In search of a new integration of Latin America in the global economy

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Introduction

In an interview to the newspaper Folha S. Paulo on November 2, 2010, former President Fernando Henrique Cardoso referred to the political debate that had guided the second round of presidential elections in Brazil as follows: “The candidates forgot about the campaign and did not define the future. Will our future be to provide primary products? Or are we going to develop innovation, education, industrialization? That has failed to be mentioned.”

Author of one of the most significant texts on the backwardness of Latin America, the former president was answering a journalist’s question about the failure of his political party’s candidate. Had he taken the opportunity to raise issues not discussed by the candidates or would he just be using rhetoric to justify the defeat of his party?

This is a minor issue. The fact is that many people still see Brazil as a country without a well defined long-term economic development model. And this uncertainty affects and permeates the Latin American region in general and South America in particular.

From a broader perspective it is possible to see that South America is at a crossroads. Will it continue to be a supplier of primary goods to the world? Will the regional industry, especially in Brazil, be stifled by competition, particularly from China? Will the reintegration of Latin America, particularly South America, into the global market, with a greater degree of autonomy, entail a conflict with the United States? Will relations with emerging powers strengthen or will the region move towards antagonisms? To what extent could the region enjoy the comparative advantage of some countries in terms of clean and renewable energy sources? In the new context, what would the regional economic integration agenda in South America and a common defense project be like? This article discusses this topic without intending to exhaust, it and raises a host of economic, social and political aspects which, when interrelated, will set the conditions for possible changes.
The article is organized in three sections besides this introduction. The first section examines the prospects of a process of economic and political change in the region towards a greater role in the world economy and points out some of the necessary aspects that should be observed when setting this goal. The second examines Brazil’s integration in the global political economy. It discusses the role of Brazil in South America, in the international scene and among the BRIC nations, besides analyzing the growing importance of China in the region’s economy. The third section seeks to discuss bases and limits for building a strategy of greater economic and political autonomy of South America and the importance of Brazil in the process. Finally, in the closing remarks the authors outline some determining guidelines.

**Prospects for restructuring South America’s global integration**

The relation of political forces in Latin America enables envisioning a period of reflux in the region’s cohesion in the next decade that could jeopardize the enhancement of regional integration and the establishment of common or complementary strategies for achieving greater autonomy in terms of economic development, environmental sustainability and poverty eradication in the region. After a decade in which left or center-left governments prevailed in the region, the political scene could be reversed, or rather show greater balance between center-left and center-right coalition governments. Chile and Colombia have elected conservative presidents, while in Brazil and Uruguay the elections have favored center-left coalitions; the governments of Bolivia and Ecuador, which have proposed radical changes in the structure of the State and property in their countries, have their projects either paralyzed or moving slowly; Peru elected a conservative president in 2011 in an environment of fierce competition between political parties; and Argentina and Mexico repeated the atmosphere of high rivalry between political factions in the 2011 and 2012 elections, respectively. In the latter, after ten years out of national power, in the midst of an armed conflict between State forces and drug trafficking groups competing for the northwest region of the country, the Institutional Revolutionary Party (PRI) won the majority of regional governments in 2010, many of which had governments of the ruling party, the National Action Party (PAN).

The global economic boom in the first decade of this century has allowed the continent’s economies to grow, and governments to implement successful social inclusion programs in tune with both a redistributive agenda and identity recognition proposals. This positive period is related to institutional improvement and to the economic policies in force in the region, but is strongly associated with the favorable international scene, particularly the rise in commodity prices and abundant international liquidity. The first decade of this century presented a re-concentration of Latin American exports in commodities, as well as an increase in imports to supply inputs and meet the needs for industrial products, especially technology-intensive products. This change is construed
by many as a loss of technological density in the production of Latin American economies, which could result in loss of future dynamism, as it sacrifices the capacity to generate innovations and incorporate more skilled labor to the production process. One of the main concerns at the moment refers to the issue of global warming and its impact on living conditions on the planet. Increased consumption and improved quality of life should be based on less carbon-intensive technologies, with greater energy efficiency and use of alternative energy sources. For many analysts this environmental constraint puts additional pressures on areas such as land-use, which in addition to generating food to meet the growing demand stemming from higher income levels, should also meet the demand for renewable energy sources. This causes the price of several commodities to remain high, reflecting their total cost, including the environmental cost. In the case of some commodities, environmental constraints will mean less consumption and lower income for countries. For others, such as ethanol and other biofuels, the trend is towards increased demand, thus opening up greater possibilities for economic growth.

Some issues, however, should be raised. Are current commodities similar to those of the past? What is the technological content of the commodities currently exported? What is the capacity of this technology to generate externalities for other sectors? Considering demographic and environmental pressures, will the trend in terms of trade be unfavorable to commodities intensive in natural resources? What is the predictability of economic behavior and how will the new “commodity lottery” behave? Will the wheel of fortune always spin our way as it has in much of the last decade? The return of the specialization of Latin American economies in commodities, even with higher technological density and environmental change, raises serious doubts about future development possibilities for Latin American countries.

The reintegration of the region as a global actor after 25 years of instability and economic stagnation has brought the economic and political integration of South America back to the negotiation table. The financial crisis of 2008, however, slowed down economic growth and postponed discussions on the economic integration project. In turn, the military agreement between Colombia and the United States has removed political integration from the regional foreign agenda, at least for the moment. Thus, the discussion on the construction of new international, economic and political relations for Brazil, and the restructuring of its global integration are among the priorities for studies on Latin America.

In the field of international economic relations, Brazil and its MERCOSUR partners have focused their efforts in the completion of the WTO Doha Round. Other countries in the region, on the contrary, such as Chile, Colombia and Peru followed the unprecedented tend in the history of the region’s economic relations of entering bilateral trade agreements with central countries and
countries in other regions, notably East Asia. While the United States, the European Union and China, each with their specific models, have expanded or consolidated access to the markets of strategically important countries, it was only in the last two years that MERCOSUR has set out to pursue the path of bilateral trade agreements, but without a defined model. Insofar as Brazil’s political, economic and social outcomes of the next few years will be able to dictate the pattern that will eventually be followed by the region both domestically and in terms of its global integration, it is essential to speed up these trade agreements and establish a balanced model that ensures trade expansion and investment attraction, as well as the implementation of development policies. However, this should be done in line with a new, still understudied trend, which seems to indicate certain changes in these international economic relations: the convergence of regional trade agreements. In Asia, for example, there are two convergence efforts underway: Association of Southeast Asian Nations (ASEAN) + 3 (China, Japan and Korea) and ASEAN + 6 (China, Japan and Korea plus Australia, India and New Zealand). In North America, Mexico and Central American countries; the Area of Deep Integration (ADI) between Chile, Peru, Colombia and Mexico; and UNASUR, which, although with objectives far beyond those of economic integration, brings together the member-states of MERCOSUR (full and associate members), of the Andean Community of Nations, and some of ALBA, in addition to other South American countries outside these integration processes, such as Suriname and Guyana.

Among the controversial issues that may undermine the synergy required for obtaining outstanding reintegration into the world economy and better quality of life for its people, we emphasize at least four points:

a) After the global financial crisis of 2008, from the economic standpoint the first aspect to be pointed out concerns the expectation that industrialized and emerging countries might tend to reaffirm the historical condition of South American countries as exporters of commodities, by extending their markets to Asia. In this context, only the cohesion of the region’s rulers and their continuous pressure on the project to strengthen regional agreements such as MERCOSUR and, in the medium term, UNASUR, could give it a new perspective. This possibility requires that South American governments keep national interests and social conflicts under control and increase interdependence between their countries (cf. Peña, 2009; Serbin, 2009). Most analysts, when considering the present regional policy framework, are skeptical as to whether these conditions will ever be met. The uncertainty stems from the economic and political conditions that followed the global crisis of 2008, especially if the recovery of the U.S. economy is delayed. The countries included in the global economy as exporters of commodities may experience setbacks in international prices or in external demand that would compromise the management of their macroeconomic policy and a change in the integration into the world market, including
due to the consolidation of the interests of economic groups in exporting sectors.

b) The evolution pattern of the economy leads us to the second point: maintaining the comprehensive social, redistributive and cultural recognition policies that were so successful in the 2000s in Latin America (Lopes-Calva, 2010).\(^5\) Setbacks in this area could compromise not only welfare programs, but also education and professional training and homeland security policies. It should be remembered that South America, despite the advances of the last decade, still has high levels of income concentration and poverty and significant deficits in terms of education and capacities to develop or adapt technologies, besides high rates of violence.

c) The third point relates to the increased exposure of regional disparities after the 2008 crisis, which may undermine political cohesion. The continued growth of regional economies between 2001 and 2008 enabled strengthening regional integration programs (MERCOSUR, led by Brazil and Argentina, and ALBA, led by Venezuela) (Botto & Tussie, 2007). The 2008 crisis led to a decrease in this trend. Most countries in the region again faced fiscal deficits, trade deficits and difficulties in the balance of payment; other countries experienced inflationary pressures (ECLAC, 2010a). Governments postponed regional infrastructure and social projects developed during the prosperity phase, and once again South American economies exposed their weaknesses. The insufficient and poor distribution of technological development, which are concentrated mainly in the economic sectors of exporters - one of the legacies of the region’s primary exporting past region – became clear in the different countries of the region. The failure of national governments to implement a shared strategy to overcome the global crisis or reduce asymmetries gave actors in each country (government, opinion-makers and the population) the opportunity to rethink the potential advantages of participating in a regional integration project, leading them to take a negative stand (Tussie, 2009).

d) The last point refers to the global integration of South America. The region makes up the sphere of U.S. interests, as all past and present geopolitical models remind us (Cairo, 2008). In the field of external security, for example, the countries of the continent are far from able to independently provide for their security - naval, air or space. The construction of a common defense system in the region, as proposed by UNASUR, would entail a qualitative change in power relations in the international arena. This project will depend on the development of a strategy, continuity of purpose over time, resources, incorporation of technology, and especially persistence and consistency of actions. The countries in the region, however, as they achieve their economic and social progress, expand their international action and foster internal strategies to further guarantee their own security in the event of an attack or unwanted outside interference. The most obvious cases are those linked to Colombia, Venezuela, B
Chile and Brazil, due to historical reasons or recent conflicts. The Argentine case, in the past, related to the Falklands is still a symbol of an unfortunate agenda of international political relations.

Figure 1

**Brazil in the world economy**

*Brazil in South America*

Over almost the entire 2000s, Brazil was the world’s ninetieth economy by GDP. In 2009 it accounted for almost 50% of South America’s GDP and 45.5% of the population of this part of the Americas (International Monetary Fund, 2011). Estimates by the International Monetary Fund (IMF) for the year 2010 put Brazil in seventh place in the ranking of world GDP, ahead of England, France and Italy. Brazil’s participation in international trade, however, is still small, at less than 2% of the world total. Considering regional trade within the Latin American Integration Association (ALADI), the participation of Brazil, however, is much more significant. In 2009, for a total intraregional trade in goods of $73.0 billion, Brazil contributed $20.3 billion, or 27.3% of the total amount. Among Brazil’s leading trade partners are the MERCOSUR countries - the result of years of development of agreements within the scope of Southern Cone integration. Despite the proximity/cost of transportation, these agreements have been essential to expand trade, considering the lack of historical tradition in terms of cooperation between the countries of the region, particularly in the period marked by military dictatorships.

Historically, South America has been a privileged stage of Brazilian foreign
policy (Iglesias, 1993). Recently, foreign policy has been even more active in the defense of Brazilian interests. This action has been expressed especially in the definition of a security project (South American Defense Council) and in the expansion of the continent’s economic integration. With the expansion of MERCOSUR and the creation of UNASUR, Brazil has contributed to disable or diminish the importance of U.S. diplomatic actions such as the FTAA project and the Inter-American Treaty of Reciprocal Assistance and the Treaty of the Inter-American Defense Board (Hart & Lessa, 2010; Almeida, 2002, 2010).

Increased military pressure from the United States on the region - under the argument of curbing drug trafficking in Colombia and Paraguay – has led each country to indicate its intention to expand its own military-political autonomy in relation to the interests of the great military power. Brazil signed a military agreement with France in September 2009, which over the next decade can turn it into the first country with the status of regional naval power. Venezuela and Argentina have signed military and financial agreements with Russia; and Chile and Colombia have maintained the highest levels of spending on security on the continent - 3.4% and 4% of each of the two countries’ GDP respectively.

Brazil participated in the South American foreign policy by mediating conflicts between Ecuador and Colombia, and between Colombia and Venezuela. It also stood out by renegotiating the tariffs for electricity from Itaipu and intervening in Bolivia to counter the territorial secession conflict along the border. Moreover, the country has advanced peacemaking and mediation proposals in Central American and Caribbean areas such as Haiti and Honduras; persisted in defending the reintegration of Cuba into the American community, as one of its main interlocutors in the international community; and managed on its own behalf the tension with the United States in the dispute for the roles to be played in coordinating aid to Haiti, on the occasion of the earthquake in Port-au-Prince. Special mention should also be made of the role of the BNDES in the region and the possibilities for enhancing that role. This institution conducts direct foreign trade operations by providing financing to foreign public entities, with the aim of facilitating the export of Brazilian goods and services. In 2008, $211.8 million were disbursed in the region. This figure jumped to just over $1 billion in 2009 (BNDES, 2011). In the area of credit, it is worth noting the agreement between BNDES and IDB, signed in 2009, for the financing of micro, small and medium-sized Brazilian companies. Also important was Brazil’s role in the implementation of MERCOSUR’s Structural Convergence and Institutional Strengthening Fund (FOCEM), which has provided financial contributions for infrastructure projects in the region. The economic and political success of Brazil, however, has increased the economic and political asymmetries compared to other countries in the continent, which may strain cohesion ties. Given the speed at which Brazil overcame the deleterious effects of the global economic crisis of 2008, these asymmetries are expected to increase.
However, it should be noted that despite greater economic or even diplomatic activism, it is not yet possible for Brazil to compete with or challenge the U.S. power, even in South America.

A problem that hinders integration and cooperation in the region are the asymmetries between countries. These asymmetries are found in several macroeconomic performance indicators and became even more evident after the currency crises of the 1990s (Veiga, 2002; Bouza & Veiga, 2002). The most peculiar results of those crises were the devaluation of the Brazilian currency in early 1999, which caused a significant imbalance in the development of MERCOSUR; the dollarization of Ecuador in 2000, which took away from that country its currency and the autonomy of the monetary policy; and the currency and financial crisis in Argentina in 2001 and 2002, which resulted in a moratorium on the country’s internal and external debt. The most serious consequences of the currency crises of the late 1990s in the region occurred in Argentina and Uruguay, which experienced a decline in real GDP above 14% in the biennium 2001/2002. Argentina lost the capacity to trade government bonds on the domestic and foreign markets and faced strong restrictions for financing its current public deficit. This restriction led to a long period of difficulty in Argentine public finances that remains to date and virtually extinguished the government bond market in the country. Considering 2009, Argentina had a public debt of 57.7% as a percentage of GDP, followed by Uruguay with 47.4%. Brazil, one of the few countries in the region with a well developed bond market, is still experiencing a high public debt rate as a percentage of GDP: 42.8% in 2009. Taking into account the last decade, this percentage dropped more due to GDP increase than to the decrease in total public debt. In Brazil the situation still requires caution, since most of the debt is short term and the country has one of the highest interest rates in the world. In 2007 and 2008, economic stagnation led to an increase in the debt/GDP ratio. This trend seems to have been reversed since 2009. Anyway, the issue has not yet been fully resolved in the country. In relation to this indicator, the best case is that of Chile, with a debt of 12.7% of GDP.8 Regarding inflation, Argentina and Venezuela had the highest rates over the last decade. In 2002 the Argentine economy, while experiencing a 10.9% drop in GDP, endured a 41% inflation in consumer prices. In the following years the rates were much lower, but still high in relation to the Latin American average (in 2010 the rate was above 11% for that country). In Venezuela the situation is even more serious, as in the last five years inflation rates have been above 20% per year (26.9% in 2010). In Brazil, the rate was 5.6% a year versus 2.5% a year in Chile in 2010, the lowest among the countries in the region.9

Regarding the external sector, it is interesting to note that whereas in 2001 Brazil had 21.9% of the reserves in Latin America and the Caribbean, in 2009 this percentage jumped to 42.1%. This suggests the country’s greater capacity to attract resources in the form of either foreign direct investment of specula-
tive capital. In the case of foreign direct investment, the prospect of economic growth and business confidence have contributed to attracting these resources. Finally, though unlike other South American countries such as Argentina, Brazil has no Bilateral Investment Agreement (BIA) in force,10 it seems to be a country with low institutional risk for foreign direct investment (noncompliance contracts, rule changes, etc.). In the case of speculative capital, the perception seems to be the same: the attraction stems from the confidence of foreign investors in the capital and securities markets in Brazil, in addition to high interest rates and the prospect for appreciation of the real.

**Brazil in the international scene**

Brazil has expanded its role in the international scene since the last decade of the twentieth century. In the 2000s, according to experts, Brazil’s foreign policy experienced two setbacks and successfully followed three lines of action. In the field of foreign trade policy, despite its outstanding performance in leading the G20, due to conflicts of interests especially of the United States, on the one hand, and India on the other, Brazil ultimately failed to achieve the desired results in the Doha Round. It also failed for not seeking alternatives such as bilateral trade agreements, as did the United States, the European Union and China, among others. However, despite its small share in total world trade, Brazil stands out in a unique way. It is one of the major players in the global market for minerals, soybeans, sugarcane, meat and coffee, among others. It also has potential in the markets for cereals and agro-industrial products in general. In the energy crisis that is beginning the affect the world, the country enjoys energy diversity (ethanol, pre-salt, hydropower, wind and solar energy), has one of the largest biodiversities on the planet and, together with the BRIC nations is a crucial actor in establishing multilateral agreements in the area of environment.11

In the diplomatic field, the biggest setback has occurred in the pursuit of the desired permanent seat in the UN Security Council (Hart & Lessa, 2010).12 Successful actions in the international field concern the internationalization of the Brazilian economy, with direct investments by foreigners in the country and of domestic companies abroad; the strategy for negotiating international conflicts; and the pressure for the reorganization of world power.

Still in the field of foreign policy, Brazil again has had a significant performance in the Community of Portuguese-Speaking Countries (CPLP) and strengthened relations with African countries in general;13 gained voice in the 2000s in the defense of policies to combat poverty and promote social inclusion; participated in the defense of the interests of the region; and in the financial G20 it joined the BRIC nations in demanding the reorganization of forces in the international arena, due to the increased importance of emerging countries (relations between northern countries and emerging countries), especially with respect to the restructuring of the International Monetary Fund and the World Bank.
The economic importance of the BRIC nations can be demonstrated by some economic indicators. With regard to GDPs hierarchy in purchasing power values between 1990 and 2009, according to statistics from the International Monetary Fund, China jumped from ninetieth to second place in the ranking of largest economies in the last decade. In the period, Brazil maintained its position, with a slight improvement in the last year as discussed above; Russia dropped from fourth to seventh in the rankings; and India climbed from tenth to fourth place. After the 1990s, notably the BRIC countries and especially Asian countries have accumulated skills that allow them to compete more directly with central countries, an unprecedented phenomenon seen at this stage of development of capitalism worldwide (Baldwin & Robert-Nicoud, 2006, Baldwin, 2006a). This process has increased, worldwide, the number of enterprises and workers and enhanced the impacts of geopolitical and economic conflicts.

More recently the BRIC countries have confirmed their effectiveness in economic and political management. The four countries overcame the global financial crisis of 2008 faster than advanced countries. While the group of economies formed by the United States, England, Germany, Japan, Italy and France experienced an average decline in GDP of 2.7% in 2008, BRIC nations grew on average nearly 6% that year.

Science and technology indicators show that China has experienced a strong growth in recent years. Based on the latest report from the World Intellectual Property Organization (WIPO), China currently ranks third in patent filings, behind only the United States and Japan. In 2007 it registered 245,000 patents, while in Brazil this number was around 24,000 patents. Despite this discrepancy, Brazil ranks first in Latin American in number of patents filed.

**Brazil among the BRIC nations**

The assumption that the BRIC nations and other emerging countries could support, in theory, the greater economic and political autonomy of Brazil may not materialize. The economic interests of the other BRIC countries may conflict with Brazil’s. For example, Russia and Brazil are exporters of primary resources, minerals, food and oil; and China and India depend on the export of manufactures and services to advanced countries, a space that Brazil intends to expand. As Brazil increases its exports of commodities to China, it imports from that country products with higher added value, which for many analysts has contributed to the country’s deindustrialization process.

By focusing specifically on economic relations in the first decade of the twenty-first century, the four countries have aligned proposals and actions in defense of common interests in multilateral forums such as the Doha trade negotiations, with the exception of Russia which is not a WTO Member, in the creation of the G20 (trade), and in the definition of economic and institutional guidelines related to overcoming the global economic crisis of 2008. These common actions conceal individual or regional differences between geopolitical contexts and challenges of the four countries.
Foreign policy in Asia is unstable and complex, involving territorial disputes, competition for sub-regional supremacy and arms races. The following points of conflict can be highlighted among many others: territorial disputes between Russia and countries that comprised the former Soviet Union, given that Russia has “lost” a little over a fifth of the territory and about half the population of the former Soviet Union; dispute between China and India for supremacy in South and Southeast Asia, which also involves the United States as a strategic ally of India; disputes over energy security between India and China in Africa, the Middle East and Central Asia; and territorial disputes and nuclear competition between India and Pakistan - one should not forget that China, India, Russia and Pakistan have nuclear weapons.

**China’s increasing relevance in South America**

Since the end of the last century, but especially in the early twenty-first century, China’s presence in South America and in Africa has led to changes in economic structures and increased the level of competitiveness of those regions. With regard to international trade, the importance of China in the 2000s can be demonstrated from the growth of both exports and imports to Latin America. With the exception of Paraguay and Uruguay, between 2000 and 2009 China increased its share in total exports from MERCOSUR Member States: Argentina, from 3.1% to 6.7%; Bolivia, from 0.4% to 2.4%; Brazil, from 2.0% to 13.5%; and Chile, from 5.1% to 23.8%. In the case of imports the increase in percentage was even greater in the entire MERCOSUR bloc: from 4.6% to 12.5% in Argentina; 3.5% to 8.4% in Bolivia; 2.4% to 12.3% in Brazil; 5.8% to 13.3% in Chile; 12.9% to 29.5% in Paraguay; and 1.3% to 10.4% in Uruguay (ALADI, 2011). Considering all South American countries except Venezuela, and comparing the years 2000 and 2009, the share of exports to China in relation to the total increased from 2.7% to 12%, and imports from that country increased from 3.6% to 13%.

China’s increasingly important role in the South American region also gains concreteness when analyzing the evolution of its investments in the region. If in 2003 the amount of direct Chinese investments in Latin America totaled $15.86 billion, in 2009 the figure reached $344.09 billion, and the forecast for the period January-July 2010 was of some $576.6 billion. Of this last total, the majority goes to South America, particularly Brazil: $408.05 billion (or 70.77%); Peru: $96.82 billion (or 16.70%); Argentina: $31.91 billion (or 5.53%); and Venezuela: $14.95 (or 2.59%). Brazil led the investments during the entire period. Almost all of these investments went to the areas of raw materials, transport and energy.

**Greater economic autonomy of Latin America**

Two strategies are presented to Brazil and South America. Maintaining the status quo means remaining in the historical condition of economic periphery of the international system, a status of exporters of primary goods, even with
the expansion and diversification of markets toward Asia and China. Changing involves State decisions by South American governments in relation to at least two aspects: to run their own economic policy and lead their participation in the global economy, and build an autonomous continental security and defense system to protect their own interests. Should the second strategy be chosen, some missions will be necessary. The first can be fulfilled if the States support the integrationist project, regardless of changes in governments and/or conflicts that may occur in the region. The essential requirement for achieving this goal is the implementation of construction projects in the areas of communications, transportation and energy infrastructure, as well as the seamlessly organization of regional production. The expected results are an expansion of the regional domestic market and lower macroeconomic dependence on price fluctuations and on the global demand for commodities (Rosales, 2006).

The second mission involves reviewing the historical and traditional relationship of subject protection, first under Britain from the late eighteenth century to the late nineteenth century, and later, to date, under in the United States. The construction of a continental security system requires that all countries participate in this project in the capacity of strategic allies. The risk of launching such an effort without cohesion among the stakeholders is a possible arms race among countries in the region, which could intensify the behavior, for example, of Colombia and Chile, which already have high defense budgets for fear of Venezuela and Argentina, respectively. The establishment of a regional autonomous security system would confirm the change in integration into the world economy and bestow greater bargaining power in defense of regional interests when in disagreement with the North-American alignment. The two missions mentioned have the potential to generate conflicts with the United States and, if put into practice, will require realistic and savvy political management. On the security front, in the end of the 2000s the United States expanded its influence in South America on the grounds of fighting drug trafficking and terrorism. The reactivation of the Fourth Fleet in July 2008 may be interpreted in this context. Another step in that direction are the additional seven military bases located in Colombia due to the Treaty of Cooperation and Technical Assistance in Defense and Security signed between the Uribe and Obama governments on August 14, 2009. In turn, the reintegration of Latin America into the world market with a greater degree of autonomy will entail, especially for Brazil, adopting an accumulation pattern close to and competitive with the United States, which may lead to a clash.

The necessary Brazilian leadership to reverse the global integration of South America

Breaking the different metamorphoses of the global market integration prevailing in commodity exports from Latin America will require greater economic and political activism on the part of Brazil, given its regional importance.
The strategic option taken by the country will have impacts on the entire region. Brazil has developed since the late nineteenth century the main institutional conditions and ideological components to change the primary exporting accumulation pattern, both qualitatively and quantitatively. It would not be proper to explain in this article the reasons that led to the depletion and disruption of the industrialization model induced by the state between 1930 and mid-970, nor the inability of the economic and trade liberalization model to meet the needs of the economic development process. What is important to emphasize are the current economic and political conditions that offer an opportunity to positively change the country’s accumulation pattern, pull the Latin American economies in this change and increase the bargaining power in international society by changing the nature of its integration into the world economy.

The new economic model, given the characteristics of the Brazilian economy, will compete with the U.S. economic structure, as it should contemplate a combination of industries with high value-added, energy self-sufficiency and diversity and high productivity in the production of food and other commodities. This strategy also depends on the design of economic development instruments such as expanding the long-term private credit market and public-private coordination for the progress of science, the promotion of innovations and technological applications in production and manufacturing and services. This is a choice of political and strategic nature, which involves State goals and targets set for the international insertion of Brazil.

The success of this strategy will depend on the successful political coordination in the relations of increasing complementarity and competitiveness with the United States, involving also the other powers of the world system, and the strengthening of leadership, solidarity and legitimacy with South American countries. This context implies expanding the competencies of diplomacy and its surroundings to operate simultaneously at the regional level, in the relations with European Union countries and emerging countries and in the establishment of alliances with African countries. In addition to technical and economic determinations, the change of insertion in the global scenario is a choice of political and strategic nature, which involves State goals and targets set for the international insertion of Brazil and the countries of the region. Thus, not only the development of diagnoses and alternatives should be submitted to the public-scientific and political debate, but, especially, the studies should be analyzed and criticized pari passu, allowing the strategy to be reinforced, if necessary.

Final considerations

An analysis of the prospects of a process of economic and political changes in South America, in particular towards a greater leadership in the world economy, shows that the region is at a crossroads. The refocusing of its exports on commodities as well as the expansion of imports to supply inputs and meet the needs for industrial products, especially technology-intensive products, is
interpreted by many as loss of technological density in their production, which could result in reduced future dynamism, as it jeopardizes the ability to generate innovations and incorporate more skilled labor into the production process. In this context, only the cohesion of the region’s rulers and their relentless pressure on the project to strengthen regional agreements such as MERCOSUR, and in the medium term UNASUR, will be able to give it a new perspective. This possibility requires that South American governments keep national interests and social conflicts under control and enhance the interdependence among their countries. In light of the current regional political scene, meeting these conditions seems rather complicated.

In contrast, a great effort will be required to maintain the comprehensive social, redistributive and cultural recognition policies that were so successful in the 2000s. Setbacks in this area may impair not only welfare programs but also education and professional training and homeland security policies.

In the field of external security, for example, the countries of the continent are far from able to independently provide for their security - naval, air or space. The construction of a common defense system in the region, as proposed by UNASUR, would mean a qualitative change in power relations in the international arena. This project will depend on the development of a strategy, on the continuity of purpose over time, on resources, on the incorporation of technology and especially on the persistence and consistency of actions.

In South America the economic and political success of Brazil has emphasized economic and political asymmetries in relation to the other countries in the continent, which may undermine cohesion ties. Because of the speed at which Brazil has overcome the deleterious effects of the global economic crisis of 2008, the expectation is that those asymmetries will increase. Even with greater economic or even diplomatic activism, however, Brazil is not yet capable of competing with or challenging the American power in the region.

In the international scene, since the last decade of the twentieth century Brazil has expanded its role not only in international organizations like the WTO, but also in coalitions of interests, such as the BRIC group. In the case of the BRIC nations, however, the assumption that its partners could support, in theory, its greater economic and political autonomy may never materialize. That is because the economic interests of the coalition are often conflicting. The most iconic case is China, a country to which Brazil has increasingly exported commodities while increasingly importing products with higher added value, which can contribute to the country’s deindustrialization process.

Finally, an examination of the bases and limits to building a greater economic autonomy of South America and the importance of Brazil in the process enables identifying some challenges. Firstly, it will be necessary to eliminate, once and for all, the status quo of economic periphery of the international system as a primary goods exporting region, through efforts to expand and further
diversify the markets for other products toward Asia and China. To this end, governments of South American countries should be able to control their own economic policy and lead their participation in the world economy.

Secondly, it will be essential to build an autonomous continental security and defense system to ensure their own interests. The States should sustain their integrationist project, regardless of changes in governments and/or conflicts that may occur in the region. The essential requirement for achieving this goal is the implementation of construction projects in the areas of communications, transportation and energy infrastructure, as well as the seamlessly organization of regional production. The expected results are an expansion of the regional domestic market and lower macroeconomic dependence on price fluctuations and on the global demand for commodities.

Another aspect of fundamental importance is reviewing the historical and traditional relationship of subject protection, first under Britain from the late eighteenth century to the late nineteenth century, and later, to date, under the United States. The construction of a continental security system requires that all countries participate in this project in the capacity of strategic allies.

All these challenges will require greater economic and political activism by Brazil, given its regional importance. The strategic option taken by the country will impact on the entire region.

The success of this strategy will depend on the successful political coordination in the relations of increasing complementarity and competitiveness with the United States, involving also the other powers of the world system, and the strengthening of leadership, solidarity and legitimacy with South American countries.

Notes
1 This article is part of the Thematic Project submitted to FAPESP in July 2011. The authors thank Alexandre de Freitas Barbosa, Carlos Eduardo de Carvalho, and Vivian Urquidi for their contributions to the document.
2 Economic growth was accompanied, in addition to an improvement in the external accounts of most countries, by the reduction in inflation rates in the region. That is, the region is experiencing a time of relative macroeconomic stability, at least compared to previous decades.
3 It is not appropriate in this space to analyze the combination of determining factors that led to the growth of Latin American economy in the early twenty-first century. However, we highlight the strong growth of world trade, driven by the continued growth of the Chinese economy that has reversed the terms of trade between commodities and manufactures; sound macroeconomic management; and social policies to expand the domestic market, among others.
4 We are referring to the agreement that allows the use of Colombian territory by U.S. military forces, from where they can control the entire South American space.
5 In the Brazilian case, we highlight the importance of the 1988 Constitution for the design and financing of the social policy and its combination with the economic policy.


7 This without taking into account the period before the Second World War, when our economies were heavily focused on large commercial centers in Europe and the United States.

8 The data in this paragraph were taken from the ECLAC (2010a) report.


10 There is only one “Investment Guarantee Agreement” signed with the United States in the 1960s. Of the 14 BITs signed in the 1990s, none has been ratified due to political and legal reasons, which are mainly of a constitutional nature. See on this subject Azevedo (2001).

11 Acronym created by Goldman Sachs in 2001 to designate the four continental economies that are growing rapidly and are expected to exceed the GDP of the so-called advanced economies (U.S., Japan, Germany, Britain, France and Italy) by 2040. This fact should change global governance. The acronym does not include the future role of countries like Indonesia, South Korea, Mexico, Turkey, Iran and South Africa. In any case, the term BRIC is often used in the media, international meetings and academic technical milieu for the purpose of projections and comparative analyses.

12 In June 2011, however, it succeeded in electing José Graziano as director of the United Nations Food and Agriculture Organization (FAO).

13 The country was a major player in the establishment of the Community of Portuguese-Speaking Countries (CPLP) and continues to maintain a legitimate leadership, confirmed by the mediating role between Portugal and its former colonies, by the importance of African heritage in Brazil or by the economic and political cooperation it provides. The constitutive declaration was signed by the governments of Brazil, Cape Verde, Guinea Bissau, Mozambique, Portugal, and Saint Thomas and Prince in Lisbon on July 17, 1996, with the important presence of Ambassador José Aparecido de Oliveira, who played a crucial role in the successful confirmation of the Declaration. Later, East Timor also joined the Community. We emphasize that Brazil offers technology to African countries in the oil, steel, mining and construction industries, among others.

14 Data from the International Monetary Fund (2011).

15 Data from the International Monetary Fund (2011). GNP used in the estimates was based on the purchasing power parity criterion.


17 China and India share a common 3,200 km long border; both bound Pakistan, Nepal, Bhutan, and Myanmar; China maintains close relations with Bangladesh and Sri Lanka in the zone of Indian influence. The recent strategic alliance between India and the United States, in turn, has a threat potential for the Chinese diplomacy, as it introduces power imbalance in the zone of Chinese influence.
18 In this context, the Shanghai Group establishes a military agreement for Central Asia. The Group was established in 2004 under the leadership of China and Russia and includes Kazakhstan, Kirghizia, Tajikistan and Uzbekistan, as well as India and Pakistan as observers.

19 For details on the recent evolution of trade between China and Latin America see the ECLAC report (2010b).


21 From the strategic perspective, the United States maintains the traditional foreign policy concept of defining security zones and having the capacity to defend them quickly by naval and air means, following Spykman, revisiting Mackinder (Cairo, 2008; Flores, 2008).

22 In the early twenty-first century, the United States had signed military agreements with about 130 countries and maintained 700 military bases outside its territory. Of the total of these bases, twenty are located in Latin America and of these seven are in Colombia due to the agreement signed in 2009.

23 President Barack Obama’s official visit to Brazil in March 2011 is a sign that political and commercial relations tend to strengthen and improve.

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Abstract – The aim of this paper is to discuss, in an interdisciplinary way, the necessary conditions and steps to achieve a more autonomous political and economic model on the world stage for South America countries. It departs from the political and social conditions of the region by the end of the first decade of this century. Emphasis is placed on the role of Brazil across the region in the light of the economic and political relations in the international arena, political stability and the growing influence of China. It also examines issues concerning the importance of maintaining an inclusive social policy and a common defense policy under the Southern America Nations Union (UNASUR).

Keywords: Latin America and its position in the global economy; model of more economic and political autonomy in Latin America; Brazil and China in South America.
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