

REGIONAL INTEGRATION: MERCOSUR ON THE VERGE OF POLITICAL ORIENTATIONS

Marcelo Pereira Fernandes¹

Rubia Wegner²

Introduction

For almost all South American countries, the beginning of the 21st century symbolized a historic change in the direction of economic development. Several leaders who were critical of the neoliberal agenda put into practice during the 1990s rose to the Republican presidencies by electoral means and in a short space of time. The victory of so many governments identified with the left wing is something unprecedented in the region, but it did not happen by chance. It is the direct result of the failure of neoliberal policies to generate a new phase of growth after the so-called “lost decade” of the 1980s. This unique trajectory in South America was recognized by many authors as a return to a model of economic developmentalism led by the State (Hirst et al. 2010; Fiori 2007). Thus, with this scenario, a new spirit was created about South American integration, especially regarding the Southern Common Market (MERCOSUR).

MERCOSUR has five Member States: Argentina, Brazil, Paraguay, Uruguay and Venezuela, and five Associate States: Bolivia, Chile, Colombia, Ecuador and Peru. Bolivia is in the process of negotiation to be incorporated as a full member. At the time of its creation on March 26, 1991, the neoliberal vision of regionalism prevailed. In this perspective, South American integration would be a part of a broader liberalization process, as well as the entire American continent in which the United States would play a “natural” leadership role. This vision was incorporated into the external agenda during

¹ Professor of the Department of Economics, Federal Rural University of Rio de Janeiro (UFRRJ). E-mail: mapefern@gmail.com.

² Professor of the Department of Economics, Federal Rural University of Rio de Janeiro (UFRRJ). E-mail: rubicawegner@gmail.com.

the two governments Fernando Henrique Cardoso (FHC) between 1995 and 2002.

However, the constraint produced in several countries of the region due to the neoliberal reforms of the 1990s was confronted in the first years of the 21st century with the arrival of governments which identified themselves with an agenda of development, with distinct priorities regarding the integration process of those promoted by previous governments. With this in mind, MERCOSUR introduced an agenda that was intended to go beyond purely commercial objectives of integration, while the Free Trade Area of the Americas (FTAA), a North American proposal that favors an integration focused primarily on trade and that should enter into force in 2005 was stalled.

Thus, within this new integration process, Brazil played a prominent role since the election of President Luiz Inácio Lula da Silva in 2002. In his inaugural speech, Lula stated that Brazil wanted to link its destiny with South America (Silva 2008 [2003]). This closer relationship with the South American countries was maintained by his successor, Dilma Rousseff, from the beginning of her government in 2011, although with some differences and in less favorable economic and political conditions. In this manner, we can say that for these governments MERCOSUR gained a significant geopolitical weight for each country and its strengthening prevailed as a state strategy.

However, the current Brazilian political crisis, which resulted in the removal of President Dilma in May 2016, without any legal basis, thus, forming a coup, started to threaten the integration process built in recent years³ (Hirst 2016; Milani 2016). The current President Michel Temer, during his interim position, determined a neoliberal turn in the economy.⁴ And this was also reflected in foreign policy. In fact, the appointment of José Serra as Minister of Foreign Affairs, an economist with no experience and technical knowledge on the international agenda, marked a profound change of position regarding the way in which Brazil has guided its foreign policy since 2003, especially in relation to South America. Nevertheless, this came as no surprise. Already in 2010, Serra stated that the Bolivian government of Evo Morales was an accomplice of drug trafficking, and that he feared no diplomatic incidents with

3 In general, the international press understood that the departure of Dilma was configured in a coup promoted by the Brazilian parliament.

4 Previously, in October 2015, the “A bridge to the future” program was announced. Under the justification of ‘pacifying the country’, this program establishes a totally pro-market agenda to ‘put inflation in the target’ and resume GDP growth. In this program, Michel Temer’s message that he came into power prepared to replace the president Dilma Rousseff. More information: http://pmdb.org.br/wp-content/uploads/2015/10/RELEASE-TEMER_A4-28.10.15-Online.pdf.

the neighboring country due to his accusation (Senra 2016).

Therefore, the bet of a South-South integration is giving way to a project of approximation with the western powers, notably with the United States. Instead of MERCOSUR, an open regionalism like the Pacific Alliance, in which a neoliberal model of integration prevails, has been gaining priority. This may explain Washington's obsequious silence about the breakdown of democratic order in Brazil.

MERCOSUR had completed its 25th anniversary and has a relatively consolidated institutional structure, which hinders deeper changes, even if a particular government does not have it as a priority. Nevertheless, one cannot underestimate the negative impacts of a radical change of orientation and of the hostilities that the new Brazilian government has been disseminating on the bloc.

The objective of this article is to analyze the changes in Brazil's foreign policy guidelines related to MERCOSUR since the beginning of the Lula government, and the return to the conception of integration of open regionalism with the arrival of Michel Temer to power. Besides this introduction the article is organized in three more sections. In the second section we will briefly review some notes on integration theory. The third section is divided into two parts. In the first one we will discuss the changes that the Lula and Dilma government represented for MERCOSUR, and in the second, under the Temer government, the role of the new chancellor José Serra on the bloc. This, as we show, indicated a return to the conception that prevailed until 2002 with some characteristics that made it even more deleterious as to the possibilities of integration of South America, even considering only the commercial side. And in the last section, the final considerations.

The Theory of Integration and Mercosur: Brief Observations

The model for Latin America's international insertion, systematized by ECLAC in the 1950s, manifested the center-periphery⁵ vision elaborated by Raul Prebisch in the 1930s. In this way, industrialization is the basic variable for overcoming delays between countries. Although the conception of 'old' ECLAC has been considered 'autarchic', Macedo and Silva (2009) point

⁵ The center-periphery view states that, unlike that advocated by the classical and neoclassical theories of international trade, specialization based on comparative advantages would lead to a deepening of the inequality between the periphery - exporter of primary goods - exporter of industrialized goods. Thus, without any intervention by the State, trade relations would not promote the equal distribution of the fruits of technical progress.

out that Prebisch proposed a dynamic approach to the foreign trade policy of the periphery, so that the preferential rates practiced between the countries should reflect the evolution of the productive structure of these countries. Regionalization would be an option for import substitution, insofar as it strengthened the capacity and diversification of export of several countries and allowed the importation of countries of the region that produce at a lower cost (Carneiro 2009). Developmental regionalism⁶ conceives regional integration as strategic importance for the promotion of economic development (List apud Teixeira and Desiderá 2012).

In general, economic integration processes are associated with preferential agreements around foreign trade tariffs of the countries involved. For its turn, liberal regionalism in its theoretical roots⁷ does not see regional trade agreements as positive in terms of well-being, it is a case of second best in relation to a multilateral economic opening, as it would have been defended in the 1990s⁸, above all. As the conventional theory of international trade (protectionism x free trade) does not go deep into aspects related to structural transformations and technical progress, its conception of integration is merely commercialist (Corazza 2006; Teixeira and Desiderá Neto 2012).

Regional economic integration, in conventional theory, can take any shape, either of a free trade area, or a political union. This closed perspective of Balassa (1962) served as a starting point for studies based on more critical perspectives of the process of regional economic integration, especially those in the periphery. Alongside the conventional theory of international trade, it belongs to the pragmatic view of the International Trade Organization (WTO). That is, as far as intergovernmental institutions are concerned, international trade is taken from the perspective of a Pareto optimality world-wide (free trade) and equilibrium, which is the second best (regional blocs). MERCOSUR, founded in 1991, expresses this second-best perspective.

The Latin American Integration Association (LAIA), the Latin American expression of developmentalism of the 1960s and 1980s in regional economic integration agreements, remains more like a regional WTO, in the sense of regulating blocks of trade with Latin American countries. In contrast, it is often remembered the example of East Southeast Asia and, of course, the European Union whose process began in the 1950s with the coal and steel

6 The developmental view of the economic process of integration is based on the studies of Frederick List (1841).

7 Economic liberalism built by Adam Smith and David Ricardo.

8 Schiff and Winters (2003) believe that integration agreements arise in response to the difficulties of multilateralism and in this case the regional blocs would be a step towards integration with the global economy.

agreements and which was only materialized with the Common Agricultural Policy. Both in the periphery and in the example of the center, geopolitical factors weighed heavily to may have some success. This success, not to sound conventional, express itself in terms of trade and investment flows. Moreover, intra-firm trade and income and employment multiplier, without the deepening of the agreement (reduction of trade barriers between countries) caused relative economic development differences between countries.

In this last aspect, the European Union with funds for regional compensation – which were almost all put into check after the euro crisis – is a model. Despite relevant agreements in East and South-East Asia, such as ASEAN and Chiang Mai (recently strengthened by China), the regional economic integration (theory) sustains itself in the European Union. The developmental motivation of industrialization had not inspired or deepened any of these agreements.

However, amongst the countries in the region- since the creation of the Latin American Free Trade Association (LAFTA) and after LAIA⁹- a production integration was not as intense as the one that did take place in Asia (Carneiro 2008). Medeiros (2010) considers that the significance of regional integration occurs when it contributes to productive and technological development, and that free trade in itself - as advocated in open regionalism - would lead to increased asymmetries between member countries.

In addition, the panorama of Latin American integration in the 1990s did not prove promising even in terms of the intensification of trade flows between the member countries. Veiga and Ríos (2007) point out that MERCOSUR and the Andean Community of Nations (CAN) would be the most advanced regional integration schemes in terms of trade liberalization, since MERCOSUR exceptional treatment directed to automotive products and sugar in 2006, accounted for 93% of tariff lines, 80% in trade value, while in the CAN, liberalization was seen as total. However, “the two subregional agreements that explicitly opted for the customs union model and deeper integration projects have been able to establish, in the last fifteen years, free trade areas with significant coverage - an objective that, from the standpoint of the models above, is only an intermediate goal. “ (Veiga and Ríos 2007, 10).

In the early 2000s, the pink-tide movement (Fiori 2011) in much of South America triggered the resurgence of developmentalist ideas. Veiga and Ríos (2007) define this new reality of greater regional economic coordination and cooperation, that goes beyond trade issues, as a post-liberal regionalism.

⁹ LAFTA, created in the 1960s, aimed at the establishment of a common Latin American market and was replaced in the 1980s by LAIA.

In 2009, the Union of South American Nations (UNASUR) member countries created the South American Infrastructure and Planning Council (COSIPLAN) to provide greater political and strategic complexity for regional physical infrastructure integration activities. In this way, the aim is to ensure that the management of resources for the financing of infrastructure investment is not depleted of the promotion of economic integration and development (Calixtre and Barros 2010).

In the 1980s, when Brazil and Argentina began their talks for regional cooperation, they did so focusing on infrastructure such as the Integration and Economic Cooperation Program (PICE) in 1986. But in a complete opposite perspective. Today's regional infrastructure seeks to provide means for exports, with an outward prospect, in order to facilitate the outflow of multinational enterprises (e.g. like the Chinese ones). As a justification for these options, it is often remembered that improving position in global value chains will depend on improvements in logistics connections between countries (as in Asia).

In the 2000s decade, MERCOSUR's political issues were hand in hand with the purpose of deepening South American infrastructure. The qualitative leap for the built of a physical infrastructure to connect all South American countries took place in 2000, when, during Fernando Henrique Cardoso's government, the proposal for the creation of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) was presented. IIRSA was institutionally supported and structured by the Technical Coordination Committee (CCT) with the support of the Inter-American Development Bank (IDB) and of the Andean Corporation (CAF)- which from 2007 onwards was renamed the Development Bank of Latin America - and the Financial Fund for the Development of the Silver Basin (FONPLATA). The main justification for the creation of IIRSA was based on the premises of open regionalism, that is, on the promotion of private investment, as well as on sustaining higher levels of competitiveness in international markets (Corazza, 2005). The planning of the investment portfolio in infrastructure and the corresponding territorial division of South America was carried out by the Technical Coordination Committee (CCT), following criteria of geographical proximity and productive complementarity and economic base.

The treatment of South American physical integration by indicative territorial planning in integration and development axes (IDA) followed a multinational logic of identification of similarities regarding natural resources and commercial flows and productive bases, which would indicate a purely geo-economic treatment of the process of integration of the sub-region. South American economies dependent pattern of international insertion to the

countries' weak links. Not only natural and geographical factors such as the Amazon region and the Andean mountains imposed difficulties, but also the need to guarantee the flow of goods (in particular commodities) to developed economies, pushed for the need for the infrastructure framework to "look outside". Historically the urban centers of the region's economies have been built on the coastal and their adherence to local productive and logistic chains became a concern only in the twentieth century. And it was only in the 1990s, when the auspices of the regional trade blocs as the second best to free trade pointed to the direct correlation between trade competitiveness and logistics, that infrastructure projects to build regional physical links.

Nevertheless, trade flows are determinant of the level or stage of economic integration, although cooperation agreements, in general, constitute the preamble of economic integration. Few products explain the export pattern of the countries of the region to China. Basically, raw materials such as soy *in natura*, iron ore and fossil fuels. The major economies of the region, such as Brazil, have China as their main trading partner, overtaking the United States. In 2015, according to IDB (2016), the bloc's exports fell by 22.4% to around US \$ 300 million - 33% below the level of exports registered in 2011. The preferred destination of the block exports has been Asia (without the Middle East): 31.2% exports and 29.8%, imports. Within the bloc, Brazil is the economy that over the years has maintained trade surpluses with all countries of the bloc, although in sharp reduction since 2009.

Between 2013 and 2016, it is worth mentioning, the values of the export guidelines of the MERCOSUR countries decreased due to the reduction of international prices of the main commodities, as well as the economic downturn. Political instabilities, especially experienced by Brazil and Venezuela, have contributed to a pattern of instabilities in trade exchange rates. It can be considered that the institutionality of the bloc itself has been unstable. With the scenario of macroeconomic, political and commercial instabilities, the institutional integration agenda did not make progress. In recent years, under the Uruguayan and Paraguayan presidencies, in the assessment of the IDB (2016), commercial tensions predominated due to the position, mainly of Argentina, to hamper imports. Then, mainly because of Brazil's position, the bloc's meetings were dominated by a lack of consensus regarding the exclusion of Venezuela and its ability to exercise the pro-tempore presidency.

An internationalized MERCOSUR agenda has given way to an internal agenda, albeit weakly, aimed at strengthening productive links between countries. In the perspective of the "pink tide", as discussed in the next section, we sought to deepen the integration between countries - although these actions looked more towards South America - considering that superficial

arrangements anchored in the mere increase of trade flows could only deepening inequalities between the bloc's economies. The bloc's economies are converging to sign bilateral agreements with the European Union, China and the Pacific Alliance (the last one in decline). In addition to the political changes within the bloc itself, conventional economic integration is also affected by the world's instability.

Mercosur and the Economic Integration Process Since 2000

Mercosur and the Pink Ride in South America

Embedded in different economic, ideological and political contexts, the objectives of regional integration projects change over time. In Latin America in the 1960s and 1970s it was understood that integration should support a project aimed at overcoming structural obstacles to the industrialization process, especially those related to the size of the markets and the need to transpose the limits created for the production of capital goods, as well as to minimize the external vulnerability of the countries of the region (Furtado 2007). In the 1990s, however, the focus of integrationist discourse became market liberalization, and in this context, integration schemes should foster international trade. In this view, it was assumed that trade liberalization among economies would broaden the regional market promoting a certain specialization among sectors of economies, as well as reducing costs and gains in scale. This "open regionalism" was the way in which MERCOSUR was conceived on March 26, 1991 (Gonçalves et al. 1998, 89).

In the early 2000s, with the arrival of left-wing and center-left governments, MERCOSUR began to seek new directions that sought to go beyond the merely economic objectives of integration (Vadell et al. 2009; Coutinho et al. 2007). According to Hirst et al. (2010, 23), unlike the previous period when foreign policy was an accessory to macroeconomic stability in order to ensure international credibility, foreign policy became proactive and pragmatic underpinned by three pillars: (i) maintaining economic stability; ii) recovery of the State's role as organizer of a neo-developmental agenda; (iii) social inclusion and the establishment of an important mass market¹⁰.

¹⁰ About the concept of developmentalism of the Lula government, Fiori (2007, 259) considers that: "its strategic objective is not to build socialism, it is to 'unlock Brazilian capitalism', so that it achieves high growth rates capable of creating jobs and increasing the salaries of sustained form, strengthening the fiscal capacity of the investment and social protection of the Brazilian State".

The first symbolic act of the new foreign policy guidelines is in the document “Consensus of Buenos Aires”¹¹ signed by the presidents of Brazil, Luiz Inácio Lula da Silva, and Argentina, Néstor Kirchner, in October 2003. The document’s purpose was to highlight the economic actions, and especially policies of both governments, such as strengthening democracy and the MERCOSUR institutions and the fight against poverty. In March 2004, the two governments announced new measures to intensify cooperation between South America with the “Copacabana Act”. Another important step was taken at the MERCOSUR Ouro Preto Summit in 2004, when Ecuador, Colombia and Venezuela became part of MERCOSUR as associated states (Amorim 2005, 2).

The new commitments made in favor of integration were visible in a set of initiatives that expanded MERCOSUR’s institutional structure aimed at reducing economic inequalities, at the social agenda and at human rights (Klemi and Menezes 2016, 142). The reduction of asymmetries has become a central theme in MERCOSUR. In this sense, the MERCOSUR Structural Convergence Fund (FOCEM) was created in December 2004, and established in June 2005, with the objective of reducing asymmetries within the bloc, which in turn strengthened the integration process. FOCEM finances programs that encourage structural convergence, increase competitiveness and contribute to social cohesion, especially in less developed regions¹². FOCEM receives non-refundable contributions totaling \$ 100 million per year. Brazil is the largest contributor to the Fund, earmarking 70% of resources, and Paraguay and Uruguay are its largest beneficiaries.

The Social Institute of MERCOSUR (ISM) was also created in January 2007 and started operating in 2009. With permanent headquarters in Asuncion, it aims to intensify the social issue in the integration process. And the Institute for Public Policy and Human Rights (IPPDH) in 2009 with the purpose of supporting the strengthening of national capacities, institutions and public policies in Human Rights. Also, among the actions to advance integration are the formation of the MERCOSUR Parliament (Parlasul), a legislative and consultative body of the MERCOSUR peoples, which came into operation in 2005.

Another important initiative was the creation of the South American

¹¹ The counterpoint to the so-called Washington Consensus, launched in 1989 that supported neoliberal policies in the 1990s obviously.

¹² Several projects are focused on social areas, such as rural settlement, basic sanitation and housing (Subsidized housing) construction. While others aim to improve the integration of physical infrastructure, such as road construction and recovery and the transmission of electricity (Dulci 2010, 8).

Communities, renamed the Union of South American Nations (UNASUR) in 2008 to integrate MERCOSUR and the Andean Community, as well as to inaugurate a common agenda for the South American countries, aiming at the development of the region¹³ (Oliveira and Silveira, 2015). The South American Defense Council emerged from Unasur (Hist et al. 2010). The Defense Council is a decision mainly of Brazil, as expressed in the document “National Strategy of Defense” launched in the same year by the Brazilian government. Thus, in addition to advancing South American cooperation in defense, security, and military industries, the Council promoted a correct resistance to the United States military presence in South America and the US position of considering the American continent as a space strategy for their interests (Saint-Pierre, 2009). The South American Infrastructure and Planning Council (COSIPLAN) also emerged from UNASUR to grant greater political and strategic complexity to the activities of regional physical infrastructure integration. In this way, the aim is to ensure that the management of resources for the financing of infrastructure investment did not distance itself from the promotion of economic integration and development. COSIPLAN, started to manage the portfolio of investments in infrastructure projects between South American countries, replacing the financial institutions BID, CAF and Fonplata – which were a part of IIRSA. We can also mention the creation of the University of Latin American Integration (UNILA) in 2010 in Foz do Iguaçu on the triple border. From the beginning of its activities, UNILA already received students coming from Brazil, Argentina, Paraguay, Uruguay.

Regarding economic issues, we must highlight the rejection of the FTAA project, a competing project to MERCOSUR (Batista Jr. 2008), which was ‘buried’ during the Mar Del Plata Summit of the Americas (2005). At the time, MERCOSUR, in a united position and with the support of Venezuela, prevented the progress of the free trade project proposed by the US government in 1994 (García 2013, 56). In the same way, we can observe some initiatives that aim to deepen financial cooperation, anchored both in the institutional framework of MERCOSUR and in economic integration projects

13 In the evaluation of some authors, such as Calixtre and Barros (2010) and Bandeira (2006), South America, although in a diffuse way, has always been present in Brazilian foreign policy, such as in the early 20th century, when the subcontinent was a strategic variable, given the definitions of national borders. Later, in the 1930s, the region became the locus of national developmentalism and also of its frustration. From the 1980s onwards, Brazil’s relations with its South American neighbors became embodied in relevant agreements, such as the PICE between Brazil and Argentina, the Amazon Cooperation Treaty (TCA) in 1978 between Venezuela and Brazil, Treaty of Rio de la Plata (TRP), in 1969, among the countries of the River Plate basin. Calixtre and Barros (2010) emphasize that the Brasilia Summit, held in 2000, represented the milestone to consolidate the concept of South America in politics.

between South American countries. From the perspective of financial cooperation, we can mention the agreement for compensation of commercial transactions between local currencies between Brazil and Argentina signed in 2008. And the intensification of the presence of Embra in South America seeking to foster economic growth through technology transfer and exchange of knowledge and experiences in the field of agricultural research (Hirst et al. 2010).

The general lines of the integration agenda remained during Dilma Rousseff's government (2011-2014), mainly in relation to South America (Klemi, Menezes, 2016, Oliveira and Silveira 2015). However, this happened under adverse economic and political conditions, which created difficulties for the advancement of Brazilian diplomacy for MERCOSUR and for the South American integration process as a whole.

Crisis and Radical Change

On May 12 Dilma Rousseff was removed by the Federal Senate from the presidency of Brazil. Although not definitive, since it had a period of up to 180 days to defend itself¹⁴, Vice President Michel Temer took over as interim and initiated a change in all Ministries. And it was exactly in the Ministry of Foreign Affairs that the change of course was probably the most radical. José Serra's choice effectively expressed a profound change in Brazilian foreign policy.

From his inauguration in May 2016 until he left office in February 2017, the then Minister José Serra applied a diametrically opposite agenda to the one that had prevailed since 2003, and we can affirm, a throwback even when compared to the approach with South America promoted by the FHC government. With a bellicose speech and with a clear contempt for South-South cooperation, the chancellor signaled a foreign policy focused strictly on trade and on closer ties with the United States, which have always viewed the process of South American integration with suspicion (Batista Jr. 2008, 237). Therefore, in a threatening tone, one of the first measures of the new minister was to request a study of the cost of diplomatic posts opened during the Lula and Dilma governments in Africa and the Caribbean. José Serra also considered the MERCOSUR - in his own words delivered in a senate speech

¹⁴ During this period the Senate would have to collect evidence and hear prosecution and defense witnesses to support the final decision. But that was only a formality, since, the whole process was political, and the decision of the senators were already taken. The definitive departure of President Dilma took place on August 31.

in March 2015 - a “megalomaniac delirium” - and that its maintenance meant a commercial retrogression for the country (Serra 2015). It is symptomatic, for example, the withdrawal of the MERCOSUR flag from the Itamaraty front.

In his inaugural speech, Serra assured that:

One of the main focuses of our short-term diplomatic action will be the partnership with Argentina, from with which we share similar references for the reorganization of politics and the economy. Together with the other partners, we need to renew MERCOSUR, to correct what needs to be corrected, with the aim of strengthening it, first and foremost, about the free trade among its member countries, which still leaves something to be desired, to promote a shared prosperity and continue to build bridges, instead of deepening differences, in relation to the Alliance for the Pacific, which involves three South American countries, Chile, Peru and Colombia, plus Mexico (Serra 2016a).

However, as we will see, unlike the inaugural speech, its declarations and subsequent acts were aimed at weakening MERCOSUR and the South American integration project. His first decision as chancellor was to “emphatically reject” international criticism of the impeachment process. Serra quoted directly, Cuba, Bolivia, Ecuador and Nicaragua, and the Bolivarian Alliance for the Peoples of Our America (ALBA). In a note, Itamaraty stated that:

The Foreign Ministry strongly rejects the statements of the governments of Venezuela, Cuba, Bolivia, Ecuador and Nicaragua, as well as the Bolivarian Alliance for the Peoples of Our America / People’s Cooperation Treaty (ALBA / TCP), that propagates falsehoods about the internal political process in Brazil. This process takes place in a framework of absolute respect for democratic institutions and the federal Constitution (Serra 2016b).

In fact, the first signs given by Serra demonstrated that the new foreign policy would have a mainly commercial character, directed to the traditional partners, Europe, the United States and Japan. A radical return to the “open regionalism” for MERCOSUR. Starting with the incorporation into the Ministry of Foreign Affairs of the Executive Secretariat of the Foreign Trade Chamber (CAMEX), which previously operated in the Ministry of Industry, Foreign Trade and Services. Serra had taken advantage of this decision to attack MERCOSUR. According to him, Brazil would need to conclude trade agreements with different countries and should not be stuck with the bloc that supposedly hindered Brazil’s trade.

In line with his inaugural speech, the new chancellor made his first

official visit to Argentina. In Buenos Aires he met with Argentine chancellor Suzana Malcorra, the Finance Minister Alfonso Prat-Gay and President Mauricio Macri. In the conversation, Serra presented the proposal of flexibilization of MERCOSUR's trade agreements (Dênis and Andreatta 2016), citing a resolution of the bloc, Decision 32 of 2000, which states that trade agreements cannot be made without the block's approval. In reality the proposal was yet another piece of rhetoric.

According to its 1st article. "To reaffirm the commitment of the MERCOSUR States Parties to negotiate jointly commercial agreements with third countries or blocks of countries outside the zone in which tariff preferences are granted". This means that trade agreements cannot be made with tariffs lower than the Common External Tariff (TEC)¹⁵, but the article does not prevent trade agreements with other countries. In addition, there is a list of exceptions that are not imported with the same tariff, which means a differential treatment for a certain number of goods. This gives the member countries considerable autonomy. According to Guimarães and Oliveira (2011, 406): "This treatment has been constantly extended, making the Customs Union (current stage of integration in MERCOSUR) function as a Free Trade Area".

Another point that should be highlighted: the vacancy in the MERCOSUR pro-tempore presidency, after the end of the Uruguay period from December 2015, which was to be delivered to Caracas, put the block in its greatest crisis since its creation in 1991 (Amorim 2016). Article 5 of the Ouro Preto Protocol, signed in December 1994, states that: "The Presidency of the Common Market Council shall be exercised in rotation by the States Parties, in alphabetical order, for a period of six months".

Thus, in alphabetical order, Venezuela should assume the presidency for the next six months. Against this, the greatest resistance came from Paraguay and Brazil, who from the outset rejected the legitimacy of Caracas in assuming the presidency. The argument raised was that Venezuela did not sign the 1998 Ushuaia Protocol - and reaffirmed in 2011 - in which it refers to democracy and human rights. In addition, the Brazilian government has also stated that Venezuela is in default with some compromises agreed to their entry into MERCOSUR (Amorim 2016). However, it should be noted that the Protocol of Ouro Preto does not refer to the penalty of a member for being in default with some commitment; therefore, the claim did not find legal support.

With this understanding, Uruguay left the presidency of the block

¹⁵ TEC came into force with the Assunção Treaty in 1995. In order to unify tariffs on goods, services and trade rights in MERCOSUR, TEC seeks to protect the trade of member countries of import from third countries (Guimarães; Oliveira, 2011).

waiting for Caracas to take over. And since MERCOSUR does not have supranational institutions to solve such problems, as in the case of the European Union, the solution could only come out of a consensus among the States parties. This is where Serra's rhetoric became a strong impediment, in this case, encouraging conflicting positions such as that of Paraguay. On the Paraguayan government there was a resentment, since Venezuela's entry into the bloc occurred when, due to the June 22, 2012 parliamentary coup that ousted President Fernando Lugo, the country had its MERCOSUR participation suspended. On that occasion President Hugo Chávez ordered the ambassador to be withdrawn from Asunción and cut off the supply of oil to Paraguay.

Thus, Serra used this fact to affirm that Venezuela's entry into MERCOSUR happened through a coup led by Brazil and Argentina that jointly suspended Paraguay¹⁶ (Cristaldo, 2016). In this regard, it is important to remember that the decision that suspended Paraguay was taken by all Member States of the bloc. Added to this, the Paraguayan parliament approved the protocol of Venezuela's accession in December 2013, and its relations with Caracas were fully standardized (MERCOSUR Parliament 2013).

Serra's assault on Caracas still generated considerable discomfort with Uruguay. According to Uruguayan chancellor Rodolfo Nin Novoa, Serra tried to buy Uruguay's vote in MERCOSUR against the entry of Venezuela. Novoa stated that:

We did not like it very much that the chancellor (José) Serra came to Uruguay to tell us - he made it public, that's why I say it - that he was coming with the ambition of suspending the transfer and, moreover, that if we had suspended it that we were going to lead talks with other countries, as if wanting to buy the Uruguay vote (Gil 2016).

Despite Montevideo's public complaints against the Brazilian chancellor, the pressure came to an end: on September 13, the chancellors of Brazil, Uruguay, Paraguay and Argentina announced that Venezuela would not take over the rotating presidency of MERCOSUR. In a note the minister Serra justified the change in the game rules:

16 As Sloboda (2015) proved, by considering international law, the justification for the coup does not stand. Paraguay's right to deliberate over the entry of new members according to article 5 of the Ushaia Protocol was suspended, since the democratic order in the country was violated. Curiously, the Ushaia Protocol approved in July 1998 by the four member states of MERCOSUR, and Chile and Bolivia, and that reaffirmed the democratic commitment of MERCOSUR, is the result of Paraguay's coup in 1996.

The Declaration was adopted due to Venezuela's failure to comply with the commitments made in the Protocol of Accession to MERCOSUR, signed in Caracas in 2006, specifically regarding the incorporation into the Venezuelan legal system of norms and agreements in force in MERCOSUR. The deadline for Venezuela to comply with this obligation was expired on August 12, 2016 and among the important agreements and norms that were not incorporated into the Venezuelan legal system are Economic Complementation Agreement No. 18 (1991), the Protocol of Asunción on Commitment to the Promotion and Protection of Human Rights of MERCOSUR (2005) and the Agreement on Residence for Nationals of MERCOSUR States Parties (2002) (Sierra 2016c).

Thus, for six months the presidency of the MERCOSUR was exerted jointly by Argentina, Brazil, Paraguay and Uruguay. Still in a tone of intimidation, the note established that Venezuela was suspended from the block on December 1, if it did not fulfill its commitments, which, in fact, occurred. Likewise, negotiations for the incorporation of Bolivia into MERCOSUR as a full member have not advanced. Serra's ideological and partisan stance clearly aimed to further weaken the government of Nicolas Maduro, who is still embroiled in a serious economic and political crisis. It is worth remembering that before the imbroglio with Venezuela, on June 14, Serra met in Brasilia with the governor of Miranda, Henrique Capriles, one of the main opponents of the Venezuelan government.

Final Considerations

As we have seen, since 2003, with the beginning of the Lula administration, there has been a deepening of the process of economic and political integration with the promotion of several actions within this logic. Those focused on the social issue, especially, such as the creation of ISM and IPPDH. However, since the departure of President Dilma Rouseff there has been a return of the vision of foreign policy with a merely economic bias, perhaps even more radical than that which prevailed during the FHC governments.

However, it is not only a shift of agenda closer to the United States and Europe with the subsequent withdrawal from MERCOSUR and the return of open regionalism. The appointment of José Serra as chancellor marked a significant disruption with the possibility of integration, which puts at risk initiatives such as MERCOSUR Social and the Institute of Human Rights. In the short time that he remained in office, Serra created several animosities among his members. The current Minister Aloysio Nunes named after the

departure of Serra has maintained this framework.

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ABSTRACT

The aim of this paper is to analyze the change in the orientation of Brazil's foreign policy after the beginning of the Temer government, highlighting the main measures related to MERCOSUR. With the appointment of José Serra as Minister of Foreign Affairs, a profound change of position took place in relation to the way in which Brazil has guided its foreign policy since 2003, especially in relation to MERCOSUR. Evidence shows that the focus of South-South integration is likely to give rise to a project of rapprochement with Western powers, notably the United States.

KEYWORDS

MERCOSUR; Integration; Foreign policy.

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