Role of Brazil in Latin American Integration Processes

Master thesis

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Abstract

From the beginning of the 21st century an increased attention has been paid to the achievements of so called “emerging powers” in the world economy and global politics. Given the initial disadvantageous position of developing countries in the international power constellation, new regional actors are forced to apply different leadership strategies than their predecessors. This paper examines the role of Brazil in Latin American integration processes with the aim to identify Brazilian foreign policy strategies used for promotion of its regional leadership and global recognition. Neoclassical causal chain of variables will be applied in order to identify main interest of Brazil in region formation and to determine the key domestic and foreign incentives motivating Brazil to pursue active regional integration. The concept of consensual hegemony will be applied in order to explain systemic outcome of Brazilian regional strategy.

Keywords

Brazil, Foreign Policy, Latin America, Integration

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Declaration of Authorship

1. The author hereby declares that he compiled this thesis independently, using only the listed resources and literature.

2. The author hereby declares that all the sources and literature used have been properly cited.

3. The author hereby declares that the thesis has not been used to obtain a different or the same degree.

Prague, 4/1/2018

Jelena Kazakova
Proposed Topic:

**Role of Brazil in Latin American Integration Processes**

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**Topic characteristics / Research Question(s):**

My thesis will focus on the following general research question: What is the role and interest of Brazil in Latin American integration processes. Latin America has been pursuing regional economic and political integration since 1960s, with efforts intensifying since the mid-1990s that gave rise to numerous regional organizations such as Mercosur and UNASUR. In spite of strong discourse in favor of integration, the economic and political realities show a process of fragmentation with most countries trying to maximize their vision of national interests, which is frequently contradictory with progress in regional integration. In order to understand the direction and dynamics of the integration in Latin America and be able to predict its development in the future it is necessary to correctly identify role and main interests of its key actor – Brazil. For this purpose I will use a number of IR theories from rationalist perspective and compare different paradigms originating from traditional assumptions of Realism and Liberalism to understand to which extent these theories are applicable and able to explain priorities of the Brazilian foreign policy influencing regional economic and political integration processes in Latin America as a whole.

**Working hypotheses:**

1. Brazilian foreign policy in Latin America represents realist approach, seeking political gain and power through employing collaborative, non-confrontational means seeking to establish “cooperative hegemony”.

2. Multilateral initiatives such as Mercosur have led to bounding its members into asymmetrical dependencies towards Brazil.

3. Through UNASUR, Brazil aims to promote its political leadership in South America and to strengthen its balancing power against the US.
Methodology:

My study will focus on foreign policy of Brazil in South American region from the last decade of 20th century until the present day. I will test the discussed IR theories by using both quantitative and qualitative data from a wide range of sources. A qualitative academic literature analysis will be used to identify the views of different scholars on how IR theory explains role of Brazil in Latin America and to which extent the integration process confirms or rejects them. Among other sources I will also use statements from governmental ministries of Brazil, publications in newspapers and magazines. Quantitative data will be represented in the form of economic performance indicators to discuss in which way closer economic integration influenced political decision-making.

Outline:
1. Introduction
2. Theoretical background and the review of world literature
3. Brazilian strategy for regional integration in South America
4. Role of Brazil in Mercosur
5. Towards Union of South American Nations
6. Discussion of the Results
7. Conclusions
8. References / Bibliography

References / Bibliography:


Date:
Approval of the supervisor (signature or a faximile):
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List of Abbreviations

BNDES – Banco Nacional de Desenvolvimento Economico e Social
CAF – Andean Development Corporation
CARRICOM - The Caribbean Community
CELAC – Community of Latin American and Caribbean States
CES – South American Energy Council of Unasul
FDI – Foreign Direct Investment
FTAA – Free Trade Area of the Americas
IADB - Inter-American Development Bank
IDB – Inter-American Development Bank
IMF – International Monetary Fund
IR – International Relations
IIRSA - The Initiative for the Integration of the Regional Infrastructure of South America
MERCOSUL - Mercado Comum do Sul (pt)
NAFTA – North American Free Trade Area
OAS – Organization of American States
SAFTA – South American Free Trade Area
SOA – Summit of the Americas
UNDP - United Nations Development Programme
UNASUL - União de Nações Sul-Americanas (pt)
WB – World Bank
WTO – World Trade Organization
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1. Introduction

From the beginning of the 21st century an increased attention has been paid to the achievements of so called “emerging powers” in the world economy and global politics. Striking performance of East Asia’s “tigers” and the rise of regional powers like India, South Africa, China and Brazil have been especially remarkable. Leading developing countries demonstrated strong economic growth and far reaching political aspirations and were often labeled as “regional leaders” or “would be great powers” (Hurrell, 2006; Nolte, 2010).

This radical change in the international landscape attracted attention of numerous scholars trying to give theoretical explanation to the emergence of new powers. The established frameworks of International Relations lacked necessary explanatory power due to their long-term focus on First-World nations. Given the initial disadvantageous position of developing countries in the international power constellation, new leading actors were forced to apply foreign policy strategies that were different from their predecessors.

The primary objective of this thesis is to contribute to this debate and help to shed the light on how contemporary developing countries achieved regional leadership and what foreign policy strategies they pursued. For this purpose I will conduct a case study analysis of Brazil and its role in Latin American integration processes from the last decade of 20th century until the present day. Brazil has been recognized as an emergent power due to its rapid economic growth, achievements in social inclusion and international prominence during the last decades. In 2001, Goldman and Sachs report define Brazil as one of the four emerging markets to run the world economy by 2050 (Malamud, 2011). Main characteristics of Brazil’s foreign policy has been a strong focus on Latin American region, especially its South American part. Brazil became s
strong engine of regional integration process and initiated formation of numerous economical and political blocks during last decades. As Brazil’s former foreign minister Celso Amorim proclaimed: “South American integration is Brazilian foreign policy’s top priority. Brazil recognizes that it is stronger and more influential in global affairs by working closely with its neighbours and by helping promote peace and prosperity in its region” (Amorim, 2010).

Therefore the main focus of this research paper will be placed on the analysis of Brazil’s regional strategy, such as regional institutionalization and integration of South America. The key research questions are formulated in the following way: What is the main interest of Brazil in region formation? What are the key domestic and foreign incentives motivating Brazil to pursue active regional integration? How can we characterize the systemic outcome of Brazil’s regional strategy? Or in other words, what kind of regional order is Brazil seeking to achieve? Is it a successful approach or what are its limitations?

In order to answer the above questions it is necessary to build an appropriate theoretical framework that would provide this paper with key concepts and tools for further analysis. This paper argues that realism is more suitable to address the problem formulation of this theses, than liberalism or constructivism, due to its focus on national self-interest, security, states’ integrity and international power. However, as already mentioned before, its classical form is not applicable to the case of new global actors, therefore I will apply neoclassical realism as the main starting point for Brazil’s foreign policy analysis. Neoclassical causal chain of variables will be used both as theory and method for determining Brazil’s interest and incentives behind its regional strategy. The concept of consensual hegemony will be used for explaining systemic outcome of Brazilian regional policy and final evaluation will lead us to answer whether such strategy can be considered successful or has certain limitations.
The main three hypotheses of this research paper were defined by the choice of theoretical framework and are formulated in the following way: (1) Brazil’s foreign policy in Latin America represents realist approach, seeking national interests, political gains and power through employing inclusive and non-confrontational means. (2) Brazil’s regional integration strategy is focused on establishing a type of hegemonic order that aims to lock subordinate members in regional structure through implicit costs of non-participation or exclusion. (3) The stagnation of regional integration processes is caused by Brazil’s unwillingness to bear the costs of hegemonic system maintenance and resistance to delegate part of its authority to regional institutions.

As already mentioned, the methodology of this paper is based on neoclassical realism’s causal chain analysis of states’ foreign policy comprised of independent variable (Brazil’s relative power position in the region), interfering variables (perception of foreign policy makers and stat’s institutional structure) and dependent variables (foreign policy outcome). In order to understand systemic outcome of Brazil’s regional strategy, qualitative and quantitative analysis of three regional initiatives will be conducted: (1) Case of Brazil and Free Trade Area of the Americas (FTAA); (2) Case of Southern Common Market (Mercosur); (3) Case of The Union of South American Nations (UNASUR).

This thesis comprises of seven chapters including introduction; two theoretical chapters covering literature review and theoretical framework; two methodological chapters, one devoted to internal and external variables influencing Brazil’s behavior as hegemonic actor, and one devoted to case study analysis of regional organizations initiated by Brazil; last two chapters are covering discussion of results and conclusion.
2. Literature Review

When Samuel P. Huntington in his famous 1993 essay “The Clash of Civilizations” expressed his vision of post-Cold War world as “a great division among humankind with the dominating source of conflict based on cultural disputes” (Huntington, 1993), it was not his first contribution to the debate on modernization and development of states. Since 1960s he was part of the academic tradition concerned with management of former colonial territories, so called “Third World states”. At that time the development tradition was promoting the classical statement by Gabriel Almond and Bingham Powell (1978) that the only acceptable model of development was Western liberal capitalist state. Therefore if Third World countries follow liberal processes of politics and economics, they will naturally evolve into developed First World states. (Weber, 2010).

This theory was highly criticized especially by the ‘Southern’ thinkers and gave rise to the tradition of structuralism. Argentinian economist Raúl Prebisch argued that economic liberalization and free trade would lock developing countries, as primary products providers, into the subordinate relationship with the North. Instead he was prescribing import substitution industrialization policy as the efficient way of development for Latin American countries. (Prebisch, 1950). This approach gave rise to so called dependency theory comprising of writings of Fernando Cardoso, Frank, Theotonio Dos Santos, Colin Leys and Samir Amin. The main argument of this theory was that “dependency is a historical condition which shapes a certain structure of the world economy such that it favors countries the detriment of others and limits the development possibilities of the subordinate economics” (Dos Santos, 1971). According to Frank such subordinate relationship leads to “underdevelopment of satellite countries due to developed
metropolitan states… that is a part of the capitalist system on a world scale as a whole” (Frank, 1972).

In the era of the post-Cold War period the approach of dependency theory towards developing nations became a subject of heavy criticism. Barbara Stallings argued that “the reinforcing international trends had a devastating effect on dependency theory” (Stallings, 1992) since it implied the impossibility of development within the framework of the world capitalist system. Kurt Weyland explains that “Dependency theory depicted the former colonies as objects of Northern pressures – dominated and constrained, they looked helpless” (Weyland, 2016). It could not predict or explain achievements of so called “emerging powers” in the 21st century: striking performance of East Asia’s “tigers” and the rise of regional powers like India, South Africa, and Brazil demonstrating strong economic growth and far reaching political aspirations. Weyland is nowadays emphasizing that “nations in the South do have considerable agency, their states can engage in active dependency management and advance in the global system, despite First-World predominance.” (Weyland, 2016). The general terminology regarding “developing” world nowadays also evolved, as Brown explains: “with the end of the Cold War there is a good case for thinking that the term “Third World” has lost its resonance… With regards to “Less Developed Countries” this categorization focuses solely on wealth problems. The term “Global South” seems the most appropriate, because it carries the least ideological baggage. (Brown, 2001). Contemporary scholars focus on the question: “Which theory can best account for the advances of emerging countries?” Since there is no general theory for answering these questions, modern scholars focus on the case study analysis of particular countries and their own “recipe for success”. The primary objective of this thesis is to contribute to this debate by developing a theoretical framework applied to the case of Brazil.
3. Theoretical Framework

Before I proceed to analysis of particular theoretical approaches and paradigms I believe it is essential to define general concepts that would represent the “building blocks” for the theoretical framework of this research. Out of all the notions employed in this paper, I selected several key phenomena related to the role of Brazil in Latin American integration processes and they will be presented as following concepts: globalization, regionalism and regionalization, state-led integration and regional power.

3.1. General Concepts

Globalization is a complex phenomenon that attracted academic interest after the end of the Cold War period and reflected increasing integration and interconnection of the world. Andrew Hurrell stated that globalization has been increasingly perceived as “the most important external influence on both the character of societies and dominant patterns of governance” (Hurrell, 2007). International relations theory has given multitude of definitions to this phenomenon over the years. I will utilize Hurrell’s definition that is the following: “Globalization is a universal process or set of processes which generate a multiplicity of linkages and interconnections which transcend the states and societies which make up the modern world system.” (Hurrell, 2007). By the “linkages” Hurrell refers to economic, political, ecological and societal inter-dependence caused by increase in cross-border transactions that eventually reshape the ways in which societies are organized domestically.

Regionalism and Regionalization are closely related to the process of globalization as “almost every country in the world has chosen to meet the challenge of globalization in part through a regional response” (Fawn, 2009). After the World War II there were two dominant waves of
Regionalism, one between the 1950s and the 1970s, and the second starting in the mid-1980s defined as “new regionalism”. It was mainly the success of European economic regionalism that encouraged a wave of attempts at imitation and export across many parts of the post-colonial world (Hurrell, 2007). A wide variety of regional organizations were emerging in almost every part of the world such as ASEAN, NAFTA and Mercosur. The theory of regionalism is mainly focusing on the links between regional identity, institutions and economic integration. Regionalism can be defined as “the urge for a regionalist order, either in a particular geographic area or as a type of world order” (Hettne, 2000). Whereas regionalization refers to “informal integration” or “soft integration” driven from below, that is by non-state, private actors (Fawn, 2009).

State-led integration can refer to economic and political integration forming a subset to the theory of regionalism. Concept of integration process was defined by Andrew Hurrell as “specific policy decisions by states to reduce or remove barriers to mutual exchange of goods, services, capital and people” (Hurrell, 2007).

Regional powers often play an important role in the process of region shaping, as David Lake argued that peaceful regional orders arise because of a dominant state rather than because of instinctive reaction to anarchy. According to Detlef Nolte regional power is a state that “clearly articulates the pretension of a leading position in a region that is geographically, economically and political-ideationally delimited; displays necessary material, organizational and ideological resources; which truly has a great influence in regional affair and that defines and articulates a common regional identity or project” (Nolte, 2010).
3.2. International Relations Theory: Three Major Paradigms

In order to address the problem formulation of this thesis it is necessary to choose an appropriate theoretical framework with sufficient explanatory power that would help to answer questions as: “What is the main interest of Brazil in pursuing regional strategy? How can we characterize it?” and “What kind of international system it leads to?” In international relations theory there are several classical theoretical approaches differing in terms of their main propositions.

**Liberalism** assumes that economic interests and desire for prosperity out weight state’s concern for power. Neo-liberalism, that represents revival of Adam Smith’s “invisible hand” theory, argues that states are concerned with maximizing their absolute gains and assess their welfare independently of their rivals. (Burchill, 2005). This theory is focusing on free markets, property rights and especially free trade that represent efficient and peaceful means for achieving national wealth. I believe this theoretical approach is not suitable for the problem formulation of this thesis since Brazil has many times prioritized its personal geopolitical goals over economic gains. One of the examples was its unwillingness to from a Free Trade Area of the Americas in order to oppose the US hegemony in the region.

**Social constructivism** is another major theoretical tradition that stresses the significance of normative and ideational structures. Its main assumption is that state’s behavior is shaped by international norms and principles. Constructivists argue that material resources only acquire meaning for human action through the structure of shared knowledge in which they are embedded (Reus-Smit, 2005). This theory would focus on Brazil’s commitment to international norms, for instance peaceful conflict resolution. However, in case of Brazil such adherence to international principles is highly selective and underpinned by its power-political calculations.
**Realism** is an approach to the study of international politics based upon the concepts of national interest, power and security. It makes a broad assumption that all nation-states are primarily motivated by their national interests often disguised as moral concerns. Realist drive for political gains represents a better starting point for foreign policy analysis of a country that over decades manifested strong determination for power and international influence. Therefore realist tradition will be used in this research paper as the primary approach towards theoretical framework building and further analysis.

### 3.3. Realism as a School of Thought

Realism has a long tradition and includes works by Thucydides, Thomas Hobbes and Niccolo Machiavelli (Donnelly, 2000). While there are different schools of thought amongst realists, at least three core assumptions shared by all realists can be identified (Walt, 2002).

**1) State centric account of the world.** Since the Treaty of Westphalia (1648) realists have argued that sovereign states are the key actors in international relations. It is important to highlight that the claim is *not* that the state is the *only* actor but that it is the *most significant* actor. As Chris Brown explains “the state is the institution through which all other bodies (international organizations, economic enterprises, etc.) operate, the institution which regulates these other bodies and decides the terms under which they can act” (Brown, 2001).

**2) Anarchic nature of international politics.** This assumption means that there is no central, universal authority regulating states’ relations that leads to the so called “self-help international system” in which states are responsible for their own security. (Donnelly, 2000). As a consequence the nature of international relations is essentially conflictual and characterized by struggle for power among states. As Frederick Schuman pointed, in the
absence of international government, “the law of the jungle still prevails” (Schuman, 1941).

(3) Primacy of Power. Concept of power is the key variable in realist theory since it determines states’ behavior. States need power in order to survive in the anarchical international system and pursue their rational interests. Power is a complex notion that according to Brown can be defined as a “capability” - the physical force necessary to achieve a particular goal (military, economic power, etc.). Further, realists see power as a relative notion. The actual possession of assets has political meaning only in relation to the assets possessed by others (Brown, 2001).

There are three main schools of realist tradition: classical realism, focusing on the concept of human nature (Morgenthau, 1948; Carr, 1949; Herz, 1951); neorealism, emphasizing the structure of the anarchic system (Waltz, 1979; Mearsheimer, 2001) and neoclassical realism, focusing on the behavior of individual states (Rose, 1998; Zakaria, 1998; Schweller, 1998).

Classical Realism emerged shortly after World War II, trying to explain such phenomena as war, imperialism and obstacles to cooperation. One of the leading realists of the 1950s and 1960s was Hans Morgenthau that summarized principles of realism in his book “Politics among Nations”. His main assumption is that “politics, like society in general, is governed by objective laws that have their roots in human nature” (Morgenthau, 1948). This means that states, like human beings, have an innate desire to increase their autonomy and to dominate others. Classical realists see power maximization as the main causal variable explaining states’ behavior in international arena and are generally pessimistic about the prospects for eliminating conflict and war.
However, major socio-economic changes in early 1970s, increasing importance of interdependence and influence of global economy on world politics, revealed the limitations of classical realism and produced one of the major theories of 1980s and 1990s – “neorealism” (Brown, 2001).

**Neorealism** was introduced by Kenneth Waltz (1979) in his book “Theory of International Politics”. The main difference from the classical realism was that Waltz didn’t locate the source of conflict primarily in human nature, but moved the emphasis towards the structure of the international system as an “active and autonomous causal force” (Waltz, 1979). In neorealism, it is the distribution of relative power among states that mediates the outcomes that states produce. This idea in Waltz’s theory might be considered contradictory. Even though he considers structure and states mutually affecting, Waltz develops a theory in which structure alone is the causal variable (Humphreys, 2007). Moreover, neo-realists argue that reality needs to be simplified in order to provide a universal theory of international politics and therefore treat states as “black boxes” excluding analysis of unit-level variables and their effect on state’s foreign policies. “An international-political theory does not require a theory of foreign policy any more than a market theory requires a theory of the firm” (Waltz, 1979).

All in all, I believe that both realism and neo-realism are not appropriate to serve the purposes of this thesis. Classical realism takes into consideration only unit-level analysis while neo-realism focuses mainly on the systemic level ignoring domestic variables hence unable to explain state’s foreign policy. Therefore I will focus on the third school of realist tradition that incorporated both, strengths of Waltz’s structural analysis and attention to unit level studies of Morgenthau.
3.4. Neoclassical Realism

Neoclassical realism emerged in the 1990s as a new theoretical framework for the analysis of foreign policy, built on both classical and structural realism (Schweller, 2003). The theory was developed by Gideon Rose in his article “Neoclassical Realism and Theories of Foreign Policy” published in World Politics in 1998. In his work Rose unified writings of Fareed Zakaria, Randall Schweller, Thomas Christensen and William Wohlforth1 that all tried to explain the grand strategies of modern great powers at a specific time or place (Taliaferro, et al., 2009). In their books Rose identified a common theoretical background based on set of explanatory variables and a shared methodology focusing on causal mechanisms and attention to historical analysis. Therefore he argued that above mentioned authors together constitute a coherent school of thought.

Rose describes the neoclassical theory in the following way. He argues that foreign policy analysis should “explicitly incorporate both external and internal variables, updating classical and neorealist thought” (Rose, 1998). The external variable represents the distribution of relative power in the anarchic international system. As he explains: “the scope and ambition of a country’s foreign policy is driven first and foremost by its place in the international system and specifically by its relative material power capabilities” (Rose, 1998). This is what unites neoclassic thought with its realist predecessors. However, he further argues that “the impact of such power capabilities on foreign policy is indirect and complex because systemic pressures

must be translated through intervening variables at the unit level” (Rose, 1998). By “unit level” Rose implies internal / domestic variables interfering and affecting foreign policy of a state. This assumption is what makes this theory “neoclassic”.

According to neoclassical realists material power still plays the major role in a country’s foreign policy, following the Thucydides’ formula: “the strong do what they can and the weak suffer what they must” (Taliaferro, et al., 2009). But they also highlight the importance of internal factors in a country’s foreign policy behavior. “Foreign policy choices are made by actual political leaders and elites, and so it is their perceptions that matter, not simply relative quantities of physical resources of forces in being.” (Rose, 1998). Furthermore, Rose continues that “leaders and elites do not always have complete freedom to extract and direct national resources as they might wish”. This means that decision-makers are also constrained by domestic institutions and states structure that decide upon the amount of country’s resources that can be allocated to a particular foreign policy initiative. “Countries with comparable gross capabilities but different state structures are likely to act differently” (Rose, 1998).

Considering all above, neoclassics’ define state power in the following way. According to Zakaria it is “that portion of national power the government can extract for its purposes and reflects the ease with which central decision-makers can achieve their ends” (Zakaria, 1998). Wohlforth defines it as “the capabilities or resources with which states can influence each other” (Wohlforth, 1993). But the most precise definition was provided by Gideon Rose, arguing that it is “states’ ability to extract or mobilize resources as determined by its institutions as well as nationalism and ideology” (Rose, 1998).
In this way the state with its complex domestic processes are positioned between the international system and foreign policy outcomes and represent an imperfect “transmission belt” between systemic incentives and constraints, on the one hand, and the actual diplomatic, military, and foreign economic policies states select, on the other” (Taliaferro, et al., 2009). The concept of the transmission belt represents a clear distinction between state’s relative power and its foreign policy interests. Its analysis can explain state’s behavior in the international arena and whether state is motivated by domestic or systemic factors, or a by a mixture of both.

All in all, the core of the neoclassical realism theory can be presented in a simple causal chain (Figure 1.) that includes three variables: (1) the independent variable represents relative power distribution and position of a state in the international system; (2) the intervening variable that summarizes domestic-level processes through which systemic pressures are filtered; (3) the dependent variable that reflects states’ behavior in the international arena.

Figure 1. Neoclassical Realism – Causal Chain

Neoclassical realism offers a wide range of intervening variables that can be used in foreign policy analysis. Theory does not specify which of them have to be included in a study but rather advises to select those relevant for the research question and knowledge of the scholar. For the purpose of this research paper, it is reasonable to summarize them into two categories. The
purpose of the first category is to measure the *willingness* of a country to pursue a certain foreign policy. These are perception of elites and decision-makers of international system’s opportunities and constraints, as well as state identity (belief systems, ideology and nationalism). The aim of the second category is to measure state’s *ability* to pursue a certain foreign policy. For example, the state’s institutional structure and domestic competition (party competition, elections, public opinion and support etc.) (Taliaferro, et al., 2009).

What regards to methodology, neoclassics usually employ variety of case studies and deep analysis of causal mechanisms with the aim to identify major links between causes and outcomes in the particular case. Significant attention is paid to the context in which foreign policies are formulated and implemented.

One of the biggest strengths of neoclassical realism is that it provides scholars with the specific tools necessary for conducting foreign policy analysis. By linking variables together the final result of a research is a certain “menu” of key internal and external factors that influence the final policy outcome. This theory helps to identify the primary interests of a state in pursuing certain strategies and main motives behind its behavior in international arena.

Nevertheless, understanding and explaining Brazilian motives behind its regionalism strategy is not the only objective of this thesis. One of the main questions that this work aims to answer is also what kind of regional system is Brazil pursuing and how can we categorize it. For this we need to employ more systemic approach in line with realist tradition. Taking into account that Brazil is a rising power finding itself in a system of asymmetric regional relations, it is reasonable to analyze explanatory potential of theory of hegemonic stability and try to find an approach that will best suit our purposes and that will be the main topic of the next chapter.
3.5. Consensual Hegemony

Robert Gilpin, Stephen Krasner, and other scholars from the realist tradition have identified the distribution of power among states as a key factor in explaining the international economic and political system. Hegemonic stability theory was founded by Charles Kindleberger in the 1970s. In his book “The World in Depression: 1929-1939” Kindleberger argued that the Great Depression was party caused due to the absence of a world dominant leader with a strong economy (Milner, 1998). Kindleberger defined a leader as “a country that is prepared, consciously or unconsciously, under some system of rules that it has internalized, to set standards of conduct for other countries and to seek to get others to follow them, to take on an undue share of the burdens of the system” (Kindleberger, 1973).

The mainstream realist application of Kindleberger’s definition to the concept of “hegemony” focuses on the material resources (military and economic) necessary for a hegemon to create and enforce the rules of the international system, emphasizing the elements of domination, coercion and exclusion. This approach is not suitable for the problem formulation of this thesis because it does not explain the rising number of regional integration blocks or foreign policy strategy of emerging regional powers. Moreover in his writings Kindleberger emphasized that “domination and leadership are not the same thing” (Kindleberger, 1981). He argues that a leader must ensure the “long-run self-interest of the system participants” and to “bind the members to rules of conduct, to which they agree… And allocate burdens equitably, as a matter of international legal commitment” (Kindleberger, 1981). Kindleberger’s vision of leadership opens space for three main assumptions that are crucial for this thesis: (1) Ideas are a significant tool of hegemony meaning that a primary role of a leader is to elaborate a particular vision for the international political economy; (2) Collective ownership of a hegemony uniting members of international
community based on their consent, not based on coercion; (3) Burden sharing meaning that cost of a system maintenance is spread across its members, even though the leader / hegemon must possess necessary power resources in order to maintain its position.

Antonio Gramsci’s book “Prison Notebooks” belongs to one of the most significant contributions to the concept of hegemony. He explains that a hegemon establishes new order by formulating a universal ideology that unites (or at least appears to unite) his interests with interests of subordinate members of the system. “Hegemony implies the ability of the hegemon to let subordinates believe that power rests upon the consensus of the majority” (Gramsci, 1975). Robert Cox elaborates on Gramsci’s ideas and notes that a hegemon must present its vision in such a manner that “subordinate groups willingly embrace the core elements of the hegemonic order as being not only a shared set of interests, but also a legitimate ordering of economic, political and social relations” (Cox, 1993). Cox sees hegemony as a specific order, as a structure of international relations that includes all aspects of social life and is expressed in its norms, institutions and mechanisms.

Based on the above writings of Gramsci and Cox, Thomas Pedersen builds his theory of the “co-operative hegemony”. In the attempt to explain regional integration from realist perspective, Pedersen proposes an “ideational – institutional realism” as the basis for understanding regionalism (Pedersen, 2002). Pedersen argues that regional institutionalization is best explained by examining the interests and strategy of the biggest state in the region. The author explains that “major states may advance their interests through non-coercive means by applying a strategy of co-operative hegemony which implies regional institutionalization, power-sharing and side payments” (Pedersen, 2002). This means that regional integration is usually a product of a grand strategy of the regional power, in other words, regional cooperation is used as a tool for
promoting hegemon’s self-interests that brings us back to core realist concepts. Pedersen continues that such strategy can be pursued by states that wish to consolidate their position globally and that employ “soft power” as their primary foreign policy tool. Such states are usually weak on their military power but strong in some areas of economics, technology and ideology (Pedersen, 2002). Pedersen identifies several main advantages for a big power in pursuing co-operative hegemony. First of all, advantages of scale referring to economic and political power aggregation in the region that is of particular importance of a local leader aspiring to a global role. Secondly, advantages of stability and inclusion that co-operative hegemony brings in terms of power-sharing and side payments that prevent the risk of rebellion. And thirdly, advantages of diffusion referring to a space for spreading of hegemon’s ideas and visions. Bearing in mind the above advantages, Pedersen assumes that hegemonic actor will pursue the following steps: provide incentives for economic integration in the region; try to lock-in other members in the regional structure; build community by promoting regional values and identity (Pedersen, 2002).

Considering all above, co-operative hegemony theory provides a useful explanation of regional integration as foreign policy strategy of a hegemonic state. On the other hand it relies heavily on the implicit sense of coercion and especially on the assumption that leading state should absorb the major amount of costs associated with system formation.

The notion of “consensual hegemony” was elaborated by Sean Burges and it represents an extension of Pedersen’s “co-operative hegemony”. This theory draws upon Kindleberger’s idea of leadership, Gramsci’s consensus of the majority, Cox’s view of hegemony as a systematic order and Pedersen’s element of cooperation among members of the hegemonic system. Burges extends this tradition by including ideas of Giovanni Arrighi that defined a hegemon as a “state
that leads the system of states in a desired direction and, in so doing, is perceived as pursuing a universal interest. It is this kind of leadership that makes the dominant state hegemonic” (Arrighi, 1993). It is the idea of a *universal interest* that brings all members of the system into consensus that defines the theory of consensual hegemony. As Burges explains, this type of hegemony sees the system as “ultimately transcending the interests of a particular actor, evolving into a structure amenable to the core interests of the participating groups”. While he notes that “the hegemony will certainly advance some interests more readily than others, particularly those of the state that initiated the project” but “the ownership of a consensual hegemony quickly becomes diffuse” (Burges, 2008). What concerns the coercive element of hegemony, Burges explains that it “shifts from sanctions for non-compliance to the implicit costs of non-participation or exclusion from the new order, which is in part the very logic that drove the revival of regionalism in the late 1980s” (Burges, 2008).

Considered all above, the notion of “consensual hegemony” can be summarized in the following way. Consensual hegemony is an *inclusive systematic order* of international relations based on a consensus and cooperation between hegemonic actor and *nominally subordinate* participants of the project. The role of the hegemon is the one of a *leader* that encourages other states to actively participate and *contribute* to the system that represents and promotes the universal interests of all members. The coercive element is present in terms of implicit costs of non-participation or exclusion from the hegemonic order. This approach to hegemony rejects the idea of aggressive domination of one actor and rather focuses on active participation of all actors involved. Also based on the shared nature of the system, this theory enables collectivized provision of public goods related to system maintenance that takes the burden away from the leading hegemonic actor.
The aim of this chapter was, first of all, to identify a key theoretical approach that would serve as a building block for the theoretical framework and methodology of this paper. Secondly, to choose several particular theories, sharing this main theoretical vision, that would help to address problem formulation of my thesis and answer its key questions.

After brief analysis of three major paradigms of international relations theory I concluded that the realist proposition of self-interested states constantly competing for power and security provides a better explanation for Brazil’s foreign policy strategy than liberalism’s drive for economic gains and free trade or social constructivist’s commitment to international principles. Moreover, an analysis of Pedersen’s theory of co-operative hegemony has shown that a rising regional power has a strong interest in promoting economic integration and regional identity values in order to “lock” subordinate members in the regional structure. This means that liberalism and constructivism are used as mere means for main actor’s self-interested ends.

Neoclassical realism provided this research paper with the model for Brazil’s foreign policy analysis that will help to reveal its motives behind regional integration strategy and also to identify internal and external factors influencing country’s behavior in the regional arena. In the following chapter I will analyze independent variable (relative power position of Brazil in Latin America) and key interfering variables (perception of Brazil’s decision-makers and elites, state structure) in order to better understand country’s regional strategy and behavior. Deeper analysis of the dependent variable (outcome) will be conducted in order to identify what kind of regional structure is Brazil pursuing and if it is successful in achieving it. For this purpose second theory of consensual hegemony will be applied and identified its advantages and also limitations in the Brazilian case.
4. Brazil as a Consensual Hegemon

In this chapter I will apply causal chain model of neoclassical realism in order to analyze Brazilian foreign policy strategy. This method will help to identify Brazilian main interest in region formation, to determine they key domestic and foreign incentives motivating Brazil to pursue active regional integration and help to characterize the systemic outcome of Brazilian regional strategy.

4.1. Independent Variable

According to neoclassical realism the independent variable represents relative power distribution and position of a state in the international system. In the following section I will mainly focus on the role of the United States in the western hemisphere as the main regional constraint with regards to Brazilian power aspirations. I will also analyze material power capabilities of Brazil in economic and military terms as the realist thought prescribes.

4.1.1. Power constellation in Western Hemisphere

Since Latin American countries gained independence in the 19th century, the region has faced increasing hegemonic presence of the United States. As Grace Livingstone explained, “hegemony implied that the US military, economic and diplomatic power was vastly superior to that of its neighbors and could shape their destinies” (Livingstone, 2009, p. 5).

Since 1823, when James Monroe proclaimed that the western hemisphere was henceforth off limits to the aggression of European nations, the US began expanding its influence in “America’s backyard”. In 1904 Theodore Roosevelt’s “Corollary to the Monroe Doctrine” emphasized the “right” and “responsibility” of the USA over the continent, sparking several decades of US
military intervention in Latin America under the aegis of the “new world policeman” (Brewer, 2006, p. 6).

The Cold War was one of the most convulsing periods, when in the name of “containing communism”, the US undermined legitimately elected governments and colluded with authoritarian governments in Latin America to repress dissent (Livingstone, 2009, p. 23). In 1947 all the American nations signed the Inter-American Treaty of Reciprocal Assistance (the Rio Treaty) that was a military pact by which its members agreed to defend each other from attack. As Livingstone noted, “in practice US military superiority allowed it to determine what constituted a danger and, more important, Latin American nations had limited their own room for maneuver by agreeing to confer with the US before taking any security issue to the United Nations” (Livingstone, 2009, p. 24).

In 1948 the Organization of American States (OAS) was formed in order to create a platform for resolution of regional conflicts. Although the organization was celebrated by Latin American countries due to its “non-intervention clause”, the imbalance of power between the member states meant that the OAS became little more than a tool of US foreign policy (Livingstone, 2009, p. 24).

The main feature of the post-Cold War period was market liberalization and free trade agenda actively promoted by the United States in Latin America due to the rise of competition from the European and Asian parts of the world. In order to compete with cheap Asian products, American corporations sought low-cost labor in Latin America that lead to foundation of the North American Free Trade Agreement (NAFTA) in 1994 which included the USA, Mexico and
Canada. Bush administration was pushing the idea of free trade further to the continent in order to open new markets for the US goods and services.

After the 9/11 attacks the US foreign policy was primarily focused on the Middle East, in addition to coping with changes brought by dissolution of the bipolar world order and globalization processes. The decrease of the US engagement in Latin American region allowed to newly formed democratic governments to challenge the American hegemony, specifically by regional integration. As Burges noted, this state of affairs raised the prospect that “Brazil would become an isolated leader in the South America” that could shape the region as its “self-evident geopolitical and geo-economic space distinct from the more diffuse idea of Latin America” (Burges, 2009, p. 74).
4.1.2. Brazilian Material Power Capabilities

Brazil is the fifth largest country in the world by its territory and population and the seventh by the size of its economy that was one of the fastest-growing in the world between years 2000 to 2012, with yearly average GDP growth of 4.5 per cent. By the end of 2009, Brazil’s economy represented 40 per cent of the total Latin American GDP, and 55 per cent of the GDP of South America (IMF, 2010).

The spectacular economic and political growth of this giant country led to deepening of the power gap between Brazil and its regional neighbors (Figure 2).

![Figure 2. Power concentration in South America 1950 – 2013](source: CINC, Correlates of War http://www.correlatesofwar.org/data-sets/national-material-capabilities/national-material-capabilities-v4-0; Schenoni, 2015)

According to the Composite Index of National Capabilities (CINC)\(^2\), Brazil’s share of regional power has increased from 36 per cent to 50 per cent over the last 50 years, what means that South America has been a unipolar subsystem since 1985 (Martin, 2006; Schenoni, 2015).

\(^2\) National Material Capability Data Set is part of the Correlates of War Project (COW) at the University of Michigan. The database contains measures of six indicators of national power: energy consumption, iron and steel production, military expenditure, military personnel, total population, and urban population. See [http://www.correlatesofwar.org](http://www.correlatesofwar.org)
Despite being the largest in South America, Brazilian economy has not been the richest. In terms of GDP per capita (Figure 3), Uruguay ($15,220), Chile ($13,792) and Argentina ($12,440) rank consistently higher than Brazil ($8,649). The same applies to Human Development index where Brazil ranks 79th whereas the four above countries rank among first 50 countries (UNDP, 2016).

![Figure 3. GDP per capita 1990 – 2016 (current USS)](image)

*Source: Author’s elaboration based on World Bank data; https://data.worldbank.org.*

Brazil’s participation in global trade has been standing slightly above 1% that positions the country at 22nd in world rankings (WTO, 2016). That is much smaller than the country’s world share of GDP. Moreover, the GDP growth turned out to be inconsistent after Brazil entered into deep recession in 2014 due to the fall in commodity prices and internal political crisis that lead to economy contraction by 3.6% in 2016 (The World Bank, 2017).

Despite the fact that Brazil has the largest defense budget in South America (SIPRI, 2012) it does not have nuclear weapons and it never pursued to become a military power. Instead, Brazil has perceived itself as “peace-loving, law-abiding, and benign power” (Malamud & Alcañiz, 2017). Moreover, what regards to military expenditure in proportion to its GDP that constitutes
1.3% (Figure 4) it is significantly lower than some other South American nations, for instance Colombia (3.4%) or Chile (1.9%).

![Figure 4. Military Expenditure % of GDP 1990 - 2016 (current US$)](source: Author’s elaboration based on World Bank data; https://data.worldbank.org.)

According to international analysis, the most modern and best trained military force in South America belonged to Chile that had reached the third position in the rank of military forces in the region; Venezuela reached the fifth and Argentina fourth place (Bretonha, 2010, p. 116).

As Bretonha explains, the security and defense issues have never been a priority to Brazilian government. The reason for this was “the country’s relative safety due to its geographic isolation and having few great rivals in the region” and this lead to the fact that Brazilian armed forces “have never had significant capacity for the projection of power in the 21st century, which has inevitably meant that the international issues have been left to the diplomats” (2010, p. 111).
4.2. Interfering Variables

According to neoclassical theory the interfering variables are summarizing domestic-level processes through which systemic pressures are filtered. For the purpose of this research paper I have chosen two interfering variables. Firstly, the Brazilian domestic structure that influences states ability to pursue its regional strategy and secondly, perceptions of its decision-makers and elites that represent states willingness to pursue Brazilian leadership goals.

4.2.1. Brazilian Domestic Structure in Foreign Policy Making

Brazil is a federal presidential republic based on representative democracy. The executive branch is headed by the President and the Cabinet, the legislative branch is represented by the National Congress and the judiciary by the Supreme Federal Court. The President of Brazil is both the head of state and the head of government and the commander-in-chief of the Brazilian Armed Forces (Planalto, 2017).

The Ministry of Foreign Affairs – informally called Itamaraty - is the organ of the federal government responsible for Brazilian foreign relations (Planalto, 2017). Itamaraty has always had a unique role in the history of Brazilian foreign policy, known for the high level of professionalization of its diplomats, significant degree of political autonomy and monopolistic control over its policy responsibilities (Lafer, 2000). Although, as Cason and Power argued, in the post-Cold War period Itamaraty started losing its unique role in foreign policy making due to two main factors: “pluralization of actors who are influencing or attempting to influence foreign policy process and an increase in presidential diplomacy” (Cason & Power, 2009, p. 118).

Pluralization of actors in Brazilian foreign policy making was caused by democratization of political system and increased domestic interest towards foreign affairs that obliged Itamaraty to
respond with several initiatives. These included establishment of coordinating forums (Seções Nacionais de Coordenação) for conducting state-society debates on current foreign affairs topics, consultative mechanisms with business leaders for WTO issues and strengthening of CAMEX (the Câmara de Comércio Exterior) that implied sharing of responsibilities with the Ministry of Trade (2009, p. 121). This lead to broader participation of governmental and non-governmental actors such as NGOs, public opinion and the private sector in foreign policy making process.

The rise of presidential diplomacy was initiated during Cardoso and Lula presidency that contradicted the historical tradition of delegation of international negotiations to the Minister of Foreign Affairs, top officials of Itamaraty and its embassies. Figure 5 shows the dramatic increase of presidential travel abroad starting with Cardoso taking office in 1995. While Ernesto Geisel left Brazil only ten times in his five years in office, Fernando Henrique Cardoso left Brazil 92 times in his eight years in office and Luiz Inácio Lula da Silva 60 times in only four first years of his presidency (2009, p. 122).

**Figure 5. Presidential Travel Abroad, 1974 - 2006**

![Graph showing presidential travel abroad from 1974 to 2006](source: Cason & Power, 2009)
The increase of the presidential involvement in the Brazilian foreign policy making could be explained by several factors. The end of the Cold war, beginning of globalization processes, abandonment by Brazil of import-substitution industrialization (ISI) model of development and introducing free market reforms pushed the government “to engage in outside world more regularly… changing the development orientation from inward to outward” (2009, p. 125). Among the domestic level factors Cason and Power highlighted strong transnational connection of governing parties (PSDB during Cardoso and PT during Lula presidency) with their “like-minded parties in Latin America and Europe” (2009, p. 126).

4.2.2. Perceptions of Decision-Makers and Elites

Since the beginning of 20th century the primary objective of Brazilian foreign policy has been to achieve global recognition in accordance with its self-perception of a “natural” power as a “big country” in the world order (Lafer, 2000; Lima & Hirst, 2006; Malamud, 2011). As Lima and Hirst noted: “Its location in a relatively peaceful regional environment, the early settlement of its territorial demands and border disputes, and its consequent position as a status quo power within the region helped to account for its aspiration” (Lima & Hirst, 2006, p. 21).

In 2001 Amaury de Souza surveyed 149 members of Brazil’s “foreign policy community” that included executive and legislative branches officials, representatives of private sector and trade unions, key academic specialists and journalists on their perception of Brazil in international relations (Souza, 2001).
The main result of the opinion poll is that 99% of those questioned aspired “to transform Brazil into a global leader with significant influence on international system” (2001, p. 3). As Figure 6 demonstrates, 74 per cent of representatives surveyed believed that Brazil played more important role in international relations than 10 years ago, while 88 per cent believed that it would assume even more important position in the near future. With regards to its regional position, the major belief was that “Due to its physical and demographical weight, Brazil represents a natural leader accepted by its neighbors. Brazil cannot avoid its leadership responsibility in the international system” (2001, p. 20).

Because Brazil was less powerful than other global actors, its ruling elites have believed that it is necessary to first gain the support of Brazilian neighboring countries in order to bolster state’s global aims (Lima & Hirst, 2006). This approach is consistent with conventional argument that “all regional powers that aspire to become global protagonists…must first be legitimated at the regional level since they do not possess enough material capacity or soft power to act autonomously in international politics” (Lima, 2008). Therefore regional leadership became means to Brazil’s global aims.
4.3.  Dependent Variable

According to neoclassical realism, state’s foreign policy represents the final outcome dependent on two causal variables on the international and domestic level. After detailed analysis of the international context and state level factors influencing Brazil as an emerging power, the following conclusions can be drawn. On the international level, Brazilian leadership aspirations have been constrained by two main factors: (1) established US hegemony in the Western Hemisphere in economic, political and diplomatic terms and (2) lack of material economic and military capabilities necessary for claiming dominance over Latin American region. Brazilian subordinate position in the regional power constellation means that it could not apply conventional methods that realism would prescribe as coercion and military confrontation.

On the other hand, the domestic level variables as (3) high level of professional diplomatic power; (4) strong presidential influence in Brazilian foreign policy and (5) overwhelming support of elite groups from foreign policy community provided Brazil with necessary resources for conducting leadership strategy in its foreign policy. Instead of using “hard power” as a tool for influencing others, Brazil has mainly applied its “soft power” in order to promote its global and regional interests. Brazil developed a vision of itself as of a “consensual leader” operating through discussion and inclusion of other members into regional projects and promotion of their universal interests.

4.3.1. Consensual Leadership

Since the beginning of 20th century Brazilian diplomatic discourse avoided any official rhetoric suggesting country’s claim for leadership. During the era of Brazilian Foreign Minister Baron of Rio Branco (1902 – 1912), two main reasons determined such a position. First of all, as already
mentioned above, Latin America was facing the US hegemony in the region that put Brazil into subordinate position. Secondly, Brazil feared that claim for its open domination could lead to strong resistance movement from other Latin American countries, which after gaining independence, considered sovereignty and states autonomy as their primary national interest. Instead Baron of Rio Branco promoted the idea of soft policy and symbolic power resources as the efficient way for countries with limited means to attain greater international presence (Saraiva, 2016; Burges, 2006). Even hundred years later Brazil pursued the same leadership strategy. As Itamaraty Secretary General Osmar Chohfi stated: “when we say that we don’t want to be the leader, we don’t want to impose, it depends on what the concept of leadership is. We are very well prepared to give momentum … and to present ideas” (Burges, 2006).

The strategy of leadership based on the ideas and cooperation brings us to the concept of consensual hegemony elaborated in the theoretical chapter of this research paper. Brazilian regional strategy corresponds to the criteria of Gramsci’s vision of hegemony based on the following.

First of all, according to Gramsci, the hegemon establishes new order by formulating a universal ideology that unites his interests with interests of subordinate members of the system. In 2000 at the Summit of South American Presidents in Brasília, Brazilian government has clearly formulated its vision of a united South American geo-economic space sharing universal values of democracy, economic growth and collective responses to the challenges of globalization. The focus on South America rather than whole Latin American geopolitical space allowed Brazil to exclude those states strongly dependent on the USA, especially Mexico already being a member of NAFTA.
Secondly, consensual hegemony is an *inclusive systematic order* of international relations based on a consensus and cooperation between its members. During Cardoso and Lula presidency, Brazil has launched several regional integration projects as Mercosur and UNASUR and bilateral agreements seeking to achieve agreement between South American states on wide range of trade, economic, infrastructural, democracy and cultural questions.

Thirdly, the role of the hegemon is the one of a *leader* that encourages other states to actively participate and contribute to the system. That enables collectivized provision of public goods related to system maintenance. This approach enabled Brazil, which is lacking material capabilities for providing for and supporting hegemonic regional system, to avoid cost bearing and rely predominantly on its diplomatic power.

**4.3.2. South American Region Building**

Over the last three decades, Brazil has followed the logic of consensual leadership. The main priority of Cardoso, Lula and Dilma presidency was not to impose Brazil’s interests on its neighbors but to lead a region-forming process and position Brazil’s vision as the central unifying variable. As Fernando Enrique Cardoso has mentioned in one of his interviews: “True leaders do not need to say they are taking leadership” (Cardoso & Lafer, 2007). During his presidency, Brazil opposed the USA project of Free Trade Area of the Americas and introduced Brazil’s own project uniting Argentina, Uruguay and Paraguay in the Common Market of the South. President Lula strengthened Mercosur and established UNASUR with membership of all South American nations. Dilma Rousseff maintained her predecessors’ policy in terms of active participation in multilateral forums and orientation towards South America. All above mentioned initiatives will be discussed in the next chapter of this thesis.
5. Brazil and Latin American Integration

In this chapter I will analyze three integration initiatives in South America that emerged and gained their strength due to active Brazilian regional strategy promotion. I will start with the Brazilian role in the FTAA negotiations with the United States and analyze what strategy Brazil used for resisting the US dominance in the region in order to promote its own leadership ambitions. After I will discuss the integration model of Mercosul and UNASUL that were both established upon Brazilian initiative. I will try to identify the similarities in the Brazilian approach towards both regional groupings in order to derive a general characteristic of Brazilian leadership strategy. It will also help to identify the main interest of Brazil in region formation and provide evidence for the hypothesis of this research paper stated in the introduction.

5.1. Case of Free Trade Area of the Americas

The Free Trade Area of the Americas (FTAA) was a project proposed by the United States that would establish a free trade between 34 western hemisphere countries, over 800 million consumers and a total economy of over 12 trillion dollars (Switsky & Aviles, 2007, p. 399). Although the negotiations lasted for more than a decade from 1994 to 2005, the project was never finalized.

In the post-Cold War period, in a context of globalization processes and rising competition between the capitalist powers, the US government focused its attention on Latin America. In 1990 Bush administration launched the Initiative for the Americas that would establish “free trade system that links all of the Americas: North, Central, and South… stretching from the port of Anchorage to the Tierra del Fuego” (Bush, 27 June 1990).
The first step towards the US hemispheric strategy was creation of North American Free Trade Agreement (NAFTA) on the 1st of January 1994 signed by the USA, Canada and Mexico. Mexican membership in the north trade organization was perceived by Brazil as a threat to its leadership position what pushed its government to pursue an expansion strategy from Mercosul into a South American Free Trade Area (SAFTA) (Burges, 2006). In its turn, the Clinton administration challenged by Brazilian initiative and threatened to lose an access to the South American market, accelerated the launch of negotiations for a Free Trade Area of the Americas (FTAA) and called upon a presidential summit to take place in 1994.

In order to understand the interest of the United States in the FTAA creation, it is important to see beyond the American continent. As Vizentini explains, “Even though the FTAA’s reach is continental, the initiative has a planetary scope in the construction of the new order by American power in relation to other poles, such as the European Union and East Asia (Japan and China)” (Vizentini, 2004, p. 11). In order to compete with cheap Asian goods flooding the American market, the US’ major priority became to “use the continent (Latin America) thereafter as a source of cheap labour” (2004, p. 11). Therefore FTAA represented a fundamental part of the global American strategy.

Conversely, Latin America’s stance on FTAA was not as definite as the United States’ one. On the one hand it was promising the access to the North American market that would without a doubt benefit the region. On the other hand, the transition process represented extremely high economic, political and social cost as “bankruptcy of national industries and high level of unemployment” (2004, p. 13). As Robinson noted: “If the recent history of Latin America teaches anything, it is that unregulated open markets, rapid import liberalization and the absence
of government regulation is bad for growth, stability and disastrous for poverty reduction” (The New York Times, 18 November 2003).

According to the Brazilian Ambassador to the United States Flecha de Lima, Brazilian approach to the FTAA project was from the very beginning rather “cautious” (Magalhães, 1999, p. 49). From the economic standpoint, the general argument was that “by the beginning of the 1990s, Brazil had already opened its economy too much and too fast without reciprocity” and that “Brazil was not prepared to compete in the US economy” (Rompay, 2004, p. 122). From the geopolitical point of view, the popular opinion of Brazilian politicians, academics and business leaders was that Brazil would become isolated and obliged to accept the conditions laid down by the US, that would lead to a “drastic decrease in policy-making freedom on contentious bilateral issues” (2004, p. 121).

Brazil criticized the continuous tendency of the United States to “simplify” and “generalize” its vision of the Latin American region just as the “big emerging market” suitable for American economic interests (Magalhães, 1999, p. 43). Therefore, Brazil suggested a different model of Latin American integration based on two following principles: (1) stand still and roll back that assumed freezing existing tariffs before gradually rolling them back; and (2) building blocks strategy that implied gradual unification of Mercosul with the Andean Community (CAN) and after with the Caribbean Community and Common Market (CARICOM) that would provide an intermediate step on the way to the hemispheric integration (Magalhães, 1999, p. 53). According to Brazilian government, this is how the Latin American negotiation with the United States would acquire an equal status and not be seen just as an “extension” to NAFTA “unilaterally” granted by the US. (Rompay, 2004, p. 121).
Considered all above, the Brazilian priority in the FTAA negotiations became promotion of its own vision of Latin American integration and most of all gaining support and unified position among South American nations in order to enhance bargaining power with the United States. Brazil was realizing that, as co-chair ambassador Geraldo Holanda Cavalcanti stated: “An antagonistic approach to the American proposition would not work due to the persistent strong interest of many Latin American states in the access to North American market… instead it is necessary to remove possible trade disadvantages during the negotiation process and achieve certain political gains at the same time” (Magalhães, 1999, p. 54).

For this purpose Brazil employed its seating position in the Rio Group organization\(^3\) and used the 9-10 September 1994 presidential summit in Brasília as a platform for raising its concerns regarding the US vision of the FTAA and proposing an alternative strategy that would represent the universal interests of the Latin American states (Burges, 2006; Rompay, 2004; Magalhães, 1999). The “building blocks strategy” was presented and discussed at the summit which resulted into a Rio Group draft declaration that was mainly pushing for a slower and steadier approach to the negotiation and implementation of an FTAA (Grupo do Rio, 1995; Burges, 2006). In its turn, the Rio Group action plan influenced the major part of the final document signed at the Miami Summit of the Americas that recognized “the wide differences in the levels of development and size of economies existing in the Hemisphere” and also resolved to “conclude the negotiations of the Free Trade Area of the Americas no later than 2005” (SOA, 9 December 1994). During the whole process of negotiations Brazil was constantly reminding the other Rio Group members

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3 The Rio Group was a Latin American regional political organization comprising of 24 member states, created on 18th of December 1986 in Rio de Janeiro. According to several academics it represented an alternative body to the Organization of American States. In 2010 the organization was succeeded by the CELAC.
that “mutual respect, discussion and achieving consensus during problem resolution” were the key towards successful regional development (Franco, 9 December 1994).

Official FTAA negotiations began at the second summit of the Americas in Santiago (1998). The final Declaration announced that “The FTAA agreement will be balanced, comprehensive, WTO-consistent and constitute a single undertaking” (SOA, 18 April 1998). According to the WTO official principles this meant that “virtually every item of the negotiation was part of a whole and indivisible package and could not be agreed separately – nothing is agreed until everything is agreed” (WTO, 2002). This represented a victory for Brazil since it assured that FTAA would not be implemented without agreements on items fundamental for Brazil, such as anti-dumping regulation and agricultural subsidies (Rompay, 2004, p. 124).

The third summit in Quebec City in April 2001 came to the forefront of media coverage due to massive protests against the practices of multinational corporations and globalization processes (CNN, 21 April 2001). Brazilian president Fernando Henrique Cardoso expressed a confrontational approach towards creation of the FTAA, stating in his opening speech: “We would welcome the FTAA, if its establishment would provide the access towards more dynamic markets; if it brought changes to member nations’ rule on dumping and the sale of foreign products at illegal prices… We insist that free-trade benefits should be shared equally among all participants” (Cardoso, 20 April 2001).

After the Quebec summit the overall negotiation process took different direction. After the 9-11 attacks the view of developing world emphasized fight against poverty as it would help to eradicate terrorism (Rompay, 2004, p. 127). The discussion of unequal world trading system continued within the framework of the WTO Doha round where Brazil took a leading stance
representing the interest of all developing nations. Itamaraty also initiated possible trade agreement with the European Union within the Mercosul – EU format negotiations.

In the meantime the political climate in the USA shifted towards more protectionist stance. “Interest groups such as labor unions and farm lobbies undertook tremendous efforts to block the passage of the Central American Free Trade Agreement” (Jiang, 2006, p. 10). It became evident that the USA will not change its position on agricultural subsidies. In its turn Latin America entered to era the of left-leaning governments, Venezuela along with Cuba promoted a Bolivarian Alternative for the Americas (ALBA) that represented regional integration within a framework of socialism (2006, p. 11). At the fourth summit of the Americas in Mar del Plata it was evident that negotiations entered into backlog while Venezuelan president Hugo Chavez proclaimed the project dead (The Washington Post, 5 November 2005).

The FTAA negotiation process represents a direct evidence of Brazilian consensual hegemony strategy. Even though Brazil has never officially acknowledged its hegemonic aspirations, it followed the strategy of a consensual leader. Itamaraty opposed the US hemispheric free trade project by conceptualizing an alternative idea of regional integration and disseminating it within the political framework of the Rio Group. As a consequence Brazilian vision of regional integration became a project with collective ownership based on consensus among its members. The coercive element was present in the implicit cost of non-participation in the integration project and in the threat of exclusion of those countries not participating in the consensus building. Brazilian leadership presented itself in the form of regional project coordinator, actively encouraging other members to participate on behalf of universal interest of Latin American region.
5.2. Case of the Southern Common Market

The Southern Common Market (Mercado Comum do Sul *in Portuguese*; Mercosul) is a customs union and free trade area including four founding members: Argentina, Brazil, Paraguay, Uruguay; Venezuela (suspended in 2016); and seven associate countries Bolivia: (in the process of incorporation since 2012), Chile, Peru, Colombia, Ecuador, Guyana and Suriname (MERCOSUL, 2017). It is the largest regional integration project comprising 72% of the South American territory (12.8 million km\(^2\)); 70% of the regional population (275 million) and 77% of the South American GDP ($3.18 trillion) (Itamaraty, 2017).

The first step towards integration was made in 1985 with signature of the Iguaçu Declaration by presidents of Argentina Raúl Alfonsín and Brazil José Sarney. The Declaration officially ended long-lasting competition for regional dominance and established a framework for future cooperation in trade, infrastructure, energy, finance, and also in closed spheres as arms control and nuclear installations (Iguaçu Declaration, 29 November 1985). In 1998 Brazil and Argentina signed the Treaty for Integration, Co-operation and Development, aiming at establishing of a common market, and Paraguay with Uruguay were invited to participate (Neto, 2014, p. 24).

The political and economic rapprochement in Argentine - Brazilian relations could be explained by several factors. First of all, in both countries democratic governments came into power ending the period of military dictatorships, promoting market opening and trade liberalization. For Brazil establishing of close ties with its regional neighbors became a part of its global strategy of international inclusion, democratization and alternative economic development (2014, p. 23). Argentina followed the same logic, in addition to the lost Falklands war with the United Kingdom that strengthened the solidarity with its neighbors and regional identity.
On 26th of March 1991 Argentina, Brazil, Paraguay and Uruguay signed the Treaty of Asunción that established Mercosur. The Treaty defined a transition period (1991 – 1994) for establishing a free trade area between its members and becoming a customs union. For this purpose the following integration steps were outlined: (1) the establishment of the free movement of goods, services and factors of production; (2) the adoption of a common external tariff and a common trade policy in relation to third countries; (3) the co-ordination of macroeconomic and sectoral policies; (4) the harmonization of domestic legislation (Treaty of Asunción, p. Article I).

On 17th of December 1994, the Protocol of Ouro Preto was signed in order to finalize the transition period and frame the organization’s institutional structure. The main outcome was the adoption of common external tariff covering 85% of goods traded with third parties. The Treaty and its Protocol were both focusing mainly on the economic aspects of the integration not delegating significant amount of power to the political institutions of the organization. As Neto explained: “the Brazilian vision of integration was based on economic and trade processes with low level of institutionalization and coordination of macroeconomic policies” (Neto, 2014, p. 30). And as Malamud noted, “the agreement was politically motivated, but the means were exclusively economic” (Malamud, 2005, p. 423).

The evolution of Mercosur since its establishment can be divided into several distinct phases. Between 1990 and 1998 Mercosur achieved considerable success. The volume of intra-group trade grew from $4 billion to $23 billion (Figure 7). The value of intra-block trade in proportion to the total trade grew from 10% to 24% (UNCTADSTAD). Mercosur had a positive effect on economic stabilization of its members, when Brazilian economy experienced recession between 1990 and 1993, domestic industry managed to survive due to access to Argentinian market that was experiencing significant growth.
After the era of rapid growth, from 1999 until 2002 Mercosul entered into a deep stagnation caused by devaluation of the Brazilian real and the Argentine economic meltdown in 2001. The crisis has shown that with the growing interdependence between Mercosul economies, their vulnerability grows as well, especially in case of weaker partners as Paraguay and Uruguay. As Figure 7 shows, inter-group trade declined by 25% as the result of protectionist measures and rising tensions between its members.

In 2003 the disillusion with global neoliberal policies brought to power leftist governments in all Mercosul members that introduced new model of socio-economic development in their countries and respectively in the integration block. Moreover, the rising global commodity prices positively influenced countries’ economic recovery and the major dissatisfaction with the FTAA negotiations strengthened commitment to the Mercosul project and regional integration. All these factors caused immediate growth in intra-regional trade and value-added exports which larger share was absorbed by Brazil. As Figure 7 shows, this trend strengthened significantly during Lula presidency that supported Brazil’s claim for regional leadership.
It is without a doubt that Mercosul member states gained significant benefits from participation in the project. From the political perspective Mercosul fostered peaceful democratic development of its members that, as Malamud noted: “in a region historically characterized by authoritarianism and military rule, this accomplishment alone justifies integration efforts” (Malamud, 2005, p. 426). From the economic perspective, South American countries gained preferential access to the Brazilian market that boosted their value-added exports, stimulated foreign trade investment and fostered intra-regional trade. Nevertheless, the strongest argument in favor of Mercosul belonged to the international dimension. Together South American countries achieved global recognition and visibility that was used as leverage in multilateral negotiations for instance during the FTAA talks, WTO trade rounds or the Mercosul-European Union negotiations. This was the primary interest of Brazilian government often referring to Mercosul as to a “strategic alliance”, “destiny rather than choice” or even as “the most transcendental political decision in our history” (Malamud, 2005, p. 424).
This paper argues that the ideational role of Mercosul and its geopolitical significance for Brazil played more important role than its economic or democratic underpinnings. First of all, despite the above mentioned advantages, the benefits generated by integration process were spread among its members unequally. Table 1 shows deep macroeconomic asymmetry between Paraguay and Uruguay on the one hand and Brazil and Argentina on the other.

| Table 1. Mercosul Founding Members: Indicators of Size and Trade (%) |
|-----------------|------|-----|------|
|                 | Size* | Openness ** | Regional Bias*** |
| Argentina       | 18   | 39   | 25   |
| Brazil          | 79   | 26   | 9    |
| Paraguay        | 1    | 79   | 43   |
| Uruguay         | 2    | 57   | 46   |

* National GDP % of total Mercosul GDP
** (Exp + Imp)/GDP
*** (Regional Exp + Imp)/(Total Exp+Imp)

Source: Inter-American Development Bank; www.iadb.org

As Blyde noted, “smaller trade partners are more vulnerable to agreement imperfections due to their increased exposure to regional trade”. This tendency is explained by two main factors: “(a) their economies are more open because less diverse resources create greater specialization” and “(b) regional trade partners are more economically relevant than the rest of the world” (Blyde, et al., 2008, p. 29). This fact has caused numerous disputes and dissatisfaction on the side of Mercosul’s weaker partners. Despite the signed trade agreements, the 2008 global economic crisis brought a new wave of protectionist policies and according to Global Trade Alert research: Argentina and Brazil were responsible for 70% of discriminatory measures in the region. This fact represents a significant barrier in the block’s development. Some specialists argue that in practice, “Mercosul has made a very limited progress towards its original aims” and according to GATT definitions, “it has not even become a fully-fledged free trade area” (Malamud, 2005, p. 426).
The bloc’s commitment to democracy has also been questioned multiple times. In 2012 Paraguay was suspended from Mercosul due to “what other members considered to be the undemocratic, though parliamentary, ousting of its president Fernando Lugo” (Mothiane, 2015, p. 120). Some experts argue that the real motives behind Paraguay’s suspension were purely political and geostrategic. At that time Brazil was strongly supporting Venezuela’s application to the block, arguing that the inclusion of this country would make Mercosul “global energy power” (CFR, 2017). Paraguay was the only Mercosul member blocking the admission of Venezuela to the organization. But “with Paraguay suspended, the doors were opened for Venezuela, South America’s main oil producer” (BBC, 29 June 2012). While Mercosul’s official position was that the decision to suspend Paraguay was unanimous, early reports provide evidence that “Uruguayan president Jose Mujica objected and was made to comply” (Burges, 2015, p. 201). This case provided clear evidence that Brazil and Argentina were willing to neglect bloc rules and suppress its weaker Mercosul partners when it was convenient for their own agendas.

The inability of smaller South American partners to defend their interests in such conflict situations results from another Mercosul deficiency and that is weak institutional basis. According to many experts, Mercosur has heavily relied on inter-governmental institutions rather than supra-national structures that are crucial for establishment of secure and fair common market (Mothiane, 2015, p. 116). The blocks main decision-making bodies, the Common Market Council and the Common Market Group are composed by each member top-raking representatives what makes Mercosul dependent on the “national agendas of its members and the changing priorities of the leadership of the day” (2015, p. 116). At the same time the regional Parliament, known as PARLASUR, is not well organized and as many times observed “has none of the competences characterizing a parliament; it has no power of control and its capacity to
legislate is non-existent” (Gardini, 2011, p. 683). According to Mothiane, the principle of “inter-governmentalism” and “unilateralism” has proved a relatively low-cost policy option for the Mercosur members, what fostered case-sensitive approach “at the expense of the establishment and enforcement of the union’s rules and procedures” (Mothiane, 2015, p. 117). The evidence for this provides the fact that 70 percent of legislation adopted by the Mercosur Council and 63 percent of the Common Market Group resolutions approved between 1991 and 2002 were not enforced or incorporated into each member’s domestic legal systems (Baumann, 2008).

Considered all above it is possible to conclude that Mercosur model of integration serves as evidence that Brazil has pursued consensual hegemony strategy in the region for achieving its national interests. This chapter argues that despite certain economic and political benefits that Brazil has offered to its regional neighbors, the main motivation behind the Mercosur creation was promoting Brazilian geopolitical interests. During the three decades of its existence Mercosur has made a very limited progress towards deepening of the economic integration, caused by asymmetric benefit distribution among its members and high amount of protectionist measures introduced both by Brazil and Argentina. Brazil has also shown a little commitment towards democratization and institutionalization of the organization’s structure showing preference towards a low-cost inter-governmental decision-making process. This approach protects Brazil’s sovereignty and delegates no power to supra-national structures that allows it to impose its own interests on the subordinate members of the system under the false democratic premises as demonstrated in case of Paraguay’s suspension from Mercosur in 2012. Mercosur has served Brazil mainly as a platform for the global recognition and as leverage during multinational negotiations during the FTAA talks, WTO trade rounds or the Mercosur – EU trade negotiations.
5.3. Case of the Union of South American Nations

The Union of South American Nations (União de Nações Sul-Americanas, UNASUL in Portuguese) is an intergovernmental organization formed in 2008 upon Brazilian initiative. It comprises of 12 member countries which main objective is to “build an integration space for the South American peoples” (Itamaraty, 2017).

The UNASUR project represents a realization of Brazilian strategic idea of a strong South American economic and political union under Brazilian leadership. When Lula was elected President of Brazil in 2002 he declared in his inauguration speech: “Our great priority in foreign policy is to build a politically stable, prosperous, united South America, based on democratic ideals and social justice. We will support the institutional agreements needed to create a true identity between MERCOSUR and South America.” (Folha de S. Paulo, 01 January 2003).

The first step towards the above strategy was taken in 2004 during the third South American Summit in Cusco, Peru. The Cusco Declaration (8 December 2004) initiated economic convergence between “Mercosul, the Andean Community and Chile through the perfecting of the free trade area and its progression to more advanced stages of economic, social and institutional integration” based on the European model of development including adoption of common currency, parliament and passport. However, as Sanahuja noted, during the following years the trade liberalization agenda slowly disappeared “due to the lack of consensus between countries with very different international economic strategies” and was replaced by “giving preference to political, social, defence and security agenda” (Sanahuja, 2012, p. 11). This tendency was also reflected in the change of the organization’s name from “South American Community of Nations” to “Union of South American Nations” – UNASUL.
The UNASUL Constitutive Treaty was adopted on 23\textsuperscript{rd} of May, 2008 in Brasília. Its text, approved by 12 South American members, provided a clear evidence that “the organization’s character would be eminently political and that there would be a specific focus on cooperation and common policies in non-trade areas” (2012, p. 12). The Article 4 determines the institutional structure of the organization based primarily on the inter-governmental principle: (1) the highest organ of UNASUL is the Council of Head of State and Government; (2) the executive body is represented by the Council of Ministers of Foreign Affairs; (3) the coordinative role is assigned to the Council of Delegates, composed of representatives from each country and (4) The General Secretariat is a supporting organ executing the mandates conferred upon it by the above mentioned organs (UNASUL, 23 May 2008). Article 17 also foresees creation of South American Parliament. The decision-making process embedded in the Treaty is based on mutual consensus and unanimous voting that represents a guarantee of UNASUL members’ national sovereignty, self-determination and non-intervention. As Sanahuja explained, all of the decisions adopted by the UNASUL organs “are obligatory only after being passed by each members’ internal legislative body” (2012, p. 13).

The inter-governmental approach towards decision-making process in UNASUL is clearly identical to the previous case of this research paper – Mercosul. Therefore it is possible to conclude that, similarly as in the case of Mercosul, despite Brazil actively promoting the idea of the integrated South American space, it is not willing to delegate necessary authority to its supranational institutions that are crucial for fair and efficient functioning of any regional bloc. As Burges has noted, “while Venezuela and Ecuador wanted to form a South American bloc that might achieve EU style union, Lula was taking a measured approach focused on protection of its national autonomy” (Burges, 2015, p. 201).
After the thorough analysis of UNASUL development since the moment of its creation it is possible to highlight three main areas of cooperation that are essential for functioning of the organization: integration of regional infrastructure, energetic security and defence.

The energy sector has always been on the first place of UNASUL’s agenda. The South American energy market has a big complementary potential between the suppliers with abundant energy reserves and consumers who lack them. Therefore, as Sanahuja explained, the cost of non-participation in the energy sector integration is extremely high and can take the shape of: “bilateral disputes, dependence on extra-regional suppliers at higher cost, loss of income for exporters or the use of less efficient alternatives such as nuclear energy” (2012, p. 14). For that reason in 2001 was created the South American Energy Council of UNASUL (CES) that became responsible for “the cooperation and complementation among Member States in matters of energy and elimination of asymmetries among them” (UNASUL, 2017).

Energy security and increased access to energy sources was Brazilian primary interest since 2001-2002 crises. As Burges noted, through the regional initiative, Brazil has managed to “turn energy dependency into an economic lever by sourcing electricity, gas and oil from Argentina, Bolivia, Paraguay and Venezuela” (Burges, 2005). Therefore by the time Brazil has gained energetic independence in terms of reserves its regional partners were already fully dependent on Brazilian market and Petrobras activities.

Regional infrastructure integration was another Brazilian priority with the aim to improve inter-oceanic connection and gain accesses to Pacific markets. For that purpose the Initiative of the Integration of the Regional Infrastructure in South America (IIRSA) was adopted in 2000 during the First South American Summit. The initiative “is based on 12 integration axes and six sector
integration processes that include upgrading the highways, ports and airports that connect South America with the rest of the world” (IADB, 9 March 2002). The financial support for the infrastructure projects has been provided by the Inter-American Development Bank (IDB), the Brazilian public sector sponsored Banco Nacional de Desenvolvimento Economico e Social (BNDES) and the Andean Development Corporation (CAF). On the one hand, Brazil provided significant benefit to its neighbor in terms of financial support and new technology, but on the other hand in many cases the loans were tied to the commitment to utilize them on Brazilian goods and services, benefiting Brazilian companies. Consequently, even though Brazil was once again tying up its neighbors to its economy, it did not involve any significant economic costs for Brazil itself. Moreover, Brazil practiced an implicit coercion by pointing at the costs of non-participation in the projects. For example, when Amorim collectivized pressure on South American countries noting: “The non-payment of loans will have an impact on the granting of new loans for all other countries. This is not a threat, it is a fact.” (Estadão, 3 December 2008).

UNASUL’s strong political underpinnings were forged by creation of the South American Defense Council in 2008 on Brazilian initiative. It was the result of a long-lasting objective to create a new defense system in South America that would represent an alternative to the Organization of American states (OAS). Establishment of the Defense Council became part of Brazilian regional strategy to become a regional “mediator and arbitrator” and reduce the US influence in the region to minimum.

Considered all above, it is possible to conclude that through economic, energetic, infrastructure and defence strategy within the framework of UNASUL, Brazil has once again confirmed its allegiance to consensual leadership strategy reflected in the process of consensus building and discussion leading among its members, while in each and every case promoting its own interest.
6. Discussion of Results

The empirical part of this research paper was divided into two chapters. The primary objective of the first empirical chapter was to analyze Brazil from realist perspective as an actor of international relations system pursuing its own national interests in Latin America. For this purpose the causal chain analysis derived from neoclassical realism theory was applied that helped to determine the key domestic and international factors influencing Brazilian behavior and foreign-policy choices.

A detailed analysis of the international context and state level factors influencing Brazil as an emerging power lead to the following results. On the international level, Brazilian leadership ambitions have been constrained by two main factors: (1) established US hegemony in the Western Hemisphere in economic, political and diplomatic terms and (2) lack of material economic and military capabilities necessary for claiming dominance over Latin American region. Brazilian subordinate position in the regional power constellation meant that it could not apply conventional methods that classical realism would prescribe as coercion and military confrontation.

On the other hand, the domestic level variables as (3) high level of professional diplomatic power; (4) strong presidential influence in Brazilian foreign policy and (5) overwhelming support of elite groups from foreign policy community provided Brazil with necessary resources for conducting leadership strategy in its foreign policy. Instead of using “hard power” as a tool for influencing others, Brazil has mainly applied its “soft power” in order to promote its global and regional interests. Brazil developed a vision of itself as of a “consensual leader” operating through discussion and inclusion of other members into regional projects and promotion of their
universal interests. And this fact brought me to the second empirical chapter of this research paper aimed at the analysis of Brazilian regional integration strategy in practice. For this purpose three particular Brazilian integration initiatives in South America were analyzed and compared and the results were the following.

The case of Free Trade Area of the Americas has shown that even though Brazil has never officially acknowledged its hegemonic aspirations in the region, Itamaraty opposed the US hemispheric free trade project by conceptualizing an alternative idea of regional integration and disseminating it within the political framework of the Rio Group. As a consequence Brazilian vision of regional integration became a project with collective ownership based on consensus among its members.

The case of Mercosul has shown that despite certain economic and political benefits that Brazil has offered to its regional neighbors, the main motivation behind the Mercosul creation was promoting Brazilian geopolitical interests. During the three decades of its existence Mercosul has made a very limited progress towards deepening of the economic integration caused by asymmetric benefit distribution among its members. The result of Brazilian regional trade liberalization was deepening of dependency of its neighbors on Brazilian market and therefore putting them into subordinate geostrategic position.

Brazil has also shown a little commitment towards democratization and institutionalization of the organization’s structure showing preference towards a low-cost inter-governmental decision-making process. This approach protected Brazil’s sovereignty and delegated no power to supranational structures that allowed it to impose its own interests on the subordinate members of the
system under the false democratic premises as demonstrated in case of Paraguay’s suspension from Mercosul in 2012.

Almost identical pattern of integration could be observed in the third case analyzed in this research paper – the Union of South American Nations. Despite active promotion of the idea of the integrated South American space, Brazil was not willing to delegate necessary authority to its supranational institutions that made the organization less efficient in the decision-making process. The real Brazilian interest in the organization lied in its political, energetic and infrastructural underpinnings. Through the energetic security policy of UNASUL, Brazil has gained access to energy sources of its neighboring countries and also made them dependent on its domestic market and Petrobras activities. Through the infrastructure integration projects Brazil was seeking accesses to the Pacific markets. On the one hand, Brazil provided significant benefit to its neighbor in terms of financial support and new technology, but on the other hand in many cases the loans were tied to the commitment to utilize them on Brazilian goods and services, benefiting Brazilian companies. Consequently, even though Brazil was once again tying up its neighbors to its economy, it did not involve any significant economic costs for Brazil itself. Moreover, Brazil practiced an implicit coercion by pointing at the costs of non-participation in the projects.

In all three cases, the elements of idealization of integration were present, disseminated by Brazil on its neighbors through discussion and consensus building that gave its subordinate members sense of collective ownership of the integration project. In all three cases Brazil did not bear any significant economic or political costs of its leadership and the coercive element was present in the lost opportunities and threat of non-participation.
7. Conclusion

The main focus of this research paper was placed on the analysis of Brazilian regional strategy, such as regional institutionalization and integration of South America. This paper has argued that: *First of all*, Brazil’s foreign policy in Latin America represents realist approach, seeking national interests, political gains and power through employing inclusive and non-confrontational means. All three case studies analyzed in this research paper provided empirical evidence for this position. During FTAA negotiations Brazil opposed the US hemispheric free trade project by conceptualizing an alternative idea of regional integration and disseminating it within the political framework of the Rio Group. Peaceful regional integration through Mercosul and UNASUL became a realization of Brazilian leadership strategy in Latin America. In both cases it was proved that the national geopolitical interests of Brazil were overriding economic or democratic underpinnings of the regional integration.

*Secondly*, Brazil’s regional integration strategy is focused on establishing a type of hegemonic order that aims to lock subordinate members in regional structure through implicit costs of non-participation or exclusion. This assumption was proved during the analysis of all three case studies. Whether during the FTAA talks and building joint statement within Rio Group, the suspension of Paraguay in 2012 without unanimous agreement between all Mercosul members, or enumerated costs of non-participation in energetic and infrastructural integration within UNASUL. Brazil has always managed to point at the costs its neighbors would have to pay if they abstained from full and active regional integration participation. The idea of “locking members into hegemonic system” was also translated into asymmetric distribution of integration benefits and deepening of dependencies of “nominally” subordinate members of integration on Brazilian stronger economy and politics.
Thirdly, the stagnation of regional integration processes is caused by Brazil’s unwillingness to bear the costs of hegemonic system maintenance and resistance to delegate part of its authority to regional institutions. This tendency was observed in both Mercosul and UNASUL institutional structures. Brazil has shown its commitment towards a low-cost inter-governmental decision-making process in order to protect its own autonomy and national sovereignty, and also keep the leverage of a stronger country in negotiations with its regional partners. Without strong supranational institutions the disputes between the integration members prevail and lead to strong dissatisfaction of its members. This fact just increases the lucrativeness of emerging regional blocs as Pacific Alliance, representing competition to Brazilian model of integration an attracting Mercosul members.

All in all, the thorough research conducted in this paper based on neoclassical foreign policy causal chain analysis and three case studies has established evidence for the theoretical explanation of Brazilian strategy in Latin America based on the concept of consensual hegemony. Even though Brazil has never officially acknowledged its hegemonic aspirations, it followed the strategy of a consensual leadership, in the form of regional project coordinator, actively encouraging other members to participate on behalf of universal interest of Latin American region. The main motive behind such strategy was promotion of Brazilian own geopolitical interests. This approach has shown its limitations as the ideational leadership without any strong economic or democratic benefits for its followers lead to their eventual dissatisfaction and actual stagnation of the integration processes. Nevertheless, taken into consideration the systemic constraints imposed on Brazil by the initial relative power distribution in the Western hemisphere, this method became an efficient way for an emerging country as Brazil to promote its interests in the region and raise its global prominence.
Figure 9. Latin American Integration Blocs

From top left, reading wise: (1) the Americas, (2) Latin America, (3) ALBA, (4) North America (NAFTA), (5) Central America (SICA), (6) South America (UNASUR), (7) Mercosur, (8) Andean Community, and (9) Pacific Alliance.

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