

Requiem for South American Regional Integration: The Rise of Brazil's Extreme Right Cements its Decline

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South American regional integration efforts have euphoric beginnings and unceremonious endings. When creating new integration mechanisms, Latin American presidents tend to boast about their promising futures, imagining a region where the economies and societies are effectively interwoven. They give regional integration efforts aspirational names and create webs of organizations and agencies that often mimic, in name only, European institutions. Years later, these new organizations face the fate of their predecessors: decline or, in the best-case, stagnation. Their continued existence is, for the most part, the result of institutional inertia. The myriad regional integration organizations in South America are the “walking dead”: mostly irrelevant actors in the regional and international arena who nonetheless lurk around international meetings.

Regional integration organizations that emerged in South America following the region's democratization in the 1980s followed this wayward path. In the following essay we discuss how, despite a more promising start characterized by diminishing rivalries and a general confluence towards more open economies, regional integration efforts have again failed. We focus on Brazil's role in the rise and fall of South America's most recent regional integration efforts. As the region's most important economy and military power, Brazil's policies towards the region decisively affect the fate of integrations efforts. The recent election of extreme right-wing candidate Jair Bolsonaro as president of Brazil is the final blow to regional integration efforts.

Brazilian Regional Leadership in a New Democratic Era

With the democratic transition of South American countries, particularly Brazil (1985) and Argentina (1983), a new phase in regional integration began. The declining rivalry between the two powers of the southern cone under civilian governments enabled initial steps towards greater integration. Despite some cooperation in Itaipu-Corpus (agreement about the use of the Paraná

River) and sharing markedly anti-democratic values, the preceding military regimes in both countries were deeply nationalistic and distrusted each other. New democratic elites were well disposed to initiate durable cooperation agreements. The Alfonsín (Argentina) and Sarney (Brazil) civilian administrations ushered in a new era by agreeing to more intense cooperation in the field of nuclear energy. These internationally recognized agreements generated the only (to date) supranational agency (ABACC) in the Southern Cone (Milanese 2007). Additionally, in the 1990s Brazil and Argentina underwent deep economic reforms that opened their economies and reduced the influence of the state in economic activity. In this context, regional leaders saw economic integration now under the framework of the Mercosur (*Mercado Común del Sur*, or Southern Common Market) as a step to liberalize trade and find new markets without completely exposing some of their industries to full-blown competition of world markets.

Although Brazil and Argentina's relationship was key in the promotion of Mercosur, we must look to Brazil's foreign policy to understand the trajectory of regional integration efforts in the Southern cone (Mercosur) and in South America as a whole. By all relevant measures (size of its economy, military spending, population size), Brazil is the leading economic and military power in South America. The difference in power with its closest competitor, Argentina, increased throughout the late twentieth and early twenty-first century. It is no secret that Brazil has aspired to transcend its position as a regional power to achieve the status of a global power. In this sense, Mercosur and other regional integration mechanisms were more than mechanisms to win new markets. They were part of a strategy to secure its role as the regional leader and project itself as a global actor (Albarracín 2011).

Already under Fernando Henrique Cardoso's administration (1994-2002), but especially during Lula da Silva's tenure (2003-2010), Brazil made it increasingly clear that it was the regional leader. Brazil's *Itamaraty* (Foreign Ministry) promoted the creation of new regional integration organizations to expand the scope of Brazil's influence to all of South America (the UNASUR, or Union of South American Nations) and sought to strengthen the Mercosur through new initiatives, like the creation of a Cohesion Fund (FOCEM) to support the region's weakest economies. Since its inception, UNASUR focused intensively on political integration. For example, it sought to promote greater cooperation in security and defense through the Council of South American Defense. Brazil also engaged in efforts through regional integration organizations and bilateral diplomacy to diffuse conflicts between countries in the region. Thus, the greater intensity of efforts to promote regional integration (economic and political) can be traced back to the country's efforts to establish itself as the undisputed regional power and have a stronger say in world affairs (Albarracín 2011).

The Limits of Brazilian Regional Leadership

The great intensity with which Brazil pursued regional integration is commensurate with the failure of these initiatives. New organizations and efforts within the Mercosur and the UNASUR never really gained any lives of their own. In this sense, the new wave of regional integration starting in the late 1980s followed in the footsteps of their predecessors. These organizations in and of themselves can today be only described as hollow shells of their former selves; they are unable to promote further integration or even hold member states accountable to existing

agreements. The only engines of regional integration are the region's presidents, who shape the rhetoric and of integration but who do little to actually integrate the region.

The failures of regional integration is especially evident in the realm of economic integration. While it is true the trade between countries of the region grew, it never reached the envisioned goals. In fact, the greatest expansion of trade in the past decades occurred with partners outside of the region, in particular with China. In Table 1 we list Brazil and Argentina's most important trading partners and contrast them with Germany and France (the core powers in European integration). Brazil and Argentina have without a doubt important commercial ties. This is particularly true for Argentina, because Brazil accounted for 24% of its imports and 15% of its exports in 2016. However, the region as a whole is of only marginal importance for both Brazil and Argentina. In contrast, Germany and France are not only key partners, but are also deeply connected with other members of the European Union.

Table 1: Top Ten Trading Partners for Brazil, Argentina, Germany and France (2016)

	Brazil		Argentina	
	Imports	Exports	Imports	Exports
1	China (17%)	China (19%)	Brazil (24%)	Brazil (15%)
2	USA (17%)	USA (12%)	China (19%)	USA (7.9%)
3	Germany (6.50%)	Argentina (7.1%)	USA (13%)	China (7.5%)
4	Argentina (6.40%)	Netherlands (4.3%)	Germany (5.3%)	Vietnam (4.3%)
5	Korea (3.9%)	Germany (3.2%)	Mexico (3.4%)	Chile (4%)
6	France (2.8%)	Japan (2.7%)	France (2.7%)	India (3.8%)
7	Italy (2.6%)	Chile (2.3%)	Italy (2.6%)	Egypt (3.1%)
8	Mexico (2.6%)	Mexico (2.1%)	Thailand (2.1%)	Spain (2.8%)
9	Japan (2.5%)	India (1.8%)	Japan (1.7%)	Germany (2.4%)
10	Chile (2.1%)	Italy (1.8%)	Spain (1.7%)	Indonesia (2.1%)

	Germany		France	
	Imports	Exports	Imports	Exports
1	China (10%)	USA (9%)	Germany (18%)	Germany (14%)
2	Netherlands (8.2%)	France (8%)	China (8.7%)	USA (8.1%)
3	France (7.2%)	UK (7%)	Italy (7.9%)	Belgium-Lux (7.4%)
4	USA (6.2%)	China (6.7%)	Belgium-Lux (7.6%)	UK (7.1%)
5	Italy (5.4%)	Netherlands (5.8%)	USA (6.9%)	Italy (7.1%)
6	Poland (4.9%)	Austria (5.4%)	Spain (6.7%)	Spain (6.9%)
7	Switzerland (4.8%)	Italy (5.1%)	Netherlands (4.8%)	China (3.7%)
8	Czech Republic (4.7%)	Belgium-Lux (4.2%)	UK (4.1%)	Netherlands (3.4%)
9	Belgium-Lux (4.5%)	Switzerland (4.1%)	Switzerland (2.9%)	Switzerland (3.3%)

Source: Simoes & Hidalgo: The Economic Complexity Observatory.

Contrasting Argentina and Brazil (or South America) with Germany and France (or Europe) is undoubtedly problematic. There are many explanations for the higher degree of economic integration in Europe than in South America (e.g., lack of appropriate physical infrastructure, competing rather than complementary economies). Some of these factors indicate that, from the outset, the envisioned greater economic integration of South American countries would quickly meet its limits. Moreover, the absence of strong economic ties between South American countries has resulted in the lack of demand for regional integration by domestic societal actors, such as business elites.

Brazil's impetus for greater regional integration—driven by its project of regional leadership and global ambitions—also faced the resistance of its regional partners. Many viewed Brazil's self-appointed role as the South American leader with skepticism, in part because of its unwillingness to carry the costs that such position entails. Although Brazil financed most of the Structural Convergence Fund (FOCEM) of the Mercosur, this fund amounted to the strikingly low amount

of US\$ 100 million. Members of the Mercosur, particularly Argentina, frequently claimed that Mercosur primarily favored Brazilian commercial interests. The early success of Mercosur in expanding trade came to a halt when Brazil devaluated its currency in 1999 without warning the Argentine government. The political alignment that occurred with the election of leftist or progressive presidents of Mercosur member states in the early 2000s did not strengthen trade relationships.

Unsurprisingly, Argentina and other South American countries did not support many Brazilian attempts to command the world stage. Instead, Argentinian leaders tried to balance Brazil's power in regional organizations. Argentina's enthusiastic support of Venezuela's full membership in Mercosur, for example, can be understood as an attempt to defuse Brazil's power. Venezuela's inclusion in the organization increased disruptions and tensions within this regional integration organization and, ultimately, weakened it and Brazil's project of regional leadership.

Brazil was unable to effectively promote regional integration during times of prosperity and political stability, and these ambitions came to a halt with the country's recent sharp economic downturn and political turmoil. Since 2013, Brazil has been mostly looking inward, dealing with intense domestic tensions (mass protests in 2013, corruption scandals, the impeachment of President Rousseff in 2016, and a deeply unpopular President Temer) and economic crisis (according to OECD estimates the nation's GDP shrunk in 2015 by 3.55% and 3.47% the following year). Brazil has been conspicuously absent from regional efforts to address the region's greatest problem: the Venezuelan crisis and the ensuing mass exodus of Venezuelan citizens to neighboring states. Its goals for South American integration through UNASUR has completely collapsed. Some member states, like Colombia, have left the organization and important discussions about Venezuela now occur in informal groups, such as the Lima Group. Mercosur persists, partially because of institutional inertia.

The Rise of Brazil's Extreme Right Is the Final Nail in the Coffin

The election of extreme right-wing candidate Jair Bolsonaro as Brazil's next president is the final blow to South American regional integration efforts. Bolsonaro has consistently made international headlines for his openly racist, homophobic, misogynist, and anti-democratic views. He has exhibited contempt for democratic institutions, human rights and glorifies Brazil's authoritarian past. His views on economic policy, however, have been marked by greater hesitation and contradictions. Early in his campaign, he announced that economist and investment banker Paulo Guedes would lead his economic team. Shortly after his election, he confirmed this nomination and declared that Guedes would be a "super minister," grouping previous ministries for Finance, Planning, and Industry. Guedes favors an economic agenda that reduces state influence in the economy, for example through the privatization of state-owned enterprises. He has declared that Mercosur and the relationship with Argentina are not a priority and sees the Mercosur as an "ideological alliance," implying it is detrimental to Brazil's interests.[1]

It remains to be seen how long Bolsonaro will support Guedes' economic course. While his anti-democratic and illiberal beliefs are very consistent, Bolsonaro's views on economic policy are

less clear. Like many right-wing and extreme right-wing populists, he has displayed remarkable ideological flexibility with regards to economic policy. Bolsonaro is also heavily influenced by the views of former and active military officers who make up an important part of his inner-circle, such as Vice-President elect General Hamilton Mourão. While expressing support for some of Guedes' economic agenda, the military-wing is also influenced by nationalistic beliefs that emphasize sovereignty and security. They favor state control over "strategic" assets, such as Petrobras (state-owned oil company) or Eletrobras (electric utilities), higher military spending and sustaining pension privileges for the armed forces.

Regardless of whether the business-oriented or the military wings of Bolsonaro's coalition win the upper-hand in the new government, both factions are opposed to supporting, much less furthering, regional integration within the framework of Mercosur. Bolsonaro's own strong aversion to institutions that can constrain him and his nationalistic views are antithetical to the rules-based regional integration framework Mercosur set out to create and never fully realized.[2] While Mercosur and other regional integration projects fostered by Brazil stagnated or collapsed before Bolsonaro's election, his presidency will mark the end to almost three decades of regional integration efforts in South America.

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[1] "We will not be prisoners of ideological relationships. We will trade with the entire world." Quoted in: Folha de São Paulo, "Após vitória nas urnas, Paulo Guedes reforça medidas econômicas defendidas na campanha." (10/28/2018).

[2] Just to give an example: the name of his electoral coalition was "Brazil above everything, God above everyone" (Brasil acima de tudo, Deus acima de todos).

