

STRATEGIC ANALYSIS: THE BRAZILIAN CHALLENGE OF REACTIVATING UNASUR AND STRENGTHENING MERCOSUR

Leonardo Granato¹

In his third presidential term, President Lula has been devoting a large part of his government agenda to foreign policy, aimed at strengthening the country's capacity to advance its interests and, within the aforementioned public policy, at rebuilding integration relations with neighboring countries. Faced with the spread of nationalism and protectionist postures in the midst of a complex international scene marked by the impacts of the Covid-19 pandemic, the war in Ukraine, and tensions between the United States and China, the Brazilian option is for the defense of peace, dialogue and cooperation, starting with its strategic environment represented by South America and Mercosur.

With regard to the South American region, the Brazilian government's ability to convene and unify perspectives was challenged by the heterogeneity of agendas and priorities of different countries, even among countries with progressive governments. In fact, the so-called "Consensus of Brasilia", a joint declaration resulting from the presidential meeting of May 30, 2023, highlights the size of the aforementioned challenge, since there was no mention, in that declaration, of the Union of South American Nations (UNASUR) and its reactivation. Faced with its dismantling during the Bolsonaro government, carrying forward the Brazilian government's priority objective of reactivating UNASUR will require, perhaps more than in the past, a broad effort to build consensus.

With regard to Mercosur, also under a setback in recent years, Brazil will play, during the second half of 2023, the pro-tempore presidency of the bloc, which will represent the opportunity for the Brazilian state to project its foreign policy priorities, as well as the principles that guide its internal public policies. In President Lula's own speech at the 62nd Mercosur Summit, which took place in Puerto Iguazú (Argentina) on July 4, 2023, the major issues to be privileged during his tenure at the head of the bloc were portrayed. Such matters refer, essentially, to the strengthening of Mercosur in its multiple

¹ Business School, Universidade Federal do Rio Grande do Sul. Porto Alegre, Brazil. E-mail: leonardo.granato@ufrgs.br

dimensions, and to the conclusion of the bi-regional agreement with the European Union.

With regard to the economic-commercial dimension of the Mercosur bloc, highlighted in this text, intra-Mercosur and extra-Mercosur trade flows and investment flows emerge as three interdependent fronts. With regard to intra-Mercosur trade, which in 2022 totaled more than 45 billion dollars, President Lula defended in his speech the need to increase its volume by adopting a reference currency for regional trade and strengthening the task of eliminating non-tariff barriers. With regard to extra-Mercosur trade, the Brazilian government's bet will be to improve the Common External Tariff, protecting regional competitiveness against foreign competition, and ruling out any type of regression towards a free trade zone and the relaxation of the clause relative to the joint conduction of external negotiations.

Still regarding the aspect in question, Mercosur must continue to contribute to the opening of new markets for its countries' export products. In his speech, President Lula stated, in this sense, that he wants to expand and improve existing trade agreements with other South American countries, and that he wants to advance in the agreements that are being negotiated with Canada, South Korea and Singapore, as well as explore new fronts of negotiation with China, Indonesia, Vietnam and countries of Central America and the Caribbean.

In the context of the objective of opening new markets, there is still the challenge of concluding the agreement with the European Union, signed in 2019. Without a doubt, it is in the interest of the Lula government to close this agreement with the Europeans during his presidency of the Mercosur bloc, but there are still stumbling blocks on the way. The first of these refers to the environmental issue, as in order to prevent the entry of agricultural products from deforested or degraded areas, the European Union, in the so-called "Green Annex", formulated requirements that the Brazilian state considers excessive and very strict. Furthermore, what seems to be behind these environmental requirements is the fear of the entry of competitive agricultural products into the European internal market, recreating, therefore, under new guises, the traditional protectionist agricultural policy. Taking advantage of the commitments that the country has been assuming in the environmental area (zero deforestation in the Amazon by 2030), in his speech at the Mercosur summit meeting, President Lula criticized the European bloc for fostering mistrust in Brazil, and stated that partners do not negotiate based on the "threat of sanctions".

The second of the stones refers to the issue of opening up government purchases, through national treatment for European suppliers, and the

limitations that such opening would entail in fostering internal development. In his speech at the Mercosur summit, President Lula stated, regarding the matter, that “it is inadmissible to give up the purchasing power of the state, one of the few instruments of industrial policy that we have left”. Brazil thus defends the need to guarantee a balanced agreement (that is, with openings and reciprocal concessions), which favors room for maneuver in the Mercosur countries for the adoption of public policies that promote industrialization and productive integration, avoiding the traditional European extractivism. “We have no interest in agreements that condemn us to the eternal role of exporters of raw materials, minerals and oil”, said President Lula in his speech. In this sense, the question that arises today concerns whether the significant reserves of lithium and cobalt and the production of green hydrogen, functional to the goals of productive decarbonization in Europe, will represent real opportunities to promote industrial development in the region.

In addition to trade flows, there is still the investment flow front, since, as portrayed in President Lula’s speech, deeper integration demands productive investments, creators of new social wealth (skilled employment, and production of science, technology and innovation), and investments in physical and digital infrastructure. Regarding this point, at the 3rd Summit Meeting of the Community of Latin American and Caribbean States (CELAC) and the European Union, which took place in Brussels on July 17 and 18, 2023, the Brazilian representative stated in his speech that “initiatives to mobilize resources and investments are welcome and must include technology transfer and real integration of production chains. We need a partnership that puts an end to an international division of labor that condemns Latin America and the Caribbean to the supply of raw materials and poorly paid and discriminated migrant labor”. President Lula has publicly reinforced that the objections to the agreement in question respond to Brazil’s interest in defending its productive assets, and that a new counterproposal will be presented in the coming weeks with the aim of continuing the negotiations, evidencing, in such a position, the Brazilian government’s conviction that a non-subordinated external insertion involves avoiding the alienation of unrestricted openings, appealing to negotiated openings and reciprocal concessions.

Finally, in addition to the issue of trade and investment flows, the reinvigoration of Mercosur will also, for the Lula government, involve defending democracy; improve the bloc’s political institutions; strengthen the fight against asymmetries, fundamentally in relation to Paraguay and Uruguay; recover the civic and socially inclusive agenda, including issues such as social participation; and advancing the climate agenda. Faced with the

complexity of the challenges to be faced in the field of regional integration, perhaps one should expect strong pragmatism from Brazil to equate diverse interests, but without renouncing the basic claims of its foreign policy aimed at the sovereign insertion of the Geopolitical South in the capitalist world order.

Received in July 20, 2023

Accepted in August 6, 2023

Translated by Igor Estima Sardo