

SMALL STATES IN MERCOSUR: AN ASYMMETRICAL RELATIONSHIP

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ABSTRACT

SMALL STATES IN MERCOSUR: AN ASYMMETRICAL RELATIONSHIP

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This thesis examines the asymmetric structure within the framework of MERCOSUR, an economic union in Latin America, and questions the motivation of the small states of Paraguay and Uruguay to be part of this union, despite the disadvantageous consequences of this asymmetric structure. The main argument of this thesis is that small states within MERCOSUR have to cooperate as a result of sectoral and economic interdependence to their counterparts which arose from their existing structural disadvantageous positions. In order to achieve this result, Small State Theories have been utilized and the process that brought the establishment of MERCOSUR, the decision-making processes of MERCOSUR and the economic and political situations of small states have been examined.

Keywords: MERCOSUR, Asymmetry, Small States, Latin America, Integration

ÖZ

MERCOSUR'DA KÜÇÜK DEVLETLER: ASİMETRİK BİR İLİŞKİ

İlhan, Ezgi

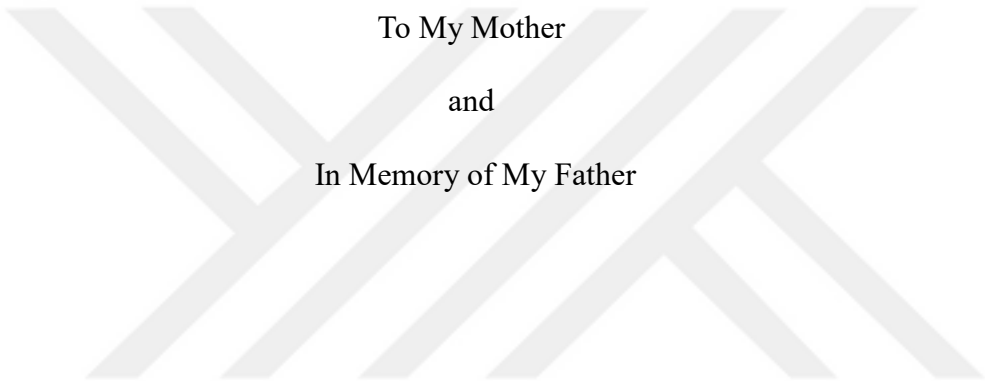
Yüksek Lisans, Latin ve Kuzey Amerika Çalışmaları

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Bu tez, Latin Amerika'da ekonomik bir birlik olan MERCOSUR çerçevesindeki asimetrik yapıyı incelemekte ve bu asimetrik yapının kendileri için doğurduğu dezavantajlı sonuçlara rağmen MERCOSUR'un küçük devletleri Paraguay ve Uruguay'ın bu birliğin parçası olmalarının motivasyonunu sorgulamaktadır. Bu tezin ana argümanı MERCOSUR bünyesindeki küçük devletlerin halihazırda var olan yapısal dezavantajlı konumlarının bir sonucu olarak sektörel ve ekonomik bağılıklarla bu birlik içinde bulunmak durumunda olduklarıdır. Bu sonuca ulaşmak için öncelikle Küçük Devlet Teorilerinden faydalanılmış, bunu paralel olarak MERCOSUR'un kuruluşunu beraberinde getiren süreç, MERCOSUR'un karar-alma süreçleri, küçük devletlerin ekonomik ve politik durumları incelenmiştir

Anahtar Kelimeler: MERCOSUR, Asimetri, Küçük Devletler, Latin Amerika, Entegrasyon



To My Mother
and
In Memory of My Father

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Mischief managed.



LIST OF ABBREVIATIONS

CARICOM	The Caribbean Community
ECOWAS	The Economic Community of West African States
GDP	Gross Domestic Product
IMF	The International Monetary Fund
IR	International Relations
ISI	Import substitution industrialization
LAFTA	The Latin American Free Trade Association
MERCOSUR	Mercado Común del Sur / Southern Common Market
NAFTA	The North American Free Trade Agreement
OAS	The Organization of American States
OPEC	The Organization of the Petroleum Exporting Countries
PICE	Argentina-Brazil Economic Int. and Coop. Program
WB	The World Bank

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CHAPTER 1

INTRODUCTION

Literature on political science and international relations had always given thought on the behaviors of big states. Theories that aimed to understand state behavior was framed mainly on the great powers of the globe. Relatively small states had remained out of focus for such a long time since the inception of the discipline. Yet, some historical developments caused a shift towards the trend which analyzes and examines state behavior. In the aftermath of the Second World War, our world faced with new development such as decolonization process. This process created new (and small) states which had distinctive features from the attention-grabbing large states . Another tide occurred at the end of the Cold War. The dissolution of the USSR created small states in the Eastern Europe and Eurasia region. As a result of these events, small states have been slowly but steadily introduced to the international politics and economics. Now our world system is comprised of a bunch of small states. The number of small states is larger than bigger ones and they are becoming more important actors in the system. In this direction, studies on small states have started to awaken scholar's interest.

Different sets of approaches have been emerged about small states. Main discussion is on the definition of the small states. How could we define the notion of smallness? What makes a state small? Should we use qualitative or quantitative criteria in order to define the smallness? These questions and their answers shaped different approaches towards small states. Some scholars defined smallness in quantitative parameters, such as population, GDP, geographical size.¹ The others picked qualitative methods and linked smallness the power of a state's influence on its periphery.² Some gave importance to perception of smallness.³ That is to say,

¹ Vital, David. *The inequality of states: A study of the small power in international relations*. Clarendon Press, 1967; Vellut, Jean-Luc. "Smaller states and the problem of war and peace: Some consequences of the emergence of smaller states in Africa." *Journal of Peace Research* 4, no. 3 (1967): 252-269.

² Handel, Michael I. *Weak States in the International System*. Psychology Press, 1990.

different small state definitions based on qualitative, quantitative and perceptual parameters had emerged. In other words, there is no consensus on characteristics and behavioral patterns of small states.⁴ Besides that, some scholars claim that it is impossible to create a pattern for small states due to the fact that two small states can be as different as night and day.

Considering the time and conditions the small states emerged into, they brought multiple questions and problems with them. Besides the difficulty in describing small states, further questions have arisen about small states including how they can survive politically or economically. Most of the small states have been colonial nations for many decades or even centuries. For example, Balkan States have been a part of the Ottoman Empire for more than 400 years. This was also the case for most of the colonial nations in North and Latin America. With their newly gained independence, the small states were stripped from their main trading partner and protector, namely their overlord. Their overlord or mother country was also their biggest investor and provider of resources. This lack of protection in both the political and economic area left most of the small states with great challenges and hardships. Some of them struggled for years and some are still struggling to create a stable government and economy. They also had to protect themselves from the influence of the surrounding greater states.

While the 1990s were witnessing the emergence of the new small states after the collapse of the Soviet Union, some distinctive events were occurring in different parts of the globe. Neoliberalism gained its momentum in the Western world in the 1980s. After the economic instability of the 1970s, there was a search for alternative policies. Neoliberalism was the answer to this question. Yet it did not remain as a temporary solution and reigned during the 1980s. The right wing victories in the two major actors in the Western world, the USA and the UK, marked the rule of neoliberalism.

³ Goetschel, Laurent, ed. *Small States Inside and Outside the European Union: Interests and Policies*. Kluwer Academic Publishers, Boston, 1998.; Keohane, Robert O. "Lilliputians' Dilemmas: Small States in International Politics" in Ingebritsen, Neumann, Gstöhl, Beyer Ed. *Small States in International Relations*, Seattle; University of Washington Press; 2006 pp. 55-76

⁴ Baehr, Peter R. "Small States: A Tool for Analysis?" *World Politics*, vol. 27, no. 3, 1975, pp. 456–466

Neoliberal turn had started to show up in the Southern cone which was accompanied by a project of regional integration. Latin American region was no stranger to regional integration initiatives. The 1990s marked the proliferation of the regional initiatives all around the world as a result of neoliberal agenda which went hand in hand with new regionalist projects. Latin American region took its share from this phenomena, even though the regionalist projects are not inherently essential for the neoliberal approach the relationship between the neoliberal development project and the new regionalism of the 1990s has been an intimate one.⁵ Even if this relationship between regionalism and neoliberalism was not mandatory, it is also a fact that the existence of regional agreements in Latin America served the neoliberal turn and eased its way.

The MERCOSUR appeared in such an environment as trade bloc consisting of Argentina, Brazil, Uruguay and Paraguay with great dreams and expectations. In the first years of its establishment, it gave the impression that the bloc is going to achieve great success due to the enthusiasm of member states which faded over time. One of the main reasons for this was the heterogeneity of the member states. In particular, the existence of small states within the bloc, the problems that these states faced due to structural differences and the attitude of relatively large members to these problems prevented the deepening of the integration process.

The main question of this thesis is why the small states of MERCOSUR, Paraguay and Uruguay, are willingly part of such entity in spite of their disadvantageous position. This question will be answered by considering the asymmetric structure of MERCOSUR and the experiences of the mentioned small states within the framework of small state theory. As it is discussed later in the following sections, it is going to be argued that, it is because they are obliged to be included in this structure due to their lack of capacities to produce manufactured goods and the fact that certain sectors are bound to neighbouring markets.

Chapter II aims to provide a theoretical framework for this thesis. Primarily, the historical development of the Small State Theory will be mentioned and then the definitions of small state will be comparatively discussed. In line with these

⁵ Phillips, Nicola. *The Southern Cone model: The political economy of regional capitalist development in Latin America*. Routledge, 2013. Pp. 85

definitions, a small state profile will be brought in to light and the behavior of the small states within the framework of regional organizations will be tried to be understood which constitutes the main subject of our thesis.

Chapter III tells the historical development of MERCOSUR. The reasons behind the establishment of MERCOSUR will be explained from a historical perspective. Understanding the historical background of MERCOSUR is thought to be critical in grasping the essence of the motivations of the articulation the small states to MERCOSUR.

Chapter IV analyzes the asymmetric relationship within MERCOSUR. The relationship between the small states and other states within the structure of MERCOSUR will be examined structurally and the asymmetric relationship will be elaborated.

Chapter V, as a concluding chapter, aims to create a general analysis of MERCOSUR on the basis of small states theory. In the framework of the theory and the information obtained about MERCOSUR, the motivations of the small member states of MERCOSUR to become a part of the bloc will be questioned.

CHAPTER 2

SMALL STATE THEORY: A THEORETICAL FRAMEWORK

According to Max Weber a state is “a human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory.”⁶ Many other definitions had been made on state, yet Weber’s interpretation remains as one of the most relevant ones. The discipline of international relations had been focused on state and its power for a long time. According to early theories, states were the main and most important actors of international relations. First two “Great Debates” of the discipline revolves around the theories which valued the states. The definition of “state” reigned over international relations arena until the end of the Cold War. Even though there are different perspectives and diverse claims on the main actor of international relations, state is still an important phenomenon for the discipline.

While International Relations discipline was highly concerned about the notion of the state, certain states were more attractive to scholars. Literature on political science and international relations had always given thought on the behaviors of big states. Theories that aimed to understand state behavior were based mainly on the great powers. Relatively small states had remained out of focus for such a long time since the inception of the discipline. Even though there were a number of scholars who studied about small states, their academic views were based on the perspectives of great powers. That is to say, small states remained a highly neglected topic in the sense of number of studies.

Contrary to the omission of the small states as a study area, these small states constitute the majority of the world. The number of them boomed during the twentieth century in three waves: First wave occurred during the First World War. The real augmentation occurred in the aftermath of the Second World War as a second wave with the end of decolonization of the great powers such as Great Britain and France. The third wave occurred at the end of the Cold War and the collapse of

⁶ Weber, Max, et al. *Vocation Lectures: Science as a Vocation*. Hackett, 2004.

big federations like USSR and Yugoslavia marked the birth of new states. Most of these states are small states according to a number of criterias such as quantitative criterion, qualitative criterion and perceptive criterion will be mentioned in more detail later in this study.

Annette Baker Fox's *The Power of Small States* constitutes a starting point for the small state studies, yet the existence of the concept of a small state is much more prevalent with a different name, small powers.⁷ Back in the day, the states were categorized by their power in quantitative sense such as their GDP or population.⁸ Although all states were formally equal, there was no material equality. The new system had been created after the Congress of Vienna which had been organized in 1814, in the aftermath of the Napoleonic Wars in order to discuss the future of Europe. As a result of this event, the world had split into two parts as great powers and others. As a result of the separation of the great powers' position with the Congress of Vienna, a new category emerged as small powers. At that time, there was no independent state to the extent that it was enough to bring about a new category as a middle power.

2.1. The History of Small State Studies

Even though there was a fair amount of interest in small states during the eighteenth and nineteenth century, it was not until the Annette Baker Fox that it came out as a genuine academic field of study.⁹ In "The Power of the Small States", Annette Baker Fox examined how the small states showed resistance to repression by the great states with examples of the experiences from the Second World War. She examined the stereotypes that existed on small and large states, and emphasized the importance of diplomacy for small states that are relatively weak in military terms. In this direction, the diplomacy steps of Turkey, Finland, Norway, Sweden and Spain had been analyzed in sense of their ability to stay neutral against the oppression by

⁷ Fox, Annette Baker. *The power of small states: diplomacy in World War II*. University of Chicago Press, 1959

⁸ Neumann, Iver amd Gstöhl, Sieglinde, "Introduction: Lilliputians in Gulliver's World", in Ingebritsen, Neumann, Gstöhl, Beyer Ed. *Small States in International Relations*, Seattle; University of Washington Press; 2006. p.4.

⁹ Ibid, p. 10.

great states. Diplomatic skills of such small states were therefore more thoroughly emphasized.

Following the work of Annette Baker Fox, interest in small states began to increase as an academic field of study. The rise of the numbers and significance of the small states as a result of the decolonization process, that took place right after the Second World War and continued throughout the 1950s and 1960s, was also effective.¹⁰ The question underlying the work of this period was how the small powers would survive despite their weaknesses in this system ruled by the great states. Different perspectives emerged on how the consequences of the disadvantages of the small states caused by the actions of great powers could be mitigated or prevented.

David Vital was one of the political scientists who have studied on survival of less powerful states. He examined the consequences of material non-equality of states and the limits of the powers and capacities of small states; in the light of this information, Vital questioned which policies can be pursued by small states in order to overcome their status of vulnerability. According to Vital, there are three policies that are applicable within the limits of small states: *passive policy*, avoiding conflict as the name implies; *active policy*, trying to modify the external world in its own advantage, yet, for a small state but the sustainability of this policy is highly controversial; lastly *defensive policy*, the safest among them.¹¹ Yet, Robert L. Rothstein claimed that neutrality is not an option for survival. According to him, small states should form alliances and become part of new formations in order to provide national security.¹²

In the 1980s, academic studies for small states entered a period of stagnation and this process continued until the beginning of the 1990s. Doubts had arisen as to whether the size of states is a viable criteria for describing their behavior.¹³ Some scholars, such as Baehr, claimed that such an analysis was not applicable. He

¹⁰ Ibid. p. 11.

¹¹ Vital, p. 190

¹² Rothstein, Robert L. *Alliances and Small Powers*. Columbia University Press, 1968. Pp, 29

¹³ Neumann, p.12.

reviewed a Azar and Singer's writings on small states and challenged them by asserting that "small states form too broad a category for purposes of analysis" due to the claim that small states do not play a special role and it is inadequate to use smallness as an analytical tool as opposed to literature implies¹⁴ Nevertheless, a number of studies were conducted during this period, but the theory of small states was largely ignored during the 1980s.

The interest towards small state studies has increased again due to some events taking place in the 1990s. Especially with the deepening and enlargement processes that the European Union has entered into, studies on newly or already member small states started to increase. Moreover, the proliferation of the small states at the end of the Cold War reshaped the map of Europe. Newly liberated small states started pursuing more open and active foreign policy and being part of international organizations. Today, relatively small states (in the sense of aforementioned three criteria; quantitative, qualitative and perceptive which are going to be explained throughly in the following sections) constitute the majority of the United Nations.¹⁵

2.2. Defining Small States

Lexical definition of small is "of a size that is less than normal or usual" and the second definition is "not great in amount, number, strength, or power" according to Oxford Dictionary. Small is always defined by what it is not. There is an identification by relative status. According to Michael Handel, "Simplest definition is not being a great power."¹⁶ As a matter of fact, while small states were neglected by international relations, they were accepted as 'states that are not great powers'. They did not constitute another category and have always been defined by negative terms. As a result of the ascending interest in small state studies, a problem of identification has emerged.

¹⁴ Baehr, p.466

¹⁵ Súilleabháin, Andrea Ó. *Small states at the United Nations: diverse perspectives, shared opportunities*. New York: International Peace Institute, 2014, p.1.

¹⁶ Handel, p.2

It is hard to answer the question of what makes a state small. The most controversial aspect of the small state studies is the lack of a concrete definition of the small state. Due to the fact that every scholar who works in this subject has made a new definition of a small state with a different point of view has led to a lack of general definition. Therefore, we are not able to acknowledge a proper definition for small state. It is still a controversial issue which criteria should be used to define small states. In addition, some authors have examined this issue without making any definition on them. Annette Baker Fox studied the behavior of the small states that she dealt with without defining any small state in *The Power of Small States*. Authors like Baehr claimed that it is not possible to create suchlike concepts.

The criteria used to define small states in literature mostly divided into three groups; quantitative, qualitative and perceptive.¹⁷

2.2.1 Quantitative Criteria

Authors, such as Vital and Vellut, used quantitative criterion and developed a small state definition by using measurable features like surface area, population, GDP, military power etc. In this direction, there is a determined limit which specifies whether a state is small or not. Different assumptions had been made about this subject. Vital choosed to make a distinction between the developed and underdeveloped states. According to his definition, developed states with a population of 10-15 million and underdeveloped states with a population of 20-30 million can be identified as small states.¹⁸ That is to say, besides making a distinction in terms of population; Vital created a dichotomy based on the development level of states.¹⁹ On the other hand, Jean-Luc Vellut combined GDP and population in order to define a state as small.²⁰ He kept the small state scale wide by setting the limit as less than 50 million. Besides that, he mentioned a new notion called “smaller states” whose population is less than 10 million. Vellut’s 50 million was a bit exaggeration considering the other arguments about the definition of small states. Handel used a

¹⁷ Yeşilyurt, Nuri “*Ortadoğu’da Rejim Güvenliği ve Küçük Devlet: Ürdün Örneği*” Doctoral dissertation, Ankara University, 2013, p.44.

¹⁸ Vital, p.3

¹⁹ Ibid, p.8

²⁰ Vellut, p. 254

limit between 10-20 million range. Even though she did not make any proper definition, Annette Baker Fox defined Turkey and Spain as small states yet her interpretation is not suitable with other perceptions in terms of population. As understood from here, every other author had made his/her own definition and limit in order to define a state and no common limit had been set by the literature. Existence of vast amount of diverse assumptions show that there is a certain arbitrariness in setting the limits.

Some scholars, such as Handel and Goetschel, pointed out the inadequacy of quantitative criterion in order to define states and offered different methods. Yet, it does not mean a denial of the relevance of quantitative methods, but rather combining others aspects with them and creating a broader picture in defining small states. Basing on the size and power of the state only on numerical criteria led to unrealistic results by reason of smallness in quantitative sense does not always indicate lack of capacity.²¹

2.2.2. Qualitative Criteria

Some scholars, believing that quantitative methods would not be sufficient in defining small states, suggested that qualitative criteria which indicated the influence of states on external world and their immunity to influence of others which are difficult to measure objectively.

The emphasis on power is significant. According to Goetschel,²² the definition of smallness is based on the national power and claims that small states are basically less powerful states. In “Weak States in the International System”, Handel endeavoured to create a summary of different perspectives on small states. He implies that very large set of criteria, qualitative and quantitative, must be used; yet he opposes simplifying by using only quantitative methods which are easier to measure.²³ Moreover, he mentions the dichotomy of protecting itself and affecting balance of power. This conceptualization is similar to Goetschel’s autonomy and influence and emphasizes the importance of national power. Yet, it constitutes

²¹ Handel, p. 31

²² Goetschel, p.15

²³ Handel, p. 50

another definition problem for the concept of “power.” Goetschel defines power as “the capacity of an individual or group of individuals to modify the conduct of other individuals or groups in the manner which he desires and ability to prevent others from affecting their own behavior.”²⁴ That is to say, the smallness means lack of autonomy and influence. Goetschel also mentions the separator effect of national power and divides it into two.²⁵ The positive definition of power is being able to influence others to behave in a manner desired by the one wielding the power, the negative one is being able to prevent others from exerting influence on one’s behavior. Waltz’s position is also compatible with this perspective, in which he claims that small states are the ones which suffers from lack of resources and capacity to influence the international system.²⁶ This outlook uses quantitative criteria to emphasize to significance qualitative criteria.

In other words, many scholars came to an agreement with the definition of small states in qualitative sense which is a state which suffers from the being deficit of power. Yet, this definition harbored its own handicaps. The notion of influence is far from measurable and mostly understood in an intuitive way. This reality harms the solidity of qualitative criteria.²⁷

2.2.3. Perceptive Criteria

Beside the other perspectives, some scholars believed in the importance of perception and claimed that a state should be seen as “small” by itself and other states in order to be accepted as a small state. Rothstein describes small states as follows: “The ones they feel threatened by great powers” ve “the belief in its inability to rely on its own means.”²⁸ Keohane also argued that small states are states that think that they will not provide their security with their own capacities. According to him, they are the states which have no significant impact on the system

²⁴ Goetschel, pp. 3-4

²⁵ Ibid, p. 14

²⁶ Waltz, Kenneth N. *Theory of International Politics*, Random House, 1979, p.131.

²⁷ Yeşilyurt, p.46

²⁸ Rothstein, p.29

and will not be able to make any.²⁹ Their leaders do not think they are capable of it, which has shown that being a small state is about how a state or administrators perceive it. From this point of view, small states think that they cannot meet their security needs on their own and rely on the help from others. Jeanne Hey emphasized the role of smaller states in their role-sharing in the international system. In this context, small states take this name according to their position within the hierarchy in the international system, and this hierarchy is the result of a kind of perception.³⁰

2. 3. Characteristics and Foreign Policy Behaviors of Small States

In the aftermath of the Cold War, it is fair to claim that the international system is more multipolar than the last century. This multipolarity is also combined with asymmetries between countries in the sense of development. In a structure with lack of one hegemon, there are a couple of great powers combined with a good deal of small states.

As a result of lack of interest in small states, studies on foreign policy behaviors of small states remained salient in contrast to studies on great powers. Most of the International Relations literature aspired after analyzing demeanors of bigger actors of the play. Though, there is a limited amount of studies which aimed to create a better understanding about small states. Some of these studies argued whether it is possible to create a behavioral pattern for small states or not. Part of them presented a pattern, yet some studies claimed it is impossible to create one due to lack of universal small state definition.³¹

Besides that, literature on small states emphasizes the vulnerable and weaker status of them when it comes to analyzing their foreign policy behaviour. Yet, some claim that there are positive aspects of being a small state such as being seen more credible in international environment.³² Besides, big portion of the International

²⁹ Keohane, p.60

³⁰ Hey, Jeanne A. K. *Small States in World Politics: Explaining Foreign Policy Behavior*. Boulder. Lynne Rienner Publishers, 2003. p.3

³¹ Baehr, p. 466

³² Græger, N, Larsen, H and Ojanen, H. Conclusions: Fourfold “Nuisance Power” p. 221 **as cited in** Browning, Christopher S. “Small, Smart and Salient? Rethinking Identity in the Small States Literature”, *Cambridge Review of International Affairs*, 19:4, 2016. p. 674

Relations literature accumulated until the end of Cold War claim being small means being weaker, emphasize that pressures of international environment are more influential on small states' foreign policies.³³ Besides that, they argue that domestic issues of the small states are more significant for great powers in their decision making processes. In contrast, scholars like Baehr deny this categorization and claim small states does not have to act accordingly to certain types of patterns such as balancing and bandwagoning.³⁴

One of the most prominent postulates on small states is their vulnerability. Small states has been seen as fragile creatures in many aspects. They are economically and politically weaker than their bigger counterparts, therefore they suffer from the lack of resources they need in order to survive in the international system; in other words, they are not able to survive by themselves. According to realist and neorealist approaches, small states have been accepted as "objects" of the international system.³⁵ They suffer from the lack of ability to survive by themselves and they are more prone to being under the influence of other greater states. That is to say, they shape their foreign policies as a response to the international system. Handel summarises this as "their foreign policy is governed by the policy of others."³⁶ Small states are inherently preoccupied with survival issues and potential dangers from outside, therefore their foreign policy is not shaped by domestic issues but rather by requirements of international system.

Besides, some authors intends to create a more positive portrait for small states and claims that being a small state has some advantages of its own. Graege claims that small states are seen as more credible in international arena.³⁷ In addition to that, Handel mentions that small states have less on their plate to solve and this condition gives relative advantage to decision makers since they have fewer

³³ Doeser, Fredrik. "Domestic politics and foreign policy change in small states: The fall of the Danish 'footnote policy'." *Cooperation and Conflict* 46, no. 2 (2011), p.222

³⁴ Baehr, p. 466

³⁵ Browning, p. 671

³⁶ Handel, p. 4

³⁷ Græger, N, Larsen, . p. 221

distractions. This is due to their smaller set of choices as a result of their lack of capacities.³⁸

In this segment, the characteristics of small states will be explained in the sense of their economy, political system, social system and military.

2.3.1. Economy

One of the most prominent characteristics of small states is their economical vulnerability. The vulnerability occurs as a consequence of various hardships that small states suffer from. As mentioned before, these hardships are emanated from their small nature. One of the most significant struggles for small states is the deficiency of resources. As a result of their limited amount of land and geographical ill luck³⁹, small states do not contain sufficient resources in order to survive by themselves. The deficiency of resources hinders the potential of production in the sense of variety. With its limited resources, small states are forced to specialize in certain products and causes narrow range of output and export. Due to their inadequacy in the sense of resources, most of the small states are left with their small agricultural sector which is incapable of carrying their economies single-handedly.⁴⁰ Most of the basic goods are imported from outside markets and it causes damage in small state's terms of trade. Yet, there are few examples of small states in the Middle East and the Persian Gulf which are blessed with valuable resources such as oil and natural gas. These countries, such as Qatar, Kuwait and Bahrain, are significant oil exporters in the world. Another aspect of small states' geographical ill luck is the costs of transportation.⁴¹ Most of the small states are islands or in a landlocked position which means it is difficult to reach their lands compared to larger states which causes high transportation costs in trade activities and harms small states' economy.

³⁸ Handel, p. 43

³⁹ Armstrong, Harvey W., and Robert Read. "Small states, islands and small states that are also islands." *Studies in Regional Science* 33, no. 1 (2003): p. 240

⁴⁰ Read, Robert. "Growth, economic development and structural transition in small vulnerable states." in *Globalization, marginalization and development* (2002): p.176

⁴¹Briguglio, Lino. "Small island developing states and their economic vulnerabilities." *World development* 23, no. 9 (1995): p.1617

Another consequence of being small is having an inherently small internal market. There is a limited amount of firms in small states which leads to limited domestic competition in the market. The narrow range of firms causes the narrowness in opportunities for development of technology.⁴² As a result of their small market, small states are dependent on foreign markets which makes export based economy inevitable. Due to the lack of variety in resources and capacity small states follow export driven growth strategy based on comparative advantages.⁴³ They are compelled to specializing in certain products and export them in order to make a profit. Thereupon they are able to import goods that cannot be produced in their country. The imports constitute a significant proportion of aggregate domestic production. This cycle demonstrates the dependency in foreign markets.

Small states are depending comparatively heavily upon foreign trade both for supplies and sales markets⁴⁴ which means they are more open to outside world. They have lower trade barriers and favourable tariffs which makes them more prone to suffer damage from exogenous shocks. Even though the openness may have desirable growth effects but it exacerbates their vulnerability. In times of crisis, small states are the ones which get damaged further due to their lack of protective measures. Especially, not only during the trade liberalisation processes but also rise of regional trade blocs, small states are the ones who are affected the most.⁴⁵ That is to say, the economies of small states are more volatile and vulnerable as a consequence of their open nature. As Brugiglio clarifies that small states have “great

⁴² Ramkisson, Ronald. "Explaining differences in economic performance in Caribbean economies." In an International Conference on "Iceland and the World Economy: Small Island Economies in the Era of Globalization", Center for International Development, Harvard University, Cambridge, MA. 2002. As cited in Kurecic, Petar. Lusa, Dana. The Economic Growth of Small States and Small Economies in Regional Economic Organizations and Integrations: Similarities and Differences. *Journal of Education, Culture and Society* (2081-1640) 5 (2014), 1; p. 263

⁴³ Kurecic, Petar. Lusa, Dana. The Economic Growth of Small States and Small Economies in Regional Economic Organizations and Integrations: Similarities and Differences. *Journal of Education, Culture and Society* (2081-1640) 5 (2014), 1; p. 261-284.

⁴⁴ Robinson, E.A.G., ed. The Economic Consequences of the Size of Nations: *Proceedings of of A Conference Held by the International Economic Associations*. MacMillan, Toronto. 1960.

⁴⁵ Armstrong, H.W. and Read, R.. Trade and Growth in Small States: The Impact of Global Trade Liberalisation. Trade and Growth in Small States: The Impact of Global Trade Liberalisation. Working Papers, ec 5/98. *Departments of Economics*: Lancaster University. 1998. p. 564

exposure and less resilience".⁴⁶ The fact that the developments in the external world are highly influential on the country's economy has caused the economic pressures to have a great impact on foreign policy.⁴⁷

Some small states are rather advantageous in GDP-wise. But the vulnerability of small states is not closely associated with their GDPs. GDP is a measure of development yet vulnerability is not measured by GDP.⁴⁸ Moreover, the share of trade in their GDP is bigger than larger states⁴⁹ which makes their GDP more volatile as a consequence of their greater exposure to international trade and fluctuation. As a combination with their political challenges in international area, small states have limited ability to influence domestic prices which means that they are mostly price takers.⁵⁰

On the other hand, by establishing close trade relations and being a part of the initiatives they think they will protect themselves and can eliminate the uncertainty of the foreign world to some extent. Hence they comply with being interdependent with their neighbours for the sake of protecting themselves.⁵¹

2.3.2. Political and Social System

The size is one of the characteristics which affects political and social formation of a state. There are different views in this sense. Scholars like Dahl and Tufte rejects the claims that there is a correlation between size and democratic structure.⁵² On the other hand, Ott claimed that smaller states are more democratic than others and they carry less potential to become an authoritarian state.⁵³

⁴⁶ Brugiglio, p.1618

⁴⁷ Gerger, Haluk. "Small States: A Tool for Analysis." *The Turkish Yearbook of International Relations*. Volume 15. 1975, p. 117

⁴⁸ Brugiglio, p. 1618

⁴⁹ Easterly, William, and Kraay, Aart. "Small states, small problems? Income, growth, and volatility in small states." *World development* 28, no. 11 (2000):. p.3

⁵⁰ Brugiglio, p. 1619

⁵¹ Armstrong, Harvey W., and Read, Robert., "Trade and growth in small states: the impact of global trade liberalisation." *World Economy* 21, no. 4 (1998) p. 574

⁵² Dahl, Robert A. Tufte, Edward R. *Size and Democracy*, California, Stanford University Press. 1973. p.138.

⁵³ Ott, Dana. *Small is Democratic: An Examination of State Size and Democratic Development*. New York. Garland Publishing. 2000, p.111

Some authors claim that deficiency of resources in small states also shows itself in the political systems of small states. Not having enough resources causes deficiencies in intelligence sense. Their landlocked and distant position also feed their isolation and keep them defective. As a result of their limited amount of information, the decisions that had to be made are the conclusions of a subjective thinking; more clearly the subjective thinking of the current leaders of small states. That means, their foreign policy becomes based on not objective intelligence but subjective interpretations of leaders.⁵⁴ In other words, in small states there are fewer bureaucratic influences⁵⁵ due to the fact that the leader is the one who makes decisions.

In the sense of social system, there is a belief that small states are more homogeneous than large states with their geographically small size and, as a matter of course, the relatively small population.⁵⁶ As a society inherently intertwined as a result of being small, small states are thought to have more participatory and consensus-based systems. Yet, their communal characteristics may cause a phenomenon called clientelism.⁵⁷

2.3.3. Military and security

Small states are mostly commemorated with their vulnerable situation and their military and security locus is not an exception. Small states are considered to be more vulnerable than larger states in the sense of security due to their lack of resources for national security. They do not possess dependable tools for their own security needs which creates fear and anxiety atmosphere and make them continuously on alert and fundamentally defensive.⁵⁸

In order to halt their vulnerability small states started to become dependent on external resources and alliances in order to protect themselves. Since they are not

⁵⁴ Vital, p. 32

⁵⁵ Handel, p. 60

⁵⁶ Dahl, p. 13-14

⁵⁷ Armstrong, H.W. and Read, R. "Trade and growth in small states: the impact of global trade liberalisation.", p. 570

⁵⁸ Ibid, p. 70

in position to challenge great powers on anything like equal terms⁵⁹, they rely on the defence umbrella of their stronger neighbours and other major powers. In other words, small states put away their political autonomy in order to maintain their security.

2.3.4. Foreign Policies of Small States

The foreign policies of small states are shaped as a result of their challenges caused by their size and lack of resources. The main purpose of their foreign policy is compensating their incapacibilities⁶⁰ and try to minimize their power deficit and shape their foreign policies aligned with this purpose. The structure of international system is constructed by powerful states and small states mostly shape their foreign policies considering the necessities of international system. The international environment is a more significant variable for smaller states than for larger states⁶¹, because they have more to fear and more to lose. Small states are intrinsically more preoccupied with survival and they shape their foreign policy as a response to external conditions.⁶² Their busyness with their survival gives them less room for choice. Their obligation to act accordingly to international system causes the insignificance of domestic factors. In other words, small states are compelled to pursue a foreign policy which is responsive to developments of the international system and domestic issues remain less salient in this sense. Yet, some scholars such as Miriam argues that both two levels of analysis are also very important.⁶³

Besides the emergence of foreign policy as a result of systemic conditions, the number of issues they deal with in foreign policy is quite limited. According to some scholars, this is one of the perks of being a small state. Handel claims that smaller states have fewer issues to deal with.⁶⁴ In this regard, distractions are less and

⁵⁹ Vandenbosch, Amry. "The small states in international politics and organization." *The Journal of Politics* 26, no. 2 (1964): p. 294

⁶⁰ Fox, p. 182

⁶¹ Bjol, Erling. "The Small State in International Politics" in August Schou and Arne Olav Brundtland, eds. *Small states in international relations*. Vol. 17. Wiley-Interscience, 1971, p. 32

⁶² Ibid, p. 262

⁶³ Elman, Miriam Fendius. "The foreign policies of small states: Challenging neorealism in its own backyard." *British Journal of Political Science* 25, no. 2 (1995): p. 217

⁶⁴ Handel, p. 42

prioritization is easier for small states. They concentrate their limited resources on a specific set of policy priorities. However, small states have little response options and can pursue smaller set of actions. Their responsive nature of foreign policy move around two types of tactics: balancing and bandwagoning. Even though these two terms look and sound similar, they carry distinctive features. Balancing is establishing more relationships in order to balance one power with another. It involves creating alliances yet the main goal is to construct a balance against threat. Bandwagoning is also envisages constituting an alliance in order to protect themselves. Yet, this time small states, that are not able to protect or maintain themselves with their own capacities, prefer to fall under the protection of another entity, which they consider powerful or even threatening. Walt argues that, for small states bandwagoning is a more accurate strategy than balancing which constitutes the origins of alliances.⁶⁵

Small states become a part of international cooperation initiatives and are more actively engaged to increase their significance in the international environment. In this sense, international organizations also provide a suitable basis for small states to participate in collective decision-making mechanisms and become part of the international system. They value the importance of international organizations and collective action⁶⁶ believing that commitment to those institutions would contribute their efforts of protecting and promoting their interests.⁶⁷ In other respects, the importance given by small states to international organizations and collective work has led to some wrong conclusions. Small states are mistaken as peaceful states which does not reflect the true stance of them. In fact, small states pursue a peaceful foreign policy for pragmatic reasons; because they do not have the luxury of pursuing an aggressive policy. In other words, small states have a peaceful appearance because they have no other chance to survive internationally, not because they are truly peaceful.⁶⁸

⁶⁵ Walt, Stephen M, *The Origins of Alliances*, Cornell University Press, Ithaca NY, 1987, p. 21

⁶⁶ Neuman, p.7

⁶⁷ Hey, p.188

⁶⁸ Rappard, William E. "Small states in the League of Nations." *Political Science Quarterly* 49.4 (1934): p. 574

On the other hand, there is a claim in the literature that small states act in the direction of their geography and that small states in different geographies act differently. What is decisive here is the relationship and communication of these states with the major states, as well as the economic, cultural and political tradition.⁶⁹

2.4. Small States in Regional Cooperation Initiatives

Most of the literature on regional cooperation initiatives is based on European Union⁷⁰ which is a result of aforementioned Eurocentric view of the International Relations discipline. In addition, the issues that the literature is mostly interested in are the transfer of sovereignty and political unification within the regionalization efforts due to the fact that there is an effort to explain and understand which of the supranational or intergovernmental regional integration processes is more successful.⁷¹ In this context, especially the European Union is shown as a model to be reached by mainstream literature.⁷² As a result of the Eurocentric character of the discipline, particularly the European Union member small states were the most studied subjects among the small state studies.

In addition to the large number of studies on European Union integration, theories developed to understand the integration process of the European Union have been tried to be used to understand other integration processes, but they have not been able to fully explain these processes. The most well-known EU-centric theories are Ernest Haas's neofunctionalism theory and Andrew Moravcsik's liberal intergovernmentalism theory.⁷³

At the present time, only states with great industrial capacity have access to large-scale military power. In this conjuncture small states are the ones which cannot

⁶⁹ Kurecic, p. 230

⁷⁰ Bianculli, Andrea, "Latin America" in Börzel, Tanja A., and Thomas Risse, eds. *The Oxford handbook of comparative regionalism*. Oxford University Press, 2016. p. 156

⁷¹ Söderbaum, Fredrik. "Rethinking regions and regionalism." *Georgetown Journal of International Affairs* (2013): p. 10

⁷² Ibid, p. 14

⁷³ Campos, Gabriela Lomeu. "From Success to Failure: Under What Conditions Did Mercosur Integrate?." *Journal of Economic Integration* (2016): p. 859

skirmish with great ones due to their low levels of capacity.⁷⁴ Their lack of strength and capacity necessitates the practice of different devices and strategies. The military weakness of the small states has been interpreted as diplomatic weakness for a long time. The small states, which could not exist in the system with their military and economic capacities, attempted to protect themselves by diplomatic methods.

One of the most significant foreign policy steps for small states is to establish or become part of regional cooperation initiatives. As mentioned, small states give utmost value to the international initiatives. Especially since the end of the Second World War, we witness the proliferation of regional and international institutions⁷⁵ and small states became one of the main supporters of this trend. As mentioned above, this period also witnessed the proliferation of small states. The vulnerable nature of small states contributed to the popularity of international organizations.

Nethermost reason for the support of international organizations, international peace and the belief that the system will be protected. In parallel, small states showed great commitment to those institutions in order to seek to protect and promote their interests. The benefits of small states mostly lie in collective action, thus they promoted the effectiveness of small states. In addition to the establishment of international organizations, regional organizations began to form. Regional organizations were established to respond to different problems of different regions. Regional and domestic conditions that drive the demand for integration within member countries.

On the other hand, whether regional integration processes can be successful or not depends on the level of homogeneity of integration. It is possible that structural asymmetry can be transformed into asymmetry in the benefits obtained, which is quite common in small state and great power relations in organizations where structural asymmetries are quite high. In this section, a number of regional organizations involving small states will be examined from this perspective.

2.5. Case Studies

⁷⁴ Vandesbosch, p. 294

⁷⁵ Gómez-Mera, *Power and Regionalism In Latin America*, p. 4

The large part of the literature on small states deals with small states within the European Union as evidence of European centrist view of the mainstream IR discipline. Relatively smaller yet still relevant part of the literature is concerned about small island states and microstates. In particular, research on the Caribbean is prominent. The dynamics of these small island states and their position in the international arena have been studied.

The fact that the foreign policies and reactions of small states vary from region to region has led to comparative studies of small states in different regions. Consequences such as whether there was any major state in the region, geographical location or political structures made up this difference.

In this section, case studies of small states and their regional integration efforts and the way they were interpreted from literature will be discussed.

2.5.1. CARICOM

It has been mentioned earlier that regional economic structures are an escape route for small states which are not able to survive alone. CARICOM is the example for the Caribbean region. In the 1960s, many small states in Africa and the Caribbean achieved their freedom. These newly emancipated little states were eager to make their voices heard and were part of the United Nations. The fact that every country had equal votes in the United Nations was an attractive element. In 1973, CARICOM was established with the support of the United Nations with the objective of providing trade and technical cooperation with relatively developed states outside their region while trying to make their voices heard.⁷⁶ Especially with the 1980s, the imposition of structural reforms through large states and international organizations, and the growing debate on the fragility of small states, led regional integration movements such as CARICOM to address local development issues. With the 1990s, the wave of globalization and liberalization also feared whether small states would survive within the new world order.

When it comes to the foreign policies of CARICOM members, it is seen that each member state has different problems and they tend to follow different foreign

⁷⁶Braveboy, Wagner and Jacqueline, Anne. "The diplomacy of Caribbean community states: searching for resilience." In *The Diplomacies of Small States*, Palgrave Macmillan, London, 2009. p.98.

policies in the face of these problems. These small island states have different needs in the face of different economic conditions. The main reason for this is that economic development is the priority of the growing states which leads to incompatible goals within the same organization.

CARICOM countries have different needs and orientations in the field of security as well as economic reasons. Even though their objectives overlap from time to time, such differences of priority between member states often lead to arguments within the framework of integration.

As a result of their small size, CARICOM countries remained very weak in responding to developments in the outside world. Most of their decisions were made under pressure and not well-planned. Especially, they were slow to adapt to the necessities of 21st century in the sense of diplomacy practices.

Most of the academic studies dealing with the small island states of the Caribbean deal with the obstacles to the advancement of integration and sometimes have been addressed by comparing them with the small island states of Oceania. While regional cooperation initiatives in Oceania remain more pragmatic and forum-level, there are multiple regional structures in the Caribbean that overlap with each other in the sense of purposes and member countries.⁷⁷

2.5.2. ECOWAS

The Economic Community of West African States, or ECOWAS, is a regional organization in the African continent. It was established in 1975 after the signing of a Treaty in Lagos. Yet this treaty has undergone many revisions, and the final version was signed in Cotonou in July 1993. ECOWAS has a similar structure to that of the European Unions and consists of the 15 member states, namely Benin, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo and Burkina Faso. From these states, Mauritania left ECOWAS in 2002 and Burkina Faso was named Upper Volta in the time it joined the organization.

⁷⁷ Rolfe, Jim. "Many Small States, two regions, different constructions." *Social and Economic Studies* (2007): pp. 96–134.

In the colonization era, the African continent was colonised by the of the major powers of the era: The British Empire and France. Due to this, there are two major blocs within the organization of ECOWAS. There is an Anglophone bloc consisting of countries speaking English and there is a Francophone bloc consisting of countries speaking French. This division is suppressed by the “big brother” of the region, Nigeria.⁷⁸ The formation of the ECOWAS and its integration process is based on three main areas. The first one is the creation of a secure environment. For example, one security issue is the numerous conflicts between different tribes in the region. The second area is the reformation of the political systems of the member countries. The last one is naturally an economic integration.

Comparing ECOWAS with MERCOSUR, it can be easily stated that Nigeria is this region’s Brazil. In contrast to Brazil however, Nigeria formed strong alliances with the small states in the region. One example of such an alliance is with Ghana. Ghana and Nigeria had a strong friendship long before ECOWAS was formed. This was due to the history of the two countries. They were both English colonies surrounded by French neighbours, therefore they have been on good terms. Another difference between these countries and their counterparts in MERCOSUR is that they are fully committed and involved in creating a secure region. Their main focus on foreign policy is to stabilize the region by creating a secure environment through peacekeeping operations. Although they have the same agenda, they differ in their ways of operation. Nigeria being the hegemon of the region, exerts its military force in these missions. This is to show its power and also try their military technologies. Ghana takes a different approach. Since it doesn’t have the same resources as Nigeria, it takes the treaty obligations into consideration and tries to settle international problems through peaceful ways. This way of dealing with regional problems also earned Ghana trust and respect on an international level.

The best example for Ghana and Nigeria’s co-operation can be the Liberian civil war in the 1990s. In this particular example, Ghana was seen to be moving

⁷⁸ Omo-Ogbebor, Dennis O., and Ahmed H. Sanusi. "Asymmetry of ECOWAS integration process: contribution of regional hegemon and small country." *Vestnik RUDN. International Relations* 17, no. 1 (2017): pp. 59-60

according to its own self interests. There were Ghanaians trapped in Liberia and Ghana encouraged the idea to intervene with a plan to rescue its citizens. The operation was mainly carried by Nigeria, which had the main attack force and the biggest financial support to the operation. Yet also Ghana played a very crucial role during this crisis by opening its borders to the fleeing civilians. It also established temporary settlements for those refugees to stay. Both Nigeria and Ghana had their own personal agendas in this operation, apart from peacekeeping in the region. Nigeria wanted to show its military strength on an international level and exert its hegemony on the region, whereas with its peaceful and human-rights defending stand, Ghana was internationally recognized and praised.

There is also one main difference which separates ECOWAS from MERCOSUR or any other regional agreements. ECOWAS is more focused on political integration, due to the instability of the region. There are democratic regimes in both Nigeria and Ghana for longer periods than those of the other states in the region. This encourages the states in ECOWAS to create a political stability in the region and become more democratized. The main issues in the region are frequent military coups and constitutional crises and these issues can be solved by a regional political integration. Ghana and Nigeria strive to create a strong and stable West Africa by committing themselves to ECOWAS fully. Their full commitment is due to them seeing these problems not only a part of their foreign policies, but also a part of their internal policies. This mindset is what makes regional integration more successful and homogenous.

2.6. Conclusion

In this section, small state theory which will provide a basis for this thesis is explained. In this context; principally, the historical development of small state theory has been tried to shed light on. Afterwards, the definition of small state, which is the real complex part in the theory of small states, was introduced. In the absence of a full consensus on the definition of the small state, different scholars have developed different perspectives on this issue. In this regard, different criteria have been used in defining small states and this section has tried to explain them. This thesis is based on the combination of all the above mentioned criteria for the identification of small states due to the fact that because each criterion alone has

some major deficiencies, but they provide a clarification for small states to some extent.

Later, the basic features of small states in the sense of their economy, political and social system and security have been explained. The main interest of this thesis is how the small states behave in their international relations as a sum and consequence of all these mentioned characteristics. Due to the lack of resources, small states show distinct features from big powers in the sense of their economic, political and social decisions. In this regards, their foreign policies are mostly aimed to protecting themselves and sustaining their existence. Therefore, the behavior of small states within the framework of regional cooperation initiatives have been examined in the light of this fact. The conclusion reached is that small states are more eager to be part of such organizations because of their disadvantageous position. In other words, they are obliged to cooperate with other countries due to their small structure, whether they pursue balancing or bandwagoning policy. In order to set an example for this perspective, CARICOM and ECOWAS examples, which are two regional structures composed of small states, are mentioned.

CHAPTER 3

HISTORICAL DEVELOPMENT OF MERCOSUR

Debt Crisis in the 1980s occurred as a result of the collapse of the import substitution policies implemented by Latin American countries since the 1950s. MERCOSUR emerged as a result of the economic recovery and democratization processes in the period following the Debt Crisis. In this chapter, the historical process leading to the establishment of MERCOSUR is going to be explained. In addition, the structure of the MERCOSUR will be examined by addressing the decision-making mechanisms and the obstacles of integration.

3.1. Historical Background of Latin America

This section examines the occurrence of regional organizations in the Latin American region, the establishment of MERCOSUR and the process leading to it. The proliferation of regional organizations and application of neoliberal policies went hand in hand in Latin America during the 1990s. Even though establishing regional structures was not a necessity for neoliberalism⁷⁹, it is also a fact that they had potential to ease the process of transition to neoliberal policies due to the fact that geographically close states experience similar obstacles.

The roots of neoliberal policies can be traced back in the previous decades. During the 1980s most of Latin America was governed by military regimes which followed import substitution policies systematically since the 1950s. The period between 1950-1980 was the third wave of implementation of ISI programs which took place for the first time during First World War and the second time in the aftermath of the Great Depression.⁸⁰

⁷⁹ Phillips, p. 85.

⁸⁰ Baer, Werner. "Import substitution and industrialization in Latin America: Experiences and interpretations." *Latin American Research Review* 7, no. 1 (1972): p. 95

3.1.1. Import Substitution Policies

Import substitution policies had some distinctive features which are crucial to understand them in order to grasp the essence of the change in Latin America. These policies had been emerged in order to escape from Latin America's role in the division of labor. According to this division, Latin American countries were mostly exporters of raw materials and food, and importers of manufactured goods from Europe and the United States.⁸¹ Import substitution industrialization (ISI) policies, as the name suggests, are based on the idea of realizing development by making its own production instead of importing, which means building new facilities to do so. These policies did not emerged as a development model, they were came into the view as a remedy to the socioeconomic and political crises of the period they were implemented.⁸²

Before the First World War, there were small factories and workshops in Latin America, yet majority of the manufactured goods were imported. The economy was highly based upon the exports, which created a middle class who are the consumers of imported manufactured goods.⁸³ The global environment created by the First World War forced the Latin American to pursue import substitution policies. European countries were unable to produce other than military goods due to war environment. The shipment was impossible and the price of a limited number of imported goods was high due to scarcity. Under these circumstances, the import substitution approach began to appear more profitable. Nevertheless, after the end of the war the labor of division went back to its "normal" state.

In the 1930s, a new wave of import substitution took place because of the consequences of the Great Depression which led to the mistrust of laissez-faire policies.⁸⁴ Again there was a scarcity in imported goods. The imports were decreased

⁸¹ Ibid.

⁸² Silva, Eduardo. "The Import-Substitution Model: Chile in Comparative Perspective." *Latin American Perspectives*, vol. 34, no. 3, May 2007, p. 69

⁸³ Baer, "Import substitution and industrialization in Latin America: Experiences and interpretations.", p.97

⁸⁴ Silva, p.71

due to the fall of foreign exchange receipts from exports.⁸⁵ The domestic production was primarily based on light consumer goods, yet there was little development in heavier industries. Second World War also had an accelerating effect on ISI, but the actual climax of these policies took place in the aftermath of the Second World War.

The fact that the economy is based on food and raw material exports, and as a result of the fluctuations experienced in exports, it was understood that export-led development could not be used as a long-term growth policy. Because the population was increasing rapidly while there was no visible leap in demand for these goods. In such an environment, the idea that import substitution would lead to the growth of Latin American countries began to be attractive. In addition to providing development, the idea of granting economic freedom to Latin America made import substitution policies even more appealing.

ISI policies were implemented in various ways which required excessive protectionism and government controls. In this process, import substitution policies were implemented through mechanisms such as protective tariffs and foreign exchange controls, infrastructure investments; moreover, credit facilities were created for the industries to be supported, and establishing presence of the state itself in some sectors nor domestic neither foreign capital had capacity to invest in.⁸⁶ Consequently, governments needed resources to implement these steps. Particularly, some sectors such as infrastructure became heavily dependent on foreign direct investments. In time, capital flows turned into the private capital flows which were bank loans.⁸⁷

3.1.2. Debt Crisis of 1980s

Debt crisis became the break point for region. It occurred at the beginning in the 1980s revealed that how fragile the import substituting policies were. Within this conjuncture, the debt crisis had showed up in August 1982, started in Mexico and

⁸⁵ Baer, "Import substitution and industrialization in Latin America: Experiences and interpretations.", p. 97

⁸⁶ Ibid, p. 98

⁸⁷ Neto, Alcino F. Câmara, and Matias Vernengo. "Globalization, a dangerous obsession: Latin America in the post-Washington Consensus era." *International Journal of Political Economy* 32, no. 4 (2002): p. 7

quickly spread to a number of other Latin American countries. It was a result of the rapid and enormous growth of external debt and led to the political and economic crisis in Latin America.

Edwards claim that import substitution industrialization policies required excessive protectionism and government controls which weakened the structure.⁸⁸ Countries who pursue such policies suffered from being unable to accommodate themselves to global conditions due to the fact that their governments were profoundly inward-looking.⁸⁹ The spending of their governments continued to grow while their fiscal deficits were soaring harder.⁹⁰ One of the biggest consequences of this system, in which the government has a large role, has been the increasing burdens on public sector budgets and the situation got worse with the inefficiency of tax system which caused inability of the states of providing some services properly.⁹¹ Within this conjuncture, the public finance structured had weakened and let to rely on inflationary financing as a way to bridge government expenditures and revenues.⁹²

Yet, there is also a claim that the reason behind the ill-fate of these governments was not only structural but it was also external. According to this perspective, import substitution policies are not the only reason of the debt crisis.. The Oil Crisis was one of the factors that triggered the debt crisis in Latin America.⁹³ In 1973, oil exporter states, in other words, OPEC decided to increase oil prices sharply. Even though it was aimed against industrialized powerful states; developing and under-developed states also suffered. Most of the Latin American countries received an impact from this external shock, except Venezuela which was also one of

⁸⁸ Sebastian, Edwards. "Crisis and Reform in Latin America. From Despair to Hope." World Bank-Oxford University Press. New York (1995) pp. 1-5 As cited in Hira, Anil. "Did ISI fail and is neoliberalism the answer for Latin America? Re-assessing common wisdom regarding economic policies in the region." *Brazilian Journal of Political Economy* 27, no. 3 (2007): p. 347

⁸⁹ Philips, p. 58

⁹⁰ Neto, p. 7

⁹¹ Edwards, p. 1-5 as cited in Anil p. 347

⁹² Ibid.

⁹³ Neto, Alcino F. Câmara, p.8

the main oil exporters in the world.⁹⁴ The share of oil related spending expanded in their budget, because their industrialization process was heavily dependent on the oil. Global recession caused by the OPEC crisis also led to the fall of Latin American exports. Due to rise in oil prices, commodity prices are increased, causing unprecedented high inflation rates. As a result of rising expenses and declining incomes, their economies came under big debts.

3.1.3. Neoliberal Turn in Latin America: Proliferation of Regional Organizations in 1990s

The 1980s were a lost decade for the countries of Latin America because of the debt crisis and lack of development and the 1990s was a breakpoint for world and capitalism. The period between the 1970s and 1990s was challenging not only to Latin America, but also most of the world. Even powerful states were suffering from crisis and stagnation.⁹⁵ Economic instability of the previous era and the crisis of Keynesian policies led a pursuit of alternative policies.⁹⁶ As a solution to these problems, countries have moved towards neoliberal policies which promote freedom of markets.⁹⁷ In particular, the state-centered approach of the postwar period was abandoned. More market-oriented approach started to be adopted and significant steps were taken in the removal of trade barriers.⁹⁸ In addition to that, Neoliberal turn in the third world realized by the hand of international organizations and Latin America also took its share from this transition.⁹⁹

The re-negotiation of Latin America's debts process had started at this point. The International Monetary Fund had been serving as a "lender of the last resort"

⁹⁴ Street, James H. "Latin American Adjustments to the OPEC Crisis and the World Recession." *Social Science Quarterly* 59, no. 1 (1978): p. 60

⁹⁵ Cohen, Joseph Nathan, and Miguel Angel Centeno. "Neoliberalism and Patterns of Economic Performance, 1980-2000." *The Annals of the American Academy of Political and Social Science*, vol. 606, 2006, p. 34

⁹⁶ Kotz, David M. "Globalization and neoliberalism." *Rethinking Marxism* 14.2 (2002): p. 65

⁹⁷ Kacowicz, Arie. "Latin America and the world: globalization, regionalization, and fragmentation." *Nueva Sociedad* 214 (2008): p.5

⁹⁸ Cohen, pp. 34-35

⁹⁹ Philips, p. 85

since the Second World War.¹⁰⁰ Inasmuch as a re-negotiation process were perceived more beneficial rather than declaring bankruptcy; yet, in a sense, resulted as handing over their autonomy to an external entity. In order to start renegotiation talks countries should had been permitted and this permit would be given if they start applying structural adjustment programs which had been imposed by international lending institutions, the World Bank (WB) and the International Monetary Fund (IMF). These programs were forced in order to ensure repayment to the institutions and also became the locomotive of the neoliberal turn in Latin America, since they required implementing neoliberal ideology. That is to say, the indebted countries faced with the imposition of neoliberal policies in order to survive from their economic trainwreck. These programs minimized the role of the state, dictated austerity policies and export-oriented open markets as a remedy. According to Washington Consensus, As mentioned above, the Latin American economies were inward-oriented economies before by implementing ISI policies. International financial institutions forced these policies to change and opened the way for the neoliberal policies in Latin America. Therefore many developing countries in Latin America have implemented structural reforms under the supervision of the World Bank and the International Monetary Fund. Those reforms called Washington Consensus. Throughout the 1990s nearly all of Latin America adopted the neoliberal trade policies recommended by the "Washington Consensus".

3.1.4. Globalization and Regionalism

The 1980s and 1990s also witnessed rise of another phenomenon: Globalization. Even though globalism was not a new notion, it left its mark to the 1990s. In addition to political events such as the end of the Cold War and the unification of East-West Germany, developments in technology have led to the acceleration of globalization in the 1980s and 1990s.¹⁰¹ At a time when state-

¹⁰⁰ Pastor Jr, Manuel. "Latin America, the debt crisis, and the International Monetary Fund." *Latin American Perspectives* 16, no. 1 (1989), p. 86

¹⁰¹ Pooch, Melanie U. *DiverCity – Global Cities as a Literary Phenomenon: Toronto, New York, and Los Angeles in a Globalizing Age*. Transcript Verlag, (2016) p. 4

centered policies were replaced by market-centered policies with neoliberalism, it also accelerated the process of the globalization by minimizing the role of states.¹⁰²

Latin American states were fragile in the midst of these radical changes, hence the regional processes started to be established in order to support each other.¹⁰³ Even though the popular perspective towards globalization claims that the globalization restricts regionalization, it does not reflect the truth. In fact, while regionalization can certainly be seen as a response to globalization, it also tends to strengthen those socio-economic groups in each country that are committed to neoliberal globalization.¹⁰⁴

The process of regionalization is initiated by the states to create bonds of economic and political patterns on a regional level. The key part of this definition is the importance of reforming a particular geo-economic region. Although some perspectives simplify it to a geographical relationship between neighbouring states, it is based on mutual interdependence. The gathering of states with shared interest is the significant aspect of regionalization apart from the reorganisation of a specific geo-economic region.

At the same time, these concepts and definitions were taken even further by the new regionalism. Nowadays to overcome new global challenges states must somewhat work together and create integration initiatives. This is caused by globalisation. It is important to note that this new type of regionalism also includes social and political issues apart from economic cooperation. In other words, this type of regionalism points out multiple concerns apart from free trade while the states try to adapt to this new globalizing world. One example of this concept is MERCOSUR. The neighbouring member states assembled due to their geographical locations, similar interests and a will to follow similar policies. Creation of international organizations is not needed for the transition to neoliberalism but in Latin America this transition is matched with the proliferation of international organizations.

¹⁰² Kotz, p. 76

¹⁰³ Van Klaveren, Alberto. "Why Integration Now? Options for Latin America." *The Challenge of Integration: Europe and the Americas*, New Brunswick: Transaction (1993) p. 118

¹⁰⁴ Ronaldo, Munck. "Globalization, Regionalism and Labour: The Case of MERCOSUR." *Labour, Capital and Society* 34, no. 1 (April 2004): p.10.

The organizations emerging from Latin America had the difference that they were part of open regionalism trend. This trend is often associated with neoliberal economic reforms. It is separated from the old version of regional integration which was protectionist and introverted.¹⁰⁵ This type of regionalism was in line with the neoliberalization and globalization waves of the period. In other words, open regionalism in Latin America was the combination of globalization and regionalization.¹⁰⁶ Initiatives such as NAFTA and MERCOSUR had been established during this era.

3.2. Regionalism Initiatives in Latin America

The region of Latin America was not a stranger to the regional organizations. Throughout the history of Latin America, there have been several regional initiatives which were sometimes complementary to each other or sometimes overlapped with each other in the sense of aims and members which have their roots in Simon Bolivar's and Monroe's ideas.¹⁰⁷ The beginning of regional integration initiatives in Latin America can be traced back to Simon Bolivar and his idea of uniting South America¹⁰⁸, namely Gran Colombia. According to Bianculli, Bolivar's idea of uniting Latin America showed itself with proliferation of the regionalism initiatives in the aftermath of Second World War, yet the motivation of these organizations was mainly economic, not political, contrary to Bolivar's vision.¹⁰⁹ Another driving force which encouraged integration in Latin America was the United States. The speech of US President Monroe at the Congress on December 2, 1823, also known as Monroe Doctrine, was an indication of American vision of regionalism.¹¹⁰ President Monroe stressed that the continent should be isolated from the European influence¹¹¹ and

¹⁰⁵ Philips, p. 58

¹⁰⁶ Jilberto, Alex E. Fernández, and Hogenboom, Barbara, "Latin American Experiences with Open Regionalism: Introduction." *International Journal of Political Economy* 26, no. 4 (1996): pp. 4

¹⁰⁷ Bianculli, p.154-155

¹⁰⁸ Mace, Gordon. "Regional integration in Latin America: a long and winding road." *International Journal* 43, no. 3 (1988): p.404-405

¹⁰⁹ Bianculli, p. 155

¹¹⁰ Carto, David D. "The Monroe Doctrine in the 1980's: International Law, Unilateral Policy, or Atavistic Anachronism." *Case W. Res. J. Int'l L.* 13 (1981): p. 206

¹¹¹ *Ibid*, p. 203.

emphasized the necessity of the integration of American continent by following words: “With the movements in this hemisphere we are of necessity more immediately connected.”¹¹² This idea came into being in 1948 with the establishment of the Organization of American States.¹¹³ In this regard, OAS was the first regional integration initiative which includes Latin America.¹¹⁴ This organization, which was established within the framework of the Cold War, was the scene of asymmetry particularly between the USA and Latin American countries.

In parallel, European countries started creating free trade zones and customs unions after the end of Second World War. Latin and North American countries followed in their footsteps soon after. The first steps towards regional integration and creating trade zones or trade agreements started early 1960s. As mentioned above, this trend is distinctive from Bolivar’s vision since regional integration initiatives of the 20th century are mainly economy based even though they contain certain political agendas. The first association created in this regard was the Latin American Free Trade Association, LAFTA. Following the Treaty of Montevideo, seven countries formed this association, Brazil, Peru, Argentina, Chile, Paraguay, Uruguay and Mexico and the same year Central American Common Market was founded by Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua.¹¹⁵ These organizations did not achieved great success due to the fact that did not meet the expectations regarding distribution of costs and benefits and development of industrialism.¹¹⁶

Andean Pact followed this initiatives by establishing a free trade area between Bolivia, Colombia, Ecuador, and Peru in 1969.¹¹⁷

¹¹² “Transcript of Monroe Doctrine (1823).” Our Documents - Transcript of Monroe Doctrine (1823), <https://www.ourdocuments.gov/doc.php?flash=false&doc=23&page=transcript>.

¹¹³ Bianculli, . p.155

¹¹⁴ Ibid, p. 167

¹¹⁵ Whalley, John. “Why Do Countries Seek Regional Trade Agreements?”. *National Bureau of Economic Research*, (1998): p. 67-68

¹¹⁶ Bianculli, p.164

¹¹⁷ Ferris, Elizabeth G. "National political support for regional integration: the Andean Pact." *International Organization* 33, no. 1 (1979):, p. 84

In 1990, after the announcement of the US to create a free trade zone between countries of North, South and Central America became the region active in integration agreements again. Only one year after, in 1991, the U.S., Canada and Mexico signed the North American Free Trade Agreement, NAFTA. Following this Andean Pact members, namely Colombia, Bolivia, Ecuador, Peru and Venezuela signed an accord to implement a free trade zone. Only after these developments, the Latin American countries Paraguay, Uruguay, Brazil and Argentina signed the Treaty of Asuncion and formed MERCOSUR.

3.3. Establishment of MERCOSUR

MERCOSUR emerged within this conjuncture. The neoliberal turn has imposed on the region by IMF and forced Latin American states to open their economies. There was a switch from import substitution to export oriented trade policies and MERCOSUR emerged as a result of this process. The motivation behind MERCOSUR was the notion of "open regionalism." which was a new phenomenon was diversified from the introverted and unidimensional version of regional integration.¹¹⁸ In this sense, globalization and regionalization nurtured each other with the cycle of globalization leading regionalization and regionalization promotes the articulation of states to globalization.¹¹⁹ As mentioned above, the 1990s were neoliberal turn for Latin America as a result of debt crisis. Therefore many developing countries in Latin America have implemented structural adjustment reforms under the Washington Consensus with supervision of the World Bank and the International Monetary Fund. Throughout the 1990s nearly all of Latin American countries adopted the neoliberal trade policies recommended by the "Washington Consensus". Open regionalism is often seemed and presented as part of this neoliberalisation process. In this context, the agreements signed by the member states within the framework of the establishment and deepening of MERCOSUR are aimed to have a strengthening effect on the liberalization and deregulation processes.¹²⁰

¹¹⁸ Gómez-Mera, *Power and Regionalism in Latin America*,. p. 222

¹¹⁹ Ibid, p. 29

¹²⁰ Philips, p. 85.

The 1990s was also an era of globalization and MERCOSUR presented itself as not only a protection against the challenges created by globalization but also facilitating initiative to facilitate the process of inclusion of member countries in globalization by building a bloc. In order to be able to participate in global economic processes, member countries constituted a bloc and aimed to adopt unilateral trade liberalization.¹²¹ The main motivation behind MERCOSUR was the elimination of tariffs and non-tariff barriers to trade between member states and enabling the exchange of goods and people in the long run by creating a common market. MERCOSUR had a road map in this regard. Free trade area would be established between 1991 and 1994 and customs union would be created by 1995; lastly common market was aimed yet it is only step that is never established in planned framework.¹²² According to Campbell “the purpose of this financial institution, with over twenty billion dollars in assets, was to allow member nations to finance projects and investments without having to apply to or involve the World Bank or the International Monetary Fund”.¹²³

In 1991, the Treaty of Asunción was signed by Argentina, Brazil, Paraguay and Uruguay and hence MERCOSUR was founded. It emerged as a result of the cooperation and harmonization efforts between Argentina and Brazil in the previous decade. The governments of those two countries established Argentina-Brazil Integration and Economics Cooperation Program in 1986 as an indicator of their eagerness to cooperate against the new conjuncture that was seen to be emerging from the new processes of democratization and economic change underway in both countries.¹²⁴ It was a relatively limited cooperation initiative since it was involving only certain sectors¹²⁵ due to the fact that it was aimed to nurture certain sectors in a conjuncture of debt crisis which makes access to external markets

¹²¹ Ibid.

¹²² Campos, pp. 857-858

¹²³ Campbell, Michael. "Mercosur and its Impact on the PAC's Economic Development, Free Trade Promotion and Growth Since its Inception" *International Journal Of Business & Economics Perspectives* 10, no. 1 (2015). p. 33

¹²⁴ Philips, p. 87

¹²⁵ Gómez-Mera, *Power and Regionalism in Latin America*, p.14

more complicated.¹²⁶ On the other hand, even though the cooperation between Argentine and Brazilian governments seemed economic, but in fact its foundation was political. These two states, which have been in tension for many years, have set out to cooperate as part of democratization efforts with the end of coup governments and transition to democratic administrations.¹²⁷

After Argentina-Brazil Integration and Economics Cooperation Program (PICE), new protocols such as Treaty of Integration and Cooperation (1988) and Treaty of Integration, Cooperation, and Development (1989) were signed by Argentine and Brazilian governments in order to create a free trade area between those two countries.¹²⁸ These cooperation steps taken by Brazil and Argentina paved the way for the formation of MERCOSUR which came out with the participation of Uruguay and Paraguay. In 1996, Chile and Bolivia joined as associate members.¹²⁹

In December 1994, Ouro Preto Protocol was signed in order to complement Treaty of Asuncion. The Protocol outlined the structural framework which was needed to pursue a common trade policy and institutionalize the bloc. For instance, Article 42 of the Ouro Preto Protocol obliged member states to comply with the decisions of key MERCOSUR institutions.¹³⁰ In addition to creating an monitoring institution for the harmonization of trade policies, it has also made changes in the liberalization process and relaxed the speed of the liberalization process and changed the mechanism of convergence.¹³¹

In the early 1990s, MERCOSUR was viewed as one of the most successful examples of the so-called new regionalism among developing countries and its integration process had three features. It had mixed objectives (both economic and

¹²⁶ Philips, p. 87

¹²⁷ Kaltenthaler, Karl, and Mora, Frank O., "Explaining Latin American economic integration: the case of Mercosur." *Review of International Political Economy* 9.1 (2002): p.81

¹²⁸ Gómez-Mera, *Power and Regionalism in Latin America*, p.14

¹²⁹ Coffey, Peter. *Latin America - MERCOSUR (International Handbooks on Economic Integration)*. Kluwer, 1998, p.7

¹³⁰ Philips, p.98

¹³¹ Borraz, Fernando, Rossi, Maximo and Ferres, Daniel. "Distributive effects of regional trade agreements on the 'small trading partners': Mercosur and the case of Uruguay and Paraguay." *The Journal of Development Studies* 48, no. 12 (2012): p. 1830

political), exclusively intergovernmental decision-making structure; and increasing potential of integration.¹³² In this context, MERCOSUR has become a catalyst for the liberalization processes of the member states and facilitates the process of integration into globalization. The integration process was mainly conducted by states and created three decision making organs, accordingly to its intergovernmental structure.¹³³ Two of them was created with Treaty of Asuncion: the Common Market Council (CMC) and the Common Market Group (CMG). The third organ, MERCOSUR Trade Commission (CCM), was added with Ouro Preto Protocol.¹³⁴ As the body with the highest political authority within the bloc¹³⁵, the Common Market Council was given the role of providing and environment for making joint decisions and determining the political direction of the bloc.¹³⁶ The Common Market Group (GMC), which acted as executive agency, was tasked with implementation of the decision taken by the Common Market Council.¹³⁷ Lastly, MERCOSUR Trade Commission was responsible for the development of intra-bloc trade and the establishment of a common trade policy.¹³⁸ New organs were established over time and as the regional integration process required such as Fund for the Structural Convergence of MERCOSUR (FOCEM), the Institute of Public Policies on Human Rights (IPPDH), MERCOSUR Social Institute (ISM), the Parliament of MERCOSUR (PARLASUR), the Secretariat of MERCOSUR (SM) and the Permanent Review Tribunal (TPR).¹³⁹ Particularity PARLASUR, which was established in 2004, had great significance during the process of recovering

¹³² Doctor, Mahrukh. "Prospects for deepening Mercosur integration: Economic asymmetry and institutional deficits." *Review of International Political Economy* 20, no. 3 (2013): p. 518

¹³³ Ibid, p. 519

¹³⁴ Bouzas, Roberto. "Regional Governance Institutions, Asymmetries, and Deeper Integration in Mercosur." in Giordano, Paolo, et al. *Deepening integration in MERCOSUR: Dealing with Disparities. Inter-American Development Bank*, 2008: p. 357

¹³⁵ Gomez-Mera, *Power and Regionalism in Latin America*, p. 45

¹³⁶ Doctor, p. 519

¹³⁷ Philips, p. 96

¹³⁸ Bouzas, "Regional Governance Institutions, Asymmetries, and Deeper Integration in Mercosur." p. 357

¹³⁹ Operations. (2018, November 7). Retrieved from <https://www.mercosur.int/en/about-mercosur/operations/>

MERCOSUR after the conflicts occurred within members during the second half of the 1990s.¹⁴⁰

Main objectives of MERCOSUR in the light of the founding agreement was establishing a Common Market by the end of 1994 which contains;

The free movement of goods, services and factors of production between countries through, the elimination of customs duties and non-tariff restrictions on the movement of goods, and any other equivalent measures; the establishment of a common external tariff and the adoption of a common trade policy in relation to third States or groups of States, and the co-ordination of positions in regional and international economic and commercial forums; the co-ordination of macroeconomic and sectoral policies between the States Parties in the areas of foreign trade, agriculture, industry, fiscal and monetary matters, foreign exchange and capital, services, customs, transport and communications and any other areas that may be agreed upon, in order to ensure proper competition between the States Parties, the commitment by States Parties to harmonize their legislation in the relevant areas in order to strengthen the integration process.¹⁴¹

3.4. Decision-making Mechanism of MERCOSUR

The decision-making process of MERCOSUR was strictly intergovernmental rather than being supranational. Due to the lack of an upper body to provide legislative role, it was necessary to make legal arrangements at the national level by member states' governments which makes the structure vulnerable to the domestic interests.¹⁴² In this regard, in a structure where binding arrangements are needed to be ratified at the national level, relative enforcement gap occurs as a result of differences of implementation between member states which undermines integration processes.¹⁴³ Due to the fact that most of the legislation produced by MERCOSUR institutions were treated as conventional international treaties, they had to be ratified by the national parliaments in order to enter into force.¹⁴⁴ As a result of this, differences of practice emerged among the member states of the MERCOSUR which raised doubts towards to credibility of the integration.

¹⁴⁰ Gómez-Mera, *Power and Regionalism in Latin America*, p. 2

¹⁴¹ Trade Agreements: Treaty of Asuncion. (n.d.). Retrieved from http://www.sice.oas.org/trade/mrcsr/TreatyAsun_e.asp#CHAPTER_I

¹⁴² Philips, p.98

¹⁴³ Bouzas, Roberto. "MERCOSUR Ten Years After: Learning Proces of Deja-vu?" Tulchin, Joseph S, et al. *Paths to Regional Integration: The Case of MERCOSUR. Woodrow Wilson Center Reports on the Americas*. Vol. 5, 115-134 p. 116

¹⁴⁴ Bouzas, "Regional Governance Institutions, Asymmetries, and Deeper Integration in Mercosur." p. 357

Two of the common features of the three main bodies established with the signing of the Treaty of Asuncion and Ouro Preto Protocol were that decisions were taken unanimously, i.e. each member state had the right to veto and the representatives were all national government officials which made MERCOSUR a regional structure managed with national concerns rather than a supranational institution. In this context, it was also acknowledged by writers such as Bouzas and Gómez-Mera that local policies and concerns played an important role in the decision-making processes of MERCOSUR. Gómez-Mera claims that besides the effects of structural asymmetries and external hardships, domestic political dynamics played a crucial role for the fate of MERCOSUR and reduced the eagerness for cooperation.¹⁴⁵ In her study “Power and Regionalism in Latin America”, she analyzed the domestic policy constraints between to large states of the bloc, Argentina and Brazil. In other words, the power play between Argentina and Brazil affected the cooperation process of MERCOSUR while Paraguay and Uruguay remained as the audience of such developments. Bouzas also conceptualized this as if national authorities represent their states at regional level, it would harm competition between member states and structurally disadvantaged states would be the least beneficiaries of this relationship.¹⁴⁶

In addition to the necessity of adopting decisions by unanimous vote and existence of veto, the obligation of the ratification of a decision at the national level created two-level approval mechanism which undermined the efficiency of the cooperation. The fact that regional decisions were not subject to automatic national transposition and only a small percent of these decisions were transposed create a big problem in this regard.¹⁴⁷ As a result of compliance gap among members states, cooperation started to turn sour towards the end of the century. Especially the

¹⁴⁵ Gomez-Mera, *Power and Regionalism in Latin America*, p. 3

¹⁴⁶ Bouzas, Roberto. “Compensating Asymmetries In Regional Integration Agreements: Lessons from MERCOSUR” in Giardano, Paolo, et. al. *Asymmetries in Regional Integration and Local Development*. *Inter American Development Bank*. Washington DC. 2005. p. 86

¹⁴⁷ Bouzas, “Regional Governance Institutions, Asymmetries, and Deeper Integration in Mercosur.” p. 361.

differences in levels of economic interdependence and eagerness to comply joint decisions indicated the deterioration of the initiative.¹⁴⁸

3.5. Challenges of the Integration

Although the main objective of MERCOSUR was to establish a common external tariff and become a single market in the long run, industries such as automobile, sugar and computer products are exempted during this process.¹⁴⁹

According to Gómez-Mera, domestic policies harmed the integration as a result of actions of the societal groups and national policy makers.¹⁵⁰ Particularly, the governments and societal pressure groups of Argentina and Brazil influenced the integration process in this regard. The great crises experienced by MERCOSUR were the result of these factors.¹⁵¹ Especially in the late 1990s, the internal problems of the member states began to affect their perspectives on cooperation.

Gómez-Mera examined this situation within the framework of events such as the automobile industry crisis, the footwear industry crisis and the common external tariff crisis.¹⁵² For instance, Brazil's Cardoso government unilaterally violated joint decisions on the automobile industry in 1995 which was occurred as a result of pressures from Brazilian automobile sector and the personal perspectives of the national policymakers.¹⁵³ In response to this violation of Brazil, Argentina's response of setting up a quota for the sale of goods to Brazil was also a result of domestic factors.¹⁵⁴ Also footwear industry crisis occurred in 1999 caused as a result of the increasing discontent of the industrial sector with the government's macroeconomic policies.¹⁵⁵ According to Gómez-Mera, one of the most significant disputes between

¹⁴⁸ Gomez-Mera, *Power and Regionalism in Latin America*, p. 15

¹⁴⁹ Olarreaga, Marcelo, and Soloaga, Isidro, "Endogenous tariff formation: the case of Mercosur." *The World Bank Economic Review* 12, no. 2 (1998): p. 299

¹⁵⁰ Gomez-Mera, *Power and Regionalism in Latin American*, p. 198

¹⁵¹ Carranza, Mario E. "Can Mercosur Survive? Domestic and International Constraints on Mercosur." *Latin American Politics and Society* 45, no. 2 (2003): p. 72

¹⁵² Gómez-Mera, Laura. "Domestic constraints on regional cooperation: Explaining trade conflict in MERCOSUR." *Review of International Political Economy* 16, no. 5 (2009): pp. 746-777

¹⁵³ Ibid, p. 762

¹⁵⁴ Ibid, p. 764

¹⁵⁵ Ibid, p. 766

MERCOSUR countries was to determining a common external tariff. In this regard, a crisis occurred within the bloc when Argentina's De la Rúa government unilaterally revised import tariff levels.¹⁵⁶ This decision was the result of macroeconomic hardships which were experienced by Argentina during that period. The unilateral decisions taken by Argentina and Brazil harmed the integration since they exposed the arbitrariness of the compliance in MERCOSUR legislations. In addition to reducing belief in integration, these steps have also led to significant conflicts among member states.

Campos emphasizes the intergovernmental characteristics and state-led nature of MERCOSUR and agrees with Gómez-Mera in regards to significance of domestic politics. In her study "From Success to Failure: Under What Conditions Did Mercosur Integrate?", she analyzed different theories about not only Eurocentric regionalism such as Haas' Neofunctionalism, Moravcsik's Intergovernmentalism, but also theories aimed to understand Third World Integration such as Malamud's Inter-presidentialism and Mattli's demand and supply conditions.¹⁵⁷ In this regard, MERCOSUR's structure was analyzed in the sense of intergovernmentalism and demand and supply conditions. Campos claims that Brazilian government's willingness to be a part of PICE and MERCOSUR was due to the fact that Brazilian economy was in a crisis during that period.¹⁵⁸ In other words, while Brazil's economy flourished overtime its interest in cooperation has vanished.

Due to the aforementioned hardships, the integration of MERCOSUR progressed quite slow. Even though there were initiatives at the beginning of 2000s to create a dialogue between members and re-establish MERCOSUR, they remained stagnant.¹⁵⁹ Even though there were plans for creating harmonization in the sense of political and economical discourses and regulations, no supra-national entity could

¹⁵⁶ Gómez-Mera, "Domestic constraints on regional cooperation: Explaining trade conflict in MERCOSUR", pp.768

¹⁵⁷ Campos, pp. 855-897

¹⁵⁸ Ibid, 872

¹⁵⁹ Gómez-Mera, *Power and Regionalism in Latin America*, pp. 2

be structured.¹⁶⁰ In this context, MERCOSUR remained a strictly inter-governmental process, at the initiative of the leaders of the member states, rather than a supranational organization with a power of sanction. However, the creation of such a structure would have led to the renunciation of the autonomy of large economies and forced them to pay more attention to the needs of small states.¹⁶¹ Therefore, they were not very enthusiastic about such a formation.

3.6 Conclusion

In this chapter, the foundation of MERCOSUR, the economic bloc in Latin America, which is the main subject of the thesis, and its historical background have been explained. The conjuncture in which MERCOSUR has emerged, as a consequence of the debt crisis in Latin America which occurred as a result of the import substitution policies introduced in the 1950s. The excessive external borrowing experienced by small states on the path of import substituting industrialization created the result of states' inability to repay debts in the 1980s. In the process of structuring these debts, a series of changes have started in Latin American countries through structural adjustment programs which are mandated by the Bretton Woods Institutions, the IMF and World Bank.

This period in which structural adjustment programs are implemented also coincides with the globalization and neoliberalization which emerged as a new trend with the end of the Cold War. Although the establishment of regional organizations is not a requirement in the articulation of neoliberalization and globalization, the Latin American experience has been occurred within the framework of regional organizations. Latin America is already a region where too many regional initiatives are established which are sometimes overlap with each other in the sense of their aims and members. MERCOSUR appeared as the latest of these initiatives during this period. Founded with Treaty of Asuncion, the organization has undergone changes with new agreements over the years. This formation, which was loaded with great expectations in its early years, began to fail to satisfy these prospects. In this

¹⁶⁰ Prado, Mariana Mota. Bertrand, Vladimir. "Regulatory Cooperation In Latin America: The Case of MERCOSUR" *Law and Contemporary Problems*. 2015. pp. 207

¹⁶¹ Doctor, p. 522

context, the obstacles to the success of the organization have been tried to be understood and it is argued that the structural differences between the member states caused an asymmetric relationship within the framework of the bloc. The details of this asymmetric relationship will be discussed in the following chapter.



CHAPTER 4

ASYMMETRY AMONG MEMBER STATES OF MERCOSUR

Today, MERCOSUR, whose motivations and historical background of its emergence had been described in the previous sections, constitutes the fourth largest single market¹⁶² and now consists of almost 265 millions¹⁶³ of people living in an area larger than that of the European Continent.¹⁶⁴ This also equals to an area four times larger than the European Union, spanning almost thirteen million square kilometers. In 2012, Venezuela became a full member, along with four founding members, Brazil, Argentina, Uruguay and Paraguay. However, Venezuela's membership was suspended in 2016 on the grounds that its antidemocratic policies were incompatible with MERCOSUR principles.¹⁶⁵ In addition, Bolivia is in the process of membership.¹⁶⁶ With the presence of associate and observer countries as well as member countries, MERCOSUR has the capacity to encompass large masses and areas. Its trading activities form a big portion of trade in South America, with Brazil and Argentina being the largest counterparts.

As mentioned in previous chapters, MERCOSUR emerged in order to adopt a common external tariff and pursue a common policy towards the outside of the bloc, so to say the rest of the world. Especially during the establishment phase, the organization was given great meaning and became the subject of great expectations. On the other hand, there are differences of opinion among the academics and

¹⁶² Vervaele, J. A. (2005). Mercosur And Regional Integration In South America. *International and Comparative Law Quarterly*, 54(2), 387–410. p, 387

¹⁶³ World Bank, *World Development Indicators*. 2018

¹⁶⁴ Chingarande, A., Mzumara, M., & Karambakuwa, R. T. (2014). Does Mercosur Possess Comparative Advantage? *Journal of Economics*, 5(3), 341–349. p,342

¹⁶⁵ (2019, January 17). Suspensión de Venezuela en el MERCOSUR. Retrieved from <https://www.mercosur.int/suspension-de-venezuela-en-el-mercotur/>

¹⁶⁶ (2018, November 6). MERCOSUR in brief. Retrieved from <https://www.mercosur.int/en/about-mercotur/mercotur-in-brief/>

politicians about the motivations behind the establishment of the union and these will be discussed in this section.

Contrary to the positive outlooks and hopes about MERCOSUR, the bloc has been confronted with internal or external obstacles and the foreseen success has not been achieved.¹⁶⁷ Although the bloc had certain success in its early stage, over time, several incidents occurred in the opposite direction to the positive statements drawn for MERCOSUR. In this chapter the obstacles of the integration will be argued. The main argument here is that different agendas and asymmetric positions of the member countries are the main obstacles of the bloc. Yet, small states of the bloc were resigned to be a part of such a relationship in order to obtain smaller advantages.

As previously stated, small states make use of policies such as creating a balance or a bandwagon with them in order to survive in the interconnected international structure. One of the most significant tools used by the small states to efficiently implement these policies is to become a part of regional and international organizations. Some of these organizations may even be founded by small states. On the other hand, as mentioned in the previous chapters, there are consequences of being small. The capacity of the small states is limited in terms of population; they are also geographically small or in a disadvantageous location. The small states are also lacking in terms of GDP and political power, which causes asymmetric relationship within the framework of their economic and political cooperation with their bigger and more powerful counterparts. This type of asymmetric relationship may lead to a continuous disadvantage of small states in regional or international cooperation initiatives. While some regional or international organizations aim to provide solutions to these problems by implementing various economical and/or political mechanisms and making structural arrangements in this direction, some large states in a number of such organizations deem this situation to be favorable and do not take any steps to solve the predicament of the small states. However, small states that cannot find any political and economical solution to their internal and/or external problems other than becoming a part of these organizations may have to

¹⁶⁷ Gómez-Mera, *Power and Regionalism in Latin America*, p.2

unwillingly consent to the continuation of this asymmetric relationship. In this section, the asymmetric relationship between the states within the framework of MERCOSUR, the causes of this asymmetric relationship, the problems arising from this asymmetry in the organization, and the reasons for the small states to stay in this organization despite these problems and disadvantages will be examined through the simple fact that they are small states within the organization.

4.1. Asymmetric Relationships within the Bloc

It was argued that small states are more dependent on international environment and more affected by the international politics when they are shaping their own foreign policies. On the contrary, larger states are mostly act accordingly to their domestic needs. Small and larger states have different needs, and therefore pursue different agendas. In other words, when these countries assemble under one roof, there is a difference between their reasons for coming together. As MERCOSUR's history demonstrates, domestic politics do matter the most in their perspective. Every regional integration has its own obstacles, as a result of the truth that particular nations would want to go towards its own benefit and safeguard their own interests while the others are bound to put up with the consequences of these one-sided policies in order to survive in the structure. This situation may lead to inequalities between stronger and weaker partners. Some countries might face increasing levels of unemployment or high inflation rates due to the free movement of workers and commodities. Moreover, even big partners can have disputes with each other. These disputes naturally have effects on all of the partners of the organization but small states are more prone to being severely affected by these disputes compared to the larger states within the organization. MERCOSUR served as a model for such situations.

Members of MERCOSUR diverge from each other in the sense of their level of economic development, population and size of their individual markets. Paraguay and Uruguay are defined as small states in terms of qualitative and perceptual criteria as well as quantitative criteria such as GDP and population. While Brazil accounts for 70% of these criteria, those two smaller countries do not represent 5% of these demographic quantities. Geographically, Brazil has 2/3 of the surface area of the

whole organization and holds more than 3/4 of the population and the regional product.¹⁶⁸ There are also differences in organizational and political capacity as a result of being a big state and a small state which cause different agendas and create the lack of harmony within the bloc. In this section the asymmetric structure of MERCOSUR will be examined in detail.

4.1.1. Comparing Member States

4.1.1.1. Quantitative Capacities: GDP, Size and Population

One of the most important points that differentiates MERCOSUR members is their structural differences. These differences are in line with the quantitative criteria used by some academics to define small states.

The most significant one is the geographical size. As mentioned earlier, there is a size gap among the MERCOSUR member countries in terms of geographical size. As it is the largest country in Latin America, Brazil is the largest country among the Mercosur countries. Its geographical size is 8,515,770 km square¹⁶⁹ which is more than half of the geographical size of MERCOSUR according to the MERCOSUR data.¹⁷⁰ Besides, Paraguay and Uruguay are small states of the bloc with their geographical size of 406,752 square kilometers¹⁷¹ and 176,215¹⁷² square kilometers. While geographical size can sometimes be a way of understanding a country's capacity, it often does not mean much by itself. Therefore, it is necessary to examine further points than the geographical size of the member states.

¹⁶⁸ Hijazi, Hadi. "Asymmetries among the members of Mercosur." Master's thesis. University of Miami, 2012. p. 35

¹⁶⁹ Central Intelligence Agency. The World Factbook 2019. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/br.html>

¹⁷⁰ MERCOSUR in brief.

¹⁷¹ Central Intelligence Agency. The World Factbook 2019. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/uy.html>

¹⁷² Central Intelligence Agency. The World Factbook 2019. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/pa.html>

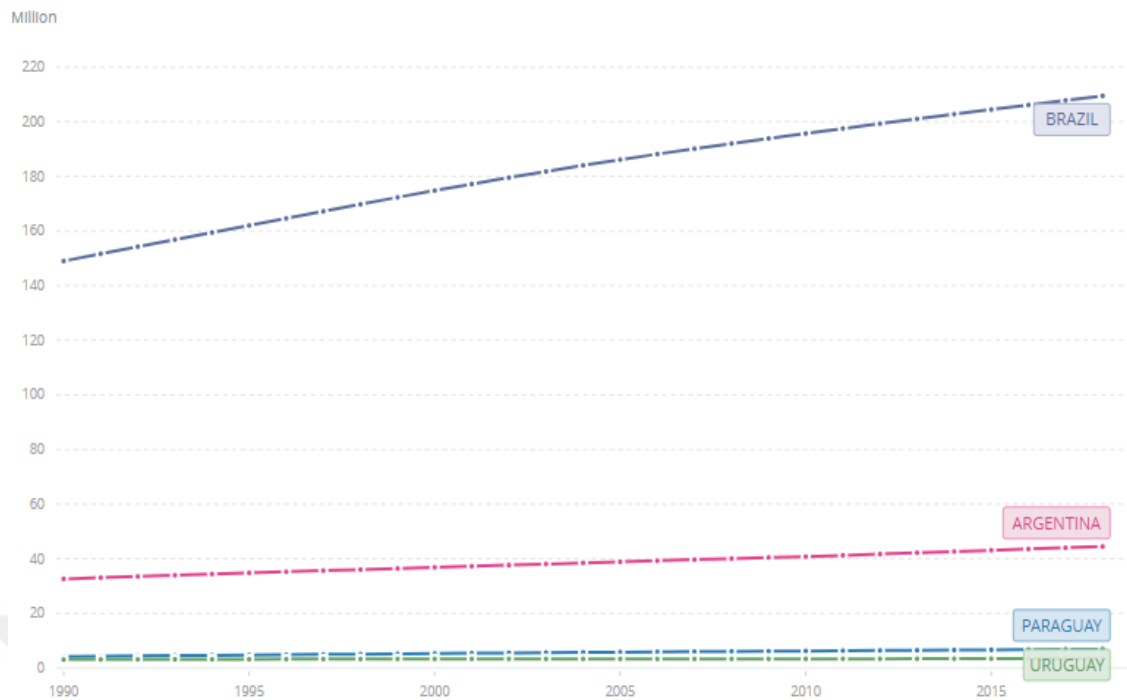


Figure 1. Population. "World Development Indicators." DataBank. Accessed August 1, 2019. <https://databank.worldbank.org/source/world-development-indicators>.

On the other hand, the population can be indicative of the capacity of a country. In terms of population, Brazil's population quadruples the total of other member states' populations. The large differences in population and geographical size reveal how member countries differ in terms of two important means of production, namely land and labor, and that one side is structurally more advantageous than the other. This difference between production capacities directly affects GDP, which is one of the most important indicators of being a small state.

According to the World Bank data, Brazil's GDP has followed a rising trend within years and had a much higher production capacity than its counterparts. Although there have been some increases in the Argentinian side over the years, there has been no significant leap for Paraguay and Uruguay. Paraguay has the second lowest GDP of the Latin American region yet Uruguay have slightly more cheery state.

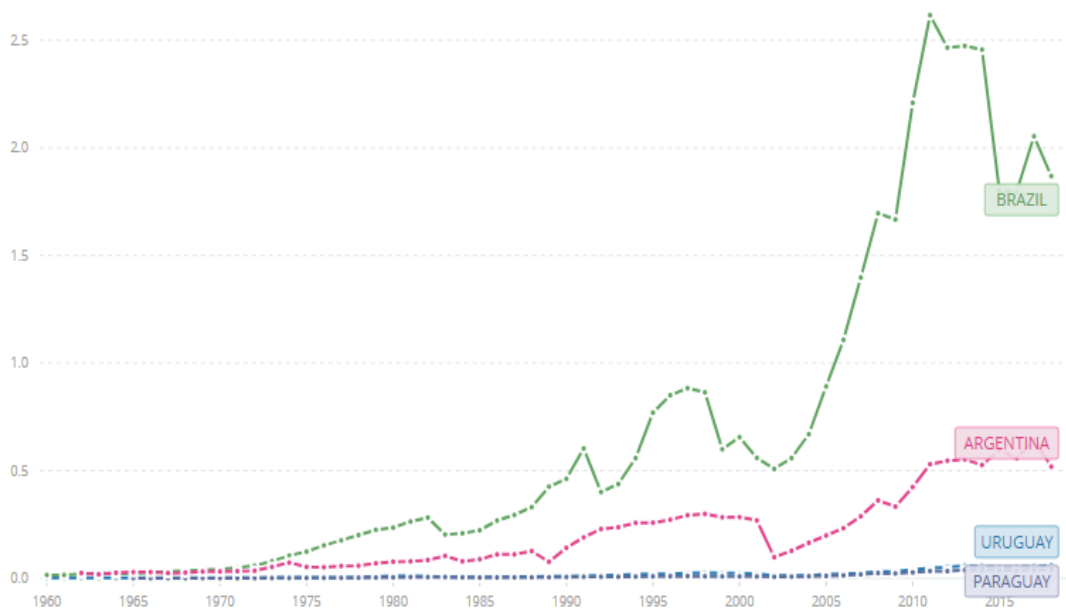


Figure 2, GDP (Current \$), "World Development Indicators." DataBank. Accessed August 1, 2019. <https://databank.worldbank.org/source/world-development-indicators>.

It is also clear that the differences in the capacity of the states have results in their relations with each other. Smaller states, Uruguay and Paraguay, were only able to specialize in the exports of raw materials and natural materials due to their capacity. In addition, Brazil was an exporter of technology and heavy industrial goods. Only Brazil could increase the diversity of production goods which further fed the already existing structural asymmetry.¹⁷³ The structural weaknesses of Paraguay and Uruguay have led to the asymmetric relationship they have entered with Brazil, and success has not been achieved.

4.1.1.2. Qualitative and Perceptive Capacities: Political Actions

The structural differences of the member states created a number of differences in the development models of these countries which also created differences in motivation and approach towards the bloc.¹⁷⁴ Apart from the structural problems, one of Mercosur's biggest problems is the differences in the views of the member states towards the bloc. Especially after 1995, the willingness for integration

¹⁷³ Hijazi, p. 31

¹⁷⁴ Philips, p.43

and liberalization decreased due to the opportunistic behaviour of the bloc's two big actors, Brazil and Argentina. According to Gómez Mera, global obstacles worsened the domestic ones and caused domestic disputes which led to the lack of intention to cooperation.¹⁷⁵

Especially in the first five years of the bloc, the share of the foreign trade of the member states with each other was quite high in the overall foreign trade which was an indicator of willingness to be a part of the bloc.¹⁷⁶ This trend began to change towards the end of the 1990s, which continued in the early 2000, the period in which member states violated regional agreements. Most of these violations came from Argentina and Brazil. The unilateral changes made by the bloc's relatively large countries undermined intra-bloc trade and attempted to disrupt the common external tariff.¹⁷⁷ As a matter of course, all of these caused a number of disagreements between the member countries. Brazil's reluctance against the bloc and demeanor that favours its own interests as a state, in particular, had begun to offend the small member states that were already structurally weak. At the same time, the view that the existence of the bloc was in favor of Brazil had started to emerge. Particularly, the thought of "Brazil is the main beneficiary of MERCOSUR" reduced the belief and commitment of the small states to the bloc. Besides, Brazil's efforts to take place in global markets rather than being a regional trader,¹⁷⁸ violation of its pledges to its counterparts in MERCOSUR and brushoff taking solid steps for the future of the bloc were among the indicators of the differences in motivation between the countries.¹⁷⁹

In other words, in addition to all the structural disadvantages, Brazil, which positioned itself as the largest state and leader in the bloc, also pursued policies in line with its own foreign and economic interests and the unilateral implementation of

¹⁷⁵ Gómez-Mera, "Domestic constraints on regional cooperation: Explaining trade conflict in MERCOSUR", p.747

¹⁷⁶ Campos, p.863

¹⁷⁷ Gomez-Mera, , "Domestic constraints on regional cooperation: Explaining trade conflict in MERCOSUR" p. 749

¹⁷⁸ Doctor, p. 525

¹⁷⁹ Kaltenthaler, p. 84

some of the decisions taken by the small states was one of the obstacles against becoming a strong bloc.

4.1.2. Consequences of the Asymmetric Relationship between Member States

The motivation of the MERCOSUR, or the one which was used to promote the idea of an integration, is to reduce the differences between the members of the bloc in the sense of economic growth, market size and economic structure, yet it failed in this regard. The goals and policies of the countries differed due to their different economic capabilities and growth rates which caused lack of macroeconomic cooperation and hindered the possibility of a successful integration.

The structural asymmetries within MERCOSUR led to the problem of determining a common external tariff which is a very important and quite an old issue within the MERCOSUR structure. Smaller sized countries within the bloc have demanded lower tariffs for the capital goods due to the fact that these goods are used as inputs for their developing industries. The motivation behind this demand is that they are dependent on only a few industrial sectors since they do not have much of a choice other than relying on certain industries while larger economies like Brazil is able to possess a vast number of industrial sectors to support its economy. On the other hand, the unilateral protectionist measures taken by Argentina and Brazil and the high number of exception goods to the common external tariff undermined the cooperation within the bloc.

Moreover, instability of the region and larger states's demeanors to them harmed the conditions of competition between member states. There were several breaking crisis points for MERCOSUR. The first one was the crisis in the automobile sector in 1995 and the others were the devaluation of the Brazilian Real and footwear crisis in 1999 and conflict over CET in 2001.¹⁸⁰ The domestic crises experienced by the relatively large states negatively affected the small states of MERCOSUR since the increase of the importance of the domestic policy needs caused by the changes in external and domestic economic conditions in the second half of the 1990s temporarily harmed the support and willingness for cooperation and integration. In

¹⁸⁰ Carranza, p.72.

addition to that, another type of asymmetry has developed in the sense of distribution of the benefits of MERCOSUR which occurred due to some countries not complying to or having inconsistencies in complying with the common external tariffs. Particularly, Brazil became the greatest beneficiary of the integration since its exports increased largely, while other members remained as importers.¹⁸¹

The future and potential of the integration remained questionable due to the asymmetries among the member states. Member states could not fully appropriate the benefits of an integration due to a hindrance caused by the difference among them in the sense of level of development. Due to the aforementioned asymmetries, trade disputes occurred between member states which also harmed the potential of the integration. Asymmetries in the regulation caused unfairness in the competition within the region, countries and sectors to hamper progress in the integration process.

While Brazil has the capacity to be more competitive globally, Argentina stays slightly behind. However, Uruguay and Paraguay have the most disadvantageous position in this comparison. One of the biggest and most problematic consequences of asymmetry among member states is that Brazil sees itself as a global trader instead of equal counterparty in such relationships with other member states.¹⁸² Due to this fact, Brazil saw MERCOSUR as a means to increase its global competitiveness in accordance with its long-term plans and, at the same time, a tool that could be discarded. On the other hand, Uruguay and Paraguay, and in a sense Argentina, pursued smaller and shorter-term goals.¹⁸³ Especially for Uruguay and Paraguay, the main motivation was to reach the Brazilian market within the framework of MERCOSUR; due to the fact that their economies are heavily dependent on the markets in the region. The idea of opening up to foreign markets could only remain secondary since their capacities of production were not able to make out.

The deepening of MERCOSUR is also one of the issues that has become a problem among the parties. As seen in the example of the European Union, regional

¹⁸¹ Campbell, p. 42

¹⁸² Doctor, p. 525

¹⁸³ Caranza, p. 825

integration initiatives tend to expand and deepen over time. Enlargement may be possible with the addition of new countries and the introduction of new markets. However, the real complexity is deepening rather than expansion, due to the fact that it creates more dependency between member states. In particular, it can become an option that the members may not prefer, since it eliminates the flexibility in decision-making processes and harms the policy autonomy of member states. In this context, the idea of deepening may not be very attractive, especially for Brazil, which is suspected of using the bloc for its own political and economic goals. As stated in the Chapter III; in case deepening becomes reality, Brazil and Argentina will have to adapt their policies to structural asymmetries in the account of the disadvantages of the small states of the bloc.¹⁸⁴

The interesting part here is the question of why the small states of this bloc have chosen to be a part of this bloc despite this asymmetric relationship, and why they continue to do so. This question constitutes the main subject of this thesis. In this section, the motivation behind MERCOSUR is going to be argued and the reasons why small states were and still are willing to become a part of this asymmetric relationship.

4.2. Motivation behind MERCOSUR

As a result of their different capacities, MERCOSUR countries had different expectations and agendas as they were stepping into this cooperation. As stated above, the “so-called” motivation behind MERCOSUR was constituting great cooperation between the member states. Their individual motivations in this process were also interpreted in different ways by different scholars. According to some literature, it is interpreted as a response to the challenges deriving from the accelerated interdependence within the region. Other academics consider this process to be a counter initiative which is constituted by weaker states in order to challenge the dominance of the great powers and seek to create balance within the organization. There are also some approaches pointing out to the relation between regionalization and globalization and emphasize that this process is a defensive

¹⁸⁴ Doctor, p. 537

response to the pressures, while some others interpret it as an articulation to the global economy.

4.2.1. MERCOSUR As an Instrument of Brazilian Sub-imperialism

In order to understand MERCOSUR as a Brazilian sub-imperialist project, it is essential to analyze what sub-imperialism means. Mauro Marini's conceptualization defines sub-imperialism as "the form which dependent capital assumes upon reaching the state of monopolies and finance capital"¹⁸⁵ Sub-imperialism is a concept which showed up in the 1960s, especially during the military regimes in the region. According to Marini, Brazil had gained some sort of an economic and political dominance and power in the region even though it has some limitations which were rooted in the greater dominance of the United States. Sub-imperialism refers to "the stage of monopolies and finance capital in the dependent capitalism of the periphery countries." That is to say, it creates some core and periphery connection within a close-connected region. This status could only be possible in the Third World with the presence of political independence and in the case of Brazil, it became feasible after the military dominance. The role of the center had been taken over by Brazil and this led to the spreading of an imperialist expansion in the region. According to Da Motta Veiga, Brazil's one of the reasons to be interested in the projects of MERCOSUR was the idea and vision of regional power and autonomous development.¹⁸⁶ Gómez-Mera claims that Brazil's stance towards MERCOSUR indicates that Brazilian governments view MERCOSUR as a tool for consolidating its position as regional leader and global player.¹⁸⁷

As a result of this stance of Brazil as a sub-imperialist power, some approaches came up with the idea that the MERCOSUR is a Brazilian sub-imperialist project with a claim that neither MERCOSUR nor another regional integration initiative had managed to increase intra-regional trade and reduce the

¹⁸⁵ Marini, Ruy Mauro. "Brazilian subimperialism." *Monthly review* 23, no. 9 (1972): p.14

¹⁸⁶ Da Motta Veiga, "Brazil in Mercosur: reciprocal influence." in Roett, Riordan, ed. *MERCOSUR: regional integration, world markets*. Boulder, CO: Lynne Rienner, 1999.: 25-33.

¹⁸⁷ Gomez-Mera, *Power and Regionalism in Latin America*, p. 7

regional asymmetries.¹⁸⁸ But they rather served the goals of the Brazilian sub-imperialism. This point of view is successful in explaining Brazil's positions within the bloc in a way. As mentioned in previous chapters, Brazil positions itself as a global player rather than a regional one. Therefore, the attitudes and policies pursued within the framework of MERCOSUR create the impression that it sees MERCOSUR as a tool.

4.2.2. Protection against Global Capitalism

Some scholars claimed that regionalism is a defensive response to the alterations which occurred as a result of globalization. If we address the real meaning of globalization, we can observe that there is no clear and general definition to it. Every approach reads globalization with its unique perspective and terminology. Nevertheless, if it is tried to be generalized by pointing out the common points, a conclusion could be reached. In accordance with the most actual definition, globalization refers to the consistent growth of a world market which leads the spread of the national economies to the rest of the world. National economies articulate to this growing market and economy becomes trans-nationalized. This process becomes a fact whether the state accepts it from the heart or not. Growing interdependence brings its own problems with itself. According to this approach, the dissemination of neoliberalism and global interdependence produced regional integration in order to halt economic pressures. As a result of the faulty sides of the system of globalization, states went towards the regionalism initiatives. According to Gómez-Mera MERCOSUR can be interpreted as a defensive response to the hardships brought by asymmetric structure of the international system.¹⁸⁹ Globalization brought some problems and pressures, moreover it was incapable of solving some already existing problems. An increasing sense for regionalism started growing in the world to make up for the weaknesses modern globalization has failed to address and solve. Particularily, Argentina and Brazil are criticized in that sense with a claim that only sole purpose of the MERCOSUR is protecting Argentina and Brazil from global menaces.

¹⁸⁸ Fridell., p, 130

¹⁸⁹ Gomez-Mera, *Power and Regionalism in Latin America*, p. 7

That is to say, MERCOSUR had been established in order to solve the problems which cannot be solved by the instruments of globalization and halt the pressures which were caused by the globalization itself. The main motivation of the partners while initiating MERCOSUR was to protect themselves from global economic or political policies which may become harmful for them. Since this approach is valid for Argentina and Brazil, it is mostly significant for the smaller counterparts of the integration.

4.2.3. Articulation to Global Capitalism

The last approach that is going to be mentioned, emphasizes that the regionalization initiatives can be seen as a part of the attempts of articulation to the new global economic order. The member countries constituted a trading bloc in order to cope with the advancement of technology and the increasing interdependence states have upon one another. Yet, this time the factor behind the process is not protection from the globalization, rather endeavors for using regionalization as a stepping stone towards globalization. So, this approach believes that regionalism enables states to make progress in cooperation and liberalization in ways that provide a stepping-stone for global initiatives. When this approach is implemented to our cause, the following result comes out: MERCOSUR. MERCOSUR had been initially initiated by Brazil and Argentina in order to ease their way into the neoliberalism.¹⁹⁰

Our main question was is that despite their disadvantageous state, why Paraguay and Uruguay are still a part of MERCOSUR. According to theory, small states have to cooperate with the big states in order to maintain their existence. Initially, those two relatively small countries are dependent on regional and Brazilian markets. Therefore the integration was a necessity in order to achieve greater engagement with global economic activity. Their interest in a regionalist project has been dictated by a set of geographical and geopolitical factors. Especially Uruguay aimed to capitalize on the advantages of geography in order to establish the country as the region's hub in terms of infrastructure and transport. For the agro-industrial sector in Uruguay, Argentina and Brazil represented both its principal export markets and its principal competitors which meant that mechanisms to entrench cooperation

¹⁹⁰ Doctor, p. 518

were of pivotal importance.¹⁹¹ Paraguay's integration was also based on economic necessities, however its motivations were rather political than economic. These two cases are going to be evaluated.

4.3. The story of Paraguay and Uruguay

With a cursory glance, Paraguay and Uruguay seem to be quite similar. They both experienced military governments. Both are small states of the region and positioned themselves as a buffer zone between Argentina and Brazil as a result of their "small" condition. On the other hand, there are quite a few aspects in which they are different from each other. Concordantly, these two small states of MERCOSUR were sharing similar visions when they showed interest in establishment of such entity,¹⁹² yet they also had different expectations as a consequence of their certain distinct features.¹⁹³

In general, both of the economies can be characterized by a large degree of openness and a special dependence on a small number of large neighboring economies. They needed to take an active part in regional and especially Brazilian markets. It was already mentioned that the establishment of MERCOSUR occurred in a process in which trade liberalization was encouraged and even forced by certain international financial institutions such as IMF and the World Bank. In such a conjuncture, small states have shown a desire to be involved in this formation, which they think will open up markets for them and have positive effects on their liberalization process. They believed that the disadvantages caused by their small size would be overcome by gathering them under a common roof with the big states of the region and they would be a stepping stone when they were entering into international trade. MERCOSUR represented the best applicable way of achieving greater engagement with global economic activity.¹⁹⁴ In this context, the factors of articulation to global capitalism and protection from the potential dangers of global

¹⁹¹ Philips, p. 70

¹⁹² Ibid, p. 103

¹⁹³ Grassi, Davide. "Democracy and Social Welfare in Uruguay and Paraguay." *Latin American Politics and Society* 56, no. 1 (2014) p. 121

¹⁹⁴ Ibid, p. 104

capitalism, which are among the motivations of MERCOSUR, are valid for the small members of the bloc. Even though specialization may be beneficial, being a part of an economic integration process as a small state carries the possibility of being overly dependent on the more powerful counterparts. On the other hand, small states do not have variable set of choices when they face such situations.

In this section, the specific economic and political situations of Paraguay and Uruguay and their accession process to the MERCOSUR will be discussed. Then their motivations will be discussed comparatively.

4.3.1. Paraguay

Paraguay is one of the two landlocked states in Latin America which is placed between Argentina, Brazil and Bolivia. Its economic and foreign policy has been shaped accordingly to its landlocked position. In addition to being a small state, the need for the surrounding states to reach the outside markets created a special situation for Paraguay.

Actually, Paraguay has been one of the few countries to base its economic policy on an open economy. Contrary to general Latin American experience, Paraguay attempted implementing import substitution policies only for a short period, then abandoned it to support exports. Later on, it had become the source of goods imported from foreign markets. Economic policies based on open economy, i.e. low tariffs and stable exchange rate were the reasons for this role of Paraguay.¹⁹⁵ In order to maintain its trade relationships between neighbouring states and collect the most benefit, it positioned itself as a buffer zone and tried to implement a balance policy. Before the founding of MERCOSUR, Paraguay's economic policy was based on using Argentina and Brazil against each other.¹⁹⁶ Establishment of such an entity like MERCOSUR obliged Paraguay to create a new economic strategy.

¹⁹⁵ Baer, Werner, and Birch, Melissa. "The international economic relations of a small country: the case of Paraguay." *Economic Development and Cultural Change* 35, no. 3 (1987): p. 608

¹⁹⁶ Birch, Melissa H. "Paraguay and Mercosur: The lesser of two evils?." *Latin American Business Review* 15, no. 3-4 (2014): p. 272

As opposed to the classic Latin American experience, Paraguay did not suffer from the debt crisis like other Latin American countries. There was even growth in the economy during the 1970s which was an era other states took on external debt in order to promote their growth, and as a result entered into a debt crisis in the 1980s. However, the emergence of some climatic challenges and the global fluctuations in commodity prices in the 1980s pushed the Paraguayan economy into a 20-year stagnation.¹⁹⁷

In 1989, the rule of dictator General Alfredo Stroessner has ended which resulted in dramatic changes in Paraguay. The era of transition to democracy coincided with the end of the Cold War and governments were challenged by changing global conjuncture. It was harder to establish a solid economic policy. As mentioned, even before the establishment of MERCOSUR, Paraguay's economy was open and due to this fact its tariffs were lower compared to its counterparts in MERCOSUR. Yet, Paraguay did not have the luxury to stay away from such entity. As mentioned before, Paraguay's foreign and economic policy was based on achieving maximum benefit by establishing a balance between Brazil and Argentina and using the two countries against each other. Co-operation between Brazil and Argentina meant that Paraguay should reshape these policies. On the other hand, it posed a danger because Paraguay's participation in MERCOSUR would hinder the existing open market situation. There were fears of concern that being a part of MERCOSUR could cause Paraguay's interests to be ignored alongside the large counterparts, Brazil and Argentina. In the end, Paraguay was one of the signatories of the Treaty of Asuncion with the motivation that the consequences of not integrating into MERCOSUR would be greater.

Yet, the gap in growth between Paraguay and other member states widened since 1991. In addition to the widening gap, production and trade have gradually decreased, whereas the share of agriculture has increased. Brazilian automobile industry's 1999 crisis and the arguments that Argentina insists on, have prevented low tariffs from having a positive impact on Paraguay's economy. With the transition from small scale agricultural production to large scale and mechanized agricultural

¹⁹⁷ Ibid. p. 272

production, the economy of Paraguay is now more dependent on agriculture than the 1990s.¹⁹⁸ As a problem seen in most of the small states; being overly affected by geographic and climatic inconveniences create vulnerability for countries whose economy is highly dependent on agriculture, such as Paraguay.

For Paraguay, the greatest expectation regarding MERCOSUR was, of course, the invigoration of foreign trade. As part of the bloc, Paraguay was planning to become part of Argentina and Brazil's production processes, which also served to the foreign markets. Thus, it could open Paraguay up to international markets; would raise the Paraguayans' incomes and therefore standard of living. This was due to the economic openness of the country, indicating that the foreign trade is very important. As previously mentioned, the economic model of Paraguay was mainly based on agriculture. As a result of the country's dependence on agriculture, the main export products of Paraguay are primary products.¹⁹⁹ According to World Trade Organization data, 70% of the Paraguayan imports are constituted of agricultural products and the main destinations are Argentina and Brazil. Conclusively, a big portion of Paraguay's imports are manufactured goods due to the fact that Paraguay itself does not produce these goods. In this case, China and Brazil are the leading import partners of Paraguay. Yet, most of these manufactured products are used during the process of agricultural production which constitutes the main source of the Paraguayan economy. In other words, imports are being made in order to enable exports and a cycle has been created to do so.²⁰⁰

MERCOSUR is a market for some goods produced by Paraguay. Especially, with the existence of associated countries, MERCOSUR constitutes a great opportunity. In addition to this opportunity, border trade have always had an important place in Paraguayan economy. This is mainly due to its landlocked position, meaning that Paraguay's exports have to pass through Brazil and Argentina and use the ports of these countries so that they can be distributed within MERCOSUR or across the globe. Even though, the intra-MERCOSUR trade seemed

¹⁹⁸ Ibid., p. 277

¹⁹⁹ Ibid. p. 281

²⁰⁰ Ibid.

to be on the rise, most of them were consumer goods passing through Brazil to reach global markets. In addition, technological goods imported from Asia in order to be exported were also inflating the size of Paraguayan exports to Brazil, harming the Paraguayan economy.

One of the most important problems of the small states was the lack of capacity and the disadvantage of bargaining, making Paraguay's position within MERCOSUR difficult. Paraguayan leaders's incapability to represent their country's needs also nurtured the adverse situation of Paraguay. Paraguay's development depended on foreign resources, so its integration into the global economy was vital.

4.3.2. Uruguay

Uruguay's situation was slightly different from Paraguay. Even though it was one of the small states of MERCOSUR; Uruguay was ranked as second among MERCOSUR states in terms of gross domestic product per capita.

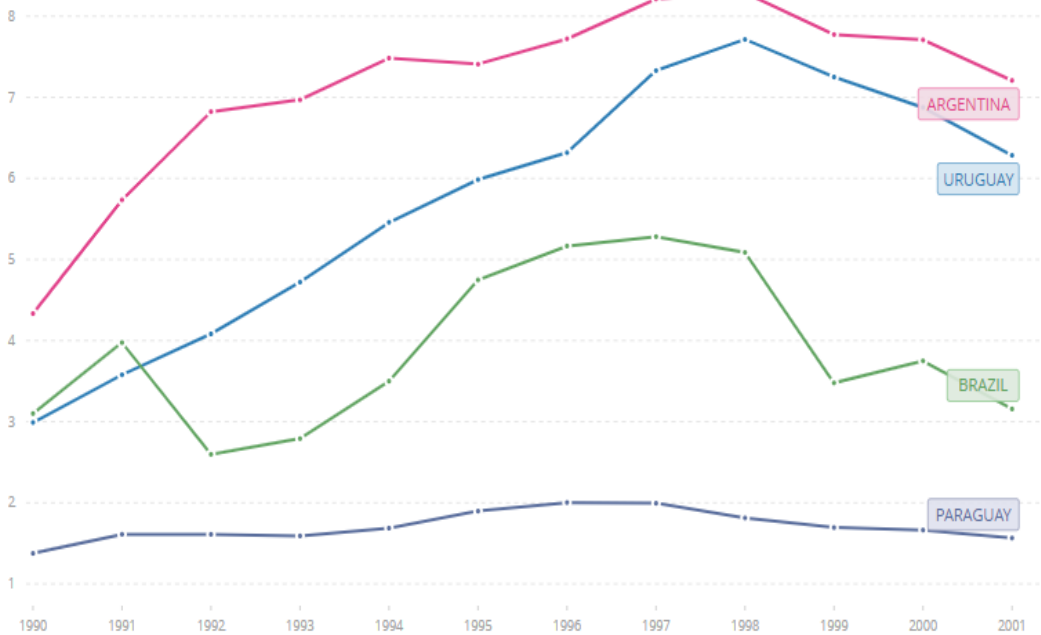


Figure 3, GDP per Capita (Current \$), "World Development Indicators." DataBank. Accessed August 1, 2019. <https://databank.worldbank.org/source/world-development-indicators>.

Its location is coastal in opposition to landlocked position of Paraguay. Particularly, the Uruguayan economy at the beginning of the 1990s can be interpreted as a success story with its small and stable condition. It enjoyed great

benefits of having an open economy in that period. Primary sector was the cornerstone of economic activity. Yet, after the Great Depression, Uruguay started to adopt a more protective approach as a result of global economic conditions.²⁰¹ On the other hand, Uruguay's story of import substitution based industrialization remained relatively short-termed in contrast to the other Latin American countries. Its economy was mostly depended on exporting traditional agricultural commodities such as meat and wool which are more prone to global fluctuations in terms of price and demand.²⁰² Due to the lack of investment from foreign countries, this economic model collapsed and caused a crisis in Uruguay. To counter the crisis, policies were proposed by the IMF in the 1960s to increase the production of less traditional commodities, but the political situation in Uruguay was not ready for these policies to be implemented.²⁰³

The military rule which came to power in 1973 aimed to overcome stagnation by implementing neoliberal policies. It was a period in which the local economy was tried to be shaped according to the conditions of the outside world and imports were encouraged. Economy began to show signs of recovery; GDP rose, exports increased, foreign direct investments increased.²⁰⁴ Yet, they could not prevent the debt crisis in the 1980s since the source of industrialization had become foreign debt rather than foreign investment, which also damaged the political power of the military government. After the collapse of the military government in 1985, Uruguay started to take steps in the direction of re-democratization. The fact that MERCOSUR defines itself as a framework where democratic governments converge in order to realizing liberalization was one of the factors that attracted the bloc for Uruguay since Uruguay was taking steps to liberalize its economy while taking steps to re-democratization during this period.

²⁰¹ Bergstein, Jonas. "Foreign Investment in Uruguay: A Law and Development Perspective ." *The University of Miami Inter-American Law Review* Vol. 20, No. 2 (1989), p. 365

²⁰² Sondrol, Paul C. "Paraguay and Uruguay: modernity, tradition and transition." *Third World Quarterly* 18, no. 1 (1997): p. 100

²⁰³ Finch, Henry. "Democratisation in Uruguay." *Third World Quarterly* 7, no. 3 (1985): p. 595

²⁰⁴ *Ibid.* p. 596

Especially for Uruguay, the idea of implementing neoliberal policies under the roof of MERCOSUR was appealing. During the process of articulation to global economy, the preservation of MERCOSUR's common tariffs would be beneficial for a small state like Uruguay.²⁰⁵ However, the common tariff had to be at a level that would not adversely affect competition when opening up to foreign markets. In other respects, Uruguay was seeking to get closer to the Argentine and Brazilian economies. An Argentine-Brazilian cooperation initiative in which Uruguay could not be involved did not fit its interests which aimed to move itself to an important position in the field of construction and transportation by using its geographical advantage by pronouncing itself as a gateway to South America.²⁰⁶

4.3.3. Overlapping Issues

As understood from the World Trade Organization data, the biggest trade partners of the Paraguay and Uruguay are Argentina and Brazil which is a consequence of being a small state neighbouring large counterparts. In a conjuncture where Argentina and Brazil went to economic co-operation, Paraguay and Uruguay were unlikely to remain outside of such entity. Paraguay and Uruguay expected a course to be drawn in line with the capacities of the small countries of the union and all member states to pursue policies in line with the common decisions. In this context, Uruguay and Paraguay supported the institutionalization of MERCOSUR. One of Mercosur's most important shortcomings was its lack of institutionalization. With institutionalization, the big states in the bloc will be bound by the rules, they will be equal in governance with the smaller states. Substantially, a strong MERCOSUR would also be useful for Brazil, which tries to open itself to the outside world since it would enhance its position in relation to the rest of the Americas, Europe and the world.

On the other hand, MERCOSUR has helped open the doors of international markets that small states like Paraguay and Uruguay could not open on their own. It

²⁰⁵ Philips, p.103

²⁰⁶ Ibid. p.104

has facilitated this process through extra-regional agreements, especially in the process of articulating Latin American states to global capitalism.

4.4 Conclusion

This chapter tried to shed light on asymmetric structure of MERCOSUR and its consequences. Firstly, structural asymmetric structure between the countries was tried to be explained and the member countries were compared in terms of their structural differences. For certain, structural differences would affect the relations between the member states within the bloc. In this respect, it is tried to be explained how structural differences affect the political and economic decisions of each member and the distribution of intra-bloc trade. Brazil's advantageous position and the resulting economic and political decisions, in contrast to the disadvantaged position of the small states have been tried to be elaborated.

Thereafter, considering the asymmetry of the inter-country relationship, the main motivations in the establishment of MERCOSUR were evaluated comparatively. In this context, despite the fundamental differences and taking into account that other factors may be effective at certain levels, it is concluded that all member states use MERCOSUR as a mechanism of articulation to the outside world in order to make themselves more advantageous in the most fundamental way, in the face of the waves of globalization and neoliberalization that came with the 1990s.

The question of why small states prefer to be in this disadvantageous relationship is tried to be answered within this framework. As a result of being a small state, Paraguay and Uruguay are bound to certain sectors and their economies are dependent on their neighbours markets. Therefore, the exclusion of such a partnership may result in greater damages as they may result in the exclusion of the common external tariff. In other words, Paraguay and Uruguay have agreed to enter into a new asymmetric relationship as a result of the structural asymmetry created by the fact that they are small states.

CHAPTER V

CONCLUSION

The main concern of this study was to understand the reason behind the articulation of Uruguay and Paraguay to MERCOSUR even though they have a disadvantageous position within the bloc. In theoretical perspective, small states generally tend to be part of regional and international cooperation initiatives to protect themselves and their economy and to stand against the large powers due to the fact that they suffer from the lack of capacities to protect themselves on their own. In an economic point of view, small states were almost always dependent on other countries. Based on this dependency, they had to rely on imports from the international market for specific goods. The most prominent of the imported goods was technology. Suffering long years under colonial rule, these small states received all of their know-how from their mother country. After gaining their independence, they started relying on imports to catch up with the ever-evolving technological trends. There were attempts to break this dependency by restricting imports and focusing the resources of the country for the creation of its own industry. Shielding their own economy from outer influence and competition however usually caused these industries to be less reformist and more monopolistic. Creating an import based economy model however enabled great powers to influence the small states.

When it comes to MERCOSUR; in the 1980s, it is seen that the countries that started to take new democratization steps after the collapse of military coup governments and experienced a debt crisis as a result of import substitution policies. As a result of the debt crisis, structural adaptation reforms imposed by the IMF and World Bank had begun to be implemented. Today, the states are in some sense obligated to cooperate and create integration initiatives in order to tackle new global challenges. The era of globalization has compelled them to do so. This type of regionalism does not just contain economic cooperation but also comprises social and political issues. That is to say, it goes far beyond free trade and free trade and

addresses multiple concerns as the world struggles to adapt to the transforming and globalizing world. MERCOSUR is another example of this concept. The partners came together in the sense of their geographical proximity, willingness to follow similar policies and shared interests. Accordingly, agreements between the member states were established to support liberalization and deregulation. The 1990s was also an era of globalization and MERCOSUR intended to be a response to the challenges presented by globalization. Being part of a bloc like MERCOSUR was particularly protective for small states, especially when it was articulated into the globalization process. In addition to achieving trade liberalization, MERCOSUR was aiming to unite under a common market and currency in the long run.

On the other hand, the development of MERCOSUR did not go as expected. MERCOSUR was aiming to clear away the structural asymmetries between member states. Yet, besides the asymmetries could not be terminated with the persistence of MERCOSUR, the asymmetries deeply influenced the internal dynamics of the bloc. Still it is the most important obstacle for the Southern Cone economic integration. MERCOSUR has established in order to bring an end to those asymmetries in the Southern Cone. Nevertheless it could not address the problem and fix it. Therefore, MERCOSUR worked for the benefit of two larger countries, Brazil and Argentina. Actually Brazil used MERCOSUR to open itself globally and benefited most from it. Uruguay and Paraguay, which were considered to be small states in every sense when they were examined in quantitative, qualitative and perceptual terms, continued to be in this formation despite being disadvantaged in intra-bloc trade. Their disadvantaged situation is not only limited to intra-bloc trade, but also politically they can be overlooked by their counterparties. Despite the claim that states in the same region will have the same problems and therefore regional cooperation will be very beneficial, it can be understood from this example that the cooperation created by the states with different capacities will create an asymmetric relationship even if they are located in the same region.

In other respects, small states of MERCOSUR, Paraguay and Uruguay, are still part of this organization. Being in an entity which Brazil takes most of the benefit seems contrary to their interests. Actually, the situation within the MERCOSUR, of course, could be better for these two small states. However, the use

of the bloc as a tool for their own interests by Brazil and Argentina rather than answering the problems of the small states prevented this from happening. As a matter of fact, Uruguay and Paraguay do not have the luxury of leaving the bloc. The claims of the small state theory about their relations with their neighbors and their position in regional organizations are relevant in this direction. In other words, small states of MERCOSUR are part of this entity due to the fact that they cannot afford to stay outside of it. In addition to the needs of their neighbors' markets for foreign trade, being a member of MERCOSUR was one of the most important steps in adapting to the changing world with globalization and protecting themselves from the possible negative effects of globalization.

Real problem of MERCOSUR is that lack of supra-national structure rather than the existence of MERCOSUR. Therefore, a macroeconomic and political harmonization between the member states is not possible which creates lack of solution for intra-bloc asymmetries. This situation leads to superficial relations within the bloc which makes it necessary taking significant steps by member states.

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APPENDICES

A. TURKISH SUMMARY / TÜRKE ÖZET

MERCOSUR'DA KÜÇÜK DEVLETLER: ASİMETRİK BİR İLİŞKİ

Uluslararası İlişkiler disiplini uzunca bir süre boyunca devleti sistemin ana aktörü olarak konumlandırmış olup özellikle de Soğuk Savaş'ın ertesindeki döneme kadar devletin bu anlamdaki hükümlanlığı devam etmiştir. Her ne kadar günümüzde sistemin ana aktörünün kim olduğu sorusuna farklı yanıtlar veriliyor olsa da devlet hala Uluslararası İlişkiler disiplini için önemli bir fenomen olmaya devam etmektedir. Öte yandan, disiplinin ortaya çıkışından sonra uzunca bir süre boyunca Uluslararası İlişkiler disiplini büyük ve güçlü devletler ile daha çok ilgilenmiştir. Büyük devletlere nazaran daha küçük ve hatta zayıf kalan devletler ise bu süreçte akademik çalışmaların odağı olamamışlardır. Küçük devletlerin akademik anlamda ihmal edilmesine karşıt olarak dünyadaki devletlerin büyük bir kısmını küçük devletler oluşturmaktadır. Özellikle de 20. Yüzyılda üç dalga (Birinci Dünya Savaşı, İkinci Dünya Savaşı ve beraberinde getirdiği dekolonizasyon süreci, Soğuk Savaş'ın bitişi ve SSCB ve Yugoslavya'nın dağılışı) ile yeni küçük devletler doğmuştur.

Annette Baker Fox'un "Küçük Devletlerin Gücü" adlı çalışması Küçük Devlet çalışmaları için bir başlangıç noktası teşkil etmiştir. Bu çalışmada, İkinci Dünya Savaşı sonrasında küçük ve büyük devletler arasındaki ilişkiler, küçük devletlerin büyük devletlerden gelen baskılara gösterdikleri direnç doğrultusunda incelenmiş olup, askeri anlamda zayıf konumda olan küçük devletler için diplomasiyi kullanmanın ne kadar önemli olduğu vurgusu yapılmıştır. Annette Baker Fox'un çalışmasını takiben küçük devlet çalışmalarının sayısı da artmaya başlamıştır. 1950ler ve 1960lardaki dekolonizasyon sürecinde yeni küçük devletlerin ortaya çıkışı bu devletlerin içinde buldukları zayıflıklara rağmen büyük devletler tarafından yönetilen uluslararası sistem içerisinde nasıl varlıklarını sürdürecekleri kaygısını taşıyan çalışmaların yapılmasına yol açmıştır. Bu bağlamda, farklı yazarlarca farklı bakış açıları geliştirilmiştir. Örneğin David Vital, küçük devletlerin aktif, pasif ve

savunmacı politikalarla sınırlı bir politika setine sahip olduklarını iddia ederken; Robert Rothstein tarafsız kalmanın küçük devletler için bir opsiyon olmadığını, ulusal güvenliklerini sağlamak için uluslararası işbirliklerinin parçası olmaları gerektiğini savunmuştur.

1980lerle beraber küçük devlet çalışmalarına karşı bir tür ilgisizlik ortaya çıkmış olup, devlet davranışlarını anlama ve yorumlamada devletlerin büyüklüğü-küçüklüğü üzerinden tartışmaların ne kadar gerçekçi ve uygulanabilir olduğuna dair şüpheler ortaya çıkmıştır. Örneğin, Peter Baehr Küçük Devletler üzerine yapılan bir kaç çalışmayı inceleyerek küçük devletlerin tek bir davranış seti altında toplanamayacak kadar geniş bir kategori teşkil ettikleri iddiasında bulunmuştur.

Küçük devlet teorisine olan ilgi 1990larda artış göstermiştir. Bunun sebebi Soğuk Savaş'ın bitişi ile birlikte yeni küçük devletlerin doğuşu ve buna paralel olarak Avrupa Birliği'nin genişleme ve derinleşme sürecine girmesiyle bu küçük devletlerin Avrupa Birliği'ne entegrasyon sürecine girmesidir. Bu yeni küçük devletler uluslararası işbirlikleri çerçevesinde daha aktif ve açık bir politika izlemişlerdir. Günümüzde küçük devletler Birleşmiş Milletler'in çoğunluğunu oluşturmaktadır.

Küçük devlet teorilerinin en temel sorunu küçük devletin kesin ve net bir tanımının yapılamaması ve literatürün bu anlamda ortak bir karara varamamış olmasıdır. Sözlüksel olarak bakıldığında “Miktar, sayı ve güç bakımından büyük olmayan” olarak karşımıza çıkan küçük tanımı literatürde de ne olduğu değil, aksine ne olmadığı üzerinden karşımıza çıkmaktadır. Örneğin Michael Handel Küçük Devletleri “Büyük Güç olamayan devletler” olarak tanımlamıştır. Özellikle de Uluslararası İlişkiler literatürü tarafından ihmal edildikleri dönemde küçük devletler şeklinde ayrı bir kategori olarak kabul edilmekten ziyade “Büyük Devlet olmayan diğer devletler” olarak görülmüşlerdir.

Bir devleti neyin küçük yaptığına karar vermek oldukça zordur. Küçük Devlet çalışmalarını bu kadar tartışmalı hale getiren de Küçük Devletlere somut bir tanımın getirilememiş olmasıdır. Özellikle de her yazarın kendini tanımını oluşturması literatürde böyle bir yoksunluğa yol açmıştır. Küçük devletlerin tanımlanmasında kullanılan kriterler üç başlık altında toplanabilir: niceliksel, niteliksel ve algısal.

Niceliksel bakış açısı gayri safi yurtiçi hasıla, yüzölçümü, nüfus ve askeri güç gibi ölçülebilen özellikler üzerinden devletleri tanımlamaktadır. Bu bağlamda, devletleri sınıflandırabilmek için bu özelliklere yönelik bir tür sınırın belirlenmesi gerekliliği doğmuştur. David Vital bu sınırı gelişmiş ve gelişmemiş devletler için ayrı bir şekilde çizmiş; gelişmiş devletler için en fazla 10-15 milyon nüfusa sahip olanları, gelişmemiş devletlerde ise en fazla 20-30 milyon nüfusa sahip olanları küçük devlet olarak adlandırmıştır. Jean-Luc Vellut, GSYİH ve nüfusu birlikte kullanmış ancak “en fazla 50 milyon nüfusa sahip devletler” gibi geniş bir aralık bırakmıştır. 10 milyon ve altında nüfusa sahip devletleri ise “Daha Küçük Devletler” olarak tanımlamıştır. Annette Baker Fox, açık bir şekilde bir küçük devlet tanımı yapmasa da Türkiye ve İspanya’yı Küçük Devletkapsamına alarak diğer yazarların Küçük Devlet bakış açısından bir nebze ayrılmıştır. Buradan da anlaşılacağı üzere, niceliksel özellikler gibi kolayca ölçülebilen bir kriter setinde dahi yazarlar arasında büyük görüş farklılıkları mevcuttur. Özellikle de üst limitin belirlenmesinde ortaya çıkan keyfiyet sonucu ortak bir tanım ortaya çıkmamıştır. Ayrıca bir devletin küçüklüğünü sadece sayısal veriler dayandırmak her zaman sağlıklı sonuçlar vermemektedir, zira sayısal anlamda küçüklük direkt olarak kapasite eksikliği ve zayıflık göstergesi teşkil etmemektedir.

Niteliksel kriter seti devletlerin dış dünyayı etkileme becerileri ve dış dünyadan gelen baskılara ve etkilere karşı direnme konusundaki bağımsızlıklarını esas almaktadır. Bu anlamda güç oldukça vurgulanmıştır. Goetschel, küçüklüğün tanımını milli güce bağlamış ve küçük devletleri daha az güçlü devletler olarak adlandırmıştır. Michael Handel niceliksel kriterlerin tek başına yeterli olmayacakları iddiasıyla niteliksel kriterler ile birlikte kullanmış olup devletlerin kendilerini dış etmenlere karşı koruma ve güç dengesini etkileme kapasiteleri gibi iki kriter ortaya sunmuştur. Bu bağlamda Goetschel’in otonomi ve etkileme becerisi konseptlerine oldukça paraleldir. Öte yandan niteliksel kriterlerin güç vurgusunun bir sonucu olarak gücün ne olduğu ve tanımlanmasına ilişkin bir problem oluşmuştur. Goetschel gücü negatif ve pozitif olmak üzere ikiye ayırarak tanımlamıştır. Pozitif güç başkalarının davranışlarını kendi istediği şekilde yönetebilme becerisi iken, negatif anlamda güç başkalarının kendi üzerinde nüfuz sağlamasına engel olma becerisi olarak tanımlanmıştır. Başka bir deyişle, güç anlamında eksik kalan devletler küçük/zayıf

devletler olarak tanımlanmışlardır. Öte yandan gücün anlaşılması ve tanımlanması konusunda herhangi bir ölçüm mekanizmasının kurulamaması bu kriterin güvenilirliğinin sorgulanmasına yol açmıştır.

Küçük devletlerin tanımlanmasında algısal görüş ise perspektife önem atfederek küçük devletlerin, “küçük” olabilmeleri için diğer devletlerce ve kendilerince küçük olarak algılanmaları gerektiğini ileri sürmüştür. Rothstein bu bakış açısını güçlü devletleri tehdit olarak görme ve kendi kapasitelerine dayanarak varolabileceklerine inanmama olarak açıklamıştır. Keohane de buna benzer bir yorum getirerek kendi başlarına kendi güvenliklerini sağlayamayacaklarını düşünen devletler olarak yorumlamıştır.

Küçük Devletlere dair literatürün büyük bir kısmı bu devletlerin zayıflığına ve kırılganlığına vurgu yapmıştır. Küçük Devlet olmanın birtakım avantajları olduğuna dair karşıt görüşler de bulunmaktadır genel kanı zayıflıkların ve dezavantajlılığın daha büyük olduğu yönündedir. Özellikle de realist ve neorealist bakış açılarına göre Küçük Devletler sistemin “objeleridir.” Kendi başlarına ayakta kalma yetisinden yoksun olmanın yanı sıra büyük devletlerin etkilerine ve baskılarına karşı da oldukça açıktırlar. Bu nedenle de dış politikalarını uluslararası sistemin gereklilikleri doğrultusunda şekillendirme zorunlulukları bulunmaktadır.

Küçük devletlerin en büyük özelliklerindne birisi ekonomik anlamdaki kırılganlıklarıdır. Küçük olmalarının bir sonucu olarak kaynaklar konusunda kısıtlı konumdadırlar. Özellikle yüz ölçümü olarak küçüklük ve kimi küçük devletler için coğrafi anlamda diğer dezavantajlar (ada devleti olmak vb.) sonucu kendilerini idame ettirecek kaynaklardan yoksundurlar. Bu sebeple sınırlı kaynaklarla belli üretim mallarında özelleşmek durumundadırlar. Çoğunlukla tek başına tüm ekonomiyi yüklenmekte yetersiz kalan tarım sektörüne bağımlıdırlar. Temel malların büyük bir kısmı ithal edilmektedir bu da küçük devletlerin dış ticaret hadlerine büyük zarar vermektedir. Küçük devletlerin ekonomik anlamdaki bir başka sorunu da iç pazarlarının da küçük olmasıdır. Sınırlı sayıda firmanın bulunması iç pazardaki rekabeti de sınırlı hale getirmiş, bu da teknolojik gelişmelerin arkasında bir itici gücün olmasını engellemiştir. Pazarın küçük oluşu, bu devletleri dış pazarlara da bağımlı hale getirmiştir. Hem birtakım hammadeler için dışarı bağımlılık, hem de iç pazarın küçüklüğü nedeniyle dış pazarlara olan bağımlılık küçük devletleri dış

dünyaya daha açık hale getirmiştir. Bunun doğal bir sonucu olarak dış ticaret engelleri oldukça hafiftir ve gümrük tarifeleri düşüktür. Ancak bu durum dış dünyadan gelebilecek ekonomik şoklara karşı daha korunmasız kalmalarına yol açmaktadır.

Siyasi anlamda, Küçük Devletlerin kaynak eksiklikleri istihbarat açığı olarak ortaya çıkmaktadır. Sınırlı miktardaki bilgi ile yürütülen karar alma süreçleri yöneticilerin subjektif kararlar almalarına yol açmıştır. Bu anlamda küçük devletlerde bürokratik etkiden ziyade liderlerin karar alma mekanizmalarının işlediği iddia edilebilmektedir. Askeri anlamda da kapasite eksikliğinin sonuçları görülmektedir. Kendileri güvenlik anlamında koruyacak kapasitelerden yoksun oldukları için ve büyük devletlerle bu anlamda karşı karşıya gelebilecek durumda olmadıkları için daha çok başka devletlerin güvenlik alanlarının içine girme yoluna gitmektedirler. Başka bir deyişle, güvenliklerini sağlamak için otonomilerinden ödün vermektedirler.

Küçük devletlerin dış politikaları da küçüklükleri ve sınırlı kapasitelerinin bir sonucu olarak şekillenmektedir. Büyük ve güçlü devletlerce şekillendirilen uluslararası sistem içinde, dış politikalarını sistemin gereklilikleri doğrultusunda belirlemeleri gerekmektedir. Bu bağlamda, iç etmenlerden ziyade dış etmenler dış politikaları üzerinde daha çok etkilidir. Varlıklarını devam ettirme sorunu ile meşguliyetleri dış politika seçiminde oldukça dar bir alan bırakmaktadır. Bunun yanında, büyük devletlere kıyasla daha az konu ve sorun ile uğraş içindedirler. Bu da daha az dikkat dağıtıcı etmen yaratmakta ve belli konuları öncelikleştirmelerini kolaylaştırmaktadır. Dış politikada izleyebilecekleri en önemli iki politika: büyük devletleri birbirlerine karşı dengelemek veya güçlü devletlerin yanında yer alarak kendini güvence altına almaya çalışmaktır. Bu bağlamda, Küçük Devletler küresel ve bölgesel işbirliklerine büyük önem göstermektedirler. Özellikle de İkinci Dünya Savaşı sonra bölgesel işbirliklerinin sayısı oldukça artmış, Küçük Devletler de bu yapıların parçası olmuştur.

MERCOSUR da kurulduğu tarihte son 40 senedir devam eden bu bölgeselleşme trendinin bir parçasıdır. Özellikle de 1990larda neoliberal politikaların uygulanmaya başlanması ve bölgesel işbirliği projelerinin kuruluşu Latin Amerika'da beraber yürüyen bir süreç olmuştur. Latin Amerika'da neoliberal

politikaların uygulanışının kökleri 1950lerden bu yana devam eden ithal ikameci politikalarda dayanmaktadır. İthal ikameci politikaları anlamak Latin Amerika'daki ekonomik ve siyasi dönüşümü anlamak açısından büyük önem arz etmektedir. Latin Amerika ülkeleri küresel işbirliği bölüşümünde hammadde ve gıda mallarının ihracatçısı iken, sanayii mallarının ise ithalatçısı konumundadırlar. Adından da anlaşılacağı iki ithal ikameci endüstrileşme devletlerin kendi üretim kapasitelerini yaratarak ithal etmek yerine kendi üretim kapasitelerini yaratmaları anlamına gelmektedir. Ekonomilerinin tarım sektörüne ve hammadde ihracına dayanmasının bir sonucu olarak ihracat temelli büyümenin uzun vadeli bir büyüme sağlayamacağı inancına sahip olan Latin Amerika ülkelerine ithal ikamecilik fikri çekici gelmeye başlamıştır. Çünkü hammadde ve gıda ihracında herhangi bir sıçrama yakalayarak büyük bir kalkınma hamlesi yaratılması mümkün görülmemektedir. Kalkınmayı sağlamanın yanında, ekonomik özgürlük yaratacağı düşüncesiyle ithal ikameci politikalara yönelinmiştir. Bu politikalar, korumacı politikaları ve hükümet kontrollerini beraberinde getirmiştir. Koruyucu dış tarifeler konularak, alt yapı yatırımları yapılarak ve kimi endüstriler desteklenerek kalkınma yoluna gidilmeye çalışılmıştır. Ancak bu durum ekonomik gelişmeyi yabancı yatırımcıya muhtaç hale getirmiş ki bu da Latin Amerika'daki borç krizine yol açmıştır. İthal ikameci politikaları uygulayan devletlerde devletin hizmetleri sağlamadaki rolünün büyüklüğü, borç krizi ile birleşince birtakım temel hizmetlerin sağlanamaması sonucunu doğurmuştur.

Borç krizi nedeniyle 1980ler Latin Amerika için kayıp on yıl olarak yaşanmıştır. 1990lar ise dünya ve kapitalizm için bir kırılma noktası teşkil etmektedir. Tüm dünya çapında zorlu yıllar olarak görülen 1970-1990 arası dönem sonucunda alternatif politikalara ihtiyaç duyulmuştur. ABD ve İngiltere'de sağ kanat hükümetlerinin kazandığı zaferle birlikte neoliberal politikalara doğru bir dönüş başlamıştır. Korumacılıktan uzak ve pazar odaklı bu politikalar Latin Amerika'da da borç krizinin çözümlenmesi sürecinin bir parçası olarak uygulanmaya başlanmıştır. Latin Amerika'nın borçlarına çözüm bulunması sürecinde IMF ve Dünyası Bankası tarafından getirilen çözüm programı "Washington Uzlaşısı", Latin Amerika'daki neoliberal dönüşümün temellerini atmıştır. Bu program, devletin rolünü kısıtlamış ve

kemer sıkma politikalarının uygulanmasını şart kılmıştır. Bunun doğal bir sonucu olarak ekonomiler daha açık hale getirilmiştir.

1990ların beraberinde getirdiği bir diğer konsept ise Küreselleşmedir. Küreselleşme her ne kadar yeni bir konsept olmasa da Soğuk Savaşın bitişi, SSCB'nin dağılışı ve Doğu-Batı Almanya'nın birleşmesi gibi siyasi olaylar sonucu 1990larda pik noktasına ulaşmıştır. Devlet odaklı politikaların market odaklı politikalara dönüştüğü bu süreçte, Küreselleşme de devletin rolünü azaltan etmenlerden birisi olmuştur.

Latin Amerika tüm bu içinde bulunduğu dönüşümlerin ortasında oldukça kırılgan bir konumda kalmıştır. Bu bağlamda bölgesel işbirlikleri kurularak bölge devletlerinin birbirini desteklemesi hedeflenmiştir. Bölgeselleşme hem bölge devletlerini küreselleşmenin negatif etkilerinden korumayı hedeflerken hem de neoliberal politikaların uygulanmasında kolaylaştırıcı bir etki yaratması amacını taşımaktadır.

MERCOSUR böyle bir ortamda, Arjantina, Paraguay, Uruguay ve Brezilya'dan oluşan bir ticaret bloğu olarak ortaya çıkmıştır. Neoliberalleşme bölge devletlerini ekonomilerini birbirilerine açmaya itmiştir. MERCOSUR bünyesinde yapılan anlaşmalar ile üye devletlerin liberalleşme ve deregülasyon süreçleri için bir tür destekleyici mekanizma kurulmuştur. Kurulduğu ilk yıllarda büyük başarılar getireceği düşünülse de bu hedefe ulaşamamıştır. Entegrasyon sürecinin oldukça yavaş kalması ve üye devletlerin zaman içerisinde birliği yürütmektedir isteksizliğini gösteren siyasi ve ekonomik aksiyonlarının bir sonucu olarak birliğin geleceğine dair olan inanç giderek azalmıştır.

MERCOSUR'un en büyük problemlerinden biri de üye ülkelerin arasındaki yapısal asimetrik yapıdır. Bu eşitsizliği açmak gerekirse, blok içinde küçük devletlerin bulunması ve büyük devletlerle aralarındaki yapısal fark, ayrıca büyük devletlerin onlara karşı olan tutumu, bölgedeki entegrasyonu zorlaştıran başlıca sebeplerden biridir.

MERCOSUR'un 2019 itibarıyla 4 üyesi bulunmaktadır. Venezuela 2012 yılında tam üye statüsüne kavuşmuş, ancak 2016 yılında antidemokratik politikaları dolayısıyla üyeliği askıya alınmıştır. Bolivia ise üyelik sürecindedir. Gözlemci

üyelerin de varlığıyla MERCOSUR oldukça büyük bir alanda faaliyet göstermektedir. Bünyesinde yapılan ticaret Latin Amerika ticaretinin büyük bir kısmını oluşturmaktadır.

Ortak dış tarife belirleyerek ve makroekonomik politikaları uyumlaştırarak işbirliğini amaçlayan MERCOSUR bünyesinde zaman içerisinde üye ülkeler arasında görüş ayrılıkları ve ticaret anlaşmazlıkları baş göstermiştir. Kuruluşunun ilk yıllarında blok içi ticaret canlanmış olsa da ve bu anlamda büyük bir başarı elde edilmiş olsa da zaman içerisinde özellikle Brezilya ve Arjantin tarafından gelen ihlaller sonucu işbirliği zarar görmüştür.

Küçük devlet teorisi çerçevesinde de bahsedildiği gibi Küçük Devletler dış politikalarını belirlerken uluslararası sistemin gerekliliklerine uyum sağlamak durumunda kalırken tam aksine büyük devletler kendi iç talepleri doğrultusunda politikalar izleyebilmektedirler. MERCOSUR da bu gerçekliğin somut hallerinden birisi olmuştur. Brezilya ve Arjantin'in tek taraflı olarak izledikleri politikaların üye ülkeler arası gerginliğe yol açmasının yanında üye ülkeler arasında halihazırda var olan yapısal asimetrielerin etkilerini kötüleştirmiştir.

MERCOSUR'un kurucusu olan Arjantin, Brezilya, Paraguay ve Uruguay kendi aralarında ekonomik gelişmişlik, nüfus ve Pazar büyüklüğü açısından büyük farklılıklar taşımaktadırlar. Paraguay ve Uruguay daha önce bahsedilmiş olan niteliksel, niceliksel ve algısal kriterlere göre küçük devlet sayılırken, Brezilya bölgesel işbirliği içerisinde büyük devlet rolünü üstlenmektedir. Brezilya'nın yüzölçümü MERCOSUR'un toplam yüzölçümünün yarısını oluştururken, nüfusu ise diğer üye ülkelerin nüfuslarını dörde katlamaktadır. Nüfus ve yüzölçümünün buradaki önemi üretim araçlarından ikisi olan toprak ve işgücü anlamında önemlidir, çünkü üretim kapasitelerini doğrudan etkilemektedir. Dünya Bankası verilerine göre Brezilya'nın GSYİH'sı yıllar içerisinde yükselen bir trend izlerken ve bunu ufak yükselmelerle Arjantin takip ederken; Uruguay ve Paraguay cephesinde böyle bir hareketlenme söz konusu olmamıştır. Bu çerçeveden bakıldığında Paraguay ve Uruguay niceliksel anlamda küçük devletlerdir.

Üye ülkelerin arasındaki kapasite farklılıkları birbirleriyle olan ilişkilerinde de kendini göstermektedir. Uruguay ve Paraguay sadece hammadde ihracatında

özelleşebilmişlerdir. Brezilya ise teknoloji ve ağır sanayi malları ihraç edebilecek kapasiteye sahiptir ve üye ülkeler arasında ürün çeşitliliğini artırabilecek kapasitede olan tek ülke olması üye ülkeler arasında halihazırda var olan yapısal asimetrileri derinleştirmektedir.

Yapısal anlamda farklılıklar kalkınma modellerinde farklılıklar yaratmıştır, bu da üye ülkeler arasında motivasyon ve çıkar farklılıklarını doğurmuştur. Özellikle 1995'ten sonra entegrasyon ve liberalleşme adımları bloğun iki büyük devleti Arjantin ve Brezilya'nın opportunist ve tek taraflı davranışları sonucu sekteye uğramıştır. Özellikle bloğun kuruluşundan itibaren takip eden beş yılda oldukça yüksek olan blok içi ticaret, üye ülkelerin bloğun bir parçası olmak için gösterdikleri istekliliğin bir yansımasıydı. Bu trend 1990ların sonuna doğru değişmeye başlamıştır ve bu durum 2000lerin ilk yıllarında da devam etmiştir. Özellikle de Brezilya'nın kendi çıkarlarını daha öne koyması diğer üyelerin birliğe olan istekliliklerine ket vurmuştur. Zira Brezilya kendisini bloğun herhangi bir üyesinden ziyade global bir aktör olarak görmektedir ve MERCOSUR'a olan bakışı diğer devletlerce faydacı ve çıkarıcı olarak yorumlanmaktadır.

MERCOSUR'un kuruluşdaki temel amaçlarından birisi üye ülkelerin arasındaki farklılıklara rağmen makroekonomik politikalarda uyumu sağlamak ve buna bağlı olarak farklılıkları da ortadan kaldırmak iken; yapısal asimetriler ortak bir tarifinin belirlenmesine dahi imkan kılmamıştır. Küçük devletler daha düşük bir ortak tarife talebinde bulunmaktadır, çünkü gelişmekte olan endüstrilerinde kullanmak üzere sermaye malı girdisine ihtiyaçları vardır. Ancak Arjantin ve Brezilya tek taraflı olarak korumacı politikalar izlemekte ve işbirliğini baltalamaktadırlar. Bu duruma örnek olarak 1995 yılında otomobil krizi, 1992 yılında ayakkabı sektörü krizi ve 2001 yılında ise ortak dış tarife krizi yaşamıştır. Bu durumlardan en çok zarar görenler ise ekonomileri dışardan gelen şoklara karşı oldukça kırılgan olan küçük devletler olmuştur.

Bu tezin ana sorusu, MERCOSUR içindeki küçük devletler olan Paraguay ve Uruguay'ın dezavantajlı bir konumda olmalarına rağmen neden MERCOSUR'un bir parçası olarak kalmak istemeleridir. Bu soru, MERCOSUR'un asimetric yapısı ve bahsedilen küçük devletlerin blok içindeki tutum ve tecrübeleri, küçük devlet teorisi çerçevesinde irdelenerek cevaplandırılacaktır. Bu soruya kısaca bir cevap vermek

gerekirse, Paraguay ve Uruguay ekonomik olarak çevrelerindeki ülkelerin pazarlarına bağı olduklarından bu yapıya dahil olmak zorundadırlar.



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