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The Argentina-Brazil Regional Power Transition

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Almost four decades have passed since the Argentina-Brazil balance of power gave way to a Brazilian uncontested primacy in the Southern Cone. The peaceful and cooperative nature of this regional power transition poses an interesting puzzle for structural theories and those concerned with the US-China transition. Why do certain countries accept accommodation more leniently, like Argentina did? I offer an explanatory model and use process tracing to show that key cooperative turns in this bilateral relationship—during the late 1970s and early 1990s—required concurrent structural changes, both at the international and domestic levels. My conclusions suggest, against the prevalent narrative, that cooperation between Argentina and Brazil was not a product of democracy. Instead, peaceful power transitions take place when the costs of confrontation are high and social coalitions are largely redefined in the declining state.

The structure of international politics in the Southern Cone has changed considerably over time. While today's scenario is one of cooperation under Brazilian unipolarity, Argentine preeminence was patent a century before, and the two-centuries-old rivalry between these two countries was still in place not many decades ago (Russell and Tokatlian 2003; Martín 2006; Lima 2013; Schenoni 2015; Flemes and Wehner 2015). Although structural theories expected the Brazilian takeover to increase the likelihood of conflict (Lemke 2002; cf. Waltz 1979; Organski and Kugler 1980; Gilpin 1981), Argentina gave up competition, making a series of concessions regarding nuclear capabilities, defense technology, and trade. The result was highly unusual: an increase in bilateral cooperation in the midst of a power transition. IR alchemists facing the unstoppable rise of China seek the formula for peaceful power transitions as the philosopher's stone of our age, rendering this puzzle particularly interesting. What allowed for the peaceful and cooperative Brazilian rise in the Southern Cone?

Building on previous works on Argentina–Brazil cooperation (Resende-Santos 2002; Gardini 2005; Malamud 2005; Oelsner 2005; Gómez-Mera 2013;

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Darnton 2014), I tackle this question by considering the domestic variables that deterred Argentina from prolonging competition in the economic, nuclear, and military realms; discouraged it from forming alliances with third countries; dissuaded it from going to war with Brazil; and promoted cooperation instead. This strategy of accommodation, I will argue, was crafted in two critical junctures—the resolution of the Itaipú dispute (1977–1980) and the creation of Mercosur (1990–1994)—during which Argentine presidents successfully dismantled conflict-prone coalitions in the domestic realm. Following these critical junctures, sticky bilateral and regional institutions cemented a self-reinforcing and path-dependent cooperative relationship that has lasted until our days (see Pierson 2004).

Previous work on this subject has been based on hypotheses derived inductively from case studies, leading to explanations that fit the Southern Cone but are difficult to generalize (Geddes 1990). To address these shortcomings, I logically derive my hypothesis from existing theory and use the case in order to illustrate and test causal mechanisms (see Bates et al. 1998). In Section 2, I argue that we can deduce from structural theories of IR[1] that a change in social coalitions is a necessary condition for a peaceful power transition, and such change is possible under specific contexts that either increase the cost of war or decrease the cost of dismantling entrenched coalitions.

In Section 3, I analyze the long-term history of Argentine decline and Brazilian rise that led to bipolarity in the mid-twentieth century and to Brazilian unipolarity in the 1980s. In sections 4 and 5, I examine the two critical junctures where Argentina drastically revised its foreign policy strategy toward Brazil: the resolution of the Itaipú crisis (1977–1980) and the establishment of the Southern Common Market, hereafter Mercosur (1990–1994). In Section 6, I test my hypothesis against other possible explanations for the Argentine accommodation at these critical junctures using process tracing in my examination of archival evidence.

A Deductive Approach to Peaceful Power Transitions

Structural IR theories would have predicted intense competition and war between Argentina and Brazil in the 1970s (cf. Mello 1996). On the one hand, balance of power theory (Waltz 1979) expects subsystems to be peaceful when two or more states balance each other and would have predicted war following the rise of a single major regional power such as Brazil. On the other hand, hegemonic stability theory (Gilpin 1981) expects subsystems to be peaceful when a single power bears uncontested primacy and would have expected power parity—as Argentina and Brazil experienced in the 1970s—to cause war. From both of these points of view, the Brazilian overtaking of Argentina should have led to a conflictive outcome, something that never happened.[2] Even for power transition scholars, the probability of conflict should have increased under such a scenario, as long as Argentina remained dissatisfied with the characteristics of the emerging status quo (Organski 1958; Organski and Kugler 1980).

Against all odds, however, these two countries started to cooperate intensely in the late 1970s. This unexpected outcome pushed many scholars to abandon structural

[1] I will use the phrase "structural theories" to refer to IR theories that predict conflict or cooperation based fundamentally on considerations about the relative material capabilities of states. In principle, this label lumps together balance of power theory (Waltz 1979) with hegemonic stability theory (Gilpin 1981), and power transition theory (Organzki and Kugler 1980).

[2] It has been argued that these theories have not been developed to explain regional subsystems. However, important efforts have been made to show that power transition theory should and can explain regional outcomes (Lemke 2002). Prominent theorists have called for these theories to be tested at the subsystemic level. After saying that "A general theory of international politics is necessarily based on the great powers," Waltz mentions: "The theory once written also applies to lesser states that interact insofar as their interaction is insulated from the intervention of the great powers of a system" (Waltz 1979: 73).

theories and neglect this challenge. However, given that no alternative theory was able to offer a better explanation for the rapprochement, advancing a "protective belt" around the structural framework should have been more appropriate from an epistemological standpoint (Lakatos 1970). I argue in this section that looking into the assumptions of structural theories themselves can help to solve the puzzle in a more constructive way: Those who expected the rise of Brazil to disturb the regional balance and produce war[3] assumed that domestic actors who had vested interests in the bilateral competition—industrialists, the military, and the state bureaucracy—would continue to influence foreign policy equally in Argentina and Brazil. Conversely, those who expected peace under the scenario of regional unipolarity[4] and conflict amidst power parity, assumed different coalitions on each side of the border. In other words, Waltzian and Gilpinian realisms achieve opposing conclusions and fail to explain peaceful power transitions because they make rigid and contradictory assumptions about domestic coalitions.[5] I will treat these coalitions as a variable instead and look at the conditions under which conflict-prone coalitions (see Snyder 1991) can be dismantled to secure peace and enable cooperation.

Power transition theorists have already identified that situations of power parity can lead to contradictory outcomes ranging from war to integration, depending on levels of satisfaction (Kugler et al. 2015), but they have failed to show the structural origins of such levels. Building on both power transition theory and structural realism, I will show, both deductively and empirically, that levels of satisfaction are determined by coalitions—accommodative or competitive—that promote a specific type—satisfied or dissatisfied—of foreign policy.

Assumptions about coalitions are key but have remained relatively veiled in both the Waltzian and Gilpinian traditions. Balance of power theory postulates that the two leading states in a bipolar structure are always functionally equivalent and that "competitors become like one another as their competition continues" (Waltz 1979: 173). This implies not only a mirrored display of strategies but also a similar configuration of domestic actors that influence the decision-making process in similar ways, leading to analogous foreign policy outcomes—that is, coalitional similitude. Hegemonic stability theory also agrees that the "specification of functions among units" (Gilpin 1981: 85) defines a political structure, but countries in hegemonic contexts are not like one another. To maintain the hierarchical order and provide public goods, the hegemon typically exhibits a far more competitive commercial and industrial bourgeoisie, state bureaucracy, and military (Wallernstein 1974; Rogowski 1989), all actors that are typically negligible in subordinate states. I call this second situation one of coalitional difference.

Table 1 summarizes the assumptions of Gilpinian and Waltzian realisms. The grey areas are of special interest for my argument: They highlight that in a system of small power differentials, stability is based on coalitional similarity. Conversely, for large power differentials to be stable, only the hegemon must present a competitive coalition.

[3] For Waltzian realists, stability depends on the maintenance of relative parity, which is characterised by (i) uncertainty about the results of an eventual war; (ii) self-reliance in the control of resources, capital, and markets; (iii) little differentiation in the production of value-added goods; and (iv) scarce development of international regimes (cf. Waltz 1979; Grieco 1993).

[4] More specifically, systems are likely to be stable when a single hegemon (i) has enough military power to systematically defeat any potential contester; (ii) controls the access to raw materials, natural resources, capital, and markets; (iii) has competitive advantages in the production of value-added goods; and (iv) generates accepted international regimes reflecting the status quo (cf. Gilpin 1981; Keohane 1984; Kindleberger 1973; Krasner 1976).

[5] In this sense, this article intends to bridge Waltzian and Gilpinian traditions (Wohlforth 2011). These two theoretical branches of realism developed separately, but many IR theorists implicitly accept that hegemonic or "suzerain" systems interact with balance of power systems (cf. Wright 1948; Keohane 1984; Ikenberry 2011; Mearsheimer 2001). But in such a world of "multiple hierarchies" (Lemke 2002), both approaches would have predicted conflict in the case of the power transition between Argentina and Brazil, somewhere between the 1950s and the 1990s.

Table 1. Assumptions and expectations of Gilpinian and Waltzian realisms

HEGEMONIC STABILITY	BALANCE OF POWER STABILITY
CAPABILITY DISTRIBUTION	
Large power differential (d)	Small power differential ($\neg d$)
SYSTEMIC ASSUMPTIONS	
The hegemon has enough military power to systematically defeat any potential contester.	Relative military parity and uncertainty about the results of an eventual war
The hegemon controls access to raw materials, resources, capital, and markets.	Self-reliance in the control of resources, capital, and markets
The hegemon has competitive advantages in the production of value-added goods.	Little differentiation in the production of value-added goods and services
The hegemon builds legitimacy through international regimes that reflect its primacy.	International regimes, including the poles, are weak and limited.
BEHAVIORAL ASSUMPTIONS	
Functional differentiation	Functional equivalence
DOMESTIC ASSUMPTIONS	
Only the hegemon has a competitive and outward-oriented local bourgeoisie.	Relative equivalence with respect to the competitiveness of the local bourgeoisie
Only the hegemon has a capable outward-oriented state bureaucracy.	Relative equivalence in the capabilities and tasks of the state bureaucracy
Only the hegemon has a professionalized outward-oriented military.	Relative equivalence with regard to the professionalization and capabilities of the military
Coalitional difference ($\neg c$)	Coalitional similitude (c)
PREDICTION	
Hierarchies are more stable and parities increase the probability of war.	Balances are more stable and imbalances increase the probability of war.

Note: Elaborated by the author.

Therefore, for these authors, peace seems to be based on the following propositions: (1) Peace (p) can be observed when power disparities are small ($\neg d$) and there is high coalitional similitude (c), a situation that we call balance ($p \Rightarrow \neg d \wedge c$). Alternatively, (2) peace may imply high power differential and coalitional difference, a situation that we call hegemony ($p \Rightarrow d \wedge \neg c$). By modus tollens, structural theories predict war ($\neg p$) under two configurations [$\neg p \Rightarrow (d \wedge c) \vee (\neg d \wedge \neg c)$]: a large power differential with coalitional similitude or a small power gap with coalitional difference. Therefore, to avoid war—that is, to hold p fixed—in a context of changing power distribution, at least one of the actors has to change its coalitions.

Some have already noticed that coalitions—that is, the set of domestic interest groups and organizations that derive parochial benefits from a specific foreign policy (Snyder 1991: 31)[6]—are key to understanding the situations in which structural factors alone underpredict or overpredict conflict (see Schweller 2006; Solingen 2014). In effect, Waltzian and Gilpinian realisms overpredict war in the context of any power transition by assuming constant coalitions. Even assuming variable coalitions, propositions (1) and (2) are empirically untenable since change in relative power and coalitions is never perfectly simultaneous, and yet peaceful power transitions and imbalances occur frequently.[7] As power transition theorists have noticed, this dilemma begs for the existence of a transitional equilibrium.

[6] Notice that under this working definition of coalition, countries under very different economic systems and regime types can have similar coalitions. For instance, the United States and the USSR both attributed a great deal of influence to a similar set of actors—the military, industrial leaders, scientists, etc. —that benefited from and promoted the bipolar competition in missile, aerospace and industrial technologies.

[7] I thank one anonymous reviewer for highlighting this point. In fact, most peaceful bilateral relations one can think of—especially when we look at small states—deviate from these ideal extremes. The remnant of this section provides

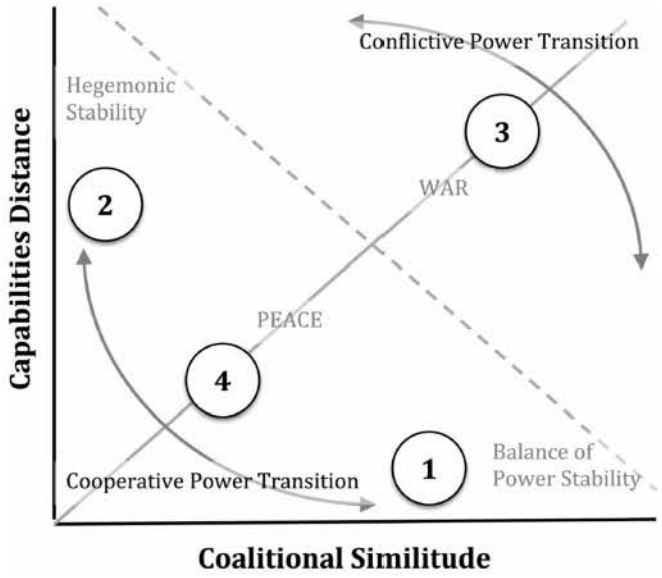

Figure 1. Ideal stages in the transition from balance to hegemony (or vice-versa).
Note: Elaborated by the author.

I argue that a reasonable amendment can help integrate the structuralist paradigm: While war is in effect possible in contexts of great power differential and coalitional similarity $(\neg p \Rightarrow d \wedge c)$ due to the capacity of the stronger state to defeat a competitive coalition abroad (3), war is an unlikely outcome in situations of relative power parity with coalitional difference $(p \Rightarrow \neg d \wedge \neg c)$ because at least one of the states would have voluntarily surrendered its competitive coalition (4)—leading to what power transition scholars identify as satisfaction. Additionally, it would help to conceptualize these two parameters—power differential and coalitional similitude—not as rigid dichotomies but as continuums.

Figure 1 offers a graphic illustration. The horizontal axis represents a continuum from coalitional difference—for example, a situation where one actor has a powerful local bourgeoisie, a capable state bureaucracy, and a strong military and the other actor is fundamentally agricultural, is dependent on foreign capital, and has limited state capabilities—to coalitional similitude. The vertical axis represents the difference in national capabilities between the two actors.

The plain grey line divides the figure into two areas. The lower area resembles the assumptions of balance of power theory, while the area above represents the realm of hegemonic stability theory. The dashed line also divides Figure 1 into two areas, representing a threshold at which war becomes highly probable. The circles represent the ideal types of bilateral relation discussed above: the balance of power proposition (1), the hegemonic stability proposition (2), the "conflictive power transition" ideal (3), and the "cooperative power transition" hypothesis (4). This last proposition allows for a passage from balance $(p \Rightarrow \neg d \wedge c)$ to hegemony $(p \Rightarrow d \wedge \neg c)$ without entering the theoretical realm of war $(\neg p \Rightarrow d \wedge c)$.

How and when is this possible? I will argue that during power transitions, coalitions can be disarticulated in situations where exogenous factors either lessen the costs of dismantling the conflict-prone coalition or increase the costs of war, relative to the costs of dismantling such a coalition. I use the heuristics provided by extensive-form games in Figure 2 to illustrate how peaceful power transitions could be conceptualized within the structural framework.

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an explanation to these equilibria that can be used to analyze cases of peaceful power transition both at the regional and systemic level.

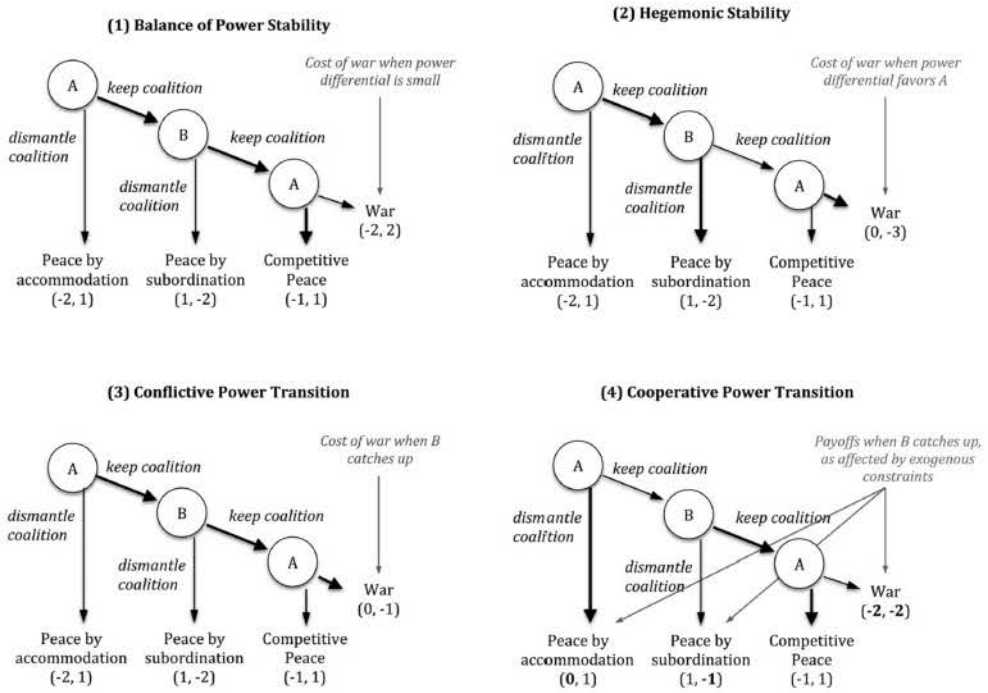

Figure 2. Structural equilibria and a solution for the power transition game.
Note: Elaborated by the author.

In Figure 2 both governments of states "A" and "B" start the game with competitive conflict-prone coalitions. The government of "A" moves first and decides whether to reform its domestic coalition or keep it as it is, then "B" faces the same choices, and finally "A" plays again to decide whether it goes to war or not. The game is solved using backward induction in the way shown by the bolded arrows.

Notice that a priori no government faces positive incentives to reform its coalition, but it can do so if the cost of war is even greater, as "B" does in the scenario of hegemonic stability (2). If the cost of war is relatively high for both governments due to power parity, both will be able to keep their coalitions and maintain competition, knowing that the other will not attack (1). The next scenario (3) pictures a conflictive power transition in which "A" is still superior but "B" perceives a window of opportunity as it catches up. The strategic interaction leads "A" to choose preventive war, as predicted by theories of power transition. The last scenario (4), however, is the most interesting for the purposes of my analysis. In this specific situation, the payoffs are affected by factors other than the power differential between countries. The cost of war could be affected, for instance, by the existence of a third powerful actor in the system—think of a regional hegemon like the United States in the Western Hemisphere—or access to weapons of mass destruction, etc. The payoff of rearranging coalitions can also be affected if the international context favors economic reform or if the power of the government changes relative to that of the actors in its social coalition, making restructuration less costly. Therefore, changes in domestic coalitions leading to peaceful power transitions are possible if factors other than power differentials are allowed to affect expected utilities.

This leads to my central hypothesis: If the competitive coalition—in this case amalgamating the local bourgeoisie, the state bureaucracy, and the military—is disarticulated in the declining country—Argentina—the actors affected by the challenger—Brazil—will no longer be influential in foreign policy decision-making, allowing for a strategy of accommodation (satisfaction) and a peaceful power

transition. Such domestic restructuration should take place in a context where the government is powerful relative to the actors in the coalition and international pressures—in this case, coming mostly from Washington—both increase the costs of going to war with the challenger and mitigate the costs of coalitional reform. This hypothesis—derived deductively until this point—yields concrete observational implications, all of which will be shown to fit the Argentina-Brazil power transition with striking precision.

This theoretical account also seems to match other peaceful power transitions at the systemic level, such as that between the United Kingdom and the United States, where the dismantling of deep-rooted coalitions that took place under conditions of great external pressure (Friedberg 1988) was of central importance to prevent the conflictive outcome that other countries with more entrenched war-prone coalitions could not avoid (Snyder 1991). In the nuclear era, this theoretical framework could explain the peaceful transition to unipolarity (see Wolforth 1999) and help to interpret the conflict-proneness of the US-China transition, by considering how nuclear arsenals have increased the costs of war, therefore making peaceful outcomes more probable.

In the Midst of the Transition: No Longer Balance but Not Yet Hegemony

Thirty years ago, when the South American subsystem became unipolar, the rivalry between Argentina and Brazil involved much more than football. Most historical analyses of Argentina–Brazil bilateral relations consider GDP to be the main indicator that Brazilian ascendency began in the mid-twentieth century (Fausto and Devoto 2004; Rapoport and Madrid 2011), following at least fifty years of Argentine economic primacy in the Southern Cone.[8] The Composite Index of National Capabilities (Singer et al. 1972)[9] suggests that Brazil started its rise in the 1950s and had tripled Argentina's power by the 1980s, thus making the South American subsystem unipolar (Schweller 2006; Martin 2006). Figure 3 and Figure 4 illustrate the comparative evolution of these type of structural variables.

The existence of a situation of parity or regional bipolarity can also be identified in the behavior of relevant political actors on both sides of the border in the 1970s.[10] By then, many Argentine businessmen, bureaucrats, and military elites—who used to think of Brazil as an underdeveloped American satellite in the region—were seriously concerned about the geopolitical ambitions of Argentina's rising neighbor (Moniz Bandeira 2011: 124–26).[11]

In fact, it was during these years that the increase in Brazil's energy consumption, triggered by a long period of impressive economic growth known as "the Brazilian miracle" (1968–1973), led to the construction of the Itaipú hydroelectric dam

[8] Even if Brazil is almost three times greater than its southern neighbor in size, with 8,514,215 km² vs. 2,791,810 km², and has always been more populous—the relation was already 2.8 to 1 in the 1950s and is now 4.9 to 1—its pre-eminence was not that obvious considering the productivity of its territory and population. In 1951 Brazil's GDP was equivalent to that of Argentina. However, many indicators continued to relativize the case for Brazilian ascendancy. Argentina's per capita GDP more than doubled that of its neighbor by the 1950s—it is still 1.5 times higher. This was also the case for development indicators such as life expectancy or literacy (UNDP 2015) and for infrastructure indicators such as railroad mileage, highways, telephones, and commercial vehicles per capita (Banks and Wilson 2015). Although the gap has decreased in many of these areas, particularly human development indicators, the differences continue to demonstrate Argentine pre-eminence.

[9] The CINC represents the global share of six indicators of international power: total population, urban population, military expenditure, military personnel, energy consumption, and iron and steel production.

[10] This history of rivalry is so internalized that, even in the twenty-first century, many actors in both countries still interpret the bilateral relationship in the terms of the historical balance of power (Russell and Tokatlian 2003).

[11] A paradigmatic case is that of Mário Travassos, a leading geopolitical analyst whose book *Projeção Continental do Brasil* (Travassos 1935) unequivocally articulated how Brazil's long-term strategic interests in South America clashed with Argentina's in the Plata Basin (Colacrai 1992). Another work that intensified the Argentine concern with Brazilian ambitions was Golbery do Couto e Silva's *Geopolítica do Brasil* (Couto e Silva 1967).

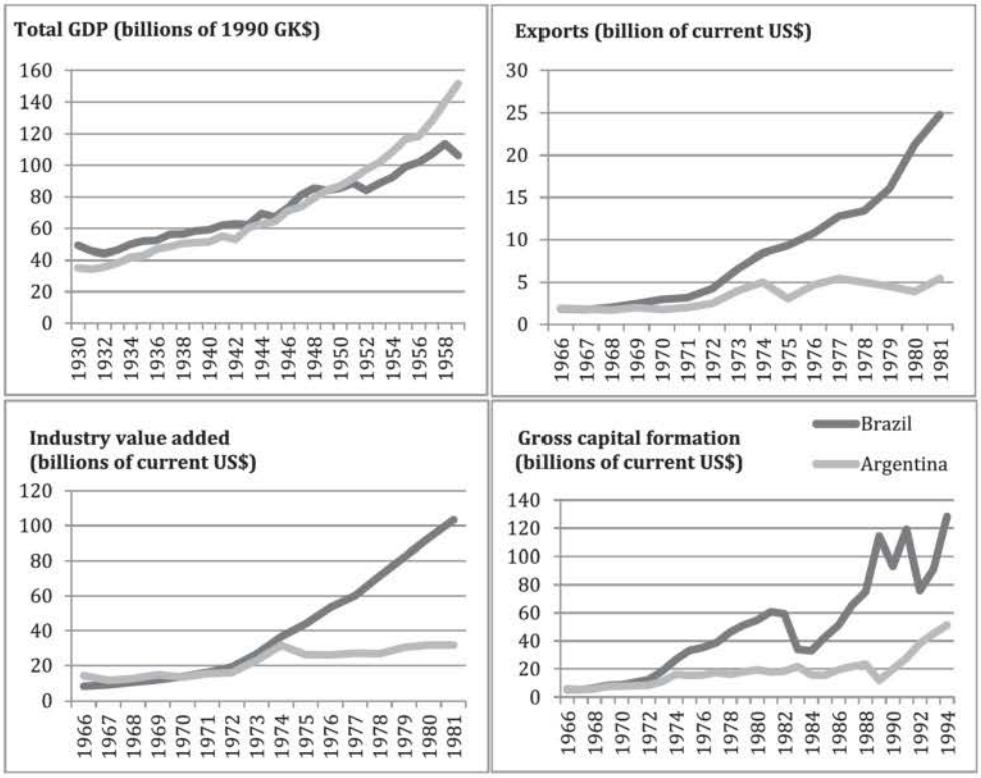

Figure 3. Some economic indicators of the power transition.
Note: Grey bars in the horizontal axis indicate the critical junctures analyzed in the following sections. *Source*: World Bank.

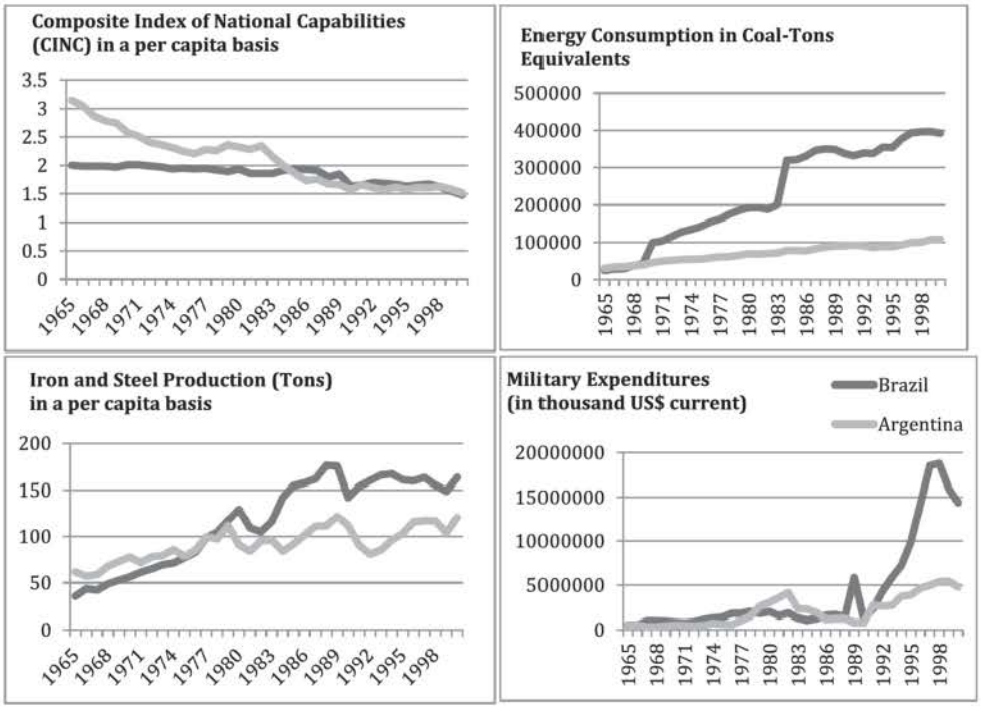

Figure 4. Some structural indicators of the power transition.
Source: CINC 2015 (Singer et al. 1972).

(1971) and the signature of an ambitious nuclear agreement with Germany (1975). On the other side of the border, many actors saw these projects as affecting the Argentine control of the Paraná River flow and its favorable technologic gap in the nuclear realm. For the first time in more than a century, the military resolution of a bilateral dispute became a possible scenario in the eyes of many (Moniz Bandeira 2004: 385), constituting a clear example of the tensions expected when power transitions occur. However, Argentine foreign policy towards Brazil changed radically during the late 1970s—and then again in the early 1990s—allowing the Southern Cone to transition smoothly to unipolarity.

Nowadays, this power transition continues. Even if Brazil has become a regional unipole by accumulating more than three times Argentina's material capabilities, it is not hegemonic in the commercial, financial, productive, military, or ideological realms (see Wilkinson 1999). This point is important to be made, since some scholars have referred to Brazil in these terms (Lima 1990; Burges 2008).

First, Brazil is not yet a hegemon in military terms. Even though Brazilian military expenditures are six times those of Argentina (SIPRI 2015), Brazil has a larger payroll of military personnel, roughly four times the Argentine troops, just 2.3 times its combat planes, two times its tanks, and only 1.5 times its battle ships (IISS 2015). In this situation, potential regional alliances and technological parity make it difficult to guess the result of a hypothetical conflict.

Second, Brazilian hegemony would imply preferential access to the Argentine market and considerable competitive advantages. Mercosur—the only institution intended to restrict third-party access to the Argentine market—has an average common external tariff of 13 percent, which is too low to discourage third-party imports (Porta 2008). Since the inception of this imperfect customs union, Argentina has never imported more than 31 percent of its imports from nor exported more than 25 percent of its exports to Brazil (CEPAL 2015; SECEX 2015; MECON 2015).

Third, Brazil cannot be hegemonic in the financial realm until the real becomes an important reserve or trade currency or Brazil becomes the primary debt holder and source of FDI for Argentina. Although it is true that Brazilian FDI in Argentina has increased substantially since the 2001 crisis, it is still exceeded by American, European, and Chilean FDI (MECON 2015).[12]

Fourth, if Brazil was a hegemon, this should be reflected in international regimes—that is, sets of rules governing specific issue areas—reflecting that primacy. The regimes in the Southern Cone are far from reflecting the preferences of Itamaraty. Sometimes they are even meant to contain Brazil (Nolte and Wehner 2012).

To summarize, Brazil cannot yet be said to be a hegemon (Schenoni and Actis 2014) in the way the United States is in the Americas, even though it had achieved unipolar primacy in the Southern Cone by the 1980s.

From Conflict to Cooperation: The Late 1970s

Transitions from authoritarian rule beginning in the 1980s encouraged an extended democratic peace hypothesis, which suggests that regime change mitigated tensions between Argentina and Brazil. Combined with references to the relative increase in bilateral regimes and commercial exchange during the 1980s, this liberal narrative has become the official history of "friendship" between Argentina and Brazil (cf. Remmer 1998; Gardini 2005; Oelsner 2005; Rapoport and Madrid 2011). However, these approaches overemphasized statements and narrow agreements (see Jenne and Schenoni 2015) while downplaying important policy turns

[12] Brazil has become the only South American country that invests more than it receives from abroad—six times the Argentine FDI (Schenoni 2015)—but in the economic realm Argentina–Brazil relations do not follow the hegemonic paradigm. Instead, they show some asymmetries regarding size, market share, specialization pattern, and regulations (Bouzas and Kosacoff 2010).

that took place before. Recent reassessments of this literature (Spektor 2002; Mallea et al. 2012; Darnton 2014) show that the cooperative trend in the 1980s was initiated by authoritarian leaders and most probably due to a previous shock that yielded most of the causal power (Tarrow 2004: 104).

A process-tracing approach to this matter asks us to identify the precise moment when the cooperative turn took place and to analyze the contextual conditions and immediate causes of this particular change in bilateral relations (Bennett 2008; Mahoney 2012; Beach and Pedersen 2013). In this sense, it is indisputable that an initial critical juncture—that is, the first radical foreign policy change—took place under authoritarian rule. "The mid-1980s agreements, significant as they were, did not begin cooperation *de novo*. While a new set of factors prompted both sides in the mid-1980s to erect more elaborate, deeper structures, institutionalized cooperation was built on the foundations established in 1979–80" (Resende-Santos 2002: 89; cf. Solingen 1993). The liberal-constructivist mainstream acknowledges this historical fact but—perhaps due to a normative bias—fails to attribute it accurate causal weight.

Facts speak for themselves. The end of the Itaipú crisis was closely followed by a series of treaties that tightened ties of friendship long before the democratic transitions. Five meetings between the foreign ministers of Argentina, Brazil, and Paraguay took place in 1977 and 1978, leading to the signature of the Acuerdo Multilateral de Corpus-Itaipú on October 17, 1979, also known as the Tripartite Agreement, which formally settled the dispute. In 1980, two state visits between de facto presidents Figueiredo and Videla took place. These ended in eleven protocols covering the sensitive realms of missile, aeronautic, and nuclear technology. Although no agreement was reached on other issues, talks also included cooperative defense in the South Atlantic and trade (Escudé and Cisneros 2000). Considering the breath of the issues discussed during these meetings and the compromises reached, it is patent that the years 1977–1980 constituted the most important critical juncture in the bilateral relationship. The democratization of Argentina (1983) and Brazil (1985) were significantly less meaningful events. In the words of a prominent authority, "the initial rapprochement occurred much earlier, under the military regimes in 1979–1980" (Darnton 2012: 120).

What changed during those years, then, that allowed for this radical turn in Argentina–Brazil relations? The answer appears to be both domestic and systemic. Starting in 1977 Buenos Aires had to face international pressure on two other fronts: a court of arbitration had granted disputed territory near the Beagle Channel to Chile—putting both countries on the verge of war (Garrett 1985)—and Washington had become fundamentally hostile to the Junta due to Jimmy Carter's human rights policy. At the same time, in the domestic realm, a major coalitional realignment took place, which was essential for the bilateral rapprochement: the sidelining of economic and political actors who had previously impeded cooperation with Brazil.

During violent 1977—when state's repression of leftist movements reached its highest peak—Videla initiated a market-oriented reform "in an alliance with rural sectors and financial capital" (Fausto and Devoto 2004: 387). The local industry and a well-trained developmentalist bureaucracy were severely damaged by a sharp decline in public expenditure, an overvalued currency, and excessive interest rates.[13]

Although Brazil had to undertake some liberal reforms later on, it did not suffer from a turn from state interventionism to neoliberalism, as Argentina did, but rather experienced a sequence of autonomy, control, and relative privatization during the 1980s (Tavares de Almeida 1999). The importance Brazil gave to the national bourgeoisie, state bureaucracy, and state-owned enterprises as the axis of its

[13] This was not the result of mere neoliberal ideas; it was, at least in part, the consequence of a historical struggle between the industrialist and agro-financial *patrias* in Argentina, each promoting a different development model (O'Donnell 2004). Interestingly, only the victorious agro-financial model benefited from a cooperative accommodation to a rising Brazil.

development strategy was still evident at the end of the decade (Barros de Castro 1994; Peixoto 2011) and was explicitly introduced into the 1988 constitution, limiting neoliberal governments' room to maneuver in the 1990s. This was reflected in the enduring influence and exorbitant privileges not only of the Brazilian national bourgeoisie but also of the developmentalist military and bureaucrats.

The neoliberal reforms undertaken by the military had left Argentina's industry much more vulnerable and its state much less capable. By the mid-1980s, the state-owned enterprises' share of Argentina's GDP was 2.7 percent, while in Brazil they accounted for 7.6 percent of a much higher GDP (Pang 2002: 133). The results for industrial protection in the two countries are also impressive. By the winter of 1990—one year before the signing of the Mercosur Treaty—the average import tariff in Argentina was 11.7 percent, compared with 25.4 percent in Brazil. Although Brazil undertook an economic reform plan under Sarney from 1988 to 1990, it was limited to special import arrangements and the elimination of tariff redundancy, and it scarcely affected protection levels (Berlinski 2004). In fact, Brazil did not undergo true market reforms until the 1990s, ostensibly as a consequence of the autonomy of its sectoral agencies and a macropolitical consensus against liberalization (Solingen 1993).

The novel coalition between the military, neoliberal technocrats, the financial and agricultural sectors, and foreign capital (cf. O'Donnell 1973) in Argentina had much to gain from a peaceful settlement of the Itaipú crisis and the re-establishment of cooperative relations with Brazil:

> Starting from a realist assessment of the enormous power gap between Argentina and Brazil, the president and the economic diplomacy [intergovernmental agencies of the Ministry of Economy], as well as big financial and agricultural capital linked to transnational networks, coincided in favoring subregional cooperation and extended markets instead of old-fashioned conflict hypotheses [. . .], [whereas] nationalist and developmentalist sectors on the Argentine and Brazilian sides had their reservations about it [the Tripartite Agreement]. On the Argentine side, led by General Juan Gugliamelli, it was argued that these developments turned Argentina into a "minor partner" of Brazil, a country that would reach the status of a great power in the Plata Basin by the year 2000. For Gugliamelli, this result was inevitable if Matínez de Hoz's liberal economic policies were to continue, given the existing gap between the Brazilian industrial potential and the agro-export bias of the Argentine economy. (Escudé and Cisneros 2000: 312)[14]

This paragraph summarizes the logic of the coalitional change that took place in Argentina and which made it possible for Brazil to achieve regional pre-eminence in the form of the current unipolar order. From 1977 on, the further strengthening of this new coalition and the concentration of foreign policymaking in hands of the Argentine military—with the diplomats and other developmentalist bureaucrats excluded (Russell 1988)—made it possible for these two countries to maintain cooperative relations while the power gap between them increased.

Following these changes in the economic realm, the next step towards subsystemic unipolarity was the Malvinas/Falklands War in 1982.[15] With the Itaipú crisis resolved, Argentina had renounced its industrial primacy, but it remained a powerful military player. Therefore, the resolution of the Brazilian conflict hypothesis could have contributed to the dynamics that almost led to war with Chile and altered the strategic balance in the South Atlantic. However, the Falklands/Malvinas defeat ended Argentina's military competitiveness in the Southern Cone and

[14] Translated by the author.

[15] The Malvinas/Falklands War is also an example of how Argentina–Brazil bilateral relations had improved from 1977 to 1982. Brazil transferred small arms and several planes and even disclosed technological military improvements to Argentina during the conflict (Moniz Bandeira 2011: 223). Furthermore, Brazil denied the use of its territory for any British operations, backed Argentina's sovereignty claim, and represented its neighbor in London.

successive democratic governments in Casa Rosada would continue to downgrade defense budgets as a way to control the military.

The Consolidation of Brazilian Primacy: The Early 1990s

After the significant turn in bilateral relations that took place from 1977 to 1980, democracy facilitated a limited enactment of the compromises initiated under the authoritarian regimes (Resende-Santos 2002: 89). Yet further negotiations were timid, and most of the achievements of the democratic administrations of Alfonsín and Sarney were limited and symbolic. If there was a second moment when Argentina unambiguously accepted the advancement of "integration" with Brazil, it was during the presidencies of Fernando Collor de Mello and Carlos Menem. On 6 July 1990, they signed the Buenos Aires Act, which put an end to a decade of hesitant sectorial negotiations and promoted the creation of a common market.[16] The Asunción Treaty followed in March 1991, defining the organizational structure of Mercosur and establishing a schedule for progressive, linear, and automatic tariff reductions, which now also included Paraguay and Uruguay. In 1994 the Ouro Preto Treaty further institutionalized the free trade agreement—with the exception of some products, such as sugar and materials for auto manufacturing—and transformed Mercosur into a customs union by establishing a common foreign tariff. The 1990–1994 period must therefore be viewed as a moment of unusual cooperative behavior in the commercial realm (Onuki 2006).

Advancements in the nuclear realm were equally impressive. Since the 1980 agreements, the presidents of Argentina and Brazil had declared their intentions to cooperate in this field and even visited each other reactors, but very little was achieved in terms of actual compromises. In particular, no agreement on inspections and verification was ever reached until the Foz de Iguazú declaration of November 28, 1990, which decided on three essential steps: the celebration of a safeguards agreement sponsored by the International Atomic Energy Agency (IAEA), the mutual signature of the Tlatelolco Treaty, and the creation of what would be later known as the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials (ABACC). All three agreements were signed by August 1992. "In the term of a year and a half, these countries transcended the simple joint declarations (. . .) to achieve the realm of legally binding compromises, addressed not only to each other but also to the regional and global communities" (Carasales 1997: 99). By the end of 1994, not only had both ratified the aforementioned agreements, but Argentina had also ratified the Treaty on the Non-Proliferation of Nuclear Weapons. As the Argentine ambassador Julio César Carasales (1997: 105) has put it: "by 1994–1995 every important step to provide basis to the nuclear partnership had been taken."

The dynamics of domestic politics in Argentina during those same years support the hypothesis that changing coalitions constrained balancing behavior. Mercosur talks were made possible after a tremendous hyperinflation crisis that led neoliberals back to economic policymaking under Menem's administration starting in July 1989. By October 1990, Argentina had already sold state-owned monopolies in five sectors—trains, telephones, commercial aviation, highways, and oil—and announced water and electricity would be privatized too—which they were by 1993 (Palermo and Novaro 1996: 171). These services went mostly to foreign investors; only steel production was sold to Argentine investors from the company Techint.

Through a series of harsh negotiations with trade unions, Menem also managed to reduce public employment, deregulate the labor market, and decentralize

[16] The PICAB's formula, which agreed to "gradually remove asymmetries," was changed for a more ambitious commitment to "Establish a common market between Argentina and Brazil that should be definitely confirmed by 31 December 1994" (Buenos Aires Act, Art. 1).

healthcare and education (Etchemendy 2001: 681–82). The state reform was accompanied by commercial measures that also damaged the competitiveness of the remaining industrial activities and fostered transformations that favored the agricultural and financial sectors. Moreover, the legal establishment of a fixed parity between the peso and the US dollar—through the Convertibility Law—prevented Argentina from devaluing its currency, further damaging the local industrial bourgeoisie. In summary, during this period "Argentina suffered one of the most comprehensive market reforms among developing countries. In less than five years this country witnessed the fundamental restructuring of state–society relations" (Etchemendy 2001: 675).

Concentration of power in Collor de Mello also helped him to overrun his internal vetos, both in the trade and nuclear realms.[17] However, pragmatic developmentalists in Brasilia also conceived of Mercosur as a way to protect the local bourgeoisie from the hemispheric trade policies sponsored by Washington (Onuki 2006; Saraiva 2012: 91; Poggio Teixeira 2014: 113–18).[18] Moreover, while the local bourgeoisie was excluded from the process of liberalization in Argentina (Etchemendy 2001), the Brazilian state became more permeable to the demands of Brazilian business people during the 1990s (Oliveira and Pfeifer 2006: 391). As a result, market reforms in Brazil were better regulated, quicker, and less comprehensive (Fausto and Devoto 2004: 488; Di Tella 1995: 158; Pang 2002: 133–37).

Furthermore, this first neoliberal wave in Brazil ended rapidly. When Collor de Mello attempted to continue unilaterally fostering state reform and economic liberalization through presidential decrees—*medidas provisórias*—a coalition of the local bourgeoisie and the developmentalist bureaucracy, represented by established political parties, called for his impeachment. This led to Collor's resignation in October 1992 (Skidmore 1999: 221). The political crisis froze the reforms until Fernando Henrique Cardoso, once a leftist activist and scholar, became president in 1995. He enacted some temperate reforms during his first term (Boschi 2011; Peixoto 2011; Petrecolla 2004: 20). In the words of a renowned Brazilian historian:

> Even if neoliberalism impregnated the intelligence of the Brazilian elite in the 1990s, it did not become the exclusive tendency in determining the international relations of Brazil, as was the case in Argentina. Public opinion distrusted Fernando Collor's discourse and never forgave the failure of his shock monetarism. This inspired the substitution government of Itamar Franco (1992–1994), which stopped the neoliberal impetus by promoting development and valorizing national production. Afterward, Cardoso's reservations reflected the heterogeneity of Brazilian society. (Cervo 2006: 14)[19]

Figure 5 summarizes the logic behind Argentina's failure to balance Brazil, following the scheme proposed in Figure 1. It shows that Brazil's increased power capabilities made it impossible for Argentina to maintain the former coalition of local bourgeoisie and state bureaucracy without this leading to conflict. By disempowering these societal actors, Argentina secured peace through accommodation.

[17] As Fabiano Santos and Maria Regina Soares de Lima put it: "During the Sarney administration, the dispute between developmentalists and economists who were critical of the previous model of industrialization prevented major changes in the status quo. However, from the Collor administration onward, the decision to pursue trade liberalization through more or less radical measures became a state policy" (Lima and Santos 1998: 17).

[18] "[While] for Argentina the strengthening of Mercosur indicated an approximation to the United States and a possible entrance to the North American Free Trade Agreement; for Brazil—on the contrary—integration with neighboring countries represented an opportunity to legitimate its leadership position in South America, besides consolidating a distinct regional space, independent from the United States' orientation" (Onuki 2006: 307).

[19] Translated by the author.

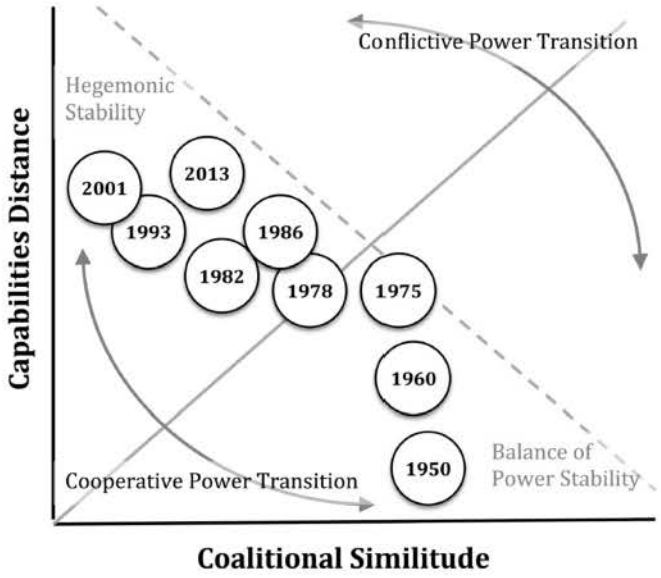

Figure 5. Yearly Snapshots of the Power Transition.
Sources: CINC 2015 (Singer et al. 1972) and Index of Economic Freedom (Fraser Institute 2015).
Note: As in Figure 1, each circle represents the state of bilateral relations during a certain year. Capabilities distance—values in *y*—is the difference between Argentina and Brazil in terms of their CINC; as the circles go upward, the power differential grows bigger. Coalitional similitude is calculated as the difference in economic openness, as measured by the Fraser Institute's Index of Economic Freedom.

A Process-Tracing Analysis of Alternative Hypotheses

The previous sections offered an account of the changes in bilateral relations and domestic social coalitions that took place during the periods 1977–1980 and 1990–1994, allowing for a peaceful power transition in the Southern Cone. However, more than one speculative explanation of these changes has been given in the past, and I test all of these more thoroughly in this section.

My main hypothesis—derived deductively from realist theory in Section 2 and offered as an analytic narrative (cf. Bates et al. 1998) in sections 3, 4, and 5—is that coalitional change in Argentina—that is, the weakening of the local bourgeoisie, the state bureaucracy, and the military—in contexts of external pressure and domestic power concentration in the government explain the peaceful power transition. This hypothesis (H1) has at least three observational implications: First, influential international actors have to signal that regional instability is going to be punished and coalitional reform rewarded. Second, the executive power has to insulate decision-making. Third, the government has to enact economic policies that overtly damage the actors in the competitive coalition.[20] In even more concrete terms, H1 requires the existence of pressures from Washington *and* power concentration in the hands of the Argentine president *and* neoliberal measures that affect the developmentalist coalition. Additionally, all of these have to take place in the established order and precede important negotiations and agreements. If causal process observations

[20] Presented this way, H1 acknowledges the bulk of the foreign policy analysis literature on social actors. Most of the time, "states represent some subset of domestic society, on the basis of whose interests state officials define state preferences and act purposively in world politics" (Moravcsik 1997: 518), but in certain critical junctures, the state can insulate decision-making from societal pressures, moving previously rigid "policy frontiers" (Golob 2003: 363–68) and using international agreements to restructure social coalitions (cf. Gourevitch 1978; Putnam 1988).

Table 2. Process-tracing analysis of critical junctures leading to cooperation

	Itaipú (1977–1980)		Mercosur (1990–1994)	
	Hoop	Smoking gun	Hoop	Smoking gun
Coalitions (H1)	√	√	√	√
Institutions (H2)			√	
Commerce (H3)			√	
Democracy (H4)			√	
Social ideas (H5)			√	
Political discourse (H6)	√		√	

Note: "Hoop" tests evaluate if the conditions were present, while "smoking-gun" tests evaluate if the condition was evident immediately prior to cooperative turns within these critical junctures.

(Brady et al. 2006) support such a complex hypothesis, one would have to give credit to the theory presented in Section 2.

Some competing hypotheses are at hand: "Institutional liberalism" (H2) proposes that the establishment of international regimes precedes cooperative foreign policy turns. "Commercial liberalism" (H3) argues that transnational economic interchange drives cooperative behavior. And "republican liberalism" (H4) highlights the importance of domestic regime type. "Ideational liberalism" (H5) also stresses that a change in "social values or identities" (Moravcsik 1997: 515) may explain cooperation. The latter is also associated with constructivism (H6), which argues that changes in ideas—as evidenced in policy speeches (Onuf 2001)—are the most immediate cause of actual changes in foreign policy.

Table 2 summarizes the results of a process-tracing analysis of these hypotheses. "Hoop tests" are intended to show whether the conditions predicted by each hypothesis were present in 1977–1980 and 1990–1994, while "smoking-gun tests" evaluate whether such conditions were evident immediately prior to major agreements (Mahoney 2012: 576–79). The results, based on historical accounts and primary sources, support the hypothesis that changes in coalitions (H1)—as evidenced by power concentration in the hands of the chief executive and radical changes in economic policy that affected developmentalist actors—were necessary conditions for cooperation between Argentina and Brazil. They also suggest that international shocks preceded the domestic process.

The 1977–1980 critical juncture provides the most decisive evidence in favor of H1. Declassified documents from the Argentine Ministry of Foreign Affairs show that Ambassador Oscar Camilión began intense negotiations with the Brazilian government in May 1977 (MRECIC 2015), precisely one month before Martínez de Hoz announced his most important neoliberal policy: a financial reform that liberalized interest and exchange rates and practically eliminated all subsidies to credit. This was the most damaging policy setback that the Argentine industrial bourgeoisie had suffered since the 1930s (Canitrot 1980).

The timing of the 1979 Tripartite Agreement also offers some smoking-gun evidence. The day it was signed—October 19—the Argentine National Institute of Statistics announced an unemployment rate of 1.5 percent, the lowest ever registered in Argentina (*La Nación*, October 19, 1979). The spring of 1979 represented the apex of Videla's power. The last demonstrations against the government took place that April. Journalists, lawyers, judges, and religious hierarchies by then all supported the "authoritarian peace" (Novaro, 2010: 173). Not even Admiral Emilio Massera—Videla's nemesis inside the junta during his first two years in power—questioned the president's authority.[21] This situation allowed Videla to impose the

[21] Admiral Isaac Francisco Rojas was the only influential politician who publicly expressed his concern about the treaty, in a letter to Videla, stating that the Tripartite Agreement had "highly prejudicial connotations for Argentina,

Tripartite Agreement on the developmentalist and nationalist opposition, sign further accords in 1980, and continue to apply neoliberal policies until March 1981.

Changes in the international environment due to Carter's human rights policy and Argentina's conflict with Chile preceded all of this phenomena, as expected by H1. Furthermore, they offer interesting smoking-gun evidence. In February 1977 Carter announced a considerable reduction of foreign aid to Argentina, and in July the EXIM bank refused an important loan, blocking the purchase of police equipment (Selden 1999: 130). On 2 May 1977, Queen Elisabeth II also presented her arbitration favoring Chile in the Beagle Channel dispute, which led to increased pressure on Argentina from Santiago as well. Therefore, in the first critical juncture, both coalitional change and a change in the global context appear to have been present and to have constituted the necessary conditions for a first rapprochement between Argentina and Brazil.

An analysis of the 1977–1980 juncture not only offers support for H1 but also, most remarkably, shows that all other hypotheses have little basis. Bilateral trade (H3) was at a historical low in 1976, with a total volume of USD 760 million, and would only increase considerably by 1980—to USD 1,847 million—probably as a consequence of the aforementioned agreements (Camilión 1987: 11). There were still almost no important bilateral institutions (H2) that could have had any agency or acted as a neutral sphere within which bilateral cooperation could be enhanced. Even pan-American institutions were blocked due to Washington's stance vis-à-vis authoritarian regimes.

It would be problematic to assert that social values or ideas led to a push for cooperation (H5) in a context where the level of radicalization was high and nationalist sentiments were mobilized repeatedly and consistently until after the Malvinas/Falklands War (cf. Mainwaring & Pérez-Liñán 2013). Obviously, democracy (H4) was far from a reality. H6 is the only alternative hypothesis that passes the hoop test for the first critical juncture: The official economic discourse in Buenos Aires had acquired a neoliberal tone starting in 1976 although this possibly reflects international pressures to advance economic reform.

The 1990–1994 critical juncture is far more complex and confusing since all of the hypotheses pass a hoop test. However, international pressures, the concentration of power with President Menem, and economic reforms closely preceded changes in foreign policy, providing smoking-gun evidence in support of H1 that is lacking for every other hypothesis.

So far, few scholars have been perspicacious enough to notice that the Act of Buenos Aires (July 6, 1990), the Foz de Iguazú Declaration (November 28, 1990), and the Asunción Treaty (March 26, 1991) have all coincided with moments of great power concentration in the hands of the Argentine and Brazilian presidents (Malamud 2005). A close analysis of this matter is entirely consistent with H1. In Argentina, Menem took office in a context of economic and social unrest that jeopardized his presidency in 1989 (Novaro 2009: 356); it was only in April 1990 that he managed to discipline his own party, bring about the privatization of several state-owned enterprises, reduce public employment by 14 percent, and apply a drastic cut of 25 percent to the government bureaucracy (Pucciarelli 2011: 40). These measures had restored economic stability by July 1990 and allowed Menem to meet Collor with an approval rate of 80 percent, having overpowered the developmentalist veto (*Clarín*, July 08, 1990). The July 1990 juncture is even more conclusive if we consider how the international context changes dramatically as a result of President Bush's announcement of the Enterprise for the Americas Initiative in June of the same year (Gomez-Mera 2013). Menem's domestic momentum and Washington's external push for reform peaked almost concurrently with the Foz de

not only political, but economic, and military [...] now they [Brazil] will dominate the Parana River, upstream and downstream Itaipú, like a lock, whose key will be in their hands" (*La Nación*, October 17, 1979).

Iguazu Declaration, when George Bush became the first American president to visit Argentina after thirty years in December 5, 1990.

The signing of the Asunción Treaty one year later provides conclusive smoking-gun evidence in favor of H1 as well. Little had changed in the domestic contexts when President Menem traveled to Asunción, except that it was the same day that he sent the Convertibility Act—ostensibly the most damaging policy undertaken against Argentine industrials since Martínez de Hoz's financial reform—to the Argentine Congress (*La Nación*, March 25, 1991). The temporal coincidence in this case is stunning. We can see both the smoke and the bullet coming out of the gun: The most important policy setback for the developmentalist coalition was sent to Congress a few hours before the most important bilateral agreement with Brazil was signed.

Thus, in looking back at the early 1990s, it seems clear that Mercosur, the most important bilateral cooperative initiative ever agreed between Argentina and Brazil, occurred simultaneously to coalitional change under the first Menem administration. The concomitance of these two policies—which, amazingly, has never been highlighted before—provides conclusive smoking-gun evidence supporting H1. Therefore, to summarize, this second critical juncture points again to H1 as a necessary condition for Argentine–Brazilian cooperation and the occurrence of a peaceful power transition in the Southern Cone.

Conclusion

In this article, I have addressed the puzzle of peaceful power transitions and the phenomenon of accommodation. In Section 2, I surveyed structural theories of IR and identified the invariable nature of domestic coalitions as a key underlying assumption of this literature that prevents it from explaining peaceful power transitions. Departing from this theoretical finding, I demonstrated deductively that power transitions might not be conflictive if they are accompanied by a change in the domestic coalitions in at least one of the countries involved. By following this strategy, I avoided the problems of inductive theorization, therefore providing some grounds for generalization and further testing.

Later on, an analytical narrative based on the case study of the Southern Cone showed that the two critical junctures in the history of Argentina–Brazil rapprochement, 1977–1980 and 1990–1994, coincided with coalitional changes in Argentina. I tested this hypothesis and other alternative explanations using process tracing to search for the contextual (hoop tests) and concurrent (smoking-gun tests) presence of other explanatory variables. These tests suggest that historical accounts that highlight constructivist and liberal variables—which constitute the mainstream history of these two countries' friendship—are fundamentally mistaken. Cooperative ideas, shared identities, democracy, commerce, and international institutions should be seen not as a cause but rather as epiphenomena of improving bilateral relations. Cooperation was seemingly possible only when certain domestic actors—namely, the state bureaucracy and the local industrial bourgeoisie and later the military—were excluded from foreign policymaking in Argentina. Additionally, coalitional changes in Argentina that allowed for a cooperative turn appear to have been contemporaneous with important external shocks. The pressures arising from the Beagle Channel dispute with Chile and the United States' human rights policy help to explain the radical changes undertaken in Argentina by 1977. The pressure arising from Washington's Enterprise of the Americas in 1990 also hastened neoliberal reform and the development of Mercosur.

These lessons from the Southern Cone are not automatically transferable to other cases of power transition. Particularly because of its subsystemic nature, this case offers only partial insights regarding the dilemma posed by the rise of China. In the Southern Cone, the United States pressed for peace and market reform during the power transition, whereas there may be no third party capable of inducing

coalitional change in either China or the United States. However, other structural factors increasing the cost of war, such as nuclear deterrence, could play a similar role. In any case, illuminating the critical role of these coalitions during regional power transitions is a valuable first step in considering how they may be restructured for the purposes of peace, even at the systemic level.

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