

# **INTRODUCTION: THE ROLE OF BRAZIL IN LATIN AMERICAN GOVERNANCE**

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## **Introduction**

This set of articles seeks to analyse in greater depth Brazil's role in the construction of regional governance within the context of profound changes in the international economy and geopolitics. Since the end of the Cold War, there has been a reduction in the United States' influence in the region and a change in the nature of such influence. The elites have gained a greater degree of autonomy regarding international geopolitical forces, and the United States has intruded less in domestic political affairs, shifting its focus more to trade and investment, signing free trade treaties with a number of countries. In parallel, new external actors have emerged in South America, most worthy of note being China. China's central strategic interest is to ensure a regular supply of agricultural, mineral and energy-related commodities, as well as to boost its share in the sale of manufactured products to the region. To this end, the country has been increasing its direct investment in South America, offering credit both to ensure the supply of raw materials and to expand trade, whenever possible backed up by treaties.

From the Latin American standpoint, relations with China and with the United States tend to be more complementary than exclusory. For example, those countries that have signed a treaty with one also have one with the other or maintain the ambition to do so. Even though the increase in its economic weight has political consequences, China does not pursue a direct, open strategy of disputing influence over South American countries with the United States. Consequently, the conjuncture resulting from the rivalry between the United States and China globally and its reflexes on the region create a very different situation from the polarization that prevailed during the Cold War, when automatic non-alignment with the United States carried a high cost and generated internal political conflicts.

In Latin America, the last two decades have been dominated by the discourse of regional integration. However, during the first decade of the century Brazil tried to delimit the region to South American countries, excluding Central America and Mexico, seen as being part of USA influence zone. The two institutional pillars of this orientation were supposed to be the Mercosur, for the process of economic integration, and the Unasur, as the political platform. This has been recently challenged by the creation of the Pacific Alliance (Alianza del Pacífico), which includes Mexico (and soon Costa Rica), besides Peru, Colombia and Chile. The papers in this book focus mainly the Southern American region, following the political realities of the period under analysis. Still, the increasing importance of the Pacific Alliance may indicate the return of the political realities of the region to include all the countries of the “old” Latin America, from Rio Bravo to Tierra del Fuego.

Even though the diverse papers in the book might indicate a certain consensus over the exhaustion of the Mercosur model, as well as blunders and impasses in the official integration initiatives, the region is increasingly integrated in terms of investment, goods and service flows, as well as infrastructure. More than just an ideal, today South America is a concrete reference in the foreign policies of all the countries in the region. Simultaneously, the increase in exchange between South American countries has been accompanied by greater political fragmentation among them, an apparent paradox which led Juan Tokatlian to coin the neologism “fragmeration” (fragmentation **and** integration) in reference to South America's current situation. In fact, the first decade of this century has seen the formation of two groups of countries with distinct models of international insertion: on the one hand, countries with “liberal democratic models”, predominant on the Pacific coast; on the other, countries seeking an alternative course to “liberal globalisation” and “representative democracy”, concentrated in the Andean region (and in Nicaragua, if we enlarge the picture to encompass Latin America). Obviously, a number of countries with different characteristics, such as Uruguay and Brazil, do not fit into either of the groups, which in turn present significant internal differences.

Covering more than 50% of the South American continent and sharing borders with ten of its 12 neighbours, Brazil is led to exercise a central role in the region. In

addition to its central location, the country has considerable economic weight, accounting for half of the region's gross product and population. This also implies sharing ecosystems and border control problems incomparable with those of its neighbours. Furthermore, the country carries significant weight in regional trade, complemented by an increased presence of Brazilian businesses in other South American countries.

From a historical perspective, Brazil is unique in the region, having advanced further and achieved the greater success in the process of industrialization via import substitution. This resulted in a more diverse economy, with a greater participation of industry both in the production of manufactured goods and the processing of a broad range of commodities. No less important has been the creation of public agencies, political instruments and mindsets oriented to the promotion of industrial policies that continued to exist, even if in an altered form, after the collapse of the import substitution model, and which still have a pervasive influence in Brazil's relations with the countries in the region.

Even though Brazil is a market economy and a representative democracy, Brazilian capitalism has particular characteristics, outlined above, which differentiate it from the capitalism predominant in Chile, Peru and Colombia, where the state has never had a comparable presence in the industrial sector nor developed similar instruments of industrial policy. For two decades or more, these countries have had open models for managing their economic systems, with encompassing liberal economic strategies characterized by multiple free trade agreements with countries from outside the region. (The three have free trade agreements with the United States; Chile and Peru also have one each with China, and Colombia has initiated negotiations towards this end). Brazil has followed a distinct path, with a gradual strategy for liberalising its economy, seeking to safeguard and protect the domestic market through the preservation of its industrial policy instruments, with a limited free trade framework confined to Mercosur. Brazil's tendency towards protectionism, in conjunction with economic and geographical factors, limits its attractiveness to the economies of these countries and represents the main challenge to the country's capacity to exercise economic leadership

in the region. Brazil is comfortable with the marginalization of the Unasur economic agenda, which was practically substituted by a political agenda.

With respect to the other group of countries, led by Venezuela, Brazil's singularities are even more evident. Nothing could be more remote from Brazil than Chávez' discourse revolving around Simón Bolívar myth. Brazil has no place in this narrative; neither in the past, in consequence of known historical singularities; nor in the present, with the "Bolivarian" rhetoric provoking confrontation with the institutions of the international system in general and with the United States in particular. Brazil's criticisms about the institutional apparatus of the international system occur "inside it", given that the country considers itself part of this order and intends to have a greater voice and power of decision within it.

The extent and the form in which the Brazilian matrix conditions the country's capacity to exercise leadership in the region, either restricting or expanding it, is the theme which is analyzed from a distinct viewpoint in each paper. However, it should be noted that this matrix is not fixed or natural. It is maintained by the options made by the country's economic and political elites and affected by the actions and perceptions of the country's neighbours and by global processes which affect the region, albeit not deterministically.

### **Brazil and its neighbours: diversity of actors and challenges**

Brazil's relations with its neighbours are increasingly multifaceted, the product of intentional and unintentional integration processes. Each paper in this book analyses a different but interrelated aspect of these relations. The authors were asked to use as reference not only the official discourse – which, undoubtedly, is relevant to the extent that it expresses intentions and ideals –, but also the effective processes and actions of the different actors that influence Brazilian foreign policy.

As economies and societies become internationalized, both on a regional and global level, interests become diversified and the factors of power that influence government decisions - be it within the state (ministries, agencies, congress, etc), be it in the private sector, are multiplied. The result is that the Brazilian Ministry of External Relations no longer has an almost complete monopoly over foreign policy. It has become yet another player in the game of influence, seeking to rationalise and articulate an increasingly complex reality which, to a large extent, lies beyond its field of influence.

Despite addressing a diversity of factors – political, economic and strategic –the papers presented here tend to converge around a set of conclusions regarding the range and limits of Brazilian foreign policy and the possibility of the country elaborating a regional governance strategy:

1. Although with a shift in emphasis in recent decades, since the 1950s Brazil has conducted its external economic relations with a central focus on developing and protecting domestic industry, as is shown by the work by Veiga and Rios. As the Latin American country with the largest and most complete industrial structure, it has a number of rather uncompetitive sectors (be it due to productivity or to the costs associated with high taxes and infrastructure deficiencies) that limit the country's willingness to enter into trade agreements which require it to further liberalise trade. The effect of this on regional governance is a limitation of the country's capacity to lead regional processes focused on liberalisation. As we indicated, Brazil's situation is singular because the country is neither part of the group of nations with liberal leanings (most of which are currently members of the Pacific Alliance, nor of the group with a strong statist-nationalist orientation, gravitating around ALBA. Differently from the latter, Brazil enjoys a solid institutional framework, legal security and political pragmatism, enabling it to attract significant international funding to finance the development of its infrastructure and large industrial projects, given the country's low level of internal savings.
2. A strategic vision of regional governance should incorporate the broad interests of other countries, encompassing both the political and economic elites. The

Brazilian domestic market, representing the country's main attraction from the perspective of its neighbours, is viewed by them as highly protected. From the very beginning Mercosur reflected the Brazilian preference for a more closed Custom Union. The structure of the External Common Tariff essentially mirrored the Brazilian External Tariff at the time of its creation. Protectionism of Mercosur and inside Mercosur grew over time, especially in the last years, as Argentina itself embarked upon an import-substitution effort of sorts. Being a member of Mercosur, become increasingly out of question for South American "liberal" countries. Mercosur turned their eyes instead to countries with statist-nationalist "development models", which were contrary to integration based on liberalizing trade, both within the region and with the world. Brazilian government went to great lengths in favour of the incorporation of Venezuela to Mercosur, while adopting a stance of "strategic patience" with Argentina's growing adoption of ad hoc trade barriers against Brazilian exports. Clearly Brazil is not in a position to elaborate a strategy capable of encapsulating the region as a whole or even one of the blocks. This difficulty, as shown in Sorj and Fausto's paper, as well as in Veiga and Rios's one, is compounded by the growing importance and competition of manufactured goods from China and of trade in the Pacific area, creating a new pole of attraction for the region.

3. The result of the convergence of these factors was that Mercosur lost its original momentum, as shown in Guilhon Albuquerque's article. Similarly, the main regional governance institution that has emerged in the last decade, Unasur, is characterised much more as a political forum than an economic integration project. Whereas the recently created Pacific Alliance, which includes Mexico, a country marginalized by Unasur, may to a certain extent be interpreted as an initiative on the part of the business sectors of its member-countries aimed at counteracting Brazilian influence in the region. Within this context, it is highly improbable that Brazil could lead a regional governance project in the economic area. Undoubtedly, the country's weight in the region, be it on the commercial level, be it as an investor or as a recipient of investment, cannot be underestimated. Brazil's regional economic integration will continue to advance

driven less by deliberately coordinated public policies and more by the internationalization of Brazilian companies and the dynamics of globalization: the expansion of trade and the foreign investments of both public and private companies in search of new markets and the growing movement of people and goods, in particular in border regions. Consequently, depending on the future direction of trade and investment flows, Brazil's weight in the region may vary significantly.

4. Currently, Brazil faces the challenge of losing markets for its manufactured goods in the region to products from Asia, in particular China (this competition is now being extended to public contracts in the area of infrastructure). This is particularly challenging to Brazil because South America accounts for a growing proportion of the decreasing Brazilian exports of manufactured goods. This is a challenge for which there is no easy solution, given that each country in the region has different interests as far as Asian influence is concerned, as shown by Dani Nedal's paper. Even so, as Sorj and Fausto's paper on "olhares cruzados" indicates, for some the Asian presence is seen as a means of "diversifying dependence". In other words, a way of becoming less Brazil-dependent.
5. There is a consensus among decision makers in the region that the IIRSA (Initiative for the Integration of Latin American Regional Infrastructure) is the core project for driving regional integration. Latin America has to address a historical and geographical formation in which ecological barriers (the Amazon rainforest and the Andes) and the concentration of a large part of the population in coastal areas (in particular in the Atlantic region) hinder transportation, making the flow of goods and people expensive. José Tavares' paper describes the enormous difficulty that the IIRSA has had in progressing. In spite of a reduction in the portfolio of projects and the prioritisation of those which were already part of national investment plans, to a major extent the IIRSA remains an unfulfilled promise. Explaining this situation would require a more detailed analysis by sector, the countries involved and specific projects. The responsibilities for the impasses in the IIRSA are distributed equally among all

the countries in the region. As Tavares' paper shows, as far as Brazil is concerned, the project is not a priority on the agenda of the government or the main economic players. With insufficient infrastructure in the country over a number of years, Brazil is prioritising projects aimed at eliminating the main bottlenecks generated by existing demands and that are not dependent on complementary investments from other countries. As such, priority is given to projects that can generate a better rate of return in the short term and may be financed with own resources or funds raised by the country. So far, IIRSA has clearly shown its incapacity to overcome the obstacles represented by the difficulties and costs of coordination with neighbouring governments, as well as the smaller countries' fiscal limitations when it comes to financing infrastructure works. Part of the solution would involve the strengthening of regional financing institutions and mechanisms|. A central challenge will be to convince Brazil to invest more in projects in which its sovereignty is limited. Part of the solution would involve the definition of rules of governance that express the differentiated weight of the Brazilian contribution and are acceptable to the other countries in the region.

6. Jerson Kelman's and Sinval Zaidan Gama's paper on integration in the electrical energy field offers valuable insights on how to advance towards a gradual and cumulative strategy of confidence building and the construction of effective integration mechanisms. The authors indicate that the ideal solution, the creation of a free regional market for the purchase and sale of electrical energy is unrealistic, given that the countries in the region would be unwilling to leave the supply of such a strategic item in the hands of their neighbours. This does not mean, as Kelman and Gama indicate, that steps cannot be taken towards creating the necessary mutual confidence, enabling schemes that would reduce costs and make supply more efficient.
7. In Brazil, the 1988 Constitution restricted the role played by the armed forces in internal security and clearly subordinated military power to civil power. This process culminated in the creation of the Ministry of Defence, which has been



occupied by civil ministers since its inception. In spite of legal determinations, the practical definition of the armed forces' mission is a complex exercise, because of a dearth of easily identifiable "external enemies". In recent years, debate has arisen about the role of the armed forces in combating internal crime in view of the insufficiency of the country's police forces. This question is complex because – even though past experience would indicate the inadvisability of the armed forces exercising a role in internal security –, with the transnationalization of various types of criminal activity and the key role played by the country's borders, the boundaries between defending frontiers and public security have become more tenuous.

8. Besides concern about the porosity of frontiers, drug and arms traffic and their effect on levels of crime in the country, another reason for strengthening Brazil's armed forces is the discovery of large oil reserves in the ultra-deep waters off the country's continental shelf. It is natural that a country the size of Brazil should have a certain capacity to project military power, at least where the protection of its land and maritime borders is concerned. On the other hand, the addition of a strong military supremacy to Brazil's current economic, population and territorial asymmetry would not be easily digested in South America, in spite of the country's peaceful historical track-record.

The agreement with Argentina leading to the denuclearization of the region and the establishment of bonds of trust between both countries' armed forces removed the only virtual scenario of military conflict with neighbours from the horizon. Brazilian diplomacy is aware of the risk of arousing suspicions about supposed intentions of regional military supremacy. Symptomatically, in the 2008 document on National Defence Strategy, analyzed in detail in Alcides Vaz's paper, there are a number of references to military cooperation with neighbouring countries, an objective that became a concrete reality with the creation of the South American Defence Council under the auspices of Unasur. Although the author does show a tendency towards inward-looking sovereignty on the part of the Brazilian armed forces, he also underscores the importance

attributed to regional cooperation in the development of an industrial military complex led by Brazil. Time will show the effective possibilities of this project, but concrete cooperation initiatives are already in place, although at a small scale. The National Defence Strategy does embody a certain ambiguity. It reiterates the protective and defensive nature of Brazil's military power, reinforcing a premise existent in a related document dating from 1996, but it is assertive in affirming the need to strengthen this power in the light of Brazil's new and growing projection on the international scene. Additionally, the document redefines Brazil's strategic sphere of influence, which would now range from the Caribbean to Antarctica, including the whole of South Atlantic, including the African Coast. Rhetoric apart, the document does show a new level of national ambition and perhaps reflects a new relation of power within the state, or at least the strengthening of a more nationalist orientation within the government. As such, the evolution of relations between Itamaraty, the Brazilian diplomatic service, and the armed forces in the future formulation and implementation of Brazil's foreign policy is deserving of attention. In spite of the subordination of military power to civil power, the development of an industrial-military complex could result in increased influence for the military-business coalition that is forming around this project, undoubtedly constituting a new fact for Brazilian diplomacy.

9. The issue of organized crime and border security problems constitute a growing concern for the Brazilian government, because they affect the quality of life of the country's citizens. As Robert Muggah's work shows, Brazil's borders are difficult to protect due to their extension and physical characteristics. Although the Brazilian government has signed cooperation agreements with neighbouring countries, a number of these nations suffer from institutional and political weaknesses and limitations in human and material resources, making it difficult to deal with organized crime on a joint basis. Certainly, this is an area which requires an effort on the part of the countries in the region to strengthen regional governance mechanisms; however, for now cooperation is focused more on bilateral relations. Managing this question is key for Brazil. On the one hand, the

country does not want to assume the role the United States held in the past. On the other, given the extension and porosity of its borders and the levels of arms and drug traffic in its territory, the country cannot afford to ignore the issue. The challenge has already been posed in concrete terms in relations with Bolivia, a country with which Brazil has signed a cooperation agreement to combat the production and exportation of surplus coca leaf after the expulsion of the Drug Enforcement Agency from Bolivian territory. The challenge lies in inducing the Bolivian government to honour its commitments to eradicate the illegal cultivation of the coca leaf without generating the perception, real or imaginary, that Brazil is interfering in the domestic affairs of its neighbour.

The papers in this book indicate that Brazil continues to be an introspective country, in spite of its growing weight in the region and in the world. As we have described, the factors are varied, but of key importance is the propensity the main political and economic actors have of attributing greater importance to internal rather than external questions, with limited awareness of the growing interconnections between the two. This difficulty, as shown by Sorj and Fausto in “olhares cruzados” (crossed regards), expresses the vicissitudes and uncertainties that a country called upon to occupy a key regional role in elaborating a consistent foreign policy must face in a context of changing internal coordinates (presence of new actors in the formulation and execution of foreign policy and the expansion of Brazilian companies in the region), as well as external ones (the growing heterogeneity of models of international insertion and internal organisation of the countries in the region, presence of new actors from outside the region, etc.).

Currently, the risk is that foreign policy will be driven by wilful improvisation and circumstantial objectives. With its specific weight and higher degree of institutional development, compared with the regional average, Brazil can play a key role in constructing institutions that permit a gradual expansion of the “limits of the possible” in integration processes in South America. Instead of rhetorically inflating expectations, this attempt should translate into sufficiently flexible – but stable – institutions that are simultaneously able to absorb “national idiosyncrasies” and establish parameters for

behaviours and commitments that enable greater coordination around specific challenges, such as the integration of infrastructures, the management of ecosystems, and cooperation in the area of defence and border security. This is an agenda which has been drawn up and which has seen some advances, but which – for the most part – has yet to be executed. As concrete results are achieved in the realisation of this agenda, it is highly probable that an internal legitimacy will be generated in Brazil enabling the country to dedicate more financial and institutional resources to supranational mechanisms aimed at promoting regional integration. In summary, in its own interest Brazil can and should construct a regional agenda, indicating particularly the principles upon which the bases of greater integration could be built, showing the need for a long term vision, in which there is a guarantee of continuity in nation-state policies - regardless of changes in government - promoting projects centred on clear and cumulative objectives, characterised by legal security, respect for contracts and a forward-moving agenda both in bilateral and regional terms.

Lastly, we would like to point out to the foreign reader that we are aware that the papers, written almost exclusively by Brazilian authors, sometimes emphasize differences and discontinuities in the exercise of Brazilian foreign policy and which may be seen as overly self-critical about the problems the country faces. This perspective may clash with a viewpoint widely held both within and outside the region, which commends the continuity in political activity over the last two decades and the international projection Brazil has achieved. Certainly both positions reflect reality, perceived from different positions.