

## **SOUTH AMERICA IN FERNANDO HENRIQUE CARDOSO'S FOREIGN POLICY: A LEGACY FOR LULA'S GOVERNMENT?**

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### **Introduction**

During Fernando Henrique Cardoso's government, there is a configuration of three combined and articulated fronts in Brazilian diplomacy, each one having their own characteristics. Thus, it is noted that Mercosur, South America and the Free Trade Area of the Americas (FTAA) represented the three regional fronts of activities of Brazilian diplomacy in the period, which were deepened and gained a new strategic direction in the 1990s, but keeping, in many aspects, the regional policy of the developmental matrix. Regional policy in the new emerging matrix gains centrality as an international insertion project of its own. In this sense, Mercosur represents the hard core of international projection of Brazil, first in Latin America and then worldwide. Thus, this article seeks to analyze the growing importance of regional environment to the Brazilian foreign policy in President Fernando Henrique Cardoso's government.

### **The concept of South America in Brazilian diplomacy**

Brazil's foreign policy until the mid-twentieth century had a selective view of Latin America and South America. The concept of Latin America was considered too broad and vague and included an area under the control of the United States (Mexico and Central America) in which Brazil did not express great interest, still being under the influence of Rio Branco's ideas about Americas' division between the United States and Brazil. While the United States would be hegemonic in Central America, Brazil would have an ascendance over South America. In addition, according to Moniz Bandeira, it was the concept of South America that marked objectively the Brazilian diplomacy,

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which had interests in Argentina, Uruguay, Paraguay and Bolivia until the mid-twentieth century<sup>1</sup>.

Thus, the geographical concept of South America served as a parameter for Brazil's regional insertion, which avoided any involvement in the rest of the continent, while sought to protect the sub-region as its sphere of influence. However, in South America, the primary interest of the Brazilian foreign policy consisted of the countries of the River Plate Basin, while the relationship with countries of the Amazon Basin (after the negotiation of boundaries) was still considered of low priority. But, with the intensification of its industrial development, Brazil increasingly turned itself to the countries of that region, which was seen as a potential market for Brazilian manufactures. The integration of South America required the development of the Amazon, which until then separated the Brazilian industrial economy from the markets on the margins of the Pacific and the Caribbean. Besides, the development of the Amazon depended on the cooperation with the neighboring countries<sup>2</sup>. With the international changes of the 1980s, that directly hit Brazil's international insertion's matrix, the regional aspect gained considerable importance as one of the main articulator axis of the foreign insertion of the country<sup>3</sup>.

Thus, the foreign policy of Fernando Henrique's government to South America consisted of an effective application of a latent project of the Brazilian state diplomacy, now adapted to the conjuncture of globalization and integration<sup>4</sup>. In this way, by mobilizing ministries and enterprises through the attribution of strategic axis, Fernando Henrique's government acted with relative coordination, which was getting sharper only with Mercosur's crisis, as well as with the crisis of Brazil's international insertion matrix, for the priority of the Brazilian foreign policy was initially the relationship with countries of the River Plate Basin. The redirection of the Brazilian energetic matrix and the great infrastructure projects also marked this period.

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<sup>1</sup> BANDEIRA, Luiz Alberto Moniz. O Brasil e a América do Sul. In: ALTEMANI, Henrique e LESSA, Antônio. (orgs) *Relações Internacionais do Brasil: Temas e agendas*. São Paulo: Saraiva, 2006, p. 269.

<sup>2</sup> *Ibid.*, p. 273

<sup>3</sup> SENNES, Ricardo. *As mudanças da política externa brasileira nos anos 80: uma potência média recém industrializada*. Porto Alegre: Ed. da UFRGS, 2003., p. 125.

<sup>4</sup> *Ibid.*, p. 278.

### **Mercosur: basis for Brazilian international insertion**

According to Amado Cervo, Mercosur's integration process was the space of realist diplomacy of Fernando Henrique Cardoso's Government. As Mercosur's achievements, Amado Cervo ranks the empathy between Brazilian and Argentinean intelligence (with the multiplication of meetings and the demolition of prejudices); the creation of a peace zone at Southern Cone; the amplification of intrazone trade; Mercosur's raising to the category of subject of international law through Ouro Preto Protocol; the production of a positive image; and the strengthening of the idea of South America. As for the skepticism on the evaluations of Mercosur, it sits on six weaknesses: different views of foreign affairs undermined the collective bargaining; the lack of joint coordination in macroeconomic policies and in negotiations in multilateral forums; the process was not built on the strengthening of national economic centers, but on trade; it did not create mechanisms to overcome the inequalities between the members; the incompatibility of exchange rate policies led to numerous disputes and mistrust; the lack of institutions created a very complex negotiating process, requiring to drive four autonomous decision-making processes at each decision<sup>5</sup>. Thus, in terms of gains and losses, Mercosur's model of integration as an imperfect customs union favored the bloc and Brazil, which kept its decision-making autonomy and used the block as a bargaining tool in other areas.

Mercosur's central position in Brazil's international insertion project had been present since the beginning of Fernando Henrique Cardoso's government and it was one of the great continuities of its foreign policy. Argentina's position in the Mercosur-NAFTA relation was, in this period, relatively cohesive in relation to Brazil and Mercosur - evident in the discussion meetings on the FTAA -, being also noticeable, however, an approach to the United States. It is in this political framework that Argentina bargained with the United States and also with Brazil, aiming to achieve greater political prominence and better conditions to negotiate liberalization agreements, although Mercosur's integrity was not put into play. Argentina saw its great opportunity

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<sup>5</sup> CERVO, Amado. *Relações Internacionais do Brasil. Um balanço da era Cardoso. Revista Brasileira de Política Internacional*. Número 45: 2002, p. 25-27.

of strategic insertion in Mercosur, just like all other member countries. The Argentinean government sought to increase its bargaining power and to prevent a back seat position in relation to Brazil in Mercosur, so that it could negotiate in better terms with Washington<sup>6</sup>.

On the other hand, for small countries, the integration of the Americas seemed more attractive to economies such as Uruguay and Paraguay, with small industrial exporter sector<sup>7</sup>. These countries are more complementary than competitive in relation to industrial countries. Thus, Mercosur possibility to negotiate as a trading bloc depended on the ability of its members to deepen their understandings, creating a consensus on the FTAA. However, Chile's and Bolivia's associations, the negotiations with other South American countries, and the idea of deepening Mercosur through the construction of a common market marked its success and its international attractiveness.

However, since 1997, with the international financial instability, the emerging economies weakened. In the wake of the crisis in early 1999 there was a capital flight from Brazil, to which the government responded with a sharp devaluation of Real, leading to increased costs of imports. Such fact hit hardly Argentina, which had a surplus with Brazil. Thus, the so-called Mercosur crisis began<sup>8</sup>. According to Paulo Vizontini, more than a crisis of integration, it was the erosion of an economic model, in an international environment different than that on the beginning of the decade. The global financial instability, the slow growth and the social crisis also provoked a crisis of internal legitimacy in the countries of the region, particularly in relation to the neoliberal policies<sup>9</sup>.

The centrality of South America was becoming more evident with Mercosur's crisis in 1999, which damaged Brazil's international insertion logic during the first term

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<sup>6</sup> ALBUQUERQUE, José. A política externa do governo Fernando Henrique. IN: ALBUQUERQUE, José; SEITENFUS, Ricardo; CASTRO, Sergio.(orgs) *Sessenta anos de política externa brasileira (1930-1990)*. Rio de Janeiro: Editora Lúmen Júris, 2006, p. 504-505.

<sup>7</sup> VEIGA, Pedro da Motta. Mercosur and de Construction of the FTAA. *Integration & Trade*. INTAL, n. 3, vol. 1 September-december 1997, p. 16.

<sup>8</sup> VIZENTINI, Paulo. A Alca e seu sentido estratégico: desafio ao Brasil e ao Mercosul. *Indicadores Econômicos FEE*, v. 29, n. 3, p. 127-146, nov. 2001. p. 137-138.

<sup>9</sup> *Ibid.*, p.138.

of Fernando Henrique Cardoso's government, weakening both the negotiations and Brazil's strategic positioning. The negotiations also revealed the centrality of the United States for lots of countries, in economic, commercial and strategic aspects<sup>10</sup>.

### **Integration at the subcontinent**

In the context of increasing integration in Latin America, the Brazilian government sought to expand and enhance the cooperation ties with the Amazonian countries: Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela. Initiatives of transportation and energy integration received special attention, since they were considered essential to bring dynamism to those economies and to promote rapprochement between its societies. The growing cooperation between the communities living in border areas was also a priority and involved combined efforts between authorities at national and local levels in different countries, aiming at the implementation of bilateral development projects in such areas. A greater involvement of private sectors in the process of gradual rapprochement between Brazil and its Amazonian neighbors was also sought.

The strengthening and integration of South America were part of the Brazilian strategy of negotiating with other integration processes, especially FTAA. Since the United States proposed the creation of a Free Trade Area of the Americas in 1991, the Brazilian government, as a counterpart, presented the idea (since Itamar's government) of forming a Free Trade Area in South America (SAFTA), with the proposal of making free trade agreements with countries in South America. The receptivity of the South American countries showed the attraction that Brazil and Mercosur have on the region's economies.

But it was necessary to combine two incomplete attempts of integration in South America. On the one hand, Mercosur, founded in 1991 by Argentina, Brazil, Paraguay and Uruguay. On the other hand, the Andean Community of Nations, which gathers, since 1969, Bolivia, Colombia, Ecuador, Peru and Venezuela (which remained in the

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<sup>10</sup> VIGEVANI, Tullo e OLIVEIRA, Marcelo e CINTRA, Rodrigo. A política externa no Período FHC: a busca de autonomia pela integração. *Revista Tempo Social – USP*. Vol 15, n. 2, nov. 2003. p. 48.

bloc until 2006). The articulation of these two initiatives was the backbone of South America's integration project.

Mercosur member countries had accepted FTAA negotiations, which should include Mercosur, ALADI, the Andean Pact and Chile, but preserving the integrity of the existing blocs. In addition, in December 1995, Mercosur countries signed the Interregional Framework Agreement of Cooperation with the European Union. It was also sought a rapprochement with the Southern African countries. Along the same logic of expansion, a Framework Agreement for the creation of the Free Trade Area between Mercosur and the Andean Community (CAN) was signed in April 1998. Both blocs also committed to develop the physical structure of the region, with emphasis on export corridors.

On August 31<sup>st</sup> and September 1<sup>st</sup> 2000, at the first summit of South American presidents, the South American integration project was relaunched in Brasília, with the participation of the twelve South American presidents - the first time that all heads of state met on the continent. Two days before, in order to counterbalance Brazil's lead role, Bill Clinton had visited Colombia and officially supported 1.3 billion dollars to fight drug trafficking. The purpose of the South American meeting was to deepen existing cooperation, building a cooperation project in different fields: combating illicit drugs and related crimes; science and technology and physical integration. At the meeting, Cardoso already made reference to the projection of extra-continental integration initiative in South America.<sup>11</sup>

The negotiations progressed at the meeting of foreign ministers in La Paz (Bolivia) in June 2001, with evidences of the construction of a free trade area before FTAA entering into force. The Second Meeting of the South American Presidents (held in Guayaquil, Ecuador, on July 26<sup>th</sup> and 27<sup>th</sup> 2002) sought to deepen the idea of South American integration, even in a difficult conjecture, amidst the collapse of Argentina and the difficulties in most countries of the region. The meeting demonstrated the

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<sup>11</sup> CARDOSO, Fernando. Discurso no encerramento da Reunião de Presidentes da América do Sul. In: Palavra do Presidente. Vol 12, 2000, p. 198.



political will of the Brazilian government to advance the economic and political cooperation in South America<sup>12</sup>.

The Amazon was also subject of regional coordination in order to ensure the sovereignty and prevent the harassment of international interests. In this context, the Amazonian Cooperation Treaty (TCA), signed in July 1978, is an important multilateral instrument to promote cooperation among the Amazonian countries - Brazil, Bolivia, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela -, in favor of the sustainable development of the region. Signed at a delicate moment for the Amazon region, the Treaty had the objective of reaffirming the sovereignty of the countries over the forest resources. In 1995, in order to institutionally strengthen the Treaty, the foreign ministers of the eight countries, meeting in Lima, decided to create a Permanent Secretariat for the TCA, to be held in Brasilia. The main objective of the TCA was to give the bloc a condition of international legal personality, allowing the future Secretariat to sign agreements with international institutions and to take part in multilateral forums, as well as to take international loans for the development of infrastructure and environmental preservation projects.

### **Security and diplomatic resolution of conflicts**

During the 1990s, there was a change in the emphasis of traditional concerns about Brazilian territorial defense, going from the Platinum axis to the Andean region. The strain in the relations with Argentina, the increasing interdependence of Mercosur and the low perception of threats from the South Atlantic were some factors of this strategic shift, while the perception of threat in the Amazon region was widened, especially with the Colombian factor. Added to this, there was the fact that the United States had increased the drug trafficking combat in the region since 1992. Thus, forces of the Brazilian Army began to be transferred to the region and the Vigilance System of the Amazon was created. Facing the impossibility of "closing" the border to the FARC's

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<sup>12</sup> VIZENTINI, Paulo. América do Sul, espaço geopolítico prioritário do projeto nacional brasileiro. In REBELO, Aldo; FERNANDES, Luis; CARDIM, Carlos. *Política externa do Brasil para o século XXI*. Brasília: Câmara dos Deputados, Coordenação de Publicações, 2003, p. 206

incursions in the country territory, the Brazilian government began to fight FARC's members that could enter its territory, through discrete engagements.<sup>13</sup>

Although the Brazilian government had concerns about the advance of the Colombian guerrillas on the national territory and about a possible direct intervention of the United States government in the region, it sought to support the Plan Colombia to fight drug trafficking in that country, with United States participation. However, in 2001, Bush's administration implemented the Andean Regional Initiative, which redirected funds not only for Colombia, but also to other Andean countries, besides Brazil and Panama. Thus, the American government sought to assist its allies (Colombia, Ecuador and Bolivia), to persuade the countries in doubt (Peru), and to constrain the "opponents" of this policy (Argentina, Brazil and Venezuela).<sup>14</sup>

Fernando Henrique Cardoso's government had a divergent diplomatic view on the issue of Colombia, rejecting a military participation in the conflict and not accepting the transfer of the territory of actions (of any armed actor) for Brazil. Moreover, he defended the international mediation of the conflict as well as refused to acknowledge FARC and other guerrilla groups as terrorists. This showed the concern of the Brazilian government about the American presence in the region<sup>15</sup>.

In order to strengthen and maintain the security in the region, the Armed Forces decided to deploy the Vigilance System of the Amazon (Sivam - which consists of a series of radars) in 1993, resulting in a conceptual shift in the security doctrine of Amazon. The doctrine went from territorial occupation, with masses of population, to the control of the territory and airspace with high technology. Sivam project was considered innovative, because it used cooperation and international funding from the

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<sup>13</sup> COSTA, Thomaz. Em busca da relevância: os desafios do Brasil na segurança internacional do pós-Guerra Fria. In: ALTEMANI, Henrique e LESSA, Antônio. (orgs) *Relações Internacionais do Brasil: Temas e agendas*. São Paulo: Saraiva, 2006, p. 293-294

<sup>14</sup> VILLA, Rafael e OSTROS, Maria. As Relações Colômbia, Países Vizinhos e Estados Unidos: visões em torno da agenda de segurança. *Revista Brasileira de Política Internacional*. N. 48, vol. 2, 2005, p. 99-106

<sup>15</sup> *Ibid.*, p. 106-107.



area of security, and a combination of national intelligence with foreign technology as a multipurpose response to air traffic control in the region<sup>16</sup>.

The defense of democracy would be present in the episodes of institutional crises in Paraguay in 1996, 1999 and 2001, a move that, soon after, led to the inclusion of the Democratic Clause in Mercosur, seeking to induce stability in the region. In 1996, Paraguayan general Lino Oviedo rose up against President Carlos Wasmosy. The crisis did not result in breakage of the legality due to the interference of the ambassadors of Mercosur countries, the United States and the OAS, which negotiated an agreement, by threats of boycott and political and economic isolation of the country<sup>17</sup>. The conflict in the 1998 elections in Paraguay, with Luis Carlos Argaña's assassination, Raul Cubas' (who had won) main rival, ended with Cubas' resignation in March 1999 and his asylum in Brazil. The Brazilian president had advised the resignation. In May 2000, another military uprising was trying to overthrow President Luis Gonzalez Macchi, but it was stifled by the Navy and Air Force<sup>18</sup>.

Along the same lines, other actions must be considered, such as the contribution to the solution of the border conflict between Peru and Ecuador, which occurred in January 1995. Taking the disputed border around the Cenepa River as a point of contention, the conflict had the Brazilian government as mediator. President Cardoso acted to obtain a cease-fire, leading the two countries, after sporadic fighting, to settle an agreement in Brasilia in 1998, under observation of the Guarantor Countries of the Protocol of Rio de Janeiro, 1942 (Argentina, Brazil, Chile and the United States). Brazil, besides articulating the agreement, also exerted the supervision of the region by the Brazilian Army in the Military Observers Ecuador-Peru Mission (MOMEPE)<sup>19</sup>. Brazil also had a prominent role in supporting Fujimori's government in Peru, in his second reelection in 2000. This policy generated some wearing internally and

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<sup>16</sup> COSTA, Thomaz. Em busca da relevância. Op. Cit, p. 294.

<sup>17</sup> BANDEIRA, Moniz. O Brasil e a América do Sul. Op. cit., p. 283

<sup>18</sup> Ibid., p. 284

<sup>19</sup> Ibid., p. 282.

internationally, as President Fujimori sought asylum in Japan after the final crisis of his administration, accused of corruption and authoritarianism<sup>20</sup>.

### **Bolivia and Venezuela: extending the relationship**

During the 1990s, the major issue involving the relations between Brazil and Bolivia was the energy imports of this country, especially under the proposal of changing the Brazilian energy matrix, which required the use of natural gas to replace LPG and diesel<sup>21</sup>. During Cardoso's government, Brazil became the biggest buyer of Bolivian natural gas. In 1999, with the inauguration of the Santa Cruz-Sao Paulo pipeline, a new strategic partnership between Bolivia and Brazil was established. Brazil also gave importance to its relationship with Bolivia because of its dual role as a Platinum and Amazon country and as a commercial and strategic partner for the building of an energy hub in South America.

In 2001, new agreements were signed on physical and energy integration, as the construction of the Santa Cruz-Puerto Suárez-Corumba highway and of a bridge between Brasileia and Cobija, as well as a common use airport in Cobija and Guayaramerin. In 2001, it was also signed a *Memorandum of Understanding on Technical Cooperation* by the Foreign Ministers Celso Lafer, Brazil, and Javier Murillo, Bolivia, which sought to implement a program of scientific and technological cooperation through the Brazilian Cooperation Agency (ABC). Thus, the energy issue guided the bilateral relations between the two countries, especially when the review and renegotiation of contracts for the supply of energy became an issue in the agenda, in the last years of Fernando Henrique Cardoso's government<sup>22</sup>.

In relation to Venezuela, Brazil struggled to get closer during the 1990s. After Menem, Venezuelan President Rafael Caldera was the colleague with whom Fernando Henrique most met. In addition to the physical and energy integration projects, bilateral contacts were deepened, especially after Hugo Chávez's rise to the Venezuelan

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<sup>20</sup> SILVA, Carlos Eduardo. Política e Comércio Exterior. In: LAMOUNIER, Bolívar e FIGUEIREDO, Rubens. *A Era FHC: Um balanço*. São Paulo: Cultura Editores Associados, 2002, p. 306

<sup>21</sup> VIZENTINI, Paulo. As relações internacionais da Bolívia: os desafios da globalização e da integração. In: ARAUJO, Heloísa (org). *Os países da Comunidade Andina*. Brasília: Funag/Ipri, 2004, p. 369.

<sup>22</sup> *Ibid.*, p. 370.

government. The preoccupations in the United States with Chávez's government turned Brazil into a kind of intermediary between the two governments<sup>23</sup>.

President Hugo Chávez thickened the criticisms of the Brazilian government to the FTAA in Quebec City in 2002, and attended the Meeting of Mercosur Presidents, where he formalized the request for Venezuela joining the bloc. In the episode of the coup against Chávez, in April 11<sup>th</sup> and 12<sup>th</sup> 2002, Brazil worked in coordination with OAS to pursue the condemnation of the coup. It was also President Fernando Henrique Cardoso who collaborated in the defense of democracy in Venezuela during the crisis of late 2002, working, with the endorsement of elected President Luiz Inacio Lula da Silva, to provide oil to Venezuela through Petrobrás, once employees of PDVSA (Petróleos de Venezuela SA) maintained for many weeks a general strike against Chávez's government<sup>24</sup>.

## Conclusions

The concept and foreign policy for South America was gaining a strategic space at the end of Cardoso's government, and has been deepened in Lula's government. This is perhaps one of the traits of most striking continuity between the two governments, which gives a long-term state policy to the Brazilian and South American projects.

It occurs that Mercosur was, in fact, a balance and a space of more realistic conception to the insertion of Brazil in the international system - in the context of a neoliberal diplomacy. For the Brazilian foreign policy, Mercosur was able to articulate a regional space and thereby succeeded in calling the interest of other economic blocs, setting itself as a respected speaker both in multilateral forum and bilateral agreements. Such a position, besides the growth prospects, was opening up possibilities of cooperation with all kinds of countries and regional blocs, and the establishment of strategic partnerships. Hence, for the Brazilian foreign policy, Mercosur was an important foothold in the FTAA negotiations and a pole of attraction of other countries in South America.

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<sup>23</sup> SILVA, Carlos Eduardo. Política e comércio Exterior. Op. cit., p. 319.

<sup>24</sup> BANDEIRA, Moniz. O Brasil e a América do Sul. Op., cit., p. 287

South America represented the next step in the Brazilian strategy. Paradoxically, an integration project for the subcontinent was launched with intensity exactly in a period of crisis in Mercosur and of strengthened negotiations about FTAA. In this sense, the Brazilian government signaled that it had a proposal for a more horizontal integration, which would strengthen all the countries participating in any negotiating process. The outcome of the summit with the South American presidents, in 2000, indicates this.

The centrality of South America in the Brazilian diplomatic interests also sits on the security dimension, where the Amazon region is considered of primary interest. However, new political processes, including the crisis of the neoliberal model in the Andean region (especially with the rise of Hugo Chávez's government in Venezuela), have given a new dynamism in terms of integration.

Thus, the main topics/axes in the relations with South America during Fernando Henrique Cardoso's government were the issue of energy (petroleum, natural gas and hydropower), integration (FTAA, strengthening and expanding the relationship with Mercosur and Andean Community), security (drug trafficking, strengthening of surveillance systems in Amazon, and issues related to the border) and the political processes in the region (particularly, the strengthening of democracy). The relationship of these axes took place through the large project of physical integration between South American countries, which has been implemented and further developed in Lula's government.

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## **RESUMO**

Esse artigo tem como objetivo analisar a crescente importância do entorno regional para a política externa brasileira no governo Fernando Henrique Cardoso. A hipótese central é que o conceito e a política externa para a América do Sul foi ganhando espaço estratégico ao final do governo Cardoso, através do Mercosul e do projeto de integração sul-americana.

## **ABSTRACT**

This article seeks to analyze the growing importance of regional environment to the Brazilian foreign policy in President Fernando Henrique Cardoso's government. The central hypothesis is that the concept and foreign policy for South America was gaining a strategic space at the end of Cardoso's government, through Mercosur and the project of South American integration.