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Comparing the Effects of Economic and Financial Crises on Regional Disintegration in the European Union (2009) and Mercosur (1999–2001)[1] [2]

Comparación de los efectos de las crisis económicas y financieras en la desintegración regional en la Unión Europea (2009) y Mercosur (1999-2001)

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Abstract: This paper delves into Regional Organizations' reactions to crises, exploring whether such occurrences lead to disintegration. Crisis situations pose immediate and unforeseen challenges to regional cooperation and integration. The responses to these crises vary, with potential outcomes ranging from increased cooperation to disintegration or maintenance of the status quo. To understand why organizations disintegrate

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or hold together after crises, we compare the 2009 Eurozone budgetary crisis with the 1999-2001 financial crisis in Mercosur. Using Most Different Systems Design, we analyze factors preventing member defection. Our findings suggest that regional powers play a crucial role in preserving bloc integrity, acting as a sufficient condition to prevent defection. This study contributes to theory consolidation by testing models across different regions and moments, offering insights into causal mechanisms of regional disintegration or cohesion.

Keywords: Regional Organizations – Crises – Disintegration – Cooperation – Regional Powers

Resumen: Este artículo analiza las respuestas de las Organizaciones Regionales ante crisis y su posible efecto en la desintegración. Las situaciones de crisis presentan desafíos inmediatos e imprevistos para la cooperación e integración regional, con respuestas que pueden favorecer la cooperación, desintegración o estabilidad. Para comprender por qué las organizaciones se desintegran o permanecen, comparamos la crisis presupuestaria de la Eurozona de 2009 con la financiera de Mercosur de 1999-2001. Utilizando el Diseño de Sistemas Más Diferentes, analizamos factores que previenen la deserción de miembros. Nuestros hallazgos sugieren que los poderes regionales son clave para preservar la integridad del bloque, previniendo la deserción. Este estudio contribuye a la consolidación teórica al probar modelos en diferentes regiones y momentos, ofreciendo ideas sobre los mecanismos causales de la desintegración o cohesión regional.

Palabras clave: Organizaciones Regionales – Crisis – Desintegración – Cooperación –Potencias Regionales

1. Introduction

Regional Organizations (RO) have increasingly become central actors in the international system, not only facilitating cooperation among states but also managing cross-border challenges that individual nations may struggle to address alone. However, these organizations face constant pressures, and their durability is often tested by unforeseen crises that impose urgency and provoke instability. Economic downturns, political upheavals, and social unrest are examples of events that can disrupt the fabric of regional commitments, challenging the cohesion and purpose of regional organizations.

Since crises are at once unexpected, urgent, and threatening, their occurrence can jeopardize regional cooperation and/or integration. Yet, no deterministic pattern can be predicted. On the one hand, disruptive moments can lead to the breakdown of commitments, short-term selfish action, and drainage of resources away from regional endeavors. On the other hand, they can also catalyze renewed cooperation or increase states' perception of the need to band together. And even still, some organizations might be so loosely integrated from the outset that an intervening crisis will hardly find any supranational matter to disintegrate.

Thus, when a crisis strikes, it raises critical questions about the resilience of these institutions: Does the onset of a crisis foster deeper cooperation, or does it expose divisions that lead to disintegration? And how do the organizational and economic characteristics of the crisis-stricken RO affect its response?

To understand why organizations may disintegrate or hold together after crises, we compare two cases: the 2009 financial crisis in the Eurozone and the 1999-2001 financial crisis in the Common Market of the South (Mercosur). The former posed a concrete disintegration threat to the European Union (EU), as Greece's potential exit (Grexit) would expose the limits of EU monetary policy. Despite this, the Troika – the European Commission, European Central Bank, and International Monetary Fund – worked with Greece to avoid a breakup. The second case involved economic instability spilled over from Brazil to Argentina, leading to protectionism and tensions within Mercosur, but no member left the bloc.

These common outcomes justify an EU-Mercosur comparison using a Most Different Systems Design (MDSD) to examine factors that prevent member defection. Our study contributes to consolidating theory by complementing prior research. Since Grexit, models explaining crises and ROs responses have emerged – yet mostly focused on the EU. Meanwhile, recent gridlocks in Latin America have motivated similar analyses, though both literatures are not always conversant. For a generalizable model, these frameworks require testing across regions and time periods. Our qualitative comparison between Europe and Latin America thus supports comparative regionalism, enhancing disintegration theories by testing diverse units and clarifying causal mechanisms. Our findings suggest that, from several causes of resilience suggested by the literature, regional powers play a crucial role; their actions to maintain bloc integrity can often prevent member defection.

The investigation is structured in seven parts, beyond this introduction. Our theoretical framework is expounded in the second section. In the third section, we present the variables and methods. In the fourth section, we justify our focus on economic crises and our comparison of the EU and Mercosur as MDSD. The fifth and sixth parts analyse the EU and Mercosur crises, respectively. The seventh section discusses the cases, and the concluding eighth section tackles limitations of the current study.

2. Theoretical Framework

Integration, Disintegration and Crisis: concepts

There are numerous responses to crises, varying from the strengthening of the integration process to its disruption. Following Nolte and Weiffen (2021), this outcome is regarded as ranging from a positive pole, "resilience" to a negative one, "disintegration".

While resilience is associated with the organization's ability to "reactivate and resume its activities after a crisis" (Nolte and Weiffen, 2021: 27), disintegration refers to the "structural dismantling of regional dynamics" leading to termination or marginalization (Carvalho and Senhoras, 2020: 65). It signifies "a reduction in the existing level, scope, and membership of integration", impacting (i) the organization's geographical scope; (ii) the breadth of political matters coordinated by it; (iii) its institutional complexity; (iv) and the political coordination among organization members (Schimmelfennig, 2017: 316; Vollaard, 2018: 50). Although in popular discourse the moments when governments declare they wish to abandon the RO are often dubbed crises, it follows that the crisis is a distinct and anterior event that impacts states' institutional commitments.

Following Hermann (1969), crises are defined as situations which: (i) threaten the high priority goals of the decision-making unit, (ii) restrict the time available for response, (iii) surprise the members of the decision-making unit. Boin et al. (2005), similarly, define crisis as a "serious threat to the basic structures or the fundamental values and norms of a system, which under time pressure and highly uncertain circumstances necessitates making vital decisions". This definition shares the traits of threat and urgency, whilst underscoring that actors in a crisis are (iv) highly uncertain about its causes, consequences, and how to respond.

Hermann (1969) and Boin et al.'s (2005) definitions put actors and the hard circumstances of their reactions at the center. From this we gather that a crisis has no agency on its own: it is an intervening stimulus that might lead to disintegration depending on its effect over states.

Crisis as intervening variables

Theories of regional integration have at their core different mechanisms that connect the features of integration parties to political outcomes. Each of these accounts and their accompanying mechanisms ascribes a distinct role to intervening crises.

For neofunctionalism, integration is path-dependent, and crises are endogenous. For instance, spillover effects can be regarded as a mild crisis creating new flows and allegiances. Consequently, major crises are moments of "massive spillover" (Schimmelfennig, 2017: 321). Neofunctionalists expect that highly integrated organizations respond to those crises restrengthening integration. Thus, path-dependency is the main mechanism through which current levels of integration affect the likelihood of future disintegration. In other words, the initial values of variables such as longevity or supranational density will be determinant to the outcome.

However, Vollaard (2018: 26) argues that, from an epistemological viewpoint, "neo-functionalism's inclination towards integration diminishes its ability to explain European disintegration". Intergovernmentalism, in contrast, sees crises as exogenous and their main effect is to alter the preferences and resources of national governments, so that bargaining outcomes might change. Hence, the impact of a crisis is indeterminate. It might trigger disintegration (if states perceive that pooling resources and competences is undesirable) or integration (if they understand a coordinated response is superior to a unilateral one). In addition, the bargaining framework implies that the preference of more powerful members is determinant in the ROs response, thus placing more explanatory weight on the asymmetries between members (Schimmelfennig 2017)[3].

Outside the EU, middle-range theories on Latin American regionalism have emphasized ideology, leadership, and institutional design (e.g. Saraiva and Hernandez, 2019; Agostinis and Nolte, 2023). These contributions are nonetheless at some distance from ours, as their dependent variables are not the same as disintegration, and their drivers refer to endogenous political conflicts and not to exogenous crises.

More bounded comparisons are found in Henning (2011) and Saurugger and Terpan (2016), who compare a series of economic and financial calamities in Europe, Latin America, and Asia. For Henning, the causal links through which crises impact regions are manifold: they can trigger societal demands for state action (e.g.: protectionism) and impact incumbent survival; they force choice upon leaders, halting any strategic ambiguity from calmer periods; a crisis can lead to preference converge or divergence among bloc members, depending on how homogenously its effects are felt; shift power distributions; and prioritize certain topics.

[3] Also in Webber (2016: 359): "in hegemonic-stability-theoretical vein [...] the EU stands and falls with Germany".

Saurugger and Terpan, in turn, adopt an institutionalist framework and perceive crises as windows allowing for change within ROs. Traditional cognitive frames are challenged and the need for sense-making allows actors to bring about institutional update. As they put it, crises "transform the understanding actors have of how to deal with issues and enable actors whose interest have diverged from the mainstream paradigm to use the window of opportunity created by the crisis to influence the debate anew" (Saurugger and Terpan, 2016: 4).

The authors emphasize factors such as state power, level of institutional density, and citizens attitude in explaining whether institutional change ensues. For our study, the first two are important as they encompass the main intergovernmental and neofunctional logics. The authors posit that the greater a state's relative power before a crisis, the higher the chance that it will be able to chart the course of the institution during the tribulations. Institutional density, in turn, is path-dependent: strong previous institutional commitments make it likely that the default response to the crisis is greater integration. In a similar vein, Nolte and Weiffen's (2021: 6-7) investigation of "regionalism under stress" also holds that economic interconnectedness and previous institutional density should lead to greater resilience.

Building on the discussion, the neofunctional expectation is that economic interconnectedness and institutional density will strengthen resilience, creating a stable base for cooperation during crises. Because of the mechanism of path-dependence, strong pre-existing commitments within institutions make deeper integration a more probable response to turmoil, and highly integrated organizations often reinforce integration in crises, thereby consolidating cohesion. As to intergovernmentalism, crises crises can either align or divide member preferences, depending on the extent of shared impact. States with greater pre-crisis power are likely to steer the organization's response, leveraging their influence to guide it through challenges. In this context, the bargaining mechanism suggests that the preferences of more powerful members will play a decisive role in shaping the organization's direction.

3. Methods and Variables

As our design involves a cross-regional comparison, it is worth underlining that ROs start out from distinct levels of integration when hit by crises. Focusing on a shared baseline indicator across entities is a more

promising choice when comparing heterogeneous ROs. Given the handicap between Mercosur and the EU in terms of policy depth and ambition, it is recommended to concentrate on membership withdrawal as a stabler and more fundamental indicator. It is true that defenestrating a troublesome member can save a struggling organization (Agostinis and Nolte, 2023), but, as the case studies will show, this would not apply to the Grexit and Mercosur crises. Defection by Greece or Argentina would have cast doubt on the whole enterprise, so that their retention is taken as a measure of resilience. Hence, in the selected cases, we observed a common outcome: the permanence of Greece and Argentina in their respective blocs. Last, it is important to note that our high-level observed outcome, the response by ROs, in fact comprises several observables, including actions from regional bodies, the decisions of member states taken as a group, and individual reactions of members impacting the structure of the organization.

Using the MDSD, we analyze factors that prevent member defection. As Anckar (2008) argues, this approach allows us to examine how distinct configurations of independent variables can produce a convergent outcome, providing a robust comparative framework to study similar phenomena across diverse systems. MDSD is particularly useful here as it enables us to observe how different ROs responded similarly to crises despite variations in their institutional structures and regional dynamics. By focusing on the common outcome —member retention— MDSD helps uncover how distinct political and economic factors contribute to a shared result, thus revealing the resilience mechanisms that support RO cohesion in times of crisis.

Independent variables

The empirical literature on International Governmental Organizations (IGOs) and regionalism in Europe, Latin America, and Asia addresses why organizations may remain intact or disintegrate. Combining these strands is beneficial. Large-N IGO studies often highlight country and organization-level factors linked to disintegration, though variable-oriented designs struggle to clarify causal mechanisms. For instance, incompatible preferences among members may correlate with departures (Borzyskowski and Vabulas, 2019), but such conflicts do not always lead to defection, as factors like voice opportunities or bargaining power (Vollard, 2018; Agostinis and Nolte, 2023) may intervene. Regionalism

scholarship can thus enrich IGO research with an approach focused on mechanisms and cases. Additionally, mixed findings in regression studies (Haftel and Nadel, 2024) underscore the value of theoretically-grounded discussions on mechanisms. In the following, we group some of the causes and mechanisms proposed in scholarship.

(a) *Organizational homogeneity*: A common dimension across several studies refers to the degree of organizational complexity or homogeneity. We group these variables under a same umbrella, but discriminate between indicators, as these belong to different levels of observation and might at time vary disjointly. Organizations are homogenous if they are single-purposed and have restricted membership. As mandate and number of members increase, so does the complexity and heterogeneity of the organization.

Homogeneity can be helpful because, as urgent troubles require executive capacity, an organization with few and like-minded members should be able to react promptly. Response is not only quicker but also concordant. Henning (2011) argues that one of the ways through which crises affect organizations hinges on preference symmetry. If states are economically dissimilar, their national societies might experience the crisis differently and demand competing remedies that, in turn, strain regional cooperation. Borzyskowski and Vabulas' (2019) comparison of IGO withdrawals since 1945 found that one of the leading determinants for defection is preference divergence among members, which also explains IGO termination in Haftel and Nadel's (2024) survival models.

Another important aspect of member state heterogeneity pertains to power asymmetries, i.e., whether there is a regional power or hegemon. According to Mera (2005), power asymmetry in ROs can produce different incentives among its members. On the one hand, defensive incentives arise when states, particularly weaker ones, seek to mitigate vulnerabilities by deepening integration and using collective strength to mitigate global pressures. On the other hand, offensive incentives are driven by stronger states, or regional powers, which leverage their relatively greater influence to enhance their strategic interests.

Regional powers are pivotal in steering regions, using their material and ideational resources to act as leaders and paymasters (Nolte, 2010). They contribute to regional security, order, and collective goods while fostering economic, political, and cultural ties with neighbors (Flemes, 2010; Prys, 2010). Key actions from regional powers include establishing and maintaining ROs and quickly responding to crises to restore stability –even if these roles are inconsistently performed (Mesquita and Seabra,

2024). Qualitative studies show that regional powers significantly influence organizational crisis responses (Saurugger and Terpan, 2016), supported by quantitative findings on the potential domino effect of regional power defection (Borzyskowski and Vabulas, 2019). Their overcapacity can also be instrumental in providing decision-making and resources in face of collective-action dilemmas and buck-passing, though the reliability of a regional "lender of last resort" varies across studies[4].

On the organizational level, decision-making apparatuses can enhance homogeneity if they imprint unity of purpose among actors. Supranationalism is expected to deliver less fractionalized responses because decision-making is no longer tied to individual states. The empowerment of an autonomous bureaucracy has been found to correlate with the endurance of global (Haftel and Nadel, 2024) and regional (Lyra and Ribeiro, 2022) organizations on average, although there are exceptions (Henning, 2011). For its part, intergovernmentalism privileges states, and these might disagree during a crisis (Henning, 2011). New preferences can appear within states if crises eject ruling coalitions and their policy ideas, while opening a window for new political entrepreneurs (Saurugger and Terpan, 2016).

Yet, heterogeneity can be beneficial. Homogeneous organizations, like monocellular organisms, are more prone to wholesale extinction under aggression. Those which do not have "all their eggs in just one basket" can endure losses in some domains while keeping afloat in others. "In times of crisis, IGOs with global membership are therefore more likely to remain relevant to at least a subset of their patrons. This logic is straightforwardly intuitive: a regional economic crisis may well kill off a regional Free Trade Agreement but is less likely to undermine a trade organization with global reach" (Eilstrup-Sangiovanni, 2020: 24).

In summary, the accumulated scholarship suggests that organizational homogeneity can go both ways. Except for supranationalism and preference compatibility, which seem to lead to resilience more constantly across different studies, the remaining indicators on number of members, regional powers, and organizational scope have displayed mixed results.

(b) *Economy*: Regionalism can potentially boost national economies, attract foreign investments, and establish the foundations for regional transfers (Ravenhill, 2006). Regarding the latter, mechanisms guaran-

[4] Compare Henning (2011), Krapohl (2015), and Agostinis and Nolte (2023), who find ambivalent or null results, with Saurugger and Terpan (2016) and Haftel and Nadel (2024), who find positive effects.

teeing equal commercial capacities among the members diffuse disintegrating pressures, as states regard integration as a safe haven in times of instability (Hiscox, 2003).

Regions with high economic interdependence —for instance as revealed by intra-regional trade shares— are more prone to contagion if any country undergoes a crisis, so that responses are prompter and more robust. In turn, regions with low economic integration will harbor more indifference and buck-passing as each country is unaffected by the ills next door (Henning, 2011; Krapohl, 2015). The type of crisis can intensify this scenario, as some economic disturbances (currency) travel faster than others (banking, sovereign debt, see Haftel and Nadel, 2024).

In sum, the literature identifies several factors that influence states' decisions to abandon ROs. We now examine how these factors interact with crises to shape outcomes, drawing on research from IGOs, Latin American, and European regionalism.

4. Case Selection: Comparing crises in the EU and Mercosur as Most Different Systems

ROs in Europe and Latin America are no strangers to disintegration. Both the EU and the Andean Community, for instance, suffered membership withdrawal (respectively: Brexit in 2016/2020; Chile in 1976 and Venezuela in 2006) and Mercosur expelled members twice in five years (Paraguay in 2012, Venezuela in 2017). Economic integration in both regions has likewise been dampened by unexpected woes.

As described by Henning (2011) —who lists RO-threatening crises also for NAFTA and ASEAN—, the nascent scheme for European monetary cooperation in the 1970s was aborted by the sudden end of the dollar-gold convertibility and the 1973 oil shock, while the debt crisis of the 1980s in Latin America weakened subregional trade agreements. Hence, both regions offer instances of crises as well as threats of membership defection. For our research, however, the definition of a case requires a combination of a precipitating crisis followed by the risk of membership withdrawal. Furthermore, our selection is guided by considerations of scope and comparability. Regarding scope, crises can range from global hecatombs to localized tensions. As they escalate, it is more likely that they will be managed by the leading powers in the international system. Consequently, it is expected that crises with a clear regional scope will be handled by local organizations, being therefore more appropriate for our analysis.

While no two crises are identical, it is essential to select comparable episodes. Since our focus is on RO responses, we need to ensure that variations in these responses stem mainly from organizational factors, rather than the crisis type. Eilstrup-Sangiovanni (2020) found that financial or military crises lead to the highest "mortality rates" among IGOs (see also Vollard, 2018), while Haftel and Nadel (2024) noted that organizations facing financial hardship are more likely to survive. Considering such heterogeneity effects, we restrict our comparison to economic crises in order to maintain consistency across cases, as these crises are often more exogenous to integration politics.

This leads us to selecting the Grexit episode that followed the 2008 financial crisis as a significant case for the EU and the 1999-2001 financial crisis in Mercosur. The EU-Mercosur comparison is feasible, though with caveats. The EU has been an alchemy between integration and cooperation. De la Serre (1992: 7) argues that the EU's "originality consists in making coexist, at least for some time, economic integration of federal essence and a [political] cooperation of confederal inspiration". Hence, the cooperative praxis is driven by a vision of Europe that acknowledges nations as source of legitimacy, upheld specifically by France and the United Kingdom. The contest between integration and cooperation is put to rest with the institution of the Single European Act in 1986, which leads to the treaties of Maastricht (1992), Amsterdam (1997), Nice (2001), and Lisbon (2007), the first with its three-pillars architecture highlighting the tension between integration and cooperation.

This dynamic has been modulated by successive movements of deepening and expansion. Both impacting, in opposing manners, organizational homogeneity and density: broadening erodes, and deepening enhances them. Thus, the EU goes from six founding members in 1957 to 28 in 2013. Nonetheless, this enlargement complexifies decision-making by multiplying veto players. This heterogeneity, which is not solely economic, fosters the logic of an EU with subgroups of countries progressing at different speeds in certain issues. The case of the Euro is, in that sense, emblematic, but not unique. Therefore, the cooperation and integration logics would somehow be conditioned by this historic tendency of expansions. At principle, an enlargement processes both promotes the cooperation and restricts the deepening of relations.

Across the Atlantic, Mercosur was proposed in 1991 as an integration arrangement capable of going beyond economics, aiming to build a free trade area with a Common External Tariff (CET) and policies to all parties (Patrício, 2006). The group was anchored in the Argentina-Brazil

axis, arguably making it "the first South American […] integration process to achieve concrete results" (Vizentini, 2007: 82; see also Granato, 2005).

The Treaty of Asunción deepened integration. Mercosur's structure, defined in 1994 by the Ouro Preto Protocol, established an institutional design that could set the course of integration, but also go beyond the pure intergovernmentalism, although, ultimately, Argentina and Brazil upheld intergovernmentalism. Thus, Mercosur served to render these countries bigger players in the international system. Nevertheless, Brazil has been reluctant to assume the role of integration paymaster[5] and, from the Argentinean side, there have been fears of developing a dependency with Brazil (Saraiva and Briceño-Ruiz, 2009). This meant that, besides the global aims of Mercosur, each country had goals within the bloc: while Argentinian foreign policy was based in the trading-state paradigm, focused in partnering with global powers, Brazil tried to set itself as an intermediary power under a state-centric paradigm (Bernal-Meza, 1999).

Although deepening is pursued, sovereignty zeal, low supranationalism, and the large asymmetries between partners have challenged the harmonization of tariffs and adoption of common policies (Amelotti and Moura, 2017). Hence, Mercosur corresponds to governmental priorities, so that changes in the composition and preferences of national governments can directly affect the direction of the bloc. Hence, the bloc is characterized as an incomplete free trade area. This scenario was unfavorable to reduce asymmetries between members. Only from 2003 on some change began, mainly due to Brazilian interest in rekindling the bloc after the damages of the preceding crisis (Souza et al., 2010).

In summary, while the EU is characterized by supranational structures with majority decision rules, Mercosur has an intergovernmental design with consensual decision-making (Medeiros, 2000). Mercosur takes inspiration from the European benchmark but does not follow its model. Furthermore, this South American RO has few and highly asymmetric members, while EU countries are many and heterogeneity is therefore less acute (Mény, 1993). Nonetheless, EU and Mercosur act both constraining state action and channeling social and economic forces. When such constraints and orientations come to be seen as unrewarding, disintegrative pressures emerge. As will become clear, the

[5] Brazil is responsible for 70 to 80 per cent of the composition of Mercosur's numbers (i.e.: GDP, population, internal market). In contrast, Paraguay and Uruguay taken together constitute less than 4 per cent of the bloc's population and less than 3 per cent of the GDP (Souza et al., 2010).

differences between their characteristics with regards to the explanatory variables of our model, but their similar outcomes after the crises, allow us to categorize the EU and Mercosur as Most Different Systems, which we explore in greater detail in the discussion of the two cases.

5. Case 1: Grexit (2009)

Context

The EU's monetary union dates to 1969, but it gained momentum in the late 1980s. The European Council of Hannover established a study commission in the late 1980s, resulting in calls for better economic policy coordination, budget deficit rules, and the creation of the European Central Bank (ECB). The Maastricht Treaty, adopted in 1991, scheduled the gradual Euro introduction from 1999, along with a common monetary policy under the ECB. The Eurozone with its 20 members excludes Denmark and Sweden; and the five remaining have not yet reached the eligibility criteria[6].

Greece became the twelfth member of the Eurozone in 2001. Its economic foundations met the Treaty of Maastricht's standards and its country statistics convinced the European Commission of a positive economic trajectory, which would enable Athens to access the Euro club. After all, Spain, Italy, and Portugal had been qualified a few years earlier, notwithstanding their weaker economic grades. After joining the Eurozone, the Greek economy grows thanks to the reduction in borrowing costs and the high level of foreign investment linked to the 2004 Olympic Games —even if such games also enlarged public spending (Featherstone and Papadimitriou, 2017).

When it came to power in March 2004, the center-right government of Costas Karamanlis reshaped the discussions surrounding Greece's qualification for the Eurozone. After an audit process, he claimed that the socialist government of Costas Simitis had manipulated statistical data given to Eurostat[7]. A political unease arises, extrapolates the national level, and reaches the EU.

[6] See: https://ec.europa.eu/info/business-economy-euro/euro-area/what-euro-area_en. Accessed 9 January 2020.

[7] Eurostat is the statistical office of the European Union, responsible for publishing high-quality Europe-wide statistics and indicators that enable comparisons between countries and regions.

The European Commission deploys a three-pronged response. First, it opens a violation procedure against Athens and makes a series of recommendations on national treatment of statistics. Second, it recognizes that the monitoring mechanisms lack due rigor and this, mainly, due to the supranational restrictions established by the Ecofin Council of the Eurozone. Finally, the European Commission activates the Excessive Deficit Procedure (EDP) in the Stability and Growth Pact: in September 2004 Eurostat stablishes for a budget deficit of 4.6 per cent of GDP and a debt of 109.9 per cent of GDP for Greece[8]. Almost three years later, in 2007, the European Commission proposes the revocation of the EDP and the suspension of the violation procedure regarding the Greek Statistical Agency, even if some suspicions about its political independence still linger. This conduct quickly proves to be premature and inadequate.

However, the collapse of the US bank Lehman Brothers, in September 2008, triggered a crisis that soon arrived in Europe. To combat it, the presidency of the European Commission, based on the conclusions of the Laroisière Group, recommends in 2009 a series of measures to strengthen finance control mechanisms[9] and the presidency of the European Council creates a taskforce to boost financial monitoring devices and to solidify the sanctions procedures. That is, the crisis is confronted in both EU political-administrative spheres: supranational and intergovernmental. Nonetheless, Germany, a key-actor in the EU and particularly in the Eurozone, fears the management of the crisis by eurocrats. In fact, Angela Merkel considers the European Commission a lax enforcer of rules and understands that German interests are best secured in the European Council.

Regardless, the Greek *economic* crisis was a major EU issue in the late 2000s and early 2010s. Featherstone and Papadimitriou (2017) emphasize that it highlighted the vulnerabilities of the Economic and Monetary Union's (EMU) two-level governance —European and national— and that the bailouts brought the EU into uncharted territory, raising existential questions about EMU's future. According to them: "By the time the global financial crisis struck in 2008, the Greek economy was heading for a recession for the first time in 15 years, exposed to a 'perfect

[8] Eurostat, Report by EUROSTAT on the revision of the Greek government deficit and debt figures (2004), p.61. https://ec.europa.eu/eurostat/documents/4187653/5765001/GREECE-EN.PDF/2da4e4f6-f9f2-4848-b1a9-cb229fcabae3?version=1.0. Accessed 14 January 2020.

[9] "The High-Level Group on Financial Supervision in the EU" Report (https://www.esrb.europa.eu/shared/pdf/de_larosiere_report_fr.pdf). Accessed 10 January 2020.

storm' of growing budget and current account deficits and increasing levels of indebtedness" (Featherstone and Papadimitriou, 2017: 237).

The magnitude of the disaster emerges under the government of the socialist George Papandreou. The December 2009 Ecofin Council reveals that the Greek budget deficit is estimated at 15.9% of GDP. In addition, the economic interdependence between EU members is very strong, restricting national room for maneuvers. As an example, we can gauge the situation of two states central to this study: Greece and Germany. Intra-EU trade represents 53% of Greece's exports and 51% of imports come from the EU (including Germany: 11%). Regarding Germany, intra-EU trade represents 59% of its exports and 67% of imports come from EU member states (including Holland: 14%). This interdependence is even greater for other member states, which followed the German attitude.

The dire situation leaves European leaders no choice: the EU is obliged to intervene through a rescue package designed with the International Monetary Fund (IMF) to avoid the risk of the collapse of the Euro system as a whole and, from there, a possible bankruptcy of the bloc. This ruinous scenario contains some relevant aspects. Initially, it challenges the credibility of the European Commission since its reading of the crisis proved wrong. Then, and perhaps as a corollary, Germany seems to understand that the Greek crisis cannot be overcome only through community action and requires national interventions. Finally, the IMF participation in the Troika denounces an exogenous intrusion, which is unprecedented but necessary, given the EU's technical and material inability to subdue the conflagration of the Euro. This situation therefore reveals the complexity of multilevel governance.

The successive rescue packages (2010, 2012, and 2015) inflict, in line with German ordoliberalism, a series of unpopular policies, such as tax increases or spending cuts, which are difficult to implement, especially under low quality national institutions (Featherstone and Papadimitriou, 2017).

Thus, the Draconian conditionalities decreed by the Troika hit an impoverished Greek state. The severe regime resembles that of EU enlargement processes (Schimmelfennig and Sedelmeier, 2004). However, while the expansion processes are couched in optimism, the conditionalities imposed on Athens are tuned to the notes of moral harassment or as punishment of the sinner (Schimmelfennig and Sedelmeier, 2004).

It is under this context that the specter of Grexit forms. The first sign was the unsuccessful referendum attempted by Pampadreou in 2011,

which, after intense political debate, did not happen. It had intended to ask citizens about the relevance of the second rescue plan. At the European level, Timothy Geithner —US secretary of the treasury— reports that Wolfgang Schauble —Germany's Minister of Finance— had pointed out that "there were many in Europe who still thought kicking the Greeks out of the Eurozone was a plausible —even desirable— strategy. The idea was that with Greece out, Germany would be more likely to provide the financial support the Eurozone needed"[10]. In other words, Grexit would be traumatic enough to frighten other member states into giving up more sovereignty. A Greek immolation could be the price of a more robust banking and fiscal union.

On 5 July 2015, the ghost of Grexit reappears under the same form: a national referendum on the Troika's third rescue plan. This time, under the auspices of Syriza's anti-austerity government led by Alexis Tsipras. Although the conditions of this third plan were rejected at the consultation, just over a week later Athens reached an agreement with the European authorities. In fact, the risk of contagion from Grexit to other members of the Eurozone is already, at that moment, much lower. Thus, as noted by Featherstone and Papadimitriou (2017: 246):

> At the Euro Summit [...] on 12 July 2015, he [Tsipras] was confronted with the Commission's blueprint detailing the sequence of Greece's exit from the eurozone. For the first time since the crisis began, the nuclear button of Grexit seemed about to be pressed. Later that night, the Greek government agreed the terms of a third bailout package worth €86 billion.

Greece stays. It remains in the EU due to a unified purpose stemming from converging national interests, particularly those pushed by Berlin, and the preferences of community institutions (Saurugger and Terpan, 2016). Despite individual differences, the relationship between domestic and regional institutions fosters coordinated action to address the crisis. However, the EU's stance on Grexit reveals limits to its solidarity and member states' challenges in avoiding free-riding and moral hazards. Ultimately, Germany's push for a quasi-constitutionalization of ordoliberalism, supported by other members, highlights the influence of

[10] Available at: http://www.ekathimerini.com/159951/article/ekathimerini/comment/geithner-reveals-frightening-plans-for-grexit-in-2012-meeting-with-schaeuble. Accessed 15 January 2020.

a pro-integration regional power in mitigating fragmentation[11]. This is reflected in the 2012 "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union," which, while important, is somewhat inert.

Analysis

The economic fundamentals of several eurozone countries were weak before the Lehman Brothers collapsed. This nefarious convergence exposes the multidimensionality and scale of the crisis. It contains a clear existential threat to the EU, demands an expeditious response, surprises European decision-makers and national governments, and is marked by uncertainty about how it should be dealt with[12].

The crisis thus leads to sizeable redefinitions of relations within the EU. The ECB cannot manage alone a crisis that goes well beyond financial issues and involves policies and structural reforms. The very survival of the EU is at stake. Helmut Kohl understands monetary union as a historic decision to make European integration irreversible and Angela Merkel says that if the Euro fails, Europe fails (Dyson, 2017: 65).

Dyson (2017) argues that the gradual formation of the monetary union was a bold move, given the EU's lack of federalism. While the ECB manages monetary policy with a focus on price stability, budgetary policy remains intergovernmental, requiring member states to coordinate for stability, growth, and employment. This tension soon impacted the Eurozone's functionality. Dyson (2017) notes that the eurozone crisis cast serious doubts on the timing of the monetary union, the assumption that it would drive economic and political union, and the willingness of states to cede sovereignty for such a union. Nonetheless, in the absence of disciplining mechanisms inherent to federal states, and in face of multiple economic idiosyncrasies of each national unit, the monetary union can reveal itself too premature and, consequently, vulnerable.

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[11] The Berlin-Paris axis has been a key driver of European integration; when Germany and France align, their proposals usually succeed. Despite Germany's economic strength, French support was crucial in managing the Grexit crisis. European politics, however, unfolds on multiple chessboards simultaneously.

[12] "As became evident during the critical stage of the Euro crisis, there was no consensus about the causes of and the adequate measures to contain the crises. On the contrary, the frames in the public discourses in creditor and debtor countries differed markedly" (Eppler et al., 2016: 18).

In this sense, the crisis could mean disintegration, the breaking of the sacrosanct principle of irreversibility that has characterized the EU. Grexit represents a concrete threat to this pattern. Thus, this threat compels EU action with an IMF rescue plan and institutional reforms, preventing the collapse of the Euro and bloc bankruptcy. This scenario challenges EU Commission credibility, signals Germany's need for national measures, and exposes the IMF's vital but unprecedented role.

The EU's responses display a high degree of resilience in facing the Eurozone crisis. Under the undisputed leadership of a thriving Germany – which has salient economic interests in the EU – Brussels avoids Grexit by restructuring its institutions. This does not necessarily mean strengthening the supranational logic, but it might consolidate the logic of intergovernmental cooperation. Or, as Lequesne (2016: 56) puts it, the "crisis does not bring necessarily radical institutional changes but make more visible existing trends, as the balancing act between the Supranational Method and the Intergovernmental Method".

Degner (2016: 23) states that institutional changes during the Eurozone crisis are mainly driven by national preferences of more powerful governments, which are formed by robust domestic actors such as parliamentary factions, central banks, organized interest groups or large private banks. Lequesne (2016: 55) reminds that "Germany, as a member state not only 'big' but also able to adapt its economic policies to the crisis, influenced the search for solutions at the EU level and increased its empowerment at the regional level".

Hence, Saurugger and Terpan's (2016) hypothesis that the greater the institutional density, the greater the likelihood of actors choosing more integration, seems corroborated. However, it is unlikely that the Eurozone can survive under its current setup, that is, without greater fiscal redistribution or stronger control of national fiscal policies. The maintenance of the status quo exacerbates centrifugal tensions, which were already stark, and tends to kindle further troubles in the zone.

6. Case 2: Mercosur crisis (1999-2001)

Context

The 1990s were marked by growing bilateral trade in Mercosur (Macadar, 1999: 120). The Real Plan in Brazil was successful in controlling inflation, stimulating and opening the economy, and strengthening the cur-

rency. This placed Brasília as a regional "currency anchor". Such strategies inspired the similar Cavallo Plan in Argentina and nurtured in both societies a sentiment of mutual trust (Filgueiras, 2003; Pinto, 2006).

However, the end of the decade halted this stability and growth. In the medium term, Brazil's broad trade opening, coupled with the overvaluation of the Real, increased trade deficits and weakened its industry. Although there was mounting expectation that Brazil should unpeg its currency from the US dollar, Brazilian authorities insisted on a strong Real with gradual devaluation. This strategy depended on inflows of foreign currency, which would become scarcer for developing markets in the wake of the Asian (1997) and Russian (1998) crises (Averbug and Giambiagi, 2000).

Brazil's decision to finally devaluate its currency in 35% in January 1999, without consultation with fellow members of the bloc, brought grave consequences to Mercosur and broke trust among partners, also because the group had no instruments to address its effects (Camargo, 2006).

The literature is not consensual in diagnosing the damages to the regional trade balance. Brazilian goods became cheaper, increasing their exports, while Brazil reduced its imports from Mercosur (Carranza, 2003). The Argentinian government feared a deluge of Brazilian products because the Peso was proportionally overpriced, making its exporters less competitive and desirous for protective assurances (Alves and Braga, 2007).

Pressured by the sectors most threatened by Brazilian goods (textile, shoes, paper, and cellulose), Buenos Aires begun in 1999 to implement protectionist measures and approved a safeguard system against Brazil, "claiming that the rules had been changed in the middle of the game" (Camargo, 2006: 67).

Brazil condemned publicly the decision and increased the pressure on Buenos Aires, which gave in and removed the safeguards in July 1999[13]. Nonetheless, in September, the Brazilian government applied tariffs and licensing requirements against several Argentine products. The tension only diminished in the end of the month, through mutual voluntary restrictions (Taccone and Nogueira, 2000). However, bilateral rivalry had already solidified, so that the future of Mercosur became questionable (Bernal-Meza, 1999).

Maintaining Peso convertibility had been one of the pledges of the De La Rúa coalition, which takes office in December 1999 (Malamud,

[13] Specifically, Resolution 911 of the Argentina Ministry of Economy was revoked (Alves and Braga, 2007).

2015). This required cutting public expenditures and increasing taxes. Argentina's diminishing trade competitiveness compounded the difficulty in maintaining the reserves required for the convertibility policy. Fears of an Argentinian default rose. The successive rescue packages to Buenos Aires by the IMF (US$12 billion in December 2000 and US$9 billion in August 2001) were not sufficient to shield the economy.

The following months remained turbulent. In March 2001, Domingos Cavallo takes office as Minister of Economy in Argentina with an economic relaunch strategy involving protectionism (increasing tariffs for final goods to 35%, the WTO ceiling) and technological modernization (removing tariffs on capital goods and equipment). Because this exemption contemplated countries outside Mercosur, it violated the CET and downgraded the bloc from a semi-customs union to a free trade area (Camargo, 2006).

Brazil disliked the notion of losing market share for technological products. Although it condemned the policy, it displayed leniency, understanding that its partner needed some liberties given the economic downturn and that an Argentine default would be even worse (Taccone and Nogueira, 2002).

By the end of November, more than 1 billion Pesos were withdrawn from Argentine banks, prompting De La Rúa to implement the "*corralito*"[14] (Malamud, 2015: 15). After a month of protests, the government declared the default on 23 December 2001. Argentina faces the worst economic chapter in its recent history. At the end of 2001, the GDP shrinks 10%, the country announces the default, unemployment reaches 18%. After De La Rúa resigned on 20 December 2001, Argentina had five presidents in two weeks.

Junior partners also suffered. Paraguay, already struggling with economic retraction in 1996, faced devastating impacts in 1999, with unemployment rising to 15% and extreme poverty increasing (Bandeira, 2002). Currency devaluation and a drop in exports, largely dependent on Mercosur in 1997, worsened the situation (Macadar, 1999; Camargo, 2006). Armed conflicts erupted in March 1999, culminating in the assassination of Vice President Luis Maria Argaña and the resignation of President Raúl Cubas Grau, who fled to Brazil, causing bilateral tensions. In July 2001, Paraguay, like Uruguay, imposed unilateral tariffs on imports, disrupting intra-bloc trade (Taccone and Nogueira, 2001). Paraguay's internal crises, including corruption charges against President Macchi,

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14 Set of economic measures taken in Argentina in 2001 to prevent bank runs and mass withdrawals from accounts.

further endangered its democracy and Mercosur participation (Macadar, 1999). Uruguay also experienced trade deficits, an 8% GDP contraction, and a banking crisis (Bandeira, 2002; Taccone and Nogueira, 2002).

Mercosur was stagnant, its members were focused on internal problems, and mutual trust between the main partners gave way to historic Argentina-Brazil rivalries. These factors “led to a paralysis in the negotiating agenda and determined the weak results in commercial exchange” (Camargo, 2006: 67). Thus, the 1999-2001 period was marked by serious setbacks against the integration process that impact the capital inflows, the commercial liberalization and the applicability of the CET.

Analysis

The events of 1999-2001 can be labelled as a crisis based on the criteria of threat, urgency, surprise, and uncertainty. Starting with the Brazilian currency episode, after traumatic years under hyperinflation, Brazilian economy seemed stabilized under the Real Plan. Maintaining macroeconomic stability and inflation under control were thus chief aims in the 1990s. The 1999 crisis threatened this goal as it could resurrect past economic turmoil.

The events also unraveled at a quick pace. As an example, according to Averbug and Giambiagi (2000), between August and September 1998, Brazil lost as much as US$30 billion in foreign reserves. As for the element of surprise, the authors also argue that Brazilian authorities were confident that the country would not be affected by the Asian crisis. Factors such as: a smaller debt/GDP ratio, Brazil’s ongoing gradual devaluation of the exchange rate, the perspectives of growing influx of foreign capital into Brazil’s economy after privatizations, convinced Brazilian authorities that the country “was not Thailand” and could therefore avert shock-treatments regarding its currency. In spite of such differences with the Asian markets, the twin events of declining exports and the Russian 1998 debt default overruled these predictions and made policy change inevitable for Brasília (Averbug and Giambiagi, 2000).

The Argentinian crisis also fits the criteria. It represented a major threat to the livelihood of the population, as nearly all socio-economic indicators dropped to their lowest marks in recent history. The severity of the situation also imposed urgency in solving it.

The element of uncertainty is perhaps the least salient for both cases since the demise of fixed exchange rates was anticipated. Concerning

the certitude of responses, Brazilian authorities seemed resolute once they accepted the fact that floating exchange rates were inevitable and remained committed to this solution (Averbug and Giambiagi, 2000). Argentina's response was less assertive since varied emergency policy packages were essayed between 1999 and 2001.

The explanatory variables affected the response to the crisis. Starting with organizational homogeneity, it is noteworthy that Mercosur's narrow mandate and small number of partners did not make it any nimbler. The bloc had few moving parts, but the large discrepancies among them still prevented coordinated action. Domestic actors in Argentina and Brazil favored competing responses. Some qualification is nonetheless warranted on Mercosur's mandate. At that time, commitments on more fields had been made, such as democracy promotion, and the continuity of this imperfect customs union after an economic hurdle testifies to the fact the organization's purposes were perceived as broader than trade alone (Carranza, 2003).

The 1999 crisis exposed the weaknesses of Mercosur's limited institutional structure. With no unified response, each government acted autonomously, leaving presidents as the primary enforcers of bloc norms. The absence of supranational institutions, especially regarding exchange rate policies, allowed countries to implement their own remedies without considering the wider impact on the bloc. While this intergovernmental flexibility accommodated members' needs, such as temporary violations of the CET, it also created friction, as presidential decisions led to more conflicts than a neutral bureaucracy might have (Carranza, 2003). Between 2000 and 2002, efforts to reform Mercosur were made, but calls for supranationalism – especially from weaker members Paraguay and Uruguay – failed to overcome the prevailing intergovernmental approach.

Some scholarship holds that Mercosur's young age had detrimental effects. Taccone and Nogueira (2001) stress that Brazil and Argentina had always nurtured alternative projects apart from the bloc, not necessarily convergent, and in "moments of crises, such alternatives present themselves". Expectedly, such alternative paths are less costly in the early days of an integrationist venture than many years down that road.

As for economic interdependence, though intra-bloc trade had grown among parties in the 1990s, extra-regional trade remained predominant for the main members, Argentina and Brazil. The episode therefore matches the expectations for this variable. As Brazil's economic welfare was more dependent on preventing hyperinflation and accessing global markets than on Argentine stability, it could follow a "beg-

gar-thy-neighbour" policy (Krapohl, 2015). Because of its larger size, Brasília suffered less from the financial crises in emerging markets and from Buenos Aires' paralysis[15].

Brazil's unilateralism contradicts the expected role of a regional provider. Yet, as we are not interested in the performance of leadership duties but in the effect of the regional power's attitude in steering bloc response, it can be stated that Brasília's course of action sought to minimize bloc disunity. Faced with external pressures —particularly the consolidation of the Free Trade Area of the Americas (FTAA) negotiations— Brazil viewed strengthening Mercosur as essential to preserving its influence and avoiding marginalization in the hemispheric integration process (Mera, 2005). Considering the defensive incentives, the country sought to solidify Mercosur to counterbalance the FTAA and prevent the dilution of the South American bloc. On the offensive side, Brazil aimed to assert its leadership by promoting closer regional cooperation. This ambition reflected Brazil's strategic goal of enhancing its leverage in international negotiations while also fulfilling its long-standing aspirations for regional and global prominence (Mera, 2005).

The solutions to the crisis favored by Argentina and Uruguay implied degrading Mercosur from a customs union to a free trade area, i.e., policy disintegration. Brazil's opposition to this course of action, and the fact that its position prevailed, shows the influence of a pro-integration regional power in averting disintegration if it so chooses.

Despite its negative consequences, the crisis ultimately promoted political approximation between Buenos Aires and Brasília. In the 1990s, Argentina had sought closer ties with the US but received little support; unlike Mexico's bailout in 1994-95, Washington ignored Argentina's struggles. This favored domestic forces backing Mercosur. Argentina's president at the time, Duhalde, viewed Brazil as a reliable partner, while Brazilian companies showed strategic foresight by investing in crisis-laden Argentina as others withdrew (Candeas, 2005: 31). Mera's (2005) interviews with key decision-makers affirm this view, with one noting that "one thing I learnt with all these crises is that we have to have the will to move forward in the process of integration"[16].

Hence, Saurugger and Terpan's (2016) process of institutional change seems to have occurred in this case. The crisis did not move

[15] While Mexico's devaluation in 1995 led to a 50 per cent inflation, Brazil's 1999 devaluation resulted in inflation under 10 per cent (Averbug and Giambiagi 2000).

[16] Marcos Caramuru de Paiva, (Secretary of International Affairs at the Brazilian Ministry of Finance, 1996–2002), cited in Mera (2005: 137).

Brazilian officials to change previous preferences, such as autonomy and intergovernmentalism, nor to concede to downgrading Mercosur, but to elevate the strategic importance of upholding the bloc considering the FTAA menace. The new ruling coalition in Argentina, in turn, bore an updated worldview that revalued South American cooperation. In addition, there was no defection because Argentina found voice opportunities within the bloc to extract concessions from Brazil in implementing protective safeguards and quota systems after the crisis. Other junior partners, such as Uruguay, had less voice opportunities and would continue to court exit options in the future (e.g.: an Free Trade Arrangement with the US), though its asymmetrical standing in Mercosur and economic dependency on other members minimized the peril of disintegration (Camargo, 2006).

7. Discussion

Considering the evidence, the crises in the EU and Mercosur can be analyzed using a Most Different Systems Design, focusing on how ROs responded to crises based on *status quo ante* institutional features[17]. This approach highlights how varying independent variable configurations produced a similar outcome (Anckar, 2008): despite differences in organizational homogeneity and economic interdependence, both crises ended without disintegration, with each RO retaining its members. Table 1 summarizes the configurations for each case.

17 “One major difference between the MSSD and the MDSD appears to be that whereas the former method is concerned with the independent variable, the latter focuses on the dependent variable” (Anckar 2008: 393).

TABLE 1
Comparison of cases

	EU – Grexit (2008)	**Mercosur (1999-2001)**
Organizational homogeneity	• Multi-purposed mandate • Many members • Supranational and long trajectory • Regional power (Germany) favoring continuity and prudent deepening	• Narrow mandate • Few members (but highly asymmetric) • Intergovernmental and young • Regional power (Brazil) favoring the bloc's continuity (though not deepening it)
Economic interdependence	• High	• Low
Did it result in resilience?	• Institutional Reforms • Coordinated and collective (German leadership) • Policy of bailout packages	
Did it result neutral responses?		• Temporary inertia due to uncoordinated and individualistic decisions
Did it result in disintegration?	• Greece was not expelled	• Despite protectionist measures, Argentina did not leave.
Final response	• Regional Power (Germany) was a key-actor in crisis management, ensuring the continuity of the RO. • Members retained	• Regional Power (Brazil) was a key-actor in crisis management, ensuring the continuity of the RO. • Members retained

Source: elaborated by the authors.

The main inference afforded by the MDSD is that the feature common to both cases, regional powers supporting the continuity of the RO, arguably acted as a sufficient condition to produce the outcome: membership retention. Regarding Grexit, Germany's role was crucial. It emerges as a key actor in the intergovernmental arena of the European Council and Council of the EU, as well as in community instances such as the Commission, the Parliament and ECB. The crisis response can be regarded as coordinated and collective under Berlin's leadership, driving institutional reforms and the concrete possibility of financial help to Athens through a policy of bailout packages. Regarding economic interdependence, this variable revealed German interest maintaining stability. As noted, intra-bloc trade is intense in the EU, so threats to this flow have nefarious consequences for the bloc. Further, the option for a quasi-constitutionalization of German ordoliberalism through the combination of community and national level legal frameworks reveals the weight of the preferences of the leader of the bloc.

Regarding Mercosur, we note likewise the centrality of Brazil's attitude. Although Brasília was more negligent to the regional consequences of its policies and less generous in proposing solutions, the analysis reveals that Brazil has at all times sought to ensure that the bloc preserved its original characteristics, combating both the temptations to regress to a free trade area, and subsequent requests for supranational solutions. This similarity lends evidence to the argument that regional powers act as stabilizers and conductors during crises, as suggested by Saurugger and Terpan (2016), Borzyskowski and Vabulas (2019).

Apart from this finding, the MDSD evidenced other effects anticipated by the literature. While incompatible preferences can lead to departures, factors like decision-making opportunities can alleviate this pressure, although the bargaining power of members interacted with this element in defining which claims for policy shift were entertained (Borzyskowski and Vabulas, 2019; Vollard, 2018; Agostinis and Nolte, 2023). The differences between the EU and Mercosur with regards to supranationalism and economic integration can also be said to correlate with the overall higher fragmentation of responses, individualism, and indifference in South America if compared to Europe (Henning, 2011, Krahpol, 2015).

On the one hand, the EU's supranationalism, with its multi-purposed mandate and robust institutional mechanisms, enabled the organization to deliver a coordinated and structured response to the crisis. The high economic interdependence among members created pressures to preserve cohesion and implement reforms. The EU demonstrated sig-

nificant resilience, promoting institutional reforms to address the shortcomings exposed by the global financial crisis. This aligns with the literature suggesting that supranational organizations have a greater capacity for coordinated crisis responses (Henning, 2011).

On the other hand, Mercosur's intergovernmental structure and narrow mandate led to fragmented responses during its crisis, with low economic interdependence enabling protectionist measures by individual members. This supports Henning's (2011) and Krapohl (2015) views that less integrated regions produce more individualistic and fragmented responses.

These findings show that different factors can influence crisis responses in varying ways, sometimes serving as primary explanations, while at other times acting as secondary influences. Our aim is not restricted to determining which variables dictate the behavior of ROs, as mixed results are common in such comparisons, but also to offer evidence on mechanisms guiding such interactions. The case studies highlighted a consistent role across cases for crisis-induced preference updates associated with interstate bargaining, and more localized action for path-dependency/institutional density in the European case.

Conclusion

The goal of this paper was to investigate ROs reaction to economic crises, paying special attention to whether such events provoke regional disintegration. We compared the 2009 budgetary and financial crisis in the Eurozone, wich almost led to the Grexit, and the 1999-2001 financial crisis which hit Mercosur member states; focusing on two variables: organizational homogeneity and economic interdependence. To the extent of our knowledge, the Eurozone and Mercosur crises had already been contrasted once by scholarship, but with a chiefly economic focus instead of a political one (Krapohl, 2015).

The comparison showed that, institutional differences notwithstanding, both the EU and Mercosur came out of the crises without losing Greece or Argentina, largely as a function of regional powers' role. However, as noted by Borzyskowski and Vabulas (2019) and Henning (2011), no single factor consistently explains RO behavior during crises, underscoring the need for more nuanced, theoretically driven discussions that address variability and limitations. We take this warning to heart and conclude by highlighting the scope conditions and limitations to our claim.

Our study faces two key limitations: an oversimplified definition of disintegration and untested causes, related to our dependent and independent variables, respectively. As highlighted in our literature review, disintegration encompasses indicators beyond reduced membership. Although this simplification provided a baseline for comparing the EU and Mercosur, it overlooked social and economic disintegration markers. Furthermore, recent studies (e.g., Agostinis and Nolte, 2023; Ribeiro and Lyra, 2022) have identified additional causal factors like bureaucratic professionalism and decision-making rules, linked to broader RO resilience, rather than just economic crises or membership changes. These studies tested more Latin American cases and did not find regional powers as decisive, suggesting that our omission of variables like bureaucratic factors might be significant. We favor instead a more compelling, substantive explanation, given our interest in crises, as opposed to RO survival in general. Because economic crises are rarer, it is possible that the active role regional powers play in those exceptional circumstances is obfuscated by their inactiveness in other, more frequent, types of turmoil[18]. As previously stated, however, our contribution is not meant to focus solely on the effects-of-causes but also on mechanisms, which helped to complete the causal story described in the cases.

Besides these limitations on our variables, our case selection must also be considered within its scope. Although Grexit and the Mercosur crises are comparable, it must also be noted that the damage caused by a Greek departure from the Eurozone would be far inferior to Argentina leaving Mercosur. For the same reason, a full-blown withdrawal was a more realistic scenario for Athens than for Buenos Aires, even if the latter resented the CET's constriction. Last, the European crisis erupted inside policy areas that have been core to the EU's integration process, whereas the Mercosur crises began in a field ungoverned by the customs union (exchange rates) and only subsequently poisoned its key competencies, such as intra-bloc trade barriers[19].

Nonetheless, future comparisons can build on top of this contribution. They can test the coverage of regional powers as a sufficient condition, for instance by searching for ROs that did not have regional hegemons and nonetheless fared economic crises without defection, or for cases when ROs with a dominant actor could not prevent disintegration. The main ambition of this study, nonetheless, was fulfilled as we were

[18] For more on the uneven provision of regional goods by regional powers, see Prys (2010), Mesquita and Seabra (2024).

[19] We are grateful to the anonymous reviewer who called our attention to these distinctions.

able to identify a core factor that could be generalized across Europe and Latin America to explain why ROs are able to withstand crises.

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