



Robert Schuman

*European Union-Mercosur Relations:
The Institutionalization of Cooperation*

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These monographic papers address issues relevant to the ongoing European Convention which will conclude in the Spring of 2003. The purpose of this Convention is to submit proposals for a new framework and process of restructuring the European Union. While the European Union has been successful in many areas of integration for over fifty years, the European Union must take more modern challenges and concerns into consideration in an effort to continue to meet its objectives at home and abroad. The main issues of this Convention are Europe's role in the international community, the concerns of the European citizens, and the impending enlargement process. In order for efficiency and progress to prevail, the institutions and decision-making processes must be revamped without jeopardizing the founding principles of this organization. During the Convention proceedings, the Jean Monnet/Robert Schuman Papers will attempt to provide not only concrete information on current Convention issues but also analyze various aspects of and actors involved in this unprecedented event.

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2. How will the member states figure in the framework of the Convention?
3. The necessity to maintain a community method in a wider Europe.
4. Is it possible for the member states to jeopardize the results of the Convention?
5. The member states against Europe: the pressures on and warnings to the Convention by the European capitals.
6. Is it possible that the Convention will be a failure? The effects on European integration.
7. Similarities and differences between the European Convention and the Philadelphia Convention of 1787.
8. The role of a politically and economically integrated Europe in the governance of the world.
9. How important is European integration to the United States today?
10. The failure of a necessary partnership? Do the United States and the European Union necessarily have to understand each other? Under what conditions?
11. Is it possible to conceive a strategic partnership between the United States, the European Union and Russia?
12. Russia: a member of the European Union? Who would be interested in this association?

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European Union-Mercosur Relations: The Institutionalization of Cooperation

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EUROPEAN UNION-MERCOSUR RELATIONS: THE INSTITUTIONALIZATION OF COOPERATION

The European Union is a continuing process of integration. Evidence of this is apparent in the current enlargement process. As this regional organization continues to deepen and widen, it remains a principle actor in the international community, not only through the often criticized Common Foreign and Security Policy, but more tangibly through its bilateral and multilateral cooperation agreements, many of which are highly institutionalized and extend beyond the more popularly-known economic aspects of these external relations.

In 1991, the Treaty of Asunción was signed, forming a new regional integration agreement between Argentina, Brazil, Paraguay and Uruguay. Created out of joint political necessity, the Southern Cone Common Market, commonly known as Mercosur, has not adopted the European system of integration, but uses it as a model to develop an organization based on the economic, political, and social characteristics and needs of this particular region. While many systems of regional integration were either created or intensified in the Western Hemisphere during the late 1980s and early 1990s, Mercosur is unique in that it has an institutional framework, a necessity for successful integration and external relations. Although the Mercosur institutions are weak compared to those of the European Union, they are the most advanced of all the regional organizations in the Western Hemisphere, recently taking a respectable step in the direction of supranationality.

Since the creation of Mercosur, the European Union has been a strong supporter of this initiative, and continues to promote closer ties with the region. Other than economic opportunity, *why* is the European Union so interested in formalizing, and indeed, institutionalizing relations with Mercosur? And *how* has this relationship progressed over the past eleven years?

Natural Partners

Roots and Principles

The end of the Cold War and the deepening of integration in both the European Union and Mercosur provided an opportunity for these two organizations to be independent in the creation of both internal and external policies. Furthermore, the interregional agreement between Mercosur and the European Union is mutually beneficial for both organizations, demonstrating cooperation among the partners rather than domination by any particular country or region over another, a change from the Roosevelt Corollary to

the Monroe Doctrine which had been the norm in the Western Hemisphere for nearly the entire twentieth century.¹

According to Roberto Dromi and Carlos Molina del Pozo, specialists in the area of European Union-Mercosur integration, there are several factors that characterize the European Union and Mercosur as natural partners in the international community.² First is a common culture that exists on both sides of the Atlantic, stemming not only from the European colonization of the Mercosur countries, but from heavy periods of immigration since that time, not only of Europeans to Latin America but also of Latin Americans to the European continent. This continuous contact between these two already connected communities over such a long period of time has produced similar historical, political, cultural, and economic traditions. Second are common political values and international laws. Political democracies, open market economies, individual rights and freedoms as provided for in the United Nations Human Rights Charter, and respect for the rule of law are the principles adhered to by all of the member states of both the European Union and Mercosur. The Birkelbach Report, approved by the European Parliament in January 1962, attests to the EU's commitment to this moral political basis: "Only those states that guarantee authentically democratic practices in their territories and respect fundamental rights and liberties can be members of our Community."³ In 1998, Mercosur formalized the Ushuaia Protocol which is a pledge to democracy, and threatens to remove any member state that does not comply with the codes of democratic government.⁴ Third is a common model of integration with similar tools for social and economic development used to promote an environment of international peace and stability. Fourth is a common free trade policy, and fifth are common experiences, not only from the past, but also related to the current integration experience. These factors that gave impulse to a higher level of cooperation between the European Union and Mercosur will hopefully facilitate the current negotiations for an Association Agreement.

Institutional Framework

While it was extremely difficult to convince the European national governments to pool some of their sovereignty under the auspices of the European Union institutions, and this process remains slow in some areas such as the Common Foreign and Security Policy, it is even more challenging to establish this precedent in the Western Hemisphere where most of the countries attained their independence from current EU member states

¹ In 1904, U.S. President Theodore Roosevelt declared himself the policeman of all the Americas, monitoring the good governance and societal stability in the Western Hemisphere, making European intervention on this side of the Atlantic, according to President Roosevelt, no longer necessary. The international system that emerged after the fall of the Berlin Wall provided a subtle opportunity for increased cooperation between Europe and Latin America.

² Roberto Dromi and Carlos Molina del Pozo, Acuerdo Mercosur-Unión Europea (Buenos Aires: Ediciones Ciudad Argentina, 1996), 35-40.

³ Berta Alvarez-Miranda, El sur de Europa y la adhesión a la Comunidad: los debates políticos (Madrid: Centro de Investigaciones Sociológicas/Siglo Veintiuno de España Editores, 1996), p. 299.

⁴ Dirección General de Estudios, Estudio comparativo y prospectivo sobre la Unión Europea, El Tratado de Libre Comercio (TLCAN), el Mercosur y el Area de Libre Comercio de las Americas (ALCA) (Luxembourg: European Parliament, March 1999), p. 48.

relatively recently. In an effort to expedite the process of integration, therefore, the Mercosur institutions have remained more intergovernmental than those of the European Union. Furthermore, the institutions created to support the goals of this organization are significantly less sophisticated than those comprising the European Union. However, the Mercosur institutions, although not familiar to many, are unique in that they exist at all, in that there is opportunity for further development to address more complex issues, and in that there is a clear basis for supranationalism. Thus, a brief overview of these institutions⁵ and their functions is certainly warranted.

Common Market Council

The Common Market Council wields the most power in Mercosur, responsible for ensuring compliance with the established political and economic objectives. This institution meets at two different levels, presidential and ministerial, depending on the topic and stage of development of a particular debate.⁶ When the Council meets at the ministerial level, it consists of the Foreign and Economic Ministers of the four member states, and all decisions are made by consensus. The Council meets whenever necessary but never less than once annually. This is the institution responsible for ensuring compliance with the policies established in the Mercosur treaties, protocols, and agreements.

Common Market Group

The Common Market Group is responsible for implementing the policies designed by the Council. The four permanent and four alternate members per country are selected by their respective national governments, and represent the Ministry of Foreign Affairs, the Ministry of the Economy, and the Central Bank, and an additional member depending on the topic being discussed. These members and their work are supported by eleven Working Groups including those that focus on agriculture and employment. This institution is advantageous to the integration process in that special meetings, and temporary or permanent Working Groups can be established with relative simplicity in order to deal with pressing issues.

Trade Commission

The Mercosur Trade Commission is specifically accountable for implementing common trade policies between the member states of Mercosur, and toward third countries. This commission is composed of four members, one from each country, plus an alternate member from each member state. It can create technical committees as deemed necessary in order to comply with the policies adopted by the other Mercosur institutions. Furthermore, and perhaps most importantly, all trade disputes until now have been settled

⁵ For a detailed description of the Mercosur institutional framework and associated documents, see <http://www.mercosur.org.uy>

⁶ Armando Di Filippo, "MERCOSUR: Evaluation and Perspectives," in *Capítulos: Trends in Latin America and Caribbean Integration* (Caracas: Sistema Económico Latinoamericano, January-March 1997), p. 30.

within this institution.⁷ Since a permanent judicial system does not yet exist in Mercosur the ability of the Trade Commission to settle disputes that have arisen in the past, has allowed the process of integration to continue, rather than stalling the project because of an inability of the national actors to cooperate within the intergovernmental structure of Mercosur.

Joint Parliamentary Committee

The Ouro Preto Protocol, an amendment to the Treaty of Asunción, was signed by the member states on December 17, 1994. This piece of Mercosur legislation, among other important initiatives, institutionalizes the Joint Parliamentary Committee, a representative body of the Mercosur states' parliaments. Sixteen representatives from each member state, along with sixteen alternates, all appointed by their respective national parliaments, form this consultative body. The main responsibility of this parliamentary committee is to make the process of incorporating Mercosur laws into national legislation quicker and more efficient in support of the integration process.

Administrative Secretariat

With the institutionalization of the Joint Parliamentary Committee, increased integration in Mercosur, and Mercosur becoming a more active international entity, the need to create an administrative secretariat became more evident. The Administrative Secretariat of Mercosur was established in 1996, and is located in Montevideo, the capital of Uruguay. Each country sends one official representative to the Administrative Secretariat who is elected by his/her respective national parliament. Basically, the main purpose of this institution is to maintain a record of all Mercosur documents and to produce the official bulletin of Mercosur.

Judicial System

Although there is not a permanent judicial structure established for Mercosur, the Brasilia Protocol provides for the creation of ad-hoc arbitration committees if there should arise a conflict that can not be solved within the intergovernmental framework. The speed with which the member states initiated the process of integration in Mercosur required the judicial system to be created in this manner in order to avoid debates regarding national sovereignty that may never be resolved. The leaders of Mercosur are well aware that this system will only suffice for this beginning stage of integration and will need to be enhanced to settle imminent disputes as the integration process continues.

The recent economic crisis in Argentina and the contagion effect it has had on all of the Mercosur members, seems to have given an impetus for advancement in the creation of a permanent judicial system. Since the creation of Mercosur, critics have

⁷ Di Filippo, p. 35.

focused on the absence of a permanent tribunal to solve controversies between the members of Mercosur. Brazil always remained opposed to a supranational judicial system since its constitution explicitly prohibits involvement in such an initiative. Today, however, the leaders of this country are realizing the importance of a stronger institutional system in order for Mercosur to progress.⁸ After the Summit of the Heads of State of Mercosur in Buenos Aires in February 2002, the creation of a permanent judicial system is much more advanced. One of the results of this highest level meeting of the Common Market Council was the Protocol of Olivos establishing a Permanent Court for Dispute Settlement with its headquarters in Asunción. If Mercosur is successful in creating a Permanent Tribunal with more supranational tendencies, not only will its internal structure become stronger, but it will also facilitate the current negotiations for an Association Agreement with the European Union.

* * *

By 1992, less than a year from when Mercosur went into effect, the European Union had signed an Inter-institutional Agreement with Mercosur. This agreement provides for institutional support and training in the field of integration.⁹ From the very beginning, the institutional framework of Mercosur has been a concern and interest for the European Union, and has attempted to help Mercosur in the process of strengthening its institutions.

The Inter-Regional Cooperation Agreement

At the end of 1995, under the Spanish Presidency of the European Union, Mercosur and the EU signed an Inter-Regional Cooperation Agreement, the first of its kind. This agreement is meant to be transitional, strengthening economic, political and cultural ties between the European Union and Mercosur in the hopes of reaching an Association Agreement between the two regions. This process of interregional integration was institutionalized, a necessary factor for success according to EU ideals and experience.

With the signing of the interregional agreement, four institutions were created to support this project. The Cooperation Council is designed to monitor and enforce the progress of the interregional agreement, making recommendations and reviewing proposals. This institution is composed of representatives from the Council of Ministers, the European Commission, the Common Market Council, and the Common Market Group. Another institution is the Mixed Commission of Cooperation which provides

⁸ “Los cancilleres del Mercosur respaldarán a la Argentina,” *La Nación*, 18 January 2002.

⁹ IRELA Briefing, “The Inter-regional Agreement Between the EU and Mercosur: A New Strategy in Latin America?” (Madrid: Institute for European-Latin American Relations, September 1995), p. 5.

technical assistance to the Cooperation Council, and is also made up of representatives of the aforementioned institutions. A Mixed Commercial Sub-Commission was also created to deal specifically with this issue. Finally, within the interregional agreement there is the possibility of establishing ad hoc committees to respond to particular needs that require special attention.¹⁰ Obviously, the European Union depends on its institutional counterparts in Mercosur for the progress of their interregional relations. Thus, strengthening these Mercosur institutions would certainly facilitate this process.

The Association Agreement

Rio de Janeiro was the site of the first Summit of Heads of State of the European Union and Mercosur in June 1999. Not only was this meeting historic in and of itself, but prior to adjourning the nineteen representatives approved the start of negotiations for an association agreement. This agreement includes more than just a comprehensive trade agenda, and in fact, stresses a strengthening of the political dialogue and cooperation, the other two pillars of this association agreement. In November 2000, European Commissioner for External Relations, Chris Patten, referring to the goals of this agreement, claimed, “We are seeking a wide political and economic partnership, building on our common commitment to liberty, democracy, respect for human rights, fundamental freedoms, the rule of law and sustainable development.”¹¹ After three years of negotiations, “we have virtually finalised the political and co-operation chapters,” according to Commissioner Patten.¹² In this respect, the common political values held by both the European Union and Mercosur and similar attitudes about the international community and voting patterns in international organizations are certainly advantageous to reaching agreements in these issue areas.

Problems remain with the commercial chapter and this is because some individual member states along with some EU institutions find it difficult to commit to an Association Agreement on commercial grounds with a country or group of countries with an economic level significantly lower than the average economic level of the European Union. Or this may simply be an excuse for the underlying threat to the Common Agricultural Policy if Mercosur is granted access to the European market with more competitive goods.¹³ Furthermore, the recent crisis in Argentina and the more recent contagion effect on all of the Mercosur countries has certainly not made such a commercial agreement any more attractive.

¹⁰ Dromi and Molina del Pozo, pp. 53-56.

¹¹ The Rt. Hon. Chris Patten, Member of the European Commission responsible for External Relations, “EU-Mercosur Biregional Negotiations Committee,” 7 November 2000, Brasilia.

¹² The Rt. Hon. Chris Patten, External Relations Commissioner, “Mercosur: Statement to the Plenary Session of the European Parliament,” 25 September 2002, Strasbourg, http://europa.eu.int/comm/external_relations/news/patten/sp02_428.htm

¹³ IRELA Briefing, “The European Union-Mercosur Negotiations: The Long Road to Trade Liberalization” (Madrid: Institute for European-Latin American Relations, May 2000), p. 5.

In classic EU fashion, however, neither the issues still to be determined nor the current financial crisis in the Southern Cone have deterred its commitment to consolidate these relations. Commissioner Patten emphasized in his speech to the European Parliament on September 25, 2002:

The crisis will require deep economic and political structural reforms. The Commission is convinced that one of the answers to the financial and economic turbulence should be deeper and faster regional integration. In this respect, the EU and the Commission strongly support the Mercosur integration process, especially at this crucial moment for the region.

The European message of support for further integration as one of the responses to the present crisis is confirmed by our strong commitment to intensify and accelerate negotiations for an Association Agreement between the EU and Mercosur. The Agreement will create improved market access for Mercosur exports to the EU and strengthen Mercosur as a common market. In addition, from the political and co-operation point of view, it will be a clear signal of a strengthening of EU-Mercosur relations.¹⁴

After the political and financial difficulties associated with the end of the second World War in Europe, regional integration was a main contributing factor to the economic stability and lasting peace experienced in the European Union for over half a century. The European Union, therefore, promotes integration as a means of achieving the same positive results for its allies and partners throughout the world, especially where the seeds have already been planted such as in Mercosur.

Just as the relations between the European Union and Mercosur have been institutionalized since their inception, the negotiations for the Association Agreement are no different. By November 1999, the EU-Mercosur Cooperation Council held a meeting in Brussels during which the structure, methodology and timetable for the talks was approved.¹⁵ As of April 2002, the seventh meeting of the EU-Mercosur Bi-regional Negotiations Committee (BNC) had been concluded in Buenos Aires. During this meeting, the European Union expressed its support for the results of the Mercosur Council special meeting on February 18, 2002, which provides for establishing a Permanent Court for Dispute Settlement. Furthermore, the European Union and Mercosur reached agreement on an institutional framework for the future Association

¹⁴ The Rt. Hon. Chris Patten, External Relations Commissioner, "Mercosur: Statement to the Plenary Session of the European Parliament," 25 September 2002, Strasbourg, http://europa.eu.int/comm/external_relations/news/patten/sp02_428.htm

¹⁵ IRELA Briefing, "The European Union-Mercosur Negotiations: The Long Road to Trade Liberalization" (Madrid: Institute for European-Latin American Relations, May 2000), p. 1.

Agreement and working towards enlarging and deepening the future Political Dialogue.¹⁶ In July 2002 in Rio de Janeiro, representatives of the European Union and Mercosur agreed to a work program through the end of 2003 to push along the Association Agreement negotiations.¹⁷ The dedication of the Commission to complying with this work program will be beneficial to concluding the remaining chapter of the Association Agreement. However, success will also depend on Mercosur's ability to further integration in the region and commit to stronger institutionalization for this process.

Institutionalization

Although cooperation is often an attractive alternative to domination or isolation, it is often a complex undertaking considering that each individual country, or region in terms of interregional cooperation, has its own necessities and goals, all of which do not always coincide with the planned cooperation. Therefore, a system of cooperation designed to be productive and function efficiently in order to obtain optimum results, requires the creation of institutions to monitor and compromise in an anarchic world. What should these institutions look like? They can have various forms, but according to Stephen Krasner, a regime of this magnitude is a social institution of a "set of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations."¹⁸ How do these institutions help associations? They should provide information, increase interactions, monitor conformity, define cheating, facilitate linkages between various topics, and offer solutions.¹⁹ While each organization or system of regional or interregional integration in the international community must create its institutions based on the necessities and characteristics of its member states and the organization or cooperation itself, there is no doubt that the strongest and most developed institutions, best organized and administrated, will always achieve more for their organizations or systems of cooperation.

When international organizations create these institutions they gain more respect and credibility internally and in the international community. Jean Monnet, also known as the "Father of Europe," was well aware of the importance of institutions when in 1950 he suggested the pooling of the French and German coal and steel competencies – a project

¹⁶ "Seventh Meeting of the EU-Mercosur Bi-regional Negotiations Committee (BNC). Final Conclusions." Buenos Aires, Argentina, 8-11 April 2002.

http://europa.eu.int/comm.external_relations/mercotur/ass_neg_text/bnc7.htm

¹⁷ European Commission-External Relations, "EU-Mercosur: European Commission adopts Regional Programme in support of further Mercosur integration" 26 September 2002, Brussels http://europa.eu.int/comm/external_relations/la/news/ip02_1376.htm

¹⁸ Stephen D. Krasner, ed. International Regimes, (Ithaca: Cornell University Press, 1983), p.1.

¹⁹ Robert O. Keohane, "The Demand for International Regimes," International Organization, 36, 1982, pp. 325-56. Robert O. Keohane, After Hegemony. Cooperation and Discord in the World Political Economy (Princeton: Princeton University Press, 1984).

that would be open to all Western democratic countries in the region, as long as they abided by the rules in the Treaties. Reflecting on the European Community several years after its creation, Monnet claimed: “The profound change is being made possible essentially by the new method of common action which is the core of the European Community. To establish this new method of common action, we adapt to our situation the methods which have allowed individuals to live together in society: common rules which each member is committed to respect and common institutions to watch over the application of these rules.”²⁰ Today the success of the institutionalization of the European Union is manifested in the most supranational institutions under which the member states have pooled their authority which are the European Court of Justice and the European Central Bank.

In a world with economic crises such as the recent one in Argentina, where national elections take place in different member states at different times, where external events such as the terrorist attacks on the United States can have a long lasting impact on seemingly uninvolved actors throughout the world, the institutionalization of integration has an essential role to play: it provides a **constant** which creates certainties. The progress of an organization or structured cooperation, in this case the interregional relations between the European Union and Mercosur, depends on the institutionalization of relations so that projects can continue despite eventualities, and actually helps to overcome difficulties and support positive changes.

Conclusion

Since the very inception of Mercosur, the European Union has strongly supported and continues to support integration in the Southern Cone. The number one proponent of regional integration in the world is the European Union, and this internationally respected organization announced in August 2002 that it will give €200 million to the countries of Mercosur between 2002 and 2006. Commenting on this economic assistance, Romano Prodi, President of the European Commission, said: “Reinforced integration will allow Argentina, Brazil, Paraguay and Uruguay to overcome present difficult times. As our experience in Europe has proven, it will allow Mercosur to transform itself into a strong community of nations based on common values of democracy and social justice, offering its citizens new opportunities and prosperity.”²¹ In September 2002, the European Commission adopted the €48 million Regional Indicative Programme for Mercosur for the period 2002 to 2006. The goals of this program are to complete Mercosur’s internal market, strengthen the Mercosur institutions and sectoral policies, and to involve civil society in the Mercosur integration process and the EU-Mercosur interregional

²⁰ Jean Monnet, “A Ferment of Change,” en Brent Nelsen and Alexander Stubb (eds.) The European Union: Readings on the Theory and Practice of European Integration (Boulder: Lynne Rienner, 1994), p. 20.

²¹ European Commission-External Relations, “European Commission adopts Euro 200 million assistance package, sending signal of confidence and commitment to Mercosur, 2 August 2002. http://europa.eu.int/comm/external_relations/mercosur/intro/ip02_1189.htm

integration process.²² The support of the European Union for Mercosur has remained constant for more than eleven years, and Mercosur must take advantage of this cooperation in order to achieve success.

To the extent that the European Union can lead by example and hands-on training for those responsible for the integration process in Mercosur rather than just providing another source of financial aid will determine not only the success of this program but of the ability of Mercosur to actually make progress in terms of deeper integration and institutionalization. The dedication of resources and personnel from Mercosur and its member countries must also play a part in this process. The assistance provided by and cooperation with the European Union, an organization respected not only for its success in the area of regional integration but as a main actor in the international arena is exceedingly beneficial to Mercosur. If the members of this Southern Cone organization can understand the significance of this commitment, and indeed capitalize on it by strengthening its institutional capacity, doors will be open to economic development, greater ability to compete in international markets, and considerable influence in economic and political international organizations.

²² European Commission-External Relations, "EU-Mercosur: European Commission adopts Regional Programme in support of further Mercosur integration" 26 September 2002, Brussels http://europa.eu.int/comm/external_relations/la/news/ip02_1376.htm