

Democracy, Veto Players and Integration in Mercosur

José Alexandre Ferreira Filho*

ABSTRACT

It is expected that political and institutional variables can facilitate, in a large or a small way, the process of integration among the countries members of Mercosul, once its structure and mechanisms of decision-making can interfere in the approval or not of fundamental measures to the process of integration considered. In this sense, this article has two aims: first, considering the institutional arrangement currently in use, it tries to investigate main questions of the institutional analysis of Mercosur, such as: who are the veto players capable to veto the proposals to change the status quo? Who controls the agenda of these proposals? And what are the positions of these veto players face each other? Considering also the political and economic conditions of the country – members of Mercosur, it analyses their forms of democracy, discussing the importance of the role of institutional and collective agents with power veto, attempting to verify the levels of difficulties imposed to the deepening of the process of regional integration in the Mercosul by each country. The analysis described has to take into account the desired levels of regional integration, once with deeper process of integration we will have more economic sectors involved, which, in its turn, if harmed, it will tend to demand their representations with power veto. Second, using a PROBIT Model, we conclude that more veto players, in more democratic regimes, generated difficulties for the regional process of integration in Mercosur, considering the possibility of integration between Brazil and the others members.

Key Words: 1 – Regional Integration 2 – Veto players 3 – Types of Democracy 4 – Institutions

* Visiting Scholar at the Institute of Latin American Studies – ILAS , Columbia University – New York, Researcher at the Federal University of Pernambuco (UFPE), Professor at the Catholic University of Pernambuco (UNICAP) and Fiscal Auditor at the State of Pernambuco (SEFAZ – PE) e-mail: jf2547@columbia.edu or jose.ferreira@sefaz.pe.gov.br

1. Introduction

It is waited that the institutional outline of Mercosur can facilitate, in a larger or smaller proportion, the integration process among their countries - members, once the structure and the mechanisms of decision can interfere in the approval or not of fundamental measures for the process of regional integration.

In this sense, this article has two aims: first, considering the institutional arrangement currently in use, it tries to investigate main questions of the institutional analysis of Mercosur, such as: who are the veto players, capable to veto the proposals to change the status quo? Who controls the agenda of these proposals? And what are the positions of these veto players face each other?

Second, considering also the political and economic conditions of the country – members of Mercosur, it analyses their forms of democracy, discussing the importance of the role of institutional and collective agents with power veto, attempting to verify the levels of difficulties imposed to the deepening of the process of regional integration in the Mercosul by each country.

It is also important explain that the described analysis has to take in consideration the levels of wanted depth of the agreement of regional Integration, this because with the depth of regional integration we will have a larger number of economic sections involved, which if harmed will tend to call their representatives with power veto. It seems also necessary to consider that, in the countries with more democratic regimes, we will have larger numbers of agents with power veto, what will take to a larger inclusion of points of institutional analysis in those cases.

Giving continuity to the established theoretical treatment in the first two objectives of the article, an attempt of construction of empiric analysis is accomplished, taking into account the integration possibility between Brazil and the other countries of Mercosur in function of a series of variables to the two countries: veto players, the regime types and the participation of veto players in the respective types of democratic regime.

In order to discuss the aspects mentioned, this article has the following sections, besides this introduction: in the following section we will we will approach some questions relative to the institutional drawings of the countries of Mercosur; in the third section we will point out two of the main factors considered as fundamental for the depth of the processes of regional integration: the types of democratic regimes (some more, other less), and the veto players; in the fourth section we presented a simply statistical analysis to discuss the importance of the factors considered in the third section; final considerations finalize the article.

2 – A Brief Qualitative General Analysis of the Institutions in the Countries of Mercosur, Through Some Questions and Answers.

Question 1 : What are the principal institutions involved?

The rules of operation of the presidency (executive power), Camera of the Deputies and Senate (Legislative power) in the five countries of Mercosur are the principal institutions considered. All countries have presidential regimes.

Question 2 : Who are the Veto Players ?

In the five considered countries, the legislative power, through the Camera of the Deputies and of the Senate, and the executive power, through the President, are the a veto players, that is, to modify the conditions of the agreements of Mercosur is necessary the approval of the two powers in the respective countries-members.

It is important to emphasize that the veto players mentioned are the institutional agents, once the partisan veto players are generated inside of the political system of the institutional veto players (TSEBELIS, P. 79). In our analysis, the partisan veto players are any political parties or coalitions capable to impede the substitution of a certain effective commercial policy in Mercosur for a new proposal. We will not go, however, in this article, further with this analysis.

It is important to observe that the considered countries have different positions in relation to the decisions taken in the scope of Mercosur. While Brazil submits the decisions of Mercosur to the approval of the National Congress (according to the Brazilian Federal Constitution, in its article 49) and even to the appreciation of the federal Justice (according to the article 109 of the Brazilian Constitution) , Argentine considers that those decisions have superior hierarchy when compared to the laws, since such decisions don't disrespect the democratic order and the human rights.

According to the analysis developed in the previous paragraph, therefore, the National Congress in the Brazilian case would be a veto player (in both Houses, Camera of the Deputies and Senate), while in the situation of Argentine, once approved the integration treaty, which delegated competence and jurisdiction to the respective supranational organism, it will not be possible to the congress to play the role of veto player.

Question 3 : Who controls the Agenda Setter?

In this question we are interested to know who has conditions, inside of the countries-members, to propose changes in the effective rules of Mercosur. In this case, once again, the executive power, through their representatives in Mercosur, has conditions of proposing changes in the agreements of the mercosul. Therefore, the executive powers of each country are the agenda setters.

Question 4 : The Agenda Settings are Positives or Negatives?

The Agenda Setting will be positive if it needs of the approval of the legislative power (both houses) to be put in practice in the countries – members; in case of the proposals start to be valid if not voted in a correct time, we will have negative Agenda Setting. In the countries of Mercosur, with the exception of Argentina, the laws need the approval of the legislative power to be valid. Therefore, the Agenda Settings are positive. In Argentina, the laws become valid if not analyzed by the legislative power. It is the case of negative Agenda Setting.

It is important to note, in spite of, according to the Constitution of Argentine, is responsibility of the National Congress to legislate on subjects of matter relative to the exports and imports, as already discussed in the question 2, above, if the change proposal be approved in the extent of Mercosul she will go into effect, for treating of decision of supranational which received delegation of competence to make those decisions.

3 – Relevant Factors for the Depth of Regional Integration in Mercosul

As pointed out for MANSFIELD, MILNER and PEVEHOUSE (2005), some factors can be related as being important to determine the depth of the Regional Integration among the countries. In our case, our objects of analysis are the countries of Mercosur, especially with the perspective of the entrance of Venezuela as a new country-member.

3.1 Types of Regimes

We have to consider in our analysis, initially, two regime types: the democratic ones and the non democratic. The political leaders of the two regime types, however, will seek the celebration of commercial agreements if they consider that those agreements will facilitate their permanencies in the power. However, some important differences are mentioned in the literature.

First, in democratic regimes, as point out BUENO de MESQUITA et al. (2003), it is waited that the commercial agreements are intensified in the sense of benefiting the society as a whole, promoting, in addition, the economic growth. On the other hand, in autocratic regimes, the expectations are that the government will distribute the coming incomes of the protectionism for their allies, the ones which, in their turn, will supply political support in change.

We can verify the relative data to the democracy type to the five countries of Mercosul, according to the available data in MARSHALL (2004). They vary from 1 to the most autocratic countries up to 21 to the most democratic countries. We chose the period understood between 1989 and 2004 by being this period capable to begin a little before the formation of own Mercosul, in other words, a little before the Treaty of Assumption of 1991, until the year previous to the entrance of the proposal to become a member of Mercosur by Venezuela.

In the table below we can compare the data for the countries of Mercosul:

Table 1 – Types of Political Regimes in the Countries of Mercosul

Year	Argentine	Brazil	Paraguay	Uruguay	Venezuela
1989	7	8	2	10	9
1990	7	8	2	10	9
1991	7	8	2	10	9
1992	7	8	7	10	8
1993	7	8	7	10	8
1994	7	8	7	10	8
1995	7	8	7	10	8
1996	7	8	7	10	8
1997	7	8	7	10	8
1998	7	8	6	10	8
1999	8	8	7	10	7
2000	8	8	7	10	7
2001	8	8	7	10	6
2002	8	8	7	10	6
2003	8	8	8	10	6
2004	8	8	8	10	6

Source : Regime Type 4 Data Set Codebook, available in MARSHALL (2004)

As we can observe in the table above, it can be noted the change along the last years in Venezuela in the sense of turning a less democratic country, which, according to the analysis done previously would indicate a tendency of this country in reducing its participation in regional arrangements of trade in the molds of Mercosur.

On the other hand, we verified opposite tendency in the other countries, in other words, the current countries - members of Mercosur (Argentina, Brazil, Uruguay and Paraguay) or they increased

their democracy levels (in case of Paraguay and Argentina) or they maintained them constant (in case of Brazil and of Uruguay), what would indicate, still according to the exposed analysis, a tendency of those countries in increasing their participations in regional commercial arrangements like the own Mercosur.

3.2 Veto Players

As argued in the previous item, we waited that in democratic regimes, the governments will tend to benefit the median voter, favoring the celebration of the regional agreements, what doesn't happen in the autocratic regimes where the tendency is to benefit the groups that give support to the government, through protectionists measures. However, it is necessary to consider that the democratic regimes are not homogeneous. In this sense, it is fundamental the participation of the veto players.

As already mentioned in this article, TSEBELIS (2002) shows that the difficulties of changing the status quo grow with the largest number of veto players and with the largest divergence among them. On the other hand, authors as HENISZ and MANSFIELD (2005) and MANSFIELD, MILNER and PEVEHOUSE (2005) argue that the veto players affect the regimes of commercial liberalization and the celebration of regional agreements.

It is important to mention that the veto players are also relevant in the autocratic regimes. This because, even in those cases, the rulers, a lot of times, need the support of military segments and/or supports of political parties.

Another important point is the agents' existence with institutional and partisan power veto. In most of the democracies, the executive and legislative powers are institutional veto players. The partisan veto players, in its turn, may be political parties or agents inside coalitions.

Usually, it is waited that in the democracies, the number of veto players is larger than in the dictatorial regimes, once in democratic regimes the mechanisms of checks and balances, responsible for accompany the government actions and to impede deviations of the legality and of the efficiency are more present.

Some of the institutional variables usually chosen to represent the Checks and Balances mentioned are related to the so-called veto players capable to do modifications in the status quo. In our analysis, that variable is represented by the variable CHECKS. That variable is equal to 1 when there is a low level of political competition, according to the data of the Database of Political Institutions of the World Bank, and it receives an additional unity when it happen the following events: when a chief of the executive exists, when the executive is chosen competitively and when the opposition controls the legislative.

In the presidential system a unity is added for each camera of the legislative, unless the president's party has majority in the deputies' camera and the system admits closed lists. In the parliamentary system, the value of the variable receives an additional unit for each party of the of the government coalition, given that each one of those parties is necessary to maintain the majority. In the presidential regime as in the parliamentary regime, each party that is part of the government coalition

and it is closer of the opposition adds a unit. The Variable CHECKS is part of the institutional data produced by the World Bank and it can be found in BECK et al. (2001).

For the same reasons presented in the last item, we chose the period 1989-2004. We can observe in table 2, below the variable CHECKS for the countries of Mercosur:

Table 2 : Variable CHECKS used to represents the Veto Players

Year	Argentine	Brazil	Paraguay	Uruguay	Venezuela
1989	5	4	1	5	5
1990	5	4	2	4	5
1991	5	4	2	4	5
1992	5	4	2	4	5
1993	5	4	2	4	5
1994	2	6	4	4	5
1995	2	6	4	4	5
1996	2	6	4	4	5
1997	2	6	4	4	5
1998	5	6	4	4	4
1999	5	4	2	4	4
2000	4	4	2	2	4
2001	4	4	2	2	2
2002	4	4	2	2	2
2003	4	4	2	2	2
2004	2	4	5	2	2

Source: Beck et al. (2001)

We can verify that in the case of the veto players, according to the data presented above, as to the current countries-members of Mercosul, as for Venezuela that intends to enter in the economical block, it has been happening a reduction of those veto players along the period, which, according to the presented theoretical arguments, it would be an indicator that all those countries would have larger probabilities of participating in regional agreements as it is the case of Mercosur.

4 – Empirical Analysis to Verify the Importance of the Relevant Factors for the Depth of Regional Integration in Mercosul.

4.1 – The Model

With the objective of verifying the importance of the factors considered relevant for the depth of the Regional Integration in Mercosur, we will accomplish an empiric analysis, taking for base the model PROBIT, following what makes MANSFIELD, MILNER and PAVEHOUSE (2005), in such a way that we esteemed the following equation:

$$\text{INTEGR}_{ij} = a + b \text{VETO}_i + c \text{VETO}_j + d \text{REG}_i + e \text{REG}_j + f \text{VETO}_i \cdot \text{REG}_i + g \text{VETO}_j \cdot \text{REG}_j + \epsilon$$

Where the dependent variable INTEGR_{ij} is the level of integration between countries i e j (in our case, between Brazil – country i - and Argentine, Paraguay, Uruguay, Venezuela – country j). The Variable is equal to 1 if there is only preference trade arrangement as the ALADI (Latin America Association of Integration); it is equal to 2 if there is a free trade area as it was the Mercosul during the period 1991 to 1994 e 3 if there is customs union, as it is the Mercosur since 1995.

The independent variable are:

VETO_i is the number of Veto players in country i . In our case, i is the Brazil.

VETO_j is the number of veto players in the country j . In our case, j vary de 1 to 4, for the countries Argentine, Paraguay, Uruguay e Venezuela. Both variables are found in BECK et al. (2001)

REG_i is the regime type in country i , that is, the Brazil.

REG_j is the regime type in country j , that is, Argentine, Paraguay, Uruguay and Venezuela.

These variables are available in Regime Type Dataset Codebook, 2004.

The variables VETO_i REG_i and VETO_j REG_j are fundamental to test the argument that in more democratic regimes the presence of a larger number of veto players will hinder the depth of the regional integration. The period used was from 1989 to 2004. We considered that he is functional because it has beginning a little before the Treaty of Assumption in 1991, that originated Mercosul, and pass for its depth starting from 1995, when the Mercosur became a Customs Unions.

4.2 – The Results

The results can be summarized in the table 3, below:

Table 3 – Significances and Signals of the Variables of the Model

<i>Variablel</i>	<i>Significant at 1%</i>	<i>Significant at 5%</i>
<i>VETO j</i>		+
<i>REG j</i>	+	
<i>VETO j REG j</i>	-	

Fonte : Author's Calculation , using the e-views program.

We can observe that the signs of the variables representing the veto players and regime types for the countries partners of Brazil in Mercosul (Argentina, Paraguay, Uruguay and Venezuela) are positive. We can reach two conclusions of those results: 1) the more democratic the countries, larger the probability of the depth of integration (Reg j is positive) and 2) also that as larger the number of veto players, the larger the probability of depth of the process of regional integration.

Those results corroborate the results presented by MANSFIELD, MILNER and PEVEHOUSE (2005). It is important to point out that the positive sign of the variable REG j is in agreement with the expected, once in more democratic regimes the regional agreements tend to benefit the median voter instead to the interests associated with groups of interest. The same, however, it doesn't happen with the positive sign of the variable VETO j, given that the expected sign would be the negative, in other words, the probability of depth in the regional agreements would increase in the measure that it is reduced the number of veto players.

On the other hand, the most important result, also present in the work of MANSFIELD, MILNER and PEVEHOUSE (2005), is that the variable VETO j REG j presents negative sign, indicating that in more democratic regimes, with the increase of the number of veto players, it reduces the probability of depth in the regional integration in Mercosur, that lead us to the reflection regarding the possibility of larger depth in the process of integration of the mercosul with the inclusion of Venezuela, because, same being a country less democratic than the others, according to the data, the participation of the veto players would be of smaller relevance in the sense of limiting the depth of the process of integration of Mercosur.

Two final observations concerning our results: first, the variables REG_i and $VETO_i$ were statistically insignificant. We believed, in an initial analysis, that this is due to the fact that there were not changes in the type of regime of Brazil during the period considered (as it can be verified in the table 1).

Second, in the analysis of MANSFIELD, MILNER and PEVEHOUSE (2005) were included others explanatory variables, as, for instance, the production levels, the trade levels among the countries, the economic hegemony of one of the participants, the proximity and the distance among the commercial partners' capitals, the participation in multilateral agreements, like GATT and OMC, among others. The results, however, as we already mentioned, were very similar to ours.

5 – Conclusions

This article tried to show as the institutional arrangements in the countries - members of Mercosul can influence in the depth of the process of regional integration. In a first analysis we showed that similarities exist, especially in the institutional veto players, as well as differences, like the agenda setting negative in Argentina and positive in Brazil.

Our analysis continued, showing the importance of the veto players and of the types of democratic regime in the countries of Mercosul. We presented the idea that as larger the number of veto players, worsen for the process of depth of the regional integration. However, we emphasized that the importance of the veto players is observed in the most democratic regimes and in the least democratic ones.

In the most democratic regimes, the presence of a larger number of veto players is associated with the fact that the difficulties for the depth of the process tend to increase, in spite of in those regimes there to be a tendency of progress in the commercial agreements, once the government will try to benefit the median voter and not the groups of interest.

Our results for the case of Mercosul, expressed through the analysis of a model PROBIT to verify the probabilities of integration of Brazil with the other countries of the block, corroborated the ideas presented above, as well as the results of the rare similar tests accomplished in the literature.

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