

# THE POLITICAL ECONOMY OF MERCOSUR: FROM ABC PACT TO UNASUR

*Ricardo Caldas<sup>1</sup>*

## Resumo

O texto trata do papel do Mercosul dentro da estratégia do governo brasileiro desde meados dos anos oitenta até os dias de hoje. Este artigo procura demonstrar que o centro da estratégia internacional brasileira não é a consolidação do Mercosul, mas antes a busca de uma cadeira no Conselho de Segurança da ONU.

**Palavras-chave:** Mercosul. Política externa. Conselho de Segurança da ONU.

## Abstract

The goal of this article is to analyze the role of Mercosur within the Brazilian government since the 1980's. This article seeks to demonstrate that the center of Brazilian international strategy is not to consolidate Mercosur, but to obtain a permanent seat in the Security Council at United Nations.

**Keywords:** Mercosur. Foreign policy. Security Council at United Nations.

## Theoretical discussion – theoretical aspects of Mercosur

### *The meaning of “theory”*

Some authors, such as Frey et al (1991, p. 61) suggest that theory is:

[...] a generalization about a phenomenon, an explanation of how or why something occurs. Indeed, any statements that explain what is measured or described – any general statements about cause or effect – are theory based, at least implicitly. It [is] a generalization about a phenomenon that explains how or why the phenomenon occurs.

Therefore, we should be careful not to create a theory and try to insert out reality in that theory. It is the theory that should explain the fact and not the opposite. Kaplan (1964, p. 17) has out this idea in a very simple way when he said:

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<sup>1</sup> Prof. Ricardo Wahrendorff Caldas possui graduação em Economia (1984) e mestrado em Ciência Política pela Universidade de Brasília (1989). Obteve o Ph.D. em Relações Internacionais pela University of Kent at Canterbury (1994). É diretor do Centro de Estudos Avançados Multidisciplinares (Ceam) da Universidade de Brasília (UnB).

[...] A theory is a way of making sense of a disturbing situation (or novel experience) so as to allow us to more effectively to bring to bear our repertoire of habits, and, even more important, to modify habits or discard them altogether, replacing them by new ones as the situation demands(...). To engage in theorizing means not just to learn by experience but to take thought about what is there to be learned [...].

Therefore, one should work with theories that really can offer a better understanding of what is happening.

In the case of Regional Integration, one has three main directions of theoretical discussions.

Firstly, it will be mentioned the Supranational Theories: such as Neo-functionalism, which emphasizes the spill-over effect of integration, in a gradual way. The basis of the approach will be the contributions of Ernst B. Haas, Leon N. Lindberg, Philippe C. Schmitter, Stuart A. Scheingold, Joseph S. Nye.

Secondly, there is the Neoinstitutional approach, which try to discuss regional integration from the point of view of the role played by institutions in the regional process. They emphasize the role that institutions have as the main actor to influence the behavior of the actors involved. In this respect, the discussion of International Regimes is an example of the role played by institutions.

Thirdly, it should be mentioned the State Centered Theories, which emphasize the role of the National government or the Bureaucracy, in a general way.

This paper will be based in the third approach, State-Centric Theories. This means that in this paper it is believed that this is the approach that explains better integration for Regional Integration in South America. This means that special focus will be given to the relationship between internal and external structures, actors and processes from a historical perspective, but centered on the role played by State actors.

From now it will be discussed the main characteristics of these three theoretical aspects and in the next section it will be analyzed if they can be applied to Brazilian foreign policy or not.

### *The role of neo-functionalism*

One of the main exponents of this school is Haas.<sup>2</sup>

Inedeed, Haas launched the idea that States were ceasing their sovereignty in order to obtaining gains from regional integration. In the famous quotation of Haas (1970, p. 610):

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<sup>2</sup> Most of this section – unless explicitly mentioned – is based on Ernst B. Haas (1970).

[...] The study of regional integration is concerned with explaining how and why states cease to be wholly sovereign, how and why they voluntarily mingle, merge and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflict between themselves.

It is interesting to note that functionalism was trying to explain regional integration in the case of Western Europe (then EEC), focused in the role of the state is the primary actor. However, as Haas (1970) has argued in the paragraph above as a direct result of functionalism, there was a “loss of sovereignty” of the state. Partially, the loss of sovereignty of the State resulted in *spill-over effects initially in the areas affected by regional integration and potentially in other areas positively affected, in what economist call of externalities*.

The motto behind regional integration is the deepening of regional integration leads to more benefits to all the members involved.

Some of the key concepts of Haas (1970) are:

- “Political Community”: This concept implies that the loyalty of groups and individuals would be directed towards the political centre of the system. In the case of Europe, towards political institutions, such as the European Parliament, the European Commission, etc.
- “Political Integration”:  
This means that during the process of regional integration, there would be a shift of loyalties, where the main institution to be obeyed would be the supranational institutions being created and not the National State.
- “The Spill-over effect”:  
Ujupan (2005, p. 28) has suggested some of the main characteristics of the spill-over effect. Among them, she mentions that “the idea of spillover [was] according to which integration would deepen from economic to political and the result would be an integrated union of states (and their societies) which would acquire the characteristics of “domestic political systems”.

Haas (1970) works with some basic assumptions. Among them, it could be mentioned:

- Pluralistic Composition of Society. In the case of Europe, there would be a certain “symmetrical heterogeneity”. Ujupan (2005, p. 32) has suggested that: “[...] The society is composed of various groups of interests and the integration process would better satisfy them.
- Technical Perspective of the Regional Integration. Technical solutions would be more and more instrumental and the technicians would occupy the space of politicians in the leadership of regional integration.

- Rationalistic Behavior by Political Actors and the State. This approach suggests that each actor – and in particular the State –, who continues to be the main actor, has a clear view of its role and behaves in a strict rational way, based on its own interests.

But, who are the main actors? Faber (2006) suggests that those actors are:

*i. Political, economic and social elites in each country.* It could be argued that those elites fill a double function: in one direction (from the centre to the local regions) they bring the ideas of integration to the groups under their influence, helping to socialize and legitimize them and in the other direction (from local regions to the centre of the system) the elites presents their demands to the centre of the system. Those demand can belong only to the elites or to thither social groups without representation. Any case, the elite present the demand as belonging to all groups of society.

*ii. Supranational institutions (for instance, European Commission)* which develop their own interests and aims. Ujupan (2005, p. 28) has mentioned that: “The existence of a high authority (above the nation states) which would give the integration process the right direction”.

*iii. Governments of member states, who are the centre of power.*<sup>3</sup> Of course, the governments follow their own agenda and work through coalitions with other governments.

The dynamics of regional integration, according to neofunctionalism, according to Faber (2006) is that there is a learning processes of political actors, leading to increasing demands for more integration, resulting in spill-over reach many dimensions:

- *economic spill-over;*
- *political spill-over;*
- functional spill-over;
- institucional spill-over;
- spill-around; and
- *geographical spill-over.*

In short, it could be said that Neo-functionalism seeks to explain:

- the dynamics of regional integration;
- the creation of a political community;
- the trends of regional integration.

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<sup>3</sup> See the discussion of FABER (2006).

The main strong points of the Neofunctionalist theory are:

- Orientation for Current events

Neofunctionalism is quite instrumental in analysing the evolution of facts of regional integration. This gives its follower the impression that it is extensive of a long period of time when in fact it is covering only some periods.

- Flexible theoretical formulation

Neofunctionalism is capable of adapting itself to other theoretical frameworks, making it very attractive to authors who want to use more than one perspective or are not completely happy with their own theoretical perspective.

- Applicability in several fields

It is interesting to note that Neofunctionalism can be applied to different fields, from security to macroeconomic policies. At the same time, neofunctionalism can maintain its original idea even if the results obtained in each area are not necessarily the same. This was the case for instance, in security, when European countries were divided over the creation or not of an European regime, while in monetary policy there was an almost consensus towards the creation of a common currency, the Euro.

On the other hand, some shortcomings of neofunctionalism can also be identified, such as:

- neofunctionalism incapacity of making consistent generalisations;
- its dependence of empirical evidence to maintain its framework.

Therefore, neo-functionalism becomes a hostage of empirical facts. But as the facts evolve, neofunctionalism loses its capacity to analyse current events and even more its capacity of prediction of long-terms events.

### *Conclusion about neo-functionalism*

Philippe C. Schmitter (2003, p. 11) has claimed that:

[...] No theory of regional integration has been as misunderstood, caricatured, pilloried, proven wrong and rejected as often as neo-functionalism. Numerous scholars have rejoiced at having “overcome” the much-decried antagonism between it and inter-governmentalism, presumably by adhering to some version or another of the latter. So much so, that with very few exceptions, virtually no one currently working on European integration openly admits to being a neo-functionalism. Its own creator [Haas] has even declared it obsolescent – on two occasions! [...]

### *The Intergovernmentalism Approach*

An alternative perspective to neo-functionalism was Intergovernmentalism.

In this approach, power is located at International organizations whose decisions are taken on behalf of national governments as an alternative to supranationalism, where institutions prevail over national governments. The methods of decision-making at international organizations tend to vary a lot. Nevertheless, most international organizations adopt unanimity decisions in order to obtain a “consensus building” from their members.<sup>4</sup>

The main supporter of this theory, Stanley Hoffman, argues that national states are still relevant and they dictate the rhythm of regional integration, in particular in Europe, where the theory was first applied to.

Therefore, Intergovernmentalism opposes the core basis and premises of neofunctionalism, in particular when applied to European integration. Only when national governments are ready to accept a direct reduction of their power, they appeal to the creation of a new institution at a supranational level.

Therefore, supranational institutions tend to reflect the wishes of national state's decisions and not the increase of power of international organizations, as the neo-functionalism theory claims.

In order to understand how national states He believed that integration, driven by national governments, was often based on the domestic political and economic issues of the day. The theory rejects the concept of the spill over effect that neofunctionalism proposes. He also rejects the idea that supranational organizations are on an equal level (in terms of political influence) as national governments.

An approach to integration that recognizes national states and central governments, in particular, as the primary actors in the integration process. Although there are several intergovernmentalist perspectives to deal with the issue of regional integration, all of them have in common the premise that national government preferences prevail over the preferences of experts of international organizations. The advantage of intergovernmentalism is that it can explain moments of advance and moments of paralysis (inertia) in regional integration recurring to government national preferences.

Intergovernmentalism also accepts the role played by the institutionalisation of international politics and the role played by domestic actors on the formation of national governmental preferences.

This will be very important when we discuss the theory that best explain the evolution of Mercosur. An important derivation from intergovernmentalism was Liberal intergovernmentalism which will be discussed in the next section.

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<sup>4</sup> The most obvious example of this is The World Trade Organization (WTO) and the Security Council of United Nations.

### *The perspective of liberal intergovernmentalism*<sup>5</sup>

**Liberal intergovernmentalism**, as proposed by Andrew Moravcsik (1993; 1991) argues that regional integration is driven by economic interests, within the following context:

- states will cooperate when national interests converge;
- institutions follow the national interest, as defined by each state;
- European integration is better explained in its historical context of the post - World War II and the competition between two superpowers for global hegemony.

Moravcsik (1993) suggests that there are three phases which are necessary to understand the process of regional integration. The first phase is domestic preference formation. The second phase is interstate bargaining. The final and third phase is the relation between the domestic actor with supranational institutions. This phase is directly linked to regime theory.

- Domestic preference formation, or *policy demand*. Several actors try to influence the policy demand. Among them, it could be mentioned social movement groups, special interests, the legislature and the executive. Moravcsik (1993) believes that economic interests, in general, prevail over other interests.
- Interstate bargaining, or *policy supply*. Moravcsik (1993) argues that agreements are a direct result of the different interests and power capabilities of the states involved in a given negotiation.
- Three factors influence the outcomes: threat of non-agreement (*unilateral veto*);
- *threats of exclusion* (when a party has no alternative but to accept the existing conditions in order not to be excluded from the agreement as a whole); *mutual concessions based on inter-issue bargain*, when a party makes a concession in a given issue in order to obtain advantage or a concession in another topic completely different and dissociated from the first issue initially negotiated, but which reflect its national interest.

**Supranational institutions** tend to foster mutual concessions because:

- *it reduces transaction costs*;
- *it increases the autonomy of national governments from citizens*, based in the legitimacy and credibility acquired by them.

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<sup>5</sup> This section is based on Moravcsik (1993; 1991).

### *The liberal institutionalism approach (ROSENAU; CZEMPIEL, 2000)*

Söderbaum (2004, p. 6-7) argues that Liberal institutionalism is currently the most accepted approach in the study of regional integration.

Liberal institutionalism is centred on the state. The National State is seen as a selfish and maximizer actor. It seeks to maximise its gains based on its own national interests.

While in the realist theory, states fight to ensure their own survival, in *Liberal institutionalism* states cooperate with other states in order to obtain gains that would not be possible to be obtained by themselves. Therefore, common interests are as important as national interests.

States promote *institutions* in order to achieve the solution of common interests in a faster way. Institutions also help to sort out problems of collective action, such as Olson had described.

### *The neo-realism perspective*

Neo-realism as it was proposed Waltz (1979) characterize the international system as essentially *anarchical*.<sup>6</sup> International arena is characterized by a fight for power politics. States fight for their own survival (from external threats).

Neo-realism differs from old realist school for its perception about the role of regions. Other characteristics of neo-realism are:

- realism used to see regional integration as a deviation of national interest;
- as in Realism, for neo-realists, State is still the main actor in international relations;
- states try to counter-balance the possibility of failing to maximise their gains with other sorts of compensations;
- some gains can also be obtained through international cooperation;
- for Neo-realists, regional integration can be explained in the same way that a political or military *alliance is formed* (WALT, 1987).

Another important feature of neo-realism which comes from realism is the issue of Hegemony. Nevertheless, neo-realism gave a new approach to power disputes when it started to discuss political confrontation – and fight for *hegemony*, in particular – within regions or in process or regional integration.

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<sup>6</sup> Although some authors argue that the main reference of neo-realism is Waltz (1979) *one should not forget that the work of Waltz is based on the previous and seminal work of H. Morgenthau (1948).*



These important features can be summarized as:

- *reaction* of weaker states vis-à-vis a regional hegemon or aggressive state;
- regional integration to limit a possible hegemon (EEC and West Germany);
- regional integration as a tool to follow the hegemon (Mexico in NAFTA);
- declining hegemony, when regional integration is a source to increase the power capabilities *of a* declining hegemon to achieve its personal goals.

Differentiation of Neorealism to understand regional integration:

- neorealism neglects the domestic level - within the state and within the region;
- States are rational actors striving to gain benefits but the endogenous dynamic is not important.

## The next approach to be discussed is globalisation

### *The globalist perspective*

Globalisation is a systemic perspective, which tries to offer an approach from outside to inside in order to explain how States behave in international arena.

Therefore, Globalisation is an “outside-in” approach and not a “from within” perspective. While rationalist approaches emphasize regionalism as a way of “solving problems”, Globalist support the view that regional integration is a result of a historical process, based on of the inter-crossing of several factors.

Globalisation include several concepts in itself, such as, “inter alia”, availability of new technology, in particular in the field of communication, the movement of values and ideas, increase in international trade of goods, growing liberalisation in services trade, increasing flows of financial services and increasing demands for mobility of people.

These factors, altogether, have contributed for regional integration. They have facilitated the appearing of a different relation to territory and to the Nation State. States were seen as only and sacred responsible for sovereignty.

But in order to solve some common problems (pollution of environmental, civil disasters, international financial crisis), some countries have decided to advance in regional integration process. The result was what some authors call “*reterritorialisation*”. *Although it could be argued that in principle*, Globalisation is *against* the formation of regions, in fact, some countries are not prepared to be completely “global”, because:

- they don't have a proper defence system (for instance, Costa Rica or Uruguay);
- they have weak civil defence structures in case of natural disasters (for instance, Paraguay);
- they have an instable currency or poor macroeconomic policies (Argentina);
- they fear international competition (Brazil).

As a result, globalisation may *encourage* regional integration, instead of opposing it, as a first step towards a more open international environment. Other two movements which are consistent with the above arguments:

#### 1) Foster Economic cooperation between "like-minded countries"

In order to prevent an uncontrolled expansion of economic trade and interdependence which could foster inequalities (north-South "integration") and social disparities, it is encouraged a new form of "regional integration" South-South cooperations (G-3, G-4, G-24, BRIC, etc.). The idea is that pure Globalisation encourages disproportions and inequalities while "limited globalisation" or "healthy globalisation" (*regionalism*) intervenes to soften "bad" or "pure" globalisation. The result is a reterritorialising the global economy and a new definition of regional integration which crosses the concept or local boundaries. The main goal is to take back some of the political control which was threatened by pure and "uncontrolled" globalisation.

#### 2) Promote the feeling of Security between "Reliable" countries

An almost "Global" issue by definition, security can be obtained locally (or regionally). Regional Alliances are a possible answer (for instance, NATO).

#### Conclusions of Globalization:

- 1) Regionalism and Globalism are not incompatible, but two sides from the same coin. In some cases, the development of region integration may be associated with a result to be avoided from Globalisation ("pure" free-market, for instance).
- 2) Regionalism and globalisation are concerned with the same issues, but give different answers.

#### *The view of "Critical Theories"*

"Critical Theories" tend to focus on roots and features of social participation in the regional phenomena. Its premise is that the process of Regional Integration should be concerned with inclusiveness and participation issues.

The idea is that Construction of a political community should be the basis of the construction of the regional integration process.

The prime responsible for the process is less important than the concept behind it: “commonality”. For “commonality” it should be understood, the cultural, historical and social affinities. As Hurrell (1995, p. 64) explicitly writes,

[...] focus on *regional awareness* and regional identity, on the shared sense of belonging to a particular regional community, on what has been called “cognitive regionalism”. They stress the extent to which *regional cohesion* depends on a sustained and durable sense of community based on mutual responsiveness, trust, and high levels of what might be called “cognitive interdependence”.

Therefore, in the “*Critical Theories*” perspective the empowerment of the process can rest anywhere (states, groups, individuals).

It is going to be argued that this approach can not be applied to Mercosur, for the reasons that will be presented in the next sections.

Now it is going to be describe the evolution of Regional Integration in South America and afterwards the theory that can better explain the process.

## **Ambitions, interests and perceptions in Brazil on regional integration**

### *Regional ambitions and interests of Brazil*

In Brazilian diplomatic history, the objectives and interests of Brazilian diplomacy could be divided in the following stages<sup>7</sup>:

i) during its monarchical period, in the first half of the XIX century, the main concerns Brazilian diplomats were the Plata Basin (Bacia do Prata) issues, in particular related to the borders with Argentina; the main actors in this period were the Viscount of Uruguay and the Viscount of Rio Branco;

ii) in the second half of the XIX century and in the beginning of the XX century, the relations with the US and the “American” continent absorbed most part of the time of Brazilian diplomacy, which were led then by Barão do Rio Branco.<sup>8</sup>

According to Moniz Bandeira (2004a), the foreign policy of Barão do Rio Branco (1903-1912), developed the latent trend of Brazilian empire diplomacy (1822-1889), and followed similar lines. It considered Americas a kind of condominium, in which Brazil would use freely its influence over the

7 In [http://www.mre.gov.br/index.php?option=com\\_content&task=view&id=1031&Itemid=368](http://www.mre.gov.br/index.php?option=com_content&task=view&id=1031&Itemid=368).

8 Barão do Rio Branco was the son of Viscount of Rio Branco.

South, while the US would keep the North [American], o Central [Americas] and the Caribbean under its “control” (BANDEIRA, 2004).

iii) in the middle of the XX century, in particular during the World War II (1939-1945), Brazilian diplomacy was concerned in how to insert Brazil in the Western World. In this issue, Oswaldo Aranha played a central role;

iv) after the World War II, in particular the period that covers the so-called, Brazilian Independent Foreign Policy (1961-1964), Brazilian diplomats started to be concerned with Brazil’s insertion in the complete world. In this discussion, Ambassador João Augusto de Araújo Castro led the debate and became one of the main formulators of Brazilian contemporary foreign policy.

### *Brazil’s interests in the Perspective of Araújo Castro*<sup>9</sup>

What were the main ideas of Araújo Castro, foreign minister of Brazil during such a short period (1963) but whose ideas influenced generations of Brazilian diplomats?

As he had witnessed Japanese recovery, as Brazilian Ambassador to Japan (1958-1960) he was strongly influenced by economic growth in the post-war. Araújo Castro then incorporated to Brazilian foreign policy the concern with economic development of developing countries. He also included a strong concern with anti-colonialism and anti-racism. In the 1950’s he also noticed the growing importance that issues such as the support to human rights and ecological preservation would receive at world level.<sup>10</sup>

In other words, Araújo Castro was a diplomat, and before that, an intellectual before his time had arrived.

Personally, Araújo Castro was a convinced liberal. He managed to summarize his ideas (anti-colonialism, anti-racism, support to human rights and ecological preservation) with his perspective of the Brazilian idiosyncrasies in the international context. Therefore, he managed to put Brazilian foreign policy in sintonia with national aspirations and project Brazilian interests in the foreign affairs in a global perspective.<sup>11</sup> Araújo Castro was President of the Security Council of the United Nations (1968) and, for his inclination to dialogue, he had great prestige in international forums.<sup>12</sup>

His performance at Security Council strengthened Brazilian position in the do Brazil in international organizations such as the Organizations of American States (OAS), The United Nation Conference for Trade and Development (UNCTAD) e the United Nations itself.<sup>13</sup>

9 This section is based in a short biography made by Ministry of Foreign Affairs about Araújo Castro, and his interview to Brazilian magazine *Vêja* in 19/05/1971.

10 In: [http://www.mre.gov.br/index.php?option=com\\_content&task=view&id=1031&Itemid=368](http://www.mre.gov.br/index.php?option=com_content&task=view&id=1031&Itemid=368).

11 Idem.

12 Idem.

13 Idem.

Araújo Castro developed his ideas and concepts after his personal experience as a diplomat. He followed Brazilian President's attempts to launch in 1958 the Pan-American Operation (OPA). This project and its organization would influence all his career as a diplomat.<sup>14</sup>

Disappointed with the negotiations about Pan-American Operation (OPA), he asked to go to Japan. When he returned from Japan, he became an expert in disarmament and, in 1962, Henry Kissinger recommended to a specialized journal to ask an article from Araújo Castro. In 1963 he was promoted to general-secretary of the Minister of Foreign Affairs, which in Brazil equals to Vice-Minister. In the same year, he became Minister of Foreign Affairs (Itamaraty).<sup>15</sup>

In September of the same year, when he was heading Brazilian delegation to General Assembly of the United Nations, he announced his famous policy of the "Three D's": Development, Disarmament and Decolonization. These "Three D's" influenced for decades Brazilian diplomacy.

In 1968, he was nominated Brazilian Ambassador to the U.N. one year after that nomination, became the President of its Security Council. During his two years in which he led the Security Council, Araújo Castro he could know better the working and functioning of the UN Security Council and of the UN itself. He became frustrated for what he saw due to the lack of efficiency of an international organization that he had believed (until 1964) capable of a major activity in favor of peace and development of the world.<sup>16</sup>

He classified his generation as "skeptical" and refused to put the responsibility in the UN for the problems of the world. For Araújo Castro, the question was not to know if the UN, OAS, UNESCO or UNCTAD were good or bad. The question for him was if we were working within these organisms in the best way possible.<sup>17</sup>

In his view, the mere creation of international organizations for the discussion of old problems of the same countries was an illusion. When he left the UN, transferred to Washington, he was complimented by the then general-secretary of UN, U Thant, as one of the more competent diplomats ever sent to the organization (UN).<sup>18</sup>

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14 Interview to Brazilian magazine *Veja* (19/05/1971) called "Friends are Friends but business are apart": "The Friendship Brazil-US and the Interests of Each One". ("Negócios à Parte: a amizade Brasil-EUA e os interesses de cada um"). In this interview, Araújo Castro describes his impressions about Foster Dulles, then Head of the US Department of State. Araújo Castro blamed the intransigence [of Foster Dulles] and the demagogic behavior of Brazilian [Kubitschek] government for the failure of the Pan-American Operation (OPA) after hours of negotiation between the Secretary of State and the Brazilian President Kubitschek.

15 Interview to Brazilian magazine *Veja* (19/05/1971).

16 Idem.

17 Idem.

18 Idem. His name was articulated to the succession of U Thant, but was vetoed by the Soviet Union.

When Araújo Castro arrived to Brazilian Ambassador in the US, in 1971, he tried to put Brazil-US relations in a level of absolute realism e seriousness. Until then, Brazil-US relations were based on fake and superficial affections.<sup>19</sup>

This kind of relations was condemned by Araújo Castro when he said before Brazilian Commission of Foreign Affairs, that arguments such as “we were allied in two wars” and “we are just one hemisphere” – which were the tonic of Brazilian diplomatic speech in search of special relations with the US – didn’t make any sense in Washington.<sup>20</sup>

For Araújo Castro (1971), “no one gives anything to anyone for free”. This professional coldness was essential to obtain results in his view.<sup>21</sup>

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Araújo Castro believed that “with economic development, Brazil could dare to practice a realist diplomacy”. For “realist diplomacy” he understands that the highest the principles, the economic negotiation always allows that a country appears as strong and the other as weak, because a complete equality of negotiators happens only when juridical issues are being discussed.<sup>22</sup>

At this point, Araújo Castro (1974; 1975; 1982, p. 285) recognized the existence of States with different levels of power. This can considered the basis of a (neo) realist perspective of a foreign policy.<sup>23</sup>

Indeed, According to Moniz Bandeira (2004b, p. 39), after Araújo Castro’s experience as Brazilian Ambassador in the US. Araújo Castro recognized that US foreign policy was based on a “*cold concept of realism and pragmatism*” (MONIZ BANDEIRA, 2004b, p. 39). Since then, Brazilian diplomacy started to denounce the “*freezing of the structure of the world power*” (MONIZ BANDEIRA, 2004b, p. 39). This “*freezing of the structure of the world power*” was particularly evident in the maintenance of the Security Council of the United Nations with the same structure of its creation, after the Second World War (MONIZ BANDEIRA, 2004b, p. 81).

Moniz Bandeira (2004b, p. 81) noted that Brazil was among the top ten economies in the world and wished a place [in the Security Council] between its Permanent members and decided to put its demand openly.

It can be said that after Araújo de Castro’s denounce of the “*freezing of the structure of the world power*” in the 1970’s, the demand for a stable place in the Security Council of the United Nations became a permanent feature of Brazilian diplomacy. The only difference is on emphasis. Some governments have

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19 Idem.

20 Idem.

21 Idem.

22 Idem.

23 This issue is going to be developed later on.

emphasized more openly this demand, such as the Lula Government, while other governments, such as Fernando Henrique Cardoso did not consider the demand as the only concern of Brazilian diplomacy. In spite of this fact, as Moniz Bandeira (2004b, p. 368) notes, that Brazil, even under Cardoso Administration (1995-2002), and in a more discreet fashion, also fought for a permanent seat in the Security Council of the United Nations.

Therefore, the search for a seat in the Security Council had as its premise some kind of Brazilian hegemony in South America. The kind of hegemony would certainly change, with the return to South American countries to democracy.

The 1980's, it assumes a more cooperative feature, as the Brazilian President José Sarney's initiative of discussing the integration of Brazil with Argentina in a common market illustrates, as reminded us Moniz Bandeira (2004b, p. 81).

As Moniz Bandeira (2004b, p. 82) noted: "*Brazil's perspective was that the custom union evolved to a common market, where the macro-economic policies would be unified, and where the basis for some kind of supranational institutions would be present, such as the European Union, what would make it possible for Brazil to transform in reality its 'destiny' of world power, not in an isolated fashion, but together with other South American countries*".

### ***Factors are driving the Brazilian government's interest in regional economic integration***

Initially, it should be mentioned that the 1990's were characterized by the proliferation of regional agreements. While between 1947 (foundation of the GATT) around 70 notifications under article XXIV (regional integrations agreements) were made, in the 1990's alone they reached more than one hundred (MONIZ BANDEIRA, 2004b, p. 82).

According to Bouzas (2000, p. 424), there are several reasons for the proliferation of regionalism and some kind of proliferation of treaties in the 1900s:

- a) the change of attitude of US trade policy in face of regionalism and discrimination [in many regions of globe];
- b) the generalization of trade reforms and unilateral opening up of developing countries and in transition economies; and
- c) the utility of regionalism's potential for the growing global integration process.

The fact that this process of opening up generalizes itself in several countries in the 1980's made it possible to them to take part in many regional

agreements and even in the GATT multilateral regime itself for the time, as in the case of Mexico (BOUZAS, 2000, p. 425).

In this perspective, Bouzas (2000, p. 426) concludes that the rise of regionalism in the 1990s is linked to the growing global integration process.

Bouzas (2000, p. 425) also noted that the growing complexity (and the inherent conflict) of the multilateral agenda [the Uruguay Round of the GATT] created favorable conditions for spaces more limited of negotiation. In these cases [as the example of Mercosur illustrates] a higher convergence of interests or the existence of relations of leadership or domination may allow a faster achievement in a “deeper integration” agenda.<sup>24</sup>

Bouzas (2000, p. 426) points out, very accurately, in a context of a more multilateral and more complex game [such as the Uruguay Round of the GATT], it increases the strategic value of the consolidation of an agenda and a more peculiar approach in the regional sphere (or mini-lateral), as the first step for a multilateral negotiation.

The government may take part of preferential trade agreements for several reasons, including political or strategic reasons as Bouzas (2000, p. 427) noted.

In the case of Mercosur, it can be denied the impetus for hegemony from Brazil. Medeiros (2000, p. 200) notes that:

The Brazilian Ministry of Foreign Affairs [in Cardoso’s government] as the under-secretary for integration Graça Lima, adopt, not rarely, a very inflexible rhetoric, when transmitting Brazilian “de facto” hegemony [in Mercosur].

Medeiros (2000, p. 201) adds that:

[...] in the negotiations of Alca/FTAA [...] as well as in the difficult negotiations with the European Union, the regional integration of Mercosur has revealed some virtues. *It [the Mercosur] searches a hegemonic legitimacy of political nature, based in an instable economy, taking into consideration that the process of regional institutionalization [of Mercosur] has found itself marked also by a mutual strategy of cooperation.*

The perspective of Medeiros (2000) confirms the view of Moniz Bandeira (2004a) when this author states that Brazil does not consider as “lost” its hegemonic project in the north of Latin America [Mexico, Central America and the Caribbean], because since the beginning of Monarchy, in the XIX Century, never aspired to have any interference in those countries of that region, that always considered within the area of influence of the US. *The concept of South America was always latent in the [Brazilian] foreign policy, and not the one*

<sup>24</sup> The argument from Bouzas (2000) is based on Lawrence (1996).



of *Latin America*, too generic, and without consistence with its real interests political and economic, which have always been restricted in particular, to the Plata Region, it is, Argentina, Uruguay and Paraguay. And, as noted by João Augusto de Araújo Castro, Brazilian Ambassador in Washington (1971-1975), Brazil has never considered its relations with the US as a chapter of the relations between the US and Latin America.

Therefore, Mercosur has to be seen from the perspective it has been created: as a political project, of Brazil's initiative (in Jose Sarney's administration) to exercise Brazilian hegemony, which was not successfully implemented during the military regime in Brazil (1964-1985).

Brazil retakes this project of hegemony with a softer feature, of "cooperation", but based on Brazil's interests and aspirations, and not of its partners. Indeed, as Gratius (2008, p. 216) notes:

It is important to remember that Brazilian economy was the most protected in Mercosur and that Brazil has an important national industry which, differently from Argentina, *is not very open to foreign trade*. If one takes into consideration that many Brazilian companies would not be very competitive at an international level, to maintain tariff and non-tariff barriers would be in the interests of Brazilian firms. In the foreign front, having the most protected economy of the four members of Mercosur, the consolidation of a custom union on behalf of Brazilian companies would be the main objective [of Mercosur]. Therefore, the price that Brazil asked from Argentina (which had lower tariffs) to consolidate the project Mercosur in the years 1994/1995 was the commitment to create a custom union with a common external tariff.

Gratius (2008, p. 217) goes even further and points out the advantages of the Mercosur's custom union to Brazil:

[...] From the Brazilian perspective, a custom union had two advantages when compared to a simple free trade agreement: 1) prevents the entry of imports from abroad with lower tariffs via Argentina; and 2) it is more useful to define positions in bloc towards the European Union and the US, what would increase the negotiating capacity by the members countries of Mercosur. In this way, the formation of the custom union in January 1<sup>st</sup> of 1995 made the negotiations with European Union easier, with which Mercosur negotiates for more than seven years an inter-regional trade agreement [...].

Following the arguments presented above, one can argue that from the Brazilian point view the creation of Mercosur was due to political reasons (VAZ, 2002). It has two main goals:

- a) to assure Brazil's hegemony in South America; and
- b) to allow Brazil to delay the process of integration of Brazilian (non competitive) firms in the world economy.

The first part of the project (Brazil's hegemony in Mercosur) is obtained through the formation of an axis Brazil-Argentina, similar to the one created between Germany and France in the European integration. Argentina recognizes Brazil's hegemony in Mercosur and in exchange Brazil allows Argentina a special access to its market, towards which more than 50% of Argentinean exports.

The second part of the project – Brazil's resistance to a complete open-up of its economy in the world economy and even in the continent, through the FTAA project – is obtained – once more with the support of Argentina – by the creation of a custom union in Mercosur, where Brazil could keep its external barrier and non-barrier tariffs higher than the world level claiming they belong to Mercosur and not to Brazil itself. However, Mercosur's common external tariffs reflect not the average of Mercosur's members, but the average of Brazilian tariffs.

In the same way that the GATT reflected – when it was created in 1947 – the general principles and tariffs of US Trade laws, practices and policies, Mercosur reflected the principles and tariffs of its hegemon, Brazil, with the full support and consent of its allied Argentina.<sup>25</sup> The opinions of Mercosur's junior members – Paraguay and Uruguay – are ignored in Mercosur (GRATIUS, 2008).<sup>26</sup>

In other words, Brazil is not interested in the regional matters “*per se*”, but in the political gains that they can offer to Brazil in terms of power and prestige.

The main political objective of Brazil has not changed since Araújo Castro stated that the structure of world power had frozen: to increase the international status of Brazil. This would be materialised by a permanent seat in the Security Council.

In order to obtain that goal, Brazilian diplomacy needs to achieve some specific and short term objectives, among them it should be mentioned, *inter alia*:

- to limit or counterbalance US influence in South America;
- to create institutions with some degree of legitimacy (Alalc/Lafta and Mercosur);
- to have Brazilian leadership recognized in the existing institutions locally (as Mercosur);

25 This does not mean or imply that Argentina and Brazil have to be in agreement about everything. Punctually some trade disputes do appear and both countries try to solve them directly, without passing through the mechanisms of Mercosur.

26 Of course, Brazil's hegemony will be challenged by the appearing of new actors in South America's region, hostile to Brazilian project of hegemony. Among them, Venezuela and Bolivia (not to mention Ecuador) are cases in point. These 'new' actors will offer a new challenge to Brazil's capacity to act in South America as a hegemon and in the limit the project of Mercosur itself.

- to attract smaller countries (for instance, Uruguay and Paraguay) to its integration schemes (Mercosur/Unasur);
- to increase Brazil's visibility through the participation in UN missions (Angola, Haiti, Timor Leste, etc.).

The main result to be obtained if those above objectives are achieved is to have its bargaining capabilities in order international negotiations recognized and increased, through the use of coalitions, as the constitution of Mercosur illustrated.

It is important to note that all those objectives mentioned above have only one target, which is to achieve the oldest main goal of Brazilian diplomacy, it is to obtain a seat for Brazil in the Security Council.<sup>27</sup>

In order to achieve this goal all other actions are justified. In this respect, it is important for Brazil to be recognized as a regional leader and a global player. So, Brazil does not expect to obtain new markets in South American through its regional integration schemes, since its true goal is to seek support for its claim of a place in the Security Council.

Therefore, it could be said then, that all the Brazilian strategies (both in the regional and in the global level) follow the same pattern: to justify a permanent seat in the Security Council.

In this sense, in spite of the Brazilian government speech in favour of Mercosur, it is not the true motivation or a goal of Brazilian diplomacy, but a means of obtaining something bigger and permanent (the seat in the U.N. Security Council). The Mercosur was the visible part of Brazilian diplomacy's strategy of reaching its goal. Therefore, the main factor that drives the Brazilian government's interest in regional economic integration is to show leadership, to increase its influence and obtain more power resources as the (neo) realist theory suggests.

During the constitution of Mercosur, there was only one main threat that could put jeopardize the project: US proposal of creating a Free Trade Area in the Americas, from Alaska to Patagonia: FTAA. This fact explains why Brazil was always against this initiative and fought against FTAA a deaf fight, because Brazil could not appear as the main opposition to the project. As a matter of fact, Brazil would fight any regional integration scheme where it would not play a central role, be it the Free Trade Area in Americas, be it a another one. In the case of FTAA, its main player - with a leading role on it - was obviously the US.

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27 It is worthy mentioning that this Brazilian aspiration goes back to the League of Nations in the 1930s, where Brazil also sought to obtain, without success, a place in the Council of that organization.

This explains Brazil's refusal – in the Lula Government – to support FTAA and in the end its decision to kill the project.

The main responsible for Brazil's refusal in supporting the FTAA/Alca was Samuel Pinheiro Guimarães.<sup>28</sup> Samuel Pinheiro Guimarães occupies the second position in Brazilian diplomacy – he is the General-Secretary of the Ministry of Foreign Affairs since the arrival of President Lula to power in 2003. For Samuel Pinheiro Guimarães, “the FTAA would lead to the disappearing of Mercosur”.<sup>29</sup>

Samuel Pinheiro Guimarães considered that FTAA/Alca and Mercosur were incompatible and FTAA would “swallow” Mercosur in the case of both regional integration schemes were working together.<sup>30</sup> He also believes that the FTAA was part of US project to “subordinate South America to US projects of hegemony”.<sup>31</sup>

Therefore, the prevailing view in the Minister of Foreign Affairs (Itamaraty) – including both the Minister himself, Ambassador Celso Amorim, and the General-Secretary Samuel Pinheiro Guimarães –, is that the FTAA/Alca project jeopardizes Brazilian interests.

In this respect, it is important to note, the main concern of Brazilian diplomacy, is not with national firms, but with Brazil's pretension to obtain a seat in the U.N. Security Council.

### *The most important integration schemes (In Brazil's perspective)*

Currently, there are three main possibilities of regional integration:

#### i. Preferential agreements (sector based)

The most favored integration scheme by Brazil was Preferential Agreements. This was the case with Lafta and Aladi. Nevertheless, such Agreements suppose that there will be a high level of coordination and convergence of interests – what not always is true. Therefore, in spite the fact that both arrangements – Lafta in the 1960's and Aladi in the 1980s – had such arrangements and most of them did not prosper.

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28 It is important to remember that Samuel Pinheiro Guimarães was the main responsible for the signature of integration agreements between Brazil and Argentina during the period that he served in Brazilian Embassy in Argentina (1986-1987). The opinions of Samuel Pinheiro Guimarães are based in his interview to the site Global 21 (<http://www.global21.com.br/entrevistas>) published in 24/02/2001 and to magazine *Veja* in 22/10/2003 (edition's number 1825).

29 Interview of Samuel Pinheiro Guimarães to magazine *Veja*, 22/10/2003 (ed. 1825). This is the name of one of Samuel Guimarães' articles to the book he edited: Guimarães (1999).

30 Interview of Pinheiro Guimarães to the site Global 21 (<http://www.global21.com.br/entrevistas>).

31 Interview of Samuel Pinheiro Guimarães to magazine *Veja*, 22/10/2003 (ed. 1825).

## ii. Free trade agreements

Free Trade Agreements are not useful to Brazil because it would reduce completely the protection of Brazilian firms with one co-lateral effect: Some sector where Brazil is not competitive – let us say, Personal Computers – could see the neighbor country to enter in the local market. For this reason, Brazilian government was always against to enter in a direct Free Trade Agreement (FTA) with Argentina. Brazil feared for its capital goods and Information Technology (IT) industries that it believed was not ready to compete in a global scale.

## iii. Custom union

Custom Union is the current stage of Mercosur. Due to the relatively high number of sectors which are not covered by the Agreement (around 10% of the total), in Brazil Mercosur is called an “*Imperfect Custom Union*”. If it is an Mercosur is an imperfect a Custom Union, why it is the Agreement by Brazil?

In short, the Custom Union allowed Brazil to establish a Common External Tariff (TEC- Tarifa Externa Comum) which worked as a “natural defense” against imports from countries which were not members of the bloc (Mercosur). It also allowed a “selective” operation of the products that would enter in the Common External Tariff and those that would not. In other words, a Custom Union allowed Brazil to keep protectionist practices without having the burden of admitting it. The Custom Union can always be blamed by the protectionist of one (or more) of its members.

A Custom Union also increases the power capabilities of leader because it can claim that it controls a market that is bigger than in fact it is responsible for. Therefore, in the case of Mercosur, Brazil can always pretend that it is negotiating in the name of the other countries, when in fact it is only supporting its own position. As, in most cases, the other negotiators don't know in which case the leader is representing the other members or when it is bluffing, they tend to accept the position of the leader as the official position of the bloc. Of course there is always the risk of the leader being demoralized, but Brazilian government believe that it is worthy running the risk. One can not forget that as the leader has more power capabilities than the other countries it can always accommodate rebel members with small concessions in that area or in other areas. One should also not forget that as Custom Union in general adopt some kind of “consensus mechanism” to obtain decisions, the leader country tend to benefit more than the other from this mechanism, because no decision can be taken without the previous consent of the leader. Besides, Custom Union do not necessary require supranational institutions.

#### iv. Common market

In the case of regional integration schemes, there is also the possibility of a common market. However, common markets have many disadvantages when compared to the Custom Union. It requires the existence of a minimum of consensus related to the Common External Tariff, for example, which Mercosur has not reached.

Furthermore, in general common market tend to adopt supranational institutions and majority-vote schemes. Decisions would become more rational and more based on technical reasons.

Brazil is against all these features because they could become a threat to its hegemonic intentions. Therefore, majority votes could dissolve the power of the leader in the organizations it has created. These are the reasons why Brazil Mercosur to become a Common Market, in spite of the fact that Mercosur has a Common Market as one of its goals.

#### v. Economic integration

This is the most sophisticated of all regional integration schemes. However, the same considerations mentioned above to a common market automatically apply to an economic integration scheme.

How can some countries discuss a common currency if they do not have a common external tariff or even common economic policy?

Therefore, an economic integration requires a high degree of coordination not only for a Common External Tariff but also for macro-economic policies and fiscal. No country can print money or raise taxes without prior consent from other countries. It also requires that Central Banks are either fully integrated or acting firmly together.

Mercosur's experience shows us that when there is a problem in one of the countries currencies, it tend to transfer the problems to their members. It happened with the devaluation of the Argentinean peso and with Brazilian real in the end of the 1990s.

Therefore, a full economic integration between countries of Mercosur seems currently out of the scope of the bloc. Only when Mercosur complete the requirements of a custom union it will be able to discuss the formation of a more complete scheme, be it a Common Market or – more distantly – an economic integration in South America.

It can be concluded that currently the regional integration scheme which is more prepared to serve the interests of its members (Argentina, Brazil, Paraguay and Uruguay – not included Venezuela yet) would be a free trade agreement (FTA) or a Custom Union.

### *The different positions and interests regarding regional economic integration within the Brazilian society (government and business community)*

The actors which take part in Brazilian foreign policy can be divided in two main groups: non-state and state actors. Non-State can be divided into four different groups: i) intellectuals and academia in general, ii) press and public opinion iii) civil society, social movement sand labour unions and iv) business community.

#### **Non State Actors**

##### **i) Intellectuals and Academia in general**

In general, it is considered that intellectuals individually have little direct impact in foreign policy (BOBBIO, 1991). An exception, in this perspective, is Bernal-Mesa (1998).

Bernal-Mesa (1998) considers that currently the role of intellectuals in the process of approximation of Brazil and Argentina, at least in the Argentinean side. He states that: “[...] recently, a positive aspect has been the influence of public opinion and from ‘academia’ in the bilateral approximation. Never has been so much influence in the formation of public opinion and in the political circle of those sectors”.

The fact is that is very difficult to measure the influence of intellectuals in the formation of the thinking of decision-makers and even if intellectuals are consulted on a regular basis to help in the process of policy formulation. Brazilian tradition related to foreign policy is quite interesting and probably not unique. The Ministry of Foreign Affairs (Itamaraty) has its own School of International Relations (Instituto Rio Branco) for those approved in national exams for the diplomatic career.

Itamaraty then selects the Professors, most of them from Brazilian academy, some international guests and some from its own diplomatic service to be the tutor of the students.

The Professors selected are, in general, those who have an ideological affinity with the hegemonic groups in the Ministry of Foreign Affairs. Therefore, there is a process of mutual recognition of a similar identity, where those who share the same values<sup>32</sup> will be invited not only to teach, but to cooperate in matters related to his or her expertise.

The same happens in the seminars promoted by the Ministry of Foreign Affairs. In general, those are promoted in two main occasions: when there is few or insufficient knowledge about a certain topic of interest to Itamaraty, or

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32 What Charles Wright Mills used to call the values of the elites.

there is a crisis in an issue and new ideas are required. In any case, what ever is the main reason for the seminar, the Ministry of Foreign Affairs convoke those intellectuals who are considered to be reliable – it sis would not expose publicly Itamaraty to its staff or public opinion – to give presentations in the seminar. The results of the seminar will then be analyzed by a very small circle of members of the government. Eventually policy formulation will occur based on the results of the seminar.

Therefore, it can not be said that intellectuals, as whole, have influence in Brazilian foreign policy. But there is a small group of experts who are punctually invited to give a contribution in a certain issue. This contribution can be repeated and happen in a regular basis (like a consultancy, for instance), or can be sporadically in case of change of the main responsible. In this scenario, if a big change in the individuals responsible for policy formulation happens (for instance, in the change from Cardoso to Lula government) the process is all repeated, but the experts will probably not be the same (except when the number of experts is very limited).

#### ii) The Press and Public Opinion

In Brazil, foreign policy was – until recently – a very restrict topic. There were few courses of international relation in the country and the news about international affairs were commented by few journalist who became experts (or specialised) in the cover of international events, but had no formation or background in International Relations itself.

Although the situation of the courses of International Relations has changed<sup>33</sup> but the background of journalist have not. Brazilian law require that articles in newspapers have to be written by journalists, it is, individuals with a degree in Communication. As a result, no newspapers in Brazil can hire experts in international relations. The effect of this requirement is that Brazilian journalists, in general, have no background in International Relations, what affect the preparation of articles to its newspaper or its mass media. In order to “compensate” his/her own deficiency, the journalist used to ask an opinion of a diplomat, who would give a piece of information in the condition of not being exposed. As a result, the information or data passed to the press was already selected by the Brazilian government, generating a very curious phenomena, the government would supply the content of the information that would be “released” by the communications channels.

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33 Of course the situation of courses of international relations has changed after the 1990's, when many students sent abroad to carry out Ph.D. courses came back to Brazil. But it is important to note that until the 1990's there was no Doctorate program of International relations in Brazil. All lecturers hired until the end of the 1990's had necessarily their formation abroad. Nowadays, the courses of international relations (I.R.) mushroomed in Brazil until the point that there is no market for so many under graduates in I.R.



In this way, Brazilian press reproduced consciously or unconsciously the perspective of the formulators of Brazilian foreign policy until the 1990's, when a new generation of experts of international affair swas available to offer alternative content to the press.

Quite surprisingly, the most wanted experts are those who tend to legitimize the actions of Brazilian government, it is, those who share the same values of the government or the values of Brazilian elites.

This is not say that Brazilian foreign diplomacy is not criticized by the media. The issues picked by the media in general are those that can have a more popular appeal: the kidnapping of US Ambassador in Brazil during the military regime, Brazilian tourist who were prevented to enter in Spain, the expropriation of Petrobras's assets in Bolivia, the prison of the Directors of a Brazilian engineering firm in Equator and so on.

Therefore, Brazilian media and the specialised journalists tend to cover more facts and events than process (such as r-the Doha Round).

In this way, the press can be very influential about facts: how Brazil should be dealing with Bolivian government in the case of Petrobras, but tend to have little influence on process (such as Mercosur).

Manzur (1999) has a different view from that expressed above. However, she refers to a specific period of Brazilian history, during the Foreign Independent Policy (1961-1964), when Brazilian foreign policy became a hot political issue during the electoral campaign. So, this short period (1961-1964), can not be considered as a reference for the role of public opinion or for the role of the press.

As Manzur (1999) admits, [...] It is interesting to note that when populism entered in collapse [in 1964], it became evident solely a reflux of the participation of public opinion in the issues of foreign policy, without meaning [this reflux] necessarily, the total alienation of public opinion on international issues.

In the opinion of Ambassador Marcos Coimbra, the press tends to be simplistic in analyzing the international issues, always looking for a winner and a loser, without understanding the real complexity of international negotiations.<sup>34</sup>

This perspective is shared by the journalist and Political Scientist Mauricio Santoro. In his article, Santoro (s/d), describes the lack of reliable sources that the journalists have available to use to cover an international issue. In the case of Brazil- many times the journalist is obliged to use foreign sources and materials, which do not always see the problem from the perspective of Brazilian national interests.

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<sup>34</sup> In: <[http://www.mre.gov.br/index.php?option=com\\_content&task=view&id=1893](http://www.mre.gov.br/index.php?option=com_content&task=view&id=1893)>.

## iii) Civil Society, Social Movement and Labour Unions

Mariano, Vigevani e Oliveira (2000, p. 262) have noted that the issue of Mercosur has not polarized the debates in Congress for lack of assimilation of the issue by politicians. This happened due to reasons, according to Mariano, Vigevani e Oliveira (2000): a) the vast already existing national agenda and b) the conception that the definition of foreign policy is not responsibility of politicians, but the federal government and its diplomacy.

Although Mariano, Vigevani e Oliveira (2000, p. 258) have pointed out the growing importance of non-state actors, they have not shown concretely the result of this growing importance.

Quite the opposite. In the only example of social participation which was given by them, Sub-Group of Work 10- of the Common Market Group (Social and Labour issues), no result was obtained until today (MARIANO; VIGEVAANI; OLIVEIRA, 2000, p. 258). As a matter of fact, most Treaties and negotiations process in which Brazil is involved where there a space for civil society organizations (CSO), they are only forums for consult and they are not mandatory.

Labour Unions tend to be more organized since they feel they would be main loser of an unbalanced regional economic integration agreement. They are informally organized in Brazil through Nationally Centralized Labour Unions, in spite of the fact that there was no law regulating the existence of such Central Organizations. In case, the formation of National Labour Unions definitely increased its visibility. There are several Central Unions in Brazil, since the conservative ones to the extreme left. One of the most important – if not the main one – was CUT (Unified Central of Workers) – the Union arm of the President Lula Workers Party (PT). Nevertheless, the fact that the Workers Party (PT) has reached power diminished its “revolutionary” impetus. In spite of this fact, it continues to be against integration of all countries in America (which means, with the US), but it supports Mercosur and Unasur, as the Workers Party does. They do not lobby against economic regional integration. They prefer to organize demonstrations against the former attempt of launching FTAA.

The fact is that social participation in general is a challenge. In countries such as Brazil where civil society has a tradition of low participation, for historical reasons (BUARQUE DE HOLLANDA, 1998), the challenge is even bigger. If the issue is of international nature it can be expected a lower participation.<sup>35</sup>

35 Naturally, an exception in Brazil was again the Populist period (1945-1964) where there was a strong incentive (from political parties) to encourage people to participate in order to attract voters and win elections. This happens with new Constitution in Brazil but rarely with international issues. Two international which encouraged popular participation was the campaign against the payment of Brazilian

This happens due to the lack of incentive for collective action, as proposed by Olson (1965) in the 1960's. Indeed, most people tend to participate when they have something to gain or some thing very considerable to lose.

This explains why the most mobilised group of civil society are, generally speaking, the labour unions. The leaders of labour unions can anticipate, with a certain degree of certitude, if its category tend to win or lose from a political (or economic fact) and to led the union (and the category as a whole) to establish a position the in towards the new fact, be it political or economic.

This happens with regional integration as well. If the unions are linked to a non-competitive sector, they can feel that they may become losers and act pro-actively preventively against it.

In the case of Mercosur, we have two different positions. As Gratius (2008) notes, we have Brazilian labour unions mobilized in favour of Mercosur, while Argentinean unions are mobilised against it. As most unions in Argentina are associated to the Justicialist Party, this factor contributed to decrease the potential of opposition of Argentinean labour unions to Mercosur.

The Alca/FTAA project, on the other hand, was a different matter. The discussions of FTAA/Alca happened in Brazil during the Cardoso Government. The main opposition Party to Cardoso Government, the Workers Party (PT) used the feeling of distrust of Brazilian population to the US, in general, to co-opt undecided voters and expand its popular support. It is interesting to note that when it arrived in power, in 2003, the PT maintained its initial opposition to the FTAA Agreement. After taking part in some international negotiations, the level of the Workers Party to the FTAA decreased, but the level of mistrust of Brazilian Ministry of Foreign Affairs towards the FTAA Agreement increased. This led to a very curious situation where the Ministry of Foreign Affairs was the main responsible in Brazil for the mobilization of Labour Unions(in particular CUT from the Workers Party) against FTAA/Alca process and not the PT itself.<sup>36</sup>

There are other groups which investigate and have strong views in regional integration, such as the Press, the Academia, and Student Associations (UBES, from high school, and UNE, from university students), and Professional Associations'. However, none of them are really mobilised as lobby groups or putting pressure in political representatives (MPs or Deputies).

Increasingly influential political actors are the Non Governmental Organizations (NGOs). They put together access to good quality information

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foreign debt in the 1980's, promoted by a coalition of parties with the support of Catholic Church, and the campaign against FTAA, also promoted by the Catholic Church with the support of some Labor Unions.

<sup>36</sup> PT was very divided in the issue. The PT did not want to assume the full responsibility for the failure of Alca/FTAA project. This role was played by the Ministry of Foreign Affairs itself.

with access to key actors and a tremendous capacity of mobilization. They increasingly heard, in particular when its founders are associated with Academia or has direct access to the Press.

In his research on social movements and the access to the decision making policy, Drummond (1995, p. 160) concluded that “social actors”, in general, but in particular those linked to the labour unions considered that the access to the decision making process was too limited.

Therefore, even when there was a wish to take part in Mercosur, this access was denied by the Brazilian Government. The creation of the Economic and Social Forum at Mercosur did not change this feature, since the conclusions of the Forum were merely recommendatory and not deliberative (DRUMMOND, 1995, p. 164).

#### iv) business community

The business community was certainly the most active and articulated of all private actor, as Gratius (2008, p. 217) had already noted, Gratius pointed out, accurately, that Brazilian business community had solid institutions to represent its interests. Basic there are three main institutions who have a legal mandate to represent Brazilian business community:

- a) the National Confederation for Agriculture (CNA);
- b) the National Confederation for Commerce (CNC);
- c) the National Confederation for Industry (CNI).<sup>37</sup>

Although Brazilian business community is historically well organized in terms of preserving its sector identity (through a vast country) and were successful in preparing the access to political power and top decision makers in Brazil.

They were not (and some are still not) prepared to make claims or to put pressure in the search for advantages in international trade negotiations. This happens because international negotiations require a continuing follow up of those negotiations. In some cases, the National Confederation had only one person to follow all international negotiations, in Mercosur, FTAA, European Union and WTO.

As a result, even the National Confederation of Industries (CNI) exercises a very punctual lobby concerning regional integration and in most of the cases, they are not heard.<sup>38</sup> In spite of the fact that they have an international

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<sup>37</sup> There are also other National Confederations, such as National Confederation for Transports, but they are less representative in number of segments that they represent and less articulated than those mentioned above.

<sup>38</sup> Although they have access to decision makers, the Brazilian has a huge space of maneuver, concerning international negotiations. We will discuss this issue in the next section.

division only to deal with external negotiations, the various industries in its interior make them incapable of having an unified voice.

Therefore, the National Confederations which represent the business community in Brazil had to make an effort in the 1990's to adapt its structure to take part more productively and effectively in the international discussions.<sup>39</sup>

In the case of National Confederation of Industry (CNI), it was built a strong and large structure to follow international negotiations, led by a Brazilian academic, expert in international issues.

The National Confederation of Agriculture (CNA) followed another path. The solution it found to adapt itself to the new international context was to promote partnerships with Institutes and Research Groups who were interested in international trade negotiations of commodities.

Finally, in the case of National Confederation of Commerce (CNC), there was a strategic decision of not following or taking part in international negotiations. Its limited international division follows only issues directly linked to electronic commerce.

The different positioning of the National Confederations' opened a large space for the action of the state Federations, who try to fill the gap not occupied by the National Confederations. In this respects, the Federations of Industries of São Paulo (Fiesp), the most articulated occupies some of the space left by the National Confederations of Industry (CNI) and the Federation of Commerce and Services of São Paulo (FEComércio-SP) replaced the National Confederation of Commerce and Services as the main representative of the business sector as far as commerce and services are concerned.

With the exception of certain groups, such as farm producers, the typical Brazilian businessmen tend to ignore trade negotiations and expect the Brazilian government or its federation to organise its own agenda and its answers to foreign challenges.

In fact, the "big business" don't need their National Sector Confederation. They have direct access to the political representative of their state or the local Federation who will do mot part of his job. Only in emergency situation he will come to Brasilia to expose an international problem. If he has access to its Minister of its sector, he might look for the Minister directly.

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39 There was an anecdotal fact that reveals this preparation of the business community. A bib Brazilian businessmen, representative of its sector and a global exporter of its commodity was invited to follow one of the meeting of the WTO and accepted the invitation. He then prepared a speech that he believed it would be necessary to do there in order to thank for the invitations ad for the hospitality. When he was warned that there was no speech and in fact he could not even take part in any discussion, because he would not be accepted even in the negotiation room, he got really angry with the Brazilian government. This illustrates the lack of knowledge and communication between the private sector and Brazilian government.

The Brazilian Government, by its turn, has decided to bring the lobby to its own house and to nominate for the Ministries of Agriculture and the Ministry of Industry (respectively, Ministry of Agriculture, Livestock and Supply (MAPA) and Ministry for Development of Industry, Services and Foreign Trade (MDIC)) recognized business leaders from each sector.<sup>40</sup>

This does not equal to say that the two sectors (agriculture and industry) have reached all their goals either domestically or internationally. Indeed, Rodrigues left the government disappointed with the lack of priority given to agricultural sector in the Lula government.<sup>41</sup> Furlan had the same feeling about Brazilian exporters.<sup>42</sup>

In any case, Drummond (1995) considered that the sectors who were the most active in Parliament was the agricultural sector from the three states (the South Region of Brazil: Paraná, Rio Grande and Santa Catarina) who have borders with other members of Mercosur. The sectors who felt most vulnerable to Mercosur were mainly agricultural: rice, onion, garlic, wheat, apple, peach and grapes. In the industrial sector, the most active opponents of Mercosur were the tobacco and wine producers who felt extremely threatened by Mercosur (DRUMMOND, 1995, p. 159).

From the Argentinean side, the most active business sectors against Mercosur were shoes, poultry, textiles. All of them were able to obtain protection for its products. More recently, businessmen from the electro domestic utilities, in particular the so-called “white” segment for kitchens (freezers, ovens, refrigerators and soon) started a strong mobilization against Mercosur. They asked for protection and obtained. Cars have always have been a controversial issue in Mercosur.<sup>43</sup>

## State actors

In order to know better the Decision making process towards Mercosur we would have to consider, initially, that potentially all Ministries and bodies of the State could decide to give its “contribution” to the process of regional integration.

40 The Minister of Agriculture, until two 2007 was Roberto Rodrigues, a farmer himself, and former President of Brazilian Organization of Cooperatives. He was also a well-known leader in agribusiness. He served as President of the prestigious Brazilian Rural Society and the Brazilian Agribusiness Association. The Minister of Industry, Luiz Fernando Furlan, was the owner of Sadia, one of the largest Brazilian companies in the areas of poultry, pork and beef.

41 See on the issue: <<http://www.tjm.sp.gov.br/Noticias/0629rodrigues.htm>> and <<http://www.jornalopcao.com.br/index.asp?secao=RuralBusiness&subsecao=Suplement>>.

42 See: <<http://www1.folha.uol.com.br/folha/colunas/brasiliao/ult2307u145.shtml>>, <<http://www.desenvolvimento.gov.br/sitio/interna/noticia.php?area=1&noticia=6801d>> or <<http://www.cbic.org.br/mostraPagina.asp?codServico=497&codPagina>>.

43 Brazil and Argentina promoted an Automotive Regime to prevent the opening of the market. See: <[www.econ.fea.usp.br/novo2/publicacoes/estudos\\_economicos/33\\_4/sergito.pdf](http://www.econ.fea.usp.br/novo2/publicacoes/estudos_economicos/33_4/sergito.pdf)>, <[www.scielo.br/pdf/spp/v16n2/12113.pdf](http://www.scielo.br/pdf/spp/v16n2/12113.pdf)> or <[ppe.ipea.gov.br/index.php/ppe/article/view/187/121](http://ppe.ipea.gov.br/index.php/ppe/article/view/187/121)>.

Indeed, since Mercosur covers so many topics, from health and education to defence, all the respective Ministries could decide to be involved.

However, in order to avoid an over-crowded of actors willing to take part on it, the process is organized by the Brazilian State in a centralized way. On this issue, Gratius (2008, p. 17) states that:

[...] It [Mercosur] is an intergovernmental process [of regional integration] directed from the above (“*desde arriba*”), where the different phases of the development of the bloc have been strongly influenced by the political context of the respective governments in power. [...]

Mariano, Vigevani e Oliveira (2000, p. 251) say the same thing in an indirect way:

In the Brazilian case [of the decision making process], which can be generalized to the other member-countries [of Mecosur] not always the institutional space for [public] intervention has resulted in a real influence in the development of the integration process and in the representation of effective political and social interests [of the population].

Oliveira (2000, p. 225) express the same conclusion from another perspective:

[...] One of the goals of Mercosur is to encourage the growing mobilization of non-governmental sectors, and, above all, the creations of private common interests and even supranationals, that could influence in the [regional] process. But, in spite of the fact that several groups of active politically did appear, for the moment they are insufficient to demand a determining and constant role in the process [of regional integration] [...]

Not less important, Pecci (2002, p. 265-268) has thought us that:

[...] It seems indispensable to me that governments [of Mercosur] open themselves in a decisive way to a process of consultations with [civil] society in order to redraw the structure [of Mercosur] to overcome its deficiencies and to start a project of takin-off of our economies and regional cultures [...]

2. Deficit. It seems evident that Mercosur has had important deficits. In first place, it keeps itself too far from the citizens, from civil society organizations, from the academic world with an opaque and unreachable super-structure. [...]

5. Democratic Participation. I understand that it should be encouraged organic spaces of wider participation of the organized society or from institutional feature. That is the case of Social and Economic Consultation Forum, that should stop being an appendix [of the structure] in order to obtain more influence in the definition of certain public policies that reach the productive and the social sector [...]

From the statements above one can conclude that:

- a. there is a highly centralized process;
- b. decisions are taken from the top-down;
- c. there must be an agency which centralizes the process and decides who can take part and who can not;
- d. there is a small group of individuals who will select the next directions of the integration process.

For Medeiros (2000), the main force behind the Mercosur's integration process is the Finance Ministry. Medeiros (2000, p. 200) argues that:

[...] It is in this context of correlation of forces that the Ministry of Finance decided to devalue real. Through a hermetic process, this Ministry [the Finance Ministry] deviate from coordination practices or even a mere consultation with the partner of Mercosur and spite of the fact of being aware of the high dependency of those countries before Brazil [...].

The hegemony of Ministry of Finance can hardly be contested and its growth does save even the Ministry of Foreign Affairs [Itamaraty] [...].

It seems that in the argument above there was a confusion of cause and effect. Mercosur is not a Common Market yet. Macroeconomic policies in a custom union are not coordinated (and are not supposed to be). Therefore, financial issue (such as monetary policy) in a Custom Union are not "trade" issues and should not be confused with financial services that can object of international trade.

Besides, the Ministry of Finance is not in charge of day-to-day decisions of Mercosur. The Brazilian policy on Mercosur and other issues related to regional integration is the responsibility of the Ministry of Foreign Affairs who used this legal authority to play a significative role in the decision making process in the regional integration path taken in the Southern Cone (MARIANO; VIGEVANI; OLIVEIRA, 2000, p. 203). Indeed, the Working Groups, which could be "real threat" to Brazilian Government, are effectively coordinated by the Ministry of Foreign Affairs. Besides, as it was already demonstrated above, have only a Consultation role (OLIVEIRA, 2000; PECCI, 2002).

In fact, in spite of the fact that Brazilian government has more than 30 Ministries (or equivalent bodies), It could be said that only three really matter as far as regional integration is concerned: The Presidency of the Republic (as a whole), the Ministry of Finance (together with Central Bank) and the Ministry of Foreign Affairs (Itamaraty). All other Ministries (and Secretariats) are subordinated to the Ministry of Foreign Affairs in issues related to regional integration.



The main question is: Why and how does it happen?

For two very simple reasons:

- a. The Ministry of Foreign Affairs is the only organ of Brazilian government which is prepared to deal with virtually all regional integration issues.
- b. Due its centralized nature, any decision taken in any place of Mercosur necessary has to be approved by the top authorities of the Ministry of Foreign Affairs who are in essence two: The Minister of Foreign Affairs and the General Secretary of the Ministry of Foreign Affairs.<sup>44</sup>

Of course decisions about tariffs are Ministry of Finance's a prerogative. This is the reason why the Ministry of Finance is the only Ministry which can effectively stop Itamaraty as Medeiros (2000) noted. On the other hand, it is the only Ministry which is really respected by the Ministry of Foreign Affairs. That is why the Ministry of Foreign Affairs tries to "cooperate" with the Ministry of Finance and vice-versa. If any negotiator decides to offer a concession in a given issue, the Ministry of Foreign Affairs will consult the respective sector's Ministry to know if it is a sensitive product or sector<sup>45</sup> before taking a decision.

In general, Ministry of Finance does not influence in day-to-day issues of Mercosur (since the Ministry of Finance leaves the ordinary issues to Itamaraty) and the Ministry of Foreign Affairs (Itamaraty), in its turn, seeks to consult the Ministry of Finance about issues that it knows that Ministry of Finance will have a word to say, such as the impact of the tax system in foreign trade, trade regimes or financial issues when they appear in the discussions. If the Ministry of Foreign Affairs know beforehand the position of Ministry of Finance (or any other Ministry), Itamaraty might present the position straight way.

For Ministry of Foreign Affairs, it is easy to know the position of each Ministry because it holds Regional Integration Meetings. In those Meetings, in general before the main international negotiation rounds, each Ministry (or secretariat) presents its official position to the Ministry in charge of Brazil's International Negotiations (Itamaraty). Itamaraty takes note of each position. In some cases, if a negotiations' round is really important, Itamaraty might present in the return of the trip, the result of the negotiations occurred. This is an opportunity for each Ministry to "learn" if its initial position was "kept" or if there was an evolution in Brazil's position.<sup>46</sup> In short, Brazilian decision making process can be summarized as follows:

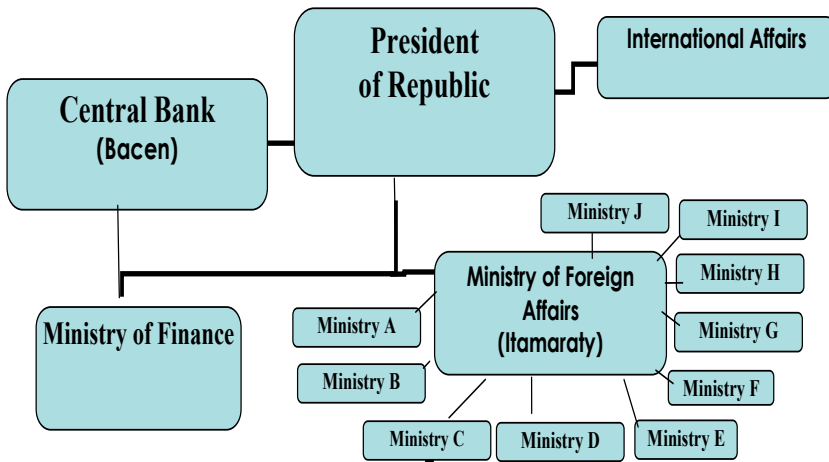
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<sup>44</sup> With the exception of tariffs, taxes and financial issues which are prerogatives of the Finance Ministry.

<sup>45</sup> Such as wheat in Brazil or sugar in Argentina.

<sup>46</sup> For the evolution of Brazil's position in the Uruguay Round, see Caldas (1998).

### Structure of Brazil's decision making process towards Mercosur



As it could be noted, Itamaraty becomes the centre of the negotiation process. The President, together with his international advisers, discusses the general guidelines of foreign policy if it is relevant theme. If it is not a central issue it will be decided by Itamaraty directly. In any case, the full execution of the foreign policy decided is the responsibility of Itamaraty.

The international advisor of President will prevent from interfering in the domestic (“internal”) issues of the Ministry of Foreign Affairs, except if the issue is of direct interest of the President or his Political Party. Thus if the Party has a sympathy for a certain candidate it might interfere accelerating his (or her) promotion. The same happens with the choice of positions that it will be occupied in the most disputed areas (Us and Buenos Aires, for instance).

Therefore, generally speaking, Brazilian position in international forums reflect the thinking of the Ministry of Foreign Affairs (“Itamaraty”). Of course the President selects an Ambassador who is sympathetic to his political party, as it was the case of Ambassador Celso Amorim (the Minister) and Ambassador Samuel Pinheiro Guimarães (the General Secretary). Both had clear positions against the US and for this reason, they were chosen to command Itamaraty, which really needs a “combined” operation. Indeed, given the complexity of international issues, the position of General-secretary in Itamaraty is regarded as a Vice-Minister with a real possibility of becoming a Minister of Foreign affairs in the future, if political context becomes favourable.

Therefore, Itamaraty prepares “the agenda” of the President, saying what is important and what is not, and what position Brazil should present in a given issue.

## Is there a sole theory that explains Brazil's overall Foreign Policy?

Philippe C. Schmitter (2003, p. 4-5) has claimed that:

[...] I think that all students of regional integration – first and foremost, those working on the European Union – now understand that no single theory will be capable of explaining its dynamics and predicting its outcome. Efforts to select out specific events, policies or institutions and subject them to simplified assumptions may produce momentary “confirmations” of a specific theory, but often at the expense of contrary evidence and countervailing trends. [...] *understanding and explanation in this field of inquiry [regional integration] are ... best served not by the dominance of a single “accepted” grand model or paradigm, but by the simultaneous presence of antithetic and conflictive ones which – while they may converge in certain aspects – diverge in so many others. If this sort of dialectic of incompleteness, unevenness and partial frustration propels integration processes forward, why shouldn't it do the same for the scholarship that accompanies them?*

If the statement of Schmitter (2003) is true for European Integration is even truer for regional integration of South America, in particular Mercosur.

It is very hard to find out which frame work best explain the developments of Mercosur in its last 20 years.

Firstly, perhaps it would be easier starting with the theories that can not explain Mercosur's developments and should be immediately discarded. This is the case in first place with neo-functionalism (or even neo-neo functionalism). The crisis of Mercosur in the end of 1990's and in the beginning of the 2000's, the lack of spillover effects, the weak participation of civil society and the strong presence of the state oblige us to not consider functionalism and its derivations as a valid theory for Mercosur.

Secondly, all theories that imagine the existence of an identity before (or after) the regional integration process, such as the cognitive theories should also be discarded. There is certainly no Merco-citizen or whatever identity that a Brazilian could share with an Argentinean. The values and cultures of both countries are just incapable of generating a “common identity” linked to the regional process (before or after). These ideas are typical constructions to try to justify the integration process, but which lack real basis (PECCI, 2002). The national populations were not motivated by the project (SCHAPOSNIK, 1997, p. 13).

To try to use Institutionalism (or even neo-institutionalism) to explain Mercosur is like to try to explain the forms of life in Venus – something that one has ever seen and probably will never exist.

The fact is that Mercosur has no institutions. Oliveira (2000, p. 237) denominates it elegantly as “Minimum Institutionalism” (“institucionalismo

mínimo”). I call it “Forged Institutionalism” or “quasi-institutionalism”. The existing arrangements are a mere formal construction to offer a minimum impression of legality but each side is aware that it will break the rules soon or later. The trade disputes between Brazil and Argentina on several issues (such as sugar, cars etc) only illustrate the lack of commitment (of both parts) to previously negotiated agreements and rules.

So, the maximum of Krasner (1983, p. 1) that international regimes are “principles, norms and rules and decision making procedures around which actors expectations converge in a given issue-area” certainly does not apply to Mercosur as a whole or to Brazil and Argentina in particular. The incorporation of international rules to domestic legislation is also very problematic in Mercosur as Basso e Estrela (2002, p. 31) have noted.

Brazil’s refusal to accept supranational institutions only confirms the fragility of Mercosur’s quasi-institutions.

A framework that apparently could be used to explain Mercosur’s developments would be the theory Liberal Intergovernmentalism.

Indeed as the theory suggests, Mercosur has four members who work together in an environment of intergovernmental “institutions” or, better saying, procedures.

On the other hand, many premises of intergovernmentalism simply are not present in the case of Mercosur:

- States have not cooperated even when it seemed that it would be the best for their national interests to do so; Institutions have not fallen the national interest. States live in a world of uncertainty [Mercosur], where each new meeting of the bloc may modify previous rules, procedures and agreements.

Furhermore, there was no Domestic preference formation, or *policy demand* from civil society as Moravcsik (1993) had suggested, because the structure is inadequate, as Mariano, Vigevani e Oliveira (2000, p. 283) have suggested.

The civil society actors in Mercosur have been too fragmented and disorganized to influence a policy demand or the formation of policies, not to mention institutions. Among them, it could be mentioned, in particular, social movement groups, special interests, the legislature, who don’t take part actively in the process as it was already demonstrated. Therefore, If there was, such a policy demand it was certainly destroyed or ignored by the decision makers, as Barros (2002, p. 27-30), the representative of the Social and Economic Forum of Mercosur melancholically noted.

Another controversial point is that Moravcsik (1993) believes that economic interests, in general, prevail over other interests. This is not clear in

the case of Mercosur. For Brazil, Mercosur is a political project and not an economic bloc (in opposite to Argentina).

In Mercosur, there was little *Interstate bargaining*, or *policy supply*. The features of most procedures of Mercosul were imposed by Brazil in the other country members.

Therefore, theory Liberal Intergovernmentalism would have problems in accept that interstate bargaining really explains the policies chosen by the leader of the bloc, Brazil.

This paper wants to propose a modified version of neorealist approach. This paper suggest that states compete, but not necessarily for power, but mainly for prestige and values. The adoption of its values or the defeat of inimies' value would be the ultimate victory. Brazil (and Mercosur) have done just it with the decay of FTAA – an US project. It was important for Brazilian decision makers to defeat the and its “neoliberal” projects.

Therefore, States don't act necessarily based on his interests, but mainly for its ideology.

Brazilian former ambassador in Washington, Roberto Abdenur, stated publicly in an interview to Brazilian largest magazine *Veja* that “there is an ideological substract vaguely anti-capitalist, anti-globalization, anti-american, completely over passed” Brazilian society in general and in Itamaraty in particular.<sup>47</sup>

Schaposnik (1997, p. 213) sustains that there is an ideological line that is maintained in the regional integration process of Mercosur.

Therefore, the sates are motivated by ideas as Goldstein and Keohane (1993) had suggested. On the other hand, the fight for ideas (or for ideologies to be more precise) does not mean that the fight for power was abandoned. Quite the opposite. The fight for power is one of the features from Mercosur, in particular from a Brazilian perspective.

States also seek prestige. It is the case of Brazil where itamaraty introduced as one of the “permanent goals” of our diplomacy a seat in the UN Security Council. Finally, the State – in opposition to what the neorealist suggests – is not an unified agency. It is very fragmented. Domestically, agencies (Ministries) also fight for power, defined as space to present, to cancel or to support its own bureaucratic projects. In the case of Brazil, needless to say, there a dominant agency, which controls the process. This dominant agency is the Ministry of Foreign Affairs (Itamaraty). Therefore, it is proposed here a neorealist interpretation of Mercosur, where the main actor (Brazil) fights for prestige and power.

<sup>47</sup> Interview to *Veja* in 03/02/2007. It is interesting to note that Abdenur was initially member of the current left wing which controls Itamaraty and eventually broke up with the group and became one of its main critics.

This proposed approach maintains, as neo-realists do, the State is still the main actor in international relations. It can also consider that Some gains can also be obtained through international cooperation. In this respect, regional integration can increase the power capabilities of a local hegemon to achieve its personal goals. This is the case of Brazil with its search of a seat in the Security Council.

Therefore, neo-realism works better the issue of Hegemony. This hegemony is the characteristic of Brazil's relation with other member of Mercosur. Neo-realism explains the power disputes in Mercosur which go from small conflicts to political confrontation. In any case fight for *hegemony* is present in the bloc.

As Cerqueira (2008) has demonstrated: "It is clear that Brazilian regional leadership evolved, in the last six years from denied pretension denied by Itamaraty to a public condition, accepted and stated by the President of the Republic".

Indeed, Brazil, organized promoted four international meetings in around 48 hours: Mercosur, Unasur, Group of Rio and Cúpula da América Latina e do Caribe (Calc). All of them are exclusively Latin-Americans. Will not be present either the US nor European Union (EU).

Neorealism can explain all these meeting as a *Reaction* of a weaker state (Brazil) vis-à-vis a regional hegemon or aggressive state. The US when it tried to "impose" FTAA to South America.

Neorealism also explains the inclusion of Venezuela in Mercosur as a formula to limit a possible hegemon or competitor of Brazil in South American leadership into Mercosur's rules, that Brazilian diplomacy masters.

Finally, another theory which helps to explain Mercosur is *Globalization Regional Integration offered Brazil a way-out of a deadlock situation: How to accept the globalization pressures without making concessions?*

The answer was a Custom Union. Here there was a crossing of neorealism, which emphasizes regionalism as a way of "solving problems", and Globalist view that regional integration is a result of a historical process. It is accepted that both are correct. Latin American was an old dream of Brazil. Neorealism offered the solution: the Custom Union.

These theories, altogether (neo realism and globalization) contribute to explain South American's process of regional integration. But in order to assume regional leadership, Brazil has decided to advance in the regional integration process, with a "*reterritorialisation of its geographical basis from domestic territory to South America*". *Brazil takes advantage of the fact that some countries are not prepared to assume international roles either because they don't have a proper defence system or because they don't have enough capability resources and Brazil wants to represent them in the UN system.*

In order to achieve this goal, Brazil promotes the feeling of “Security” and “Tradition” between “Reliable” countries recurring to the old dream of Latin American Integration.

## **CONCLUSIONS: Brazil’s current foreign policy and perspectives**

One of the main features of Brazilian diplomacy is the existence of some maintenance of general guidelines. These guidelines evolve according to the external context (due to global pressures) and domestic (political) changes in Brazil, in particular in the Presidency.

Nevertheless, some goals remain as part of the driving forces of Brazilian foreign diplomacy. Therefore, significant part of Brazil’s current diplomatic agenda has not started during the incumbent government (President Lula’s Administration).

Each government likes to say that it has taken Brazil’s diplomacy to a new level and that it has broken some paradigms of Brazilian diplomacy.

Let us examine some of them.

One example is multilateralism. Brazilian diplomats like to say that one of the features of the current government is to support “multilateralism” and “International Organizations”. This is true, but the practice of ‘multilateralism’ in Brazil goes back at least to the 1950’s with Pan-American Operation and Foreign Independent Policy.

As it was illustrated in this article, another pattern of Brazilian diplomacy is to seek to contain (or at least to counter-balance) US influence in South America. When US tried to increase its influence for regional (limit the influence of Cuban Government in South America) or global issues (fight communism) Brazil answered reinforcing South American integration. In this respect, any attempt to put regional integration forces together requires an alliance – or at least good relations - of Brazil and Argentina – in South America.

Therefore, Argentina is a key country for Brazil’s regional leadership ambitions. In order to strengthen Brazil’s position in South American the support of Argentina is a condition *sine qua non*.

Almeida’s (2005) analysis quite accurate when he says that the strengthening of Mercosur can be seen as part of an integration and a consolidation of Brazilian policy to South America.

Almeida (2005) also noted that the president’s Lula first mandate was influenced by his main Political Party – PT (Workers Party/“*Partido dos Trabalhadores*”) conceptions, as an attempt to create a new Brazilian diplomacy. This “new policy”, in fact, was a search of a revival of Brazil’s Foreign Independent Policy of the 1960’s in another and more complex international scenario.

As a result, in his second term in office (2006 - ?) President Lula was obliged to moderate his initial “progressive” trends. Besides that, an unexplainable personal chemistry between President and Republican President Bush created a mutual sympathy and mutual respect which prevented a complete radicalization of each side against the other.

The US also saw President Lula as a “good” influence in South America for its personal moderation. Brazilian diplomacy, for its turn, was very skillful to not transform Brazil’s ambition for more international prestige as a fight against the US or against any other country, as happened in other moments, such as in the Goulart Government (1961-1964) who was overthrown by a military coup.

Indeed, the second term of President Lula, after 2006, the pragmatic approach prevailed over ideological disputes. Although ideology is implicit in the current Brazilian diplomacy, by the persons chosen to command Itamaraty, Brazil does not bring it to international forum. The current mandate of Lula has established as its top priority to improve its relations with the local partners in Mercosur (Argentina, Paraguay and Uruguay) and try to attract other actors to Mercosur’s orbit. In particular should be mentioned Mexico, Venezuela, Bolivia, Equator and Cuba. This move was partially successful. At the same time that Brazil tried to put into practice this strategy, the emergence of Chavez in Venezuela created a new dynamic in South America which was beyond Brazil’s control. It is too soon to judge the results of the entry of Venezuela in Mercosur. But its entry does make Mercosur less flexible (as it was) as a tool of Brazilian foreign policy to achieve Brazil’s goals.

For Brazil, to establishing strategic alliances with other actors in South America through UNASUR was a way of counter-balancing the increasing inefficacy and limitations of Mercosur.

The “new Brazilian diplomacy” of government Lula in fact only revivals the old goal of searching a set for Brazil in the Security Council with new clothes. Since a Reform in The UN’s Security Council is based on power capabilities and in the humors of the Great Powers, such as the US, China and Russia, Brazil is trying to explore at maximum the possibility of alliances, making use of its external policy to achieve its oldest project of international projection.

In an international context which has as its main feature a certain decline in US hegemony to impose its priorities (as the Iraqi war and Doha Round of WTO illustrates), Brazilian aspirations need more and more allied countries within South America region and globally. That is why has a pro-active policy of approaching France, China and Russia is in progress. One should not forget that Brazil has just received President Sarkozy last December. Brazil



hopes that the fact of having recognized China as a market economy (in an open exchange for Chinese support of Brazilian aspiration for a place in the Security Council) will pay-off in the right moment.

Brazilian diplomacy is aware that there is a struggle by other South American countries to occupy part of that space, in particular Venezuela, Argentina and Mexico. However, Brazil feels that it is the most prepared to join the Council not only by the fact that Brazil has already presided it, but for having the more stable macroeconomic conditions and international relations than Argentina. Venezuela would be vetoed by the US under any circumstance. Brazil argues does not represent South America since it is included in FTA with the US.

So, Brazilian diplomacy presents Brazil as the country with more chances of getting accepted as the main representative of South America in case there is a reform in the Security Council.

Brazilian diplomacy acts according to realist perspective, which sees internal arena as anarchical. There is a fight for space, power, prestige in international arena where relations of power and power capabilities prevail.

Brazil is also aware that even in a context of diminishing hegemony, the US will continue to exercise its limited hegemony due to the lack of another actor in clear conditions to challenge its power.

As Gelson Fonseca (1998) states, Brazil became aware that it is too small to influence alone the international system, but too big to accept the international order without any complaint. In Fonseca's view, it is the regional cooperation that makes Brazil a major international actor. However, the regional actors in South America, such as Venezuela, Argentina, Bolivia and Equator insist in behaving outside Brazilian script. The perception – true or false – of those actors that Brazil needs them more than they need Brazil have made them act as they want and have led to innumerable setbacks and humiliations to Brazil's external relations in South America recently, from Venezuela to Equator (FONSECA, 1998).

The lack of Brazilian answers in both situations have led the other local actors to conclude that: 1) Brazil is too big to react and 2) Brazil can not react in order not to "compromise" its image of supporter of peace and peaceful resolution of conflicts (as the UN Charter suggests), even if the other members are not behaving in a way that the UN Charter would approve. It is important to highlight that in conflict situations, Brazil is behaving as a typical candidate of UN Security Council. Brazil tries to follow the UN Charter even when no one else (in South America) is doing so. Therefore, the main focus of Lula's external policy is still directed – as it has been done by Itamaraty in the last 50 years – to obtain the famous seta in The UN Security Council. Howe-

ver, nowadays Brazil is not the sole candidate of South America any longer as it was mentioned above.

The instable context which characterizes South American today reflects that the leadership of Brazil and its influence in the region has been put into question by other emergent actors, such as Argentina, Venezuela and Colombia – and outside the region, even by Mexico – all of them disputing a seat in the Security Council without a clear support or sign from the US government (except Mexico).

Brazil is very interested in expanding its regional leadership that it once hold in the past. In this respect, it has tried to increase its visibility outside the region, taking part in some UN missions in Africa (Angola), Central America (Haiti) and Asia (Timor Leste). Time will say if those missions will bring to Brazil the returns it expected. In some international organizations, such as OECD, Brazil has maintained a double (and dubious) position: taking part in the actions of the organization without being or searching openly its membership.

It is debatable if the fact that Brazil has decided to be one of the main providers of Mercosur's compensatory fund, collaborating with 70% of its amount, will bring the expected political dividends. It might help to bring rebel countries (such as Equator) to its side.<sup>48</sup> These resources could be useful in case the world financial crisis gets out of control.

In the case of a new breakdown of Argentinean economy, Brazil could also use its situation of stability to try to extract political bonus from the situation. However, Venezuela is doing the same. It is using its financial reserves derived from its oils exports to try to attract other countries to its orbit. It has been quite successful up to this point with Bolivia. The fact of Venezuela is buying Argentinean debt in international markets signalizes some political intentions of Venezuela as well.

Brazil's strategy of offering financial support to help the infra-structures of smaller countries in South America through Brazilian Development Bank (BNDES) is still on the agenda. However, the actions of Equator will certainly decrease its speed, since BNDES is under pressure to freeze its international operations in order not to allow another country to act as Equator did. Besides that, the unexpected need of huge sums of money by Brazilian oil company Petrobras, which is stripped of cash, will also suspend some financial operations from Brazil in the South American region for a while. In this scenario, the role that Unasur is expected to play is to offer Brazilian support (loans,

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<sup>48</sup> Brazil can offer new loan to equator in exchange for the payment of its loans to Brazilian Development Bank BNDES.

investments, aid and, in the last case, security) to countries who need them in exchange for the recognition of Brazilian leadership in the region.

Although Brazilian diplomacy wants to keep and expand Brazil's role as a regional leadership, one should expect continuous new challenges to this situation if the financial crisis in the US is not put under control soon. It is not clear, yet, if Brazil will remain outside the financial crisis, as Brazilian authorities wish. If the financial crisis is not completely sorted out by new US elected President Obama in the first semester of 2009, Brazil might be obliged to review its financial priorities. In this scenario, Brazil's international reserves may sound too small to keep an international presence and external influence over smaller South American and Caribbean countries as Brazilian diplomacy wants.

If financial crisis deepens, South American's politics can also go in another direction not desired by Brazilian authorities: neo-populism. If neopopulism prevails, Brazil's role might decrease, and Chávez's role might increase.

Therefore, one can say that we are witnessing two simultaneous situations in South America: *a deteriorating economic scenario*, fall of commodity prices, including oil and gas, which affected South American producers (such as Venezuela, Bolivia and Equator), and *the resurgence of neo-populism*, led by Venezuela, but followed by Bolivia, Equator and Argentina. With neopopulism prevails, the Brazil old leadership will definitely be questioned.

Brazil, and in particular Itamaraty, will have to use all its skills to counterbalance this new trend.

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