

# Regional Organizations

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## Introduction

The end of the Cold War and dissolution of the Soviet Union and its zone of influence led the creation of international organizations to conduct closer relations and harmonize their policies in various spheres such as economy, foreign policy and even in the domestic policy for some cases. The states in the same geography usually have common interests in specific areas which makes it possible to cooperate within a single region. Although they may show similarities in some cases, each regional organization has different goals over their member states. For example, European Union aims at forming a binding authority over their member states in economic and political realms, while the Association of Southeast Asian Nations (ASEAN) suggests non-interference in domestic affairs of its member states.

Regional organizations are international organizations which bring particular states together mainly for economic and political purposes. They determine a set of policies for common interests in a selected area / areas.



Figure 6.1

## EU - European Union

European Union, is a regional organization which consists of 28 European states that aims at implementing a common economic, social, and security policies. Originally created in western Europe, the EU expanded towards central and eastern Europe following the end of the Cold War.

European Union dates back to 9<sup>th</sup> of May, 1950, where The Ministry of Foreign Affairs of France at the time, Robert Schuman proposed the idea of establishing a common market for particular countries to delegate control of coal and steel sectors to an independent authority.

Since his proposal led the emerging of European Union, the 9<sup>th</sup> of May is celebrated as the birthday of the EU every year.

A year after Schuman's proposal, European Coal and Steel Community (ECSC) was established to integrate the coal and steel sectors in Western Europe following the World War 2. The founding treaty of ECSC, Paris Treaty was signed on 18<sup>th</sup> of April, 1951 and came to force in 1952. The founding members were France, West Germany, Italy, Belgium, the Netherlands and Luxembourg. Other than the European Coal and Steel Community, the founding treaty of European Economic Community (EEC) and European Atomic Energy Community (Euratom) were signed on 25<sup>th</sup> March, 1957 in Rome and came into effect a year after. In 1965, Brussels Treaty, merged the executives of the three communities: ECSC, EEC and Euroatom.

The Single European Act (SEA) was signed in 1986 and came into effect in the following year. SEA amended and opened the way for completing the single market.

The Maastricht Treaty, also known as European Union Treaty, was signed on 7<sup>th</sup> February, 1992 in Maastricht, Netherlands and came into force in 1993. While this treaty established the European Union in today's context, it also enhanced the authority of the European Parliament in the decision making process and created new areas of cooperation.

The Amsterdam Treaty, which amended the previous treaties, was signed on 2<sup>nd</sup> of October, 1997 and came into force in 1999. This treaty altered the previous ones and positioned the Union on three pillars that are the European Communities, the Common Foreign and Security Policy and cooperation in the area of Justice and Home affairs. Thereby, the EU took an important step towards becoming a political entity alongside its economic character.

Nice Treaty was signed on 26<sup>th</sup> February, 2001 and came into force in 2003. The aim of the treaty was to sustain EU's institutional operation in a productive way after 10 new members' joining in 2004. It focuses on reforms in the EU's institutional structures. By this treaty, the number of seats in the European Parliament for the new member states, the number of votes allocated to them within the Council of the EU and Parliament were determined.

On 29th October, 2004, twenty-five member states of the EU signed the Treaty of creating a Constitution for Europe which would replace all the existing treaties. The Constitution suggested forming new posts such as President of the European Council and EU Foreign Minister who would head a new External Action Service. The leaders of the member states came to a conclusion that an institutional reform was mandatory at a time the EU's biggest enlargement with 10 new members would take place in 2004. The Constitution would come into effect if it would be ratified by all twenty-five member states of the EU at the time. This process required conducting referendum in particular countries. However, in the referenda, citizens of France (%55) and Netherlands (%62) voted against the Constitution which failed the process. Despite of this result, European institutions continued to operate according to the existing treaties.

The Lisbon Treaty was signed on 13<sup>th</sup> of December, 2007 and came into force in 2009. This treaty simplified the operation modes and voting system. It created an office for a full time Presidency of European Council for a period of 2,5 years which is selected by the leaders of Member States from a pool they create. On the other hand, it formed a position called High Representative of the Union for Foreign Affairs and Security Policy who would be responsible for a common and security policy. The Lisbon Treaty mainly aimed at turning the EU to a more influential actor in the global arena by creating new structures.



Figure 6.2 European Union flags in front of the Berlaymont building

## From 6 to 28 Members: The Wave of Enlargements

After the formation of the European Coal and Steel Community by the mentioned 6 founding members, Denmark, Britain and Ireland joined in 1973, followed by Greece in 1981, Portugal and Spain in 1986 and Austria, Finland, Sweden in 1995. In 2004 the biggest enlargement of the Union was accomplished with 10 new members: Greek part Cyprus, Czech Republic, Estonia, Hungary, Letonia, Lithuania, Malta, Poland, Slovakia and Slovenia.

In 2007, Bulgaria and Romania joined the Union and the last enlargement wave integrated Croatia with the EU. Turkey, on the other hand, applied for full membership in 1987. In 1999, at Helsinki Summit, Turkey was announced as a candidate for full membership. The full membership negotiations started in 2005, and the process still continues. Besides Turkey, Albania, Iceland, Montenegro, Serbia, Macedonia, Kosovo applied for full membership to the Union.

The capital of the European Union is Brussels and it uses Euro currency since 1999 except a couple of member states. As mentioned above, the EU has been enlarging since its foundation. In 2013, Croatia joined the Union which made the number of member states 28 and total population of the Union became 507 million.

However, when Russia annexed Crimea, the autonomous republic of Ukraine in 2014 a migration crisis emerged which led hundreds of thousands refugees seeking asylum in Europe. This crisis triggered the Euroscepticism meaning criticism on EU and European integration. In such atmosphere Britain made a declaration of intention towards leaving the EU due to a result of popular referenda conducted in 2016. The British people voted for exiting the EU by a narrow margin (%52) that would decrease the number of member states to 27 in near future.

The European Union does not only suggest to produce common policies in the economy but also in agriculture, transportation, energy, industry, politics and military fields. It is possible to argue that the EU accomplished to form a unity in the economical area whereas in the foreign policy and military related affairs, it is hard to say a real joining could be maintained.

## Governance

The concept of 'European governance' refers to the set of rules, procedures and practices that determines how the authorities are distributed and used within the EU. The main goal of European governance is to consolidate democracy at European level and increase the interaction between the citizens of member states and the European Union bodies while distributing power among the member state governments and the European Union. The European citizens are represented by the European Parliament where the EU, as an institution, involves with governance via European Commission. The governments of the member states perform their duties through the Council of the European Union.

## European Commission

The Commission exercises executive power within the institutional structure of the EU. It is responsible for looking after EU's interests as a whole. The preparation of legislative proposals, the application of EU's policies are among the duties of the Commission. It is also charged with guarding of the founding treaties and it is its duty to warn any member state in case of violation of the treaties.

Main functions of the Commission are; preparing legislative proposals to the European Parliament and the Council of the European Union, application of EU policies and managing the EU's budget, ensuring the *acquis* is enforced together with the European Court of Justice, representing the EU in the international level.

The members of the Commission are appointed by the member states for a period of 5 years. The appointed members should be approved by the Parliament as a whole. In the last parliamentary elections, top voted European People's Party's candidate, former prime minister of Luxemburg, Jean-Claude Juncker became the president of the Commission. Following his nomination by the leaders of the member states and the Parliament's approval, he came into office by 1<sup>st</sup> November, 2014. The president of the Commission cooperates with 27 other commissioners including his first vice president, High Representative of the Union for Foreign Affairs and Security Policy and 4 other vice presidents. Each Commissioner is assigned responsibility for a specific policy area by the President.



**Figure 6.3** Brussels, Belgium - June 7, 2014: Berlaymont building of the European Commission. The building was built in 1969.

## European Parliament

The European parliament consists of 751 members including a president and 750 members from 28 member states. The members are elected by direct votes of people who are citizens of the EU's member states. The allocation of seats in the parliament depends on the population of the member states. Countries with larger populations have more seats than the ones with smaller populations. For example, there are 96 German parliament members in the European Parliament where Malta, Luxembourg and Estonia have only 6 members each.

The current members of the Parliament took office on 1<sup>st</sup> July, 2014. The president of the Parliament is elected among its members. The current president is Antonio Tajani, an Italian, who was a former spokesman for Italy's Prime Minister, Silvio Berlusconi. Tajani also served as a commissioner in the European Commission in the past.

There is a condition in the Parliament which necessitates at least 25 members elected from 7 countries. For this reason, 8 political groups were established. The European Parliament represents the democratic interests and political views of the EU member states' citizens. For this reason, the members in the Parliament do not form groups according to their home countries but for their political views.

The general assembly of the Parliament is conducted in Strasbourg whereas political groups and committees gather in Brussels. The secretary of

the Parliament is located in Luxembourg. The issues taken to Parliament are first considered in one of the 24 committees whose report is presented to the General Assembly and the negotiations take place accordingly. The European Parliament shares the legislation power with the Council of the European Union. In today's EU, the legal arrangements that are binding for all member states can be done by only approval of the Parliament and the Council of the European Union.

In particular areas such as foreign policy, the Parliament has only an advisory role, its views are not binding. The Parliament makes the EU budget together with the Council of the European Union. It has authority to make political controls on other bodies of the EU. The Parliament may address oral or written questions, it may form commission of inquiries and may accept complaint petitions. Besides, it may force the European Commission to resign by motion of non-confidence with the two third majority.

### **Council of the European Union**

The Council, also known as the Council of Ministers, is the organ that has the most weight in the EU from the beginning. It uses the authority to legislate together with the European Parliament. The Council of the European Union does consist of the ministers that serve in the member states of the EU.

The Council represents the national interests of the member states, it adopts EU laws and coordinates EU policies. It develops EU's foreign and security policy, adopts EU budget jointly with the European Parliament. The Council also concludes agreements that the EU conducts with other countries or international organizations. It gathers with the participation of ministers depending on the policy area to be discussed. For example, if the policy area is related with economics and monetary policies, the finance and economy ministries of the member states attend the meeting.

The Council is located in Brussels. The discussion and voting processes are conducted publicly according to qualified majority system that worths %55 of the countries meaning 16 of the 28 member states and representing 65%

of the whole EU population. In particular issues such as foreign policy and taxation, unanimous vote is required. The Council gathers with 10 different configurations: Agriculture and Fisheries, Competitiveness, Economic and Financial affairs, Environment, Employment, Social Policy, Health and Consumer Affairs, Education, Youth, Culture and Sport, Foreign Affairs, General Affairs, Justice and Home Affairs, Transport, Telecommunications and Energy. There is no permanent chair of the meetings except the Foreign Affairs Council which is chaired by the High Representative of the Union for Foreign Affairs and Security Policy. Other meetings are chaired by the minister of the member state who holds the Council's presidency for a period of 6 months.

### **European Council**

European Council is the organ that gathers presidents, heads of states of member states in the EU. In addition to the top leaders of the member states, the European Council President and President of the European Commission participate the meetings. It does not have an authority of legislation; however, it sets the main goals of the European Union and its policy agenda. The European Council adopts a voting system where it takes decision mostly by consensus. However, in some cases indicated in EU treaties, it decides with unanimity or qualified majority systems.

The European Council President and the President of the Commission do not take part in the voting procedure. The European Council gathers since 1974. In 1992 it gained an official status and with the Lisbon Treaty's coming into force, the European Council became one of the organs in the EU. The meetings are conducted in Brussels every six months. The President of the European Council is elected by qualified majority voting system among the 28 leaders for a period of 2,5 years. The current President is Donald Tusk the former prime minister of Poland. Besides chairing the European Council meetings and presenting reports to the European Parliament after each European Council meeting, The President represents the EU at international summits jointly with the President of the European Commission.

## European Union in Today's World

Despite all member countries are sovereign and independent states, they accepted to transfer some of their sovereignties to the EU to be more powerful and benefit from the power of the Union. Transferring some of their sovereignties led member states transmitting their authorities to make decisions relating the common interests. Thereby, the EU is positioned somewhere between the United States of America where a true federal system is present and the United Nations where an intergovernmental system operates.

The major accomplishment of the European Union since its foundation in 1950 is to create a single market where 500 million EU citizen may freely travel and live. The single market contains goods and services within the borders of the Union. Besides that, an international currency, Euro was created in 1999 as mentioned and 19 members have joined the Euro area and all members are committed to join the Euro at some stage except Denmark. Moreover, EU is the biggest provider of development and humanitarian aid programs all over the world.

The European Union is based on superiority of law. Every action of EU is based on treaties which were signed, confirmed by member states by voluntary and democratic methods. When the member states negotiate about the treaties and come to a mutual agreement, the treaties are either approved in the national parliaments of the states or taken to a national referenda depending on their national laws.

Besides, the supremacy law doctrine claims that the EU laws are superior to national legal frameworks of the member states which means that the EU laws would be taken into consideration in case of a conflict between a EU law and a national law of a member state.

While the treaties reveal the aims of the EU, the regulations of its institutions, the methods of giving decisions, also regulate the relations between member states and the EU. The treaties are amended by every joining of a new member state. They would also get amended to make reforms at the institutions of the EU and create new areas of responsibilities. The last amendment regarding the treaties was Lisbon Treaty which came into force

on 1<sup>st</sup> December, 2009. By this way, the previous treaties that are Treaty on European Union and the Treaty establishing the European Community were amended and inserted in Lisbon Treaty.

## Decision Making Process

Each law in Europe is based on a clause in a treaty that is named as legal base of the law. This would determine the legal process that should be followed. The related treaty would point to the proposal of the Commission, the readings conducted in the Council, the Parliament and the decision making process that contains the views of advisory bodies. The Council also determines when unanimity and when a qualified majority vote is required.

Most of the *acquis* is accepted by ordinary legislative procedure. According to the procedure, the Parliament and the Council share the authority of legislation. The process starts with the Commission's legislative proposal. While the Commission prepares a proposal, governments of the member states, organizations, non-governmental organizations and individuals express their opinions. These opinions are integrated to the Commission's legislative proposal that is presented to the Council and the Parliament. The proposal could be prepared on request by the Council, EU Summit, Parliament or EU citizens. The other option is that the Commission may prepare the proposal on its own initiative.

The Council and the Parliament read and discuss the legislative proposal. If there is no consensus in the second reading, the proposal is sent to the 'Commission of Conciliation' that is made up of equal number of members from the Council and the Parliament. The representer of the Commission may also join the meetings and contribute to the discussions. When the 'Commission of Conciliation' reaches an agreement in itself, the text is sent to the Parliament and the Council for a third reading. Usually, an absolute majority is required in the Parliament while a qualified majority is enough in the Council. Each member state has a voting capacity in accordance with its size and population. In particular cases unanimity voting may take place.

The decision making process of the EU is known as the 'Ordinary Legislative Procedure' which means the European Parliament, formed by popular vote, should approve EU legislation jointly with the Council of Europe. It gives the same weight to these two organs on a wide range of areas such as economic governance, immigration, energy, and environment. The vast majority of European laws are adopted jointly by the European Parliament and the Council. There are various forms of instructions in the European Union's regulation system. These are regulations, directives, decisions and recommendations.

## Regulations

The EU's regulations, are superior to the national laws of the member states. These regulations take priority over the national judicial system of the member states. The EU regulations are binding for all member states.

Regulations are the laws that all member states have to follow directly. The regulations do not have to get implemented to the national laws of the member states; however, they might be amended not to face a conflict between national laws and EU regulations. The regulations are the most powerful instructions in the EU regulation system.

## Directive

Directives are instructions that all member states have to consider in their national legislation processes. The member states are free to decide how to implement the directives into their own laws. Directives aim to ensure a standard quality and safety of products around the EU.

EU directives directly show an impact on daily life within the Union's borders. Since the EU gives funds and aids to farmers, it strictly controls the production process in the farming sector and coordinates the sector by directives.

## Decisions

Decisions might be given referring to a single member state. It may target some or all member states, communities and even individuals. They are strictly binding for all. For instance the decisions might be used to pass a judgement in a merging

case among certain companies. Decisions aim at clarifying regulations and directives.

## Recommendations

Recommendations are not binding for member states, which means that member states are not obliged to follow them. The motivation behind recommendation is to convince the member states to move in the same direction.

## Foreign Policy of the EU

The foreign policy of the EU is under responsibility of the High Representative of the Union for Foreign Affairs and Security Policy who is appointed by the European Commission. The Representative also serves as the Vice President of the European Commission. Besides, the EU is represented by the President of European Council at the level of heads of state or governments and international summits (usually alongside with the President of Commission).

The European Union External Action (EUEA) serves as a diplomatic service and foreign ministry on behalf of the EU. It operates under the High Representative of the Union for Foreign Affairs and Security Policy and consists of specialized personnel that are transferred from the Council, member states and the European Commission.

The Council of the European Union takes decisions and develops policies in the foreign policy and security affairs. These activities are carried out within the limits determined by the European Council. On the other hand, European Commission is responsible for commercial and humanitarian aid aimed at non EU countries. The Commission represents the EU in all areas of activity except foreign and security policy affairs.



Figure 6.4



your turn <sup>1</sup>

Comment on the concept of “supremacy” of EU law. What does this doctrine suggest in cases of conflicts between national legal system of the member states and the EU law?

## ALADI - THE LATIN AMERICAN INTEGRATION ASSOCIATION

The Latin American Free Trade Association (LAFTA) was created through 1960 dated Montevideo Treaty, signed by Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay. The founders aimed at forming a common market in Latin America and proposed tariff reductions among the member states. It came into effect in 1962 whose main goal was to remove all duties and restrictions on trading activities between each other in 12 years. However, the agreement has important restrictions. For instance, it only includes the goods but not the services. On the other hand, it does not suggest coordination of policies. When compared to the European Union, economic and political integration was limited. In 1970, LAFTA included four other Latin American nations which are Bolivia, Columbia, Ecuador and Venezuela.

ALADI is the ultimate phase of an integration process started in the late 1950s. The initial stage was the foundation of the Latin American Free Trade Association (LAFTA) in 1960 which failed to satisfy the expectations. The motivation behind forming such association was promoting economic activities following the destruction of World War II. The idea was alike European Economic Community which was founded 2 years before LAFTA in Western Europe. It foresaw a system where a country is obliged to extend any economic concession towards a particular country to other member states. LAFTA aimed at developing a common market in Latin America, however it never achieved its goal due to insufficient mechanisms to overcome political and economic indifferences.

In 1980, LAFTA reorganized and turned into Latin American Integration Association (ALADI).

It's main focus was maintaining the economic and social development of the Latin American region by regional specialization and attraction to new investment to the region. The motivation was “the gradual and progressive formation of a Latin American common market.”

ALADI did not eliminate tariffs among the member countries but it brought preferential tariff reductions. The treaty brought an important option such as conducting bilateral agreements or signing agreements between more than two countries. By this way the commitments for a country stopped being a problem. By the help of the new flexible method, a country may sign an agreement with another country or a group of countries, and it is not a must to extend such agreement to all members of ALADI. In other words, countries gained to grant privileges towards particular states. The new system led a considerable enhancement in the number of agreements signed among member countries of ALADI.

Today ALADI has 13 members and all of them are located in the South American continent. After its foundation by Argentina, Brazil, Chile, Mexico, Panama, Paraguay, Peru, Uruguay, the enlargement took place towards other countries in the region. Bolivia, Colombia, Ecuador, and Venezuela became members in the next several years. Cuba joined ALADI in 1999 and Panama took its place in 2012. The negotiations with Nicaragua still continue. The headquarters of ALADI are based in Montevideo, Uruguay. The member states of ALADI contain an area of 35,262 million km<sup>2</sup> that is approximately five times bigger than the European Union with a population of nearly 530 million residents. The economic size of the mentioned area is approximately USD 23 billion.

On the other hand, ALADI divided the member states into three according to their level of development. Less developed members benefit from greater tariff preferences and various advantages.



Figure 6.5

## Governance

There are various mechanisms within ALADI to promote economic integration such as regional tariff preference, regional scope agreements, partial scope agreements, trade agreements, economic complementation agreements, agricultural agreements, and trade promotion agreements. The bodies of ALADI are The Council of Ministers of Foreign Affairs, The Evaluation and Convergence Conference, The Committee of Representatives and Secretariat.

### The Council of Ministers of Foreign Affairs

It is the supreme body which issues general rules for the integration process. It examines the results of the tasks carried out by the Association. The Council adopts corrective measures after considering the recommendations of the Evaluation and Convergence Conference. It determines the guide lines to be followed by other bodies of the Association. The authority to accept new member is exercised by the Council. It may adopt amendments on the Treaty and has the power to appoint the Secretary-General. As its name offers, the Council is made up of the foreign ministers of the member countries.

### The Evaluation and Convergence Conference

The Conference is responsible for examining the integration process and making recommendations to the Council to take corrective measures. It promotes broader economic integration and evaluates the results of the system. It carries out multilateral negotiations to determine and deepen the regional tariff preference. It fulfills its duties entrusted by the Council. The Conference conducts regular meetings in every three years at the request of the Committee. It may also gather at other times in extraordinary session. The Conference conducts its meetings and takes its decisions with the presence of all member countries. To take a decision, two thirds of the member countries should vote in the same direction.

### The Committee of Representatives

The Committee is the permanent body of the Association which conducts meetings at least once a year. It gives continuity to the activities of the new integration process, evaluates and guides the operation of the process. It accomplishes the tasks assigned by the Council and the Conference. It adopts annual work program, annual budget and determines the contributions of member countries to the Association budget. The Committee also represents the Association before third parties. It prepares reports to submit to the Council. The Committee is composed of the Permanent Representatives from each member countries. All Permanent Representatives have equal voting rights. The Committee takes decisions and adopts resolutions with two thirds of the member countries' representatives.

### The Secretariat

The Secretariat is led by the Secretary General and consists of technical and administrative personnel. The Secretary General is appointed by the Council for a 3-year term and may be re-elected for a second term. The current Secretary General is Alejandro de la Peña Navarrete, a former Mexican diplomat, who came to office by the Memorandum of Understanding on 27 October 2017, signed at the headquarters of ALADI in Montevideo, Uruguay.

The Secretariat prepares recommendations for other Association bodies through the Committee. It carries out necessary studies to fulfill its technical duties assigned by the Council, the Conference and the Committee. It also conducts other activities in the annual work program. The Secretariat prepares and presents the draft annual programs and annual reports on the results of application of present Treaty to the Committee. Moreover, the Secretariat may propose to form auxiliary bodies to the Committee.

Today, 70% of the trading activities among the ALADI member states are free from tariffs. In Brazil's case, the free trade corresponds to 75% of its exports and 90% of its imports. It is predicted that in 2019 the South America continent will turn to a totally free trade area.



your turn <sup>2</sup>

In the emerging process of ALADI, there were opposite views coming from members regarding the scope of the organization. What were the main motivations of the adverse opinions?

## ANDEAN COMMUNITY

Andean Community is a trade bloc which aims at forming a customs union among the South American countries of Bolivia, Colombia, Ecuador and Peru. By 2018, the Community has approximately 410 million of population in 17,829,100 square kilometers with a combined GDP (sum of GDP's of all members) of USD 608 billion USD.

Initially, the economies of Andean member countries, Colombia, Venezuela, Peru, Ecuador, Bolivia and Chile, were mostly based on agricultural output and raw materials. While these countries lacked in industrialization, they used to lean on imported manufactured goods from the U.S. and Europe. They started an integration process to break through in economic terms and gradually formed the Andean Community.

The Cartagena Agreement which formed The Andean Pact in 1969 suggests a closed economic system among the member states where they are granted certain economic and tariff privileges. However, in the following decades, Andean integration underwent a set of structural changes. The closed economy system, which aimed at inward integration based on the import substitution model, left its place to open regionalism. These changes were accomplished by the direct interventions of the Presidents of the member countries to reach the main objectives set by the Cartagena Agreement. The main objectives are the liberalization of trade in goods in the subregion, the adoption of a common external tariff, and the harmonization of foreign trade instruments and policies and economic policy.

According to Cartagena Agreement, also known as the Andean Pact, the main purpose is to promote the balanced and harmonious development of the

member states. Accelerating the growth of the Andean countries and creation of jobs, facilitating participation in the regional integration process with the aim of gradually creating a Latin American common market, helping to reduce the external vulnerability of the member countries and improve their position in the international economic context, strengthening subregional solidarity and reducing the differences in development that exist among the member states, defining social policies oriented toward improving the quality of life of different subregional groups and improving their access to the benefits of development are other purposes in the same direction.

The founder countries of the Pact are Bolivia, Colombia, Ecuador, Peru and Chile. Venezuela became the sixth member in 1973; however, it withdrew from Andean Community in 2006 when Colombia and Peru signed Free Trade Agreements with the USA. Likewise, Chile withdrew from the organization in 1976 by showing economic incompatibilities which decreased the number of member states to four.

On the other hand, the Community decided to form a cooperation with another regional organization, Mercosur which led emerging of new associate members such as Argentina, Brazil, Uruguay and Paraguay. The cooperation suggests a free trade agreement between Andean and each of the Mercosur member states. Spain holds an observer status in the Community. The headquarters of Andean Community is based in Lima, Peru.

When the member countries' economies stagnated during 1980s, activities stopped for a while. The pact continued its activities and turned into the Andean Community which evolved the closed economic system into an open one. On the other hand, Peru suspended its membership in 1992 but rejoined the Community in 1997.

In 1991, the Andean Presidential Council approved open skies policy among the member states which suggests the liberalization of rules and regulations of the international aviation.

In 1993, four members except Peru established a free trade area, but two years later, members reached a consensus on external tariffs that ended up with emergence of Common External Tariff. The organization took its ultimate name in 1996 with

the Protocol of Trujillo which changed the existing name, Andean Pact to Andean Community. At the same year a General Secretariat was emerged to give political insight and direction to the integration process. In 2006, the Andean Free Trade Area became entirely operational after Peru fully joined.

Andean Community produced an Andean passport in June 2001 which is valid in Ecuador, Peru, Bolivia and Colombia. By 2005, citizens of the Andean Community members gained the right to enter other countries without a visa. To travel among the member countries, showing national ID cards is adequate.



Figure 6.6

## Governance

Andean Community consists of various bodies which aim at encouraging further integration among the member states. Andean Integration System (SAI) is the structure that connects and suggests various bodies to work harmoniously. These are: Andean Presidential Council, Andean Council of Foreign Ministers, Commission Headquarters, Andean Court of Justice, Andean Parliament and Latin American Reserve Fund. The Community also founded a higher education institution with the name of Simón Bolívar Andean University. The

secretary general of the Community is Walker San Miguel Rodriguez, a former minister of National Defence in Bolivia. The General Secretariat is the main executive body of the organization.

## The Andean Presidential Council

The Council is the supreme body of the Andean Integration System and consists of the heads of state of the member states of Andean Community. It determines the guidelines on Andean integration, which must be performed by other bodies and institutions. The Council defines the Andean subregional integration policy and guides the actions of the Community. It evaluates the development and results of Andean integration efforts. It issues opinions on reports, initiatives and recommendations that are submitted to itself by other bodies. The Council meets once a year periodically mostly in the country that chairs the Council for the time. In the meetings the proceedings of bodies and institutions are reviewed and evaluated based on their projects, programs and suggestions. The Chairman of the Andean Presidential Council is Community's top political representative who takes office for a year. The chairman seat is filled rotatively in alphabetical order by each of the member states. The Chairman heads the regular and special meetings of the Council and represents the Council and the Andean Community at the international level. It is also his/her duty to ensure that guidelines determined in Council are performed by other bodies of the Community.



Figure 6.7 Celebration of the 42nd Anniversary of the Subscription of the Cartagena Agreement

## Andean Council of Foreign Ministers

The Andean Council of Foreign Ministers involves the Ministers of Foreign Affairs of the member states. The duties of the Andean Council of Foreign Ministers are to develop member states' foreign policy regarding the subregional interest, as well as to supervise and coordinate the external efforts of different bodies. It performs the guidelines given to it by the Andean Presidential Council and ensures the implementation of these. It signs agreements with the third parties and coordinates the common position of member states in international platforms and negotiations within the scope of its authority. It represents the Andean Community by staying in its own area of responsibility. The Council proposes or adopts measures related to its sphere that would ensure the accomplishment of goals and objectives of Cartagena Agreement. It expresses itself through Declarations and Decisions that are adopted by consensus. The foreign ministers meet periodically twice a year, mostly in the country that chairs the Council for the time. In a similar manner, the meetings are headed by the Foreign Minister of the member state that chairs the Community.

## The Andean Community Commission

The Commission is the principal policy developing body of the organization. It consists of representatives from each member state. The Commission expresses itself through Decisions. The Commission carries out and evaluates the integration policy in the area of trade, investment. It coordinates with the Andean Council of Foreign Ministers when it is necessary. The Commission approves, rejects or amends the proposals presented to it by the member states, individually, collectively or by the General Secretariat. It represents the Andean Community in its area of responsibility. The Commission has the authority to approve the annual budget and evaluate the budgetary performance of the General Secretariat and the Andean Community Court of Justice. The Chairman of the Commission, who is the

representative of the member state that chairs the Community for the time, holds office for a 1-year term. The Commission meets three times a year and could meet upon the request of any member state or General Secretariat.

## Other Bodies

The Andean Parliament involves members of the national legislature representatives from the member states. The members of the parliaments are elected by the legislative parties of the signatory countries. Each member state has 5 representatives in the Andean Parliament. This organ operates as an advisory body and is located in Bogotá city of Colombia. Andean Court of Justice, which is located in Ecuador, aims at resolving the conflicts among the member countries. Whereas Latin American Development Bank consists of 18 Latin American and Caribbean members. However, this financial organ is the primary source of Andean members, granting almost half of their economic requirements. The annual amount of credit granted to member states is over USD 2 million which is used in regional integration projects and financing of international commerce of companies, banks and government projects. It is located in Caracas, Venezuela. The Bank suggests closer economic relations by promoting trade and investment among the member countries. The Court of Justice of the Andean Community is the judicial body of the organization.



your turn <sup>3</sup>

Discuss the major transformation of ANDEAN Community passed through since its foundation.

## EURASEC - EURASIAN ECONOMIC COMMUNITY



Figure 6.8

The Eurasian Economic Community (EAEC or EurAsEC) is a regional organization which aims at forming a Customs Union, Common Economic Space among the member states and coordinate the actions of member states' integration into the world economy. It is primarily based in northern Eurasia. It focuses on enhancing the integration in economic and social realms.

In 1994, the President of Kazakhstan, Nursultan Nazarbayev, initially proposed the idea of forming a "Eurasian Union" in his speech at Moscow State University. Since then numerous treaties were signed to establish the trading bloc. It was created based on the Treaty of Establishment of the Eurasian Economic Community, signed by the presidents of Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan in Astana city of Kazakhstan on October 10, 2000. In January 2006 Uzbekistan joined the Eurasec; however, two years later, in 2008, it suspended its presence in Eurasec's governing bodies.

In May 2002 Moldova and Ukraine gained observer status at the Community, and in April 2003 the same status was granted to Armenia. The observer states may attend the meetings of Euras, however, they can not access documents or resolutions taken by related bodies and have no voting right. Eurasec is not a close organization. Any state that fulfills and commits the requirements codified in the Treaty on the Establishment of Eurasec and other treaties in force, may become a member by a resolution of the Eurasec Interstate Council. In a similar manner, the status of Eurasec observer may be given to a state or to an international organization on request.

The organization, which has a legal entity, was founded in harmony with the United Nations principles and the international law. The Community and its officials practice certain privileges and immunities to conduct their activities within the scope of Treaty of Establishment of Eurasec and other treaties effective in the Community. Since 2003, Eurasec has a status of observer at the UN General Assembly. The headquarters of the Community are located in various cities: Almaty, Minsk, Moscow and St. Petersburg. The secretary general of the organization is Tair Mansurov, a former ambassador of Kazakhstan to Russia. The citizens of the member states are granted to move freely to other states.

The Eurasian Economic Community covers a territory of 20.374 million square km with about 180 million of inhabitants which coincides almost 2,7 % of the world population. The mentioned area produces 3,5 % of the global GDP. Eurasec countries have rich resources of minerals and raw materials such as industrial uranium, raw diamonds, platinum, gold, silver, zirconium, rare metals, rare-earth elements.

Community states controlled almost 9 % of prospected oil resources worldwide, 25 % of gas and 23 % of coal whereas their share in the generation of electrical energy in world is about 5,5 %

Eurasec member states are the main exporters of mineral resources and metals worldwide and play an essential role in exporting oil, gas, chrome and manganese resources, aluminium, nickel and copper, platinum and raw diamonds.

Main goal of the Community is to accomplish forming a free trade regime, a unified customs tariff and a unified system of non-tariff regulations measures. Within this understanding, the Community aims at assuring free movement of capital, emerging a common financial market, coordinating the process for transition to passing to a common currency, setting up common rules and procedures for trading activities and their access to each others' internal market, forming a common unified system for customs regulation, developing and adopting interstate programs in economic sphere, assuring fair conditions for industrial and entrepreneurial activities, forming a unified transport system among the member countries.

Besides these, setting up a unified energy market, forming fair conditions for the foreign investors targeting the member states, guaranteeing free movement of the residents of the member states within the Community, organising social policies to form a common labour market, unified educational, legal, health and migration systems are the goals among the Community's agenda.

In line with the objectives of the Community, in a 3 years period from 2007 to 2010, Belarus, Kazakhstan and Russia formed a Customs Union among themselves and they are working on further integration to constitute a Eurasec Common Economic Space that other states would join when they are ready. The Common Economic Space suggests further integration such as unifying the legal base of the countries, existing a common infrastructure, coordinate taxation, finance, currency policies and ensuring free movements of goods, services, capital, and labor.

## Governance

All bodies within the Eurasec perform their duties in harmony with the Treaty on the Eurasian Economic Commission and the international agreements that are base for the Customs Union and Single Economic Space. The bodies of the Eurasian Economic Community are Interstate Council, Integration Committee, Commission of Permanent Representatives, Integration Committee Secretariat, Interparliamentary Assembly, Interparliamentary Assembly Bureau, Community Court of Justice.

### Interstate Council

It is the supreme body of the Eurasian Economic Community. The Council consists of the leaders of the member states. This Council evaluates the common principles in Community activities that have impact on member states, determine the strategies, directions for further integration. It takes decisions that purpose executing Eurasec goals and objectives. The Chairmanship of the Interstate Council is exercised rotatory by each member state of the Community, in Russian alphabetical order. The period of chairmanship is one year. These resolutions are implemented by the adoption of the necessary national normative legal

acts. The Interstate Council takes all of its decisions and approves resolutions by unanimous vote.

The Interstate Council approves resolutions on the undermentioned issues, regulation of common trade terms among the member states, unified customs policy of the Community related to the third parties, unification of customs regulations and procedure within the Community, harmonisation of the national legislation of member states.

The Interstate Council also gives assignments for the Integration Committee, addresses questions and recommendations to the EurAsEC Interparliamentary Assembly and the Court of Justice of the Community.

### Integration Committee

The Committee is a standing body of the Eurasian Economic Community which accounts for the Eurasec Interstate Council. The Integration Committee consists of the deputy heads of the governments of member states.

Integration Committee evaluates the issues of integration; it adopts resolutions by staying within the limits of its authority. In the same manner with the Interstate Council, The Chairmanship of the Integration Committee is exercised rotatory by each member state of the Community, in Russian alphabetical order. The period of chairmanship shifts to the next member state at the end of the year.

It evaluates the status and development trends of the integration processes in the Community, submits draft proposals of resolutions to Interstate Council for further integration and coordination of the customs policies. While it develops interstate investment projects in the economic, social realms, it also makes plans to take measures among the member states. It prepares proposals on granting an observer status to a state or international organization in Eurasec. When it is charged by the Interstate Council, it represents the Community at other international entities. It controls implementation of resolutions issued by the Interstate Council and the adoption of existing treaties. It also checks over the implementation of the Eurasec budget.

The Integration Committee shall take its decisions by a two-thirds' majority of votes. Where

four contracting Parties vote in favour of a decision, but there is still no two thirds majority, the issue is brought to the Interstate Council.



Figure 6.9 Eurasian Economic Community Education Committee Meeting, 6 October, 2011, Astana

### Commission of Permanent Representatives

The Eurasec Commission of Permanent Representatives is made up of representatives appointed by the leaders of the member states. These representatives function as ambassadors of their countries at Eurasec.

The commission coordinates and reconciles the member states' positions on such issues as strengthening cooperation and enhancing integration within the Eurasian Economic Community. It maintains interaction between the Community and appropriate bodies, institutions and organizations of the Community member states while also reviewing of positions and proposals of the Community member states on questions pertaining to cooperation and draft documents introduced at the meetings of the Eurasec Integration Committee. It also questions pertaining to the current work of the Community and resolutions taken according to them, examines proposals and inquiries received by the Community from the states with observer status, as well as from third party states and international organizations.

### Integration Committee Secretariat

The Secretariat gives informational and technical support to the Interstate Council and the Integration Committee. The Secretariat is headed

by the Secretary General, who gets appointed by the Eurasec Interstate Council and performs as the supreme administrative body of the Community. The duties of the Secretariat are organising the development of draft documents and programmes to consolidate the integration processes, preparing and approving draft resolutions issued by the Interstate Council, Integration Committee and Commission of Permanent Representatives, evaluating the progress in adopting resolutions of Eurasec bodies and treaties signed within the Community. It presents information on the issues under consideration to the meetings of the Integration Committee. The Secretariat is based in Almaty and Moscow. Its structure and number of personnel are determined by the Interstate Council resolution. The duties of its divisions and personnel distribution are also determined by the resolutions of the Integration Committee.

### Interparliamentary Assembly

The Interparliamentary Assembly of the Eurasian Economic Community (Eurasec IPA) is the body of parliamentary collaboration within the scope of the Eurasian Economic Community.

The Eurasec IPA does consist of deputies delegated by the each of the parliaments of Eurasec member states. The number of seats in parliamentary delegations at the IPA are: Belarus – 16 seats; Kazakhstan – 16 seats; Kyrgyzstan – 8 seats; Russian Federation – 42 seats; Tajikistan – 8 seats. The Chairman of the Assembly and his deputies are elected in a meeting of the IPA from the ranks of heads of parliaments of Community member states. The aims of the IPA are to form a legal base for the operation of the Eurasian Economic Community and harmonisation of the national legislations of Community member states, adjusting them with treaties that are in force within Eurasec for accomplishing the purposes of the Community.

Assembly aims at forming a coordinated Eurasec legal policy, coordination of legislative activities of the national parliaments to accomplish goals and objectives of Eurasec, assisting in forming organisational and legal conditions for harmonizing national legal codes of Community member states with treaties of Eurasec and organisation of interparliamentary cooperation.

## Community Court of Justice

The Community Court of Justice is tasked with settling disputes of the Parties in economic sphere related to the implementation of resolutions adopted by Eurasec bodies and treaties that are in force within the Community. The Eurasec Court of Justice began its operation on January, 1, 2012.



your turn <sup>4</sup>

What is the main difference in governance between Eurasec and European Union? How is this difference reflected in the decision making process?

## NAFTA - THE NORTH AMERICAN FREE TRADE AGREEMENT

Before NAFTA was signed, Canada and the United States were already developed economies and liberal democracies whereas Mexico had neither of these characteristics.

Following the World War II, Mexico started to apply protectionist policies in economy and adopted import-substitution industrialization policy, contrary to the export oriented growth approach. Mexico's policies aimed at gaining independence from American hegemony and promote domestic industrialization by means of statist and corporatist policies. However these economic policies caused a boomerang effect and Mexico faced a triple-digit inflation in 1980s while increasing its international debt. These factors led Mexico to liberalize its economic regime in 1985 and eliminate the protectionist policies. However, the wages in Mexico were still well below the levels in United States and Canada just before NAFTA was signed. The incompatibility between the wage levels caused criticisms towards a cooperation between Mexico and the U.S. The American business circles and union groups worried that massive job opportunities and investments would be lost to Mexico due to attraction of low level of wages and low costs from investors' perspective.



Figure 6.10

Mexico had to liberalize its economic regime as NAFTA suggested, contrary to the times where the leaders used to control and distribute state revenues without any external impact. On the other hand, the differences between the U.S. and Canada were quite small when compared to Mexico. Both states were liberal democracies and open economies. Although there were solid barriers to form a regional cooperation in North America, the political leaders insisted to reach a consensus realizing the potential benefits of integration.

The first step was taken by the President of the United States, Ronald Reagan, who proposed a "North American Agreement" to constitute a regional cooperation where he argued that common market was the future aim. In the 1980s, Mexico remained indifferent to the proposal where Canada and U.S. came closer and signed a set of agreements which ended up with signing of Canada-U.S. Free Trade Agreement in 1988. Following the agreement, Mexico was mobilized and declared that it would start negotiating for a regional cooperation which caused the beginning of NAFTA talks.

NAFTA was actually a free trade agreement, however, it functioned as a base for further integration. Initially U.S. President Bill Clinton insisted to implement environmental and labour protection related term to the agreement in order to show the American society that in case of signing a treaty, Mexico would not harm these two spheres. Thereby, NAFTA with its additional accords on labor and environment, was signed in 1993 and came into force by the 1<sup>st</sup> January, 1994.

The negotiations regarding forming the NAFTA were triggered in the term of George H. W. Bush

(father Bush) in March, 1991. Following fast-track negotiations, the main text of NAFTA was discussed throughout 1991 and 1992 by the leaders of three nations and signed in 1992 December. Bill Clinton, who came to office in U.S., called for additional discussion regarding environmental and labor rights that started in March 1993 and completed in August of the same year. Clinton signed the NAFTA Implementation Act on December, 8, 1993. Following the ratifications of the U.S., Canada and Mexico, the agreement came into force on 1<sup>st</sup> January, 1994.

NAFTA gradually removed most tariffs and other barriers on trading products and services among the United States, Canada and Mexico. The pact formed a free trade block among the three members. It guarantees a duty free access for a wide range of manufactured goods and commodities among the members. The goods that are imported by a NAFTA country from another, are regarded as “national” given such status. By this way, no administration, local or provincial government has a chance to impose any kind of tax on such goods.

NAFTA also aims at guaranteeing intellectual property rights among the member countries to avoid industrial theft. It also gives right to individual investors to sue any member state in case of a violation of the treaty. Besides the free trade agreement, additional agreements were signed in the labour market and environmental spheres.

NAFTA was influenced by the accomplishments of the European Economic Community that operated between 1957 and 1993 which accomplished removing tariffs to promote trade among its members. Supporters of such an idea claimed that forming a free trade area in North Africa would bring prosperity and wealth through enhancement of trade and production which would lead to the creation of jobs in all three sides. NAFTA has changed the political landscape in North America by forming a firm framework of free trade and economic cooperation by conducting economic transactions in a transparent and secure way in the region. The political institutions were also developed to perform these transactions. This functionalist process has been called as the “Europeanization” of North America since technical harmonization and domestic impacts caused demand for further institutionalization.

Beyond a typical trade agreement, NAFTA involves a competition law, intellectual property, investment, and government procurement. By implementing these factors, which required sacrifice from national sovereignty to a certain limit, NAFTA gained a supranational feature.

NAFTA's impacts can also be seen in political sphere. Leaders of the three partner countries collaborated on a wide range of issues from terrorism, mostly after the terrorist attacks in 2001, to NAFTA superhighway running from Canada to Mexico. It is apparent that, when compared to post World War II period, regional cooperation with Mexico was grown dramatically.

Another impact of NAFTA has been the model it provided for the Latin America continent. Central America, Chile and the Caribbean have signed free trade agreements with NAFTA. This gave rise to relatively poor countries in Latin America a roadmap for development and democratization to a certain limit. These countries had to open their economies when they gained access to larger markets which paved the way for political development and accountability.

If one day, the dream of Mexican President Vicente Fox comes true, NAFTA would gain a more comprehensive dimension. The vision of Fox is beyond the free movement of goods and services but also free movement of citizens. Fox suggests a community of nations or a North African common market where a common currency is used and unified long term fiscal policies are implemented in a period of 20-40 years.

However, when 45<sup>th</sup> President of the U.S., Donald Trump, took office, he revealed his negative approach to NAFTA. On May 18, 2017, Donald Trump Administration sent a 90-day notification to the Congress of his demand of renegotiating NAFTA with Canada and Mexico as 2015 Trade Promotion Authority suggests. Trump Administration also started to consult with the Members of Congress on the scope of negotiations. Besides, President Trump several times gave signals that the U.S. may withdraw from the agreement in case of unsatisfactory results came out from negotiations. On the other hand, Mexico claimed, if NAFTA is to be renegotiated, security, counter-narcotics and transmigration issues should also be

covered in the talks. In a similar manner with the U.S., Mexico also stated that it may withdraw from the agreement in case negotiations do not result favorable to itself.



Figure 6.11

## Criticisms

Besides the positive sides of NAFTA, there are some circles looking from a negative perspective. Accordingly, NAFTA is leading a “deindustrialization” in the U.S. due to the fact that manufacturing oriented jobs migrate to Mexico. Besides, NAFTA is criticized by turning Mexico into an import oriented state where American goods dominate the Mexican market. The reaction focuses on impoverishment of rural regions where cheap subsidized American imports eliminate local Mexican producers. Moreover in Canada, the main criticism is the cultural hegemony of the United States and the American impact on Canadian media companies. These criticisms show that regional organizations come with costs and benefits.

The critics also argue that multinational corporations would seek to enhance their profits at the expense of the ordinary citizens such as personnel and consumers. Opposition elements claim that rules imposed by NAFTA may undermine locally elected governments by forbidding them from passing laws and regulations to protect the public interest. Moreover, it is argued that NAFTA would show negative impact in environmental and health standards, encourage the privatization and deregulation of main public services and eliminate family farmers in partner countries.

## Structure

NAFTA’s structure of governance is simple and its agreements created various bodies in three general categories: ones that are emerged within NAFTA, ones emerged by trilateral agreements between United States, Canada and Mexico and lastly those emerged by a bilateral agreement between the United States and Mexico. The agreements suggest an organizational structure headed by a commission or board of directors consists of government ministers from member states to execute the terms of the agreements. NAFTA’s structure of governance is simple and based mainly on two bodies that are Free Trade Commission and the Secretariat.

### Free Trade Commission (FTC)

The Free Trade Commission, designated by NAFTA to supervise the implementation of the agreement has no permanent location or personnel and conducts its meeting in three member countries rotatively.

The Free Trade Commission is the supreme body of NAFTA which supervises NAFTA’s performance and evolution. It also aims at settlement of disputes. The Commission involves the U.S. Trade Representative, the Canadian Minister for International Trade and the Mexican Secretary of Commerce and Industrial Development. The daily activities of FTC are conducted by expert working groups and committees. This authority was given to Free Trade Commission to oversee, resolve and supervise the work of all committees and working groups founded under NAFTA.

FTC also exercises power to establish, delegate, seek advice of nongovernmental groups and take action. The authority of FTC can be based on three branches that are technical, specific and obligatory. The FTC functions by consensus and has no authority to amend NAFTA rules and regulations.

### The Secretariat

The Secretariat functions as an administrator for the Free Trade Council and it is organized on a national basis, with each of the three partners. The Secretariat is located in various locations. It is made up of the permanent national section offices based in Mexico City, Ottawa and Washington

each headed by a Secretary appointed by the government of partner country. The partner states are responsible from supporting and funding their own personnel. Operationally, the secretariat assists and supports the FTC, by its dispute panels, committees, and working groups. The aim of the Secretariat is resolving trade disputes between national industries and governments based on NAFTA mechanisms. When the Free Trade Council charges the Secretariat by administrating a trade dispute panel, it should perform accordingly. In other words, Secretariat is not able to operate independently, but it implements the decisions taken by the Free Trade Council.

The national secretariats are complemented by a NAFTA Coordinating Secretariat located in Mexico. It was constituted on 14th of January, 1995. The main goal of the central secretariat is to support and assist labor and environmental issues that fall under NAFTA.

### Other Bodies

The Commission for Environmental Cooperation is a trilateral body emerged by the North American Agreement on Environmental Cooperation. It is based in Montreal city of Canada.

The Commission for Labor Cooperation is a trilateral body emerged by the North American Agreement on Labor Cooperation which is based in Dallas city of the USA.

The board of directors of the Border Environment Cooperation Commission was created by a bilateral agreement between the United States and Mexico. It is based in Ciudad Juarez city of Mexico.

The Board of the North American Development Bank (NADBank) was created by a bilateral agreement between the United States and Mexico. It is located in San Antonio, Texas, USA.



your turn <sup>5</sup>

Considering that Mexico was an undeveloped country, a nondemocracy and that the United States had already signed a treaty with Canada, what would be the main motivation of the United States to extend such an agreement with Mexico?

## MERCOSUR – COMMON MARKET OF THE SOUTH

MERCOSUR, *Mercado Común del Sur* in Spanish or Common Market of the South, is a trading and political bloc of currently 5 countries in South America: Argentina, Bolivia, Brazil, Paraguay and Uruguay.

All member states form a total area of 13.8 million km square and a population of almost 300 million with a collective GDP estimated USD 3,5 trillion.

It is a process of regional integration put into action by Argentina, Brazil, Paraguay and Uruguay in 1991 with the signing of Treaty of Asunción, which was modified by 1994 Protocol of Ouro Preto. MERCOSUR was created in an atmosphere where longtime rivals, Argentina and Brazil, were aiming at developing bilateral relations. Today the old rivals operate together forming % 95 of both the bloc's GDP and population. For some critics, Mercosur functions as a trade shield for Brazil and Argentina which secures them from international competition. The bloc accomplished considerable success and enlarged the trade volume among the members ten times in the 1990s. Nevertheless, there is the criticism that MERCOSUR could not able to integrate the region in real sense. There are also doubts on the bloc's commitment to democracy. Paraguay, whose membership was suspended in 2012, and Venezuela, who was suspended indefinitely in 2016 for violations of the rules of democracy, showed the different points of view within the bloc regarding democracy. Lastly, Bolivia adhered to Mercosur in 2015.



Figure 6.12

MERCOSUR was created in 1991 aiming at forming a Common Market, which suggests free circulation of goods, services and factors of production among member states. Besides, it aimed at establishing a common external tariff and adoption of a unified trade policy towards

third parties, coordination of macroeconomic and sectoral policies and commitment to harmonizing legislations in pertinent areas.

MERCOSUR members target forming a common market as in the case of European Union and even consider at passing a common currency as Argentina's President at the time, Carlos Menem, suggested in 1998. The citizens of the member countries are able to live and work anywhere within the bloc. In 1994, the member states signed the Protocol of Ouro Preto which officially determined its status as a customs union. By the Protocol of Ouro Preto, MERCOSUR became an international organization with a legal entity under international law. In 1994, the four members formed a free trade area among themselves where they reached a consensus on a common external tariff (CET) by 1995.

Venezuela joined Mercosur in 2012 as the fifth full member, however it was suspended at the end of 2016. The founder four have a combined gross domestic products (GDP) of almost USD 2,9 trillion, that makes it one of the world's largest economic blocs coming after NAFTA and EU.

The relatively small members concern about the Brazilian dominance in MERCOSUR. Besides that, many Paraguayans argue that their culture is gradually going under Brazilian domination. On the other hand, other MERCOSUR member are not satisfied with the fact that the U.S. and Paraguay cooperate in the securitywise issues. Former U.S. Secretary of Defense, Donald Rumsfeld's visit to Paraguay in 2005 caught criticism of Bolivia since it fought a war with Paraguay between 1923 and 1935. In a similar manner, Brazil was not pleased as it was expressed by Brazil's Foreign Minister at the time who argued that Paraguay should make its choice between MERCOSUR and other potential partners implying the U.S.

On the other hand, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname are the associate members of MERCOSUR. In other words, all ALADI members are associates of MERCOSUR in addition to Guyana and Suriname. Since MERCOSUR conducted free trade agreements with associate members, they enjoy certain tariff reductions in their trading activities with MERCOSUR full members. However, they do not have voting right or free access to national markets of full members.

## Structure

The Protocol of Ouro Preto established three decision making bodies: are the Common Market Council (CMC), the Common Market Group (GMC) and the MERCOSUR Trade Commission (CCM). A set of subordinate bodies are dependent on these three main bodies. Moreover, the Protocol of Ouro Preto created other bodies of representative and consulting nature such as the Joint Parliamentary Commission, which later replaced by the MERCOSUR Parliament and the Economic and Social Consulting Forum. The logistic and technical support oriented body is the MERCOSUR Secretariat. Besides these, a trade commission, a parliament also known as Parlasur, which functions as an advisory role, and the Structural Convergence Fund that coordinates the regional infrastructure projects were established.

### Common Market Council (CMC)

The primary body of MERCOSUR is the Common Market Council which consists of member states' ministers of foreign affairs and finance. It is a high level platform for coordinating foreign and economic policies. The presidency of the group rotates in every six months among the member states.

It takes the decisions to guarantee the enforcement of MERCOSUR's rules and objectives. It is integrated with the Foreign Relations and Economy Ministries of each member state. The Council gathers whenever it is necessary but not less than once a year with the participation of all Presidents of the member states. The Chairmanship of the Council rotates among the member states in alphabetical order, for a six-month period. The Council fosters necessary actions for the constitution of MERCOSUR. It holds Mercosul's legal personality. The Council is responsible for negotiating and signing the agreements with the third parties on behalf of MERCOSUR. It has the authority to delegate same function to the Common Market Group in particular cases. It may create additional bodies if necessary and indicates the director of Mercosul's Administrative Secretary. It evaluates the proposals brought by the Common Market Group and takes decisions on economic matters.

### Common Market Group (GMC)

It is the superior executive organ of MERCOSUR. GMC is made up of four nominal members and four alternates that represent the Foreign Relations Ministry, the Economy Ministry and the Central Bank of each member state. It gathers periodically once in every three months.

Among the duties of GMC are observing MERCOSUR's activities within the limits of its authority, proposing decision projects to the Common Market Council, determining working programs that assure the progress of the Common Market settlement. It creates bodies, such as working subgroups and conducts specialized meetings for the fulfillment of its objectives. It approves the budget and the annual account presented by the Administrative Secretary and takes decisions on financial matters based on its chagement by the Common Market Council. The GMC organizes the Common Market meetings and prepare requested reports. It also elects and supervises the activities of the Director of the Administrative Secretary of Mercosul.

### Trade Commission (CCM)

It is made of four nominal members and four alternates of each member state, all coordinated by the Foreign Relations Ministry. It gathers at least once a month by request of the Common Market Group or of any of the member states. Its main functions are observing the application of the common instruments of the inter-Mercosul commercial policy and its application against the third parties, international entities, establishing the technical committees necessary for the adequate fulfillment of its functions, as well as directing and supervising their activities.

### Secretariat

It is based in Montevideo and has its own group of international officers, selected through international public competitive examinations among the citizens of member states. The Secretariat is made up of a Management Office, a Coordination Office and five sectors (Administration, Support, Technical Advisory, Computing and Regulations, Documentation and Dissemination).

It also includes a Technical Unit of International Cooperation, the a Technical Unit of Education. The bodies such as Permanent Review Court, Mercosur Parliament (PARLASUR), the Social Institute of MERCOSUR, the MERCOSUR High Representantive General and Social Participation Support Unit also operate under the MERCOSUR Secretary.

The Secretariat is headed by a Director that is elected by the Common Market Group after consulting to the member states. The Council is responsible for its designation for a 2-year term. The reelection of the Director for a second term is restricted.

The Secretary is responsible for keeping all MERCOSUR's documentation, it publicates and distributes the decisions taken within Mercosur. It organizes meetings of Common Market Council, Common Market Group, Trade Commission while supporting them logistically. Besides this, it fulfills the duties given by the Common Market Council, the Common Market Group and by MERCOSUR's Trade Commission. The secretary prepares its budget upon approval of the Common Market Group and spend accordingly.



Figure 6.13 Secretariat of the MERCOSUR, Montevideo

### MERCOSUR and Democracy: Cases of Paraguay and Venezuel

One of the Mercosur's primary goals was to sustain democracy in the region considering the fact that all founding members were transformed from dictatorships in the 1980s. When the members signed the Ushuaia Protocol on Democratic Commitment in 1998, they all agreed that "the full force of democratic institutions is essential" for MERCOSUR members' integration. Besides that, a "rupture in democratic order" would result in suspension of the membership.

MERCOSUR members triggered the protocol in 2012 which ended up with Paraguay's suspension from Mercosur. It was officially claimed that President Fernando Lugo was toppled from the rule unfairly following his opponents blaming him by mishandling a fatal conflict among the farmers and low enforcement. However, the critics of this decision argued that Paraguay's suspension, which was lifted in 2013, was a political move of Brazil. Accordingly, Paraguay's new center right administration was blocking Venezuela's joining the group, and Brazil was inclined to Venezuela's joining the Mercosur. Paraguay's suspension eliminated its authority to veto Venezuela's joining so that it became a member state.

Brazil supported Venezuela's joining to to the Common Market in 2012, arguing that Mercosur's enlargement to a country that has vast hydrocarbon reserves would turn Mercosur into a "global energy power". However, by 2016, decline of oil prices, misdirection of economy, and increasing authoritarian tendencies led Venezuela to find itself in a humanitarian crisis. Nicholas Maduro, the President of Venezuela, faced serious protests that called for his removal from the office. He arrested opposition elements, its leaders and utilized the courts as a tool to weaken the opposition-led congress.

Besides that, Venezuela failed to harmonize with many of MERCOSUR's trading regulations. MERCOSUR suspended Venezuela at the end of 2016 and claimed that Maduro government violates human rights and MERCOSUR's trading rules. In August 2017, the suspension became indefinite. Mauricio Macri, Argentine President, called Venezuela to liberate political prisoners and ensure free and fair presidential election in 2018.

Besides Venezuela, the political atmosphere in Brazil was not smooth due to the corruption investigations opened in 2014 related to hundreds of regions' political and business figures. On the other hand, the commodity prices decreased and misdirection of economy caused recessions in the region. Brazil's economy grew negatively 4 % in 2016 where Venezuela's economy shrank by 19 percent. Argentina was also in recession in 2016 with 2 % where Paraguay and Uruguay, the smaller MERCOSUR members in terms of economy, grew 4 % and 2 % respectively.



your turn <sup>6</sup>

Considering the commitment of MERCOSUR to democracy and passed taken actions towards antidemocratic movements, how does it balance its scope among economy and democracy? Did the democracy commitment bring economic success?

## ASEAN - ASSOCIATION OF SOUTHEAST ASIAN NATIONS



Figure 6.14 National flags of countries member of ASEAN

ASEAN consists of 10 member states with a combined GDP of more than USD 2,55 trillion in 2016, which makes it the world's 6<sup>th</sup> largest economy if it were a unified nation. The combined population of ASEAN is 635 million which coincides 8,7 % of the world's total population that is the third largest following China and India. It covers a total area of 4,5 million square km.

ASEAN took the place of the Association of South East Asia (ASA), which was formed by the Philippines, Thailand and the Federation of Malaya (Malaysia for the moment) in 1961. It mainly focuses on economic cooperation, encourages trade among ASEAN member countries while also promoting trading activities between ASEAN and the rest of the world. It also suggests joint research and development projects among the member states.

Over the past 50 years, ASEAN functioned as an integrated economic community aiming at increasing Southeast Asia's wealth and prosperity.

ASEAN was founded on 8<sup>th</sup> August, 1967, when the ministers of the five founding states, Indonesia, Malaysia, the Philippines, Singapore and Thailand, came together in Bangkok and signed the Asean Declaration, also known as Bangkok Declaration. It aimed at accelerating economic growth, social progress, cultural development and promoting peace and security in the Southeast Asia. Brunei joined ASEAN in 1984, who was followed by Vietnam in 1995. Laos and Myanmar became members in 1997, and Cambodia in 1999.

## Structure

After a short span of time, the world faced two oil crises while also experiencing a food crisis due to the falling of grain production. These crises motivated ASEAN's five founding members to step up to increase production and secure reliable supplies of basic commodities to support the food producers in the region. On the other hand, institutional development started.

To take concrete measures, the First Asean Economic Ministers Meeting (AEM) took place in November 1975. AEM functions as the primary decision making platform for economic cooperation. During the 1970's, some other instruments were put into action such as ASEAN Committee on Science and Technology (founded in 1978), ASEAN Chambers of Commerce and Industry (founded in 1972), ASEAN Council on Petroleum (founded in 1975), Sub-Committee on Tourism (founded in 1977), Committee on Transportation and Communications (founded in 1977) and ASEAN Swap Arrangement (founded in 1977).

Besides these, the first meeting of the ASEAN Agriculture Ministers took place, and the ASEAN Agreement on Food Security Reserve was signed in 1979. By this way, cooperation was deepened across various sectors, which brought the requirement for an administrative organ that would coordinate, support and monitor the implementation of Asean

projects. For this purpose, the Asean Secretariat, that is based in Jakarta, founded in 1976. It is headed by a secretary-general for a 5-year term. The current Secretary General of Asean is Paduka Lim Jock Hoi, a Bruneian government official. Other than the secretariat, a number of committees including technical committees on finance, agriculture, industry, trade and transportation function along the line of Asean's aims. The committees are complemented by working groups headed by experts and particular organizations from private sector.

The Asean Charter came to force in December 2008, which designates the functioning of various ASEAN bodies. The Chairmanship of Asean rotates annually among the Member States. The same goes for most of the ASEAN bodies.



Figure 6.15

## The ASEAN Summit

It is the supreme policy-making body of the organization. It holds its meetings twice a year which gathers Heads of States or Government of ASEAN member countries. The Summit also functions as an international conference where the world leaders attend the related summits and discuss various issues on strengthening cooperation.

The summits bring the heads of states of the Asean member countries together. On the other hand, the foreign ministers gather annually. Asean conducts its relations with other countries by Asean+3, which brings heads of state of Asean members and leaders of China, the Republic of Korea and Japan together in annual meetings. In a similar manner, Asean+6 involves Asean Plus Three and Australia, India, New Zealand. Plus Six, Russia and United States gather around a table.



Figure 6.16 ASEAN2018 Organising Committee, 21st ASEAN Coordinating Council (ACC) Meeting

### ASEAN Coordinating Council

It is the secondary body in ASEAN which consists of ASEAN Foreign Ministers. As in the case of ASEAN Summit, the Coordinating Council gathers twice a year. It takes decisions regarding the ASEAN's engagement with other entities at the international level. ASEAN Community Councils include; ASEAN Political-Security Community Council, ASEAN Economic Community Council and ASEAN Socio-Cultural Community Council. These three councils consist of a representative from each ASEAN member state in the ministerial level. The Councils coordinate and track the activities of various sectoral bodies to achieve the objectives of ASEAN. Each Community Council gathers twice a year. The Councils have to adopt and implement ASEAN Summit decisions where they may prepare and submit recommendatory reports to the Summit for consideration.

### The ASEAN Sectoral Ministerial Bodies

It gathers the ministers on particular sectors. Labour ministers or ministers of agriculture from ASEAN member states constitute separate sectoral ministerial bodies. They are charged with contributing to the cooperation on their sector, implementing decisions of the ASEAN Summit and submitting reports to the Community Councils.

### The ASEAN Intergovernmental Commission on Human Rights (AICHR)

AICHR was created in October 2009 by the ten AICHR Representatives, one appointed from each Member State. It was inaugurated at the 15th ASEAN Summit in Thailand. AICHR Representatives come from various backgrounds and serve a three-year term of office. The Terms of Reference (TOR) which involves 14 mandates and function of AICHR was adopted in July 2009 at the ASEAN Foreign Minister Meeting. Accordingly, the main purpose of AICHR is to promote human rights and fundamental freedoms of the peoples of ASEAN. It is a consultative body which does not have the authority to make judgments.

### ASEAN Dialogue Partners

ASEAN Dialogue Partners are states or international organizations with whom Asean conducts relations on a formal basis. There 10 dialogue partners of ASEAN for the moment that are Australia, Canada, China, the European Union, India, Japan, New Zealand, South Korea, Russia and the United States of America. Besides these partners, United Nations Development Program also holds a dialogue status whereas Pakistan is a sectoral dialogue partner. ASEAN conducts free trade agreements with most of the dialogue partners and holds periodical meetings with the 10 partners such as Asean +3 or Asean +6.



your turn <sup>7</sup>

Explain the main focuses of ASEAN on non-economic issues and its tools besides the economic activities conducted within the bloc and internationally. Considering the daily politics and tensions in the region what would be the main agenda of ASEAN's noneconomic efforts and also the primary source of disputes among the members?

## LO 1

Describe and evaluate the motivations behind the emergence of European Union and explain its decision making process.

European Union is a regional organization consisting of 28 European states that aims at implementing a common economic, social, and security policies. Originally created in western Europe, the EU expanded towards central and eastern Europe following the end of the Cold War.

The Maastricht Treaty, also known as the European Union Treaty, was signed at 7th of February and came into force in 1993. While this treaty established the European Union in today's context, it also enhanced the authority of the European Parliament in the decision making process and created new areas of cooperation.

The Lisbon Treaty was signed on 13th December, 2007, and came into force in 2009. This treaty simplified the operation modes and voting system. It created an office for a full time Presidency of European Council for a period of 2,5 years which is selected by the leaders of the Member States from a pool they create. On the other hand, it formed a position called High Representative of the Union for Foreign Affairs and Security Policy who would be responsible for a common and security policy. The Lisbon Treaty mainly aimed at turning the EU to a more influential actor in the global arena by creating new structures.

## LO 2

Clarify the main focus of ALADI, its position in the global order and its background.

The Latin American Free Trade Association (LAFTA) was created in the 1960 Treaty of Montevideo by Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay. The founders aimed at forming a common market in Latin America and proposed tariff reductions among the member states. It came into effect in 1962 whose main goal was to remove all duties and restrictions on trading activities between each other in 12 years. However, the agreement had important restrictions. For instance, it only includes the goods but not the services. On the other hand, it did not suggest coordination of policies. When compared to European Union, economic and political integration was limited. In 1970, LAFTA included four other Latin American nations, Bolivia, Columbia, Ecuador and Venezuela. ALADI is the ultimate phase of an integration process started in the late 1950s. In 1980, LAFTA was reorganized and turned into Latin American Integration Association (ALADI). Its main focus was maintaining the economic and social development of the Latin American region by regional specialization and attraction to new investment to the region. The motivation was "the gradual and progressive formation of a Latin American common market."

LO 3

Explain the goals and economic size of Andean Community, evaluate the primary motivations to form a Customs Union among particular South American states.

Andean Community is a trade bloc which aims at forming a customs union among the South African countries of Bolivia, Colombia, Ecuador and Peru. By 2018, the Community has approximately 110 million of population in 3,809,100 square kilometers with a combined GDP (sum of GDP's of all members) of USD 608 billion. The average GDP per capita among the Andean Community members is USD 5,621.

The economies of Andean member countries, Colombia, Venezuela, Peru, Ecuador, Bolivia and Chile, were mostly based on agricultural output and raw materials. While these countries show lack in industrialization, they used to lean on imported manufactured goods from the U.S. and Europe. They started an integration process to break through in economic terms and gradually formed the organization of Andean Community.

LO 4

Reflect your knowledge and perspective on political economy of Eurasia. Analyze EurAsEC and its impact on the Eurasian economy.

The Eurasian Economic Community (EAEC or EurAsEC) is a regional organization which aims at forming a Customs Union, Common Economic Space among the member states and coordinate the actions of the member states into the world economy. It primarily based in northern Eurasia. It focuses on enhancing the integration in economic and social realms.

The organization, which has a legal entity, was founded in harmony with the United Nations principles and the international law. The Community and its officials practice certain privileges and immunities to conduct their activities within the scope of the Treaty of Establishment of Eurasec and other treaties effective in the Community. Since 2003, Eurasec has a status of observer at the UN General Assembly. The headquarters of the Community are located in various cities that are Almaty, Minsk, Moscow and St. Petersburg. The secretary general of the organization is Tair Mansurov, a former ambassador of Kazakhstan to Russia. The citizens of the member states are granted to move freely to the other states

## LO 5

Explain NAFTA's path to its emergence and make distinctions between Mexico at one side and the United States and Canada at the other from economic and political perspectives, with the knowledge of the factors that triggered these three countries to sign an economic agreement.

NAFTA's principal provisions suggest gradual reduction of tariffs, customs duties and other barriers on trade between the three members. Starting with eliminating certain tariffs, NAFTA gradually removed most of the barriers in 15 years. It guarantees a duty free access for a wide range of manufactured goods and commodities among the members. The goods that are imported by a NAFTA country from another, are regarded as "national" given such status. By this way, no administration, local or provincial government has a chance to impose any kind of tax on such goods.

A free trade agreement was signed between Canada and the U.S. in 1988. What NAFTA brought was extending the provision of ongoing free trade agreement to Mexico. NAFTA was negotiated by Bush, Canadian Prime Minister Brian Mulroney and Mexican President Carlos Salinas de Gortari, who reached a consensus in August 1992 and signed the Agreement on 17th of December in the same year. Following the ratification of it in each three countries in 1993, it came to force by 1st of January, 1994.

## LO 6

Narrate on Southeast Asian Nations and their goals in forming ASEAN, its trading activities and areas of cooperation.

Mercosur, Mercado Común del Sur in Spanish or Common Market of the South, is a trading and political bloc of currently 5 countries in South America: Argentina, Bolivia, Brazil, Paraguay and Uruguay.

All member states form a total area of 13.8 million km square and a population of almost 300 million with a GDP estimated USD 3,5 trillion.

It is a process of regional integration put into action by Argentina, Brazil, Paraguay and Uruguay in 1991 with the signing of Treaty of Asunción, which was modified by 1994 Protocol of Ouro Preto. Mercosur was created in an atmosphere where longtime rivals, Argentina and Brazil, were aiming at developing bilateral relations. The bloc accomplished considerable success and enlarged the trade volume among the members ten times in the 1990s. Nevertheless, there is the criticism that Mercosur could not able to integrate the region in real sense. There are also doubts about the bloc's commitment to democracy. Paraguay, whose membership was suspended in 2012, and Venezuela, who was suspended indefinitely in 2016 for violations the rules of democracy, showed the different points of view within the bloc regarding democracy. In 2015, Bolivia adhered to Mercosur.

L07

Discuss the roots of MERCOSUR, compare it with the other regional organizations in terms of its economic size, governance structure and common principles.

ASEAN consists of 10 member states with a combined GDP of more than USD 2,55 trillion in 2016, which makes it the world's 6th largest economy if it were a unified nation. The combined population of ASEAN is 635 million which coincides 8,7 % of the world's total population that is the third largest following China and India. It covers a total area of 4,5 million square km.

ASEAN took the place of the Association of South East Asia (ASA), which was formed by the Philippines, Thailand and the Federation of Malaya (Malaysia for the moment) in 1961. It mainly focuses on economic cooperation, encourages trade among ASEAN member countries while also promoting trading activities between ASEAN and the rest of the world. It also suggests joint research and development projects among the member states.

1 European Union was initially based on the idea to coordinate the ... in the Western Europe

Which of the following options correctly completes the sentence above?

- a. coal and steel sectors
- b. agriculture sector
- c. food and Beverage sector
- d. finance sector
- e. service sector

2 How many members does the European Commission have?

- a. 7
- b. 15
- c. 28
- d. 300
- e. 751

3 The predecessor of ALADI aimed at enhancing prosperity by ...

Which of the following options correctly completes the sentence above?

- a. importing substitution industrialization
- b. regional specialization and attraction to new investment to the region
- c. mercantilist policies
- d. statist economic policies
- e. applying unified foreign and domestic policies

4 Which one is the supreme body of ALADI?

- a. The Council of Ministers of Foreign Affairs
- b. The Evaluation and Convergence Conference
- c. The Secretariat
- d. The Committee of Representatives
- e. Secretary General

5 Andean Community is a trade bloc which aims at forming a customs union among the ... countries

Which of the following options correctly completes the sentence above?

- a. South African
- b. North African
- c. South East Asian
- d. Western European
- e. South American

6 Which of the below organisation was founded by Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan with the purpose of enhancing the integration in economic and social realms?

Which of the following?

- a. ANDEAN Community
- b. NAFTA
- c. EurAsEC
- d. ALADI
- e. MERCOSUR

7 The supreme body of the Euresan Economic Community is ...

Which of the following?

- a. The EurAsEC Interstate Council
- b. The EurAsEC Integration Committee
- c. The EurAsEC Commission of Permanent Representatives
- d. The EurAsEC Integration Committee Secretariat
- e. The EurAsEC Interparliamentary Assembly

8 NAFTA was signed among two economically developed democracies and underdeveloped non-democracy which are...

Which of the following?

- a. Britain, France – Poland
- b. Holland, Spain – Lithuania
- c. United States, Canada – Mexico
- d. Japan, South Korea – Vietnam
- e. South Africa, Nigeria – Libya

9 The dominant countries of MERCOSUR, which was created to bring the long time rivals together, are ...

Which of the following?

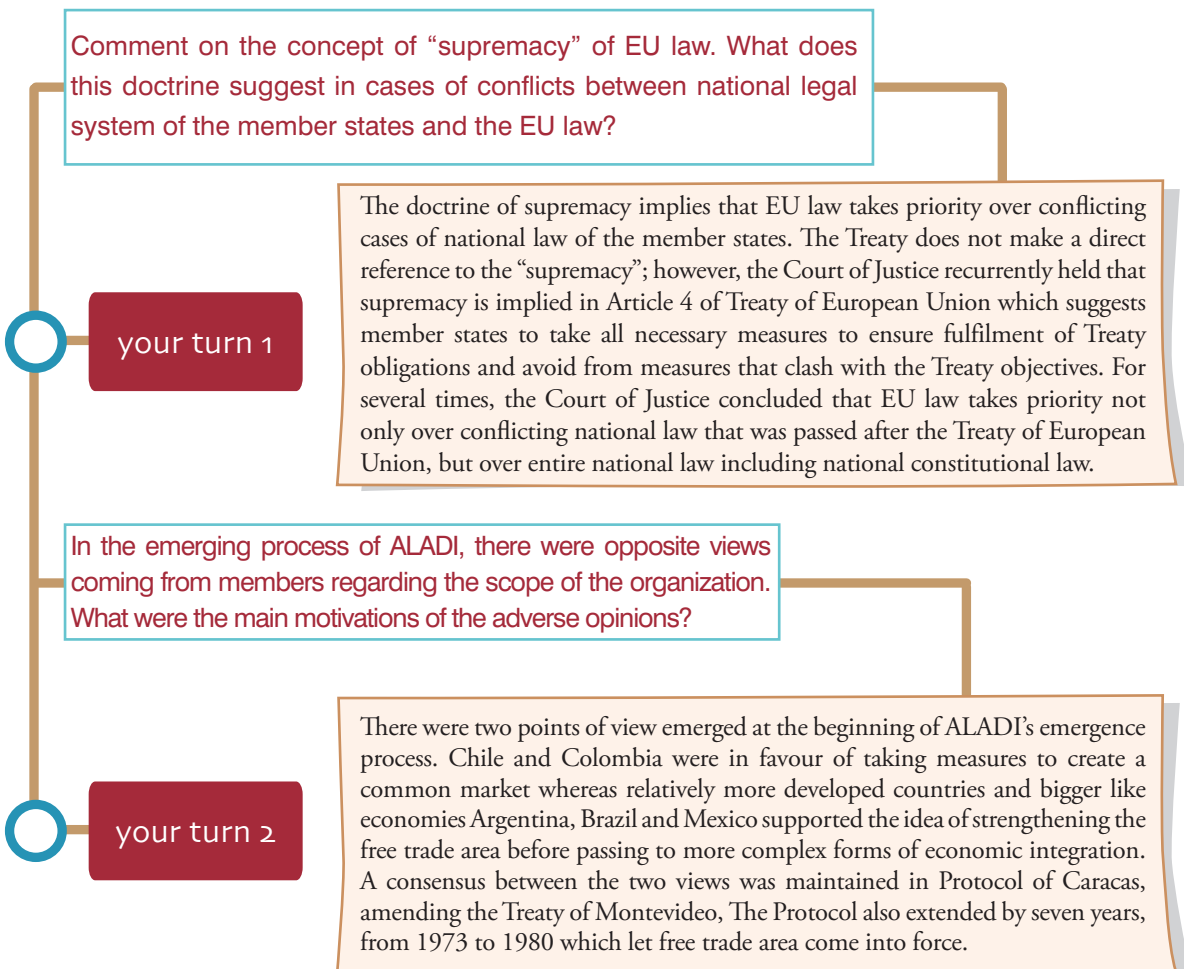
- a. North Korea – South Korea
- b. Argentina – Brazil
- c. Canada – United States
- d. France – Germany
- e. India – Pakistan

10 The name of the organization founded in South East Asia, which focuses on economic cooperation, encourages trade among its member countries while also promoting international trade with nonmembers is ...

Which of the following?

- a. ALADI
- b. ASEAN
- c. MERCOSUR
- d. ANDEAN Community
- e. EurAsEC

1. a	If your answer is incorrect, review the section on “European Union”	6. c	If your answer is incorrect, review the section on EurAsEC
2. c	If your answer is incorrect, review the section on “European Commission”	7. a	If your answer is incorrect, review the section on The EurAsEC Interstate Council
3. b	If your answer is incorrect, review the section on “ALADI”	8. c	If your answer is incorrect, review the section on “NAFTA”
4. a	If your answer is incorrect, review the section on “The Council of Ministers of Foreign Affairs”	9. b	If your answer is incorrect, review the section on “MERCOSUR”
5. a	If your answer is incorrect, review the section on “ANDEAN Community”	10. b	If your answer is incorrect, review the section on “ASEAN”



Discuss the major transformation of ANDEAN Community passed through since its foundation.

your turn 3

Initially in 1969 when a number of South American states signed the Cartagena Agreement or the ANDEAN Pact, the main motivation was promoting trade, creating jobs within the Community and ultimately form a Latin American common market. In the mean time, Community's scope was suggesting a protectionist economic policy towards non ANDEAN countries. By this way, the member states would only develop themselves by keeping indifferent to the international economic opportunities. However in three decades, the Community gradually faced a major transition from an inward-looking integration based import substitution industrialization policy to an open regionalism. This shift was accomplished by the top leaders of the time. By this way, liberalization of trade in goods, synchronizing the trading policies against the third parties came to force to a certain limit. When the member states opened their economies, they faced the consequences of the globalization which paved the way for institutionalization of the organization. The required institutionalization was accomplished through a series of Protocols such as Trujillo and Sucre an which formed what we know as ANDEAN Community and the Andean Integration System today.

What is the main difference in governance between Eurasec and European Union? How would the difference is reflected to the decision making process?

your turn 4

The European Union, where the governance is based on majority voting, the decision making process operates relatively smooth whereas in the case of EurAsEC, the unanimity vote is required in the Interstate Council which led a couple of deficiencies in the Eurasion Customs Union. This is an important barrier to form a unified trading policy, which is the base for Customs Union. By this way, each member state takes its decision separately. Economic fluctuations, dependency on outside economic and political actors and pressure from international organizations such as IMF led the member states to act independently because of the unique conditions. Besides that, inconsistencies among the national legal framework of the member states and lack of coordination end up with actings of members independently from their partners.

Considering that Mexico was an undeveloped country, a nondemocracy and that the United States had already signed a treaty with Canada, what would be the main motivation of the United States to extend such an agreement with Mexico?

your turn 5

NAFTA did not primarily focus on freeing of trade. Rather, it was a foremost example of the “new regionalism” which was given as a response to globalization by the United States. The concept of new regionalism came out of uneven globalization of production, finance and markets to fight with negative consequences of globalization. Moreover, NAFTA points the concept of new regionalism where United States avoids possessing a hegemony over its periphery but rather forms economic alliances to spread the benefits of the globalization process. In the old regionalism, the trading among the member states was promoted whereas trading with nonmembers was discouraged due to protectionist policies. However, after the end of the Cold War, the newly emerged organizations gained a new dimension when compared to the ones that were established following the World War 2. Since the United States was the leading actor that promotes globalization and free market economy by implementing it to its foreign policy, conducting a free trade agreement with Mexico alongside Canada would show the U.S’ belief on globalization.

Considering the commitment of MERCOSUR to democracy and passed taken actions towards antidemocratic movements, how does it balance its scope among economy and democracy? Did the democracy commitment bring economic success?

your turn 6

As explained in the chapter, MERCOSUR has a particular interest in democratic type of governance of its member states. However, it is hard to say that this is reflected positively to the economic figures. By some analysts, MERCOSUR’s regional integration is named as “ceremonial regionalism” and “integration fiction”. Although MERCOSUR took action to seek a political solution in Bolivia’s domestic political crisis, and suspended Venezuela for its antidemocratic political outlook, the integration among its member states could not be deepened. The emergence of MERCOSUR helped Argentine and Brazil turn their longtime rivalries into cooperation; however, the figures show that the integration in economic sphere remained limited. The total of trading activities between MERCOSUR members dropped from 25 % in 1998 to almost 10 % in 2012. Besides, the volume of trading activities of member states with nonmember states are almost 6 times greater than the intra-block trade in 2005. This underlines the weakness of integration and shows that the member states turn their focus to international trade.

Explain the main focuses of ASEAN on non-economic issues and its tools besides the economic activities conducted within the bloc and internationally. Considering the daily politics and tensions in the region, what would be the main agenda of ASEAN’s noneconomic efforts and also the primary source of disputes among the members?

your turn 7

Besides its economic activities, ASEAN involves a wide range of issues regarding security challenges including border disputes, human trafficking, natural and manmade disasters, food security, cross-border terrorism and insurgencies. ASEAN created a set of bodies to deal with noneconomic affairs such as ASEAN+3 and ASEAN Regional Forum. Although the diplomatic forums and platforms are created, conflicts among the members on security issues usually prevent ASEAN to form a unified stance regarding the Southeastern politics. The most distinct and solid challenge for ASEAN is forming a common policy against the rise of China. China’s reemergence as a global power and its rise in the East Asia region show impact on ASEAN politics which leads to disputes among its members.

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