-existing situation and its implicit or explicit identity.

The neo-realist versus neo-liberal debate in international relations has paralleled that of the first-image, second-image, and/or third-image explanations (Powell 1994:315). Authors working within these approaches place the causes of international relations in the behavior of states equated with individual actors, in domestic politics or in the state system itself, respectively. The second-image explanations have the advantage of discarding the idea of the state as a unitary actor and breaking it into more basic units (Ibid. 1994:324). Domestic political power and the internal groups that compete in order to have their preferences recognized in a given international policy become part of the game.

Turning to domestic politics to help explain international policy outcomes such as integration requires a look at the theories that explain policy output in domestic politics. Gourevitch (1996:350) has classified them in two: "preference-driven" and "institution-driven" theories. The first group considers public policy the outcome of what society wants, while for the second it is the output of a process defined by institutions. In the moderate version of these schools, the two variables interact and preferences shape institutions while institutions shape preferences. (Ibid. 1996:351) The main question remains what causes governments to commit themselves to certain foreign policies and what causes them to abandon those commitments. For Gourevitch (1996:352, 362, 379) this can be answered if we disaggregate the various countries into component constituencies that struggle over costs, benefits, and power. Constituencies in each country find common ground with their allies in other countries and construct a regime that will have to provide enough benefits for the winners as to overcome the

losers in each country. In this sense, it can be said that the credibility of any international arrangement rests on the convergence of domestic interests and politics.

Putnam (1988:430) has added several interesting elements to this debate with his concept of the two-level game in which decision-makers find themselves affected by the combined pressure of domestic and international factors. As domestic elements become more heterogeneous, more transnational alignments are possible, and this increases the ability of decision-makers to reach a negotiated deal because there will always be one or more domestic sectors which will benefit from it. Putnam recognizes that this two-level game is a simplification of multiple domestic levels of support or ratification for any given foreign policy (1988:445, 449).

Moravcsik (1993:474) has gone into greater depth with this concept while at the same time developing an alternative approach to neo-functional theories of regional integration. He calls "liberal intergovernmentalism" the process by which economic interdependence influences national interests and international negotiation, and the resulting international institutions help governments achieve domestic goals. For this author, "neo-functional analyses of international bargaining point to the existence of dynamics ...but offer no explanation ... of how governments choose among them" (Ibid. 1993:477).

Liberal intergovernmentalism explains regional integration by sequential analysis of national preference formation and intergovernmental strategic interaction (Moravcsik 1993:480). While for Putnam domestic politics are important at the ratification level; i.e. during and after international negotiation, for Moravcsik domestic politics determine national preference formation before interstate negotiation. His general framework is based on the concept of rational state behavior, within which the costs and benefits of economic interdependence determine national preferences, as articulated by domestic groups. This does not mean, however, that foreign policy proposals have to originate in explicit societal demands, but rather that state leaders construct governing coalitions with influential groups whose interests they tend to articulate into policies (Ibid. 1993:480-481, 483).

What is necessary for international agreement is that the interests of dominant domestic groups in different countries converge; if they do not, coordination will not take place. Conversely, if societal pressure is ambiguous, weak, or divided, state negotiators acquire added strength to lead the negotiation of a foreign policy with ample discretion. (Ibid.:487, 484) In situations where governments are able to act independently of groups disadvantaged by a policy, the neo-functionalists emphasize the autonomy gained by supranational officials, whereas the liberal intergovernmentalists

suggest that the autonomy of national leaders is central. For Moravcsik "it is not simply pressure from domestic exporters that generates pressure for free trade, but also the desire of governments to employ international agreements to force adjustment on domestic producers in the interest of overall growth and efficiency -- a 'two-level game'." The main difference between neo-functionalism and liberal intergovernmentalism lies in the fact that the former emphasizes domestic technocratic consensus, and the latter centers on domestic coalition struggles (Ibid.:491, 518).

Thus Moravcsik's ideas need some precision regarding the process of the constitution and reconstitution of domestic coalitions under conditions of struggle. We have chosen as our guideline in this field the literature on the political economy of structural adjustment, as summarized by Acuña and Smith (1996). Even under conditions of acute crisis in which only one policy alternative is available, its application would vary according to the diverse historical linkages established between some sectors of society and the state (i.e. according to the different coalitions previously formed or to the newly developed ones that arise in response to the crisis). Acuña and Smith divide businessmen into three categories: one minority that wholly supports structural adjustment measures, another minority that strongly opposes them, and a larger segment that can not see any alternative to those measures and may support or reject them. The last category is the decisive one, but if it is not well organized, and/or is affected by internal fragmentation and incomplete information, the state can choose to establish a dialogue with some members of the economic elite, who become its partners in specific policies, such as that of regional integration. This process contributes to the development of a dual democracy in which power and benefits tend to be limited to the winning coalition, leaving aside the rest of society. (Acuña and Smith 1996:381, 385).

After placing our research into the mainstream of international relations theory, we will make some further comments before proceeding to analyze the role of Colombian and Venezuelan business associations in the establishment of a free trade agreement between Colombia, Mexico, and Venezuela. The concept of regional integration has had a long history in the Caribbean Basin where it began not with one but with several parallel schemes, such as the Central American Common Market (1960), the Caribbean Free Trade Association (CARIFTA, 1968), and the Andean Pact (1969). The emergence of three different schemes of integration showed from their very beginning that the region was divided by diverse political, economic, and even cultural orientations, which limited governmental preferences when looking for some form of unifying regional arrangement. The formation of the G-3 in 1989, which emerged out of the Contadora Group (Mexico, Colombia, Venezuela, and Panama), was the first attempt at

organizing an arrangement centered upon co-operation toward Central America and the island Caribbean nations (i.e. centered in the Caribbean region). In a parallel process, while the G-3 was establishing a free trade agreement among its members, CARICOM obtained the Group's support for the creation of the Association of Caribbean States (ACS), the first pan-Caribbean institution which included independent nations as well as non-independent territories located in and around the Caribbean Sea. Thus the 1990s witnessed the strengthening of intra-Caribbean links including the notion of a collective identity and a collective path to development.

III. ANDI AND FEDECAMARAS VIS-À-VIS THE FREE TRADE AGREEMENT OF THE GROUP OF THREE

In this section we explore the position of ANDI and FEDECAMARAS toward the process of formation of the free trade agreement of the G-3 and their participation in it. In the case of Colombia, the National Association of Industrialists (ANDI) constitutes an "umbrella" organization that in addition to the industrialists, includes agroindustrial companies, and financial and commercial interests. Its members are not only rich, but are also socially and politically important, and since its creation ANDI has played an important role in Colombian politics (Juárez Anaya 1993:15-16).

Colombia was one of the first Latin American nations that promoted a subregional integration agreement in the sixties as a response to the failure of the Latin American Free Trade Agreement (ALALC). Since then, Colombian businessmen have had to take position and participate in one way or another in the integration process through the Andean Pact. A research project conducted at the end of the 1970s concluded that Colombian businessmen were not interested in the Andean market because they were satisfied with Colombia's internal market and because they were opposed to any form of industrial planning that would imply larger state participation in the economy (Puyana 1981). Later work on this subject, however, arrived at conclusions that contradict the above mentioned study.

In recent literature a consensus has emerged suggesting that Colombia and Chile were the true engines of the process of formation of the Andean Pact in 1969, as the extent of their industrial development allowed them to obtain greater benefits within the regional market (Mace 1991:3).² Also Colombian entrepreneurs had a favorable position toward integration due to the fact that the government had included in its integration policies subsidies and credits and had created a special agency, PROEXPO, in order to promote non-traditional exports, i.e. mainly manufactured products (Mytelka 1979:96-97). In addition, the internal fragmentation of ANDI

permitted the state to use income generated from its intervention in the economy to control possible opponents. The tactic was to keep them "collectively weak and individually satisfied" (Mares 1993:460, 468).

In the 1990s, regional integration acquired a new dimension for Colombian businessmen. The Center of Economic Research, FEDEDESARROLLO, carried out two polls looking at the opinion of Colombian industrialists regarding liberalization. One of these surveys was done at the beginning of 1993 and the other, in March of 1994 (Cantilo Vásquez 1994). The first found optimism with respect to businessmen's ability to compete internally and to export. The second poll showed that this optimistic tone had disappeared and only trade liberalization with Venezuela, which began in 1992, obtained a high level of acceptance. There was pessimism toward the competition of imported products due to the high costs of national input, services and credits; also the number of exporters who believed that their sales would not increase due to liberalization had gone from 21% to 32% in less than a year. Businessmen, however, manifested themselves in favor of commercial liberalization and their complaints were related to internal problems that made them less competitive (the re-evaluation of the Colombian peso, inflation, deficiencies in transportation, etc.)³.

After 1992, when a bilateral trade agreement with Venezuela was signed, the free trade agreement that sparked the most interest within ANDI was that of the Group of Three. Since the beginning of discussions on this agreement, Colombian businessmen were in favor of a gradual negotiation, a position shared by the Colombian-Venezuelan Chamber of Commerce and Integration (*La República* September 3, 1992, and November 12, 1992, quoted in Tokatlián and Cardona 1993:50-51; *Clase Empresarial* 1994, 9:24). In March of 1994 the Vice President of Foreign Commerce of ANDI declared that "the desire to advance at an accelerated pace in the negotiations pushed the government to make political decisions that did not consider the specific conditions of each sector, ...nor the different treatments that each required" (Puyo Falla, 1994:16).

Two months later ANDI expressed their concern to President César Gaviria regarding the signing of the free trade agreement of the Group of Three. ANDI believed that the agreement should not be signed as it was worded because it failed to take into account the industrial asymmetry of Colombia and Venezuela compared to that of Mexico (*Revista ANDI* 1994, 128:3-5; Garay 1994:202-203). In the same vein, the tariff benefits granted by Mexico toward its eventual partners were less than those granted to the United States and Canada under the North American Free Trade Agreement (NAFTA), which made it practically impossible to make any important inroads in the Mexican market (Puyo Falla 1994:91). In response to ANDI

Gaviria declared that during negotiation of the G 3 free trade agreement more than 1,880 hours of meetings had been conducted with different sectors of the Colombian private sector (Revista *ANDI* 1994, 128:7). Thus, although ANDI did not accept the signing of the free trade agreement, this association had actively participated in the conversations leading to its establishment. ANDI's participation in the process before the signing was also documented by its President, Carlos Arturo Angel Arango, (Revista *ANDI* 1992:3-5) who declared in 1992 that the association was ready to participate in the negotiations given that they had already done 24 studies of specific industrial sectors and their capacity to adapt to free trade with Mexico.

In summary, in the Colombian case ANDI went from its initial support of the Andean Pact, which was briefly reactivated at the end of the eighties, to neglecting it and looking for other more concrete options. Among these options, the one that obtained the most support was the bilateral free trade agreement with Venezuela. In the case of the G-3, although ANDI was consulted, the government made the final political decision, ignoring the objections of the business association. It is clear, however, that Colombian business associations wholly supported the idea of regional integration.

The Venezuelan Federation of Chambers and Associations of Commerce and Production (FEDECAMARAS) is a private and voluntary organization of Venezuelan entrepreneurs that includes chambers of commerce, sectorial associations and other regional groups, covering the industrial sector, banks, insurance, construction, agriculture, agribusiness, and the petroleum industry (Becker 1990:123; Urriza 1984:22; Gil Yepez 1978:126)⁴.

The position of FEDECAMARAS on regional integration has been studied in detail by Urriza, Gil Yepez and Frambes-Buxeda. Although in 1969 FEDECAMARAS succeeded in preventing Venezuela's entry into the Andean Pact, in 1972 a division within this association resulted in the Venezuelan government being able to enter a year later. (Frambes-Buxeda 1990-1991:59) Under the first presidential term of Carlos Andrés Pérez (1974-1979) the development of new economic sectors linked to state bureaucracy, to the international bourgeoisie, and oriented toward the international market increased the internal fragmentation of the Venezuelan private sector. (Purroy 1982:275)⁵. New business groups, led by Pedro Tinoco, Carmelo Lauría and Gumersindo Rodríguez, displaced more traditional entrepreneurial groups (Mendoza, Cisneros, Machado, Phelps, among others) and used their privileged position to influence Venezuelan economic policies. (Coronil and Skurski 1982:70)

Between 1981 and 1984, despite the fact that the internal confrontation remained between CONINDUSTRIA (the National Industry

Council that represents the industrial manufacturers sector) and CONSECOMERCIO (National Council of Commerce and Services that represents the commercial sector), both members of FEDECAMARAS, the association was able to articulate "a unified position" vis-à-vis the Andean Pact. Thus, in 1983 it advocated for the incorporation of the business sector in the evaluation of the Pact, in the realization of sectorial analysis by country, and in the definition of development priorities, (Urriza 1984:159-161) implying that the association admitted that Venezuela should remain within the Pact.

How did FEDECAMARAS react vis-à-vis the reactivation of the Andean Pact in the second half of the eighties and vis-à-vis the bilateral trade agreement with Colombia in 1992? In the first case, FEDECAMARAS declared that they were in favor of extending Andean integration, (De Armas 1986) although the majority of the opinion polls among business associations (BID-INTAL 1992 and Salgado and Urriola 1991) showed contradictory results. On one hand, they had a more favorable general position regarding integration, and on the other hand, it was obvious that Venezuelan business associations were more concerned with their relationships with the U.S. and European markets than with the Andean market, with the exception of the Colombian market.

In regard to the opening of free trade with Colombia, the declarations made by leaders of FEDECAMARAS to the Caracas newspaper *El Nacional* between 1988 and 1993 show two phases. In the first, before the bilateral agreement was signed, there were more positive references to integration, whereas from 1992 on the companies aligned according to their sectorial interests and increased their objections and complaints. At the same time, there were references to the negotiation of agreements with Colombian business associations both between the sectors that considered themselves benefited by the agreement as well as between those that considered themselves harmed (Torres 1996). In this sense, a FEDECAMARAS document highlighted as the most positive aspects of integration the linkages that were being established between business associations within the region (the Andean Entrepreneurial Council, the Andean Council of Exporters, the Andean Federation of Textile Industries and the binational chambers) (FEDECAMARAS 1993).

Two documents produced by the International Affairs Office of FEDECAMARAS (FEDECAMARAS 1995 and 1994b) show that the private sector had participated in the G-3 negotiations and that its interest in Mexico was based, first, on the size of the Mexican market (a population of 80 million) for potential Venezuelan non-traditional exports, second on the possibility of attracting Mexican capital and finally on participating in joint ventures in the areas of tourism, petroleum, gas, mining, agriculture,

telecommunications and finances. The second document recommended that Congress ratify the free trade G-3 agreement as they hoped to reap benefits in terms of preferential access to new markets.

The position of FEDECAMARAS did not mean, however, that there had not been any previous internal disagreements. In October of 1993, CONINDUSTRIA complained that they had been marginalized from the negotiations. Its objections were similar to those of ANDI given that the G-3 did not foresee measures to offset the relatively minor development of the Colombian and Venezuelan industries compared to the Mexican industries. After the national elections in December 1993, the new government appointed one of the principal spokespersons of CONINDUSTRIA to direct the negotiations of the technical aspects of the G-3. In the first few months of 1994 some of CONINDUSTRIA's complaints were accepted and the Venezuelan government obtained support from FEDECAMARAS (for more details see Giacalone 1995).

In summary, although the initial positions toward regional integration of the Colombian and Venezuelan business associations were different in the 1960s, during the eighties the two supported the reactivation of the Andean Pact based on production for the export market. When the Andean Pact proved incapable of progressing in this direction with the speed that entrepreneurs wanted, both business associations turned their attention toward a bilateral agreement between Colombia and Venezuela. Although the Group of Three also attracted them, their support of this agreement was not unconditional.

In both cases, the driving force behind the negotiation of integration was the government.⁶ When the government asked for their opinion, the associations only managed to get some of their objections of a technical character included in the discussions. In general they did not demonstrate the same strength that FEDECAMARAS had in 1969 when it was able to postpone Venezuela's entry into the Andean Pact until 1973. It is worth noting as well that during the negotiation of the free trade agreement there was a higher level of co-ordination between Colombia and Venezuela at the governmental level than between ANDI and FEDECAMARAS or even between specific industries (textile, chemical and automotive sectors, for example (Rojas 1997:379, 381).

In the case of FEDECAMARAS, its loss of power to influence integration policy can be linked to the emergence of powerful economic groups that exert direct pressure on the government without the mediation of the business associations. This tendency existed in 1980 when a poll taken among members of CONINDUSTRIA and the Chamber of Industry of Caracas revealed that 60% of these entrepreneurs turned to their associations in order to exercise influence on economic policies, while the rest preferred

dealing directly with the state representatives and officials (Story 1986:119). This tendency peaked after 1983 when the economic model based on Venezuelan petroleum resources entered into a crisis situation. Since then FEDECAMARAS has lost representativeness in and influence over the government.(Gómez 1989:106) The appearance of other business groups able to exert direct influence upon government coincided with a tendency observed in other Latin American nations during the eighties (see Boschi 1992:204-205; Story 1986:117).

Also the tendency toward the transnationalization and the concentration of capital favored the largest economic groups. In Venezuela some of them were powerful enough to benefit from adjustments in the currency after the foreign debt crisis because they had secured their money in other countries prior to the devaluation of 1983. They also benefited from the preferential exchange rate granted to entrepreneurs for the payment of their own private debt or because their knowledge and managerial resources allowed them to better handle the new economic situation (Gómez 1989:124-125). This phenomenon also determined the transnationalization of Venezuelan capital, which in general terms always has had a favorable orientation toward establishing links with foreign capital (Story 1986:116). Furthermore it produced a growing division between businessmen: whilst the small and medium-sized entrepreneurs oftentimes had to liquidate their companies, the larger ones were able to buy them up with cheap Venezuelan currency. Previously FEDECAMARAS had to confront the problem of the division between the industrial and commercial sectors, now it must face the transnationalization and concentration of capital which strengthened a business sector that avoids the intermediation of FEDECAMARAS because it can exert pressure directly on the government. Although it may sound contradictory, the ability to exert influence on the government has remained important for the large economic groups, given that macroeconomic policies such as monetary exchanges depend on governmental decisions (Gómez 1989:127-130, 135).

In the case of Colombia, Weeks has revealed a similar process of concentration of capital in the industrial sector as in Venezuela, which Ocampo Gaviria and Villar Gómez have linked to its exporting capacity. The last study, based on data from a 1990 poll, found that exporting firms were larger, had more capital, technology, and skilled labor, as well as being less dependent on domestic raw materials. In Colombia factors such as natural resources and unskilled and skilled labor have been sources of comparative advantages for exports, while the intensity of capital has been a comparable disadvantage,(Ocampo Gaviria and Villar Gómez 1993:147) a fact that fostered a process of greater industrial concentration and the search for links with non-Colombian capital (transnationalization). An analysis of

the destination of Colombian exports indicates that natural resources and unskilled labor are important for traditional exports to developed countries, while modern (non-traditional) exports to regional markets require more skilled labor, technology and capital. Businessmen oriented toward these regional exports would also be more inclined to exert influence on regional integration policies⁷.

IV. BUSINESS ASSOCIATIONS IN REGIONAL INTEGRATION POLICY

If we apply the approaches of Haas, Gourevitch, Putnam, and Moravcsik to our case studies, we find some evidence of the "spill over" effect, especially in the economic field, as transnational business associations are being formed and entrepreneurial meetings are more numerous and well attended since January 1995. Moreover the official discourse of both associations presents a more co-operative vision (Cárdenas 1997). Thus, Gourevitch's emphasis on the formation of transnational constituencies or of transnational links among constituencies equally affected by a foreign policy seemed irrelevant during most of the negotiation of the G-3 free trade agreement, but may have deepened since its implementation because of increased contacts and communication between business associations and individual entrepreneurs.

Regarding Putnam's two-level game theory, state negotiators from Colombia and Venezuela seemed to enjoy considerable freedom of action when facing pressures from ANDI and FEDECAMARAS. They were able to determine the general framework for the agreement at the executive level, and then left most of the details to governmental negotiators who made some technical concessions to the organized private sector of the two countries. The participation of the business associations took place after the three presidents (César Gaviria from Colombia, Salinas de Gortari from Mexico, and Carlos Andrés Pérez from Venezuela) had agreed to the signing of the treaty, leaving little margin for action to the national organizations.

The existence of two stages within liberal intergovernmentalism (Moravcsik) - the formation of national interests and the international negotiation - does not appear to be relevant here. Neither ANDI nor FEDECAMARAS seem to have been involved in the process of establishing together with their respective governments how national interest was to be defined regarding integration policy. If we accept that state behavior in a given negotiation is rational, there is little evidence in these two cases that the government was concerned by the possibility of signing an agreement without the unconditional support of the top umbrella associations of the private sector. We can apply the idea of Putnam (1988:445) according to whom the heterogeneity of the domestic sphere, in this case of the internal

composition of business associations, ensures that there will always be some sector which will benefit from a given policy. Thus internal fragmentation helps governmental negotiators get the necessary support or, at least, discard the opposition of the losers in any negotiation. Acuña and Smith also argue that the more divided, badly informed or weakly organized the majority of entrepreneurs is, the larger will be the capability of the dominant coalition to impose its preferences in a given policy. The negotiation of the G-3 free trade agreement by the Colombian and Venezuelan governments seems to support this behavior.

After this exercise of applying to our case studies the principal approaches within international relations, a series of interesting questions arise: If preferences shape institutions and institutions shape preferences, as Gourevitch contends, whose preferences were behind the signing of the G-3 free trade agreement? Were the governments of Colombia and Venezuela really so unconcerned about the domestic politics before and during the negotiation of the G-3 free trade agreement? What domestic elements might have helped shape Colombian and Venezuelan national interests on integration policy? And what was the rationale behind the behavior of Colombian and Venezuelan governmental negotiators?

The answers to these questions according to our preliminary interpretation point in the same direction and complement each other. Colombian and Venezuelan domestic politics have been affected by a process of concentration and transnationalization of capital since the 1980s, and within this process the relationship between the state and the umbrella business associations has substantially changed (Story 1986:116; Gómez 1989:124-125, 127; Giacalone 1997). New and powerful economic groups have emerged and become consolidated. In the present situation, they need macroeconomic policies that shift the cost of adjusting to a globalized economy to other groups. (Ramírez Vargas 1996) These new groups prefer regional integration policies as the larger economic groups can benefit from the new export and investment opportunities provided by free trade agreements. For these economic groups it is not necessary to deal with the state through the intermediation of business associations. In fact, they tend to act on their own, exerting direct pressure upon the executive and its bureaucratic and technical staff rather than through organizations divided by sectorial interests (Hirst 1996:31-32; Gómez 1989:128-130). A concept of Moravcsik which becomes relevant here is that governmental negotiators articulate and express the preferences of winning coalitions between the state and powerful segments of the economic elite.

As large transnationalized groups prefer direct and non-institutionalized forms of pressure upon the state, the analysis of their preferences has to be seen in the light of the benefits they gain from specific

policies. The increasing amount of intra industrial trade between Venezuela and Mexico and between Colombia and Mexico, in products such as chemicals, machinery, and others with more added value, (Rojas 1997:372-373) come from the most developed, advanced, and modern industries, implying a larger proportion of trade participation by new economic conglomerates. Most Mexican investments in Venezuela were made in the years immediately before the signing of the G-3 free trade agreement by large companies - CEMEX, etc. (Rojas 1997: 377-378). For these companies the signing of the trade agreement of the G-3 may be considered a manifestation of "spill over" as their interests have become institutionally protected.

In conclusion, the preferences of new more powerful economic groups rather than those of the umbrella business associations of Colombia and Venezuela were behind the signing of the G-3 free trade agreement. The Colombian and Venezuelan governments were concerned about domestic politics but could disregard the opposition of ANDI and FEDECAMARAS because they had already formed a coalition of support for their integration policies that included more important domestic economic actors and that was also the rationale behind the behavior of state negotiators from both countries. Thus the role of national business associations in regional integration may not be as important as expected if there are other more powerful domestic economic actors with direct links to the state decision-makers and also with transnational linkages. Though this analysis has helped us shift our attention away from business associations, it has also confirmed how relevant domestic politics are when considering integration policy.

Notes

- 1 Haas tried to revise his original theory in the 1970s in the light of the development of the European Economic Community -- which seemed to run counter to the elements of neo-functionalism--, and finally he declared that regional integration theory was obsolete. See Haas (1975:1); Tranholm-Mikkelsen (1991:8). After 1985, however, stronger functional links appeared in European integration in response to the need to solve new problems, especially among industrialists in favor of the 1992 project of a European Union. Thus domestic pressures seem to have speeded up integration and given new life to neo-functionalist theory (Tranholm-Mikkelsen 1991:13-14, 16).
- 2 Berry and Díaz (1980:154-155) and Díaz Alejandro (1977:132) documented the accelerated growth of non-traditional Colombian exports between 1972 and 1974, probably because the Andean Pact made legal the previous contraband trade with Venezuela and Ecuador. When intra-regional trade collapsed in the early eighties it meant a 78 % reduction of the total value of Colombian exports, Ocampo Gaviria and Villar Gómez (1993:151).

- 3 The President of the Colombian Association of Textile Producers (ASCOLTEX) declared that they could compete with the tariffs of 20 % that the government had set but competition was impossible if the functioning of customs was chaotic. The president of the textile company COLTEJER also stated that in the previous years his company had invested in reorganizing its administrative structure and in rationalizing its work capital to the maximum, but this effort would be lost if exporting took place with a revalued currency while in neighboring countries exactly the opposite phenomenon was happening. *Clase Empresarial* (1994 , 10: 25-24).
- 4 FEDECAMARAS was especially influential in the 1960s and the 1970s, but with the boom of the international petroleum prices after 1973 it became more dependent on the huge financial resources of the state (Abente 1985:13). On insisting that ministries and other governmental agencies buy in the national market, the "buy Venezuelan" program converted the state into the most important client of the industries created to substitute imports. (Jongkind 1993:67).
- 5 Frambes-Buxeda (1990-1991:60-61) links this change with the support that the Venezuelan government gave in 1976-1977 to the modification of "Decision 24" of the Andean Pact, which had limited until then the entry of foreign investments.
- 6 Even a key decision such as that establishing the duration of the transition period to complete free trade within the G-3 was made by the three presidents, disregarding any objection from the organized private sector (Cárdenas 1997:345).
- 7 Kalmanovitz (1988: 508-509) has suggested the existence of an alliance between large landowners, industrial consortium, financiers, and even the fraction of capital based on the export of illegal drugs, against coffee producers and industrialists oriented toward the internal market.

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