Artigo

Brazilian foreign policy towards South America during the Lula Administration: caught between South America and Mercosur

Política externa brasileira para a América do Sul durante o governo Lula: entre América do Sul e Mercosul

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Since 1991, Brazil's foreign policy towards South America has developed along two lines that share some common ground. Brazil's diplomatic efforts have centred on two movements with regard to its South American neighbours and in the effort to build Brazilian leadership in the region. On the one hand, Brazilian government has developed and consolidated a process of regional integration along the lines of open regionalism: the Common Market of the South, i.e. Mercosur[1]. Meanwhile, it has also fostered less structured cooperation and integration initiatives in the region.[2] The significance of these two movements, the way they have been coordinated and the relative weight given to one or the other have varied from administration to administration as a function of each one's respective foreign policy strategies, the country's international standing and the behaviour of its neighbouring States.

All these initiatives, especially since Itamar Franco came to power, have been underpinned by a longer-term goal adopted by Brazilian diplomacy to build up regional economic and political leadership that is autonomous from the USA, while strengthening Brazil's position as a global player on the international scene.[3] In

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1 Open regionalism is the name given by ECLAC to the form of regionalism that gained ground in the 1990s: a combination of the opening up of economies based on liberal standards, the building up of a larger-scale economy to boost the standing of the individual countries in the global economy, and the defense of democratic regimes.

2 Here, integration means a voluntary action that involves taking on certain commitments and areas of shared of sovereignty on the basis of a treaty. Cooperation is a joint voluntary action. See Malamud (2010).

3 The idea of giving precedence to universalism as a model of international insertion was frequent in the past, while Brazil's links with Latin America were not identified as a priority by Brazilian foreign policymakers. Integration with neighboring countries started to be more clearly articulated as a goal in the 1980s. For more on this topic, see VIGEVANI, T. and RAMANZINI JR, H, Haroldo. Regional Integration and Relations

both cases, these movements have gone hand in hand with efforts to use foreign policy to support national development.

The aim of this article is to analyze Brazil's foreign policy towards South American countries under the government of President Lula (2003-2010). As such, it intends to highlight two specific dimensions: the extent to which foreign policy during this period has differed from that of previous periods, and the relative importance granted by Brazilian diplomacy to recent cooperation and integration efforts, more specifically the Union of South American Nations (Unasur) and Mercosur.[4] The article argues that the Lula administration has behaved differently from its predecessors by prioritizing the building up of Brazilian leadership in South America on several different fronts, especially by strengthening multilateral institutions in the region.

In order to fulfil this aim, the article first investigates continuities and discontinuities in Brazilian foreign policy, laying special attention on the Lula years. Next, it traces Brazil's historic behaviour towards its South American peers, in this case focusing more on the regional policy developed by the Fernando Henrique Cardoso administration. The third part analyzes Brazilian foreign policy as practised by the Lula administration in its relations with South America and especially with regard to Mercosur. Throughout the text, the ideas of foreign policymakers – linked with their interests – are considered as important tools for the analysis.

Continuity and discontinuity in Lula's foreign policy

Brazil's relationship with is neighbours and efforts to build up regional leadership have not been consistent over the last twenty years, with different strategies and priorities gaining precedence during this period. For many years, the overriding paradigm inside Itamaraty has been based on beliefs that would seem to indicate an increasing meeting of minds within Brazilian diplomatic circles and some important signs of continuity in the country's foreign policy.[5] According to Vigevani *et al* (2008), autonomy and universalism are the two mainstays of Brazilian foreign policy. Here, universalism is meant to express the idea of receptiveness towards all countries, regardless of their geographical location, regime or economic policy, and could be equated with the idea of acting as a

with Argentina: Bases of the Brazilian Thought. Paper presented in Joint International Meeting. Diversity and inequality in world politics. Rio de Janeiro, ABRI/ISA, 22-24/jul./20092009.

4 For an important discussion of perspectives for change in Brazilian foreign policy, see VIGEVANI, T. and CEPALUNI, G. A política externa de Lula da Silva: a estratégia da autonomia pela diversificação. *Contexto Internacional***,** vol. 29, n. 2, 2007, p.273-335.

5 The definition used here for "belief" is based on the classification by GOLDSTEIN, J.. & KEOHANE, R. Ideas and Foreign Policy: an analytical framework. GOLDSTEIN and KEOHANE (eds.). *Ideas & foreign policy: beliefs, institutions, and political changes.* Ithaca-London: Cornell University Press, 2003. p.3-30.

global player. Meanwhile, autonomy can be seen as the amount of manoeuvring space a country has in its dealings with other States and in international politics. Underlying both ideas is the belief – shared by Brazilian foreign policymakers over the years – that Brazil is destined to become a major power, allusions to which have been made since the early 1900s. It therefore follows that Brazil should have a *special place* on the international scene in political and strategic terms (Silva, 1998).

These beliefs are consistent with the presence of a structured diplomatic corps. The highly historically concentrated foreign policymaking process in Brazil with the presence of Itamaraty as a specialized bureaucracy, from a perspective of historical institutionalism[6], has contributed to more consistent behaviour founded on longer-term principles.

Meanwhile, these beliefs also contribute to initiatives towards the region that are inspired on realistic assumptions. Pinheiro (2000) notes that within the framework of realism, Brazil's behavior sometimes takes on more of a Hobbesian character, while at other times it gives preference to realism of a Grotian nature in a bid to boost the country's power in the region and on the international scene.[7] Lima (1990: 17) argues that countries like Brazil often adopt multifaceted international behavior, seeking to take advantage of what the international system has to offer, while simultaneously spearheading efforts to remodel it with the aim of benefitting southern hemisphere countries and adopting a stance of leadership in the region.

Nonetheless, continuity has to coexist with some discontinuities. The strategies inspired by Hobbes or Grotius, and the quest for greater autonomy in international relations or for leading initiatives representing southern nations are formulated according to: a) the international context; b) the national development strategy; and c) calculations made by foreign policymakers that vary according to their political preferences and perceptions as to what the "national interests" are and other more specific variables.

From the 1990s onwards, explains Lima (2000), as the foreign policy agenda started to gain space in the realm of public policies and attract the interest of different spheres of civil society, Itamaraty's monopoly in policymaking and what could be termed the country's "national interests" started to wane. The opening up of the economy was one factor behind the politicization of foreign policy as a function of the unequal distribution of its costs and gains, while the consolidation of democracy led to discussions in society and different opinions being voiced about what should be on the international agenda. These two processes made room not just for a consolidation of different schools of thought within Itamaraty (also

6 See HALL, Peter & TAYLOR, Rosemary. *Political Science and the three New Institutionalisms*. MPIFG Discussion Paper 96/6,1996.

7 The Hobbesian dimension of realism seeks to increase a state's relative power in relation to others, while the Grotian dimension emphases initiatives with a view to absolute gains that may also mean benefits for other states. For more on Hobbesian and Grotian realism see Pinheiro (2000).

identified with different political groups), but also for the inclusion of players from other state agencies in foreign policy making and implementation.[8]

When Lula came into power, the autonomist school of thought gained ground within Itamaraty, and since then it has become the main foreign policymaking group in Brazil. Above all, the autonomists defend a more self-directed and active projection for the country in the international arena. As part of this, these analysts and policymakers are in favour of a reform of international institutions so as to open up a broader international platform for Brazil. Adopting behaviour defined by Lima as soft revisionism,[9] they have political and strategic concerns regarding north-south problems and forge links with other so-called emerging countries with similar traits to Brazil. The main goals are to build up regional leadership and be seen as a global power.[10]

The autonomists are largely an offshoot from economic developmentalism. They see integration as a way of gaining access to foreign markets, strengthening the country's bargaining position in international economic negotiations, and projecting Brazilian industry in the region.

This group now coexists with a more recently assembled community having its own foreign policy proposals, which has scant historic ties with the diplomatic classes but which, during the Lula administration and in the process of including new players in foreign policymaking, has set up an important dialogue with Itamaraty and has exerted some influence on foreign policy decisions.[11] This force comprises scholars and political leaders, mostly from the Workers' Party (PT). Indeed, when Lula came into office, he broke with the tradition of keeping foreign policymaking within the confines of Itamaraty by inviting Marco Aurélio Garcia, then the PT's Secretary for International Relations, to be his advisor. By so doing, he effectively opened up new spaces for this group to influence policymaking. This new point of view is also expressed in several government agencies.[12]

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8 Since the 1990s, Brazilian diplomacy has basically been divided into two schools of thought, autonomists and pragmatic institutionalists, which hold different views about the dynamics of the international order, national interests and the best strategy for attaining the overall goals of autonomy and economic growth for the country. These two currents were in tune with the views of political players during the period. For more on this topic, see SARAIVA, M.G. A diplomacia brasileira e a visão sobre a inserção externa do Brasil: institucionalistas pragmáticos X autonomistas. *Mural Internacional* Ano 1 n.1. Rio de Janeiro, 2010. p.45-52.

9 Expounded by Maria Regina Soares de Lima in "*As bases conceituais da Política Externa Brasileira*" at Seminário Iniciativa México Brasil, LACC/FIU, Miami, 13th May 2010.

10 Alongside the autonomists from Itamaraty, the Lula administration has also been influenced in its foreign policy for the region by nationalistic thinkers who see Brazil as the most important country south of the equator with a capacity to influence its southern peers thanks to certain of its attributes, such as its population, geography, economics, etc.

11 For more on this subject, see BRICEÑO RUIZ, J. and SARAIVA, M.G.iriam G. Las diferentes percepciones sobre la construcción del Mercosur en Argentina, Brasil y Venezuela. *Foro Internacional* 199 vol.I num.1, Cidade do México, 2010. p.35-62and SARAIVA, M.G., A diplomacia brasileira e a visão sobre a inserção externa do Brasil: institucionalistas pragmáticos x autonomistas, Op.cit.

12 This group is identified by MALAMUD, A. and CASTRO, P. – Are Regional Blocs leading from nation states to global governance? A skeptical vision from Latin America. *Iberoamericana. Nordic Journal of Latin American and Caribbean Studies* vol. n.1, 2007 – as the progressives.

Based on the understanding that South America has its own identity, this group has prioritized regional integration which it seeks to develop in the political and social spheres. In this sense, it supports initiatives taken by the region's anti-liberal governments that are designed to bolster their respective countries' development strategies and even their political regimes and proposes a kind of tacit solidarity with them. This group also argues that Brazil should be willing to take on a larger share of the costs of regional integration. As far as Mercosur is concerned, they are in favour of strengthening integration in the political, social and cultural spheres.

This position has been influential amongst Itamaraty's autonomists, as it has contributed for Brazil to take a more proactive stance in its cooperation with its neighbours and in accepting the different political positions existing in the region. Nonetheless, when it comes to some topics, Mercosur being a case in point, the influence of one group outweighs the other, leading to results that are often incoherent, such as the weakening of the bloc just when the Mercosur Parliament was created. As Brazil's cooperation with other countries from the region has grown, certain agencies, such as the Ministries of Health, Science & Technology and Education, have been more involved in formulating the country's international cooperation policy, while the Brazilian Development Bank, BNDES, has started lending more abroad.

Unlike the Cardoso administration's foreign policy, autonomy-oriented diplomacy efforts under Lula have sought out more direct strategies for boosting the autonomy of Brazilian actions, while strengthening universalism through south-south cooperation initiatives and in multilateral forums, and strengthening Brazil's proactive role in international politics. With respect to South America, the Lula da Silva administration has demonstrated a political will to increase the level of coordination between the region's countries, with Brazil at the hub.[13]

Precedents of Brazil's behavior in the region

Until the 1950s, Brazil channelled most of its dealings with its neighbours through its participation in Panamerican multilateral forums. However, as the 1950s progressed, a new regional identity started to take shape thanks to the developmentalist ideas of the Economic Commission for Latin America and the Caribbean (ECLAC), which also put discussions about regional integration on the agenda. In 1961, Brazil inaugurated its Independent Foreign Policy with more explicit support for the new sub-regional integration initiative, the Latin American Free Trade Area (LAFTA), and a bid to forge closer ties with Argentina through

13 LIMA, M.R.S.de – Are Regional Blocs leading from nation states to global governance? A skeptical vision from Latin America. *Iberoamericana. Nordic Journal of Latin American and Caribbean Studies* vol. n.1, 2007- mentions the political will of the Lula administration to build up regional integration and notes Brazil's effective leadership in the region, while drawing attention to its limitations.

what was called the spirit of Uruguaiana[14], even if this was never a top priority in Brazil's foreign policy. From 1964 until the end of the following decade, Brazil's approach towards its South American neighbours and regional integration was to give precedence to bilateral agreements and only formal support for joint initiatives.

The rise to power of João Figueiredo in 1979 saw a major shift in the country's foreign policy for the region. The government incorporated into its foreign agenda the idea of a Latin American identity for Brazil by drawing closer ties with the other countries in the continent, and also started to prioritize actions in multilateral forums. The exacerbated conflict between East and West, the weakening of the Third World on the international scene and the foreign debt crisis contrived to bring Brazil closer to its regional peers. The Brazilian government took its first steps towards closer links with Argentina with the following measures: the signing of the Tripartite Agreement on Corpus and Itaipu; the visits by the presidents to their neighbours in 1980; the signing of a nuclear agreement between the two countries; and Brazil's position of partial neutrality during the Falklands War.

But it was in the second half of the 1980s that Brazil made its most notable shift in approach towards the rest of the continent as the countries started emerging with new democratization processes. Within this context, the Brazilian government took the important step of signing the Declaration of Iguaçu and launching the Programme for Integration and Economic Cooperation with Argentina. The same period also saw the creation of the Rio Group with the aim of aligning the region's international policies. At this time, Brazil's attitude towards the region was influenced by a combination of domestic factors and positions within the government apparatus, which were instrumental in the move towards integration with Argentina along heterodoxal economic lines. The mechanisms designed to address the economic crisis triggered by the foreign debt problem, the need to update the country's production sector, and the consolidation of democracy were drivers for this rapprochement.

The turn of the 1990s saw major changes in the international scenario and inside Brazil. The foreign policy of forging bonds and integration with its neighbours became a priority for Brazil, and since that period Brazilian government has taken forth a number of initiatives in this area, the most ambitious being Mercosur. The demise of the model of economic development based on import substitution and the financial problems brought about by the foreign debt crisis led the Brazilian government to set about redefining its development project. The fact that two liberal governments were in power concomitantly in Brazil and Argentina took the integration process, launched in 1985, down a more liberal path: the trade dimension of Mercosur gained force and the process took on the features of open regionalism.

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14 For more on Brazil's stance towards Argentina in this period and the spirit of Uruguaiana see SPEKTOR, M. *Rupturas e Legado: o colapso da Cordialidade Oficial e a construção da parceria entre o Brasil e a Argentina (1967-1979).* Master thesis in International Relations, Brasília: iREL/UnB, 2002

From an economic perspective, Mercosur was seen by the government and government agencies as the first step towards a customs union, which was in line with its development strategy as it would help achieve economies of scale, with greater comparative advantages and efficiency in production. The government then started to negotiate the formation of a common external tariff. Meanwhile, Mercosur could also boost foreign trade and operate as a magnet for attracting foreign private investments, being it an integration project that was nonetheless open to foreign trade. Politically speaking, Mercosur could also reinforce Brazil's bargaining position, adding it weight in the international arena. An intergovernmental institutional model was adopted in order to maintain autonomy in foreign and macroeconomic policy decision making.

The arrival in power of Itamar Franco put the brakes on the growth of liberalism in Brazil and opened up new space in Itamaraty for autonomist players. In terms of economic cooperation, his government gave greater priority to creating a future South American Free Trade Area than it gave to Mercosur. With South American integration under Brazilian leadership raised top of the agenda, the autonomists sought to expand the bloc by opening the doors to new countries and pushing for the formation of a free trade area across the whole continent. In the meantime, Mercosur could still serve to give Brazil some regional leverage and could be a helpful element in the formation of such a free trade area. However, this project failed to get off the drawing board, while the Mercosur integration project gained ground. Even so, it was during Franco's administration that Brazil started to conceive of South America as something different from Latin America in its foreign policy.

During the tenures of Fernando Henrique Cardoso, Brazilian diplomacy, which had until then been marked by the ideas of the pragmatic institutionalists, started to perceive the importance of having South American partners if they were to strengthen Brazil's position as a global player and negotiator in multilateral forums, and as space for expanding Brazilian development. Diplomats started to review traditional attitudes towards the region based on the idea of non-intervention, and strove to establish leadership in the area by striking a balance between integration, regional security, democratic stability and infrastructure development (Villa, 2004). This position also started to take a stance whenever a democratic regime came under threat.

Meanwhile, the first steps were taken to build up a community of countries in the region. In 2000, with the weakening of Mercosur as a result of the exchange rate crisis of 1999, the first meeting of South American countries was held in Brasília with a view to forming the South American Community of Nations (SACN). The meeting's agenda was dominated by discussions about economic integration, infrastructure and the strengthening of democratic regimes. Brazil's energy system was reoriented towards the region and infrastructure integration projects

were designed that signalled the way towards the Initiative for the Integration of Regional Infrastructure in South America (IIRSA).

As regards Mercosur, there was a growing movement within Itamaraty that defended its development based on an incomplete customs union, on limiting political integration and on a low institutional profile, which would bolster Brazil's international position while avoiding the strict commitments required for a common market or any supranational traits (VIGEVANI *et al*, 2008). From this time on, trade integration took on a key role within the framework of open regionalism, while institutionalizing the bloc was not deemed relevant. Politically speaking, Mercosur was seen as useful in strengthening Brazil's negotiating clout, adding it weight in the international arena. Despite some friction inside the bloc about the common external tariff, parallel trade negotiations were held with the EU and for the formation of the Free Trade Area of the Americas (FTAA) under the bloc's new legal personality, instituted at the end of 1994.

The prospect of an alliance with Argentina concerning the regional policies implemented by Itamaraty was halted by a consensus amongst diplomats and other sectors of Brazil's bureaucratic apparatus: Brazilian foreign policy would be an area of national sovereignty.[15] To compound matters, Brazilian diplomacy started to see Argentina as a lesser partner and its frequent changes of foreign policy only went to raise suspicions. It was neither clear what weight each country should have in the alliance nor to what extent Brazil would be an ally of Argentina's or would act as the bloc's paymaster.

In practice, however, efforts were made in the regional ambit to develop common positions with Argentina on topics concerning South America where they had previously held different positions. In Mercosur, the signing of the Ushuaia Protocol was an important step. In this process, Mercosur took a priority position in Brazil's foreign policy for the region, and integration with other South American countries was relegated to a complementary level with Mercosur at the hub.

In 1999, Mercosur went through a serious crisis when Brazil devalued its currency, which had serious knock-on effects for the Argentine economy. Brazil considered the decision to be one of national sovereignty over economic policy decisions and failed to consult the other members of the bloc in advance. The devaluation had a strong impact on Argentina's Convertibility Plan, and the Menem administration reacted by imposing customs barriers on Brazilian products. While Menem's successor, De la Rúa, was in power, Brazil again started to play up its relations with its South American neighbours, while putting Mercosur on the back burner in response to the perceived fragility and unpredictability of the Argentine administration.

15 Argentina's decision to align itself with the USA during the period also made further articulations in this area impossible.

Ultimately, it was the 2001 crisis in Argentina that gave the bloc a new lease of life. Brazil chose to give the country political support, aligning itself as an ally within the Mercosur framework. During the last year of the Cardoso administration, which overlapped with President Duhalde's term in Argentina, the countries drew closer again in response to the important role played by Brazil during the Argentine crisis. The Brazilian government restated and elucidated its support for its neighbour and for Mercosur trade negotiations which helped bolster Argentina's position in the eyes of countries from outside the continent.

Building up Brazilian leadership during the Lula administration

Brazil's foreign policy for South America underwent some changes during the Lula da Silva administration. The period was marked by the rise of the autonomists inside Itamaraty. But alongside the traditionally central role played by Itamaraty in foreign policymaking, this policy was also influenced by a more politically – and academically – inclined group which, as mentioned earlier, defended stronger political and social integration based on the perception of a certain compatibility between the countries' values, real mutual advantages to be reaped, and a relatively common identity across the continent.

The convergence or in some instances the mere coexistence of these two viewpoints meant that the region was perceived differently from how it had been during the previous administration, and also opened up space for a new attitude by Brazil's diplomats towards the building up of Brazilian leadership, by pursuing new forms of cooperation and integration with neighbouring countries, and also towards Mercosur (which in this case lost ground). This movement instigated by the Brazilian government incorporated both the Hobbesian and Grotian dimensions of realism.

The globalized international scenario, a more multipolar international system with the rise of new players after 9/11 and greater fragmentation as of the 2008 crisis paved the way for the rise of Brazil. New spaces became available for it to take a more proactive stance. In the US, the Bush government gave up once and for all a Panamerican policy for Latin America after 2001, and there has been no specific policy for the region since Obama came to power. In South America, liberalism has lost ground since the early 2000s as new anti-liberal governments have been elected, reinforcing this overall trend. This external scenario has also been propitious for Brazil's revised approach to the region.

Cervo (2008) identified Lula administration's attitude towards South America during this period as being characteristic of a "logistic State", which takes on an important role in orienting and supporting the domestic economy and society in its dealings with the rest of the region. This pattern of behaviour in its interaction with its neighbours is propitious for South American integration.

The importance of the South American dimension

When Lula da Silva came to power, increased coordination between South American countries under Brazilian leadership started to be a political priority. Integration with its neighbours was seen as the surest route for Brazil to gain international standing, while also helping Brazil realize its potential and form a bloc that was strong enough to have more international clout. With this in mind, Brazilian diplomacy set about further developing an approach that had already begun under President Cardoso, while giving new weight to leadership building through a combination of soft power patterns, based on Grotian realism, which took the form of strengthened multilateralism in the region. Brazil reinstated and adjusted the principle of non-intervention in the form of "non-indifference"[16], and included in its agenda a regional leadership construction programme by coordinating regional cooperation and integration efforts with an eye to boosting Brazilian development.

The strategy to consolidate the SACN was an important ingredient in this project. Once Lula was elected, Brazilian diplomacy focused more directly on its institutionalization, which was formalized in 2004. At the 1st Meeting of Presidents and Heads of Government of SACN countries in 2005, the group's agenda gave priority to addressing asymmetries, and also included talks on a broad range of topics, including political dialogue, physical integration, the environment, energy integration, South American financial mechanisms, asymmetries, the promotion of social cohesion, social inclusion and social justice, and telecommunications. This demonstrates the outcome of the broadening of the scope of technical and financial cooperation initiatives with countries from the region.

In 2008 the SACN was succeeded by Unasur in response to pressure from Venezuela. The approach within Unasur is more one of cooperation than of traditional integration, but it has become increasingly consistent and has been important in responding to situations of crisis in the continent. For the Brazilian government, the organization has become its main channel for multilateral action. For one thing, it is strictly intergovernmental and has a very limited institutional framework, which assures Brazil a good level of autonomy from the other members and in its relations with countries outside the region. It is also an important mechanism that highlights the political dimension of Brazilian policy for the region and through which Brazil's diplomats have operated in their quest to build up common positions with its neighbours in response to situations of crisis,

16 In the words of Celso Amorim -*A política externa do governo Lula: os dois primeiros anos*. Rio de Janeiro: Observatório de Política Sul-Americana/Iuperj. (Análise de conjuntura n.4). [http://obsevatorio.iuperj.br/analises.php] Accessed: 01/03/2010- "Brazil has always taken the stance of non-intervention in the domestic affairs of other States [...]. But non-intervention cannot mean a lack of interest. In other words, the precept of non-intervention should be seen in the light of another precept, based on solidarity: that of non-indifference."

while striving to hold onto a leading position inside it. Economically speaking, as it has no specific regional integration commitments, it can accommodate different sub-regional initiatives like Mercosur and the Andean Community. In strategic terms, the South American Defence Council was recently formed on the initiative of the Brazilian government.

The autonomists, who defend developmentalist thinking, see integration and cooperation with other countries in the region as a tool for gaining access to foreign markets, encouraging transformations in and enhanced efficiency of domestic production systems, and an instrument that can strengthen the country at international economic negotiations. It also has the potential to open up new prospects for Brazil's industry in that it can take advantage of any gaps in its neighbours' production systems. The National Defence Strategy presented by the Lula government puts particular weight on the development of Brazil's defence industry.

Under President Lula, Brazil has added a complex cooperation structure with other South American countries to its overall foreign policy agenda. While in its dealings with emerging countries from other parts of the world it has focused on technology exchange and joint actions at multilateral forums, in its dealings with its South American peers it has given priority to technical and financial cooperation, bilateralism, and "non-indifference".

Brazil's efforts to build up its leadership in South America have been particularly marked by this second form of cooperation. One important indicator of Brazil's regional position is its level of technical and financial cooperation with its neighbours. In South America, Brazil has funded infrastructure projects, engaged in technical cooperation initiatives, shown a preference for bilateral relations and relativized the concept of non-intervention. On the financial front, BNDES has started lending money for infrastructure projects in other countries in the continent that are being conducted by Brazilian enterprise. During the period the IIRSA has become increasingly important in raising funds for regional infrastructure.[17] Technical cooperation in some sectors is starting to be introduced bilaterally via the countries' respective Ministries of Education, Science & Technology and Health. These initiatives effectively work as foreign policy tools, but rely on the decentralization of their formulators.

Nonetheless, Brazil's foreign policy stance in the region has not been free of tension. With the rise in nationalistic sentiments in some governments as they realign their domestic agendas, some of Brazil's neighbours have challenged its position and demanded economic concessions. The nationalization of oil and gas by the Bolivian government was a blow to the Brazilian government. The pressure

17 COUTO, Leandro F. Política Externa Brasileira para a América do Sul as diferenças entre Cardoso e Lula. *Civitas* vol.10 n.1. Porto Alegre, 2010. p.23-44, provides a wealth of information and interesting data on the IIRSA and the Lula government's foreign policy for the region.

exerted by Fernando Lugo's administration to reform the Itaipu Treaty is starting to bear fruit, even if only to some extent for the moment. There are widespread calls for Brazil to act as regional paymaster.

In response, Brazil has taken some major steps internally in order to obtain greater political support for its regional leadership project, which can be seen by the formation of a coalition that is more favourably disposed towards Brazil's taking on some of the costs of South American integration. The debate is now public and the association between Brazilian leadership and its costs is clear to members of government agencies. The country is slowly but surely becoming the region's *de facto* paymaster, despite facing some resistance at home. Thinkers from the group previously identified with academic and political arenas have also had some influence on this overall move, expounding the idea that cooperation is positive, encouraging efforts to build up a South American identity, and bolstering initiatives to bring the country closer to other governments that are also identified as being progressive.

Another significant yet little discussed element in the agenda is Venezuela and the Bolivarian Alliance for the Americas (ALBA). According to Marco Aurélio Garcia, President Chávez "is a sincere man of exceptional will who has grasped the problems of Venezuelan society"; he also defends close ties with the neighbouring country.[18] Garcia goes on to argue that "there exists greater solidarity between Brazil and its neighbours. We do not want the country to be an island of prosperity in the midst of a world of paupers. We do have to help them. This is a pragmatic view."

In the eyes of international players outside the region like the EU, Brazil could be seen as the "natural leader of South America" with the means to buffer the moves made by Chávez in Venezuela and bolster stability in the region (Gratius 2008, 116). But Brazil's autonomous foreign policy stance prevents it from playing such a role. While Venezuela's regional integration moves (ALBA) may be different from and compete with the integration model championed by Brazil, it is nonetheless important for it to be kept within the regional frameworks.

Finally, when it comes to the USA, Brazil has maintained autonomy when it comes to the issues of the South America continent. There is no consensus between the two countries as to how to deal with these topics and no prospect of building up any coordinated action. The negotiations towards the formation of the FTAA were effectively blocked and ended in failure. Brazil's more autonomous involvement in international politics and its reformist trends have created new points of friction between the two countries, which are addressed with low political profile.

18 Interview by Dieguez with Marco Aurélio Garcia and cited in DIEGUEZ, C. O Formulador Emotivo. *Piauí*, n.30/mar./2009. p.20-24.

The relative weakening of Mercosur

As regards Mercosur, the behaviour of the Lula administration is symptomatic of the coexistence of the two broad influences on the country's foreign policy. For their part, the autonomists aim to achieve South American integration under Brazilian leadership, for which purpose they are pushing for the expansion of Mercosur through the entry of new states or the formation of Unasur. Those that defend this position see Mercosur as capable of leveraging Brazil's regional standing and opening the way for the formation of a free trade area in the region.[19] The signing of agreements with the Andean Community and the process of admitting Venezuela as a full member are indicative of this.

Meanwhile, the open regionalism and trade-oriented nature of Mercosur have their critics. In a publication from 2006, the then Secretary-General of Itamaraty Samuel Pinheiro Guimarães comments: "the shortsightedness of Brazil's strategy in abandoning the model of political cooperation between Brazil and Argentina and exchanging it for the neoliberal model of integration around trade extolled in the Treaty of Asuncion has been notable," (2006, 357 cited in Vigevani and Ramanzini, 2009, 24).[20] In the same work, Guimarães criticizes the waning importance being given to "development" in the bloc's framework. The current administration has striven to maintain an economic balance within Mercosur, giving precedence to Brazilian infrastructure development and industry projects.

Those players who are aligned with the PT are more likely to defend greater political and social integration. Although their influence in government is more limited, their presence is still felt and they have gained ground. To overcome the institutional deficit, the Permanent Review Tribunal came into effect, and the Commission of Permanent Representatives was created, with a more technical bias for the bloc's Secretary being discussed. Finally, in 2006, the Mercosur Parliament was created, albeit with no legislature. The creation of the Mercosur Fund for Structural Convergence (Focem) was a step towards Brazil's officially taking on the role as the bloc's paymaster. However, the Brazilian government is still strongly biased in favour of pursuing bilateral initiatives in the realm of cooperation, and these far outweigh any influence Focem might have when it comes to Brazil's relations with its neighbours and even with other members of Mercosur, such as Paraguay.[21]

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19 In an article written in 2005 (AMORIM,C. *A política externa do governo Lula: os dois primeiros anos, Op.cit.*), the Minister of Foreign Affairs reflects on the first two years of the Lula administration's foreign policy, giving special attention to South America and other international initiatives. The overriding concern he voices about Mercosur is the benefits related to Brazil's position towards other countries from the continent.

20 The article mentioned is Guimarães, Samuel P. *Desafios brasileiros na era dos gigantes,* Contraponto, Rio de Janeiro, 2006.

21 Focem was created in 2005, with an initial fund of US$100 million a year, with Brazil contributing 70% of its monies. Its funds were recently increased slightly. See http://www.mercosur.gov.ar.

However, the current scenario has not helped much in the way of strengthening this group's influence on Brazilian strategic making. Though some parts of the government defend an alliance with Argentina, the greater weight the Brazilian government has placed on South America does not make it likely.[22] Meanwhile, the Brazil/Argentina axis, which is the political cornerstone of Mercosur, is facing some problems of its own. While one might have expected the election of Lula and Néstor Kirchner to have made way for a more robust political partnership between the two countries, it has actually been somewhat eroded by a combination of other factors.

Politically speaking, Brazilian government investments in South American integration and in pursuing its regional leadership agenda have been one priority in its foreign affairs. This has been received badly by the Argentine government, causing some sectors of the country's diplomacy close to former President Kirchner to turn to Venezuela in a bid to counterbalance this putative leadership. Meanwhile, it has been hard to discern any clear longer-term objectives for the region in the foreign policy developed first by Néstor Kirchner and then by Cristina Kirchner, which leaves little hope for any bolstering of the alliance.

When it comes to economic policy, Kirchner's strategy is neodevelopmentalist, with the aim of establishing a more active policy designed to reorganize the country's industry, but this has clashed directly with Brazil's consolidated industrial policy and the expansion prospects for Brazilian businesses in the region. The corollary of this is that Argentina has shifted in its attitude towards Mercosur, breaking some of the terms of the free trade area and the common external tariff. This change of behaviour has eroded the confidence Brazilian government agencies and export agents had in the Argentine market, and trade with the country has diminished in relative terms in the Brazilian trade balance.

The trade agreement prospects for Mercosur have also proved limited. Only one agreement was signed recently between Mercosur and Israel. But if the possibility of joint economic negotiations with international partners was originally an important factor, Brazil's growth has not been matched by its Mercosur partners. According to some private economic players, Brazil's Mercosur partners do not have much of a say in these negotiations.[23] When it comes to the agreement between the EU and Mercosur, the negotiations are still underway but with negligible results thus far. A "strategic partnership" has been signed by Brazil and the EU outside the ambit of Mercosur, which implicitly undermines the interregional effort and consequently the agreement between the EU and Mercosur as the default forum for political dialogue and cooperation.

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22 VIGEVANI, T. and RAMANZINI JR, H., *Regional Integration and Relations with Argentina: Bases of the Brazilian Thought*., Op.cit, note that, Samuel P. Guimarães, defended an alliance with Argentina as the basis for South American integration.

23 This opinion has been mentioned in the Brazilian press.

Finally, the strengthening of the Brazilian economy and the country's growing international presence have opened up new arenas for Brazilian diplomacy – the IBSA Dialogue Forum, the BRIC nations, etc. – while Argentina has been left behind. Brazil has been active in a number of multilateral forums without any kind of recourse to its southern neighbour. The countries' nuclear cooperation agreement is losing ground as Brazil sets its sights higher.

In general terms, it is the autonomists' view that has set the course for diplomacy in realist terms. The South American perspective combined with the country's international projection has gained precedence and are being pursued independently of Mercosur. Although without mention by Brazilian diplomacy, the partnership between Brazil and Argentina has in practice ceased to be a priority for Brazil in its foreign policy.

Despite the diplomatic limitations, there are important gains that have been reached in terms of integration, partly within Mercosur but primarily between Brazil and Argentina. At the end of the government, anew Mercosur customs code was signed and double taxation came to an end as part of the custom union; these will be introduced during the next government. The Mercosur Fund for Structural Convergence has also seen some progress.

Above and beyond the Mercosur Parliament (with all its limitations), the degree of cooperation between different ministries working in the realms of education, culture, energy and labour on both sides of the border has grown during the Lula years. Integration is starting to make sense on a societal level thanks to initiatives taken by different government agents, expressing the incorporation of new players in foreign policymaking in the Lula government.

Conclusion

In the current scenario, it is a priority to open up and consolidate room for cooperation and integration within South America, and there are some elements that are clearly beneficial for this process.

The Brazilian government has clearly set its sights on making Brazil a regional leader. The country's growing international presence has helped strengthen its regional standing, although growth in one sphere does not necessarily lead to growth in the other. As for Brazil's foreign policy for the region, the autonomist school of thought has gained precedence inside Itamaraty and other government agencies. The scenario in the continent has proved favourable in the sense that several progressive governments working within different frameworks and alliances have come to power, and certain inter- and intra-state crises have come to a head. The building up of this leadership and the model of cooperation and integration being pursued is in tune with the three pillars of Brazil's foreign policy: autonomy, universalism and growth for the country on the international sphere. This logistic State, as defined by Cervo (2008), has put its diplomats and government agencies

at the service of its drive to draw closer ties with its neighbours both politically and economically and through technical and scientific cooperation.

Meanwhile, the scenario within Mercosur is far from propitious.

Brazil's trade relations with Argentina have seen a number of setbacks, causing certain Brazilian sectors to speak out against the bloc and fuelling the position of those that prioritize South American integration in strategy formulation. It has proved harder to make progress inside the bloc than on a broader regional level. Brazil's belief in autonomy, universalism and its destiny as a global power has received such attention under the Lula administration that Argentina has reacted with some mistrust. Indeed, Brazil's newfound international standing, while drawing interest to the region, has ultimately eroded the partnership between the two countries.

Finally, this analysis of the Lula government's foreign policy towards South America would generally confirm that Brazil's attitude towards the rest of the region is underpinned by a strong belief in autonomy, universalism and the country's destiny as a global power. However, it also highlights a lack of continuity in the international and South American scenarios, in the political options available, in the foreign policy strategies and their outcomes.

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Abstract

The aim of this article is to analyze Brazil's foreign policy towards the South American region during President Lula's administration. As such, the article intends to highlight two specific dimensions: the extent to which foreign policy during this period has differed from previous periods and the relative importance granted by Brazilian diplomacy to recent cooperation and integration efforts, more specifically the Unasur and Mercosur. The article argues that the Lula administration has behaved differently from its predecessors by prioritizing the building up of Brazilian leadership in South America on several different fronts, especially by strengthening multilateral institutions in the region.

Resumo

O objetivo deste artigo é analisar a política externa para a região sul-americana durante o governo de Lula. Assim, no artigo, pretende-se destacar duas dimensões específicas: a extensão pela qual a política externa durante esse período diferenciou-se dos períodos anteriores e a importância relativa dada pela diplomacia brasileira à cooperação e à integração regional, mais especificamente a importância dada à Unasul e ao Mercosul. No artigo, argumenta-se que o governo Lula comportou-se diferentemente do seu predecessor, priorizando a construção de liderança na América do Sul em várias frentes, especialmente fortalecendo instituições regionais.

Key-words: Brazilian foreign policy; South America; Unasur; Mercosur.

Palavras-chave: Política externa brasileira; América do Sul; Unasul; Mercosul.