

MERCOSUR ELITE'S VALUES AND ATTITUDES ON INTEGRATION IN THE HEMISPHERE

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The present article deals with the analysis of values and attitudes of the elite of Mercosur countries on regional and hemispheric integration. The analysis is primarily based on different surveys conducted by me with fellow associates at the University of São Paulo Center for International Relations in Brazil between 1997 and 2003. The article contains three parts.

The first one is a brief history of ideas on integration in Latin America, with an emphasis on the recent changes these ideas underwent in the post-Cold War period. The second part analyses the results of two surveys on attitudes and values of different sectors of the elite and interest groups of Mercosur countries about integration in the region and in the Americas. Finally a third part presents the results of two surveys on the Brazilian elite conducted respectively in 2000 and 2003, and is followed by a brief summing up.

1. Evolving ideas on Latin American integration in the context of regional and international change

The perception of both the nature and the goals of regional integration has changed in Latin America as a result of a number of changing processes in international relations. The concept as well as the model and the goals of regional integration have changed, along the two last decades of the 20th century, from a defensive and negative vision of international trade— especially concerning free-trade – to a pragmatic, instrumental vision of trade as a factor of competitiveness.

Along the 20th Century Latin America, and especially South America, experienced three periods of institutional building and spreading of ideas on regional integration. The first one, ranging from the Independence movements to the stock exchange crash of 1929, was marked by Simon Bolivar's inspiring dream of reconstruction of the Spanish Empire. This was a period of ambitious "American" Conferences aiming at the adoption of federal links among the ex-colonies, often promoted by the former Capitals of Spanish Vice-

Royalties, like Bogotá and Lima. Generous and idealized international treaties have been signed and never duly ratified by the member governments. The whole process has been prompted by the fear of territorial and sovereignty losses to the former colonial powers. No specific economic content was ever associated to the ideal of integration.

The second period starts in the late 1940s and is strongly marked by economic ideas about the role of industrialization in the economic growth of underdeveloped countries. This was a period of extensive creation of initiatives and institutions of regional integration in Latin America, like ECLAC, IDB or the Central American Common Market, ALALC and later the Andean Pact and ALADI. This time the perceived threat was rather the chronic trade deficits, external indebtedness and high inflation rates associated to Latin-American underdeveloped economies' inability to sustain a modern, diversified manufacture sector. The theories and practices of import substitution industrialization have been extensively adopted everywhere in the hemisphere.

The third, present period, has been made possible by the end of the Cold War and is generally associated with the "open regionalism", the adoption of the "Washington consensus" model of economic stabilization and it prompted the adoption of a new generation of trade agreements dealing rather with regulatory rules than with tariff liberalization.

A number of international and transnational processes have affected both the perception of and the responses to external threats to the region. The first one is the end of the Cold War. Its impact on the nature of the international order and on the realignment of the strategic views of the major powers has already been extensively examined. But its impact on the US foreign policy for Latin America, on that country's trade policies and especially on its policies toward the negotiation of bilateral and regional trade agreements it is still to be examined.

During the Cold War, US goals in Latin America were encompassed by its security goals, and particularly by the need to contain the soviet expansion in the hemisphere. In the early post-WW2 period, and especially in the 1950s and later, that goal has been sought pursued through the alternating policies of intervention and aid. Suffice it to mention either the US

military interventions in Central America, or aid programs such as the Alliance for Progress.

In the late 1980s the pressure to contain the USSR has been significantly relaxed and by the time the soviet empire vanished it had almost completely disappeared. Losing its former strategic attractiveness, Latin-America could finally recover its attractiveness in terms of trade and investments. '*Trade, not aid*', the phrase adopted by both the US and its southern partners, became a symbol of their new relationship in the Americas.

The waning polarization between the US and the USSR has increased the relative autonomy of US economic goals as opposed to its security and defense goals. In terms of the US trade policy that change oriented US interest to increase the pressure on its partners in order to adopt regulatory adjustments that would enhance US competitiveness in the global market. That meant the introduction, by the US, of new 'trade related' themes in every trade negotiations, either bilateral, or regional or even multilateral arrangements.

From the Latin-American elite's point of view, especially among governmental and business leaders it became clear that the political and ideological threat would not work in terms of attracting US interests, and that a new economic attractiveness was to be pursued and found. Besides, the end of Cold War has appeared to many as the open door to a new commercial polarization between so-called trade blocs, condemning Latin America to economic irrelevance.

By the same time the risk of failure of the Uruguay round of Gatt negotiations inclined both Latin America and its northern superpower to search for alternatives to the multilateral agreement. While the US innovated in trade arrangements such as the FTA with Canada, Nafta, and the FTA initiatives proposed to APEC and to Latin America (the Bush Initiative and later the FTAA), a number of sub-regional initiatives were taken in Latin America as well, such as Mercosur, and the reshuffle of such unilateral arrangements as the Central American Common Market, CARICOM and the Andean Community, all having in mind to circumvent the blocked multilateral negotiations in order to ensure, in an environment of reduced competition, the benefits expected from successful GATT talks. Still another process should be mentioned. It consisted of the adjustment to the converging crises of high

indebtedness, high inflation rates and chronic fiscal deficits that had become ubiquitous in the hemisphere.

Beginning with Mexico in the mid-1980s, the new alignment with the 'Washington consensus' was completed with the late compliance of the Brazilian government in 1993/1994. Before that the investments flow into the region had not been recovered yet, despite the adoption of the neoliberal economic recipe.

This set of circumstances has deeply changed the way the elite in the Hemisphere conceives regional integration as an alternative to multilateral trade liberalization. During the period of Cold War Latin-American elite understood regional integration as a defensive device against the cost of free trade. Regional integration was supposed to exclude the industrial powers from competition in the protected regional market. On the contrary the new 'open regionalism' is supposed to attract foreign trade understood as a catalyst for competitiveness and as an enticement for investments.

2. Attitudes and values related to integration among the Mercosur elite

A 1997 survey involving 600 interviews with selected leadership of relevant sectors of the elite of Argentina, Uruguay and Paraguay provided some interesting evidence on attitudes and ideas on regional integration¹. The close association among the countries of Mercosur is intensely perceived and the relevance of trade inside the region is well noted. Brazil is pointed out as the most important trade partner of the region by 62.6% of the sample, as compared with only 4.7% who singled out the US as Mercosur's most important trade partner.

Another question, about the degree of friendly and unfriendly feelings towards other countries shows a high degree of positive evaluations of Mercosur countries, Chili and the US, and conversely a low degree of rejection. About $\frac{3}{4}$ of all respondents irrespective of national or social differences, consider Brazil and Uruguay very friendly, while about a half mentions the same about Argentina and Chili, and $\frac{1}{3}$ mentions Paraguay and the US. Note that the perception of the importance of trade with a country is similar to the degree of friendliness of their relationship.

¹ José Augusto Guilhon Albuquerque et alii, *Percepção das Elites do Cone Sul sobre as Relações Internacionais do Brasil*, Brasília, IPEA/ECLAC, 1999, 127p.

The degree of priority associated with Mercosur is also very high among the different countries, but it varies according to two patterns. The priority of Mercosur for the small economies is appraised differently from the bigger ones. Thus, while Paraguayans and Uruguayans find Mercosur more of a priority for both countries (around 80-90%) than for Brazil and Argentina (around 60-80%), the opposite applies to Argentina.

FTAA's priority among the elite of Mercosur is significantly lower: in neither of the countries the FTAA was pointed out as a high priority by more than 50% of respondents. Both in Uruguay and in Argentina a clear polarization appears: while 43% of Argentines and 50% of Uruguayans attach the highest priority to FTAA, 38% and 48% respectively do not. For the Paraguayan elite, the majority (48.5%) confers the lowest priority to the FTAA as compared to only 11.0% for whom it is a high priority.

This contrasting relevance of Mercosur as compared to FTAA appears to be associated with the increase of Mercosur countries' ability to negotiate in the international arena. Indeed an astonishingly high percentage of respondents of all countries and social sectors expect Mercosur to increase significantly their country's bargaining power: for 85% of the sample and up to 94% of Paraguayans, Mercosur shall increase their countries' negotiating power, contrasting with only 3.7% who expect their country's negotiating power to decrease. As for Brazil, its Mercosur partners are even more inclined to expect this country's bargaining ability to be enhanced by Mercosur: not less than 92.5% of the sample agree that it shall be increased through Mercosur (96.0% among Paraguayans).

However this expectation does not imply an overoptimistic evaluation of the prospects for Mercosur. Indeed, social improvements like the increase of employment or the decrease of illegal migrations and smuggling are expected to decrease only moderately by 75.0%, 67.6% and 58.8% respectively. Economic growth as measured by agricultural production, manufactures and financial services, is expected to increase only moderately by 71.7%, 62.4% and 68.5% respectively. Interdependency in the region, however, is expected to grow significantly, in terms of dependency from Brazil (76.6%) and the increase of foreign direct investments (44.1%).

Differences among elite sectors are not significant, but national differences are: Argentines were more optimistic about social improvements and economic growth. Paraguayans and

Uruguayans were more pessimistic about both. The exceptions was employment, about which Argentines were significantly more pessimistic and the other countries more optimistic.

In general terms, expectations about the benefits of Mercosur were overly high: for 76.0% of the sample, his country's standard of living shall improve, and for 77.8%, his country's economic growth shall accelerate. Asked about their expectations concerning Brazil, the same tendency has been found: about $\frac{3}{4}$ of the respondents in each country expects an improvement in the standard of living of Brazilian people and an acceleration of the country's rate of economic growth (91.0% and 92.5% among Paraguayans).

As far as regional integration has often been associated with the adjustment to globalization, it is relevant to explore the Mercosur elite attitudes towards globalization. Irrespective of his social allegiance, the Mercosur elite is generally receptive to globalization. More than 80% of respondents from all sectors agree that "globalization is a change to which every country needs to adjust" (92.7% among the business elite), and about 70% agree that "globalization is going to increase the countries' competitiveness" (52.8% among intellectuals and union leaders). A surprisingly high proportion of the sample also agree that "globalizations shall benefit only the richest countries" (up to 70.6% among intellectuals and union leaders). National differences also apply: Argentines are less optimistic and Paraguayans are more optimistic about the positive effects of globalization. For 56.% of Argentines that agree that globalization is going to increase the competitiveness of the countries, 40% disagree, while the figures for Paraguayans are respectively 75.0% and 21%.

Another relevant measure of positive expectations about regional integration is the opinion of the Mercosur elite on the degree of Brazilian influence in multilateral trade negotiations. Taking into account the expectation of an increase in both their countries' and Brazil's bargaining power as a result of the creation of Mercosur, it is interesting to note that a significant proportion of the elite in all Mercosur countries expect benefits from Brazil's enhanced negotiating ability. While Brazil's influence on the creation of WTO is considered low, with the exceptions of the governmental and political elite, about $\frac{2}{3}$ of the sample estimate Brazil's influence in favor of Mercosur's interests very high, especially

among the governmental elite. The same applies, though to a lower degree, to the evaluation of Brazil's influence on WTO in favor of Latin America.

A 2002 survey of industrial and agricultural interest groups in Mercosur countries brings some further evidence concerning attitudes towards regional integration.² Conflicts between interest groups representing sectors referred above and different levels of government in Brazil and Argentina seem to emerge and further intensify as the degree of protection of domestic markets decreases, as a result of Mercosur agreements, affecting the competitiveness of a particular business sector.

According to the survey, no conflict or low-level conflicts between interest groups in Brazil and those in Argentina, or between interest groups and/or government agencies of one country against those in the other country have been observed until 1994, when the free-trade zone has been completed and the lists of exemptions and waivers has been reviewed. Mostly low- and some middle-level conflicts emerged in the succeeding period, when the common external tariff has been adopted, lowering the Brazilian external level of protection and raising that of the remaining countries³. High-level conflicts have been observed in a few cases, defined by strong pressures on the governments in order to open dispute settlement procedures relative to unfair trade, besides demands for minimum import prices, new exemptions and waivers, and so on.

High-level conflicts have been more frequent in agribusiness than in the manufacture sector, and among national associations of interest representation than between governments or trade unions. Among industrial interest groups high-level conflicts have only been observed in cases involving regional industrial policies adopted by the Brazilian government in favor of less industrialized regions. Conflicts involving associations representing industrial interests in both countries have been frequent but seldom have transcended the lower levels of conflict.

The comparison between the results of both surveys suggests that the overoptimistic expectations of the benefits of integration are reduced to more realistic and pragmatic

² Divanildo Triches "Uma análise de economia política e das atitudes dos grupos de interesse no Mercosul", *Revista de Economia e Administração*, vol. 2 nr. 2, Apr-Jun 2003, 59-74.

considerations when business interests are involved. Apparently, business leaders reason differently when evaluating national or industrial interests as a whole than compared to immediate costs of market liberalization.

3. Attitudes and values of the Brazilian elite related to regional integration

A 2000 survey with 140 opinion leaders of different sectors of the Brazilian elite⁴ provides some additional insight on values and attitudes among the Mercosur elite. The sample comprised leading representatives of the government, political parties, the business community and civil society, including intellectuals, union leaders and newsmen and dealt with the same set of questions posed to Mercosur opinion leaders in the 1997 survey referred above.

Questions about Brazil's role in the region and in multilateral forums of negotiations provide an excellent background to the analysis of attitudes and values in the Southern Cone of South America. Figures show that, irrespective of the elite sector, the great majority of respondents (83%) do not grant the country a significant role in solving international conflicts. This percentage includes those rating Brazilian influence from 1 to 3 in a scale ranging from 1 to 5, where 1 stands for "limited influence" and 5 stands for "great influence". Only Executive officials disagree from the remaining elite sectors: 30% rate the country's influence on solving international conflicts as "middle" or "high".

As for international conflicts outside the region and without any relevant participation of Brazilian diplomacy, the great majority do not notice any Brazilian influence. In those taking place in the region and in which the Brazilian diplomacy got deeply involved, such as the recent attempted coups in Paraguay, a higher degree of influence is granted to the country. The Executive is again more inclined to confer greater influence to Brazil, as compared to other elite sectors.

The recent military conflict opposing Peru and Ecuador is perceived by 70% of the governmental elite as an instance in which Brazil exerted great influence, but only 37% of

³ Low-level conflicts refer to agreement between interest groups of the two countries involving a short period of negotiations, resulting in the establishment of voluntary exports constraints. Middle-level conflicts refer to long periods of negotiations, with the intervention of both governments.

⁴ 'Elite perceptions of Brazilian international relations', conducted by the USP Research Center for International Relations, coordinated by José Augusto Guilhon Albuquerque with Elizabeth Balbachevsky and Denilde O. Holzacker.

the total sample responded the same and 15% among legislators of different political parties. As for the attempted coups in Paraguay – though the Brazilian diplomacy, together with the US Department of State, had taken much of the leadership in the settlement of the dispute – Brazilian influence was only pointed out by 58% of the Executive, as compared to 37% of total respondents and even less among legislators (10%).

As for international conflicts outside the region respondents were much more skeptical: believers in Brazilian great influence were only 2% concerning the settlement of the conflict in Bosnia, 6% concerning Kosovo and 10% concerning Angola, where Brazilian troops are nonetheless a part of the UN peace-keeping forces.

Another set of questions dealt with the international agenda and Brazil's ability to set or to change it. Four different treaties and forums of multilateral negotiations have been chosen to illustrate Brazilian supposed influence, ranging from the least to the most influential participation of Brazilian diplomacy: the Non-Proliferation Treaty, the Rio-92 UN Conference on the Environment and Development, the FTAA and the WTO. The highest level of Brazilian influence was conferred to the Rio-92 Conference, met in Rio de Janeiro under the auspices of the Brazilian government (68% of total respondents) and the lowest was conferred to the NPT (11%). In between were the WTO (21%) and the FTAA (32%). This scale of ability to influence the international agenda is in direct correlation with the actual degree of participation by the Brazilian diplomacy in formatting the international agenda.

Another set of questions dealt with the defense of regional interests. More than 90% of the Brazilian elite, irrespective of social sector believe that the country aims at increasing its leadership in South America. Such leadership is considered essentially benign, aiming at contributing with the economic development of the region and with the peaceful coexistence among South-American peoples.

Another set of questions dealt with Brazil's role as a regional leader. The country role as a regional power and a regional leader is generally acknowledged among the elite. Brazil's leadership is supposed to ascertain first its own interests (65% of total respondents) and, in similar proportions, those of Mercosur. As for Latin-American interests in general, a smaller proportions of the elite assumes such interests as a major goal of Brazilian

leadership in the region. However, concerning interests of the least developed or the emerging countries, the great majority of the Brazilian elite do not include them among the goals of the country's regional leadership. No significant variation has been observed concerning different sectors of the elite.

A similar set of questions, more focussed on hemispheric integration through FTAA, has been posed to a sample of 50 opinion leaders of different sectors of the Brazilian elite in a 2003 survey⁵. In the present case, major differences have been observed among elite sectors, and particularly between the leadership of social unions and organizations and the remaining sectors of the elite. Such differences may be summarized as follows.

As we have pointed out previously, the degree of priority granted by the Mercosur elite to FTAA negotiations is significantly lower than that of Mercosur. The Brazilian elite is not an exception, being even more cautious about the benefits of hemispheric integration.

Generally speaking, the business community is more prone to envisage benefits from a future FTAA accord, although important industrial sectors fear its own lack of competitiveness to face an increase of competition from the US and Canada. The governmental bureaucracy is less optimistic about possible gains, and more prone to emphasize its possible losses. The leadership of political parties are generally fearful of supposed losses of a FTAA, but acknowledges its inevitability and so is prepared to search for negotiating alternatives that would reduce such losses. The leadership of labor unions and social organizations are overly opposed to FTAA, accept no compromise and their only goal is to stop the negotiating process and call off the whole process.

The Executive bureaucracy seems to envisage the FTAA negotiating process as such, that is as an ongoing process whose nature can only be appraised by its final outcomes. These are not yet determined, though the guidelines of the negotiations - the agenda, the partners, the negotiating methods, etc. - might somehow affect them. As a consequence, their perception of hemispheric integration is focussed rather on the negotiations' ways and means than on a holistic concept of FTAA. For other elite sectors, particularly those not directly involved in the negotiations, as the leadership of labor unions and social organizations, the negotiating

⁵ 'Brazilian elite perceptions of FTAA', conducted by the USP Research Center for International Relations, coordinated by José Augusto Guilhon Albuquerque with Elizabeth Balbachevsky and Denilde O. Holzacker, under a research grant from the Friedrich Ebert Foundation, Brazil.

process is irrelevant to define the nature of FTAA, and its outcome is taken for granted as natural consequence of its original motivations.

The business elite, for their part, who had been much closer to the negotiating process since the 1997 Business Forum of the Americas in Brazil, have eventually built up its own agenda and is concerned rather with FTAA's negotiating process than with its original initiative or its covert motivations. The leadership of the political parties, however, is more concerned with the content of the negotiations than with their methods. They conceive of a FTAA as an unilateral US initiative, both inevitable and asymmetrical. For those more pessimistic it might bring about disadvantages and consolidate asymmetries, while in a more optimistic perspective it might induce benefits if Brazil were forced to adjust and, in order to adjust, modernizes its industrial basis, its business culture and its public policies.

Diversely from the other elite sectors, the social sector's perceptions of FTAA do not reflect a diversity of experiences, information, interests and objectives. It reflects essentially the uncompromising involvement of their organizations in an anti-FTAA campaign. As a result, their degree of information about the content of FTAA agenda, about the difference between FTAA and other trade negotiations on which the country is involved, about the negotiating agenda of the different partners, including Brazil, or about the different economic interests on the table, is rather perfunctory. In contrast, one notion is shared by all and forms a deep conviction: FTAA is a threat. I must be stopped.

Besides that strong belief, another one is shared by the elite of the social sector: all spheres of social movements, trade unions and social organizations are totally opposed to FTAA and will not accept or even less propose any alternative or compromise. They are totally confident about two notions: the FTAA is a threat and its outcome shall inevitably convey losses. This threat is deemed global, their losses are deemed final.