



BRAZIL AND SOUTH AMERICA: CONTRASTING PERSPECTIVES

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Working Paper N° 12, July 2011



www.plataformademocratica.org

Brazil's Role in South America: Strategies and Mutual Perceptions

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Introduction

This paper is a continuation of our research on the impact of global geopolitical changes on South America, in which we argued that the decline of the United States' relative influence in the region, coupled with burgeoning trade and investment flows with Asia in general and China in particular, is redefining each country's position and strategic vision. Taking the discussion a step further, this paper focuses on Brazil's role in South America as a country that is increasingly being called upon to expand its leadership given its growing economic influence in the region and around the world and the vacuum left behind by the relative decline of U.S. protagonism.

To understand Brazil's position in South America it was critical to examine mutual perceptions and expectations. Following the format of our earlier paper, this discussion synthesizes a series of works written by experts¹ and discussed during a meeting of a working group comprising public intellectuals from the region². Many of the comments received were incorporated directly into the text, while others are presented in text boxes.³

The impetus towards integration

Over the past decade, Brazil's relations with other South American countries have been informed by two characteristics. The first is an official discourse that has accorded growing importance to the region, accompanied by a series of top government actions

¹ The experts' papers are available at: www.plataformademocratica.org.

² Fernando Henrique Cardoso, former President of Brazil; Carlos de Mesa Gisbert, former President of Bolivia; Constanza Moreira, Senator, Eastern Republic of Uruguay; Edgardo Rivero Marín, former Vice-minister, General Secretariat of Government of Chile; Fausto Alvarado, former Minister of Justice of Peru; Ignacio Walker Prieto, Senator and former Chilean Minister of Foreign Affairs; José Botafogo Gonçalves, Former Minister of Industry, Trade and Tourism of Brazil.

³ Obviously, the contents of this document are the sole responsibility of the authors.

and reactions, and politically oriented initiatives, in particular the the establishment of the Union of South American Nations. Second, Brazilian companies have expanded their presence in neighboring countries and trade flows have intensified (even though they may seem to have remained stable in relative terms). Both processes took place however, in a context in which Brazil lacked a more clear-cut and ambitious strategy with respect to its immediate geographical surroundings.

Only recently has Brazil made the region a centerpiece of its foreign policy: Spektor, in his paper to this project, dates this phenomenon in the late 1990s. And it has a mark of origin. According to this author, “The concept of ‘South America’ has less to do with notions of collective governance or a presumption of a common regional identity, than with an instrumental calculation based on considerations of autonomy and power.”

At that time, Brazil’s appraisal was that South America—an area explicitly differentiated from the rest of Latin America by its exclusion of Central America and Mexico—furthered the objective of strengthening its position in the negotiation of the Free Trade Area of the Americas (FTAA) amid growing difficulties with integration efforts in the Mercosur context. The perception was that regional integration would help strengthen Brazil’s role as a global player, and it anticipated a certain division of geopolitical and economic influence with the United States.

The United States was forging ahead with an FTAA modeled on NAFTA, an agreement that, in Brazil’s eyes, had reduced Mexico to a mere appendage of the North American economy. With that threat looming, the Brazilian government saw regional integration, as a protection mechanism and a platform that would lay the groundwork for the country to realize its full potential as a global player.

Beginning in 2001 with the launching of the WTO Doha Round, the FTAA negotiation process and multilateral negotiations proceeded on a parallel track. On this gameboard—which Brazilian diplomacy considered more favorable for extracting greater concessions from developed countries in general and from the United States—Brazil was also playing its regional leadership card, although not exclusively.

As far as the FTAA was concerned, Brazil’s strategy was not to refuse to negotiate or decry the supposedly “imperialist” intent behind the initiative. It opted instead to participate in the negotiations and use them to rally other countries in the region around Brazilian interests, which essentially consisted of preserving two assets it considered crucial: the structural diversity of the Brazilian economy and the space to carry out development policies (which had already been reduced by the GATT Uruguay Round agreements accepted by the WTO, and would be further constricted by the FTAA).

That said, it is important to keep the following points in mind concerning the role that Brazil assigned to South America in its foreign policy of the late 1990s. First, the shift in emphasis was driven by the view that regional integration should serve Brazil’s overarching objective of increasing its power and autonomy in the context of a broader strategy of global economic insertion and projection onto the international stage. It stands to reason then, that the strategy of “regional power” could not entail any agreements that would severely compromise the degree of autonomy considered desirable for the “global power” strategy. Secondly, it should be noted that the shift was triggered mainly by economic factors originating outside of the South American region. It was the extra-regional FTAA process, a U.S. initiative, that prompted the notion of

“South America,” rather than “Latin America,” as the guidepost for Brazilian foreign policy. Third, the strategy was organized in function of simultaneous negotiations on the regional, hemispheric and global planes. With negotiations underway at all three levels, Brazil was compelled to define its strategy.

Obviously, endogenous political considerations and dynamics in the region also informed Brazil’s appraisal of South America’s value. But there is no doubt whatsoever that the main vector for change was economic in nature, entered the scene from without, and was directed beyond just South America. Brazil was convinced that it needed to fortify itself in order to improve its chances of success in integration processes that promised to be both inevitable and demanding at the hemispheric (FTAA) and global levels (in the WTO sphere).

The current panorama: post-liberal regionalism and fragmentation of national strategies

What has changed since then? There was, of course, a shift in the general coordinates of integration/globalization processes. On the international plane, the WTO Doha Round stalled amid heightened protectionist sentiments, and in some cases policies, in several countries. China’s emergence as a leading exporter of manufactured goods profoundly altered perceptions of the advantages of free trade, especially in the United States. Moreover—and the other side of the same coin—, China’s enormous demand for raw materials meant that the opening up of markets in developed countries, particularly Europe, to agricultural and livestock exports, had become less important. This had been the main thrust of Brazil’s offensive agenda following the WTO Uruguay Round.

The country could see that its agrobusiness exports had grown exponentially in the last decade, notwithstanding the lack of any real progress in multilateral trade negotiations. At the same time, the growing penetration of Chinese manufactured exports in the domestic market ratcheted up pressure on the industrial sector to protect itself and fueled Brazil’s resistance to any deal with Europe or the United States that would increase access to agricultural and livestock markets in exchange for further liberalization of Brazilian services and industrial sectors.

To synthesize, the importance of multilateral trade negotiations receded before a new scenario marked by China’s emergence as both a major exporter of manufactured goods and importer of raw materials. This panorama was further accentuated by the “currency war” in the aftermath of the 2007/2008 financial crisis.

The FTAA was buried once and for all in the hemisphere at the 2005 Summit of the Americas in Mar del Plata, and this led the United States to forge bilateral agreements with Central American countries and the Dominican Republic (CAFTA-DR), and with South American countries such as Chile, Peru, and Colombia (the latter is still pending before the United States Congress). At the same time, and despite the bilateral agreements, China’s participation in the region’s foreign trade continued to grow, at the expense of trade flows with the United States (as shown in the recent ECLAC report, *The United States and Latin America and the Caribbean: Highlights of Economics and Trade, March, 2011*).

At the regional level, the global insertion strategies of South American countries were fragmented and polarized, and this took some of the wind out of the regional integration process despite the political activism and “integrationist” rhetoric coming from the heads of State over the preceding ten years. This view, which is shared by several analysts, is articulated clearly by Pedro da Motta Veiga and Sandra Rios paper.

A brief explanatory note is needed here, for the sake of conceptual clarity. We distinguish between integration in the sense of expanded trade, economic, cultural and human flows, and formal integration through the establishment of rules and standards shared by a group of countries based on common political accord. These two processes are interwoven in the sense that formal integration partially reflects the flow patterns resulting from expanded trade and corporate globalization and at the same time mould them through a legal framework which can acquire, to a certain extent, a “life of its own”. One of the objectives of formal integration is to channel the tensions brought about by economic dynamics into a common political project that reinforces positive-sum games and cooperation by institucionalizing conflict solving mechanisms and other collective governance instruments. While integration in the first sense continues on the rise in South America, it is in crisis in the second sense.

Underlying the fragmentation process mentioned by Motta Veiga and Rios are the nationalist governments with grassroots constituencies that took power in several countries in the region—beginning with Venezuela in 1998—whose very identity is rooted in their outspoken criticism of the open global markets model and regional integration approach that took hold in the 1990s. This created a split between the countries that remained aligned with the global economic opening model and those seeking to revisit or even break with this paradigm. This broader split, however, does not account for all significant divisions in the region. Despite a certain shared rhetoric, the “Bolivarian bloc” comprises very different national realities. Moreover, in different degrees, the countries most closely associated with a more liberal vision did not relinquish the protection of local economic sectors or their quest for more autonomy in their global insertion strategies. This is why it makes sense to refer to a fragmentation of South American countries’ global insertion strategies.

The hurdles to achieving a broader consensus, then, are not circumstantial, but rather intrinsic to the post-liberal regionalism of the past ten years:

“The basic premise of post-liberal regionalism is that the liberalization of trade flows and investments and their consolidation in trade agreements is not capable of producing endogenous benefits for development, and can significantly narrow the space for implementing national ‘development’ policies and adopting an integration agenda that is concerned with issues of development and equity. (...) In South American integration, this drive to preserve *policy space* creates resistance to sharing economic sovereignty in areas where doing so would be required to further integrationist objectives” (Motta Veiga and Rios).

The global transformations we alluded to earlier reinforce the centrifugal trends observed in South America. For most of the countries, the region’s relative importance recedes before the exponential growth of trade flows with Asia. These flows include direct investment and offers of financing, both of which are linked to a guaranteed supply of raw materials, especially to China. Asia, along with other emerging poles such as Russia and Iran, has also opened up channels for access to credit, technology, and weapons by ALBA member countries in South America.

Brazil in the current panorama

While fragmentation stems from the sociopolitical processes of each country, it is reinforced by the variety of alliances available in an evolving multipolar world. As we have argued in the previous paper related to this research: “Political dynamics in Latin American countries are not, and never have been, merely a byproduct of changes in the world system and/or of the designs and interests of extra-regional powers... [P]otential alternative models of economic and geopolitical insertion in the international system must be understood as resources that are creatively appropriated by domestic political and social actors and translated into governmental platforms that further the interests and ideologies of specific groups based on the particular characteristics of the countries, or groups of countries, in the region.” (*Global Political Dynamics and the Future of Democracy in Latin America, Plataforma Democrática Workin Paper*, 2010).

Brazil is uniquely positioned in the new South American political landscape that has taken shape over the past ten years. Let us return to the beginning of this period, when the country was comparatively a success story for structural reforms and international integration, with support from society that, while not ubiquitous, was solid enough to preclude any substantive shift in the course that had been set in the early 1990s. Meanwhile, a government took office whose majority party had, while in the opposition, mounted a strenuous antagonism to the structural reforms and global insertion strategy of its predecessor. While the first factor may have aligned Brazil with the countries in the region that espoused, in broad terms, development and external insertion models based on market economies and representative democracies, the second was more in line with the governments, parties and social movements of the countries that were seeking to break with that model.

The Lula administration chose to strike its own course. It retained the general direction of its predecessor—particularly in its macroeconomic policy—and did not take a confrontational stance towards the United States. At the same time, however, it was sympathetic towards governments and political leadership that opposed “neoliberal integration.” More than once, this sympathy was reflected in public expressions by the Brazilian government and president in support of a particular candidate in the elections of neighboring countries. Moreover, the Lula administration reinforced the role of state-owned enterprises and some national private groups in its development and global insertion policies. These two players are responsible for much of Brazil’s direct investment in the region and the Brazilian Development Bank (BNDES) provided financial support for their expansion.

For this reason, the assertion that politics came to take precedence over economics in Brazil’s relations in the region during the most recent period alludes to two processes that do not necessarily dovetail: the explicit preferences and political sympathies for candidates, parties, and governments “on the left” on the one hand, and efforts to directly or indirectly promote the stronger presence of Brazilian corporations in neighboring countries on the other. The latter did not occur through association, but rather through the acquisition of local companies and/or by taking advantage of opportunities for natural resource exploitation in, shall we say, “government-intensive” sectors.

This is a movement to spread the Brazilian economy fueled by the international valorization of commodities and supported by the national State. The valorization of

commodities spurs the internationalization of Brazilian companies in natural resource-intensive sectors, while pressuring other industrial sectors in the country to seek out lower cost settings in order to confront challenges to competitiveness compounded by an appreciating exchange rate. A similar movement is observed in the financial sector, with the growing internationalization of Brazil's private banks and the national Bank of Brazil.

While the expansion described here is very real, the political sympathy exhibited towards neighboring governments is not reflected in an effective commitment to finance projects guided by an integrated vision of regional development. This assertion is borne out, for example, by the little amount that Brazil allocates to the Mercosur Structural Convergence Fund (FOCEM by its Spanish acronym) and the restrictions on the hire of local suppliers that condition BNDES financing for public works abroad.

That said, there has been no shortage of gestures of "generosity" in adverse situations. Rightly or wrongly, this was the way in which the Lula administration's "understanding" reaction to the occupation of the Petrobras refineries in Bolivia and the renegotiation—amid intense nationalistic staging—of oil and gas drilling contracts there was interpreted at home. This was also the prevailing interpretation and attitude towards Brazil's concessions to the Paraguayan government when the latter, also in the name of sovereignty and national development, pressured for the renegotiation of the terms of the Itaipú Treaty.

It is possible, then, to identify four core components of Brazil's foreign policy in the region in the most recent period: the political sympathy displayed toward governments and political leadership "on the left"; specific instances of "generosity" when pressure is brought to bear in the name of sovereignty and the right to development of the poorest countries; scant financial or institutional commitment to supranational mechanisms and projects; and the support of direct Brazilian investment which tend to be destined to sectors politically sensitive to local nationalistic sentiments.

The combination of these four components does not seem to constitute a long-term strategy. It is incapable of obtaining sufficient support within Brazilian society or the acquiescence of neighboring countries. Should expressions of sympathy towards governments and preferences for certain political leaders of neighboring countries taper off—which seems likely under the Dilma Rousseff administration—the problem remains that the sporadic acts of "generosity" towards the poorest countries such as Bolivia and Paraguay are perceived in Brazil as unnecessary concessions, while the countries that purportedly or actually stand to benefit regard them as insufficient. Leaving aside the differences, the same is true of the "strategic patience" approach that has characterized Brazil's posture towards its trade relations problems with Argentina.

As Brazil expands its direct investments in the region, which seems to be a "natural" trend, the risk of political tensions will grow rather than diminish. At the same time, the supranational institutions established during this period do not seem to offer suitable mechanisms to resolve these tensions. Unasur, for example, is not endowed with the necessary powers or formal instruments to define the rules of the game for trade flows and intra-regional investment. And while Mercosur and the Andean Community would be more suited to the task, both were weakened in the process of establishing Unasur.

Assymetries

The participants drew attention to the assymetries among countries of the region, whether in terms of the size of their national markets, their levels of economic development, or the government's capacity to support the private sector. Because of these assymetries, there is a natural tendency to interpret Brazil's economic expansion in the region as imperialist. This is true of smaller countries and particularly countries which, besides being smaller, feel that they have historically come up losers in their relations with Brazil (especially Bolivia, but also Paraguay). On the Brazilian side, in contrast, some social stakeholders feel that their government has been overly complacent when certain of its neighbors have flouted the rules established for trade and investment, whether in the context of Mercosur, or in relation to contracts with Brazilian companies operating in their territories. In this climate, economic agents appear to be losing confidence in the legal frameworks of certain countries in the region, which reinforces the tendency among some companies to turn to intermediaries and *ad hoc* political backing in order to ensure the viability and expansion of their business dealings in the region.

Prospects for South American integration: two unrealistic hypotheses

Efforts to organize the South American region on a more solid institutional and economic footing revolve mainly around Brazil. In theory, there are two opposing hypotheses for how such a process might occur. The first holds that the country's growing power of attraction—"hard" power in terms of its vigorous economy, and "soft" power due to the relative stability and success of its institutions and policies—if they are borne out, would situate the country as the main economic and political reference point for the rest of the region. Spektor suggest this hypotheses: "For generations, the main strategists (of Brazilian foreign policy) believed that a balance of power informed the way in which power operated in South America. In other words, when confronted with an assertive Brazil, its neighbors would move to form an anti-hegemonic coalition (...). The notion that Brazil's relative influence would attract (rather than alienate) its neighbors is relatively new, and reflects an interpretation of the way in which power plays out in the region based on what the specialized literature refers to as "bandwagoning." The other hypothesis is that Brazil will take on, *mutatis mutandis*, a role much like the one played by Germany in the European integration by spearheading an effective integrationist process.

There are signs of a bandwagoning process taking place in the region. The following excerpt from the paper prepared by Juan Tokantlian and Roberto Russell is germane in this regard: "This process has shaped a widespread perception in Argentina that defines Brazil as an 'inevitable' country from the negative or generally pessimistic vantage point, or as 'indispensable,' from the more positive or hopeful view of the prospects for a common project. From either angle, this attitude is relatively independent of any progress in the context of Mercosur, which continues to enjoy tremendous rhetorical support from the government and a favorable image among the general public. The perception that Brazil is a necessary country may be accepted with resignation, disgust, or joy, as an opportunity or as a death sentence, but it does not present any major fissures." This hypothesis is also reinforced by the positive references to the "Brazilian

model” in general, and the Lula administration in particular, in the context of Peru’s recent presidential elections.

That notwithstanding, the prospect of a South American integration moved forward by dint of Brazil’s pull and attraction seems remote. The underlying hypothesis fails to take into account some basic realities: the weight of history; deeply-rooted sovereignties and national identities in the region; and the tensions inherent to an integration process involving countries that are so asymmetrical in terms of the power of their governments and economies. As the authors cited in the preceding paragraph make haste to caution: “Brazilian expansion in Argentine production and trade creates a wide range of perceptions (...) as well as a common concern that rekindles attitudes dating back to the 1960s about the dangers of excessive Argentine dependence on Brazil.”

In the least developed countries in the region, mainly Bolivia and Paraguay, the reaction to the danger of a perceived excessive economic dependence on Brazil is articulated as fear and resistance to “Brazilian subimperialism.” As Carlos Mesa points out in his paper, ever since the agreement leading to the incorporation of Acre into Brazilian territory, “the thesis of Brazilian ‘subimperialism’ has been deeply anchored in Bolivian interpretations of our relations with our neighbor to the east.” The issue of excessive dependence on Brazil is, to this day, of paramount concern among representatives of the left and nationalism in Bolivia, as the country’s former president points out.

Brazil’s neighbors see themselves as not only up against Brazilian companies, but also the Brazilian State, or more aptly, a powerful alliance between the two. This perception is grounded in reality: the disparities between the capacity of the Brazilian State to support its business sector and that of the other States in the region are as pronounced as the economic asymmetries described earlier. The Brazilian government’s targeted initiatives in solidarity with the development aims of neighboring countries have proven insufficient to diffuse fears of Brazil’s “subimperialistic” designs.

In a recent interview published in the June 14, 2011 edition of the Brazilian newspaper *Valor Econômico*, when asked whether Argentine industry was not being overly protected, José Ignacio de Mendiguren, president of the Argentine Industrial Union, responded as follows: “BNDES lending to Brazilian companies is equivalent to the entire amount of credit available in the Argentine economy. (...) Imagine the day when an Argentine industrialist can walk out of the Bank of the Argentine Nation with enough financing to open a factory in Brazil. When that day comes, we’ll be able to drop our guard.”

It is also important to touch on another aspect of the perceptions held by Brazil’s neighbors, and particularly the Mercosur countries. During the same interview, and in response to another query concerning the excessive protection afforded Argentine industry, Mendiguren lists several of the discretionary measures that Brazil has taken to block imports of Argentine goods. This means that there are two reasons for the negative perceptions towards Brazil: distrust of the “economic conquest” through exports and direct investment, which is articulated as “anti-imperialist” sentiments in the poorest countries, compounded by the resentment caused by the discretionary handling of imports.

Significantly, these considerations are virtually absent from the way in which most Brazilian elites perceive their country’s relations with the region. To the contrary, their

attitude tends to be that Brazil, the Brazilian government, is excessively accommodating and foolishly generous with its neighbors. In this regard, it should be noted that the idea of having Mercosur revert to the status of free trade area resonates and finds support among important segments of the Brazilian industrial community.

In light of the discussion in the preceding paragraphs, it is also clear why the scenario in which Brazil takes on a role similar to the one Germany played in the construction of the European Union must also be considered far-fetched, to say the least. The lack of domestic support for such a role is compounded by the difficulty several countries in the region face in committing to cooperation strategies that require a certain degree of predictability in the conduct of public policy and/or the sacrifice of economic sectors.

Finally, it makes sense to take a step back and add one more point to the argument that it is unrealistic to expect that regional integration can be accomplished based on the growing, and essentially natural gravitation towards Brazil by its neighbors.

The truth is that the “South American giant” does not play the same central role for all of the countries in the region. While it is central, in fact, to the Southern Cone countries on the Atlantic side, including Bolivia and Paraguay,⁴ the same cannot be said of the Pacific countries of the continent. In the paper he prepared for this project, Ricardo Gamboa makes no bones about this: “Chile will not substantively modify its foreign policy strategy, which means that it will not adopt any position that entails unconditional ties with Brazil in the latter’s new (intended) role as a regional leader and a global player.”

In his discussion of Colombia’s perception of Brazil, Eduardo Pastrana, while echoing the increasing proximity noted by Juan Manuel Santos, describes this neighboring country’s concern with protecting economic sectors and establishing alternatives to Brazilian leadership in the region: “The ‘FTA with the U.S. and with the EU’ route began to define a new approach to triangular integration outside of the regional blocs, between Colombia, Chile and Peru, (in) the so-called “Latin American Pacific Arc, which could include Mexico as a common partner. This project, also envisages the integration of stock markets in the MILA (Latin American Integrated Markets) information system, as a collective alternative to Brazilian economic protagonism. This process culminated in the “Pacific Agreement” signed by Colombia, Chile, Peru and Mexico on April 28, 2011, in Lima.

Similarly, a reading of the paper by Edmundo González Urrutia leads to the conclusion that Venezuela does not regard Brazil’s regional leadership as inevitable. This is eminently clear in the Chávez administration’s project, as well as in the position of opposition sectors, which have criticized the current Venezuelan president for its “excessive concessions” to Brazil and are interested in pursuing a better and closer relationship with the United States. Patently what is still left of the business sector of that country is less than enthusiastic about joining the Mercosur.

⁴ Although they are not, strictly speaking, Atlantic countries, Paraguay, historically, and Bolivia since the development of its lowlands, particularly Santa Cruz de la Sierra, during the second half of the 20th century, have oriented their economies towards the Atlantic.

How the other countries regard Brazil

The participants recalled how difficult it has been for neighboring countries to grasp Brazil's policies towards the region. They also alluded to the "opacity" of Brazil's foreign policy in the eyes of its neighbors, particularly in the economic sphere, and remarked on the resurgence of a certain degree of mistrust on the part of Argentina over Brazil's nuclear program, in particular, its overtures to Iran and signs of a strategic military alliance with France.

According to the Brazilians, they too experience this opacity, at least with regard to issues such as public monies to support the activities of the country's major corporations abroad. In their view, what comes across as a policy of ambiguity is actually a reflection of internal difficulties in clearly defining Brazil's new role in the region and in the world. In this regard, they noted that while Brazil's economic influence is unquestionable, the country's per capita income is not the highest in South America and it is facing enormous internal social challenges that impose political constraints on its capacity to support its neighbors.

Possible integration and Brazil's role

There is no consensus in Brazil over a more coherent policy for the region, notwithstanding recent studies showing that South America figures in over half of the issues considered a priority for Brazil by the country's "foreign policy community" (Amaury de Souza, *Brazil International Agenda Revisited: Perceptions of the Brazilian Foreign Policy Community*, Inter-American Bank, 2009).

There is, however, a basic consensus that is built around the political stability of the region. With respect to this objective, Spektor points to Brazil's increasing willingness to invest in institutionalizing the rules of the game and solidifying regional institutional mechanisms, is based on concerns over an unwelcome North American protagonism in future conflict resolution efforts that would jeopardize stability in the region, including conflicts associated with expanding criminal networks.

In any event, it is important to clarify that even in the area of security and political conflict resolution, Brazil has played a less notable role than its economic influence in the region would suggest. In addition to operational difficulties, unresolved internal differences have also been observed in this area. Two examples will suffice to illustrate this point. Brazil has yet to define its policy with respect to the impact of drug trafficking stemming from cocaine production in neighboring countries, in the context of the new security agenda. Secondly, in the political sphere, the country is still far from reaching consensus around the practical relevance that should be accorded the issue of democracy in relations among the States of the region.

Indeed, it is safe to say in general terms that there is more discord than consensus among the relevant stakeholders as to what Brazil's foreign policy for the region should look like.

There is a deepening perception among non-industrial business sectors and informed public opinion that regional integration may be unnecessary at best, and at worst, detrimental to the country's efforts to realize its global ambitions, if it were to entail "excessive" concessions to its neighbors. As Motta Veiga and Rios observe, the priority that Brazil placed on the region "did not produce the outcomes anticipated by Brazilian diplomacy in terms of immediate and automatic support for Brazil's leadership in global affairs." It is possible, in fact, to cite a number of examples from the past ten years in which countries did not back Brazilian candidacies for high-level posts in international institutions, resisted Brazil's leadership in multilateral negotiation forums, and/or criticized the very initiatives that the Brazilian government considered key to its efforts to project itself on the international stage.

Motta Veiga and Sandra Rios are worried about the tendency to view regional integration as ancillary to Brazilian foreign policy "in light of the country's increasingly diverse interests in geographic terms." In our opinion, they are correct in pointing out the short-sightedness of that vision and it is worth citing them more extensively:

"The problem is that this vision—which is rooted in unquestionable structural developments (especially the growing share of trade and investment with Asia) —could lead Brazil to adopt a position of relative indifference to the evolution of the region. Should that be the case, it would dovetail in a way with the Lula administration's approach of strategic patience and complacency towards the stalled economic agenda of cooperation and integration. Both approaches tend to give rise to a reactive strategy in which Brazil responds—with varying degrees of complacency depending on the approach—to the actions and initiatives of other countries in the region.

Certainly the political climate in the region and the geographical diversification of Brazil's interests are not conducive to prioritizing the region in the context of its international economic policy. There is, however, a legitimate question as to whether reactive policies and indifferent postures are sustainable and/or desirable from the standpoint of Brazil's economic interests.

This argument is based on two observations. The first has to do with the densification of Brazil's regional economic relations that has been observed over the past two decades. Brazilian interests in South America today are varied and growing, and involve a wide range of actors: the region absorbs nearly 20% of Brazilian exports and is an important destination for its manufactured goods; Brazilian business investments have increased notably in recent years; and intra-regional migratory flows in which Brazil is both an originating and destination country have burgeoned. There is also considerable potential for cooperation and integration in areas such as energy and infrastructure, while environmental and climate change issues, the role of the Amazon, and the proliferation of illegal transactions are all concerns that Brazil shares with several of its neighbors.

The second has to do with changes in the world economic geography with the rise of China and the impact this has had on the productive sectors of South American countries, which further complicate Brazil's regional agenda. Brazilian industrial exports are losing ground to their Asian competitors in South American countries. This risk is compounded by the negotiation of trade agreements between some of the countries in the region and Asian countries.

Today, as Brazil prioritizes political cooperation projects on the regional plane and its economic agenda becomes increasingly diversified outside the region, the prospect for an inertial evolution that gradually reduces the importance of South America on the country's political agenda seems very realistic."

Looking towards the future

Beyond the specific problems that need to be addressed, the main issue in the region is the crisis of confidence that has occurred in relation to the integration process. The task at hand, then, is to rebuild that confidence through less ambitious, and hence more achievable measures. The participants reiterated that Brazil's leadership is not a matter of choice. Given the size of its territory and economy, Brazil is condemned to play a leadership role. This trend is accentuated by the relative decline of Argentina—which could serve as a counterbalance to Brazilian leadership—and waning U.S. influence in the region. One of the participants conjured the image of an awakening giant, whose movements could injure its neighbors and breed resentment, if it does not know how to create a positive sum dynamic in the region.

Brazil is expected to play a leadership role at the international and regional levels which, without neglecting its own legitimate interests, also represents the combined interests of countries of the region. Up to now, the prevailing view is that Brazil acts on the international plane without consulting the other countries in the region. At the regional level, Brazil is expected to put forward policies indicative of a stronger commitment to its neighbors, not only in economic areas (trade and investment), but also in areas such as absorption of immigrants. There is a general expectation that Brazil will take action to spur the creation of stable rules in the region, a sentiment that has a lot of traction in Chile in particular.

Conclusions

In conclusion, it is worth asking what factors might alter the trend identified by the authors. One possibility is that, should the loss of South American market share for manufactured goods to China—which is already occurring—actually intensify, it might provide Brazil with enough incentive to devote more diplomatic and financial resources to preserving these markets, which are the lifeblood of its industry. Of course, this strategy would entail stepping up efforts in the area of productive complementation from a regional perspective. The fact is that the countries of the region do not all take the same view of China's inroads into the regional market for manufactured goods, which is the flipside of its increased imports of raw materials. With the partial exception of Argentina, there is no significant industrial sector to preserve. **From our neighbors' perspective, moreover, investments from Asian countries represent a form of diversification that reduces their dependence on Brazil.** In this sense, Brazil's capacity to develop regional strategies to confront Chinese influence is limited.

Another possibility lies in the potential for cooperation in food production and exports, and the technological development associated with this area, and with energy production. It is important to acknowledge, however, that while the potential is there,

actual processes, which are strongly influenced by domestic political and economic circumstances, are not pointing in that direction.

At the same time, South America is key for Brazil as the focal point of its sovereign interests—for geopolitical as well as economic reasons—inasmuch as it shares a border with nearly all of the countries of the region (except for Chile and Ecuador), not to mention natural resources. In this context, it is perhaps more realistic to adopt a more sober position such as that suggested by Rubens Ricupero in his 2009 publication *La Siempre Anunciada y Cada Vez Más Improbable Integración* [The Perpetually Announced and Increasingly Unlikely Integration]. He argues that the sociopolitical processes underlying the impasses observed in South American integration are deeply entrenched. This being the case, he proposes “analyzing alternatives for a more limited integration, compatible with the division and divergences that characterizes the region today. In light of the lack of consensus between countries over values, ends, and means, it is better to discard an ambitious, but unattainable integration plan and settle for a viable, albeit modest integration.”

Perhaps today’s reality permits us to take a slightly more optimistic tack than that suggested by Ricupero. In our view, we should not give up on the aspiration of regional integration forged on solid common institutional foundations. While this ambition may be unachievable in the foreseeable future, it does provide a regional narrative, based on which South American leaders can coordinate efforts leading to partial progress in the integration process mainly, although not exclusively, in key areas such as infrastructure, security to combat certain types of crime, and environmental management. It could also help to preclude setbacks in trade openings between the countries of the region and arbitrary actions against foreign inter-regional investment.

The process of forging this regional narrative, or this common imaginary, which is more an ever elusive horizon than a point of departure, cannot ever stop affirming common values and interests, while rejecting the old rhetoric of the region as victim of History in general and the United States in particular, or the fallacy that its redemption is contingent upon reviving Simón Bolívar’s “Patria Grande” project, a myth that in fact excluded Brazil and fails to take into account the diversity of national histories of the Hispanic America of yore.

From this standpoint, Brazil has an important contribution to make to the integration process in the broadest sense, not only because of its considerable financial and institutional resources, but also the soft power it has successfully wielded in the region and beyond. This power is derived from the fact that the country has demonstrated that it is capable, internally, of democratic governance and reducing poverty and inequalities—which are mutually reinforcing—and externally, of mediating conflicts and spearheading cooperation initiatives among States.

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