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Do Good Fences Make Good Neighbors? Tentative Integration and Democracy in MERCOSUR

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**Do Good Fences Make Good Neighbors? Tentative Integration and Democracy in
MERCOSUR**

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1. Introduction

After the success of the Spanish American wars of independence in the early to mid-19th century, a wave of nascent states found themselves in a new era of statehood – the great struggle for independence was over, but few anticipated the challenges that were to come. The next two centuries on the great continent would be marked by cycles of turmoil: war and peace, alliances and betrayals, expansion and reduction, integration and disintegration. Facing a new set of challenges, fresh ideologies blossomed and influenced foreign policy; Simon Bolivar, nicknamed *El libertador* (“the liberator”), is a hero of “Latinoamericanism” in the collective consciousness of countless Latin Americans from Mexico to Chile. Iconic for his crucial role in the independence of a large swath of territory in South America in the 1820s, Bolivar serves as a champion for deep, unified, and close-knit Latin American political cooperation (Lynch, 2006). How has his seminal vision played out into contemporary politics two centuries later?

Regional integration has been a mainstay of Latin American’s economic development strategy since the 1960s, inspired (at least in part) by the success seen in the East Asia-Pacific area in increasing incomes and connectedness in global trade (Bown et al., 2017). The Pacific Alliance, the Latin American Integration Association, the Central American Integration System, the Andean Community, and the Union of South American Nations are among the numerous international organizations (IOs) built on essentially the same premise; that integration in Latin America will lead the region to prosperity and development, often peppered with some pan-Latin American flavor of nationalism. The Southern Common Market (*Mercado Común del Sur* in Spanish, *Mercado Comum do Sul* in Portuguese, and *Ñemby Ñemuha* in Guarani), or MERCOSUR, is one of the newest and most thorough iterations of regional integration within Latin American to date. MERCOSUR was the product of the 1991 Treaty of Asunción signed by Argentina, Brazil,

Paraguay, and Uruguay, and later solidified as a customs union with the Protocol of Ouro Preto, signed in 1994. MERCOSUR embodied an incredible rapprochement between two states that had traditionally been geopolitical rivals – Brazil and Argentina (Hurrell, 1998, p. 532). Scholars were optimistic about the trade bloc's commitment toward reducing barriers to trade and focus on forming a total customs union (ASEAN Studies Centre, 2009; Steves, 2001). While MERCOSUR has made progress in trade liberalization and the movement of people, it has struggled to reach as deep levels of integration as its name suggests; MERCOSUR is far from constituting a fully-fledged common market (Mukhametdinov 2019; UNCTAD 2017). Non-tariff barriers to trade, FTA exceptions, and trade defence legislation are among some of the contentious challenges that MERCOSUR has yet to tackle.

Latin America witnessed profound political changes in the 1980s and 1990s; a post-1978 democratic wave fundamentally changed the region from one characterized by authoritarian regimes to one where democracies were stunningly resilient and openly authoritarian regimes were exceedingly rare (Hagopian & Mainwaring, 2005, pp. 1-4). In the Latin America of 1977, there were 18 autocracies (whether closed or electoral) and just 2 democracies (both electoral; Costa Rica and Venezuela), with 6.4% of the population of South America living in a democracy. In 2023, there were 5 autocracies (whether closed or electoral) and 15 democracies (whether electoral or liberal), with 93.4% of the South American population living in democracy (V-Dem, 2024; Population based on various sources (2023) – processed by Our World in Data). Democracy has survived and, in some cases, even grown in many Latin American states despite facing a number of factors that political scientists often cite as major challenges - poor economic outcomes, deep ethnic divides, and income inequality among them.

There is a wealth of compelling, yet contradictory theory (and evidence) supporting the idea that regional international organizations can promote democratization or re-democratization and stave off autocratization and democratic backsliding. Yet, there remains an alarming lack of consensus as to what factors work in tandem with regional IOs to promote democracy among their member states, and research becomes especially complex and non-generalizable when considering local idiosyncrasies (particularly when applied to Latin America). Thus, this thesis seeks to contribute to growing literature and answer the question:

What role do political and economic concerns/incentives in regional IOs play in the promotion of democratization and the prevention of autocratization in Latin America?

This paper will analyze the dynamics of processes of democratization linked to regional IOs, carefully weighing contextual, including temporal, political and economic factors.

2. Theoretical Framework

2.1 Literature Review

Pevehouse's (2005) seminal "Democracy from Above: Regional Organizations and Democratization" conducts a thorough review of the phenomenon of democracy being diffused through regional IOs and the conditions that impact its efficacy. Regarding the transition of the state to democracy under the influence of a regional IO, Pevehouse (2005) finds that while being part of military-oriented IOs has proven to shape civil-military relationships through socialization (the "acquiescence effect"), the same is not true for democratization, but rather *redemocratization* (p. 150). The author contrasts this with democratic survivability and consolidation in chapter 6, taking a closer look at the role that regional organization while criticizing existing literature's tendency to ignore the international context, which focuses exclusively on economic development, economic performance, and institutional factors (p. 154). Pevehouse uses a statistical analysis to control for whether countries already had a reputation as a stable democracy, the years since a state's political independence, external and internal violence, and whether a state has a presidential or mixed system or otherwise (such as a parliamentary system). Critically, the influence of democratic IOs on promoting democratic survivability and consolidation seems to be limited to only *regional* IOs (p. 164). Taking post-1967 coup Greece's tumultuous relationships with the Council of Europe and European Community as a case study, Pevehouse (2005) illustrates what he considers to be the mechanisms that lend regional IOs such influence in democratic consolidation in member states: membership conditionality (which keeps enticing benefits behind a fence) and the psychological/symbolic effect of breaking with the old authoritarian regime. The European Community wielded Greece's reliance on trade with and financial support from the regional IOs as a sort of carrot on a stick; by freezing its association agreements with Greece and

therefore withholding the economic benefits of being associated with the EC, Greece's neighbors managed to make democracy the only viable way to sustain the Greek economy. After a return to democracy spearheaded by Constantine Karamanlis in 1974, Greece once again became a fully-fledged member of the European Community in 1981, this time, as Karamanlis (as cited in Pevehouse, 2005, p. 172) himself explained, for "reasons related to the consolidation of democracy and the destiny of our nation". Pevehouse (2005) also highlights the psychological/symbolic effect that entry to the EC signified; it represented a clear break with Greece's authoritarian past and a commitment to a new Greek identity re-aligned with "the West" (p. 174). The act of joining a highly democratic regional IOs itself should lead to increased democratic durability, but the strongest positive influences on regime duration are economic development and growth rates (Pevehouse, 2005, p. 162).

Teorell (2010), investigating the various and diverse causes and elements that promote democratization, emphasizes the growing trend of globalization. He finds that states belonging to a regional organization with fully democratic member countries witnessed increased democracy scores when compared to states belonging to regional organizations with fully authoritarian member states (p. 82). The phenomenon of "neighbor diffusion", linked with membership in democratic regional organization, also seemed to play a role in both pull and push factors (p. 86). Teorell considers Pevehouse's (2005) three proposed mechanisms: pressure (open communication, threats, punishment), acquiescence (whereby elites' fears of democratization are dampened, thanks to reassurance of protected property rights or military re-socialization), and legitimization (when regional organizations lend credibility to interim governments managing the transition to democracy) (p. 91). However, upon examination of Pevehouse's (2005) three cases studies

(Turkey, Hungary, and Peru), Teorell (2010) finds temporal and thematic inconsistencies in each of them, suggesting that further research must be done.

Contrarily, Mainwaring & Pérez-Liñán (2005) emphasize the geopolitical elements that surround democratization, concluding from their analysis of the third wave of democratization that, “In Latin America, regime survival has depended far more on political factors than on economic performance and the level of development. Decreased polarization, a greater appreciation of democracy, and a changed international environment including tough sanctions against openly authoritarian regimes contributed significantly to the sea change in Latin American politics” (p. 57). The authors argue that Latin American democratization can only be understood within the consideration of its specificities and the regional playing field, but also refuse to treat Latin America as a monolith; by recognizing each country’s unique conditions and peculiarities, they avoid generalization.

As demonstrated above, existing literature linking regional IOs with democratization tends to align itself with one of two perspectives – that politics trump economic concerns or that economic concerns trump politics. When considering the particularities of the history of democratization in Latin America, existing theory especially struggles to adequately explain the role of economics versus politics in democratization and regime survival; scholars have not been able to strike a balance between the two. Prominent theories about the importance of regional IOs in member state democratization have also not been thoroughly tested in a Latin American context.

2.2 Conceptualization & Operationalization

Integration, and more specifically regional integration, has been a topic of interest for political scientists and scholars from a variety of backgrounds and theoretical approaches. This

paper will provide a brief overview of several of the most prominent schools of thought, as well as a short assessment of their strengths and shortcomings in the context of this research.

Functionalism traditionally places emphasis on the distribution of authority and the role of political divisions in conflict creation and solution; by creating an international web of international institutions, and facilitating economic integration, states can, according to functionalist approaches, work toward the ultimate goal of political integration and peace (Mattli, 2010, pp. 22-23). Developed in a time of dramatic social, political, economic, and demographic upheaval and a kind of national existentialism, it is understandable functionalism undervalued (and continues to undervalue) the agency of the state and its territory, but it struggles to explain a number of facts of international integration concerned not with peacebuilding and congruence, but rather domination and security concerns. Neofunctionalism, born from functionalist tradition but adopting a utilitarian dimension, is a popular and influential approach in political science and integration studies that emphasizes the process by which states sacrifice sovereignty to international agreements in return for certain benefits (Mattli, 2010, p. 24). Neofunctionalism views states, supranational regional institutions, domestic interest groups and political parties as important actors with heterogeneous preferences. Neofunctionalists tend to focus on three processes in their analysis: functional spillover, political spillover and upgrading of common interests. Functional spillover is the idea that as certain sectors in our modern economies become more integrated, the rest will be inclined to follow. Political spillover refers to a process of learning in foreign affairs whereby, on the supranational level, states and groups have the tendency to align on interests and behaviors. Upgrading of common interests refers to the process by which states make compromises to reach consensus to empower their central institutions (Mattli, 2010, pp. 25-26). Intergovernmentalism, on the other hand, posits that integration is a series of bargains between

heads of governments and national governments (Mattli, 1999, p. 28). Smaller states are understood as bending to the wills of larger states in a system of anarchy. Originally adhering to realist tradition in viewing nation states as the primary unitary actors, it began to branch out in the 1990s to incorporate the influence of national interests and domestic preferences (Verdun, 2020, p. 4). It is often used as both a theory in regional integration theory (traditionally, in Europe) and as a theory of interstate cooperation.

Some scholars adopt a different approach when considering the source and outcomes of integration, focusing on specific financial and business elements; this approach is sometimes criticized by political economists for neglecting the social, cultural, and environmental dimensions of integration, as well as the importance of the context and expectations in which integration is developed (Dejung & Petersson, 2013, p. 2). Regional co-operation itself is often borne from economic regionalism, as a strategy to confront globalization and security concerns, rather than political integration (Van der Vleuten & Hoffman, 2010, p. 739). Economic integration is defined in a way such that is comprised of a variety of different agreements that come in different forms and specificities, albeit with similar goals or processes, such as preferential trade agreements, free trade areas, customs unions, and common external tariffs (Mansfield, Milner, & Pevehouse, 2008, p. 67). At the core of these understandings is the process of reducing barriers to trade.

This study, focused on a synthesis of political and economic factors, will thus understand regional integration as increased cooperation, aligning political interests, and the reduction of barriers to trade, movement of people, goods and services. This double-headed definition will allow an analysis in which one may understand how political and economic integration work with and against each other.

The idea of democracy (and thus, democratization) is hotly contested in political science, as well as politics, and its use often carries with it normative implications. Despite millennia of deliberation, democracy and democratization are evolving concepts. While a broad definition may focus exclusively on how and by who political decisions and processes are carried out, there is a growing distinction in political science literature between *types* of democracy, concerned with the outcome of these political processes and the concretization of political rights to various sectors of the populace. This is the root of the idea that distinguishes electoral democracy from liberal democracy; a liberal democracy includes enshrined civil rights for minorities, human rights, the dominance of rule of law, universal (or near-universal) suffrage, and typically free market economic policies and strong protection of property rights as well. V-Dem succinctly explains, “there is no consensus on what it is beyond rule by the people” and identifies indices of five varieties of democracy: electoral, liberal, participatory, deliberative, and egalitarian (Coppedge et al., 2019, pp. 109-111). While acknowledging the lack of complete consensus, V-Dem uses this pluralist approach to its advantage to compile the work of more than 3,200 scholars on around 450 indicators (Coppedge et al., 2019, p. 110). With an annual report that covers practically every country since 1789, the V-Dem Institute provides detailed data, scores, and rankings related to the strength of democracy and trends of democratization and autocratization. It is a strong analysis of trends of democratic change in the world and will serve as a guideline for this paper’s research into democracy and democratization.

3. Methodology

This paper seeks to understand the mechanisms that link membership in regional integration organizations with democratization in member states. How well does existing theory explain developments in democracy in Latin America, and why does it leave holes in our understanding of regional IOs? Process tracing is understood as the “systematic examination of diagnostic evidence selected and analyzed in light of research questions and hypotheses posed by the investigator” (Collier, 2011, p. 823). It is a crucial tool in qualitative research that allows in-depth research that includes the processes of *how* certain variables interact, rather than just *what* or *when*. Deductive, or theory-testing, process tracing allows political scientists to put theoretical or not yet applied theories to the test in real contexts, typically within cases or comparing small-Ns. Process tracing focuses and draws evidence regarding the mechanisms that connect independent variables to dependent variables (Meegdenburg, 2023, p. 407). This allows the research a level of depth in linking a sequence of events that can be employed in a variety of contexts. This study will thus conduct deductive process tracing to shed light on the mechanisms and their suitability in understanding regional integration and democratization in a Latin American context.

3.1 Case Selection

Analyzing how political and economic factors interplay in regional integration organizations in Latin America means finding an arena that includes all of the aforementioned. As noted above, there is a plethora of regional international organizations in Latin America, the majority of which have fallen to the background of regional politics or are now even defunct. One noteworthy exception to this is MERCOSUR. Although first and foremost a regional economic

integration organization, MERCOSUR has crucial political elements baked into it. Then in its budding stages, the customs union developed the Ushuaia Protocol in 1998 in response to the Paraguayan coup attempt two years earlier, which saw Lino Oviedo attempt to remove Juan Carlos Wasmosy, Paraguay's first freely elected president, from power. The Ushuaia Protocol on Democratic Commitment is an international agreement signed by the MERCOSUR member states (then Argentina, Brazil, Paraguay, and Uruguay) as well as Bolivia and Chile, stating that the full validity of democratic institutions is an essential condition for the development of integration processes between the States Parties to this Protocol (Ushuaia Protocol on Democratic Commitment, 1998). It lays out the procedure by which member states can take the appropriate measures, including a full suspension of rights and obligations from MERCOSUR, to promote free democratic institutions and human rights in their neighbors. In terms of structure, MERCOSUR consists of a variety of sub-organizations with various focuses and specialties, such as the Institute of Public Policies on Human Rights (IPPDH) and the Fund for the Structural Convergence of MERCOSUR (FOCEM). There is a secretariat, whose responsibilities vary from carrying out studies, surveys, investigations, and aiding other branches of MERCOSUR, and a parliament, which can issue recommendations, declarations, and reports. The real decision making in MERCOSUR, however, remains with the heads of state of each member. The consequence is that with little overarching norm-following, member states are at the whim of their neighbor's national elections.

MERCOSUR is a relevant topic for research not just because of its notability as a regional integration organization with both economic and political elements, but also because of its membership conditionality and suspension mechanism. This mechanism has been activated exactly two times, each time with different reactions, controversies, contexts, and outcomes. The

first time it was activated was with the suspension of Paraguay in 2012, while the second was in 2016 with Venezuela. Paraguay and Venezuela themselves are in many ways unique cases in South America, and an analysis of both provides enlightening insights into the processes of democratization in MERCOSUR, an important regional IO.

3.2 Data Collection

A thorough review of existing data including academic articles, media articles and MERCOSUR publications on MERCOSUR and member state history and politics paints a broad picture of the forces at work. Notably, most dates are taken from media sources; MERCOSUR itself does not always provide a clear picture or timeline of events. There is a variety of literature on the history, development, and crises that MERCOSUR has faced since its inception in 1991. These prove to be indispensable resources in understanding the mechanisms behind decisions taken by MERCOSUR and its member states. The accuracy of all sources has been rigorously This is because the suspension of Paraguay came with criticism and accusations of opportunism (Ferreira & Paiva, 2022, p. 4).and media sources explaining a variety of happenings and trends in local politics in Paraguay, Venezuela, and Brazil. Sources come from a variety of countries and are translated to or paraphrased in English where necessary.

4. Analysis

4.1 Paraguayan and Venezuelan Democracy in Context

From 1954 to 1989, Paraguay experienced a brutal dictatorship under the iron fist of Alfredo Stroessner, an army official and politician who seized power in a three-day coup to depose Federico Chávez. Stroessner's thirty-five-year rule came to an end at the hands of Andrés Rodríguez, one of Stroessner's closest allies. Rodríguez began by dissolving the legislature and scheduling new elections, loosening restrictions on opposition political parties, and putting the now-in-exile's closest allies on trial. Over the course of his presidency, Paraguay underwent a radical change in political structure; on the Free and fair elections index of V-Dem, it went from a score of .05 in 1988 (comparable to Pinochet's Chile or Castro's Cuba) to a score of .50 in 1993 (comparable to then-Mexico, or 2023 India) (V-Dem (2024) – processed by Our World in Data). Since then, Paraguay has been a relatively stable electoral democracy, save an attempted coup in 1996 in which opposition leader Lino Oviedo was forced into retirement. Paraguay has also been dominated by the conservative Colorado Party, which has managed to win every single legislative election since the return to democracy, often having enough to rule without a coalition (which may be, to some degree, an inherited legacy from the party's 15 years as the sole legal party and their following electoral domination). In the same time period, the Colorados won 7 out of 8 of the country's presidential election. That one election they lost is of particular interest to this study, as it led to the events prompting Paraguay's suspension from MERCOSUR, and will be discussed below.

Venezuela has often considered a contrary case in Latin American politics due to the way its political trends tend to (not) coincide with other states in the region (Coppedge, 2005, p. 289). It enjoyed a period of (flawed) democracy and relative prosperity from the 1960s-1980s, when

many of its South American neighbors, including all soon-to-be MERCOSUR member states, were going through or just recovering from authoritarian control. Venezuela's path would radically change with the 1998 election of Hugo Chávez, who began implementing changes that, although not immediately recognizable as democratic breakdown, constituted warning signs for foreign observers. Chávez was widely known at the time for leading a 1992 coup attempt against president Carlos Andrés due to his unpopular policies of economic liberalization. Chávez eventually surrendered himself to the police force and appeared on national television, painting himself (in what the world would come to know as fantastic propaganda skill) as a courageous militant willing to stand up to corruption. By systematically dismissing opponents and installing loyalists in government once president, Chávez guaranteed himself internal political support, while wide-reaching social programs providing education, medical care and food to Venezuela's most disadvantaged groups meant he enjoyed popular support as well. Chávez continued by shrinking the power of the legislature and arresting political opponents and expanding his cult of personality, becoming one of the most polarizing figures of Latin American politics. Upon his death in 2013, his designated successor, Nicolás Maduro, came to power after a disputed election and continued Chávez's legacy of democratic backsliding. Falling oil prices (upon which Venezuela's economy was, and still is, reliant) and an overreliance on imported food and medicine have translated into a horrifying humanitarian crisis leading almost 7.5 million Venezuelan to have fled the country in recent years, constituting the largest forced displacement crisis in Latin American history (UNHCR, 2024).

4.2 The Short-lived Suspension of Paraguay (2012)

Paraguay's history in MERCOSUR starts alongside Uruguay in 1991 with the signature of the Treaty of Asunción in the country's capital. Initially a free trade area, and then a customs union, the early years of MERCOSUR were characterized by optimism and general cooperation. Focus on 2008; left-wing Fernando Lugo, a political outsider, was elected president to beat the dominant Colorado party; this was the first time in 61 years that a politician from a party other than the Colorado won the presidency (and has been the only time since). Nevertheless, the Colorados maintained a hold on both houses of the legislature and deep-rooted institutional influence. In June of 2012, the fourth out of five years of his presidency, a police operation to evict farmers who had occupied land in eastern Paraguay resulted in the deaths of 17 (6 police officers and 11 farmers) and political controversy. Five days later, the lower chamber of Paraguay's legislature voted almost unanimously to impeach Lugo. The next day, the Paraguayan Senate removed Lugo from office and promoted his vice president to take over, in a move widely denounced as political by foreign governments as well as domestic politicians. Lugo himself acknowledged the legality of the Colorado-controlled legislature's actions but called it a "congressional coup" (Desantis, 2012), pointing out that he was allowed just two hours to prepare his defense before the legislature. There was a wide-spread narrative that politics were at play, as ousting Lugo meant vice president Federico Franco (who was a closer ally to the Colorados) would assume presidential powers. This sequence of events, June 21-22, 2012, is what led to Paraguay's suspension from MERCOSUR. The president of Argentina, Cristina Fernández de Kirchner, argued a week later at a MERCOSUR summit that the "democratic order was broken" in Paraguay (The Guardian, 2012).

The regional IO stopped short of instituting economic sanctions against Paraguay but insisted that its suspension would last until the next round of democratic elections ushered in a

new president. Paraguayan politics and the 2013 general election continued rather unremarkably; Horacio Cartes of the Colorados won the presidency and led the country back into full MERCOSUR membership by 2014. Although its suspension was lifted in April of 2013, when Cartes was sworn in, Paraguay stated their intention to delay re-entry until the end of Venezuela's rotating presidency in July of 2014, in a political move expressing discontent over Venezuela's accession in 2012 (BBC, 2013). This is because the suspension of Paraguay came with criticism and accusations of opportunism (Ferreira & Paiva, 2022, p. 4), as will be discussed.

4.3 The Long-lived Suspension of Venezuela (2016)

Venezuela's history in MERCOSUR is not as clean-cut as Paraguay's. Beginning as an associate state, Venezuela and the four founding MERCOSUR member states signed the country's accession protocol in 2006. MERCOSUR requires, however, the legislatures of all member states to ratify the accession of a new member; while the Argentine, Uruguayan, and Brazilian congresses approved the membership of Venezuela, the Paraguay Chamber of Deputies critically did not. Since accession requires unanimity, Venezuela was blocked by the Paraguayan congress. However, with the 2012 suspension of Paraguay, its congressional approval was no longer necessary, as the then-full members (only Uruguay, Argentina, and Brazil) had already approved Venezuela's membership; by July 2012, Venezuela was a full member of MERCOSUR, and had four years to adjust its laws and political situation to meet the Democratic Commitment clause accordingly. The situation, however, was not adjusted; Venezuela showed no signs of changing course in terms of political repression was suspended from its rights and obligations as a MERCOSUR member in December of 2016. This decision was reiterated and made indefinite in 2017. Brazilian foreign minister Aloysio Nunes denounced political repression and violence in

Venezuela (Cascione, 2017), and MERCOSUR officially released a decision stating that, “No effective and timely measures for restoring democratic order have been undertaken by the Government of the Bolivarian Republic of Venezuela” (MERCOSUR, 2017). Venezuela responded by arguing that the suspension was the result of “false assumptions and illegitimate presumptions”, and that no matter how hard their neighboring governments try, they will always be there (BBC, 2017).

4.4 Doomed from the Start: A Word on Venezuela’s Accession to MERCOSUR

When reviewing the accession of Venezuela to MERCOSUR, a simple yet critical question almost immediately rears its head: why? Given the already-rampant democratic breakdown under Hugo Chávez, a continuously worsening human rights situation and economic peril on the horizon, wasn’t the writing on the wall? Why did the member states allow Venezuela’s entry in the first place, and what did Venezuela stand to gain? It would be hard to argue that MERCOSUR had shifted its focus to purely economic concerns or left the Democratic Commitment clause and Ushuaia Protocol in the past, considering the timing just after Paraguay’s suspension. It is important to consider these questions to conduct a thorough analysis of the events; I will attempt to answer them, first from Venezuela’s perspective and then from MERCOSUR’s.

Venezuela’s entry into the bloc was supported by both Chávez and domestic opposition leaders for exactly opposite reasons. Analysts pointed out Chávez’s tendency to use international organizations as a just a political platform as in the cases of ALBA (Bolivarian Alliance for the Peoples of Our America) and UNASUR (Union of South American Nations), and that Chávez may have been seeking accession to MERCOSUR to legitimize his regime. One could find an example in the more recent withdrawal of Colombia, traditionally and historically one of Venezuela’s

closest allies, from UNASUR; in 2018, then-president Iván Duque explained that he was pulling Colombia out of the regional IO due to its silence and complacency in the face of brutal treatment of the dictatorship of Venezuela upon its citizens (El Nacional, 2018). Ironically, local Venezuelan opposition thought the opposite: that accession to MERCOSUR would force Chávez's regime to adhere to MERCOSUR's Democratic Commitment clause. Former mayor of Caracas, opposition leader, and political prisoner-turned-émigré in Spain Antonio Ledezma hoped that upon accession to MERCOSUR, Chávez "would be forced to adapt to the democratic norms and workings of the trade group" (cited in Brazzil, 2009).

As for why Argentina, Uruguay, and Brazil were eager to welcome in Venezuela upon Paraguay's suspension in 2012, there are two main explanations: oil and politics. Venezuela, sitting upon the largest oil reserve in the world, would be a valuable exporter to its South American neighbors, and its inclusion in MERCOSUR would mean weight in the energy sector for the organization. Additionally, in 2012 many Latin American states were experiencing the pink tide; Uruguay, Brazil, and Argentina were all ruled by left-wing heads of state who were at least open to cooperation with Venezuela. When the blue tide hit as a response, center-right Mauricio Macri (who had already been critical of Venezuela's regime) was elected president of Argentina in 2015 and center-right Michel Temer succeeded Dilma Rousseff as president of Brazil after her 2016 impeachment. These governments (the two South American heavyweights – Argentina and Brazil, no less) proved much less forgiving to Chávez's successor Nicolás Maduro amidst further political repression and turmoil. With the 4-year Democratic Commitment deadline elapsing, and a complete descent into dictatorship and economic dysfunction that left the four original MERCOSUR members horrified (CFR.org, 2023), the decision to suspend Venezuela seemed clear.

4.5 Theory in Practice: The Mechanisms of Member Conditionality

How well does existing theory help us understand and explain the developments in South American democracy listed above? Pevehouse (2005) and Teorell (2010) serve as a basis for theory-testing in this regard, with both Paraguay and Venezuela and their respective suspensions. The theories outlined above will be tested against both cases to assess their strengths and weakness as far as explanatory power goes.

Paraguay's return to democracy in 1989 and the presidency of Andrés Rodríguez from 1989 to 1993 coincided remarkably well with the birth of MERCOSUR. Rodríguez understood the consequences that 35 years of violent dictatorship had on Paraguay's national image abroad, and what needed to happen to change it. Welcoming the president of Brazil, Argentina, and Uruguay in Paraguay's capital in 1991 to sign the Treat of Asunción and establish MERCOSUR was a strategy to show Paraguay's newfound commitment to multinational cooperation and openness (de Zárate, 2016). This break at a critical juncture in Paraguay's history illuminates a crucial mechanism in the role that MERCOSUR played in Paraguay's process of redemocratization – the state “shed its authoritarian skin” of the past and embraced a new epoch postured outward, toward regional partnership. This commitment was further aided by Paraguay's geographical and strategic proximity to its neighbors. A new regional IO with solidly democratic neighbors re-aligned Paraguay on a new path and cemented its process of democratization. Here one can draw a direct parallel to the case of Greece in the European Community as explained by Pevehouse (2005). There is convincing evidence that Paraguayan leaders were conscious of and used the psychological/symbolic effect of joining a regional IO to promote democratization. This proved an especially effective strategy when taken in tandem with the economic side of the equation. Entering into a free trade area proved extremely

beneficial for Paraguay's economy considering the significant portion of its GDP constituted by trade with Argentina, Brazil, and Uruguay. Consider Paraguay's trade statistics in 2012, the year of its suspension; Brazil, Argentina, and Uruguay constituted 46.38% of its exports and 34.86% of its imports (Simoes & Hidalgo, OEC, 2011). MERCOSUR's freedom of movement and employment is yet another incentive that keeps member states in check; passport-free travel means tourism, labor, and remittances. As Paraguay grows closer and closer to its MERCOSUR neighbors, it is likely this will be compounded. Notably, however, Paraguayan democracy has seen one episode of political turmoil since its full re-entry in 2014. Since the 1989 return to democracy, and with the dictatorship's rigged and legitimizing elections having left a scar on the Paraguayan memory, presidents are constitutionally limited to single-term tenures. When Horacio Cartes tried to remove this requirement in 2016, and the legislature put it to a vote in 2017, they were met with furious protests and the worst violence Paraguay had seen since its return to democracy (BBC, 2017). Does this challenge the legitimacy of Paraguayan democracy? Considering the bill was rejected in the Senate and met with widespread protest, it is reasonable to say no. In fact, it could be construed as a testament to Paraguayan democratic resilience in the face of a threat.

Several factors come into play when considering why Venezuela never witnessed a similar process. The first is the ongoing situation of autocratization in the country at the time of accession, both when Venezuela first attempted in 2006 and when it was finally accepted in 2012. This tracks with theory, which emphasizes the power that joining a regional integration regime can have on democratizing (or, *redemocratizing* states, according to the specific source), but minimizes or negates its effects on autocratizing states. Critically, however, the Venezuelan government didn't experience any kind of legitimization (what Chávez's regime sought) nor pressure to democratize (as domestic opposition hoped). The acceptance of Venezuela into MERCOSUR was driven

mostly by economic factors while the subsequent suspension was driven mostly by political (and human rights) factors. Moreover, it is probable that weak ties economic to the rest of the continent meant that membership conditionality had little sway in local autocratization. A small proportion of Venezuela's trade is carried out with other MERCOSUR countries; the year of its accession, 2012, a negligible 1.7% combined of Venezuela's exports were destined to Brazil, Argentina, Paraguay, and Uruguay, while just 13.15% of its imports came from said countries (Simoes & Hidalgo, OEC, 2011). Let us consider alternative situations to test what the theory tells us. If Venezuela had been undergoing democratization rather than autocratization at the time of its accession, with a similarly isolated economy, would its accession to MERCOSUR have made a significant impact on the opening of its political process? It's reasonable to argue that Venezuela's entrance in this hypothetical would have a) subjected Venezuelan elite to an acquiescence effect whereby they adopted democratic norms and b) signified a symbolic break with the authoritarian regime of the past. But these would be internal processes, not reliant on MERCOSUR. And in that case, membership conditionality wouldn't be the key. Alternatively, if Venezuela had close economic ties with its neighbors, but were undergoing the same process of autocratization/democratic backsliding, would its accession to MERCOSUR have made a significant impact on the opening of its political process? It is unlikely. Consider that membership conditionality is key because it serves as a carrot-on-a-stick; by withholding economic benefits, democratic neighbors incentivize autocratic regimes to liberalize. These economic benefits are important for (warding off) autocrats because of their role in garnering popular support for the regime – if the regime is not reliant on popular support, and elites are insulated from political pressure from below, there are no carrots to look for. In other words, if the elites do not need economic benefits to legitimize their regimes, they will not influence internal political processes.

Another mitigating factor comes in the form of Chávez's death. It is hard to predict how Chávez's 2012 death and the subsequent elections impacted the country's direction in MERCOSUR. It is wholly possible that Chávez, upon joining MERCOSUR, would have increased trade with his neighbors to the south (he had proposed opening up larger oil exports to them upon Venezuela's accession) and recognized the serious threat of the Ushuaia Protocol on Democratic Commitment looming. After all, it would be foolish to join a regional IO knowing that just 4 years later you will be kicked out for reasons entirely within your control. Alas, Maduro's ascent to power and his successorship of Chávez as an authoritarian leader (often invoking Chávez's name to lend himself political legitimacy) means that it's impossible to know if there was any chance for Venezuela.

5. Discussion

Theory in political economy and regional integration manages to provide a helpful framework when considering trends of democratization and autocratization in Latin America but struggles to account for a variety of situations. The case of Paraguay provided evidence for both the membership conditionality and symbolic break mechanisms of how regional IOs can promote democratization in member states as laid out by Pevehouse (2005). The case of Venezuela defies easy categorization; it was not easily explained by any of the theory reviewed in this study, nor did it behave as domestic actors hoped and predicted.

Political scientists and journalists reviewing MERCOSUR's membership conditionality and its efficacy tend to fall into a trap; even if they do not necessarily assume *a priori* that it is effective, they do not question whether it is truly impactful (see Bruhn, 2021; CFR.org 2023; Ramírez, 2011). The issue here is that the rationale for decisions that others make, especially in

foreign policy fields, is often not transparent. Can we really confirm that MERCOSUR's suspension had any sway over Paraguay's 2013 elections? Isn't it possible that the same exact sequence of events would have taken place without MERCOSUR? It is hard to tell if the activation itself of the Democratic Commitment clause had an effect, or if the only mechanism at play is the overarching threat/suggestion of sanctions. This becomes especially complicated in a historically dominant-party state like Paraguay. While the evidence presented above provides a clear picture of the mechanism of membership conditionality and symbolic breaks with past authoritarian regimes promoting democratization, it is troubling in the sense that it points out holes in our understanding of autocratization and its relationship with regional integration.

Outside the scope of this study is the potential from cross-regional IO effects. UNASUR (Union of South American Nations), for example, also suspended Paraguay following the 2012 impeachment of Fernando Lugo; although not a highly democratic regional IO, it is possible this had a kind of compounding with the MERCOSUR suspension, or other international pressure Paraguay was facing. The reality is that Latin America is full of regional IOs, many of which are defunct, powerless, or now obsolete, but a comprehensive study might compare the levels of democracy in each and their according influence in member state democratization.

As Latin America continues to defy expectations, it becomes more obvious to question why. The source of strange and unexpected trends in Latin America could provide for compelling further research, perhaps examining the unique history of the region or its economic and geopolitical ties to the world's hegemon, the United States (which has historically been involved in regime change in the region), which fell outside the scope of this work. Alternatively, one may find a compelling source for research in the domestic politics of the other three MERCOSUR

member states (Argentina, Brazil, and Uruguay) in an analysis of their sometimes-tumultuous relationship with the organization and each other.

This study is concerned first and foremost with trends of integration, democratization and autocratization in Latin America, particularly South America, which have shown themselves to be unique among developing regions of the world. As democracy continues to grow in Latin America despite challenges previously thought to be damning to its fate (poor economic outcomes, deep ethnic divides, income inequality), political economy literature is finding itself increasingly unequipped to explain how or why. A natural consequence is that theories developed around and on Latin America must be treated with caution; it would be inappropriate to suggest that the region as a whole represents all developing areas, or some kind of typical case. This must be considered when trying to generalize local theories built around idiosyncrasies to other regions of the world – while the dynamics examined in this paper may be suitable for generalization in other cases in Latin America, it is unclear if this would be appropriate for other regions, types of regional integration, or histories.

6. Conclusion

This study sought to contribute to growing political economy literature by examining puzzling and inadequately understood phenomena relating regional integration with democratization in Latin America, tackling the question, *what role do political and economic concerns/incentives in regional IOs play in the promotion of democratization and the prevention of autocratization in Latin America?* By identifying the strengths and weaknesses of current understandings in political science literature, the paper developed a theoretical framework to examine in depth the dynamics of how regional integration in MERCOSUR interplay with democratization among its member

states. After delving into relevant political history, a survey of a wide variety of sources tracking the progress of MERCOSUR and its relationship with two member states, Paraguay and Venezuela, in particular moments of challenges to democracy resulting in their suspension allowed for a fruitful process-tracing that put existing theory to the test. The mechanism of membership conditionality and symbolic breaks with past authoritarian regimes as suggested by Pevehouse (2005) was demonstrated and supported in the case of Paraguay but left on shaky ground in the case of Venezuela. Recognizing both the relevance and shortcomings of this theoretical approach, the study provided a reflective discussion of the relevance and appropriateness of its findings. It suggested avenues for further future research to build upon the present findings.

A critical point to be emphasized is this: it is easy to go down the wrong path when weighing the political effects of regional integration against economic effects. This study denounces any declaration that one is broadly more important than the other as a fallacy; the two often work in tandem when influencing integration and democratization. Political and economic factors interplayed in Paraguay's relationship with MERCOSUR and ascent to democracy, just as they interplayed in Venezuela's descent into repressive dictatorship. They are two sides of the same coin, and political economists must take a most nuanced approach in their studies if they wish to appropriately understand either.

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