The future of South American integration in the context of recent political changes

Prof. Alexis Toríbio Dantas State University of Rio de Janeiro (UERJ)

Initial Remarks

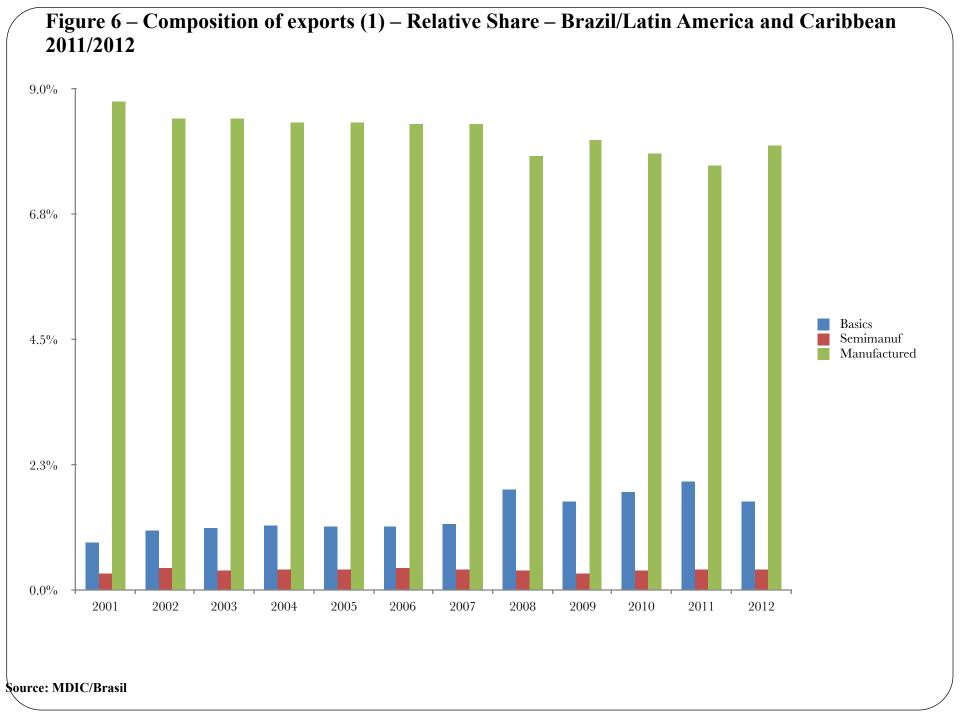
• After a very successful beginning in terms of trade with the consolidation of the bloc in 1991 on the terms of Assunción Treaty, MERCOSUR had huge problems as a consequence of the currency crisis in Brazil, in 1999, January and then the stronger crisis of Argentina in 2001

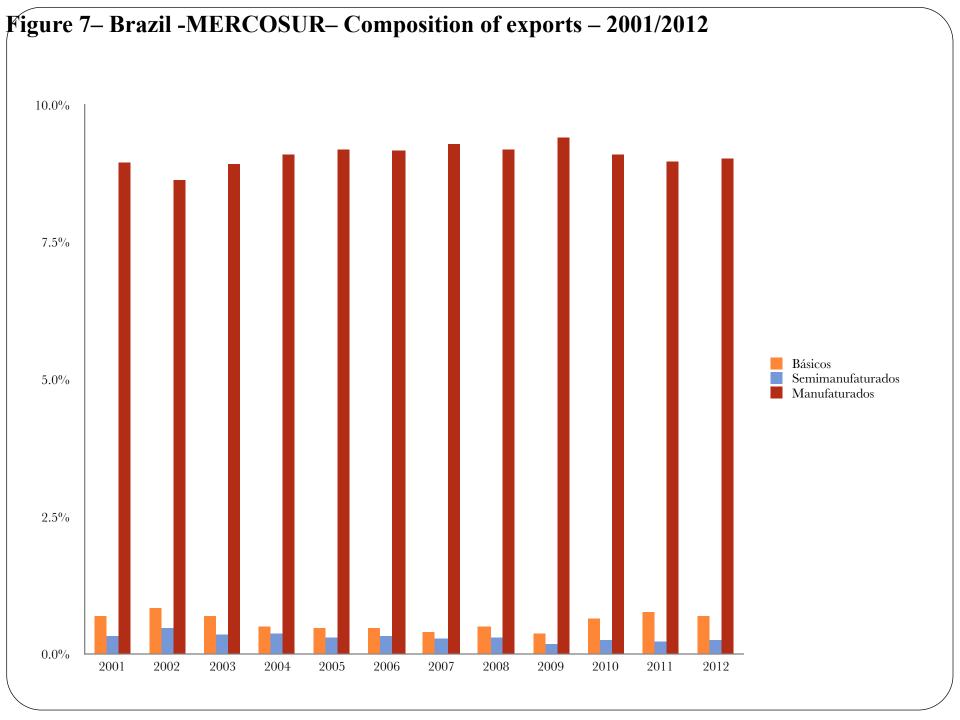
Initial Remarks

- many specialists had considered MERCOSUR would not survive as a bloc anymore, especially because of Argentina default and the natural risk aversion it had caused
- Indeed, MERCOSUR not only survived but kept the trajectory of growth after the crisis

Important Features

- The relative share of MERCOSUR for Brazilian exports of manufactured products has increased a lot since the block was formalized and the same occurred to Argentina
- there is a more relevant aspect of the recent evolution of MERCOSUR, represented for the trajectory of Foreign Direct Investment (FDI) between Brazil, Argentina, Uruguay and Paraguay. This is a fundamental condition, in the long run, for the consolidation of the block Despite of the importance of import and export flows for the block evolution, the path of the agreement is mostly affected, in the long run, for the FDI flows which enlarge trade and increase dependency of the countries evolved.





Latin America

• Unlike the global trend of business transactions of Brazil, where commodities grow considerably in the relative composition of total exports, Brazilian sales for Latin America and the Caribbean are increasingly concentrated in manufactured goods, with a stable performance throughout the first decade of this century – see figure 6. Thus, the region remains the prime destination of Brazilian industrial production, especially after 2006/7.

Foreign policy

- South-South cooperation appears as a fundamental integration project defined in Brazilian post-Lula policy.
- The incentives to internationalization of Brazilian companies as a foreign policy instrument are related to a recent trend of emerging countries in the international scenario, with a preferential target in Latin America and Africa.

Foreign policy

- With regard to the design of an international multipolar governance system, BRICS play a strategic role, with important advances in the recent configuration of international relations.
- The creation of the Contingent Reserve Arrangement, with an initial contribution of US \$ 100 billion and the New Development Bank (NDB) are the highlights since 2016.

Foreign policy – In short

- (A) the (re) strengthening of MERCOSUR as the new orientation of Brazilian foreign policy;
- (B) an integration policy based on South-South relations;
- (C) encouraging the internationalization of Brazilian companies (of goods and services), with the central role played by the Banco Nacional de Desenvolvimento Econômico e Social (BNDES);
- (D) the search for a new position in the global governance process with a more active and less timid role in multilateral organizations, in particular the World Trade Organization (WTO) and the International Monetary Fund (IMF) in this case, with an important contribution from new BRICS international agreements and the creation of the New Development Bank.

Coup d'état

- (a) Coup d'état, impeachment and foreign policy
- (b) A less important Mercosur and the case of Venezuela
- (c) The search for rapprochement with the United States
- (d) Potential effects of the coup for the BRICS