

## A model in trouble? The effects of the Euro-crisis on the EU as a model for regional integration in South America<sup>i</sup>

### Introduction

In 2007 UK Foreign Secretary David Miliband put forth that the European Union (EU) should aim at being a 'model power', charting a course for regional cooperation and integration among other countries (Penketh, 2007). The idea of the 'model power' is somehow connected with the academic debates on the nature of the EU's identity as an international actor and its influence on international and regional developments across the world. Scholars of European integration (e.g. Cederman, 2001; Smith, 2002; Lucarelli and Manners, 2006) have introduced various new terms in order to explain the non-material power of the EU. Most famously, the notion of 'normative power Europe' conceptualizes the EU as a changer of norms in the international system (Manners, 2002, p. 252).

Such a normative dimension lies at the centre of the EU 'model' and its evolution since the late 1950s. Moreover, its significant regional achievements have led the EU to perceive itself as an example of effective and legitimate governance, which other countries and regions can and do emulate (Torrent, 2002). Therefore, the 'export' or 'diffusion' of norms has become intrinsically linked to the EU's external relations policy, a significant part of which is the promotion of regional integration and cooperation in other parts of the world. As critically dis-

cussed throughout this volume (in particular by Holden and Motsamai/Qobo), the focus on the EU has almost monopolized academic research on regionalism and has been, directly or indirectly, explicitly or implicitly, imitated by most regionalization initiatives across the globe, animating the political discourse of statesmen, regional policy makers and opinion leaders.

With these preliminary thoughts in mind, the first part of this chapter introduces the idea of the EU as a 'model' of regional integration, linking it to the literature on Europe as a normative power. The second part discusses the influence of the EU model on regional cooperation and integration in South America. In particular, it focuses on the discursive use of the model in Brazilian foreign policy during the two tenures of former President Luis Inacio Lula da Silva as a dominant rhetoric for the promotion of regional integration, especially in the case of the *Mercado Común del Sur* (Common Market of the South, MERCOSUR) and the *Unión de Naciones Suramericanas* (Union of South American Nations, UNASUR). Finally, the chapter looks at the impact of the financial crisis on the 'deconstruction' of this ideal model of European integration and attempts to discern how this will influence the future discourse on regional cooperation integration in South America, and primarily in Brazil.

### The idea of Europe as a model

In the study of regional integration no entity figures as prominently as the EU. In the prevalent literature on the subject, the European integration project is often-times used as the key example for the building and testing of theories explaining why states choose to integrate (e.g. Hoffman, 1966; Lindberg, 1963; Haas, 1970; Moravcsik, 1991) and even as the basis for the exploration of the overall logic of regional integration (Mattli, 1999).

Until recently, scholarly research into the EU as a model has been developed in two ways. On the one hand, social scientists (predominantly economists) have interpreted regional integration as a form of wealth (re)distribution, often coupled with adjustments to the welfare state due to increasing globalization. Thus, their approach to regional cooperation has been influenced by the developments of international trade liberalization and growing interdependence (Viner, 1952; Balassa, 1961), a view which is still predominant in the social sciences literature (Christie, 2002; Mattli, 1999; Eichengreen, 1992).

Political scientists, on the other hand, have juxtaposed an approach that focuses on the policy and institutional dimensions of regionalization. Within this context, they have emphasized the importance of the EU as a supranational formation leading its Member States towards greater integration and policy coordination (Bellamy and Castiglione, 1998). As a result, the particular form of cooperation promoted by the EU has produced deep regionalism within its realm, increasing the states' willingness to sacrifice a degree of sovereignty in order to harmonize, coordinate and integrate policies (Haas 1963; Lindberg 1963; Laffan, 1998).

What makes the EU unique is the economic, political, social and arguably ideational 'fusion' of most Member States' policies. It is

certainly the only case of functional regional integration involving supranational governance, shared competencies and a pooling of sovereignty (Keohane and Hoffmann, 1991). While common markets and customs unions are less uncommon, the EU has evolved from that level into a political community with its own institutions, legal system, policies, values and principles. The process of 'spillover' through which this has occurred is perhaps the key to the model's uniqueness<sup>1</sup>. Due to the resulting ever-closer integration, the (now 27) EU Member States have moved from sharing a Common Market, to forming a Single Market, involving the free movement of people, goods and services. Moreover, in 1992 the Maastricht Treaty introduced the EU citizenship that, alongside national citizenships, provides the citizens of the Member States with additional rights and obligations.

Another significant characteristic of the EU model lies in the transference of sovereignty from national decision-makers to the supranational and intergovernmental institutions headquartered in Brussels. Those institutions, governed by the principles and procedures enshrined in EU law (especially the founding treaties), enact policies exhibiting the 'particular' characteristics and norms embedded in the Union itself as a political

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<sup>1</sup> According to Haas, the spillover is 'the expansive logic of sector integration'. Liberalization of trade within the customs union would lead to harmonization of general economic policies and eventually spillover into political areas and lead to the creation of some kind of political community (Haas, 1958, p. 311). For Lindberg spillover refers to a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth (Lindberg, 1963, p. 10). The concept is central in the neofunctionalist approach to regional integration that became a vibrant field of research in the 1960s and gave rise to research on regional integration beyond Europe (Haas and Schmitter, 1964).

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ELENA LAZAROU

May 2013

[www.kas.de/brasilien/en/](http://www.kas.de/brasilien/en/)

community. In addition, the increasing empowerment of supranational institutions (e.g. the European Commission and European Parliament) in high politics areas such as foreign affairs contributes to defining the EU as a single actor in the international arena and as an aspiring global power, even more so since the entry into force of the Lisbon Treaty in 2009, which established the role of President of the European Council and High Representative for Foreign Affairs and Security Policy.

The achievement of such high levels of economic and political integration alongside the maintenance of widespread prosperity has been a key element shaping the EU's identity in the international system and in the projection of its 'power'. Thus, in recent years, the debate on the EU's capacity to 'export' its own model has been largely influenced by a general reconsideration of the nature of power itself in a continually transforming international environment (Bicchi, 2006; Miliband, 2007; Sjursen 2006).

Indeed, while the centrality of power in relations among states and international actors is unquestioned, the definition of the concept has undergone significant reconsiderations as new developments in the international arena have eroded the classical understanding of power as military might. In this spirit, Joseph Nye has coined the term 'soft power', involving ideational rather than material elements, as 'the ability to achieve goals through attraction rather than coercion [...] by convincing others to follow or getting them to agree to norms and institutions that produce the desired behavior' (Nye, 2004, p. 86). While Nye's work drew predominantly on the 'soft power' of the United States (US), scholars of European integration, and particularly those engaged with the EU's foreign policy and identity as an international actor (Cederman, 2001; Smith, 2002; Lucarelli and Manners, 2006; Sjursen, 2006), introduced a new terminology to describe the influence the EU exerts

in global affairs. Following the original formulation of François Duchene, who described Europe as a 'civilian power' (Duchene, 1972), new labels have come to include 'ethical power' (Aggestam, 2008), 'post-modern power' (Kim and Passoni, 2010), 'quiet superpower' (Moravcsik, 2009) and, most famously, 'normative power' (Manners, 2002). According to Ian Manners, the EU as a normative power has an ontological quality (that the EU can be conceptualized as a changer of norms in the international system), a positivist quality (that the EU acts to change norms in the international system) and a normative quality (that the EU should act to extend its norms into the international system) (Manners, 2002, p.252).

The ideas of 'soft', 'civilian' and 'normative' power have been used with particular intensity in the quest for Europe's identity as an actor in the international system. Often juxtaposed to the US, the EU is viewed as exercising influence in the international system by means that are different from traditional 'hard' (especially military) power, whose effectiveness has been dramatically challenged by the Afghanistan and Iraq campaigns and the 'war on terror'.

It has been argued that the EU's foreign policy derives directly from the very nature of the EU itself and its original *telos*, which is the ambition to achieve long-lasting peace through integration (Smith, 2003). This inherent principle places particular emphasis on multilateral cooperation, the primacy of diplomacy (as opposed to coercion), the use of mediation to resolve conflicts and the promotion of human rights and the rule of law (Keukeleire, 2010).

Accordingly, the way in which the EU makes and implements its foreign policy is not only 'reflected in the content of the policy produced' (Smith, 2003, p.18) but also in the legacy and achievements of the EU itself. In this vein, the norms and values that charac-

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ELENA LAZAROU

May 2013

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terize the EU are also promoted and dif- fused through a series of agreements and partnerships with third countries or group- ings of states.

Besides trade, diplomacy and eco- nomic cooperation, the promotion of re- gional integration initiatives in other areas of the world is among the most important external policies through which EU directly or indirectly attempts to export the afore- mentioned principles (Smith, 2003; Lenz, 2008). Such a focus on regionalization is not a mere projection of the EU's experi- ence, but it is viewed as a key goal to re- form international relations. For example, both the European Security Strategy and the Report on its implementation empha- sized the necessity to promote regional or- ganizations and processes as key corner- stones of a safer and better organized sys- tem of global governance (European Council 2003; European Council 2008).

In the promotion of regional coopera- tion/integration in other parts of the world, the EU's normative power manifests itself through its ability to influence the political, economic and social institutions by means of persuasion and attraction rather than co- ercion. In this vein, it has been argued that the source of this persuasion/attraction is the appeal of the EU model itself as an ex- ample of successful regional integration (Lenz, 2008; Smith 2003). For instance, Fawcett (1995) maintains that the logic of interregional cooperation, that is the way in which the EU carries out its relations with other regions or groups of states, derives from the success of the European model, which has transformed relations between formerly warring parties into a cooperative structure where divergent interests con- verge through negotiation and commonly agreed institutions. Thus, the EU has been promoting regional integration largely by 'exporting' its own model and norms to other regions, which is also evidenced by the emphasis given to the promotion of re-

gional cooperation in the EU's interregional agreements and partnerships with key re- gional powers (Torrent, 2002; Telò, 2007).

### **Adopting the EU model: Brazil's leader- ship in region-building**

Regional integration in South America took off with the creation of MERCOSUR – the Common Market of the South – through the Treaty of Asuncion in March 1991 by a joint decision of Argentina, Brazil, Uruguay and Paraguay. MERCOSUR constitutes a cus- toms union and free trade area, which, among other institutions, maintains its own executive institution (Common Market Group) and a decision-making body com- prised of national ministers (Common Mar- ket Council).

The first years of MERCOSUR coincided with a gradual shift in Brazilian foreign policy to- wards the region: while previously Brazil had put very little effort in promoting the idea of complex interdependence in the re- gion, in the post Cold-War era regionalism became increasingly more important for the Brazilian foreign policy agenda, reaching their peak during the Lula governments be- tween 2003 and 2010 (Spektor, 2010). Strategically, it has been argued, this reori- entation aimed at consolidating Brazil's leadership in the region (Souto Maior, 2006). At the level of political discourse, this shift implied a rather enthusiastic en- dorsement of the European international project as the key reference point South American integration, largely based on the former economic, political and social achievements (Lenz, 2008).

As the undisputed leader in regional initia- tives, due largely to its economic size and power, Brazil has often looked to Europe in its discursive construction of an institutional project for its region. President Lula and his Foreign Minister, Celso Amorim, made European-style integration in South America

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ELENA LAZAROU

May 2013

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a key target. As early as his first speech after being elected in 2002, the Brazilian President made it clear that commercial agreements between regional blocks would be a foreign policy priority, thus echoing the EU's traditional preference for interregional trade (De Assis and Machado da Costa, 2003). In this regard, not only would MERCOSUR need more integration internally, but it would also need to look strategically at the rest of the world to seal new partnerships, including in Africa and the Middle East. Soon after the new government's formation, Foreign Minister Celso Amorim made explicit reference to the EU-model by arguing that Mercosur's 'agenda of stronger ties in regional integration is a multifaceted project, similar to the European Union' (Amorim, 2003):

It is important to recognize that the most successful processes of integration existing today had as their primary foundation the strengthening of their legal framework and institutions. The European Union experience proves the importance of seeking to harmonize the set of rules of the Member States relating to the integration process at the regional level (Amorim, 2004a).

Brazil has also been ardently supporting the creation of a directly-elected Parliament of MERCOSUR, echoing concerns generated in Europe regarding the lack of legitimacy and representation in regional organizations (Neves Nunes, 2010). In 2006 MERCOSUR's Joint Parliamentary Committee was formally replaced by a Parliament, also thanks to the technical and financial support provided by its European counterpart. Yet, due to the inability of MERCOSUR's Member States to agree on issues of proportionality and representation, there has been significant delay in the operationalization of this new institution.

Perhaps most ambitiously, Brazil has viewed MERCOSUR as a part of a larger South American integration vision, wider and

deeper than the existing Common Market of the South. Seeds of this project were already sown by Itamar Franco's government (1992-1995), which pursued negotiations on the South American Free Trade Area and culminated with the creation of the South American Community of Nations in 2004, renamed as the Union of South American Nations (UNASUR) in 2007. Also this sequence followed in the footsteps of the EU, which linguistically moved from being a Community to becoming an Union in 1992 with the objective of underlining a deeper degree of integration.

As discussed by Mosinger in this volume, UNASUR incorporates 12 Member States and aims, among other things, to collectively address cultural, social, economic and political issues, including social policies, energy, infrastructure, environment, the reduction of inequalities and the promotion of peace, and democracy (Itamaraty, 2008). Similarly to the EU, it is institutionally equipped with sectoral ministerial councils to address special areas such as drug trafficking, defence, development, infrastructure and energy. Another important institution for further regional integration that has enjoyed significant Brazilian support has been the Latin American Bank for Regional Development, which directly echoes Jacques Delors' policies for cohesion and regional development, and is reminiscent of the European Central Bank.

A 2010 address by Celso Amorim's to the MERCOSUR Parliament reveals ideas and processes drawn from the EU model, which are often framed with the classic EU language:

"In nearly 8 years of President Lula's tenure, Brazil has invested in a new concept of regional integration. A concept that, without disregarding the economic and commercial aspects, seeks to incorporate the *political, social and cul-*

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ELENA LAZAROU

May 2013

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*tural dimensions* and, most importantly, a strong sense of *solidarity*" (Amorim, 2010, p. 2, author's translation and emphasis added).

Amorim's speech touches upon the key components of the EU's integration, including the traditional principle of solidarity discussed by Holden in this volume. Moreover, his vision of regional integration appears to be profoundly affected by preoccupations of effectiveness, legitimacy and democratic representativeness, especially when referring to issues such as regional citizenship, a legitimate and directly elected Parliament, and even the designation of a political figure to be the 'face' of MERCOSUR, which would better contribute to the achievement of the fundamental objectives of democracy and human rights on which the common market is based. Besides a clear social agenda, Amorim also envisions a MERCOSUR 'which is not only the MERCOSUR of economies or of states, but also *the MERCOSUR of the people*' (Amorim, 2010, p.7, author's translation and emphasis added).

Even here, of course, the EU's model is clearly providing the background, not only with the evolutions that eventually led to the direct election of the European Parliament in 1979, the institution of the Ombudsman and the popular initiative legislation, but especially with the debate surrounding the Constitutional Convention of 2004. Although these general concerns are common to any polity, it is only after a certain level of integration that they begin to emerge. In this regard, it is clear that Amorim and Lula's government have been thinking of the future projections of MERCOSUR along the lines of the step-by-step process outlined in the introduction, whereby a common market should evolve into some type of economic and political union.

In terms of external relations, particularly regarding the engagement of MERCOSUR with the wider international community, the

government's discourse appears to be influenced by the EU's strategies of interregionalism, engagement with the developing world, democracy promotion and special relationships with the neighbourhood. Brazil has been supporting the conclusion of negotiations on services with Colombia, investments with Chile and the deepening of the MERCOSUR-Peru agreement, while at the same time proposing more favorable trade terms for certain Bolivian products, such as textiles. It also emphasizes the need for support, and aid for peace-building and reconstruction in those of the 'sister countries' which are going through difficult times, such as Haiti. Both these elements are reminiscent of the EU's policy in the Mediterranean, previously illustrated in initiatives such as the European Neighborhood Policy. Moreover, the preservation and consolidation of democracy in the region is crucial and central in the MERCOSUR vision as presented by Brazil, indicating at the same time the aspiration for MERCOSUR to be more than a trade organization, and resemble a political entity in the making.

Nevertheless, while bearing noticeable similarities to the EC/EU in terms of its economic and trade objectives, MERCOSUR is four times larger than the EU in geographical territory and is comprised of only 4 members. Venezuela's controversial full membership is pending since 2005, while Bolivia, Chile, Colombia, Ecuador and Peru have only been granted associate status. Both for scholars but also for pro-integration policy makers in South America the ongoing challenge for the evolution of MERCOSUR has been to draw integration 'lessons' from Europe – on which most regional integration theory – and adapt them to the particular needs of the continent, such as development and poverty alleviation. In this regard, it is interesting to note that the EU remains a key reference point even in the analysis of MERCOSUR's weaknesses

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ELENA LAZAROU

May 2013

[www.kas.de/brasilien/en/](http://www.kas.de/brasilien/en/)

About the hardships in South American integration, such as free circulation among countries [...] there must be an understanding that MERCOSUR is just like the European Union was many decades ago. We are trying to grow fast, but evidently [we] do not have, yet, almost fifty years of existence. So, [...] we try to do 'fifty years in five' (Amorim, 2004b)

Speaking about the creation of UNASUR on national radio, Lula himself addressed preoccupations about internal differences among the South American states by referring to the fact that the European states too often disagreed about important matters, such as Iraq, the constitution and the monetary union. Yet, he concluded, that never led to a rupture of the EU or a threat to its existence (Radiobras, 2008).

In the next section, this chapter reflects on whether the EU model is still viewed as viable and attractive to Brazil after the breakout of the Euro-crisis and the resulting internal disputes.

### **The impact of the Euro-crisis on the perception of the EU as a 'model'**

Although the turn of the millennium ushered the EU into a consolidation phase, it also revealed more or less hidden weaknesses and, on various occasions, posed several challenges to the deepening of the integration process. As discussed at length by Mario Telò in this volume, legitimacy and effectiveness crises hit the European Communities and then the EU several times during its life. In 2005, the proposed Constitution was rejected by the French and Dutch referenda. Finally, since 2008 (and more prominently since 2010), the EU's common currency, the Euro, has been under attack due to the risk of sovereign debt default by some Member States hit by the global economic crisis. Talks of potential disintegration of the Union, or at least of the Euro-

zone, have abounded, and solidarity within the EU has reached unprecedented lows.

As discussed by Leblond in this volume, the explosion of the financial crisis in Europe led to high levels of unemployment, a drop in structural growth and excessive levels of sovereign debt. Moreover, an ageing population and increasing dependence on resources have aggravated the crisis. Since the crisis hit Member States unevenly, with some countries faring rather well and others sinking into a protracted recession, the implications for the stability and solidarity of the integration process were inevitable. In less than two years, the gap between donors and recipients within the EU grew, bringing with it pessimistic forecasts about the future of regional integration and a lack of support for the EU in many Member States.

With the EU emerging as one of the most hard-hit casualties of the financial crisis and with intra-EU inequalities reaching unprecedented peaks, new doubts were raised as to the capacity of Europe to provide leadership in a fundamentally changed international order. As maintained by the Prime Minister of Turkey, one of the so-called emerging economies along with other powerhouses such as China, India and Brazil, 'the financial crisis has laid bare Europe's need for greater dynamism and change':

"European labor markets and social-security systems are comatose. European economies are stagnant. European societies are near geriatric. Can Europe retain power and credibility in the new world order [...]?" (Erdogan, 2011).

At the same time, this development began to cast a shadow over the alleged success of an economic and political union without a central government, over the real state of the widely heralded 'solidarity' principle at the basis of the EU integration experiment

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ELENA LAZAROU

May 2013

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and, overall, about the actual benefits of European integration for its citizenry<sup>2</sup>.

By contrast, just like most emerging powers, Brazil got over the financial crisis quite quickly and with relatively minor shocks. The recession only hit the Latin American country for five months in 2008-2009, largely due to the panic spurred in the financial markets. In 2008 the Ibovespa index hit the ground slightly below the 30000 points, marking losses worth billions for major Brazilian companies like Sadia and Votorantim. In response, the Brazilian Central Bank injected millions of dollars in the market; unlike the US and Europe, however, no bail out for national companies was needed. The government decided to temporarily suspend the tax on industrial products in the hope of keeping the Brazilian consumers in the game and helping the automobile industry. With these measures in place and having registered 61 months of continuous growth until the crisis hit, Brazil managed to achieve an average of growth rate over 3.5 % of GDP. Due to its relatively low interdependence with the rest of the world, the whole of Latin America emerged relatively unscathed from the crisis. Thus, while Europe's downward spiral continued, particularly after the 2009-2010 Greek debt crisis, Latin America slowly but steadily gained credibility in international economy. The cover of a 2010 issue of *The Economist* (2010b) depicting the world upside down under the heading 'Latin America: Nobody's backyard' drew stark comparisons with a suffering Europe, discussed in a previous issue titled 'Can anyone perk up Europe?', which portrayed a bent Eiffel Tower (*The Economist* 2010a).

Within this context, doubts were raised at to the capacity of the EU model to weather the storm. While it may still be early to con-

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<sup>2</sup> Author's interview with Loukas Tsoukalis, Athens, January 6th, 2011.

clude whether the EU is still an attractive reference point for Latin America, two main narratives emerge out of an analysis of post-crisis discourses among Brazilian policy makers and opinion leaders.

### **Brazil and South America as rising powers**

By and large, Brazilian policy makers and opinion leaders have interpreted the EU crisis as further evidence of the power shift and global transformations occurring in the 21<sup>st</sup> century. In its most classical formulation, these changes affect global economy and give birth to a new international arena in which emerging economies such as Brazil become the new poles of power. This idea has been one of the cornerstones of Lula's foreign policy, as illustrated by the following excerpt from a speech delivered at the 2008 G20 Finance Ministers' meeting in Sao Paulo:

We need to enhance the participation of developing countries in the decision mechanisms of global economy. We must reassess the role of the existing organisms or create new ones, in order to strengthen the supervision and regulation of financial markets (Lula da Silva, 2008).

The emergence of Brazil and other new actors as economic powerhouses of the 21<sup>st</sup> century is therefore associated with the need to reform global governance. In this context, the crisis is viewed as an opportunity to fast-forward necessary reforms. In a 2010 interview, Minister of Finance, Guido Mantega stated:

"The European crisis did not get in the way [of the reform of multilateral organizations], on the contrary. The European crisis puts forward the need of continuing the reforms and measures that were established. [...] the European cri-

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ELENA LAZAROU

May 2013

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sis establishes the need of the G20 existence" (Maissonave, 2010).

Lula himself drew the link between the crisis and global reforms by arguing:

"We need new governance, one more open to participation. Brazil is ready to take on its responsibility. This is not the time for narrow nationalisms [or] for individual solutions. It is the time for a pact between governments to create a new global finance architecture, capable of promoting safety and development in equal basis for all [...] We need to enhance the participation of developing countries in the decision mechanisms of the global economy" (Lula da Silva, 2008).

Although the redistribution of political and economic weight in global affairs preceded the fall of Wall Street and the Euro-crisis, these latter have accelerated the need for a new direction: 'in so far as the crisis appeared in the centre of capitalism, big developing countries have become, in a way, guarantors of the world's stability. In this crisis, they are a part of the solution, not of the problem' (Amorim, 2009).

References to groups like IBSA (India, Brazil and South Africa), the G20 or the BRICS (Brazil, Russia, India, China and South Africa) and their expanding influence have also become more common. The official discourse revolves around the fact that 'this time, the emerging countries have helped to re-establish balance in the developed countries. [...] Emerging countries are contributing more than the others to tackle the crisis' (Mantega, 2010). Quite importantly, this shift has its epicentre in Europe, where the sovereign debt crisis has revealed a reversed trend: it is now Brazil to help Greece 'get out of its crisis' (Amorim, 2010).

Interestingly, also the evolution of regional cooperation and integration is affected by the global power shift. MERCOSUR, for instance, figures prominently in Brazil's agenda for global reforms. According to the former president,

MERCOSUR, together with our friends of Latin America and the Caribbean, cannot passively watch the global crisis debate. We have an important role to play in the construction of a new political and economical architecture, of international, multipolar and multilateral dimensions (Lula da Silva, 2008).

While Brazil is increasingly viewed as a forward-looking rising star, Europe is perceived as facing deep challenges that could jeopardize its position in the world economy. At least in the economic realm, the Brazilian model seems to have surpassed the EU model. Lula himself referred to this dynamics:

Brazil was one of the last countries to be hit by the crisis and one of the first to recover from it. Why? Because we had reorganized the economy along solid foundations, based on growth, stability, productivity, on a healthy financial system, on the access to credit and on social inclusion. And when the effects of the crisis began to reach us, we strengthened, without hesitation, the basis of our model (Lula da Silva, 2010).

In short, it is plausible to conclude that the crisis has helped Brazilian policy makers underline the power shifts and global transformations empowering the Latin American region and weakening traditionally dominant players, particularly Europe. The crisis is thus portrayed as a factual confirmation of the 'era of Brazil' rhetoric, as captured in an interview Lula gave to the Spanish daily *El Mundo* in 2009:

"I am convinced that the 21<sup>st</sup> century is the century of Brazil. We

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ELENA LAZAROU

May 2013

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are living an exceptional moment. Despite the crisis, we are creating, this year, more than 1,4 million new formal jobs, while millions of work positions were and are being sacrificed in the rich countries" (Lula da Silva, 2009).

### Europe: a declining partner?

Although the overall discourse depicts a rapidly changing world in which Brazil and the Latin American region become more influential and traditional powers such as Europe lose leadership, Brazil and the EU are still described as important partners (e.g. a bilateral strategic partnership was signed in 2007), which should work together toward ending the crisis. Within the new global context, however, Brazil feels entitled to turn things around and give lessons to Europe, following Amorim's remark that 'the European Union is now seeking Brazil's partnership', rather than the other way around (Paiva, 2008).

The major Brazilian daily, *Folha de Sao Paulo*, refers to a European 'Lost Decade', drawing a gloomy parallel with the Brazilian economic crisis of the 1980s (Freire, 2011). 'What they are living is very similar to what we lived in the 1980s. This crisis is one of long duration', writes prominent journalist Míriam Leitão, who concludes that 'Europe will have to perform a major restructuring of its debts, as we did here in Brazil' (Leitão, 2011). The idea that Europe must learn from Brazil, which to an extent reverses previous patterns of thinking, is welcomed with an underlying sense of achievement and pride, as illustrated in an op-ed by prominent journalist Paulo Nogueira Batista Jr.:

"The dynamics that lead to these situations is an old acquaintance of us here in Latin America. In this matter, modesty aside, we could even export some know-how to

the Europeans, who had not experienced such a regional dimension crisis for a while. [...] Brazil is well. We are going to lend money to Greece, via the IMF" (Batista Jr., 2010).

Indirectly, these discussions express doubts about the capacity of Europe to stay on course and a general criticism against the behaviour of traditional powers. In Lula's words, 'the crisis was born in the advanced economies. It is the consequence of blind belief in the auto-regulation capacity of markets and, in great measure, of the lack of control over the activities of financial agents' (Lula da Silva, 2008). Some point out that many European countries, especially the so-called PIIGS, lived with an illusion of prosperity, "financing themselves at low cost by adopting the Euro as currency and lived under the shelter of the European Central Bank" (Op-Ed: Desordem Europeia, *Folha de S. Paulo*, 2011). As pointed out by Holden in this volume, these critiques draw attention to the perils of integration, particularly of monetary union, for weaker and poorer states, suggesting more caution is needed when considering 'how much' to integrate.

This in turn leads to various claims that the EU as a whole no longer deserve the place of power it occupies in the international system. In the words of Roberto Jaguaribe, Brazilian Ambassador to London:

Europe has suffered important losses in its power and meaning. It does not seem reasonable that European countries with proportionately important economies keep superior shares of global governance institutions than countries with much bigger economies. There needs to be a correction. (Gallas, 2010).

The feeling that the EU currently weighs more in global governance than it should and that it may need to be resized in the

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ELENA LAZAROU

May 2013

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global reshuffling of roles and power feeds into the Brazilian objective of achieving a reform of global multilateral organizations. Describing the Brazilian view on the much-needed reforms of global governance, Mantega comments: 'We see that Europe is losing its expression. What is the reform about? It is about reducing the participation of advanced countries, that are less dynamic, and enhancing the emerging countries, that are more dynamic' (Mantega, 2010).

The decline of Europe, which remains a key commercial and political partner of Brazil, is also perceived as a threat. 'From our point of view', writes Leitão, 'the ideal scenario is for Europe to manage its crisis the sooner the better, since the region is a great partner of Brazil.' (Leitão, 2011). In a 2010 interview Mantega also expressed concerns that 'if European economies grow less, it means that they will import less Brazilian products' (Mantega, 2010).

Thus, while tendencies to regard the crisis as a failure of the European approach and a success for Brazil, economic interdependence and – to a certain extent – political partnership with the EU counterbalance triumphalism regarding the decline of Europe. Thus, the final assessment is more nuanced than a generic analysis may suggest. Due to contrasting dynamics and more self-interested preoccupations, it seems fair to argue that Brazil views the impact of the EU crisis on its prospects of economic leadership and regional integration with 'mixed feelings'.

**Conclusion: Brazil's 'mixed feelings' about the future of the EU and its model**

Throughout the past decade, the EU has served as an example and a model in Brazilian official discourse on regional integration and interregionalism. However the outbreak

of the Euro-crisis in 2008 has severely challenged the appeal of this model in terms of its sustainability and utility as an instrument of regional cooperation. As a consequence, perceptions of the European integration in Brazilian foreign policy have undergone substantial change, casting doubts on the appropriateness of EU-style integration for the Latin American continent. Disillusionment with the European integration ideal of an ever-closer union, will most likely lead Brazil to a more cautious approach to monetary, if not also political, integration in the region. Lula's 2008 suggestion that South America is heading towards a common currency (Radiobras, 2008) is not likely to resurface anytime soon.

As has been shown, the crisis in Europe, with the resulting internal divisions among Member States, has been viewed by Brazil through the lens of global transformations and a power shift from North to South, thus corroborating the thesis that as Brazil and other new actors rise, old powers decline.

At the same time, the attractiveness of the EU as an important commercial partner is still shared by most policy makers. To this day, the future of the Euro and the EU is a matter of debate among Brazilian policy makers and opinion leaders. Public opinion is divided and the media presents multiple views. On the one hand, some believe that the Eurozone is being strengthened by the current reforms. As commented by the Minister of Finance, Guido Mantega, 'European countries decided to make an effort to fight it, they decided to place money and develop the tools, which, in my view, are effective. They are working rapidly' (Mantega 2010). From this perspective, cooperation and integration are processes that render a region stronger by providing mechanisms for collective responses to crises and problems. In this sense, the EU-model may maintain its attraction in spite of the turbulent current scenario.

Konrad-Adenauer-Stiftung e.V.

ELENA LAZAROU

May 2013

[www.kas.de/brasilien/en/](http://www.kas.de/brasilien/en/)

On the other hand, many are convinced that a prolonged crisis will lead to further divisions within the EU, with negative repercussions on the sustainability of regional integration: 'The truth is that Europe as a whole got into tremendous trouble. The economies of other developed countries including the US also have serious problems but the most vulnerable region is clearly Europe, both the developed and the emerging Europe' (Batista Jr., 2010).

Lula's pronouncement on the occasion of the 4<sup>th</sup> EU-Brazil Summit in 2010 that 'the successful experience of the European Union is crucial for Latin Americans, and will enrich the European Union's relations with Latin America and the Caribbean' (July 14, 2010) suggests that the EU model of integration still holds soft power for Brazilian policy makers. Nevertheless, the Euro-crisis leaves little doubt to Brazilian observers that Europe needs increased solidarity, compromise and a rescue plan if it intends to survive united. In the context of regionalism in Latin America, caution against the perils of 'too much integration' has become more common in the Brazilian narrative on Europe. How this will impact Brazil's traditional push for more integration in South America is yet unclear and will need further examination and research.

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ELENA LAZAROU

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Elena Lazarou is Head of the Center for International Relations at the Getulio Vargas Foundation (FGV). E-mail: [Elena.Lazarou@fgv.br](mailto:Elena.Lazarou@fgv.br)

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