

# **THE EUROPEAN UNION AND MERCOSUR: THE DYNAMICS OF INTERREGIONALISM**

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## **ABSTRACT**

The European Union and Mercosur are today considered to be the two most successful examples of regional integration. Their mutual relations were originally mainly based on trade cooperation, and an interregional association agreement is currently being negotiated, aimed at creating a unique interregional free trade area. However, although not apparent in the first place, the cooperation between the EU and Mercosur has eventually expanded to various additional areas and levels and has gained a significant political dimension. As the trade negotiations are now facing obstacles and progressing very slowly, this thesis argues that the political dimension has its importance in linking the two blocs together. It analyzes the motivations of both the EU and Mercosur in the context of geopolitics, identity forming and institutionalism, highlighting their meaning in the context of the EU-Mercosur interregionalism.

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## INTRODUCTION

The progressing process of world globalization is creating a pressure on individual countries not to stay isolated, but to align with others to gain a stronger voice in the international arena. Regional groupings have been forming on most continents, some limited to very formal cooperation, others approaching the phase of better institutionalization and close mutual links. The European Union is an unquestioned leader and model as regards regional integration, also in the way it has been establishing intensive relations with its external partners.

Mercosur (Mercado Común del Sur/Common Market of the South),<sup>1</sup> despite the short time of its existence, is one of the examples of rapidly developing regional organizations, acquiring growing international importance. Following the EU, it is the second most advanced integration project<sup>2</sup> and constitutes the third largest trading bloc in the world.<sup>3</sup> Mercosur being existent for less than two decades, it is both a significant accomplishment and a reason for research interest that its partnership with the European Union is considered to be “one of the most developed cases of interregionalism that exists anywhere in the world”.<sup>4</sup>

The first contacts between the regions were made soon after the founding of Mercosur and now the partnership is based on the 1995 Framework Cooperation Agreement. Although originally trade-oriented, lately the mutual cooperation is evolving and deepening, to a large extent through the impact the European Commission’s Regional Strategy Papers (encouraging

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<sup>1</sup> Mercosur consists of Argentina, Brazil, Paraguay and Uruguay, with the currently pending membership of Venezuela and Bolivia, Chile, Colombia, Ecuador and Peru as associate members.

<sup>2</sup> Mikhail Mukhametdinov, “Mercosur and the European Union: Variations among the Factors of Regional Cohesion,” *Cooperation and Conflict* 24, no. 2 (2007): 207.

<sup>3</sup> Mario E. Carranza, “Clinging together: Mercosur’s ambitious external agenda, its internal crisis, and the future of regional economic integration in South America,” *Review of International Political Economy* 13, no. 5 (December 2006): 803. Mercosur is often indicated as the fourth largest trading bloc, taking Japan into consideration.

<sup>4</sup> Erik Söderbaum and Luk Van Langenhove, “The EU as a Global Actor and the Dynamics of Interregionalism: a Comparative Analysis” in *The EU as a Global Player: The Politics of Interregionalism*. (New York: Routledge, 2006), 118.

political dialogue, inclusion of areas not directly related to trade, participation of sub-state actors).

But despite the above mentioned superlatives, the progress in the EU-Mercosur cooperation is not as far-ranging as was expected in the beginning. Namely, the partners have been negotiating for an ambitious interregional association agreement since the 1990s, without reaching any agreement so far. This fact became the first incentive for the focus of this thesis. Regardless of the particular reasons for the present failure of the agreement negotiations, a factor worthy of note is the political dimension of the partnership. Namely, even though the association agreement is still not in place and progress in trade relations is partly hindered by lack of consensus, the overall cooperation between the two regions does not seem to be bounded by this fact. This creates support for the argument that it is other reasons, mainly political in character, which produce the driving force of EU-Mercosur interregionalism.

To begin with, even for economic decisions, there has to exist the prerequisite of political consensus. Subsequently, it can be assumed that if the determination for continuing cooperation is strong enough on both sides, it is mainly the political factors which sustain the partnership. As in regionalism, although interregionalism “is most tangible in the areas of trade and investment, integration receives strong impulses from non-material factors and extends to the domains of security, politics and culture.”<sup>5</sup>

Following the issues raised above, this thesis will ask what were the political motivations of the EU and Mercosur cooperate more closely. The thesis will demonstrate that in spite of mostly being interpreted as economic at first sight, the EU-Mercosur partnership is a multidimensional phenomenon, based on various levels of cooperation, and most importantly that there was a political element already in the initial stage of cooperation.

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<sup>5</sup> Söderbaum and Van Langenhove, 209.

Examples of important factors in this respect are the attempts to balance out the presence and incomparably strong role of the USA, to accomplish further institutionalization or to find and promote a collective international identity of each of the blocs.

My research in this field will fill in a gap in the existing literature. Many authors focus on the trade, investment and economic cooperation;<sup>6</sup> numerous studies have also been comparing the individual actors in terms of their internal process of integration.<sup>7</sup> However, regarding particularly the EU-Mercosur interregionalism as a political phenomenon, the number of studies existing in the present is not very large. The most relevant authors recently analyzing this field are Crawley, Doctor and Santander.<sup>8</sup> These authors provide a very good image of the development of the relationship so far. They mention its distinctive traits, accomplishments and failures. However, the political motivations of the two actors to cooperate have not been appearing in the center of scholarly attention so far. These reasons therefore led to the choice of the focus of this thesis.

As regards the methodology, sources will comprise existing secondary literature in the field, official documents of Mercosur and the European Union, newspaper articles and interviews with representatives of the Mercosur member countries in Prague and in Budapest. Weight will primarily be placed on the political factors and motivations, resulting from the assumption that they are equally important as trade interests for the initiation of cooperation and possibly even more important for its maintenance if the trade negotiations do not proceed.

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<sup>6</sup> Karl Kaltenthaler and Frank O. Mora, "Explaining Latin American Economic Integration: The Case of Mercosur," *Review of International Political Economy* 9, no. 1 (March 2002): 72-97; Wilfred J. Ethier, "Regionalism in a Multilateral World," *The Journal of Political Economy* 106, no. 6 (December 1998): 1214-1245.

<sup>7</sup> Francesco Duina, "Varieties of Regional Integration: The EU, NAFTA and Mercosur," *Journal of European Integration* 28, no. 3 (July 2006): 247-265; Andrés Malamud, "Presidentialism and Mercosur: A Hidden Cause for a Successful Experience," *Comparative Regional Integration: Theoretical Perspectives*, Finn Laursen, ed. (Aldershot: Ashgate, 2003).

<sup>8</sup> Andrew Crawley, "Toward a Biregional Agenda for the Twenty-First Century," *Journal of Interamerican Studies and World Affairs* 42, no. 2 (Summer 2000): 9-34; Mahrukh Doctor, "Why Bother With Inter-Regionalism? Negotiations for a European Union-Mercosur Agreement," *Journal of Common Market Studies* 45, no. 2 (2007): 281-314; Sebastian Santander, "The European Partnership with Mercosur: a Relationship Based on Strategic and Neo-liberal Principles," in *The EU as a Global Player. The Politics of Interregionalism*, eds. Fredrik Söderbaum, Luk van Langenhove (New York: Routledge, 2006).

The thesis has the following structure. After a necessary factual background and overview of the development of Mercosur and its relations with the EU, the few existing theoretical approaches to interregionalism are presented and a specific framework is suggested for the study of EU-Mercosur interregionalism, based on a model presented by Mathew Doidge.<sup>9</sup> Following this framework, the last three chapters deal with three main areas of the political dimension of cooperation. Namely, the focus is concentrated on geopolitics, identity forming and institutionalism. Finally, it will be evaluated to what extent the EU-Mercosur political reality confirms the proposed theoretical model, what role the political dimension plays and what the prospects for the future are.

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<sup>9</sup> Mathew Doidge, "Joined at the Hip: Regionalism and Interregionalism," *European Integration* 29, no. 2 (May 2007): 232.

## CHAPTER 1: BACKGROUND: THE HISTORY OF MERCOSUR AND ITS RELATIONSHIP WITH THE EUROPEAN UNION

Although aspiring to become a visible player on the international political scene, details of the Mercosur integration process are not widely known and not often dealt with. To provide a good analysis of the case of the EU-Mercosur interregional project, it is essential to list the basic accomplishments reached so far, both in the case of Mercosur itself and of the official contacts between the two regions.

### **1.1 The History of Mercosur and its Political Face – The Main Turning Points**

Mercosur was created by Argentina, Brazil, Paraguay and Uruguay, signing the Treaty of Asuncion on March 26, 1991. The main goal of the parties concerned was to establish a common market by the end of the year 1994.<sup>10</sup> The treaty itself is rather short and states the main objectives and instruments of the newly created organization. The common market was to involve “[t]he free movement of goods, services and factors of production, ...the establishment of a common external tariff and the adoption of a common trade policy in relation to third States or groups of States..., co-ordination of macroeconomic and sectoral policies between the States Parties [and] the commitment by States Parties to harmonize their legislation in the relevant areas”.<sup>11</sup> As can be seen, at the initial stage, Mercosur was officially a purely trade-oriented body. However, significant changes were made relatively early.

Whereas the first years were considered to be a transition period, the Protocol of Ouro Preto, signed on December 17, 1994, set many more details to the internal cooperation. First of all, the institutional structure was set. Three intergovernmental decision-making bodies were created: the Council of the Common Market as the highest organ of Mercosur, with

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<sup>10</sup> *The Treaty of Asuncion*, Article 1.

<sup>11</sup> *Ibid.*



responsibility for the political leadership of the integration process;<sup>12</sup> the Common Market Group as an executive organ;<sup>13</sup> and the Mercosur Trade Commission, responsible for assisting the Common Market Group and monitoring the application of the common trade policy instruments.<sup>14</sup> Three additional consultative bodies were also created: the Joint Parliamentary Commission, the Economic-Social Consultative Forum and the Mercosur Administrative Secretariat.<sup>15</sup> Another accomplishment of the Ouro Preto Protocol was that Mercosur gained legal personality.<sup>16</sup>

The following years brought more accomplishments in the political sphere. In 1996, Chile and Bolivia signed association agreements with Mercosur.<sup>17</sup> In the same year, the Presidential Declaration concerning Democratic Commitments was issued and in 1998, the Ushuaia Protocol, already part of the primary law of Mercosur, presented a Democratic Commitment, binding not only for member states, but also for those who wish to become associated members.<sup>18</sup> This established the so-called ‘political Mercosur’ (Mercosur político), a common mechanism for political consultations in which both the member states and associate countries participate as full members.<sup>19</sup>

More than ever before, “Mercosur has been acquiring a stronger political dimension..., a significant development for the bloc”.<sup>20</sup> The following documents are listed by the Regional Strategy Paper as ‘significant breakthroughs’: The Olivos Protocol of 2002 created an arbitration and review tribunal. In addition, the Administrative Secretariat was upgraded to a Technical Secretariat and then in 2003, the Commission of Permanent Representatives was

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<sup>12</sup> *The Protocol of Ouro Preto*, Article 3.

<sup>13</sup> *Ibid.*, Article 10.

<sup>14</sup> *Ibid.*, Article 16.

<sup>15</sup> *Ibid.*, Article 1.

<sup>16</sup> *Ibid.*, Article 34.

<sup>17</sup> European Commission, *The EU’s relations with Mercosur*.

[http://ec.europa.eu/external\\_relations/mercosur/intro/index.htm](http://ec.europa.eu/external_relations/mercosur/intro/index.htm). They were eventually followed by Colombia, Ecuador and Peru.

<sup>18</sup> European Commission, *EC Regional Strategy Paper 2007-2013 (RSP)*, 8.

<sup>19</sup> European Commission, *The EU’s relations with Mercosur*.

<sup>20</sup> RSP, 7.

formed, being a political direction body, inspired by the Coreper of the EU. Further on, in 2004, the Mercosur Fund of Structural Convergence was established and in 2005, a new human rights protocol was adopted.<sup>21</sup>

On May 23, 2006, the Entry Protocol of Venezuela was adopted. Venezuela is the first country to become a new member since the foundation of Mercosur itself. Intra-Mercosur trade liberalization with respect to Venezuela is scheduled to be finished by the year 2013.<sup>22</sup> However, Venezuela's full membership is still at the moment conditioned by the pending ratification by the parliaments of Brazil and Paraguay.<sup>23</sup>

In 2007, the Mercosur Parliament was inaugurated in Montevideo, Uruguay.<sup>24</sup> The organ is still not a decision-making one, but its formation is indeed a step forward in the institutionalization of Mercosur. Even its meaning for the future is significant: direct elections to the Parliament are to be held from the year 2011.<sup>25</sup>

This brief overview has provided examples of the various levels that integration in Mercosur takes place at. Many authors today agree that Mercosur has “developed as an explicitly political as well as economic grouping”.<sup>26</sup> Phillips, when listing the essential characteristics of the governance project of Mercosur, mentions that the region was constituted through market-led and other regionalization processes, enforcing industrial competitiveness, but also highlights the “dominance of strategic and political objectives in visions of the Mercosur project, focused on external negotiations, and reflected particularly in

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<sup>21</sup> All in RSP, 7.

<sup>22</sup> *Protocolo de Adhesión de la República Bolivariana de Venezuela al Mercosur*.  
<http://www.mercosur.int/msweb/portal%20intermediario/es/index.htm>

<sup>23</sup> El Nacional, *Presidentes del Mercosur declararán apoyo al ingreso de Venezuela*, December 17, 2007.  
[http://www.el-nacional.com/www/site/detalle\\_noticia.php?q=nodo/7439](http://www.el-nacional.com/www/site/detalle_noticia.php?q=nodo/7439)

<sup>24</sup> BBC News online. *Mercosur Parliament Inaugurated*. May 7, 2007.  
<http://news.bbc.co.uk/2/hi/americas/6633457.stm>

<sup>25</sup> *¿Hacia donde van las relaciones entre America Latina y la Union Europea?* ALOP 2008, 58.  
[http://www.alop.or.cr/trabajo/publicaciones/Interiores\\_Cumbre\\_Lima\\_ALOP\\_Marzo\\_2008\\_FINAL.pdf](http://www.alop.or.cr/trabajo/publicaciones/Interiores_Cumbre_Lima_ALOP_Marzo_2008_FINAL.pdf),  
 Author's own translation – responsible for any mistakes.

<sup>26</sup> Andrew Hurrell, “Security in Latin America,” *International Affairs (Royal Institute of International Affairs 1944-)* 74, no. 3. (July 1998): 539.

the articulation of Brazil's subregional leadership role.”<sup>27</sup> However, although they may be considered to constitute one of the driving forces of integration, the role and ambitions of Brazil create tension in the region as well. These issues are further discussed below.

### 1.1.1. The Obstacles to Deeper Cooperation

There are several internal issues within Mercosur which prevent the regional group from functioning more smoothly. The first is the often discussed internal balance. A certain parallel is sometimes brought up with regards to the roots of integration in Europe and in Latin America: The European Coal and Steel Community was to some extent based on the axis of France and Germany, former traditional rivals of the region and similarly sized countries. Likewise, the driving force behind the formation of Mercosur is often considered to be the initiative of Brazil and Argentina.<sup>28</sup> This creates a certain imbalance within the group, placing Paraguay and Uruguay into the role of ‘second-level’ players, affected by the decisions of their stronger neighbors.<sup>29</sup> Moreover, Brazil can be considered as an individual actor in this respect. Its determination to gain a permanent seat in the United Nations Security Council,<sup>30</sup> and the simultaneous objection of other Latin American countries to this intention, is an issue which projects itself into the relations within Mercosur and the atmosphere of the meetings of the member state representatives.<sup>31</sup>

Another example of factors hindering further cooperation of Mercosur members are several border or internal disputes existing among them. Namely, these regard paper mills on

<sup>27</sup> Nicola Phillips, “The rise and fall of open regionalism? Comparative reflections on regional governance in the Southern Cone of Latin America” in *Third World Quarterly* 24, no. 2 (2003): 231.

<sup>28</sup> Interview with an anonymous diplomat.

<sup>29</sup> Ibid.

<sup>30</sup> BBC News, *UN debates new Security Council*, July 12, 2005.

<http://news.bbc.co.uk/2/hi/americas/4673977.stm>

<sup>31</sup> Interview with an anonymous diplomat.

the Uruguayan border with Argentina, the Itaipu power plant on the border between Brazil and Paraguay, and a project for a dam in the Brazilian Amazon area.<sup>32</sup>

Finally, the economic situation within the Mercosur plays a very important role. Even though Mercosur was from the beginning planned to become a single market, the development has so far only led towards a customs union which is still incomplete.<sup>33</sup> Very unfortunate strokes for the Mercosur project were the economic crises in Brazil (1999) and Argentina (2001). In the context of this thesis, as economic success can lead to more cooperation on the political level, partial economic failures can also cause the slowing down of the political cooperation. The member countries themselves admit that the Mercosur institutions are still not as stable and functional as they ideally should be.<sup>34</sup>

Still, the achievements of Mercosur on the political level are quite significant. The following pages will show how the region's relationship with the European Union has evolved.

## **1.2. Cooperation with the EU**

The European Union has been in support of the Mercosur project from its very inception. As early as May 1992, the Inter-Institutional Cooperation Agreement between the Mercosur Council and the European Commission was signed; it was meant to provide technical and institutional support to the emerging institutional system of Mercosur.<sup>35</sup> Still there are quite a few turning points in the development of the mutual relationship in terms of official legal documents making changes to the establishment. Once a relatively constant relationship was set, the contact between the two regions consists mainly of political

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<sup>32</sup> Interview with an anonymous diplomat.

<sup>33</sup> RSP, 7.

<sup>34</sup> ALOP, 59. Author's own translation.

<sup>35</sup> European Commission, *The EU's relations with Mercosur*.

meetings.<sup>36</sup> Nevertheless, even given the possibility that some proclamations still only stay ‘on paper’, the intensity of the meetings and variety in their fields of focus indicate the interest of both sides in maintaining close ties with each other and the willingness to proceed to a deeper and more intensive cooperation in the future.

### 1.2.1. The Framework Cooperation Agreement

The most important document so far is the EU-Mercosur Interregional Framework Cooperation Agreement which was signed in December 1995 and entered into force four years later. The basis and scope of the cooperation are stated clearly:

Respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human Rights inspires the domestic and external policies of the Parties and constitutes an essential element of this Agreement... The objectives of this Agreement shall be to strengthen existing relations between the Parties and to prepare the conditions enabling an interregional association to be created. To those ends, the Agreement covers trade and economic matters, cooperation regarding integration and other fields of mutual interest in order to bring about closer relations between the Parties and their respective institutions.<sup>37</sup>

The document, and therefore the interregional cooperation as a whole, is divided into three main areas: political dialogue, cooperation and trade issues.<sup>38</sup> Political dialogue had already been conducted earlier on an informal basis, but was institutionalized and regularized by the Framework Agreement. The dialogue was established on several different levels: the level of heads of state and government, the ministerial and a senior officials’ level.<sup>39</sup> The ministerial dialogue takes place within a Cooperation Council, mentioned both in the Framework Agreement and in a Joint Declaration, issued as an annex to the Agreement.

As regards the economic area, the goals set by the Agreement seem to be quite far reaching and cover a number of related issues. The goals are “to expand [the Parties’]

<sup>36</sup> Trade related issues of EU and Mercosur are arranged with regard to WTO negotiations.

<sup>37</sup> *Interregional Framework Cooperation Agreement between the European Community and its Member States, of the one part, and the Southern Common Market and its Party States, of the other part.* Official Journal L 069 , 19/03/1996 p. 0004 - 0022 - L 112 29/04/1999 P. 0066. Articles 1 and 2.

<sup>38</sup> European Commission, *The EU’s relations with Mercosur*.

<sup>39</sup> Ibid.

economies, increase their international competitiveness, foster technical and scientific development, improve their standards of living, establish conditions conducive to job creation and job quality and diversify and strengthen economic links between them”.<sup>40</sup> It is described further in the document that this covers cooperation in business and promotion of investment, cooperation in the field of transport, science and technology and even energy and environmental protection.<sup>41</sup>

The area of cooperation also covers a vast range of issues. From encouraging integration of Mercosur and mutual interinstitutional relations, the Agreement mentions training and education, information, communication and culture, drug trafficking and provides for the expansion of these topics in the case of mutual interest.<sup>42</sup> The Framework Cooperation Agreement is still in force and creates a basis of the EU-Mercosur cooperation, despite countless proclamations and time schedules regarding the creation of the future Regional Association Agreement, a document reaching far beyond the current settings.

### 1.2.2. The Regional Strategy Papers

The Regional Strategy Papers (RSPs) differ from the documents mentioned above in the sense that they are not based on interregional consensus. They are an initiative of the European Commission (EC), evaluating the accomplishments achieved so far and framing the projects conducted by the EC in Mercosur.

The first Regional Strategy Paper was issued for the years 2002-2006. The main aim was to reinforce the process of institutional and market integration within the Mercosur region.<sup>43, 44</sup> The Commission now admits that Mercosur “has promoted peace and stability,

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<sup>40</sup> *Interregional Framework Cooperation Agreement*, Article 10.

<sup>41</sup> *Ibid.*, Articles 11-17.

<sup>42</sup> *Interregional Framework Cooperation Agreement*, Articles 18-23.

<sup>43</sup> €1 million (out of the total of €48 million) was set for internal market integration and the acceleration on interregional trade flows, €12,5 million for Mercosur institutionalization and €14,5 million was set aside for the priority of supporting civil society in Mercosur. RSP 2007-2013, 18.

generated a high-level political dialogue and strengthened internal and international cooperation. However, since ... 2002, limited progress has been made towards the realization of a concrete customs union and a structured common market”.<sup>45</sup> Based on this, these challenges, the EC set the priorities for the years 2007-2013 to support 1. Mercosur institutionalization, 2. “the deepening of Mercosur and implementation of the future EU-Mercosur Association agreement”<sup>46</sup>, and 3. strengthening “civil society participation, knowledge of the regional integration process, mutual understanding and mutual visibility”<sup>47</sup>. In addition, the method of implementation is now different from the previous RSP. Whereas in the case of the RSP 2002-2006, the cooperation so far was entirely project-based and “thus often lacking an overall strategic vision”,<sup>48</sup> the RSP 2007-2013 is promising to be result-based and more coherent.

### 1.2.3. Outline of an Association Agreement

An issue deserving special attention is the process leading to a possible association agreement between the European Union and Mercosur, an issue which has been central to most of the interregional negotiations in the past several years. The three-pillar agreement would be the first of its kind in interregional relations so far; and as described by the European Commission, it is aimed at being “a very deep and comprehensive agreement going well beyond a simple free trade area in goods and services”.<sup>49</sup> The political chapter promotes among others democracy, institutionalization, sustainable development, security and justice,

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<sup>44</sup> It is also interesting to notice the considerable rise in the EU budget for cooperation with Mercosur. To compare, total commitments for the whole period of 1992-2002 were €49,3 million. Ibid.

<sup>45</sup> Ibid., 4.

<sup>46</sup> Ibid., 5.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid., 4.

<sup>49</sup> Ibid., 21.

while the trade dimension leads to a free trade agreement, including the removal of a number of non-tariff barriers.<sup>50</sup>

The preparation of negotiations for an association agreement was already a main objective of the 1995 Framework Agreement between the EU and Mercosur; and after the necessary preparatory work, negotiations started in 1999 in the forum of the EU-Mercosur Bioregional Negotiations Committee.<sup>51</sup> The negotiations have been carried out on a regular basis until the present;<sup>52</sup> however, the deadline for the final draft of the agreement is constantly being postponed. It is not the goal of this thesis to analyze the achievements and obstructions of the negotiations, yet, in a very simplified manner, it can be said that the agreement has not been signed yet “due to various difficulties in the trade field”<sup>53</sup> or the necessity to first overcome “mercantilist attitudes on both sides”.<sup>54</sup> And since the agreement is not to be signed until every issue is mutually agreed upon, the negotiations are constantly being prolonged.

It also has to be admitted that the main prerequisite not only for the correct functioning of Mercosur itself, but also for its successful cooperation with the European Union is the completion of its internal customs union and the solidification of its institutional structure. Nevertheless, cooperation in other fields is still functioning and is not negatively affected by the uncertainty invoked by the ongoing negotiations regarding the association agreement. It is obvious that there exist certain motivations in the case of both actors involved, which allow them to proceed in the area of political cooperation without being limited by the boundaries of the current situation.

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<sup>50</sup> RSP, 21.

<sup>51</sup> European Commission, *The EU's relations with Mercosur*.

<sup>52</sup> From the beginning, the Committee met three times each year, being complemented by other mechanisms, for example the Sub Committee on Co-operation and three Technical Groups on trade issues. Doctor, 284-285.

<sup>53</sup> Santander, 54.

<sup>54</sup> Doctor, 286. Doctor points out that “the EU and MERCOSUR found themselves on opposite sides at the WTO ministerial conferences at Cancun (2003) and Hong Kong (2005). Ibid.



## CHAPTER 2: INTERREGIONALISM: A NEW PUZZLE IN IR

Theorizing interregionalism is a rather complicated task. Although the phenomenon of interregional cooperation has already appeared in the second half of the 20<sup>th</sup> century, most authors agree that it only developed in its current form in the 1990s.<sup>55</sup> In consequence, its theoretical analysis has also only developed lately and does not have a very long history. In addition, the object of research is in this case a very dynamic one and is permanently undergoing significant evolution. This may provide researchers with more space for maneuver and more possibilities of interpretation, but on the other hand it may lead to some uncertainty and disagreement. As Söderbaum and van Langenhove put it, “The study of interregionalism is underrepresented in the academic debate and we simply do not know enough when and why interregionalism occurs and what it is actually an instance of.”<sup>56</sup>

The first challenge is to set a clear-cut definition of interregionalism, due to the fact that the term itself is often used in relation to various levels of interaction. While in the area of trade, certain conditions of success can be traced,<sup>57</sup> further areas of cooperation between integrating regions are not yet explicitly or defined. Yet, the fact that interregionalism does in itself cover much more is admitted by most authors. Sanchez Bajo states: “In an inter-regional relation, new elements enter the analysis beyond trade and investment and socioeconomic and

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<sup>55</sup> Söderbaum, Van Langenhove, 7; Doctor, 281; Heiner Hänggi, *Interregionalism: empirical and theoretical perspectives*. Paper prepared for the workshop “Dollars, Democracy and Trade: External Influence on Economic Integration in the Americas” Los Angeles, CA, May 18, 2000, 3

<sup>56</sup> Söderbaum and Van Langenhove, 3; also acknowledged in Doidge, 230.

<sup>57</sup> Aggarwal and Fogarty, for example, provide three basic ones: continuing integration of the world economy, continuing uncertainty surrounding the multilateral WTO process and continuing support among at least some constituencies for the institutionalization of stable, rule-bound international commercial relationships. Vinod K. Aggarwal and Edward A. Fogarty, *Explaining Trends in EU Interregionalism*. University of Berkeley 2003: 341. <http://basc.berkeley.edu/pdf/articles/Explaining%20Trends%20in%20EU%20Interregionalism.pdf>

governmental actors' interests",<sup>58</sup> while Doctor points out that it "also considers strategic and ideational issues".<sup>59</sup>

Still, interregionalism is often considered to be rooted in trade and political economy and explained in that context. This constitutes the origin of the title this chapter: not that interregionalism would not fit into the framework of international relations theories, but any existing single IR theory fails to provide satisfactory explanation of it.<sup>60</sup> It can be expected that the primary goals in relations between regional groupings are to a certain extent crossing the borderline from the purely economic area to the area of politics, but this becomes more problematic to demonstrate empirically. The data illustrating the amount of trade between certain cooperating regions show that interregional agreements make a tangible difference on trade relationships between different regions. In contrast, changes caused by such agreements in the geopolitical sphere are less easy to detect.

Nevertheless, there exist numerous studies dealing with the phenomenon of interregionalism, the character of the cooperation itself, its roots, origins and the actors themselves. This chapter provides an overview of them and suggests a theoretical framework suitable for the EU-Mercosur relationship.

## **2.1. Definitions**

The roots of the development of interregionalism can be found within the process of globalization and growing mutual interdependence of nation states. Eventually, this process led in the 20<sup>th</sup> century to the formation of various regional groupings around the world. The change which appeared in the 1990s then is the emergence of 'new' or 'open' regionalism which responded to the global situation after the end of the Cold War and is characterized as

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<sup>58</sup> Claudia Sanchez Bajo, "The European Union and Mercosur: a case of inter-regionalism," *Third World Quarterly* 20, no. 5 (1999): 927.

<sup>59</sup> Ibid.

<sup>60</sup> Söderbaum, Van Langenhove, 4.

extroverted and liberalizing<sup>61</sup> or, in another sense, as “a strategy to assure the insertion of [less developed countries] into a world conceived as multipolar, preventing their turning into a closed trading bloc”.<sup>62</sup> It is also important to note the difference between the ongoing process and the reactions to it. Doctor points out that “[w]hereas *regionalization* is a trade-driven, often bottom-up process of intensifying interaction led by non-state actors, *regionalism* is the conscious policy of states, a top-down process, seeking greater regional cooperation on a range of issues from security to the economy”.<sup>63</sup> This implies that once the nation states themselves seek to integrate themselves more closely, even if the focus is primarily on economic issues, the cooperation most probably includes other areas as well.

The evolution of regionalism is explained by Söderbaum and Van Langenhove, who prefer referring to first and second ‘generations’ of regionalism. According to them, the former (having the European Economic Community as an example) had “narrowly defined objectives, and focused first and foremost on trade (or security)”.<sup>64</sup> On the other hand, second-generation, or open, regionalism is defined by them as more complex and political. Citing Hettne, they state that it is a “multidimensional form of integration which includes economic, political, social and cultural aspects and thus goes far beyond the goal of creating region-based free-trade regimes or security alliances”.<sup>65</sup> Söderbaum and Van Langenhove go further to predict that “we are now in the early stages of the development of third-generation regionalism, characterised [sic] by a much stronger external orientation of regions, in which regions begin to play a more important role world-wide and in extra-regional affairs”.<sup>66</sup> As can be seen, despite being distinct phenomena, interregionalism and regionalism are very closely linked and the former cannot be clearly explained without knowledge of the latter.

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<sup>61</sup> Doctor, 283.

<sup>62</sup> Sanchez Bajo, 939.

<sup>63</sup> Ibid., 286-286. Emphasis added.

<sup>64</sup> Söderbaum and Van Langenhove, 7.

<sup>65</sup> B. Hettne, “The New Regionalism: A Prologue,” in *Globalism and the New Regionalism*, B. Hettne, A. Inotai and O. Sunkel, eds. (Basingstoke: Macmillan, 1999). Cited in Söderbaum and Van Langenhove, 7.

<sup>66</sup> Ibid., 8.

## 2.2. Different Approaches to Interregionalism

When analyzing interregionalism, the distinct forms of this phenomenon should first be classified. Hänggi provides a simple but convenient classification. He distinguishes three different forms of interregionalism: “relations between regional groupings, biregional and transregional arrangements [and] hybrids such as relations between regional groupings and single powers”.<sup>67</sup> Since Hänggi asserts that biregional and transregional arrangements are rather heterogeneous and their agenda typically concentrates on economic issues,<sup>68</sup> the EU-Mercosur relations can clearly be seen as an example of the first category, which is considered by Hänggi to be the prototype of interregional arrangements, traditionally emphasizing a dominant position of the EC/EU. Furthermore, the author adds two important points. He acknowledges that “[in] the case of the European Union..., group to group relations always include a political elements such as dialogue on human rights and democracy [and that] other regional schemes such s the Mercado Commun [sic] del Sur (Mercosur)... also began to establish relations with other regional groupings”.<sup>69</sup> These two points suggest that the EU-Mercosur interactions have a relatively strong political dimension, and that regardless of a certain internal incoherence, Mercosur is growing as an independent international actor.

The theoretical assessment of interregionalism is very well summed up by Doidge. Interpreting Rüländ,<sup>70</sup> he identifies five broad functions of it: “balancing, institution building, rationalizing, agenda setting and collective identity formation”.<sup>71</sup> This distinction shows the complexity of the actors’ interactions. Doidge then classifies these functions according to

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<sup>67</sup> Hänggi, *Interregionalism*, 3.

<sup>68</sup> *Ibid.*, 4.

<sup>69</sup> Hänggi, *Interregionalism*, 4.

<sup>70</sup> Jürgen Rüländ, *Transregional Relations: The Asia–Europe Meeting (ASEM) – A Functional Analysis*. Paper presented at the International Conference on ‘Asia and Europe on the Eve of the 21st Century’, Chulalongkorn University, Bangkok, 19–20 August 1999; and *ASEAN and the European Union: A Bumpy Interregional Relationship*. Bonn: Zentrum für Europäische Integrationsforschung, Rheinische Friedrich-Wilhelms-Universität, 2001. Cited in Doidge, 232.

<sup>71</sup> *Ibid.*

applicable IR theories. He suggests that in a world where power is defined more in economic terms than military ones, interregionalism may constitute a tool to preserve a certain balance and binds this dimension of interregionalism to the realist approach. Institution building (interregional as well as intra-regional), rationalization and agenda setting are linked by him to the multilateral level of governance and therefore institutionalism is applied to them. Finally, the dimension of collective identity is explained by Doidge using the theory of constructivism. In other words, interacting with the outside world strengthens the feeling of collective identity within the particular region.<sup>72</sup> These functions, as Doidge acknowledges, “reflect the recognition that international relations are characterized by a complex mix of policies and processes informed by an array of theoretical approaches, rather than by a single theoretical construct.”<sup>73</sup>

Roloff contributes to the debate by assuming that “symmetries in interdependence promote interregional co-operation, because there is a perception among states that gains of co-operation will be symmetrical”.<sup>74</sup> However, the character of the EU-Mercosur relationship clearly undermines this statement. Even though Mercosur may be emerging now as an independent actor on the international scene, the asymmetry in its relationship towards the European Union is an unquestionable intervening factor. This leads to the necessity to create a modified theoretical framework for the case of the interregionalism which has developed between the EU and Mercosur.

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<sup>72</sup> All Ibid., 232-233. This view is also supported by Doctor, 293.

<sup>73</sup> Doidge, 232.

<sup>74</sup> Ralf Roloff, “Inter-Regionalism in Theoretical Perspective: State of the Art,” in *Interregionalism and International Relations*, eds. H. Hänggi, R. Roloff and J. Rüland (London: Routledge, 2005), 28.

### **2.3. Analyzing EU-Mercosur Relations: The Need for a Distinctive Approach**

Doidge's theoretical assumptions are very coherent and cover most of the dimensions relevant in interregionalism; they therefore make a suitable basis for the theoretical framework of this thesis. Doidge identifies most of the important factors in an interregional relationship and links them to the process of regionalism. However, this general model cannot be used without taking into consideration the specificities of the regions which are being analyzed. The case of the European Union and Mercosur does not fully meet all the aspects of the model; moreover, several additional issues should be added to the framework to make it coherent in this particular case. Another limitation is that Doidge himself does not provide a detailed description of the promoted functions of interregionalism. Consequently, in this thesis, these are subject to further interpretations based on the reality of the European Union and Mercosur.

The following table illustrates clearly the structure of Doidge's model: the five main functions of interregionalism are listed, together with the applicable IR theories and the effect or focus of the functions in regards to the individual regional actors.

Table 1. Interregionalism – function, theory and focus<sup>75</sup>

| <b>Function</b>               | <b>Theory</b>    | <b>Focus</b> |
|-------------------------------|------------------|--------------|
| Balancing                     | Realism          | External     |
| Institution building          | Institutionalism |              |
| Interregional                 |                  | External     |
| Intra-regional                |                  | Internal     |
| Rationalizing                 | Institutionalism | External     |
| Agenda setting                | Institutionalism | External     |
| Collective identity formation | Constructivism   | Internal     |

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<sup>75</sup> Source: Doidge, 232

However, in the case of the EU and Mercosur, Doidge's interpretation can only be applied to a limited extent; all the functions he lists cannot be observed in this case. The necessity to modify his model for the case of the EU and Mercosur is also obvious from the next table. To provide more clarity, in an additional analysis, Doidge is coping with the 'actorness' of the regions at stake. According to the strength and nature of the regions, certain results can be expected from their interaction.<sup>76</sup> He provides the following table, according to which it will be possible to make limitations necessary for this thesis.

Table 2. Performance of dialogue functions according to actorness of partners<sup>77</sup>

|                       | Weak regional actor  | Strong regional actor  |
|-----------------------|--|--|
| Weak regional actor   | Interregional institution building   | <i>Capacity building interregionalism:</i><br>Interregional institution building<br>Intra-regional institution building/<br>integration<br>Collective identity formation |
| Strong regional actor | <i>Capacity building interregionalism:</i><br>Interregional institution building<br>Intra-regional institution building/integration<br>Collective identity formation | <i>Globally active interregionalism:</i><br>Interregional institution building<br>Balancing (alliance-style)<br>Rationalizing<br>Agenda setting                          |

According to Doidge, a combination of weak or strong actors results in the functions of their interregional interaction, listed in this table. The EU and Mercosur, considered to be the most successful examples of regionalism, can be expected to act as strong actors, creating

<sup>76</sup> Doidge, 242

<sup>77</sup> Source: Ibid.

*globally active interregionalism*. However, in the case of the EU and Mercosur, such expectations do not fully fit. The balancing function, as a reaction to the prevailing situation on the international scene, is definitely one that has to be taken into account. However, in the context of the EU-Mercosur relationship, we can only trace this feature in the motivations of each of the actors separately, not in the sense that they would consciously align in order to create a stronger counterbalance to any other relevant world power. Also, rationalizing should be excluded from the analysis of the case of the EU and Mercosur: Doidge explains that this function “posits interregional dialogues as potential clearing-houses for the global multilateral level, allowing global issues to be debated at a median level between global institutions and nation-states, alleviating some of the problems inherent within truly global negotiations”.<sup>78</sup> Such a dimension would be difficult to trace in the case studied in this thesis. Agenda setting, again, is in Doidge’s interpretation establishing a structure to create consensus and common interests for the goal of expressing them in global negotiations.<sup>79</sup> For the reasons stated above, this is not quite the case for the EU and Mercosur.

### 2.3.1. Hypothesis

To sum up, Doidge has created a model applicable to a certain extent to any interregional project, existing or ideally to be launched in the future. The cooperation of the EU and Mercosur seems to be somewhere halfway between the relations of two strong actors and one strong and one weaker one. Therefore, a modified framework will be applied to their case and tested by the expressions of their motivations. The hypothesis is that three aspects are the most significant in the political dimension of the EU-Mercosur partnership. The first one are attempts to create a stable position in terms of power, the second is identity forming

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<sup>78</sup> Doidge, 233

<sup>79</sup> Ibid.



and promoting, and the third aspect are the motivations of the two actors for institutionalization, both internal and external.

The following chapters of this thesis will be dedicated to the application of this framework to the evolving EU-Mercosur relationship, also comparing the strength of the motivations in the case of each of the actors.

### CHAPTER 3: THE GEOPOLITICAL FACTORS

*States have no friends; they only have interests.*<sup>80</sup>

The theory of realism generally perceives the international scene as a certain type of anarchy, where the behavior of actors is based on rationally selected goals. This chapter analyzes to what extent the motivations for EU-Mercosur interregionalism were driven by geopolitical interests, reacting to the existing situation on the global scene. Generally, Doctor identifies the following three factors as the “key drivers of interregionalism and the desire to sign an EU-Mercosur agreement”<sup>81</sup> pointing to the importance of analyzing the geopolitical motives for EU-Mercosur interregionalism:

- (i) the international context in the 1990s, which favoured [sic] collective approaches to facing the challenges posed by globalization and the end of Cold War bi-polarity;
- (ii) the strategic preferences of political actors in both regions, which favoured the deepening and widening of their regionalism projects; and
- (iii) the interests of economic and other societal actors, which favoured institutionalization of inter-regional economic and political relations to harness the gains and minimize the losses from integration and reform.<sup>82</sup>

It is interesting to see that two of the three factors listed above are connected to geopolitics. The first factor points to the logical circumstances of the time period when Mercosur and its connections to the European Union were established, namely the uncertain situation after the end of the Cold War. Even preferences for a deepening and widening of the cooperation are classified by Doctor as *strategic*, pointing to the character and behavior of the EU and Mercosur as political actors. Finally, Doctor lists economic factors only in last position.

However, economic factors cannot really be divided from geopolitical ones, and this chapter will show that even political decisions are to a considerable extent connected to the stage of negotiations in the trade area. However, the biregional relations analyzed here are, to a great extent, state-led, or at least the interactions of the EU, Mercosur and the USA have a

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<sup>80</sup> Interview with an anonymous diplomat.

<sup>81</sup> Doctor, 289.

<sup>82</sup> Ibid.

geopolitical character. This chapter therefore argues that the perspective of geopolitics is vital for their overall examination.<sup>83</sup>

### **3.1. Speaking With a Stronger Voice**

To begin with, one of the more obvious and simple reasons for interregionalism, in the ideal case, the negotiating power of a regional body, should be greater than the mere sum of the potentials of the integrated nation states. Whereas the EU is already perceived as a more or less unitary actor, or at least possesses the tools to present itself that way, Mercosur is still only emerging as a single unit. Nonetheless, it should not be doubted that the bloc itself was from the beginning “conceived as an instrument to increase the Southern Core countries’ bargaining power *vis-à-vis* the northern regional economic blocs in the post-Cold War international environment”.<sup>84</sup> Consequently, taken to a higher level, both of the parties recognize the partnership as crucial for the strengthening of Mercosur, both as a more equal partner for the EU and as an independent actor in relation to the outside world. The European Union states that “[m]ore than anything, [the association of Mercosur with the European Union is important] because the role of Mercosur in the world improves, as is demonstrated by the European example”.<sup>85</sup> In addition, the EU stresses the preference of negotiating with Mercosur en bloc, not with its individual members. On their side, Mercosur member states admit that integration provides them with a significant negotiating power, primarily in the area of trade, but subsequently also in the geopolitical sense.<sup>86</sup> Thus, even though foreign

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<sup>83</sup> Interview with an anonymous diplomat.

<sup>84</sup> Mario E. Carranza, “Clinging together: Mercosur’s ambitious external agenda, its internal crisis, and the future of regional economic integration in South America,” *Review of International Political Economy* 13, no. 5 (December 2006): 809

<sup>85</sup> European Commission, *Unión Europea – Mercosur: Una Asociación para El Futuro*. Montevideo 2002. [http://ec.europa.eu/external\\_relations/mercosur/docs/bro02\\_es.pdf](http://ec.europa.eu/external_relations/mercosur/docs/bro02_es.pdf). Author’s own translation – responsible for any inaccuracies.

<sup>86</sup> Interview with an anonymous diplomat.

policy is still not a main issue in the Mercosur project, the cooperation with the European Union brings positive results for both of the parties involved.

### **3.2. *Balancing of Power as a Result of the Post-Cold War Period***

It has been mentioned earlier that the international context in the last decade of the 20<sup>th</sup> century played a key role in the forming of relations between regions at that time. With the disappearance of a bi-polar system of world politics, the remaining actors had to redefine their roles and positions on the international level. Interregionalism seemed to be a convenient tool for that. In this context, speaking about a security dimension of interregionalism would be exaggerating, but to put the expression differently, it could serve to eliminate the *insecurity* which concerned the states in the new world order.

Beyond doubt, both the European Community and Mercosur had their concerns and strategies in the beginning of the 1990s. They were different in many aspects, but had the potential to converge and find collective solutions, though not explicitly presented as strategic in the first place. Logically, the United States of America plays a big role in this analysis, not as an enemy, but as the only global power at that time.

#### **3.2.1. Western Europe**

The Western European countries, previously situated in the middle between – and under the pressure of – the two Cold War powers, faced the need to build up a new, more self-confident position. As Crawley points out,

The Community was already an economic superpower by virtue of the sheer significance of its economy, but the region's global political profile remained somewhat understated. The strength of the alliance between Europe and the United States was not to be doubted, nor was the basic consensus on that alliance's "western values." Given the concerns prompted by the dissolution of the Soviet Union, however, and the apprehensions about the only remaining superpower dictating the international rules of

the game, it seemed prudent for the EU to stress a subset of "European values" to which other countries and regions of the world might subscribe.<sup>87</sup>

Doctor goes more into detail, stating: "For the EU, encouraging closer ties with MERCOSUR was connected to its concern about expanding US activism in the region... Peaks in EU negotiating seriousness tended to coincide with peaks in perceived US influence in the region."<sup>88</sup> Undoubtedly, trade has always been an important issue for the EU/EC. Subsequently, its significant actions in relation to Mercosur may have been connected to the situation in the talks about trade. Nevertheless, it should not be forgotten that trade is only one of three issues constituting the pillars of the EU-Mercosur relationship. Moreover, the development in the EU actions allows for the statement that concerns about power and the geopolitical constellation should in the least be considered one of the driving forces of its behavior.<sup>89</sup>

To take the most relevant example, the European Union has been a strong supporter of the stabilization of the Mercosur region, its institutions, the respect for democratic principles and the widening of the areas of integration/cooperation. These processes help in maintaining steady trade flows based on strictly defined rules, but are definitely not crucial in this respect. Long-term trade cooperation can be conducted even in the case of much lesser development of one of the partners. Therefore, if the EU strives for a strong and influential Mercosur by promoting European standards (both economic and political), the practical influence of Mercosur in Latin America is implicitly also an influence of the EU in the region. This, admittedly, may eventually mean a change in the local power balance.

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<sup>87</sup> Crawley, 11.

<sup>88</sup> Doctor, 290.

<sup>89</sup> Interview with an anonymous diplomat.

### 3.2.2. Mercosur

It is understood that Mercosur countries have not been explicitly showing any intentions to distance themselves from the sphere of influence of the USA; contents of such kind cannot be found in official documents. However, traces can be found which demonstrate the existence of such an approach in the Mercosur region. The USA has been a stable trade partner for the Mercosur countries and there are no tendencies to lessen that cooperation. On the other hand, they feel the aspiration of the USA to maintain its level of influence in the region through trade cooperation - “money is politics”,<sup>90</sup> their politicians shortly comment. But this argument works in the opposite direction as well: a convenient distance can be kept from the USA, but there is no need for Mercosur countries to ostentatiously isolate themselves from it when it is possible to gain some benefits from the existing relations. As Bulmer-Thomas explains, “Mercosur countries, particularly Brazil, see negotiations with the EU as one of their strongest weapons in extracting concessions from the United States.”<sup>91</sup>

Yet, as the achievements so far<sup>92</sup> demonstrate, the relationship of Mercosur towards the EU is, to a large extent, more sincere and favorable than towards the USA. A plausible explanation for this fact is the difference in approaches of both of the powers. The USA have always been implicitly present on the Latin American continent as a power-oriented hegemon, while the European Union focuses more on values and open cooperation, if equity cannot be expected in this case. As Doctor specifies, “[t]he US preference for rules-based integration demonstrates its continued emphasis on power... In contrast, the EU’s preference for developing dense networks of social and political relationships to complement its economic

<sup>90</sup> Interview with an anonymous diplomat.

<sup>91</sup> Victor Bulmer-Thomas, “The European Union and MERCOSUR: Prospects for a Free Trade Agreement,” *Journal of Interamerican Studies and World Affairs* 42, no. 1. (Spring 2000): 3.

<sup>92</sup> There is a certain misbalance between the achievements in the negotiations with the USA and the EU. While the project of the Free Trade Area of the Americas is now practically rejected, the advancement towards the EU-Mercosur Association Agreement is admittedly slow, but nevertheless still progressing.

governance agenda emphasizes the concept of ‘partnership’ and the value of institution-building.”<sup>93</sup>

The attitudes of individual Latin American countries towards the Free Trade Area of the Americas (FTAA), proposed by the USA, vary both in terms of time and space. But the above mentioned perception of the EU and the USA, creating a specific atmosphere in the negotiations, suggests possible later development in the mutual relations.

### **3.3. The Current Situation**

To a great extent, especially for the EU, the relevance of a balancing function of the EU-Mercosur partnership was higher in the beginning of the process in the 1990s and is being replaced by other issues in the present. However, this feeling is apparently not the same in Latin America, where the presence of the USA is more apparent. The ALOP<sup>94</sup> points to the “promising context for the deepening of the [biregional] relations as a consequence of the Cold War”<sup>95</sup> but, at the same time, “it is essential to note that this basis does not exist in the new context, dominated by the pretension of the unipolar hegemony presided by the United States”.<sup>96</sup> In the same place, an even stronger opinion is expressed, namely that:

The political logic [of the cooperation]... has deteriorated, between a Europe which does not want to question or provoke the hegemony of the United States and which, in the end – as is typical for its initiatives in relation to Mercosur – acts in a reactive manner (when the US advances, the EU follows), but in international forums like the WTO, it does not leave its rigid alliance Europe-United States.<sup>97</sup>

Clearly, the interests of the EU and the USA on the Latin American continent do not affect the stable relationship these two actors have with each other. But despite the above mentioned opinions heard from Latin America, the presence of the EU and the USA on the continent has

<sup>93</sup> Doctor, 287. See also Crawley, 13: Crawley broadens the definition by attributing the promotion of interdependence and mutual benefit to the EU and national interest to the US.

<sup>94</sup> Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo

<sup>95</sup> ALOP, 67. Author’s own translation.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

a very different character in each of the cases and any strategic cooperation of the actors cannot be traced.

The position of the United States has changed significantly since the events of September 11, 2001. Originally, the ambitious project of the FTAA, which had been negotiated from the 1990s, was a US priority in the region – meant, among other things, to “strengthen Washington’s hand in negotiations with Europe, Japan and other major powers”.<sup>98</sup> But in recent times, the United States has been dedicating less attention to the Latin American continent, focusing its foreign policy on security issues, the fight against terrorism and most importantly, different regions of the world.<sup>99</sup>

Provided that the effort of the USA to influence the course of events in Mercosur (respectively tie Mercosur more tightly to the USA) does indeed diminish, this fact can possibly have several major implications. First, it can be expected that Mercosur, being less pressured from the outside, will eventually try to increase its own importance on the Latin American continent, either through the means of enlargement or by strengthening its connection to other major global partners, most importantly the European Union. The behavior of the EU, on the other hand, has two possible scenarios. It may become less enthusiastic, demonstrating that without the competing presence of the USA, stronger ties with Latin America are no longer as necessary as before. Or, on the contrary, seeing a better possibility to establish a permanent influence in the region, the EU might try to proceed with the negotiations for the Association Agreement and eventually bring them to a successful conclusion. However, predicting the next course of development is pure speculation, insufficient in providing support for any arguments presented in this chapter.

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<sup>98</sup> Thomas E Skidmore and Peter H. Smith, *Modern Latin America* (New York: Oxford University Press, 2005), 429.

<sup>99</sup> Skidmore and Smith comment on this fact in the following way: “On the economic side, the United States recommitted itself to free-trade, pro-market policies and negotiation of the FTAA by 2005. But Latin America had been largely relegated to a spectator role as Uncle Sam turned to global conflict.” Ibid.



To sum up, this chapter has demonstrated that in spite of having significantly different initial preferences, attitudes and expectations, the motivations for partnership of both the European Union and Mercosur contain a geopolitical element. The end of the Cold War was a considerable intervening factor in the relationships of the two regions, creating more opportunities for cooperation on the one hand and a somewhat larger pressure to take action on the other. An important role in this respect has been played by the USA, being only a passive actor, but significantly affecting the general power balance.

Comparing the strength of geopolitical motivations of the EU and Mercosur, and taking into consideration their different goals, it can be said that both of the partners were driven by realist factors to a more or less equal extent: both felt the necessity to strengthen their position on the global arena. The project of cooperation was, therefore, a useful tool for them to approach their goals.

What should now be analyzed is the other, perhaps less visible element of the EU-Mercosur cooperation. Through intensive interregional interaction, the development of a certain shared identity can be expected to arise. To help understand the existing partnership in its entirety, the following chapter is dedicated to this area.

## CHAPTER 4: ROLES, VALUES, IDENTITIES

*The EU is not an island; it's a part of a global community. For large parts of the world, the word Europe itself has become associated with a philosophy of humanity, solidarity and integration. Therefore the EU has to play a bigger role to work for the 'global common good.'*

Javier Solana<sup>100</sup>

Referring to the classification of regional actors in Chapter 2, there is no doubt about the European Union being the most important actor in the majority of interregional agreements, creating a 'hub-and-spokes' constellation which is still apparent today, even after the emergence of several other relatively strong regional groupings.<sup>101</sup> The EU materializes the concept of third-generation regionalism, not only by the fact that its goal "is to develop interregional relationships that are globally active",<sup>102</sup> but also by the fact that at least since the creation of CFSP, there is always a political element in the Union's relations with other regions. Robert Kagan goes as far as to declare: "The transmission of the European miracle to the rest of the world has become Europe's new *mission civilisatrice*."<sup>103</sup>

However, Mercosur has its own aspirations of forming its identity through the partnership with the European Union. This chapter discusses the approaches of the two regions, their aspirations, expectations and mutual links, and interprets them as one of the motivations for partnership.

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<sup>100</sup> Javier Solana, *Shaping an Effective EU Foreign Policy*. Speech at Konrad Adenauer Foundation, Brussels, January 24, 2005.

<sup>101</sup> Doidge argues that "the days of the hub-and-spokes system are gone, with ASEAN, MERCOSUR and the Andean Community having led the charge to develop new hubs." (Doidge, 230). However, it is demonstrated in this thesis that Mercosur, in the least, has not yet reached such a level of sovereignty or ambitions.

<sup>102</sup> Doidge, 245.

<sup>103</sup> Robert Kagan, *Paradise and Power: America and Europe in the New World Order* (London: Atlantic Books, 2003), 61 (Cited in Knud Erik Jorgensen. "A multilateralist role for the EU?" in Elgström and Smith, 2006, 31).

#### 4.1. Common Ground

It is generally accepted that due to historical reasons, there exist certain bonds between the two regions.<sup>104</sup> These are both cultural and political, including the substate level: Crawley mentions the importance of “labor movement, NGOs, political parties, churches and other groups”.<sup>105</sup> The Interregional Framework Cooperation Agreement of 1995 is “considering the deep historical, cultural, political and economic links which unite them, and taking inspiration from the values shared by their people”.<sup>106</sup>

The European Community as a single actor then began its engagement in Latin America as early as in the 1980s<sup>107</sup>, and even though direct links were very few at first, the Community has maintained its presence in the region, mostly through the tool of development cooperation. Nowadays the links are not so often mentioned, but they are not doubted to have facilitated the first agreements between the EU and Mercosur.

The progressing integration itself can be considered as another factor playing a role in the relations between the two regions. “Indeed, the depth and scope of the integration processes in Europe and Latin America distinguishes these two regions, and their relations, from the links each region maintains with other areas of the world.”<sup>108</sup> In other words, over the last several decades, a ‘special relationship’ has been established between the European Union and Mercosur, which keeps the cooperation in progress. However vague the shared values may sound, they help constitute the international identity of the individual actors and their partnership as well. Therefore they should not be omitted in the analysis of political dimensions of the EU-Mercosur relations.

<sup>104</sup> Among others for example ALOP, 67; Sanchez Bajo, 929, who also mentions the importance of migration between the two regions: she mentions that as of 1999, ten million Mercosur citizens held a European passport.

<sup>105</sup> Crawley, 15.

<sup>106</sup> *Interregional Framework Cooperation Agreement*, Preamble.

<sup>107</sup> This was in relation to the Sandinista revolution in Nicaragua. Ibid., 13.

<sup>108</sup> Ibid., 19.

#### 4.1.1. Democracy, Peace and Other Values

Democracy is certainly a value which is not questioned by any of the two partners. The EC/EU has considered it a core value already since the very beginning of the integration process and through various means; it is also trying to export democracy to the outside world. Since the 1990s, all agreements concluded by the EC/EU contain a democratic clause. Generally, the focus of the EU on democratic values is not questioned and it would not make sense to analyze it in more detail in this thesis.

As Mercosur was originally mainly trade-oriented, the founding Treaty of Asunción does not mention democracy or any other similar values. However, the turning point in this sense has come in 1998 with the Protocol of Ushuaia, which states in its first article: “Fully functioning democratic institutions are an indispensable condition of the development of the process of integration between the States Parties to this Protocol.”<sup>109</sup> The Protocol, which “is an integral part of the Treaty of Asunción”,<sup>110</sup> provides measures to be taken in the case of any breakdown of democracy in one of the States Parties.<sup>111</sup> Later in 2000, at the Buenos Aires summit of the Council of the Common Market, the presidents of the member states reaffirmed their respect for democratic principles as one of the pillars of the integration process, as well as economic stability and the respect for human rights.<sup>112</sup> Recalling the Ushuaia Protocol, Mercosur and its associate members at that time, Bolivia and Chile, were declared to be a “zone of peace”.<sup>113</sup>

Logically, the Interregional Framework Cooperation Agreement mentions shared democratic principles of the partners as the basis for cooperation: “Respect for the democratic principles and fundamental human rights established by the Universal Declaration of Human

<sup>109</sup> *Ushuaia Protocol on Democratic Commitment in the Southern Common Market, the Republic of Bolivia and the Republic of Chile*. [http://untreaty.un.org/unts/144078\\_158780/20/3/9923.pdf](http://untreaty.un.org/unts/144078_158780/20/3/9923.pdf)

<sup>110</sup> Ibid., Article 8.

<sup>111</sup> Ibid., Articles 2-7.

<sup>112</sup> Cecilia Alemany (coordinator), *La sociedad civil del Mercosur y Chile ante la asociación con la UE*. (Montevideo: ALOP, 2004), 43. Author’s own translation.

[http://www.alop.or.cr/trabajo/nuestro\\_proyectos/union\\_europa/publicaciones/chile-UE.pdf](http://www.alop.or.cr/trabajo/nuestro_proyectos/union_europa/publicaciones/chile-UE.pdf)

<sup>113</sup> Ibid.

Rights inspires the domestic and external policies of the Parties and constitutes an essential element of this Agreement.”<sup>114</sup>

While there are generally no reservations to democracy and peace being elements of the EU-Mercosur partnership, other values are rather only attributed to the European Union. They are nevertheless worth mentioning in this context, as they demonstrate the European identity and ‘actorness’ on the international scene, and as a result having an influence – though not direct – on the EU’s relationship with Mercosur. The EU-promoted norms mentioned in literature are usually listed as peace, liberty, democracy, human rights, rule of law, equality, social solidarity, sustainable development and good governance.<sup>115</sup> As Manners accurately describes it, “the EU’s normative role in world politics is symbolically constituted by the complex interaction of these nine norms”.<sup>116</sup> Lucarelli points to the “extent to which the EU’s self-representation around such values has shaped the EU as a qualitatively different actor in world politics... [T]he identification of EU/European core values and the definition of an international role for the EU/Europe are part of the same identity-building process.”<sup>117</sup>

## 4.2. Identities

Following this logic, it is convenient to provide a more detailed image of the EU identity forming. Lately, the EU has been receiving many titles in relation to its international activities: from *soft* or *civilian power* to *normative power*. Not possessing strength or power in the classical sense, the EU utilizes its economic position and promotes high ‘western’ values to construct itself as a new type of world power. This ambition, however, is not without problems. Lucarelli mentions that while “any international actor faces problems in

<sup>114</sup> *Interregional Framework Cooperation Agreement*, Article 1.

<sup>115</sup> Ian Manners, “The symbolic manifestations of the EU’s normative role in world politics,” in *The European Union’s Roles in International Politics: Concepts and Analysis*, eds. Ole Elgström and Michael Smith (London and New York: Routledge, 2006), 70.

<sup>116</sup> *Ibid.*, 72.

<sup>117</sup> Lucarelli, Sonia, “A normative reading of EU role conceptions and performance,” in *The European Union’s Roles in International Politics: Concepts and Analysis*, eds. Ole Elgström and Michael Smith (London and New York: Routledge, 2006), 49.

maintaining a certain coherence between its behaviour [sic] and its self-image, in the case of the European Union (EU) these problems are amplified by its peculiar nature".<sup>118</sup> This, she argues, is a result of several reasons. The EU self-image is constantly in the making, being also an instrument for constructing its political identity; furthermore its institutional character and development in time (institutional, political and geographic) cause its behavior to be more constitutive of its overall role than in the case of traditional political systems.<sup>119</sup>

The type of actor that the European Union aims to be has another interesting characteristic: there is little necessity for it to express itself through the means of demonstrative actions. The simple tool of negotiations and keeping stable relations with its partners help improve the image of its international role. "Actorness relates to the capacity to act; presence is a function of *being* rather than function. Presence manifests itself through subtle forms of influence; but it also produces tangible impacts."<sup>120</sup>

It should be also highlighted that not all partners are perceived to have the same meaning for the EU foreign policy. The historical links and character of the partner region are also crucial. Crawley explains why the EU is motivated to maintain relations with Latin America as opposed to other regions:

In this regard..., Latin America constitutes an unusually promising partner. Unlike any other part of the developing world, the region offers the EU an easily affordable means of international projection in pursuit of a common European policy that has a reasonable assurance of success. Latin America is unusually susceptible to European activism. Famously described by Alain Rouquié as the Far West (Rouquié 1989)<sup>121</sup>, it is the only developing region that has displayed a broadly and predominantly "western" outlook in the postwar period.<sup>122</sup>

This may be understood as one of the main reasons why the European Union has chosen to establish a 'revolutionary' type of partnership exactly with Mercosur, even taking into

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<sup>118</sup> Lucarelli, 47.

<sup>119</sup> Ibid.

<sup>120</sup> Charlotte Bretherton and John Vogler, *The European Union as a Global Actor* (London: Routledge, 2000), 33.

<sup>121</sup> Alain Rouquié. *América Latina: introducción al extremo occidente*, (Mexico City: Siglo, 1989), cited in Crawley, 15.

<sup>122</sup> Crawley, 15.

account that Mercosur is still not fully institutionalized and unitary in its external behavior. The possible potential for mutual understanding makes the negotiating process easier.

However, such arguments do not lead to the conclusion that Mercosur itself is not aspiring to construct an international identity through the partnership with the European Union. Logically, there are more obstacles to this process than in the case of the EU, but already the existence of such an idea leads to more effort to find convenient methods for its implementation. It can be said that “to think of another MERCOSUR, different, more compact and efficient than the present one, capable of gaining and effective international personality in the world of today, [a world] of blocs and multilateral tensions, means to discuss thoroughly the political limits and scopes of the integration process.”<sup>123</sup> The relations with the EU are mostly seen as a convenient method, also partly pointing to motivations of balancing, mentioned in the previous chapter. The view of Mercosur can be presented as follows:

With the recent great project of a less excluding and unipolar globalization, Europe and Latin America, with the Southern Cone as the only viable leader (who else would be possible [to put into this position]?) could find various stimulating factors: a confidence in what could emerge from the ‘absolute global society’ and its networks..., a common confirmation in the diverse processes..., the historical and strategic relevancy which plays a role in protecting multilateralism today..., the possibility...to articulate a key alternative to the United States..., the transcending of agreements...to reformulate the institutions of the international order etc.<sup>124</sup>

This chapter has pointed out several interesting facts, referring to the collective identity formation, proposed by Doidge as one of the constitutive factors of interregionalism. There certainly exist fitting prerequisites for a relatively close relation between the two regions. The EU and Mercosur have mutual historical links to build on, and both have constituted the respect for democracy and human rights as one of their objectives. However, facing the reality, these are positive signs, but not guarantees for an unproblematic

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<sup>123</sup> ALOP, 60. Author’s own translation.

<sup>124</sup> Ibid., 68.

development. Speaking of identity forming, the efforts of the two actors are logically not equal. Whereas the European Union understands the above mentioned methods as one of the main constituents of its foreign policy, Mercosur is mainly just following, having the necessity to first remove its internal incoherence before acting self-confidently toward other actors. This still does not mean the lack of will of the member countries, namely Brazil,<sup>125</sup> to promote Mercosur as the leader on the Latin American continent (not to say on the global scene), but rather than the will is marginal among other issues of the Mercosur politics. Based on these arguments, it can be concluded that to a different extent, both partners use their links to build up an international identity, but any emergence of a truly collective, interregional EU-Mercosur identity cannot be expected in the near future.

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<sup>125</sup> Carranza, 809; Bulmer-Thomas, 3.



## CHAPTER 5: INSTITUTIONALIZATION AND INTERNAL CHANGES

*Mercosur is not Europe.*<sup>126</sup>

Unlike the previous chapters which focus to a large extent on issues which are not visible at first sight, the following section brings in the everyday reality of political cooperation between the European Union and Mercosur. It shows how interregionalism is institutionalized and if it has an impact on the regions themselves. It is not difficult to predict that incentives for institutionalization are in this case directed almost exclusively from the side of the EU towards the side of Mercosur; and as the opening quote hints, even this one-sided process has a number of hindering factors. This is analyzed in more detail. Explanations and assessments are provided for the theoretical terms, only recently created, but often repeated in the context of current interregionalism: extra-regional echoing and regionalism through interregionalism.

The questions arising in this context are how much the cooperation between the EU and Mercosur is institutionalized and to what extent this has an impact on the actors internally. The structure or policies of the EU, as the stronger partner, are not significantly changed by the interaction. The impact on Mercosur, on the other hand, is widely discussed.

More than the examples of particular institutions, it will be important to show what the overall meaning of interregional institutionalization is, evaluate the existing theories and suggest a suitable approach towards this analyzed area.

### **5.1. The Theoretical Assumption**

There is one major assumption regarding the impact of interregionalism on the regions involved, termed either as “regionalism through interregionalism”<sup>127</sup> or as “extra-regional

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<sup>126</sup> Interview with an anonymous diplomat.

echoing”.<sup>128</sup> It takes into account “the effect of a qualitative difference in the types of regional actors involved”,<sup>129</sup> stating that:

Extra-regional actors, through interregionalism, may have an impact on intra-regional integration... [F]aced by an integrated regional ‘other’, a grouping may be forced to cooperate more closely in order to make its voice heard. Simply, the exigencies of interregional cooperation are such that it is necessary for regional groupings to coordinate positions prior to dialogue with their interregional partners. Interregionalism, therefore, directly affects the building of regional structures.<sup>130</sup>

Signs of such interaction can undoubtedly be traced in the EU-Mercosur relationship, but in practice, there are many intervening factors which lessen the extra-regional influence, mentioned by Doidge. Those factors are presented below.

## **5.2. The Goals and Tools of Interaction and Influence**

The European Commission states: “The main aim of EC-Mercosur cooperation is to reinforce the process of institutional and market integration within the region.”<sup>131</sup> This shows much about the meaning of the interregional interaction: the strengthening of Mercosur, as the weaker of the two partners, is considered to be a prerequisite for the correct functioning. Linked to the vision of a stronger Mercosur, mentioned in the previous chapters, this view is shared also by politicians<sup>132</sup> and authors of the region: “it is certain that an agreement between the two blocs will be more viable if the institutions of Mercosur are solid.”<sup>133</sup>

However, the realization of these ideas is not as clear. As concerns the institutionalization of the interregional links, only bodies necessary for the establishment of the association agreement were set up, namely the EU-MERCOSUR Bi-regional Negotiations Committee, the Sub-Committee on Cooperation and three Technical Groups on trade

<sup>127</sup> Introduced by Heiner Hänggi, “ASEM and the Construction of the New Triad,” *Journal of the Asia Pacific Economy* 4, no.1 (1999). Cited in Doidge, 233.

<sup>128</sup> Doidge, 239.

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.

<sup>131</sup> The European Commission. *EC Regional Strategy Paper 2007-2013*, 17.

<sup>132</sup> Interviews with anonymous diplomats.

<sup>133</sup> ALOP, 77. Author’s own translation.

issues.<sup>134</sup> Besides that, only the Political Dialogue is conducted on a regular basis, yet not based on any stable institution.

There are also only few proofs that particular institutional changes within Mercosur have occurred directly linked to the European example. For example, technical norms leading to the functioning of the common market were to a large extent copied from the European *acquis*.<sup>135</sup> Otherwise, the EU is not acknowledged in Mercosur documents as the example which is intentionally followed; it is only some politicians who mention this.<sup>136</sup> Logically, if there is to be an example, it will most probably be the European Union, as a generally identified prototype of integration. Nevertheless, Mercosur succeeds in creating a certain model of its own. As Malamud points out, “it should be noted that the framework adopted so far is distinctive of the region, different to any previous or contemporaneous experience.”<sup>137</sup>

The main distinctive trait of Mercosur is the strict dissociation from supranationality: member countries do not delegate power to Mercosur institutions. They “have been regularly and consciously reluctant to set up any kind of institutional arrangement that could restrain national sovereignty. And they have certainly succeeded in this respect.”<sup>138</sup> Sanchez Bajo adds that the countries “reject the idea of financing a heavy bureaucratic structure. Resemblance to the EU has not extended to the idea of supranationality.”<sup>139</sup>

In consequence, even setting up any normative legal framework for the future common market is more problematic. Common legal norms are not applicable immediately; they need to be internalized by every member country through its own domestic procedures before coming into force. Again, Malamud provides the universal reason: “These features were purposefully advanced since the foundational stages, in order to clearly distinguish between

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<sup>134</sup> Doctor, 284.

<sup>135</sup> Sanchez Bajo, 935.

<sup>136</sup> Interviews with anonymous diplomats. Also, quoted in Sanchez Bajo, 937, a member of the Federal Council of Brazilian Lawyers states that “everything indicates that the model to imitate will be the European one”.

<sup>137</sup> Malamud, 57.

<sup>138</sup> Malamud, 62.

<sup>139</sup> Sanchez Bajo, 936.

the political direction and an eventual bureaucratic direction that could threaten the project.”<sup>140</sup>

Simply put, there is no doubt that Mercosur members are forced from the outside to strengthen Mercosur’s institutions and position, and thereby become a more equal partner to the EU. As Santander declares, the EU “constitutes an external federator for regional groups such as Mercosur, which, when facing its European contacts, is under pressure to speak with a single voice.”<sup>141</sup> But at the same time, it has to be added that it is much more exact to consider an ‘external federator’, or the unspecified ‘other’, rather than the EU in particular, pushing Mercosur to unite. Besides, the accelerating process of Mercosur regionalism is obvious, but considering its strong intergovernmental dimension, it is only conditioned by internal consensus, not by the will of the European Union.

### **5.3. The Results**

Finally, facing opinions that the integration process of Mercosur has not been very successful so far, one has to take into consideration several crucial facts to realize that such opinions are not appropriate. First of all, Mercosur countries have a history full of political upheavals, and a unique cultural background and distinct political conditions. Moreover, there has only been little time to make any bigger accomplishments. The only example that Mercosur is being compared to is the European Union, which has gone through a process longer than fifty years to get to the present stage. If Mercosur is now considered by numerous authors to be the second successful existing integration project,<sup>142</sup> then the achievements so far should be more appreciated. As Pena and Rozenberg describe it:

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<sup>140</sup> Malamud’s interview with former Argentine foreign minister Dante Caputo, September 1999, in Andrés Malamud, “Presidentialism and Mercosur: A Hidden Cause for a Successful Experience,” in *Comparative Regional Integration: Theoretical Perspectives*, ed. Finn Laursen (Aldershot: Ashgate, 2003), 54.

<sup>141</sup> Santander, 54.

<sup>142</sup> Malamud, 53; Karl Kaltenthaler and Frank O. Mora, “Explaining Latin American economic integration: The case of Mercosur,” *Review of International Political Economy* 9, no. 1 (March 2002): 73; Wilfred J. Ethier, “Regionalism in a Multilateral World,” *The Journal of Political Economy* 106, no. 6 (December 1998): 1217.

In any event, the effectiveness of the integration process should be evaluated by its ability to generate norms and to implement them, regardless of whether this was achieved via supranational or intergovernmental bodies. Therefore, any movement towards a greater institutionalization of the bloc must consider the characteristics of this alliance and its historical roots, rather than attempt to design institutional responses based on theoretical models.<sup>143</sup>

Therefore, this chapter argues that theoretical models, at least in the form they have today, are not fully sufficient to explain the ongoing processes in the integration, either internal or external, of a less developed region such as Mercosur.

The motivations of the two blocs are in this case very similar, namely to reach more equality and strength on the international field through the institutionalization of Mercosur. However, the means to achieve this are not identical. The EU is willing to provide a helping hand to its partner, but Mercosur's reluctance to shift towards supranationality (and thereby create a model of its own) on the one hand slows down the process, on the other hand leads to a more unique setup of its integration.

The differences between the two regions are remarkable, but they both have the will to continue in improving their mutual cooperation. Comparing to other existing interregional relations, the EU-Mercosur cooperation project can be considered a success and its obstacles can provide a reason for more interest and research.

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<sup>143</sup> Celina Pena and Ricardo Rozenberg, *Mercosur: A Different Approach to Institutional Development*. Policy paper FPP-05-06, FOCAL – Canadian Foundation for the Americas, March 2005, 5.  
<http://www.focal.ca/pdf/mercosur.pdf>

## CONCLUSIONS

A number of important conclusions can be drawn from the presented research results. Coming back to Doidge's model, adapted to the case of the European Union and Mercosur, all three of the aspects tested here have been shown to be plausible. However, they can be applied only to a certain extent, and taking into consideration the inequality between the two analyzed actors. This shows Doidge's model to be relevant, but constructed for the case of a much more developed cooperation which cannot, as of now, be seen in the case of EU-Mercosur. Three main functions have been applied from Doidge's model, namely balancing (referring to geopolitical motivations), institution-building and collective identity forming.

As regards the geopolitical motivations for EU-Mercosur cooperation, the constant presence of the USA seems to be the most important factor for both of the actors to be willing to cooperate. The EU can be said to moderately compete with the USA for influence in the Latin American region, also constituting a stronger role for itself on the international scene. Mercosur, as the weaker of the two partners, sees the alignment with the EU as a possibility to 'grow' as an international actor and lessen the influence of the USA.

Linked to the aspirations to improve their actorness, the EU and Mercosur are considering their mutual historical and cultural links and finding shared values which they are trying to promote. Considerably more relevance is, in this case, on the side of the EU, which considers the export of democratic values as one of the goals of its foreign policy. The formation of a 'common identity', i.e. an interregional one, has not been observed: the arising identities only regard the EU and Mercosur as individual regions.

Finally, the issue of institutions is discussed. Here again, the driving force flows from the EU towards Mercosur, acting as an external factor pushing Mercosur to stabilize its institutional structure. Nevertheless, it has to be noted that interregionalism is not omnipotent in this sense. Though the EU is willing to serve as an example and help Mercosur in

establishing the relevant institutions, Mercosur seems to have begun a process of creation of an institutional scheme *sui generis*, maintaining the factor of interregionalism.

Several interesting links may be traced in the presented analysis. Creating stronger institutions means becoming a stronger international actor; at the same time, finding authentic common values contributes to a qualitatively different cooperation and possibly easier alignment in the political sense. These links support the hypothesis that political cooperation does have significant meaning and even though economic globalization is considered to be the most important reason for (inter)regionalism, politics should definitely be taken into consideration. It should not be forgotten that the trade dimension of the EU-Mercosur cooperation still remains the most crucial issue and it was not the aim of this thesis to imply its lesser role. In addition, politics is an area complicated to grasp and describe precisely. Nevertheless, the focus of this thesis was directed towards politics exactly because it is an issue which is presumably somewhat neglected in the analyses of EU-Mercosur interregionalism.

In these terms, the thesis has demonstrated the main aspects of non-economic motivations for the mutual integration of the two regions. In addition, it has revealed an area of great interest which should receive more scholarly attention.

Considering the future, “Predicting ... is always risky, more so for Latin America. The continent has repeatedly been described as on the verge of miraculous development, only to disappoint the optimists.”<sup>144</sup> Here, Skidmore and Smith have very concisely described the challenges of any predictions for future development of the situation on the Latin American continent. Although the region has admittedly developed in an almost miraculous way in the past two decades, one has to keep in mind that until the present, it has been an example of political instability and also economic shocks. However, despite the fact that inequality

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<sup>144</sup> Thomas E. Skidmore and Peter H. Smith, *Modern Latin America* (New York: Oxford University Press, 2005), 440.

continues to be present on the continent and there is still a long way leading to the global dimension of Mercosur, it has to be acknowledged that the recent achievements in integration and the interaction with the outside world are unprecedented in Latin America.

Predictions for the future lead generally in two directions. The first contains more optimism, suggesting that the processes initiated so far will continue to be developed; Mercosur and the EU will eventually launch an association agreement and proceed in institutionalizing their partnership and creating an example for other actors to follow. The second line of prediction states the opposite, namely that with the diminishing of the US interest in the Latin American region and the breakdown of the FTAA project, neither of the two actors would any longer be pushed to additional effort: Mercosur, without the main reason for uniting, would not strengthen its institutional structure and eventually become weaker, subject to the desires of its leading member, Brazil. The EU, on its side, would not feel the need to maintain its influence in the Latin American region and as a result, it would let the relationship with Mercosur stagnate in the long term.

Obviously, these two lines of prediction frame two different extremes and do not take many details into consideration. I would suggest that based on the motivations described in this thesis, a less idealistic modification of the first of these two opinions is likely to materialize in a certain form. Both of the actors understandably face many challenges of their own and might not primarily concentrate on their partnership; still, the achievements so far make it probable that the actors will be motivated in maintaining and possibly deepening the level of cooperation reached so far.

Two events are now in the phase of development and can be expected to bring changes, particularly in the case of Mercosur. One is the attempted accession of Venezuela, which has already signed a treaty of accession to Mercosur and its membership is now conditioned by the ratification of the Brazilian and Paraguayan parliaments. The positive



impact of Venezuela's membership might be the deepening of internal cooperation on social issues, as they are one of the main concerns of this new member country. But, contrastingly, an additional voice in the collective bargaining might make it even more difficult to reach consensus in certain political areas, possibly also the relationship with the European Union.

The second event is the signing of the constituting treaty of the Unasur, or Union of South American Nations on May 23, 2008, putting into reality a project several years old.<sup>145</sup> This grouping includes all twelve countries of the South American continent and is connected to very ambitious plans of integration, providing the continent with a single voice in world affairs.<sup>146</sup> In the case of successful development of this project, it could be expected that Mercosur will decline over time, possibly ultimately merging with Unasur. For the European Union, this would mean considering establishing new relations with this nascent political actor. However, there have been several attempts in the past to unite Latin American countries, mostly not reaching far because of the still existing tensions between the individual countries and their different perceptions of integration. It will therefore take time before the real importance of Unasur is visible. Until then, Mercosur is by far the leading player in the area, also gaining importance through the links with the European Union.

This research intended to contribute to create an overall image of the political cooperation between the EU and Mercosur, pointing to the fact that more attention should be dedicated to it. Listing the relevant existing literature, it maps the research done so far, tries to fill in the gap regarding research on the political origins and implications of the interregional partnership and by its focus; it suggests an area convenient for more thorough future research.

What should be analyzed more closely in the future is the theoretical framework of interregionalism, which is far from being complete, due to the very recent evaluation of the phenomenon of interregionalism. As regards empirical research, analyses are often conducted

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<sup>145</sup> BBC News online, *South America nations found union*. May 23, 2008.  
<http://news.bbc.co.uk/2/hi/americas/7417896.stm>

<sup>146</sup> Ibid.

from the point of view of the European Union as the initiator of the partnership. Therefore, more emphasis should be put on Mercosur itself, its role in the interregional relationship and the opinions of its member states. Generally, the political dimension of EU-Mercosur is a broad topic, worthy of further analysis in order to shed more light on the reality of the interregional relationship.

With the progressing process of globalization and a high number of regional groupings appearing all over the world, I find it of great importance and utility to create a deep and detailed insight into the relationship of two regional organizations, a relationship which is created in addition to an ambitious integration project of both of them. The cooperation between the European Union might create, if not a precedent, then certainly a convenient point of reference for the global political events in the future.

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**Interviews** with anonymous diplomats from Argentina, Brazil and Venezuela in the Czech Republic and Hungary, conducted in May 2008.