

The State of Brazil's South American Project

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Starting around the year 2000, Brazil set out to turn South America into a cohesive region in world politics. This was a conscious attempt to downgrade the more diffuse “Latin America” as the core geopolitical formation anchoring Brazil’s regional policies. Building up South America as a region and deepening Brazil’s influence within that strategic space have been Brasilia’s most persistent foreign-policy goals throughout the administrations of Fernando Henrique Cardoso (1995–2002), Luiz Inácio Lula da Silva (2003–2010), and Dilma Rousseff (2011–present).

Brazil’s South American policy constituted a major departure from the past. Before 1982, no Brazilian head of state had ever set foot in Colombia, Peru, or Venezuela. And for all of Brazil’s emphasis on regional integration during the 1990s, the dominant focus was on its three Southern Cone neighbors—Argentina, Paraguay, and Uruguay—rather than South America as a whole.

In this paper, I argue that Brazil’s attempt to transform South America into a distinctive regional formation began as a deliberate effort to build international political authority and secure markets. It was also a move to resist US encroachment in Brazil’s immediate sphere. These objectives cut across party lines and have been strong enough to survive the political transition from a center-right coalition under Cardoso to a center-left alliance under Lula and Rousseff.

However, from its very beginnings, Brazil’s South American project has been tentative and partial. Brasilia embraced the region in fits and starts, and while Brazilian politicians of all stripes make a *rhetorical* commitment to the idea of a united South America, they have been deeply ambivalent about the implications of such a policy in terms of commitments and resources.

It is perhaps no wonder, then, that today the project shows unquestionable signs of strain. After a decade of high hopes and a plethora of initiatives, the actual results are decidedly mixed. Even the most fervent believers of the South American strategy now speak of it as an aspiration rather than a reality. And many believe that some of its achievements are at risk.

Whoever wins the presidential election in October will have to grapple with the challenges besetting Brazil’s current regional policies. Populism, ethnic nationalism, narcotics, guerrilla warfare, deforestation, unlawful pasturing, economic decay, and political upheaval in the region all stand to deeply harm Brazil’s own national interests, as well as those of its neighbors. Because levels of interdependence are too high to ignore, Brazil can hardly afford to do without a policy framework to manage its relationship with the rest of South America.

The first section of this paper describes the main characteristics of Brazil’s regional strategy. The second explains the core factors driving the approach, with reference to geopolitics, ideology, and domestic politics. At the end, I turn to an assessment of future prospects.

FOREWORD

The Inter-American Dialogue is pleased to publish this working paper by Matias Spektor, a leading expert on Brazilian foreign policy. Spektor is an associate professor at the Fundação Getúlio Vargas in Rio de Janeiro and is the author of several books on international affairs including *Kissinger and Brazil* (2009), and *Azeredo da Silveira: A testimony* (2010). From January to December 2013, he held the Rio Branco Chair in International Relations at King's College London.

Accounting for roughly half of the continent's area, population, GDP, and defense spending, Brazil is the unquestioned power in South America. Yet, despite its regional clout, Spektor argues, Brazil's role and vision within its immediate sphere is far from clear. The paper traces the evolution of the country's "South America" project over the past two decades, linking it to Brazil's transformation and a changing global environment. In the end, Spektor maintains, Brazil's regional approach is in need of greater clarity and a meaningful renewal to effectively address the challenges confronting the country and the continent.

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To date, the papers have dealt with a wide range of topics, including Mexican security, the Colombian conflict, political polarization in Venezuela, the situation in Bolivia, civil-military relations in the Andean nations, corruption, petro-politics, and citizen security.

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Michael Shifter

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Brazil's South American Project

Brazil's South American project was the brainchild of presidents Cardoso and Lula. For all their differences, both invested time and effort in a flurry of regional initiatives geared toward securing new opportunities for Brazilian trade, investment, and political clout in what they called Brazil's *vizinhança* (neighborhood). In the process, they hoped to transform South America into a point of reference in world affairs. To be sure, they did not design the policy from scratch. On the contrary, the ideas and interests behind region-building have historical antecedents dating back some twenty years. This section reviews the policy's background before describing the South American turn under Cardoso and Lula.

Background

For most of the twentieth century, Brazil all but ignored its own region. Part of the explanation is structural. The major centers of economic activity sat on the Atlantic coast to exploit trade with Europe and the United States, making geography a major obstacle to closer ties with Brazil's economic hubs and Andean and Amazonian neighbors.

There were also geopolitical considerations. Successive generations of Brazilian statesmen had come to believe that neighbors could, by and large, be ignored without consequence. They also worried that too active a regional policy would trigger an anti-Brazilian coalition, mostly likely spearheaded by then-rival Argentina. To them, involvement in regional politics was to be kept at a minimum. This policy orientation found additional support in the self-identity of national elites who did not see themselves as members of a Hispanic-American community. Foreign policy reflected an ideology of Brazilian "exceptionalism" rather than one of Pan-American solidarity.

Things began to change in the 1970s when fast-paced industrialization around the city of São Paulo pushed Brazil into co-shared gas and hydroelectricity projects with Bolivia and Paraguay. For the first time in a century, Brazilian statesmen made it a point to launch policies dedicated to increased economic and financial interdependence with neighbors. Old fears within Brazilian diplomatic circles

that Argentina would push back materialized—notably in a protracted dispute over the River Plate basin that many in Brasilia saw as the most difficult diplomatic battle of the century. But Brazil successfully negotiated a shared-usage agreement with its neighbors in the Amazon Basin (1977) and later secured Argentina's acquiescence (1979).

Brazil's efforts were aided by Argentina's decline at the time. The *junta* government in Buenos Aires almost went to battle against Chile (1978), fought and lost a humiliating war against a NATO power (1982), and it saw its economy

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and political regime unravel (1983). Once Brazil ceased to view Argentina as a serious competitor, its readings of the region transformed. By the mid-1980s, the Brazilian military no longer saw Argentina as a plausible enemy, and the ensuing transition to democracy in the two countries drove bilateral cooperation to unprecedented levels.

In the early 1990s, changes in the balance of power and the advent of civilian rule set the scene for Brasilia to make regional policy a cornerstone of its foreign-policy strategy as it moved toward an open economy, freer trade, and low inflation. The prevailing notion was that "regional integration" represented an effective way for national authorities to manage economic globalization, a notion that laid down deep roots in Brazil and, ultimately, paved the way for Mercosur, a free trade area (1991) and eventual customs union (1994).

No Brazilian politician at the time embraced the idea of regional cooperation more than Fernando Henrique Cardoso, who was elected to the presidency in 1994 on the promise to end hyperinflation. He launched a major program to reform the state, open the economy to foreign trade, privatize large state-owned companies, modernize public services, and strengthen a welfare state. Mercosur sat at the heart of Cardoso's strategy. This international agreement locked in domestic tariff reform in ways that thwarted

protectionist lobbies in the Brazilian Congress and in key branches of the executive branch. In other words, it was a tool to fight inflation at a time when the administration needed all the help it could gather.

Mercosur offered an additional benefit: It gave neighboring markets access to Brazilian industrial products that struggled to compete globally. It created a major incentive for foreign capital investment in the industrial hub around the city of São Paulo, the center of gravity for an expanded, regional market. From this perspective, Brazilian authorities saw Mercosur as an aid to industrial policy, too.

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But there was more. When the 1994 US proposal for a Free Trade Area of the Americas (FTAA) reached Brazil, fear spread that a hemisphere-wide trade regime would seriously compromise the protections integral to national industry. Brazil's economy was opening up with lower tariffs across the board, but the FTAA was seen as too radical. Even if Brazilian products were positioned for access to the US market as never before, US manufactures would wipe out Brazil's industrial core. Cardoso closed ranks within Mercosur to delay, protract, and blunt the FTAA. For his administration, the bloc now took on the additional role of defensive shield.

But Mercosur was never envisioned in Brasilia as a mere trade bloc. On the contrary, the emphasis always lay on the *political* nature of the association. This was an agreement among countries that had transitioned to democracy in a region that had seen too little of it. Within years of Mercosur's creation, for example, its members agreed to clauses on democracy and human rights. These new rules emerged in parallel to those of the Organization of American States (OAS), which at the time was busily reshaping the hemisphere's normative landscape. In the eyes of the Cardoso administration, the OAS tracked too closely the preferences of the United States, giving Washington the upper hand in establishing the meaning of concepts such as "democracy" and "human rights." Even if Brazil was a member of the OAS and helped shape the language of its various resolutions

and agreements, Mercosur's legal production was seen from Brasilia as a safeguard against Washington's impositions.

Yet officials thought of Mercosur in terms of the Southern Cone, not South America. At the time, Brazilian foreign policy was carefully calibrated to avoid regional entanglements beyond Argentina, Paraguay, and Uruguay. Cardoso publicly criticized Colombia's war against the FARC guerrillas and declined Bogota's requests for help. His administration also distanced itself from the anti-terror policies of Alberto Fujimori in Peru (only to provide him with diplomatic cover when he fell out of favor with the United

States). When war broke out between Ecuador and Peru, Brazil honored its legal commitments as a guarantor but made it a point to facilitate dialogue between the parties rather than actively mediate the dispute. By and large during

the Cardoso years, engagement with Brazil's neighbors beyond the Southern Cone was minimal.

Then things changed.

In the run-up to Cardoso's reelection in late 1998, a string of clashes among Mercosur members seriously threatened the bloc. The problem stemmed from the fact that the customs union was not completely followed; its many exceptions punctured the common external tariff. Politically, too, the four member states disagreed on a range of issues, a scenario that demanded constant presidential mediation. Non-papers circulating within the Palácio do Planalto discussed the possibility of bringing Mercosur to an end, even though there was not backing from the president, who often repeated: "Mercosur is not an option, but our destiny." Rhetoric aside, serious doubts emerged as to the future of Brazil's regional strategy, and there was a sense that Mercosur was failing to deliver on its promise.

Rather than abandon Mercosur or muddle through, Cardoso began to discuss membership expansion and formal associations between the bloc and third parties in the region. Bringing new countries into Mercosur or celebrating association agreements would not resolve the problems among the four original members, but it would create momentum for more—rather than less—regional cooperation. It would also show that Cardoso was committed to improving relations with neighbors rather than turning his back on them. And, crucially, Cardoso's plans for expansion

would allow his administration to retain the support of the Brazilian private sector, which had benefited so much from the trade generated by Mercosur.

Of course, it was easier to expand membership and seek new extra-bloc connections than to tackle the most intractable problems within the bloc—even if avoidance came with the risk that problems would fester in the long term.

The South American Project under Cardoso's Second Term and Lula

Brazil's regional space began to be redrawn in terms of "South America" on the eve of Cardoso's 1998 reelection. There were several converging arguments for this at the time.

First, it was a strategic rebranding. In the aftermath of the Mexican financial crisis of 1995, Cardoso's key economic advisors had argued that Brazil ought to shake off the legacy of bad debt and political instability so commonly associated with the "Latin America" label. When the Russian financial crisis struck Brazil in 1998, officials in Brasilia believed contagion to be less a function of Brazil's own economic fundamentals and more about market perceptions of Latin American instability. In the midst of a crisis that threatened Cardoso's reelection, they grabbed the opportunity to insist on decoupling from "Latin America." The idea of "South America" provided a solution.

Second, by 1998 many in Cardoso's inner circle thought that Mercosur would not serve as a reliable platform to leverage Brazil's negotiating position vis-à-vis the FTAA. To a significant degree, this view was due to the deterioration of relations with Argentina (over trade, relations with the United States, and United Nations reform). The Brazilians set out to expand Mercosur's membership and link the bloc with associate members in order to limit the damage that conflict with Argentina was causing to the bloc's standing.

Third, "South America" was the next logical step after Mercosur in Brazil's trade strategy with regard to the FTAA. By building blocs, the theory held, Brazil would have a greater say in the final outcome. Even if South America failed to rally around Brazil's position—since securing consensus was bound to be every bit as difficult as it had been within Mercosur—building up "South America" would buy officials in Brasilia time and room to maneuver.

Fourth, Cardoso sensed a shift to the left in regional politics and adapted accordingly. In the face of growing discontent with neoliberal reform in Menem's Argentina, Goni's Bolivia, and pre-Chávez Venezuela, Cardoso reoriented his second-term rhetoric toward a language of self-reliance in an unstable world. He became ever more critical of financial governance dominated by the global north, and he made it a point to denounce the policies of the Bush administration in the run up to the war in Iraq. For Cardoso, "South America"—with its exclusion of Mexico and Central America, long seen in Brazil as too keen on following the US lead—provided distancing from the United States.

Fifth, "South America" was a state-led, pro-business initiative designed to secure markets for Brazilian firms. As

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part of its plans for region building, the Cardoso administration created a range of financial incentives for large private and state-owned companies within Brazil to secure infrastructure contracts under the umbrella of his Integration of South America Regional Infrastructure (IIRSA in the Portuguese acronym). Using these new credit tools, Cardoso presided over large public works expansions near the Brazilian borders and in neighboring countries.

Those were the factors at play when, in September 2000, the president hosted the first meeting of South American heads of state. Incredibly, it was the first time they had convened in the region—and without the presence of a US delegation.

Two years later as Cardoso's tenure came to a close, nobody feared that opposition candidate Luiz Inácio Lula da Silva might abandon regional integration policies. On the contrary, it was expected that Lula would deepen what Cardoso had started.

Indeed, in 2002 Lula ran his campaign on an anti-FTAA ticket. He accused Cardoso of approaching regional integration as a tool for market liberalization rather than as a platform for promoting shared social goals within the regional

community. Picking up on a Cardoso theme, however, he also spoke of the regional space as a place to critique US-style globalization and to resist the FTAA.

When Lula took over the presidency in 2003, he promised to both deepen Mercosur and further institutionalize Cardoso's move to encompass the whole of South America. In this, he did not challenge Cardoso's basic design. He set out to fundamentally expand it. Lula's tenure represents Brazil's most sustained effort to build institutions in the *vizinhança*.

His first term saw a flurry of regional initiatives. Brasilia accelerated negotiations to formally extend Mercosur mem-

than their bureaucracies—took the driver's seat. Neither Mercosur's headquarters in Montevideo nor Unasur's in Quito was given the budget or authority to evolve into its own institution.

Unasur gained momentum in ways nobody in Brasilia had expected, and US influence in South America underwent a marked decline. In 2005, regional states closed ranks against a US-inspired "democracy monitoring mechanism" within the OAS that sought to target Hugo Chávez. Four years later, when news leaked of renewed US military plans in Colombia's "war on terror," regional countries pushed back,

extracting concessions on transparency and confidence-building from the government of Álvaro Uribe. A year later in Bogota, the incoming government of Juan Manuel Santos chose not to ratify the agreement with the United States. It launched its own rapprochement with neighbors.

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bership to Venezuela. In 2004, it agreed to a dispute-resolution tribunal for the bloc (Tribunal of Appeals) and to the establishment of the office of secretary general to run Mercosur headquarters in Montevideo and represent it at international meetings. In 2006, Brazil supported the creation of Parlasur, in theory Mercosur's top community institution, and FOCEM, a financial mechanism through which wealthier Brazil and Argentina could lend money for infrastructure projects in Uruguay and Paraguay, the smaller economies in the bloc.

In 2004, Lula pushed for a South American Union (Unasur). The original plan closely resembled Cardoso's in that it sought to foster infrastructure cooperation among neighbors. But early in his new administration, Lula also argued for a South American Defense Council to promote dialogue among military establishments and to deepen the levels of political consultation within the group.

The project was designed as strictly intergovernmental, with no supranational organization. Crucially, there was no serious emphasis on the emergence of a new, shared, South American identity among members. Decision-making was kept in the hands of national authorities, not communal ones. Capital cities retained veto power, and no tools were put in place to collectively push countries toward greater integration. Member-state presidents themselves—rather

In the years that followed, Bolivia and Venezuela ejected the US Drug Enforcement Administration (DEA) and USAID; Ecuador refused to renew the lease on a US airbase in Manta; and Argentina, Mexico, and Uruguay decriminalized drugs for personal use. By and large, South American states bolstered their ties with Cuba while insisting that the US embargo be lifted and the island be formally returned to the inter-American system. Regional governments also provided strong rhetorical support for Argentina's claim on the Falkland/Malvinas Islands, putting them at odds with the European Union as well as the United States.

Unasur's cause was helped by the wave of *neogolpismo* that saw the Lula administration become closely involved with conflict resolution and dialogue facilitation in Venezuela (2002), Honduras (2009), and Ecuador (2010). In 2012, when the Paraguayan Congress impeached the president in procedures lasting only 24 hours, Brazil denounced a violation of due process and rallied Mercosur and Unasur to suspend the country's membership in each. Also in the mix was the active role of Unasur in the 2008 crisis in Bolivia and the aftermath of Colombia's military incursion into Ecuador, as well as its good offices in this year's conflict between *chavismo* and the opposition in Venezuela. In all these events, Brazil tried—although not always with the same intensity or success—to get South America to frame a

common response under the auspices of Unasur. To many, this was a conscious effort to displace the OAS.

Even if Unasur had none of the explicit anti-US overtones of ALBA, the 2004 Bolivarian Alliance for the Peoples of Our America, an initiative by Cuba and Venezuela, the region's marked move to the left brought Unasur a far more ambitious agenda than the Lula administration initially had in mind. Very quickly Unasur became a forum in which to debate regional policies for the elimination of social exclusion, poverty reduction, access to health and social security, and the protection of indigenous peoples.

Perhaps unsurprisingly, in the process of building up South America as a distinctive region, Lula became personally involved in the domestic politics of neighboring states. Whenever elections took place, he made no qualms about overtly supporting friends and allies on the left, such as Néstor Kirchner in Argentina, Evo Morales in Bolivia, Michelle Bachelet in Chile, Rafael Correa in Ecuador, and Hugo Chávez in Venezuela. As expected, opposition parties in Brazil questioned Lula's use of Unasur as a tool for party solidarity across borders and denounced the administration's regional policy as ideologically driven.

Dilma Rousseff, Lula's anointed successor in 2010, has not followed her predecessor's foreign policy activism. This is due to her personal disinterest in foreign affairs as well as pressing domestic issues. She has cut down on travel and international commitments, and she employs none of the inflamed rhetoric and body language that Lula displayed at regional gatherings. In practical terms, however, she has all but followed the policy framework of her predecessor.

Obstacles

From the outset, Brazil's South American policy has had to cope with recurring tensions and contradictions.

For one, there was resistance to Brazil's vision for regional order. Argentina was explicit in denouncing the dangers if Brazil remained unchecked in its ability to set the terms of reference for Unasur. By the mid-2000s, Argentina was closely consulting on regional affairs with Venezuela and showing openness toward Mexico (the one country that

had accused Brazil's Unasur proposal of undermining Latin American unity).

Lula also encountered problems in his relationship with Chávez, whose mercurial style in the early Unasur meetings often frustrated Brasilia and got in the way of some of Lula's original plans for the group. When Chávez set out to create a Bank of the South to rival the International Monetary Fund, for instance, Brazil worked behind the scenes to moderate the rhetoric and the levels of ambition. Getting the terms of reference for this new mechanism right and approved was a difficult protracted process between Brasilia and Caracas.

Another obstacle was the region's geopolitical complex-

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ity. The Southern Cone states have formed a loose security community where diplomatic friction is unlikely to turn into destabilizing hostility, but the same cannot be said about Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela, all of which coexist with long-lasting and deeply entrenched disputes. From a Brazilian perspective, turning South America into a sphere of peace and cooperation has proved more challenging than anticipated.

The proliferation of regional associations also complicated Brazil's hope that Unasur might evolve into the prime venue for regional integration. ALBA and the Community of Latin American and Caribbean States (CELAC) offer a militant, overtly anti-US platform on the left that sits uneasily with Brazilian preferences. Meanwhile, the Pacific Alliance with Chile, Colombia, Mexico, and Peru challenges Brazil from the other end of the spectrum, emphasizing freer trade and an interest in preferential access to US and Asia-Pacific markets. While these institutions add new layers of regional institutionalization in South America, they also test Brazil's own vision and often lead to further fragmentation.

Brazilian officials also struggled with the project's geographic parameters. For all the emphasis on "South America," Lula in the 1980s and 1990 built close ties to the left in Central America and, as president, saw it in Brazil's interest to act upon them. He traveled extensively to Central America, opening new embassies and consulates.

In addition, “Latin America” retains significant purchase in his Workers’ Party’s own rhetoric and foreign relations, undermining any claims to exclusivity for “South America.” There are financial difficulties, as well. As Cardoso did before him, Lula mobilized business interests behind his regional policy; in 2003, he amended the by-laws of the Brazilian Development Bank (BNDES) to provide financing for Brazilian firms operating in other countries. But as a wave of Brazilian investment began to flow, it looked for business not only in South America but also in Central America. Material interests, therefore, militate against too

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narrow a notion of what Brazil’s region might be. It remains to be seen whether the “South America” concept will pass the test of time in Brazil’s foreign policy.

Finally, there is the issue of leadership. Brazilian officials from Cardoso to Lula have thought of regional policy as a tool to leverage their country’s national autonomy in a world of political and economic instability. The emphasis was on advancing Brazilian interests in a context of low-cost cooperation. They never planned for—nor designed tools to cope with—demands that Brazil take the lead in resolving collective action problems, shouldering the costs of integration, or mitigating the massive imbalances of power, wealth, and influence that mark its relationship with neighbors. This has created serious problems for the Brazilian strategy.

The sentiment in the region is that Brazilian officials, more often than not, are unwilling or unable to act as regional leaders. Perhaps nothing illustrates the point better than the management of intra-region imbalances. By 2012, Mercosur’s tribunal of appeals had issued only six sentences and three consultative opinions, largely owing to Brazil’s reluctance to support its activities. Behind Brazil’s lead, Parlasur developed no legal competences, no oversight capacity, and—in violation of its constitutive protocol—no popular representation. Also, Brazil actively opposed a supranational court of justice as Paraguay demanded.

And no provisions were put in place for the oversight of BNDES’s South American operations, despite a crisis that arose between the bank and Ecuador because of a lack of transparency in banking operations.

There is a fundamental disagreement in South America regarding Brazil’s intentions. From Brasilia’s perspective, the South America project was never designed to be one of overt hierarchy or top-down imposition on subordinate neighbors. On the contrary, it was tailored to be low cost, not just for Brazil but for all. Countries made no commitment to pool their national sovereignties into authoritative regional bodies, nor did they have to invest in deep and expensive regional institutions that could tie them down. However, this attitude is seen in the region as a signal that Brazil is reluctant to accept checks on its own

power in return for cooperation. This makes it difficult for all ten countries abutting Brazil’s borders to jump on its bandwagon.

Because of these hurdles, the actual results of Brazil’s regional project are less impressive than the original ambitions and rhetoric suggest.

Brazil’s Behavior in South America

What accounts for Brazil’s attitudes? And how likely are they to change?

Geopolitics

On the face of it, Brazil has the resources to become a regional leader. Yet scratch the surface, and geopolitics point in the opposite direction.

Brazil accounts for more than half of South America’s wealth, population, territory, and defense budget. If power were a product of relative capabilities alone, then Brazil would be more powerful in its own region than China or India in Asia, Turkey or Iran in the Middle East, or Germany in Europe. The power asymmetry in South America has only grown. In the 2000s, Brazil moved to the seventh position, from fourteenth, in the world economy, and extreme poverty fell by a factor of 25 percent, transforming the Brazilian

democracy as we know it. With an expanding tax base at its disposal, the Brazilian state became even better equipped. Its national development bank gives out more loans than the World Bank, and Brazil has become a major source of credit and investment in its own region.

However, Brazil's geopolitical position militates against a policy of deep regional commitments. Brazilian leaders count on a good deal of geopolitical slack—the ability to take their security for granted. There are no major threats on the horizon. Fear, when it occurs, is minimal and largely concentrated on US-Colombia cooperation to militarize the “war on drugs.”

Brazil's comfortable geopolitical situation means its leaders have little incentive to sponsor a deep regional strategy. They prefer to stick to arrangements in which bureaucratic requirements are minimal, presidential diplomacy sets the parameters for cooperation, and institutional costs stay low.

There is little or no appreciation of the most serious dramas affecting the daily lives of most Brazilians. Urban violence fueled by organized crime, drugs, and illegal weapons are a regional rather than a national problem. Sustainable solutions will only work if they are pursued at the regional, not the national, level. In this sense, and contrary to what most officials think, Brazil's regional security is not plentiful, but scarce.

Ideology

For most of Brazil's life as an independent state, foreign policy emphasized a distancing from its neighbors, breeding a sense of isolation vis-à-vis the region. This was not due just to the fact that Brazil was a Portuguese-speaking monarchy in the midst of Spanish-speaking republics. Equally important, there was a deeply rooted sense that if neighbors were unstable, volatile, and hard to manipulate, they were also easy to ignore.

Notions of regional interdependence—where the fates of neighbors deeply affect life in Brazil and vice-versa—never lay deep roots. Yes, both Cardoso and Lula understood that Brazil's place in the world was affected by its ability to organize some form of regional platform. But the emphasis was always on the region as a tool to improve Brazil's own autonomy.

As it was in the past, today's recurring argument among pundits, academics, politicians, generals, and professional diplomats is that the region is too complex and too difficult to manage, and disengagement may serve Brazil best.

These ideological blinders have obscured the degree to which changes in the political economy of South America have, in fact, transformed the relationship between Brazil and its neighbors. As a major and growing regional creditor, investor, consumer, and exporter, Brazil's economic fate is interconnected with that of its neighbors.

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By the same token, such blinders make it difficult for Brazilian governing elites to come up with institutional frameworks that ensure that Brazilian interest is properly contained when crises erupt in the region.

Domestic Politics

There is a strong streak of public opinion in Brazil that doubts the benefits of deep regional integration. The argument against entanglements, which comes from both the left and the right, remains the prevailing way of thinking about the region. In the past few years, it has spilled into party competition. Cardoso's PSDB has attacked the regional policies of Lula's PT, and regional policy is the one diplomatic issue that opposition candidate Aécio Neves is likely to flag against incumbent president Dilma Rousseff in the upcoming October elections.

For the opposition, the regional policy of the Lula/Rousseff years has become too costly. The PT, they argue, has engaged in *diplomacia da generosidade* (diplomacy of generosity), an attitude of economic and political leniency toward unruly neighbors governed by the left, among them Argentina, Bolivia, and Venezuela. While none of the governing leaders in those countries think Brazil is “generous,” the leading opposition party will condemn as too lenient policy that reduces Brasilia's room to maneuver in regional

affairs. Neves has also called for scaling back Mercosur as a customs union. The bloc, he says, undermines Brazil's autonomy to negotiate a new generation of trade agreements, notably with the European Union. Turning Mercosur into a free trade area, Neves argues, would put Brazil in a better position to negotiate, transcending a decade of little progress in Doha. While these are clear indications of what an opposition government would seek to do about trade strategy within Mercosur, Neves has yet to offer his own vision of the region and Brazil's place in it.

There is no blueprint from the governing camp on how to tackle the most serious problems affecting Brazil's regional strategy nor is there a serious assessment of lessons learned since the Lula period.

Rousseff has offered no more than the standard pro-integration spiel. Her campaign has accused the opposition of wanting to dismantle regional unity as a first step toward alignment with the United States and neoliberal globalization more generally, and Workers' Party officials time and again restate their commitment (*compromisso*) to a united South America. This is echoed by trade unions, social activists, bloggers, and sympathetic academics who argue for deeper levels of people-to-people ties within Mercosur and Unasur. But what this entails is unclear. There is no blueprint from the governing camp on how to tackle the most serious problems affecting Brazil's regional strategy nor is there a serious assessment of lessons learned since the Lula period. Neither the government nor the opposition has a plan to revamp or reorient regional strategy—or, at least, none that is publicly discussed.

What Next?

In the 2000s, Brazil's leaders conceived of their regional initiative in grand strategic terms. They defined a set of goals and the means to achieve them, stepping up the scope and depth of their regional commitments accordingly.

The resulting picture is mixed. From a Brazilian perspective, there are clear successes. The FTAA never took off while intraregional trade grew; the US-led "war on drugs" in the region laid root only partially; Mercosur managed to survive one internal crisis after another; Unasur became a staple institution in regional politics; and poverty alleviation, social inclusion, citizen security, human rights, and democracy get more serious treatment in the proceedings of regional diplomacy than ever before.

There is a list of failures, too. Mercosur could only extend membership to Venezuela in 2012 by temporarily suspending Paraguay. Intra-bloc acrimony remains high and there are serious doubts as to the future viability of a customs union. Many see Mercosur as a hindrance to integration in the global economy. Within Unasur there are serious doubts as to Brazil's intentions and ability to deliver on public goods. Furthermore, Brazil's two major regional allies today—*chavismo* in Venezuela and *kirchnerismo* in Argentina—face uncertain futures, not to mention accusations of incompetence, corruption, and questionable democratic credentials. To complicate things further, many see the Pacific Alliance, with its emphasis on free trade and market friendliness, as a challenge to the more interventionist practices of the Mercosur area.

In this context, can Brazil sustain its vision for "South America?" If so, will the next administration do that by keeping the existing strategy intact, by developing an alternative concept, or by simply muddling through?

The space for new foreign policy initiatives is likely to be limited. After all, the big questions pertaining to Brazil's social contract have been reopened. As we saw with massive protests that erupted around June 2013 and have popped up intermittently since, it is not simply that people demand better public services, less corruption, and political reform to cleanse the system from the impunity that is a hallmark of Brazil's public life. Nor is it purely about sensitivity to the dangers of economic mismanagement. There seems to be

something more fundamental at play in the growing public dissatisfaction with the compromises made in economics, politics, social policy, and elsewhere during the long Cardoso/Lula era.

Whether the next Brazilian president will be in a position to double down on the South American project or take it in new directions is likely to depend on two major factors. First, there is linkage between regional policy and domestic policy reform. A belief that freer regional trade might significantly help quell price inflation at home, for instance, would set the scene for progress in regional policy. There is also a theory that better regional coordination in tackling the illicit trade of drugs and light weapons may help reverse the growing sense of insecurity so integral to the public mood. If the next administration is willing and able to make more explicit connections between the regional and the national, there may be room for updating the “South America” project.

Second, there is the external environment. Reawakened US attention to South America on the trade or security front would likely elicit a Brazilian response. By the same token, progress in trade negotiations between Mercosur and the European Union may trigger a serious policy revision in Brasilia. Or consider potential initiatives on the part of neighbors or groups of neighbors. Imagine the Pacific Alliance moving toward deeper institutionalization. This, too, would create powerful incentives for the next administration to reassess existing policy.

Absent policy linkage and change abroad that are strong enough to concern the Brazilian establishment, then we are

likely to see regional policy that is more of the same. This means keeping Mercosur on life support (even if it ceases to work as a custom union); maintaining current levels of engagement with Unasur, but no more; and an unchanging attitude toward deeper (and costlier) levels of regional coordination and institutionalization.

Settling for more of the same carries risks. The absence of a shared vision on how to manage ever-growing freedom in the movement of goods, people, and capital in South America will bring economic backwardness for all. The

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absence of a common framework to manage the transnational sources of citizen insecurity will make for a more dangerous regional environment. And without an honest assessment of how regional countries perceive Brazil, it will be impossible to tailor intelligent policies that draw neighbors closer rather than alienate them.

Both Cardoso and Lula thought hard about regional policy and were willing and able to get their bureaucracies to conceive of a regional future anew. In the twenty years since, there have been both significant achievements as well as serious shortfalls. It is time for Brazilian authorities to take the upcoming election as an opportunity to step back, draw lessons from the recent past, and work on a creative vision that is viable for the next few years.

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