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**Globalization and Regionalization Problems
(Based on the Case of Mercosur and EU)**

Abstract

Globalization process became the challenge. It can be associated with advantages, chances and opportunities that are brought for the whole world, main “actors” – transnational corporations and each country. From the other hand several threats, negative results of this phenomenon shouldn’t be forgotten, omitted. The aim of this article is to show the main positive and negative aspects of the globalization, what changes on the world market it brings, to what activities it forces the countries on the global scene. This analysis was conducted on the examples of some regional blocks (like MERCOSUR and EU), with a special taking into consideration Brazil, where the author took part in two Summer School organized by Faculdades Matropolitanas Unidas, Sao Paulo.

1. Introduction

The political, cultural, ecological and legal relations between nations and continents have extremely changed in recent years. Consequent on new challenges, that emerged in the global economy, they have reached a new quantitative and qualitative form called – **GLOBALIZATION**. But only at the beginning of 90’s people began to use this term (*Globalisierung der Wirtschaft. Zwischenbericht der Enquete*; Rymarczyk 2002, p. 219).

How do people react for this word? Totally different starting from hope and finishing with fear. It is common, that those, that have influence on development, character of globalization, are very enthusiastic about it. But those,

feeling eliminated from this “game”, with no possibility for having impact on this process, and this is typical for most of people, express usually their reluctance (Banas 2002, p. 23).

There are many ways in which **GLOBALIZATION** can be defined. Some are more, the other less precise in giving the clue, core of this phenomenon. In one of them globalization is concerned as a higher stage of internationalization process (production, marketing, distribution), in which world is treated as one market.

On which factors does the level of globalization in different kinds, spheres of economical activity depend? The highest can be observed on the finance markets and within science. While taking into account technology, goods and services markets, the most globalized are those, that represents the highest capital intensity. From the other hand labour market, education, infrastructure and administration usually have the national character. But still can be strongly, increasingly influenced by the international competition because of the comparison of prices and effectiveness (Banas 2002, p. 23).

What are the main reasons, with which factors should we connect the globalization process? First of all with **technological changes**, such as:

- internet that enabled implementation of new production, management and logistic techniques all over the world; it became the main globalization’s tool because it provides the free access to information (f.ex. about goods and services offered by the suppliers on the market, about the prices, etc.)¹,
- mobile telecommunication,
- new, faster and cheaper means of transport.

The second aspect is the **development of the global economy**, especially due to:

- stable growth of the amount of exported goods and services,
- free movement of capital,
- liberalization of international finance markets,
- deregulation of antitrust law,
- appearance of global consumer markets and global trade marks.

Another important factor are **political changes** like:

¹ The society, that has a close relationship with technological advancements can be called information society. It is conducted by the mass communication means, especially the TV, depends on information technology, that promotes quick, constant globalized communication worldwide in prof. Paulo Adib Casseb’s lecture “*Information Society, Democracy and Globalization*”.

- transformation process; collapse of communism and implementing, building, market economy,
- new political, legal system; democracy.
- respecting the human- and copyrights²,
- increasing awareness in the case of ecological threats.

Strong impact had also the **appearance of new subjects** on the global scene, i.e.:

- multinational companies, that by integrating their production and marketing dominated the global production,
- World Trade Organization (WTO); the first multilateral organization that can force the governments to respect certain rules³,

² Based on information taken from the prof. Guilherme Amorim's lecture "*Globalization and Human Rights in Latin America*" and prof. Carlos Eduardo Siqueira Abrão presentation "*Juridical aspects of the refugees protection in Brazil*" The Universal Declaration of Human Rights is the document that all Latin America countries have agreed to. Governments are expected to use the UDHR to guide their legislative, judicial and administrative practice. These international laws on human rights have been further expanded and reinforced in regional human rights instruments. Africa, Europe and the Americas each have their own human rights charter, along with associated mechanisms to ensure compliance. Latin America countries have adopted the additional human rights obligations in these regional charters. But still, some countries have not subscribed the UN Declaration (China). Other countries have subscribed, but in practice ignore and violate Human Rights on large scale. An instrument for monitoring Human Rights exists, the "State compliance reports to the United Nations Commission on Human Rights", but hardly any country produces these.

Another crucial document is the 1951's Convention, for which purposes the term "refugee" should apply to any person who:

1. Has been considered a refugee under the Arrangements of 12 May 1926 and 30 June 1928 or under the Conventions of 28 October 1933 and 10 February 1938, the Protocol of 14 September 1939 or the Constitution of the International Refugee Organization; Decisions of non-eligibility taken by the International Refugee Organization during the period of its activities shall not prevent the status of refugee being accorded to persons who fulfill the conditions of paragraph 2 of this section;
2. As a result of events occurring before 1 January 1951 and owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable, or owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.

³ International organization is usually defined as a relatively permanent union of sovereign countries, that was formed as a result of international agreement. It has several institutions, organs responsible for realization of common objectives. International organizations are often described

- fast development of nongovernmental organisations (Milewski, Kwiatkowski 2006, p. 511),
- regional, integration blocks (Piasecki 2003, p. 228),
- groups of countries that try to coordinate the economical and foreign policy (f.ex. G-7) (*Human Development Report*, p. 30; Piasecki 2000, pp. 111–112).

Globalization as a process has two “faces”, two images. The first one can be associated with advantages, chances and opportunities that are brought for the whole world, main “actors” – transnational corporations and each country. From the other hand we shouldn’t forget, omit several threats, negative results of this phenomenon.

In the next part of this article the author is going to presents these aspects in more detailed way, by taking into account the main issues presented in the lectures during the Summer School at *UniFMU* Sao Paulo, in which the author took part in January 2006 and 2007.

2. Main chances, opportunities created by the globalization

It is well known, that globalization is an enormous chance for those countries that conduct appropriate economical policy with “clear”, fair public finances, low taxes. Countries which decide to open their markets, to lower tax rates, to liberalize trade by decreasing or even liquidating tariffs barriers, create in this ways certain incentives for foreign investors. Due to competition mechanism it can result in structural changes, technological development. Production becomes more effective and the faster growth of welfare can be noticed. Globalization can have positive impact on the environment because it triggers off the significant decrease of production costs (effect of scale). The

as those that tend to globalization of their activities. That global character results from general groups of objectives for which the international organizations are created:

- peace and safety in the whole world or in certain regions; liquidation of conflicts; offering help in solving the disputes, in finding the guilty party, responsible for the conflict,
- creating the atmosphere favourable to development of cooperation between member states by organizing the discussion, consultations,
- development of cooperation in several spheres (economic, sociological, cultural, scientific).

In general the major role of international organizations is the identification of member states’ interest, character of the differences between them, soothing and minimizing the tension appearing among them (Doliwa-Klepacki 1999, p. 14, pp. 67–70; Winiewicz 2003, pp. 451–454).

same value of production, as in 1960, can be now achieved by using the half of the amount of raw materials engaged over 40 years ago. Consequent on this the implementation of environmentally-friendly manufacturing became possible (Rymarczyk 2002, p. 221).

Besides the competition between countries, trying to introduce the most encouraging conditions for foreign investors, favours democracy, the growth of market economy, transparency in the activity of the government.

Incoming international companies create new work places, sometimes prevent from bankruptcy taken-over enterprises. They try to develop, to reorganize, to reconstruct them by spreading new management systems, production techniques, quality and legal standards (spill-over effect). By putting them into force the higher productivity, better distribution and increase of export can be achieved. The following data prove the significant role of globalization in the view of mentioned aspects. Within last 50 years global GDP rose 5 times, foreign trade 12 times and foreign direct investment 30 times (Rymarczyk 2002, p. 221).

Summing up, the globalization gives a chance for faster production growth, social welfare and increase of living standards, conditions. Another advantage is the access to new technologies, management methods, knowledge on the higher level and institutional system, that came true in other countries. Some uneconomical opportunities are worth presenting. First of all free choice connected with international movement of goods and services, free movement of people. The second thing is freedom of thought associated with flow of ideas (Rymarczyk 2002, p. 221).

As the author mentioned earlier, the globalization process has two images. The first, positive one was presented above. In the following paragraph some disadvantages of globalization are going to be described.

3. Main threats caused by the globalization

The negative results of this process can have either global or local dimension. The first one covers climate's changes such as:

- ozone hole,
- water, ground, air pollution (urban and industrial water and air pollution),
- greenhouse effect,
- soil erosion,

- deforestation (unsustainable use of forest)⁴
- diminishing the number of animals' and plants' species (that is connected with those presented above) (Rymarczyk 2002, p. 222).

In my opinion, and the photos shown during the prof. João Amorim's lecture "*The Globalization and environment in Latin America*" and prof. R. Biderman presentation prove it, lot of these problems touch regions in South America's countries, especially in Brazil (i.e. Amazonian Forests, Pantanal). The main reason, cause is the fact that environmental law enforcement is still weak and environmental issues are still not part of the government's main political agenda. Besides environmental governmental agencies have the lowest budgets among all governmental agencies. Without any steps taken in this field it would be difficult to solve the severe environmental problems. However several NGOs (like Greenpeace, Friends of the Earth, WWF, IPAM, IMAZON, ISA, etc.) are well organized and influential in the political arena. Also International Organizations (such as WB, IADB, UNEP, UNDP, etc.) and Brazilian Government (Federal and States) play an important role. Social Movements (rubber tapers, indigenous peoples, small farmers, landless people, extractive communities, f.ex. GTA, CNS, COIAB), Universities and Research Centres (INPA, Emilio Goeldi, INPE, USP, Federal Universities), religious organizations, and media try to become an active stakeholders in defence of natural sources, environment and Amazonian people (by encouraging local

⁴ Some data presented by prof. Rachel Biderman in her lecture „*Sociological and economical issues in the Amazon*” outline not only the scale – Amazon (as a largest existing tropical forest in the world covering 7 million square km that amounts 50% of Brazil's territory, with a 1/3 of tropical forest protected areas and largest genetic bank in the world) loses aprox. 20,000 sq km per year (reduced in 2005-2006 to 13,100 km² according to the federal government) and only 7% of the Atlantic Rainforest left, but also the causes of the problem such as:

- intensive subsidized cattle ranching (low-income, landless farmers settle on whatever land they can find, farming it for a living until they are forced to relocate and find another patch of land; they resort to unsustainable agricultural practices that deplete the land of nutrients),
- plantation of soy-bean and other grains (conducted on large scale),
- infra-structure construction – hydro power plants, roads,
- mining activities (current extraction practices lead to the degradation of the surrounding lands; moreover toxic chemicals used in refining processes such as mercury and cyanide only strengthen the negative consequences)
- land invasion and illegal exploitation of land,
- high level of urbanization (connected with the significant growth of the population; in the Amazon it's reached the number of over 20 millions comparing to 3,5 mln in 1970),
- deficient sewage collection, waste management,
- illegal trade of fauna and flora.

governments to establish sustainable procurement policies for wood and wooden products).

The other disadvantages of a global character are:

- increasing drug consumption,
- AIDS and other civilization diseases,
- terrorism⁵;
- activity of international mafias,
- corruption,
- political manipulations of transnational companies that can be treated as an important threat towards democracy, public administration, foreign and national financial system,
- money laundering.

3.1. Money laundering in Brazil

The examples of a modern crimes, strongly connected nowadays with the globalization process were presented above. The last one can be defined as the “whole of commercial or financial transactions, that the main objective is to aggregate into the economic – legal system, assets deriving from crimes, with an allowed aspect”⁶. The most important thing about this global problem is that, that countries decided to cooperate, find consensus and solution for how to deal with this kind of crime. Over 100 have already signed the United Nations’ Convention approved 19th December 1988 in Vienna. Why was it so significant to take certain steps in order to solve the problem of money laundering? The answer seems to be quite simple. It was connected with one of the aspects of globalization process. As the author mentioned earlier, technological development, internet have strongly fastened the globalization. From one hand it should be considered as positive change, that enabled faster, better communication, flow of information, flow of capital. But from the other we should bear in mind that in the same time we lost possibility to control the

⁵ technological development, especially in the communication resulted in emerging global informatics and telecommunication nets, increased also possibilities for terrorists, criminal organizations to coordinate their actions, to enlarge transnational structures, to improve operational capability and become more resist to steps taken by the countries; another consequence of technological advancement is the appearance of new, more effective kinds of weapon let alone info- or cyber wars (Pumphrey 2000; La Carte 2001, p. 23–32; Madej 2003, p. 119)

⁶ Definition coming from the lecture of prof. Marco Antonio de Barros “Globalization and Money Laundering”

situation on the finance market. Nowadays by clicking, pressing one button we can transfer money from one country, continent to another. Daily turnovers account for more than 1 billion USD⁷. Nobody could convince us that transactions conducted on such a large scale can be controlled. Increasing liberalization causes the lower efficacy of borders. Appearance of tax paradises (in which illegal funds can be hidden; they specialize in so called offshore banking (Madej 2003, p. 121)), tax shelters (countries that don't participate in the tributary in financial transactions) and countries no co-operatives (which don't agree with the international agreement that established the reciprocity of changing information), unlimited opportunities within current financial system created the possibility of money laundering and informal money - transfer systems (similar to eastern Asian **haval**) (Jamswal 2002). Brazil, for instance, because of its size (the fifth largest country of the world), is treated by United States of America (which particularly aspire to overcome money laundering) as a high-risk-country, that can be easily penetrated by criminal organizations. For anti money laundering purposes some programs were implemented or are going to be put into force (ENCLA goals 2006) in the Latin America's largest country, i.e.:

- compliance programs,
- monitoring and registration of suspicious transactions, activities (by banks, insurance companies)⁸,
- severe administrative condemnations, specialized sectors in the Federal Policy for investigations,
- increase the number of specialized court's section in the subject,
- recreation the database of depart and entrance of Brazilians in the national territory,
- National Official Register of subscribers that has telephones, mobiles and internet users,
- definition the exposed political persons "*Pessoas Politicamente Expostas (PEPs)*",

⁷ In 1998, the daily currency market turnover was estimated for 1,5 billion USD (Wientraub, 2002, p. 53; Madej 2003, p. 120).

⁸ For me, especially as a foreigner, surprisingly was the fact, that each currency exchange transaction in Brazil was registered. No matter in which place (bank, exchange office, travel agency) the transaction took place, the passport and detailed information were required; (in Poland for instance no identity document is needed in such situation). If I were the Brazilian, I should pay additionally tax apart from commission. Probably, it is the result of the policy, certain steps presented above, decisions taken by the government of Brazil.

- to attend the ONU's Treaties against the corruption, facilitates and automates the juridical access for the information from the "Receita Federal",
- definition in the law a criminal organization, terrorism and the financing terrorism,
- enhancing the foreign juridical cooperation in the border areas⁹.

Interesting would be the answer for this kind of question, if those steps taken by the Brazilian government bring the expected results and if yes, then when.

4. Disadvantages of globalization process for developing countries

Globalization causes the lower, weaker position of less developed countries. The erosion traditionally meant sovereignty can be now observed. Governments lose the power to control their territories. This phenomenon refers to all countries but especially gains in importance in case of unstable states. In the current Darwin's globalization processes model binding is the stronger's law. Weaker should be prepared for marginalization meaning small or even none stake, significant part of world's population in advantages connected with globalization. Despite the fact what optimists, enthusiasts think and say, globalization still increase inequalities concerning the level of development, welfare¹⁰. Less economically and technologically advanced and competitive

⁹ Information and data taken from the lecture of prof. Marco Antonio de Barros "*Globalization and Money Laundering*".

¹⁰ **CONSUMPTION INEQUALITIES**; Following data, taken from the prof. Joao Amorim's lecture "*Globalization and Environment in Latin America*", prove the presented above situation:

1. About 1.3 billion people live with less than 1 USD per day and almost 1 billion can't support its basic needs of consumption.
2. In Latin America, 240 million people live below of the poverty line.
3. The participation of the global income of the world's richest 20% is 74 times of the poorest 20%.
4. The general consumption of the richest 20% world-wide is 16 times of the poorest 20\$.
5. Approximately 840 million people are undernourished.
6. Almost 160 million children are undernourished, and more than 250 million are working, in Latin America
7. More than 880 million people has no access to health care services and about 17 million die each year of infectious diseases such as diarrhoea, measles, malaria and tuberculosis.
8. Of the 4.4 billion people in the developing countries, about 1,5 billion lack access to clean water, 1 billion doesn't have proper housing, and 2,6 billion don't have access to basic sanitation.
9. 20% of the population of the North Hemisphere is responsible for:

societies become passive part of globalization. They lose the impact on changes (their direction) and have to bear consequences caused by this process (Kuźnar 2002, p. 24–25; Czaputowicz 2001, p. 22–29; Madej 2003, p. 125). Transnational companies acting in smaller, weaker countries cause trade, capital and political dependency (Rymarczyk 2002, p. 222)¹¹. They become subordinated to global infrastructure, communication systems, computer -, transportation - and energy nets (Homer-Dixon 2002, p. 52–62; Madej 2003, p. 123). The more globalized is the society, the more susceptible to different kinds of attacks, financial crises¹². Another crucial problem is connected with inappropriate structure of incoming, inflowing foreign capital. It dominates in banks and consequent on this it hinders conducting sovereign financial policy (Rymarczyk 2002, p. 222).

Transaction made with highly developed countries result in worsening the terms of trade. Appearance of many foreign super – and hypermarkets causes collapse, bankruptcy of small, local shops. Foreign capital threatens local industry. Enterprises are acquired and then closed. After implementing the

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- 86% of the world's consumption spends;
 - 46% of world's consumption of meat;
 - 65% of world's electricity consumption;
 - 84% of world's paper consumption;
 - 85% of world's metals and chemicals consumption;
 - 70% of the global carbon dioxide emissions.

¹¹ Their assets, capital, have usually international character, being owned by banks, insurance or industrial companies. But the HQ of even strongly internationalized corporations are still connected with law, security and policy of certain country – USA, Japan, UK, Germany, France, Italy and rarely with smaller economic powers. It doesn't mean the full loyalty to mother country. Actually it would be very difficult in the terms of growing opening of all economies, cultures and societies. But the connections with policies of major countries enables having influence on world and regional cooperation systems, especially breaking, liquidation of protection barriers (Dobroczyński 2002; Dobroczyński 2003, p. 135–136).

Having access to enormous amounts of capital, transnational companies can finance politicians' campaigns and after their success expect fulfilment of companies' requirements. Industrial corporations in less developed countries receive from the governments preferential conditions for their activities, what in practice means often ecological impunity (Walkowski 2003, p. 429).

Levitt in his article "*Globalisation of Markets*" published in 1983, stated that technological changes and social, political, economic development turned the world in recent years on the path leading to "global, uniting community", unified global market in the sphere of consumers' preferences. Those who mainly earn profit are international companies, that produce standardized goods in order to achieve economies of scale. They are able to set lower prices than their competition and then step by step push it out of the market (Walkowski 2003, p. 425).

¹² Especially due to speculation capital's inflow, activity of world hedging funds.

better, more advanced technology, know-how, work places are liquidated. Revenues coming from taxes are limited by using transfer prices that enable transnational companies lower income and tax they should pay (Rymarczyk 2002, p. 222). Being aware of seriousness of problems, phenomenon described above, countries search for the solution, some kind of cure for the illnesses of the current world. Finding the right decision, set of steps that should be taken, is a great challenge for the global society. Developed concepts are presented below, in the following paragraph.

5. Solution for inequalities triggered by globalization

5.1. Global Governance

Global Governance (GG) is one of the concepts, that are proceeded nowadays. Inspiration for this program were dissertations of many well known authors like: Ulrich Beck, Yehezkel Dror, Michael Zürn (Rymarczyk 2002, p. 223). The main role in implementing this idea had **UN COMMISSIONS** like:

- Commission on International Development,
- World Commission on Environment and Development,
- Rome Club,
- Commission on Global Governance, that has written a special report „**Our Global Neighborhood**”.

The most important target is finding the solution for different opposite interests, for global problems (f.ex.: disproportion, gap between rich and poor countries, significant problem of the poverty, conflicts in developing countries (Gołębiowski 2003, p. 209)). In order to realize this plan institutions, governments, informal organizations, trade unions, international organizations (f.ex.: OECD, World Trade Organization, World Bank, GREENPEACE, AMNESTY INTERNATIONAL) should cooperate. While making the decision, searching for consensus some local, national, regional features, attributes should be taken into account. What's more significant, these - once reached - settlements need to be always developed, adjusted to changing conditions.

This concept is based on the idea of Kant called „**FEDERATION OF INDEPENDENT REPUBLICS**”. Global Governance's aim is to create a decentralized system, multilateral institutional cooperation in order to solve problems of globalization. One aspect have to be strongly underlined. GG doesn't try to hinder globalization but to transform the rules on which it is based.

GG can be seen as a method of stabilizing globalization process, as the political effort to restrain those economic changes that lead to inequalities, environment's damages, breaking the human – and labour law (Gołębiowski 2003, p. 210). Global governance is the new way of solving the problems by cooperation between world of politics and economists, that together try to face emerging international challenges. It can be described as reformative approach, combined with market liberalism, in which the state still plays a crucial but unstable role. This new relation is a form of public-private partnership. However often criticized by NGOs for negative impact on democracy, equality and other social values (Gołębiowski 2003, p. 211). We should bear in mind that implementing this concept will take lot of time and it is not easy to predict the final results.

5.2. Building regional integration blocks (based on the case of Mercosur and EU)

In the international law, the process of economic, political and social integration by nations to form regional blocks is concerned as a defensive reaction of certain states to protect themselves against the phenomenon of globalization and increasing international competition. European Union, MERCOSUR (Spanish *Mercado Comun del Sur*; English *Southern Cone Common Market*) or MERCOSUL (Portuguese *Mercado Comum do Sul*), NAFTA (*North American Free Trade Agreement*), CEFTA (*Central European Free Trade Agreement*), ASEAN (*Association of South East Asian Nations*) are the main examples of current regional blocks acting on the global scene¹³.

What are the main phases of creating integration block? In what way can it evolve?

1. **Free Trade Zone** focused on the substantial reductions, aimed at the elimination of customs, tariffs barriers, importation quotas, blockades, requirements of the custom house, restrictive commercial regulations, differentiated bureaucratic requirements for products imported in relation to the national ones etc., among the members of the block.
2. **United Tariffs and Customs Zone** defined as the establishment of a set of rules and assigned tariffs of foreign trade for the members of a block in its relation with third nations (countries out of the block), establishing same commercial, tax, customs and tariff rules applicable for all the members.

¹³ Based on the prof. Manuel Nabais da Furriela's lecture "The Integration of Latin America – Alca and Mercosur and Its Effects on the Globalization".

The **CET** - Common External Tariff is created, assigning uniform rule for the relations between the members of the block with other nations.

3. **Common Market** in which besides trade relations, others matters are incorporated determining the free movement of citizens, assets, products, capitals etc. For example, individuals are permitted to circulate freely in the member states of the block and any obstacles and restrictions to the entrance or exit of goods are eliminated among member states.
4. **Economic and Monetary Union** concerned as the establishment of a common economic policy, entailing a unified central bank and common currency unified for all the members, aiming to improve the economic integration.

Political Union in which member nations become a federation or confederation of states with unified leadership and a communitarian constitution as a consequence of an intense integration. Such a block is still hypothetical, however the European Union is in this direction (Molle 1990, p. 83–175; El-Agraa 1990, p. 79–97).

It is difficult to decide, which phase of integration MERCOSUR has reached. Most of the economists argue, whether the block is in the second or the third phase of integration. From one hand, MERCOSUR has features of the United Tariffs and Customs Area, but from the second certain characters of Common Market. Its aim is the integration of international trade and other aspects. By achieving them the member states (Brazil, Argentina, Uruguay, Paraguay, Venezuela) and associated countries (Bolivia, Chile, Colombia, Equator and Peru) could significantly profit.

There's one more important phenomenon, worth mentioning. Apart from taking several advantages by the block, that acts as a group of countries, consequent on this has better negotiation position and becomes more competitive, it faces often lot of problems. One of them can be crises of identity. The other one is connected with financial situation of the member states. MERCOSUR is an adequate example, showing what effects can bring drastic devaluation. This change, implemented in Brazil, caused significant drop of the international prices of the Brazilian goods and represented an opposite effect for Argentina: the prices of Argentinean products increased when they entered on the Brazilian market. Since that time, Argentina has been in terrible economic situation (internal political disputes and default in its international debts). To protect the market, the Argentinean government made the decisions against the integration and established quotas of importation for some industrialized goods produced in Brazil.

One more aspect should be taken into account. The enlargement process is another crucial aspect, in which it is difficult for the countries to find the consensus. Each see pros and cons of inviting, accepting new state within the

block. Some of them are afraid because of the potential member's unstable political, economic or social situation (like in Venezuela or Bolivia). Chile for instance is the most interesting case, because it represents a stabilized growing, opened to the international trade, economy. But adjusting its tariffs to the high level of CET (Common External Tariff) of MERCOSUR is now impossible.

Similar problem faces also European Union. I guess, that the more countries are within the block, the more differentiated they are, then the more difficult for them is functioning as one group, finding compromises, being resist to what is happening in their partners' economies. Probably because of these reasons, the implementation of ALCA (FTTA-The Free Trade Zone of Americas¹⁴) could be impossible. Some countries are simply afraid to open their markets for the competition with USA. Brazil, for instance has not made a completely affirmative position for ALCA yet. As one of the most developed economies in the area cannot easily decide if it is going to bring positive or negative results for this country.

6. Cooperation between EU and MERCOSUR. Historical background and current situation

Variety of culture characteristic for the region of Latin America results from its European heritage, when in XVI and XVII century Spanish and Portuguese have started the colonisation process. It's triggered to the inflow of immigrants from those two countries on a large scale. They left the heritage of European culture, language (most of the inhabitants of the Latin America use Spanish, Portuguese is an official language in Brazil) and ideology, that can be still noticed.

In XIX century United States have shown the increased interesting in this region from the economic point of view. But till the second World War Germany and Great Britain played the main role in trade and investment.

After the year 1945 USA could start the penetration of the region. Moreover, the political issues connected with the Cold War, have led to American hegemony in the Latin America (Coatsworth, Taylor 1998; Bulmer-Thomas 1994; Leonard 2001, p. 25–26). Their presence in this region caused the lower interest of Europe. By the end of 50-ties some European countries renewed relations with Argentina, Brazil, Mexico. Despite forming the European

¹⁴ USA's idea of integration of all the American countries, except Cuba (because of its socialist regime, its historical tension with USA, influence of USA).

Economic Community (EEC) in 1957, none steps were taken to putting into force some kind of economic support program or cooperation.

Due to activity of CELA (Comisión Especial de Coordinación Latinoamericana) “the Year of Latin America” was announced in 1971. Besides, a mechanism of dialogue was created for each year discussion with ambassadors of countries from this region in Brussels. But it’s hard to treat is as a real advance (Leonard 2001, p. 25–26).

There were several determinants, that made the significant development of economic relation between Europe and Latin America unable. First of all the internal problems of EEC, oil crisis in 70-ties. Some problems of Latin America played also important role. Early trials of cooperation like LAFTA (Latin America Free Trade Association), CACM (Central American Common Market), CARICOM (Caribbean Free Trade Association) had lot of own identity problems and couldn’t be the best examples of future functioning together. Most of the Latin America countries experienced the power of brutal military regime. Their governments led the nationalistic policy that couldn’t be an adequate base of the future cooperation with other partners out of the region (Leonard 2001, p. 25–27).

The situation has changed relatively in the half of 80-ties, when Spain and Portugal were preparing to EC accession. Those two countries wanted to form special relations with the former colonies.

Accepting The Single European Act in 1986 was another crucial impact for the foreign policy due to institutionalisation of the European Political Cooperation, reinforced by Common Foreign and Security Policy within Treaty of Maastricht in 1992.

Changing political and economic climate was another reason for renewing Europe’s relations with this part of America. Collapse of military regime, implementing democratic system on the whole continent enabled achievement of political stability.

In 1991 MERCOSUR was created. Then EU and Southern Cone Common Market signed several bilateral agreements dealing with trade issues. Another step was taken in 1993 (May, 29th) that can be treated as important fundamental of the European technical assistance, staff training, institutional support for the integration process within MERCOSUR. Interregional Framework Agreement subscribed two years later (December, 15th) in Madrid started the cycle of the regular discussions. Dialogue between those two regional blocks referred to trade issues, used institutional solutions, law regulations connected with competition, antidumping, technical standards, certificates of origin, import licenses. Consequent on this in June 1998 EU decided to negotiate with member states of MERCOSUR the free trade agreement. Several meetings were

organised in Rio de Janeiro (June 1999), Brussels (November 1999), Buenos Aires (April 2000), Brussels (June 2000), Brassily (November 2000). Their aim was making arrangements about free trade agreement, dealing with different spheres of the economies of both parties, but including rules of the World Trade Organization (Leonard 2001, p. 29–30).

The increasing EU's interest of MERCOSUR was caused by significant growth of trade turnover between them, investment made by Spain, France and Germany in such south American sectors as: banking, insurance, telecommunication, electronics and aircraft industry. In that circumstances EU offered MERCOSUR free trade agreement in goods and services, with free movement of capital and other regulation regarding lot of issues starting from governmental order and finishing with respecting the copyrights.

Relations with EU give MERCOSUR better position in contacts with USA. Special prestige Brazilian Getulio Vargas Foundation pronounced its positive opinion about it. In report prepared by this institution stated that MERCOSUR could achieve yearly growth rate higher by 5% than this one, that could result from the FTTA. The authors underlined also important fact, that EU didn't require labour market and environment protection, what was the object of FTTA negotiation process with USA.

Discussions about obstacles hindering from contracting the agreement (like internal rivalry, structural weaknesses of MERCOSUR, USA influence on the western hemisphere, cultural connections) didn't take into account another crucial factor – EU enlargement. Many analytics didn't have precise answer, only prestige Institute for European-Latin American Relations (IRELA) in Madrid made some predictions that after EU enlargement in 2004 Latin America countries, especially MERCOSUR member states are going to be leave themselves because Europe draws its attention to the East (*Closer European links with Eastern Europe...*). Some researches made about this situation showed that IRELA was right, but there is a chance for development non-traditional export, especially with ABC countries (Argentina, Brazil, Chilli) that are the countries from this region developed enough to broaden with them the relations (Leonard 2001, p.46).

Last resolution of the European Parliament adopted over last year ago (12th October 2006), based on the own-initiative report by Daniel Varela Suanzes-Carpegna on economic and trade relations between the EU and MERCOSUR, with a view to the conclusion of an Interregional Association Agreement, stressed that, according to studies, the costs of not reaching an agreement are estimated to be at least EUR 3,700 million per annum in trade in goods, rising to over EUR 5, 000 million if investment and services are included.

On the negotiation of the FTA, Parliament added that, as well as being decoupled from the Doha round, the FTA, like the conclusion of the Doha Round, must not be subordinated exclusively to concluding negotiations on agricultural issues. Negotiations are needed in every field including trade in goods and services, investment, public procurement and other trade barriers.

Parliament went on to make specific observations on each sector of the proposed FTA, including agriculture, non-market agricultural access, services, investment, and intellectual property¹⁵.

7. Conclusions

No matter how the globalization process is going to evolve, the important role of politicians shouldn't be underestimated. In most cases on their decisions depends the situation of the block, that can either continue the begun integration process or show the tendency to isolation (Sanchez-Bajo 1999, p. 927–941). Steps taken by the government can determine the potential profits or losses caused by the globalization. Apart from economic aspects, this phenomenon is first of all political issue. The management, ruling organs, institutions can strongly influence the fact, if country becomes the active or passive part of globalization, regionalization, integration processes in the global economy.

There are lot of potential chances and threats connected with those changes. Finding the consensus between parties that are in favour and against presented processes will have a significant impact on further development of global economy. Probably all economists agree that it has objective and inevitable character. The dispute is related to the model of national economies' evolution within the global one. Contestation concentrates on searching the way for world's development, that enables diminishing the enormous disproportion among poor and rich countries and that triggers to liquidation of the distinct world's division. It can be even compared to the appeal for fair, just and less rapid, less dynamic globalization.

¹⁵<http://www.europarl.europa.eu/oeil/FindByProcnum.do?lang=2&procnum=INI/2006/2035>.

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