Private Sector Interests and Regional Integration in South America

Jessica Crivelli*

Abstract

Does it make sense to apply European Integration Theories to other regional integration settings? While numerous theoretical approaches were developed for the European case, we still face the problem of generalizability regarding other world regions. In fact, the last attempts in generalizing European integration approaches go back to the late 1960s and early 1970s. My research on the Common Market of the South (MERCOSUR) should therefore be deemed an attempt to reinvigorate a fundamental theoretical debate that has somewhat fallen into oblivion.

As multinational corporations (MNCs) constitute a set of actors we can no longer imagine international relations without, I will focus my attention especially on their critical role within regional integration settings. In order to do so, I will draw on three pivotal European integration theories that make different assumptions about the dynamics of regional integration and especially on the particular function of private sector interests within it. In short, each of these theories ascribes private sector interests a different impact within the progression of regional integration projects, resulting either in advancement or stagnation of integrative efforts.

Based on the evaluation of guided interviews with governmental affairs executives from multinational car corporations, the results substantiate the common perception of inter-state diplomacy between MERCOSUR member states thereby restraining MNC impact on regional integration to the stage of governmental preference formation. This means that MNCs are forced to limit their lobbying activities to the national level, what ultimately prevents spillover of cross-national cooperative efforts from one area to another because national governments’ sovereignty concerns determine the final decision and not functional necessities of problem areas. Consequently, this leads to the stagnation of integrative efforts due to national governments disproportionate sovereignty concerns.

* The author is Research Assistant at the Institute of Political Science, International Relations Department, University of Zurich, Switzerland. Paper prepared for presentation at the 21st World Congress of Political Science of the International Political Science Association, Santiago de Chile, July 12-16, 2009. First draft, comments are very welcome. Please do not cite this version without permission. Mailto: crivelli@pw.uzh.ch.
1. Introduction

Numerous integration projects exist all over the world. There are, for example, the North American Free Trade Association (NAFTA) in North America, the Andean Community of Nations (Spanish: Comunidad Andina, CAN) and the Southern Common Market (Spanish: Mercado Común del Sur, MERCOSUR) in South America, the European Union in Europe, the Southern African Development Community (SADC) in Africa and the Association of Southeast Asian Nations (ASEAN) in Asia, to mention only the most advanced ones of each continent. As regards the question of interest intermediation efforts and their effects on the advancement of integration projects, the body of literature about the European Union is the most advanced (e.g. Eising/Kohler-Koch 1994; Kohler-Koch 1996; Coen 1997, Cowles 1994; Eising 2004; Eichener/Voelzkow 1994 etc.). Within this body of literature, Neofunctionalism, Intergovernmentalism and Multi-Level Governance are the most renowned theoretical approaches. These three approaches postulate different hypotheses regarding interest intermediation structures and their importance for the advancement of an integration project. The main reason behind their divergences is to be found in their respective conceptualization of integrative processes, above all their distinct appreciation of where political authority resides (Eising 2004: 213). Unfortunately though, integration projects beyond Europe still lack thorough academic investigation. This research gap is notably deplorable in Latin America, where comparative research had enjoyed an upsurge during the late 1960s and early 1970s (e.g. Haas/Schmitter 1964) which then suddenly stopped.

In order to make a contribution to this strand of research, this paper will look at the interest intermediation structure within MERCOSUR. My focus will lie exclusively on the Argentinean and Brazilian car making industries, which are especially well organized.

The central argument of this paper is that private interests can gain considerable impact on integration projects if they manage to coordinate appropriately. Hence, the investigated research question deals with the question of how private actors articulate their interests within MERCOSUR and what consequences can be drawn from this for the progression of integration within this project.

The following chapter will give a brief outlook over the results to be expected according to the three theories used and then expound the hypothesis to be tested. After elucidating some of the main concepts used for the analysis in the same chapter I will then pass on to the justification of the case selection in chapter 3 before presenting some results in chapter 4. Lastly, in chapter 5, I close with some conclusions for the conceptualization of Integration in MERCOSUR.

2. Theoretical background and hypothesis

My analysis follows Eising’s (2004) study on the interest intermediation structures within the EU and aims to elucidate whether the currently leading Multi-Level-Governance approach is also suitable for Latin American contexts or if other theoretical approaches better suit this geographical area. To formulate my hypothesis, I start from his assumption that private interest intermediation strategies within integration projects adapt to the respective locus of political authority (Eising 2004: 211). In order to collect evidence for a “co-evolution of political and associational structures” (c.f. Eichener/Voelzkow 1994), in a manner similar to that of Cowles (1994) or Coen (1997) for the European Union, I will draw on the three above mentioned theoretical approaches. Neofunctionalism posits a sovereignty transfer from the national to the supranational level resulting in a redirection of private interest intermediation efforts from the national to the supranational bodies (Eising 2004: 213).
On the contrary, Intergovernmentalism assumes sovereignty to remain mainly located in the hands of national governments, which is why private enterprises would then continue to maintain above all close ties to the public officials of their office locations. The Multi-Level-Governance Approach can be seen as a synthesis of these two theoretical alternatives. It ascribes administration authority both to national governments (including subnational units) and to supranational institutions and holds that the units of both levels share responsibilities. As hold proponents of the Multi-Level-Governance approach, the consequence of this dispersion of political authority onto different levels is that private actors will be forced to differentiate their interest intermediation strategies by addressing different points of entry within the institutional system (Eising/Kohler-Koch 1994; Eising 2004). Hence, the hypothesis reads as follows:

**H** In regional integration projects private interest intermediation strategies of economic actors focus on that level of governance on which the final political decision-making authority lies.

The exploration of interest intermediation structures in specific integration contexts requires knowledge about several concepts. I will therefore shortly clarify the basic elements of the three main concepts of interest intermediation strategies, private economic actors, and decision-making authority.

The concept of decision-making authority is assumed to embrace the power to enforce laws in the last instance. Decision-making authority will be considered supranational when it is a supranational political-administrative organ to enforce legal regulations, national when it is a national political-administrative organ to enforce regulations, and shared when both political-administrative organs of the national and supranational level possess joint competences to enforce regulations. With regard to the concept of political-administrative level, it is thought to assume two forms: national and supranational. Supranational organs are those without territorial bonds and whose structures and processes are characterized by the involvement of international actors. In contrast, national organs are those whose sovereignty is territorially constrained and whose structures and processes show no involvement of international actors. In both cases, I further understand political-administrative organs as “those people with the formal power to make binding decisions which affect (segments of) society; e.g. elected politicians, cabinets ministers, civil servants, public agents, and political assistants” (Van Schendelen 1993: 3).

Private economic actors that will be considered here are multinational corporations from the car making industry that have branch offices in either Argentina or Brazil. As a result of their huge material resources, these actors possess massive transnationalization capacities and are therefore assumed to have the greatest probability of being affected by new supranational MERCOSUR regulation. Their incentives to actively participate in the policy formulation process are therefore considered to be superior. This argument draws on Mattli, who states that: “As new technologies increase the scope of markets beyond the boundaries of a single state, actors who stand to gain from wider markets will seek to change an existing governance structure in order to realize these gains to the fullest extent“ (Mattli 1999a: 10). Within my analysis, I will take into account individual global players from the car making industry as well as collectively organized associations of car makers.

As for the most important and complex concept, namely interest intermediation strategies I will draw on Van Schendelen. He conceptualizes them as: “the informal exchange of information with public authorities, as a minimal description on the one hand, and as trying informally to influence public authorities, as a maximum description on the other hand” (Van Schendelen 1993: 3; original emphasis). These two central ideas of information exchange and pressure can be traced back to Zeigler and Baer (1969). They are important because they draw
on the constructivist understanding that is also implied in this paper. According to Zeigler and Baer, “interest intermediation is an interactive process that can – at least potentially – have an impact” (1969: 5; emphasis added). Empirically, interest intermediation is not always equally easy to identify. The main reason for this is that actors develop more and more subtle strategies over time. To tackle this problem, I will first distinguish two basic types of interest intermediation by drawing on Coen’s distinction of direct and collective interest intermediation (Coen 1997: 92). As Coen shows, economic actors frequently apply a mix of these two strategies, so as to maximize their impact (Coen 1997: 92). Subsequently, I will differentiate between sectoral and trans-sectoral interest intermediation (Eising/Kohler-Koch 1994: 174). Literature proves sectoral representation to be the most frequent. Exception made for the mighty European Roundtable of Industrialists (ERT). With reference to the specific interest intermediation activities in the sense of above mentioned concepts of information exchange and pressure I draw on Exmann and Heide, who mention: “influencing politics (authorities, decision-making, policies), contacting directly, acting actively, making use of intermediaries, exchanging information and acting in private (1990: 12).

However, the question of how interest groups organize is only one side of the coin. To be able to give an accurate account of interest intermediation as a whole one must also look at the institutional target structure (‘opportunity structure’) and investigate the access points it offers to interest groups. As Van Schendelen states, public administration units may also have an interest in interacting with business representatives and in supporting their activities (Van Schendelen 1993: 4). With regard to scientific debate, this interpretation may be subsumed under the “Autonomisierungs- und Staatsentlastungshypothesen” (Lehmbruch 1987: 14). This is to say that administration units are increasingly dependent on institutionalized relations with associations so as to remain operational (Lehmbruch 1987: 14). Due to the efforts of private actors, political decision-makers receive access to relevant information under the condition of relatively low transaction costs. The more information from different political lines they get, the easier they can formulate a justified and supportable regulation. Hence, decisions might even be made under mutual agreement of the parties (Van Schendelen 1993: 4). In addition, private sources of information represent a subjective viewpoint. Their inclusion into the policy-making process complements the onesided perspective of public administrative units (Van Schendelen 1993: 4).

For these reasons, it is may be reasonable for public organs to institute official representative organs for economic actors. Again, Van Schendelen states: like-minded as well as antagonistic interests constitute an important added-value for public organs (Van Schendelen 1993: 4-5): the former ones confirm and thereby consolidate the public organs views, the second ones reveal the salience of the debated issue, on the one hand, and show their willingness to negotiate by taking stance against the public organs, on the other hand. They might accept a compromise if the newly negotiated regulation harms them less (Van Schendelen 1993: 4). In its most extreme form, this kind of negotiation could degenerate to clientelism, thereby leading to an instrumentalization of the public administration through economic forces (Lehmbruch 1987: 12).

With regard to the level of the interest intermediation activities of private actors, they will be considered as supranational, national or shared if they address political-administrative organs in the sense of the before mentioned level definitons.

3. Research design

Operationalization and interview questionnaire: In order to measure the specified theoretical concepts, I developed a questionnaire. The formulation of the respective interview questions was based on an itemization of relevant interest intermediation aspects drawn from the existing literature on interest intermediation.
**Case selection:** Case selection was based upon the fact that there are as yet no theoretical studies of interest intermediation activities in Latin America. In addition, MERCOSUR represents an ideal case study for integration within Latin America because of its advanced status and its important extra-regional export volume. The restriction to Argentina and Brazil is motivated by the fact that both countries look back on a significant corporatist tradition, a factor which is said to possibly influence present configurations of interest intermediation in both countries. Furthermore, I decided to exclude Uruguay and Paraguay as well as other member or associated states for two main reasons. One is that interest intermediation would be especially difficult to measure in Uruguay (Montevideo) because TNC branch offices and special governmental affairs departments of the same TNC would be difficult to disentangle. The second is that I regard the explanatory power of my analysis as enhanced by restricting it also to the most performing countries of the region in economic terms.

4. **Interest intermediation of the car industry in MERCOSUR**

As show the results below, private interest intermediation activities within MERCOSUR adress primarily the national level of decision-making. Nevertheless, there are some interesting tendencies that I want to highlight by grouping the findings in four subchapters. In what follows, I will therefore present my interpretation of interest intermediation structures according to the vectors of company environment, political-administrative environment, associational landscape, and interest intermediation activities.

4.1 **Situating interest intermediation in the company environment**

The first item surveyed concerns the kind of business-internal organization of interest intermediation activities. Monitoring it gives us interesting hints about the current significance of MERCOSUR for private actors. As showed the assessment of the corresponding answers, 9 out of 13 respondents declared to possess specific departments that are expressly entrusted with governmental affairs and that do not include product communication or corporate identity issues. These departments are generally called Governmental, Institutional, External or Public Affairs. Sometimes they are also designated as Institutional Communications or Institutional Relations. The first ones of these departments were instituted in the 1980s (one respondent in Argentina, one in Brazil) but the majority of respondents declared their company only followed suit during the 1990s. This is interesting to note, since it means that instituting such specialized departments only gained importance after MERCOSUR had been founded, and this in spite of the fact that the surveyed firms are all multinationals, which means that they unquestionably have also other international regulatory frameworks to observe. In my opinion, the establishment of specialized departments at such a late point in time can be taken to mean that MERCOSUR represented an important turning point for international trade within Latin America – even if none of the interviewed executives acknowledged its department to focus exclusively on MERCOSUR legislation, indicating instead that national and international interactions were also part of their responsibilities. Earlier on, regulatory affairs were probably handled by the same communications department that also handled product placement etc. The decision to set up specific departments acting as a reference for regulatory affairs therefore insinuates that firms seek an integrated way of dealing with legal frameworks of different kinds. This demonstrates that even if MERCOSUR is still primarily an intergovernmental project with limited scope (i.e. customs union), it can still not escape the internationalizing tendencies of the global economy. Hence, spillovers might sooner or later be an issue within it, too.
With regard to the human resources deployed by each firm, the executive staff of these specialized departments generally comprises between two to eight employees, depending on the distribution of their business partners over the different neighbor countries. This number is considerable since it must be highlighted that these departments deal with Latin American regulations only. Although not only with MERCOSUR regulations. This is to show how much potential the idea of an expanded market holds for Latin American business. A potential the firms are willing to harvest since so much man power is devoted to it in each firm. This affirmation is not even at odds with the three interview responses stating that they possess no specific regulatory affairs department, because two out of it also declared MERCOSUR-specific communication to be a burning issue, only that their ‘normal’ communications department is still capable of dealing with it alongside other communication tasks. By adding these two replies to the collectivity of positive answers for this first item, we therefore reach a high score with regard to the firms that consider MERCOSUR regulation worthy to be monitored. Meaning that 12 out of 13 (92%) respondents gave a positive feedback.

However, the situation is not yet comparable to the one in the EU since no regulatory affairs department is situated directly in the capital (Montevideo) of the integration project. Instead, all of the interviewed firms maintain their branch offices in the political capitals of their home countries or within its economically most important cities. This is nevertheless coherent with the observations about the EU, for the firms were witnessed to relocate their regulatory affairs departments according to the displacement of the political locus of authority. This means European businesses acted purposefully by deciding to relocate their branch offices to Brussels as the EU consolidated. However, the knowledge about the early stage of MERCOSUR makes plausible the sole mention of Buenos Aires for the Argentinean car makers. It is to be said however that the sample of firms to be surveyed in Argentina did also contain firms with communications departments situated in other, smaller locations. Regrettably, none of these could be motivated to participate in my survey. On the contrary, answers in Brazil were more varied, including both the metropolitan areas of Rio de Janeiro and São Paulo but also smaller locations like São Bernardo do Campo (São Paolo) and Curitiba (Paraná). It is controversial whether this state of affairs is merely the expression of low price outsourcing of services to cheaper locations or whether this diversification of locations might reflect the increasing economic importance of smaller metropolitan areas. An importance that might sooner or later enable them to contend more decision-making authority from their country governments. In that remote case, national governments might be obliged to decentralize also their international affairs functions, which could, in the long term, lead to the emergence of multi-level governance also within MERCOSUR. Meanwhile, governments still monopolize the decision-making authority within MERCOSUR and this is why the institution of the MERCOSUR Secretariat in Montevideo does not provide a sufficient incentive for firms to relocate their offices. As Laird states, the MERCOSUR Secretariat was not designed to develop a strong supranational authority over time (Laird 1997: 5). Still, the fact that there is a rising tendency toward the creation of specialized departments leads me to the conclusion that, despite the impression of stagnation within MERCOSUR, this project is not stagnant at all but rather only evolving at a measured pace.

A Brazilian respondent (anonymous) confirmed the progression of the project and mentioned a number of reasons, why keeping up to date with the developments was crucial:

- anticipate trends, rules, opportunities and threats, as inputs for the strategic plan;
- create a specific network (associations, governments, competitors, etc.);
- keep coherence (corporate values and positions for arguments used and strategy applied);
- create a relation of confidence between the representative of the company and the main players involved in such discussions and negotiations;
- be easily identified by the authorities and other involved parts as the area (and the person) to be contacted in the company;
put the right person in the right position (specific competences and abilities are demanded to work with such issues, especially on the political and institutional levels);

- optimize the efforts demanded for such activity (costs, efficiency, excellence);

- assure that the Company’s Code of Conduct (ethic) will be respected;

- act and be perceived, internally, as a reference for MERCOSUR regulatory affairs.”

This assessment is coherent with Van Schendelen’s minimum requirement for the definition of interest intermediation activities: namely the fact that there must be some kind of informal information exchange between private and public actors (Van Schendelen 1993: 3). To endow one specific person (and/or its team) with the mission to monitor the evolution of regulations is an efficient way of keeping up to date with future developments. Additionally, these informal networks provide companies with access to information not necessarily open to the public, and still crucial for competitiveness. Confirmedly, informational resources are the most important ones along with money and confidence. However, they are not a sufficient condition as state Keohane and Nye (1989): “one cannot equate resources and outcomes”. In order to gain impact on legislation, the firms need to find access to the policy formulation process. How they do so is the subject of the following subchapter.

4.2 The evolution of the political-administrative environment

In order to better understand the interest intermediation strategies of interviewed firms, this subchapter is further divided in two separate sections. In the first section, I will give an overview of the MERCOSUR regulatory framework with a special emphasis on the specifics of the Joint Automotive Legislation (Política Automotriz del MERCOSUR, PAM). In the second section, I will show how congruent this picture is with the insights gained from the interview enquiry, and how political-administrative settings constrain interest intermediation options available to the governmental affairs executives interviewed here.

4.2.1 Overview over the MERCOSUR regulatory framework regarding the car industry

The analysis of the Protocol of Ouro Preto (POP) reveals that mainly three organs participate in the drafting of MERCOSUR legislation. These organs are congruent with the main decision-making bodies of the Common Market, namely the Council (Consejo del Mercado Común), the Group (Grupo del Mercado Común), and the Trade Commission (Comisión de Comercio del Mercado Comuín). The Council is the highest political organ. Its mandate is to steer the political integration process (POP, Art. 3). The Group represents the executive organ of the Common Market (POP Art. 10). Lastly, the Trade Commission is responsible for the joint trade policy of the member states (POP Art. 16). None of these organs is composed of autonomous supranational officers but brings together the governments of member countries. To be admitted to one of the organs one must either be appointed to the Ministry of Foreign Relations, National Economy or the Central Bank of a member country.

As regards specifically PAM, it must be highlighted that it had not yet come into force at the end of my investigation period (December 2007). Instead, the situation is a ‘double-tracked’ one in the sense that MERCOSUR officials were engaged in the drafting of a joint policy solution during the whole of the 1990s while bilateral regulations between Argentina and Brazil were still the guidelines in force. Hence, I would like to give a brief account of the specifics of this period of coexistence before I continue with the evaluation of the questionnaires. In fact, Argentina and Brazil adopted a first short-term measure for this sector in the Economic Complementation Agreement no. 14 which was signed by the two parties at the end of 1990 (Malamud 2005: 143). This protocol was merely provisional and was cancelled four years later when the POP was signed in December 1994 (Malamud 2005: 143).
In the same year, the Council formulated the necessity of an ad-hoc Working Group to be entrusted with the drafting of a transitional regime for both cars and sugar (MERCOSUR/CMC/DEC Nº 7/94, Arancel Externo Común). This decision was subsequently enacted with the Council’s decision to set up the Technical Committee No. 9 (MERCOSUR/CMC/DEC Nº 29/94, Art. 1). The main requirements for this transitional regime were: "a) complete liberalization of intra-community automotive trade, b) the realization of a Common External Tariff, c) the abolition of national incentives that distort competition between member countries" (MERCOSUR/CMC/DEC Nº 29/94, Art. 1). Further specifications on the contents of the Joint Automotive Policy are to be found in Art. 6 of the Council’s Decision Nº 29/94 (MERCOSUR/CMC/DEC Nº 29/94, Art. 6.). The definitive Joint Automotive Legislation was scheduled for enactment on 1.1.2000 (MERCOSUR/CMC/DEC Nº 29/94, Art. 2). Until the enactment of PAM, the various bilateral agreements between member countries would continue to be valid. The specific wordings of these agreements are annexed to the Council’s Decision Nº 29/94 (MERCOSUR/CMC/DEC Nº 29/94). The most important bilateral agreement is the one that came into force between Argentina and Brazil in 1994: the Acuerdo Bilateral Brasil – Argentina para el Sector Automotriz. In this agreement the parties acquiesce to recognize their respective automobile regimes (Régimen Automotriz Argentino in Argentina, Régimen de Auto Popular in Brazil) for the duration of the following two (for the Brazilian Regime) respectively five years (for the Argentinean Regime). Finally, in December 2000, the Council passed a decision regarding the Joint Automotive Policy of MERCOSUR (MERCOSUR/CMC/Dec Nº 70/00, Política Automotriz del MERCOSUR). Surprisingly however, this decision did not provide a common regulation for trade between member countries, nor did it add up to the definitive enactment of this joint policy. Instead, it postponed enactment of the Joint Automotive Policy one more year to 1.1.2001 and even conceded the participating governments five more years in order to make provisions to adapt national regulations to the supranational decision as of 1.1.2006. Once more, MERCOSUR member states agreed therefore to extend the validity of the bilateral agreements, leaving the regulatory body on the national level. The relative documents were subsequently registered within the Asociación Latinoamericana de Integración (ALADI) and were considered as binding until the definitive enactment of the Joint Automotive Policy. After the transitional period expired once again on 31.12.2005, Argentina and Brazil however decided to expand it three more times, until reaching 1.7.2008 (La Nación, 21.6.2006; ANFAVEA, Cómercio Exterior, online; Clarín, 26.06.2006; Ogliari 2007: 1).

4.2.2 How do private actors exploit the access points of the institutional environment?

Regardless of the declared importance of the Common Market, none of the interviewed firms seems to take the possibility of further level differentiation very seriously. Due to the double-tracked regulatory setting, joint organs like the Secretariat or the Technical Committee No. 9 are still regarded as purely administrative setups serving mainly the purposes of information gathering. As we can read in POP, the Council requires unanimity. This strongly favors the respective governments. This is also confirmed by Malamud, who states that legislation has as per yet no gained supranational character (2003: 54). Still, car makers agree that passed decisions curtail their frame of action. Be it that decisions unfold direct impact on the supranational level or that they need to be incorporated nationally. Dependency estimates of respondents regarding MERCOSUR regulation fluctuate between medium and high. But due to the integration context this is all in all regarded as normal by all respondents.

Nevertheless, private firms do engage in lobbying within MERCOSUR so as to be able to influence the legislations. With regard to the activities performed, all of the interviewed firms admitted to lobby collectively via the intercession of a national branch
association. The designated associations are the Argentinean ADEFA and the Brazilian ANFAVEA who both regroup the car makers of its respective home countries. 12 out of 13 respondents admitted to be members of these associations. When we compare this share to the share of respondents who engage also in cross-sectoral associations like UIA or CNI, it becomes clear that car makers currently do not feel the necessity to coordinate with other branches. In fact, only 50% of all interviewees admitted to lobby also by joining a trans-sectoral association of national character.

With regard to direct contacting with MERCOSUR departments, the percentages decrease even more: merely 25% of all interviewed firms declared to occasionally also get personally in touch with a specific MERCOSUR official. Besides, none of the respondents characterized direct contacting as its dominant strategy. Rather this kind of interest intermediation is practised alongside more traditional forms of intermediation as for instance institutionalized collective lobbying. In consideration of the fact that even MERCOSUR officials are nationally appointed ministers, I will nevertheless impute direct contacting to the national level. The reason for the lack of supranationality is twofold: in the first place, MERCOSUR is still in an early stage compared to the over 50 years of EU history. In this regard, it may be that MERCOSUR is still to develop a supranational identity, which would then generate also a redirection of loyalties on this higher level. In fact, examined firms declare themselves willing to interact also directly with MERCOSUR organs and to follow a mixed interest intermediation strategy as is the case in the EU. In order for this to happen, MERCOSUR would however be forced to improve its institutional foundations. Otherwise, it will only remain a formal platform for foreign policy concertation between member states. In the second place, we could draw on the corporatist traditions of the two member countries to explain why no supranational direct lobbying has as yet developed. As firms were formerly used to interact in institutional associations set up by the national governments, the corresponding mindset might continue to have an effect on the strategies used nowadays. In spite of the tendencies of internationalization we observe, and in spite of the concurrent privatizations of state enterprises, national associations (both sectoral and trans-sectoral in character) continue to be the most efficient negotiating partners for governments. This may be explained also by highlighting that governments are usually said to be losing control compared to the almighty multinational corporations: by refusing to get directly involved with these powerful actors they may be able to control the threat of corruption and also their own power over political decisions. In short, to negotiate with associations gives civil society the impression to be participating in the political decisions of its home country. The government in office thereby gains the confidence of its people and contemporaneously gets the possibility of controlling for corruption scandals.

4.3 The associational landscape in Argentina and Brazil

The cross-sectoral umbrella associations involving the earlier mentioned ADEFA and ANFAVEA are the Union Industrial Argentina (UIA) and the Asociación Empresaria Argentina (AEA) in Argentina, and the Confederação Nacional da Indústria (CNI) in Brazil.

The history of UIA goes back to 1875, when it was first brought into being under the name of Club Industrial Argentina (UIA, Historia de la UIA, online). In 1899, it organized its first plenary session which is regarded as a veritable success story, gathering over 70'000 industrials from all over the country. The declared ambition of UIA is “to represent the Argentinean Industry together with the sectoral and provincial associations, so as to further the national economy in its economic, social and territorial dimension” (UIA, Misión y Objetivos, online). UIA equally represents the national, the provincial and the communal level in national and international forums (UIA, Misión y Objetivos, online). In order to accomplish its mission, UIA actively stimulates private actors to join the association so as to further a coherent development strategy for the country through maximum cohesion between the
industries of the region (UIA, *Misión y Objetivos*, online). The representational authority of the association is such that the state is happy to rely on it when investigating the interests of the affiliated industries. If nothing else, UIA provides a transparent environment for negotiation and allows for efficient definition, concertation and finally harmonization of industrial interests (UIA, *Misión y Objetivos*, online).

The AEA is another national, cross-sectoral association, which however was created significantly later than UIA, that is in 2002 (AEA, *Qué es AEA?*, online). Its members originate from different industrial branches and encompass multinational corporations as well as small and medium-sized companies (AEA, *Socios*, online). AEA’s main focus of activity are public policies of general interest (AEA, *Qué es AEA?*, online). In particular, it is interested in the furthering of the nine following burning issues: economic growth, institutions, fiscal policies, money and capital market, external trade, infrastructure and public administration, occupational policies and education. It upholds no direct links with MERCOSUR.

The Brazilian counterpart of UIA is the *Confederação Nacional da Indústria* (CNI). It was founded in 1938 by merging three existing industrial associations founded in 1933. These are the Associations of São Paulo, Minas Gerais, Rio Grande do Sul and Rio de Janeiro (CNI, *Origem da CNI*, online). Similarly to UIA, its aim is to help the Brazilian industry to articulate its interests in a coherent way so as to create more prosperous conditions for trade and investment in a first step, and then consequently further the Brazilian Economy as a whole (CNI, *Missão e Visão*, online). CNI is the author of the Fórum Nacional da Indústria, where the presidents of 50 sectoral associations meet with the presidents of the Thematic Councils of the CNI (*Conselhos Térmicos Permanentes da CNI*) and six other members that the CNI elects ad hoc. These six members can stem either from industrial associations, from the Representative Council of CNI or from the National Council for Industrial Policy (*Conselho Nacional de Política Industrial*, CNPI)(*CNI, Fórum Nacional da Indústria, online). The Fórum provides a basis for the elaboration of provisional measures and strategies benefitting the Brazilian Industry and Economy. As states the CNI corporate homepage, the main accomplishment of the CNI has been the development of the Strategic Industry Plan 2007-2015 (*Mapa Estratégico da Indústria*) which was completed in 2005 (CNI, *Mapa Estratégico da Indústria 2007/2015*, online). The Plan is the outcome of a six-month working group over the future of the Brazilian Industry. Besides the permanent representatives of the Fórum mentioned above, dozens of other associations and industrials participated in it (CNI, *Mapa Estratégico da Indústria 2007/2015*, online).

Descending on a lower level of aggregation, the most important sectoral associations for car makers are respectively ADEFA for Argentina and ANFAVEA for Brazil. The Argentinean ADEFA was founded in 1961 and bands together ten automobile manufacturers based in Argentina. These are Daimler Chrysler Argentina, FIAT Auto Argentina, Ford Argentina, General Motors, Iveco, PSA Peugeot Citroën, Renault, Scania, Toyota and Volkswagen (ADEFA, *Misión y Objetivos*, online). The aims of ADEFA are the furthering of investments in the automobile sector, the enhancement of the national car production and the improvement of the competence and competitiveness of the branch (ADEFA, *Misión y Objetivos*, online). Moreover, ADEFA lobbies for the complementation and specialization of the car industry within MERCOSUR (ADEFA, *Misión y Objetivos*, online). To this end it engages in a dialogue with the government and even achieved the confrontation between Argentinean, Chilean and Mexican decision-makers, who subsequently engaged in talks regarding bilateral regulations. The signing of the Economic Complementation Agreement between MERCOSUR and Chile in 1996 is to be interpreted as one of its accomplishments (Acuerdo de Complementación Económica MERCOSUR – Chile). The chairmanship is held in rotatory manner by the presidents of the affiliated car makers.
The Brazilian ANFAVEA was founded in 1956 and bands together the manufacturers of commercial and non-commercial vehicles (automobiles, light vehicles for public transportation, lorries, buses as well as tractors and other industrial vehicles)(ANFAVEA, *Quem somos*, online). Its aim is to conduct industry-related studies, to coordinate and defend the interests of affiliated firms, to sponsor automobile exhibitions and other events that are institutional in character (ANFAVEA, *Quem somos*, online). Like the Argentinean ADEFA ANFAVEA also engages in a direct dialogue with the Brazilian government (respondent from Brazil). All of the multinational car corporations with branch offices in Brazil are members of ANFAVEA: these are for example FIAT, PSA Peugeot Citroën, Volvo, Ford, Mitsubishi, General Motors and many others (ANFAVEA, *Associadas*, online). The chairmanship is also decided in rotary manner as within ADEFA.

Besides these big associations, interview respondents also named smaller associations as the Associação Brasileira da Indústria de Máquinas e Equipamentos (ABIMAQ), Associação das Empresas da Cidade Industrial de Curitiba (AECIC), Unión Industrial de Córdoba (UIC), as well as the private SK-Bergeré. ABIMAQ is a Brazilian sectoral association grouping firms from the area of machinery and spare parts, while AECIC and UIC are two cross-sectoral associations that are not operational on the national level but instead limit their scope of action on the provinces that harbor the most important industry branches of the country. AECIC focuses mainly on the federal state of Paraná and its provincial capital Curitiba. UIC concentrates on the province of Córdoba.

On the contrary SK-Bergeré is a private corporation of Spanish origin. It has been in the transport branch since 1870 and has started trading in the car sector from 1983 onwards. It represents the products of the affiliated firms and deployes merely administrative functions. Interest intermediation does not figure among its concerns (Sk-Bergeré, online).

4.4 Activities and core issues of private interest intermediation

The importance of associations shows also in the interview results regarding the specific interest intermediation activities. The main activity of governmental affairs departments turned out to be the drafting of papers and statements. Taking into account that firms declared to lobby mainly through sectoral associations, it has to be assumed that these position papers are either composed for association meetings or for exhibition at MERCOSUR panels by the Associations. Still, these are mere deductions and could not yet be consolidated by further enquiries. Other interest intermediation activities I suggested for assessment were the setting up of information events, direct contacting of MERCOSUR officials and participation in national or supranational working groups and forums. It is to say that positive answering of these three items was remarkably low. These results have to be interpreted carefully however, since we must also take into account that the general interest intermediation structure in MERCOSUR suggests information events to be purely company-internal instead of cross-company.

However, it is interesting to note that little more than fifty percent of respondents entertain bilateral contacts with competing car companies in neighboring member countries (i.e. Brazil or Argentina). The main purpose of such contacts is the mutual exchange of information as well as the joint elaboration of strategies for the future. This bilateral contacting is purely informal. There are no committees of regular meetings that would cement this cooperation.

In spite of the feebly developed interest intermediation structure within MERCOSUR, the Joint Automotive Policy proved to be a very sensitive issue within MERCOSUR. Ever since the founding of Technical Committee No. 9 and the definition of PAM
enactment on 1.1.2000 the entry into force was postponed 5 times (taking into account the time frame of 1997-2008). Additionally, only one out of 13 respondents declared that the car industry had never tried to influence the PAM policy formulation process. All others considered that they had been significantly involved in the drafting of the policy – and consequently also in the steady postponement of the enactment deadline.

To conclude, it is to say that market enlargement is the main issue for private actors. Most notably firms give a high priority to the enactment of the joint automotive policy that furthers the interests of national economies in order to make them more competitive both regionally and internationally, whereas they are as per yet only marginally responsive to social dimensions of integration that have nothing to do with the specific economy of their member country. Although issues like environmental and security standards as well as freedom of movement and residence figure on the list of mentioned interests, they are not yet prioritized compared to other dimensions.

5. Conclusions for the conceptualization of integration in MERCOSUR

The present analysis was designed to give a deeper insight of the influence of private economic actors for the advancement of regional integration projects. Due to the succinct state of research regarding multinationals in Latin American integration projects I decided to apply European Integration Theories to analyze interest intermediation structures within MERCOSUR. European research has done a lot to authenticate the increasing influence of globalized capital for international policy-making.

The central argument of this paper was that private interests can gain considerable influence over the development of an integration project if they organize appropriately. According to the formulated hypothesis, this was said to be the case whenever private actors direct their efforts to the level of governance withholding the final decision-making authority.

As showed the results, interviewing governmental affairs executives from multinational car corporations permitted to picture an interest intermediation landscape that substantiates the perception of inter-state diplomacy between MERCOSUR member states. Although their exist efforts to draft a joint automotive policy within MERCOSUR, the institution’s main decision-making organs always require unanimity to pass decisions. As a consequence, the enactment of controversial supranational laws is constantly blocked by privately informed national governments in favor of more prosperous bilateral regulations between single countries. This corresponds to the Intergovernmentalist conceptualization of integration, in which MNC impact is limited to the stage of governmental preference formation. The fact that the governments’ preferences are prioritized over the functional necessities of specific problem areas explains why spill-over of cross-national cooperative efforts from one area to another is still lacking.

Nevertheless, there is evidence that private economic forces might constrain national governments to pool their sovereignties some time soon. In the first place, private actors surveyed here showed a rising tendency to institute specialized governmental affairs departments following the creation of MERCOSUR. Taking into consideration that MERCOSUR is as per yet only a customs union, it is to be assumed that these actors start to organize themselves in anticipation of the potential of a future common market. In the second place, the fact that some of the interviewed companies also entertain bilateral cooperations with competitors in their neighbor countries regarding ‘best practices’ encourages the hypothesis that private actors might come to impel functional spillovers in the near future. At least, this informal exchange of informations shows that barriers between countries are diminishing in favor of a nascent regional identity. Bearing also in mind what I said about the location of the governmental affairs departments and its location in economically (not politically) important cities, the institutional design of MERCOSUR could then come to
resemble the multi-level governance of the EU. Certainly, this would be accompanied by a surge in importance on the part of transboundary sectoral associations conceptualized as major platforms gathering available information about interest intermediation.

Consequently, the analysis corroborates the fact that MERCOSUR is at present still in a phase of mere intergovernmental cooperation, which ultimately limits MNC lobbying to the national level and condemns the integration project to stagnation. Nevertheless, the rising concern with regulatory affairs as well as the long and prosperous tradition of associational organization might help overcome this predominance of national power, thereby paving the way for a functional mode of integration.

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