

Sources of Brazil's Counter-Hegemony

Fontes da contra-hegemonia brasileira

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Introduction

For centuries there has been resistance to both elitist rule and imperialism in Brazil. Elites have traditionally sided with foreign interests while subaltern classes have rarely found grounds to make alliances with the middle classes and elitist groups. In the last four decades economic change has transformed Brazil into a modern and complex society, producing a strong and powerful new social movement as well as a new and independent elite. These new classes have found ways to feed their interests through actions and ideas that indicate the formation of a counter-hegemonic project for Brazil.

For these classes the main issue and the first step to overcome backwardness is to reduce the country's comparative disadvantages when compared to other developed regions of the global capitalist system by, reforming and strengthening the State. This aim has been pursued by following a number of initiatives that – at least in general terms – have been supported by different sectors of Brazilian political spectrum.

The first and most important initiative is substituting Brazil's patrimonialist and aristocratic society and State for a democratic one. Secondly, and in order to create regional integration in all levels, Brazil and South American countries have been engaged in bi-national and multi-national cooperation. Thirdly, Brazil has taken a set of initiatives to enhance regional trade and upgrade the importance of South American markets. Finally, Brazil has become increasingly active in international fora.

Our discussion will be limited to the ideas and initiatives of counter-hegemony associated mainly with the political changes that have lately taken place in Brazil and have led the country to seek a central role in South American politics since the beginning of its transition to democracy. The main sources of these ideas are in the city of São Paulo. Mainly the powerful São Paulo Industry Federation (FIESP), São Paulo University (USP) and the new unionists

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associated with the Workers' Party. The State's elite has also played a major role in channelling these ideas into actions.

Before introducing and discussing the counter-hegemonic views expressed by the new left wing movement in Brazil and by the Brazilian State's elite and its business elite, it is important to state that they represent the two main sources of counter-hegemonic thinking and action in Brazil. One is linked to the emergence to the Workers' Party (PT) and the new unionists in the city of São Paulo. They are the source of the debate on grassroots democracy, on participatory budgeting, the debate that created the World Social Forum in the city of Porto Alegre. A set of new views that are part of the a new left wing counter-hegemonic agenda that has deeply influenced changes all over Brazil and South America.

The other source is associated with the views of the Brazilian business community and the State bureaucratic elite. Their interests have led them to participate in initiatives to feed an alternative regional project to the neoliberal version supported by the US and Europe. The search for cooperation with Argentina, the formation of Mercosur, the growth of regional trade and the emergence of South American multinationals – mainly Brazilian – are some of the most important initiatives and goals emerging from this group. They aim at guaranteeing recognition that Brazil has a well-established business community with a regional project of its own and thus corresponds to an emerging sub-system in global society.

This article shows how these changes have unfolded and argues that the policies produced by these initiatives have become elements in the formation of Brazil's counter-hegemonic view.¹

The Worker's Party counter-hegemony²

The emergence of the Workers' Party (PT) in Brazil was a major attempt to feed a new hegemonic model for Brazil. The PT has been deeply involved with key changes Brazil has gone through in the last two decades. These changes have produced an important set of policies that have influenced other South American nations.

a) The New Unionists

The new unionist movement was based on the metal-workers union of São Paulo and grew with the wave of strikes during the military regime. The idea of the PT was later launched by the metal-workers leadership headed by today's President Luis Inácio Lula da Silva. At first it was received with mistrust by the

1 This article results from a research supported with a CNPq Produtividade Scholar ship.

2 Document on the PT's policies and proposals are found in Mercadante (2006); Partido dos Trabalhadores (2002); Almeida (1994), Parana (2003) Villa & DeAngelo (2009).

traditional Brazilian left and right wings. Only a few radical left groups hailed it with enthusiasm.

Some of the main characteristics of the counter-hegemonic thinking and action of the new Unionists and the PT are the following:

Firstly, they denounced traditional bureaucratic and authoritarian control of the State-driven union system by both the Brazilian traditional right and left wings. And in doing this they proposed and constructed an independent and legitimate union movement that led to the formation of the *Central Única dos Trabalhadores*, CUT. This represented itself as a revolution against the submissive relationship the unions had previously had in relation to the State and towards the use made of the union movement by traditional right or left wing groups that glorified the state apparatus as the source of power and the means to social control.

The CUT resulted from the search for a democratic and liberal practice for the movement. After destroying the state monopoly of the unions, it provoked the end of the Brazilian fascist-type unified union system and the adoption of freedom of edanization by the union movement. Contrary to the argument from the traditional elite that the liberalization of the union system would weaken and destroy its influence, today national union edanizations such as the CUT and *Força Sindical* are independent from the State, are powerful and work together on many important national issues.

Secondly, the formation of the PT contributed to the destruction of the elitist party system, based on individual or aristocratic interests, that dominated national politics. The PT became the first mass party in Brazil by proposing and creating a democratic, grassroots based edanization with a clear set of principles and program for gaining power and changing Brazil's social and political order.

Thirdly, as the PT developed its ideology, it created a set of proposals for counter-hegemony that became a national, regional and international reference point in the debate on alternative projects to the dominant neo-liberalism. These are: a) the introduction of direct democracy in city administration based on popular councils as alternative channels to make decisions and implement changes; b) a new republicanism, recognizing new rights and bringing excluded social sectors into political participation; c) participatory budgeting, involving community in decisions concerning public investments; d) new social policies such as actions taken by the Federal Government to promote anti-AIDS policies in Brazil. These proposals were widely adopted in the administration of major Brazilian cities by elected PT majors and have expanded to other levels of the Federation.

Throughout the 1990s, the PT's successive periods spent in local governments transformed both the party itself and Brazilian politics, long characterized by patronage, personalism and by the lack of public participation. Once in power, the PT broadened its relation with civil society by decentralizing decisions and creating opportunities for public participation.

However, being in power also forced the party to make difficult choices in its quest to advance progressive platforms. Internal and external factors such as the State's fiscal situation, preassures from local elites and electoral concerns (as well as from the bases of the party) limited the scope of action for the administrators. The main problem at hand was how to deal with political demands on a grassroots level without jeopardizing the party's ability to govern. One lesson drawn from the first PT administrations was that where broad participatory programs were successfully implemented, these programs helped city administrators cope with the demands placed on them. Public participation provided a forum where claimants themselves could be part of the negotiation of demands while generating legitimacy and consensus for the party's redistributive platform.

The community councils and the participatory budgeting first implemented in Porto Alegre served as examples for many subsequent administrations. In its first four years of office, the PT administration managed to balance municipal finances and incorporate active participants into the decision-making process concerning investments. Largely as a result of the success of these participatory initiatives involving citizens, the administration was able to carry out a number of ambitious reforms, such as introducing land-use taxes targeted at wealthier citizens that helped fund many other projects.

Participatory budgeting has evolved into a complex structure of gatherings where elected delegates from neighborhood associations meet regularly to discuss, prioritize and monitor the investments needed in each district. The projects include anything within the scope of municipal government: street-paving, water, sewage, social services, health care, housing, and primary and adult education. In addition, thematic fora were created to debate city priorities that are not necessarily specific to one district or neighborhood, such as culture and education, economic development, or health. A higher-level financial council composed of two counselors from each district and two for each of the thematic fora meets to fit the demands into the yearly budget. At the end of the year the budget is passed to the city council, where it is approved. When projects begin, citizens are responsible for forming commissions to monitor the work.

Encouraging participation in public spaces represents a threat to the separation between Brazil's centralized power structure and its society. This new model of city governance has added an important aspect to the PT's counter-hegemonic project.

b) The Anti-AIDS policy

Among a number of important social policies that can be considered as anti-hegemonic is that which led to the compulsory licensing of anti-AIDS medicines. This was a highly controversial issue worldwide at the time of President Cardoso and Brazil played an important role in changing views on this subject.

Since 1996, Brazil's national programme to combat AIDS has offered free access to medication to a large number of HIV-positive people and the country is

regarded as being a leader in terms of policies on this issue. However, the cost of this comprehensive policy had been increasingly high for the Federal Government. In 1999 alone, it spent over R\$ 620 million on anti-AIDS medicines. Less than 20% of the anti-retroviral drugs were purchased directly from Brazilian public laboratories, and most of them were imported.

For more than a decade, starting in President Cardoso's first mandate, Brazil has been negotiating with international laboratories to try to lower the cost of imported drugs and has engaged in major disputes on that issue within the World Trade Organisation. On the one hand, powerful pharmaceutical companies have been putting pressure on governments from developed countries to protect their patent rights. On the other hand, developing countries, wishing to reduce the costs of imported drugs and expand their AIDS policies, have been threatening to take advantage of compulsory licensing to have access to these medicines and provide better and efficient services to their citizens.

In 2001, after negotiations at the World Health Organisation, a resolution proposed by the Brazilian delegation was adopted and access to anti-AIDS drugs was considered a human right. The resolution also mentioned the need to reduce the cost of medication and set up different import prices according to the level of development of each country. Also, the US government agreed with Brazil that actions involving compulsory licenses of American laboratories should be discussed before they were implemented.

In May 2007, after almost a year of discussions with Merck Sharp & Dohme, President Luis Inácio Lula da Silva signed a historical decree that issued a compulsory license for Efavirenz, allowing the import of a generic version of the drug. According to the Government, this measure would allow a decrease of over 70% on the current price of the medicine and the American laboratory would receive royalties of 1.5% on the imports of the Indian generic drug.

This decision received both support and criticism worldwide. The Brazilian Government declared that the compulsory license is a legal and legitimate instrument recognised by the Trade-related Intellectual Property (TRIPs) agreement and that "the practice of compulsory licensing for pharmaceutical products is frequently used both by developed and developing countries. In the case of antiviral drugs, developing countries already use that flexibility: Mozambique, Malaysia, Indonesia and, more recently, Thailand³. The measure also reinforces the efforts of civil society groups fighting for fairer access to medicines and for the sustainability of public health policies, such as universal and unlimited access to antiretroviral medicines used in the treatment of HIV/AIDS. However, the Brazil-US Business Council described the action as "a major step backward" that would impact on international investment in Brazil.

Initiatives such as this attracted attention of international NGOs looking for alternative models of governance. The creation of the World Social Forum

3 See "A primeira licença compulsória de medicamento na América Latina" in <http://ictsd.ed/i/news/12456/>.

(WSF) in the city of Porto Alegre represented the recognition that the PT was a key actor in the creation of an important counter-hegemonic model to dominant neo-liberal policies, a model very much concerned with dealing with social and political situations similar to that found in Brazil.

According to its charter, the WSF is

“an open meeting place for reflective thinking, democratic debate of ideas, formulation of proposals, free exchange of experiences and interlinking for effective action by groups and movements of civil society that are opposed to neoliberalism and to domination of the world by capital and any form of imperialism, and are committed to building a planetary society directed towards fruitful relationships among Mankind and between it and the Earth”.

Additionally,

“The alternatives proposed at the World Social Forum stand in opposition to a process of globalisation commanded by the large multinational corporations and by the governments and international institutions at the service of those corporations’ interests, with the complicity of national governments”⁴.

The WSF has generated a worldwide impact resulting in, for instance, a number of similar initiatives taking place in Europe, Asia and Africa. In addition, a number of fora have taken place in parallel to the WSF such as the World Judicial Forum and the World Education Forum.

The WSF framework gave the PT an opportunity to make known its political model based on direct democracy, participatory budgeting and new republicanism. But the PT needed political resources to produce and support initiatives at home and abroad to incorporate the new model. This came with the victory of the PT in the Brazilian Presidential elections in 2002.

The emergence of the CUT and the PT in national politics was followed by the creation of an even stronger rural movement called the MST (Landless Rural Workers’ Movement). The emergence of peasants and rural workers from a condition of dispossessed of power and rights into political participation dates back to the 1950s Peasant Leagues that were destroyed by the military regime. The MST has become a most powerful and well-edanised social movement in Brazil. With the arrival of the PT into power it has influenced the government to increase its policies in favour of the have-nots, for agrarian reform and to fede and enhance the global anti-hegemonic movement.

c) President Luis Inácio Lula da Silva’s Export of Social Policies

Innovative social policies were first adopted at national level throughout President Cardoso’s two terms. The *Bolsa escola* for instance, an allowance to help

⁴ see http://www.forumsocialmundial.ed.br/main.php?id_menu=4&cd_language=2

poor parents keep their children at school, was federalized during his Presidency. Nevertheless it was during President Luis Inácio Lula da Silva's terms that successful social policies were enlarged. His active foreign policy permitted Brazil to successfully export some of Brazil's social policies and know-how to Haiti, Africa and other parts of the world.

The *Bolsa família* (family allowance) has been the centerpiece of Lula's social policies against poverty and resulted from the unification of many cash transfer programs. It has produced the most important income transfer and poverty reduction in Brazil ever, reaching about 44 million people. In its February 7th, 2008 issue, *The Economist* properly described it as an anti-poverty scheme invented in Latin America that is winning converts worldwide.⁵

The 2008 agreements with the United States on cooperation in energy and biofuels, the many agreements on agricultural technology with Africa and Central America demonstrated that also technological policies, are part of a new set of assets that Brazil has just begun to link to its foreign policy. Brazil's EMPRAPA, an agriculture research institution, has an office in Africa where it contributes to the development of small farmers as well as to the growth of commercial agriculture.

Haiti is perhaps the key case where this set of policies can be applied to help overcoming one of the direst problems of today's international politics: failed states. As an alternative to occupation and food distribution, Brazil's actions in Haiti have engaged the best of its social and development policies. If this proves successful by making Haiti politically and economically sustainable, it will shape a new counter-hegemonic model of dealing with international issues in opposition to the old and ineffective stick and carrot method.

The Brazilian Elite's Responses

In face of the impact of the transformations associated with the democratization of South America, Brazil's elite redefined its political proposals, which had been eroded by their support for authoritarianism. It had two major options in its search for a new identity.

First, there was a move towards the new US hegemonic project. Dominant groups tried to open up sectors of Brazilian economy and establish some sort of free trade agreement with the US or Europe, believing this would help to alleviate high debt and economic recession by incorporating the national economy into a stronger system.

Secondly, there was a move towards the construction of a regional economic bloc. That bloc would be established around key capitalist principles but would be aimed at creating a regional economic and power centre along lines similar to those of Europe or North America.

5 "Happy families: An anti-poverty scheme invented in Latin America is winning converts worldwide". The Americas: Brazil in *The Economist* print edition, Feb 7th 2008.

The Brazilian elite, made up of the business community and the nation's upper-middle-class, embraced both projects. It first took shape with the election of President Collor de Mello. He started opening up the Brazilian economy by reducing tariffs, thus giving a competitive shock to the industrial sector. He also adopted a pro-US position in order to foster a neo-liberal agenda. Accused of corruption, he was impeached by Congress and his reformist proposals were partially shelved.

President Sarney celebrated the creation of the Common Market of the South, Mercosur, with Argentina, Paraguay and Uruguay, and took a more active approach towards regionalism. President Itamar Franco's greatest goal was to end chronic inflation and its perverse culture. This was deputed to the team of his Economics Minister Fernando Henrique Cardoso, who became the next President of Brazil.

It was necessary to form an alliance between the Brazilian Social Democratic Party (PSDB) and the Liberal Front Party (PFL) to elect President Cardoso. He incorporated the ideas of both parties and set out to reform the Brazilian state and economy by inserting the country more and more within the global market economy. He also took important steps to strengthen Brazilian regional and global influence.

When President Luis Inácio Lula da Silva came to power, he searched for an alliance to conciliate elements of the PT's project of social inclusion with the need to maintain economic stability and enhance Brazilian regional and global diplomatic initiatives. Neoliberalism was over and security issues were dominating the international agenda. This situation helped Lula da Silva to invest in distributive policies and bring the State back to its leading role in the economy.

a) Mercosur and the search for Regional Integration⁶

When President George Bush launched the Initiative for the Americas in 1990, many believed that the Americas were about to enter a new era of prosperity led by the US, now the only superpower. There was optimism about a possible upgrading of Latin America within US foreign policy. Some believed that trade and investment would drive US actions in the region and that this would promote a new wave of growth and development throughout the region. The US hegemonic project was welcome by a region desperately looking for a way out of recession, poverty, debt and political crisis.

The positive impact of the *Initiative for the Americas* in Latin America was immediate. Together with Argentina, Paraguay and Uruguay, in 1991 Brazil launched an integration process called Mercosur. In Washington three months later, the US and the Mercosur countries signed an agreement for their integration. Continental integration was the goal. In 1993 Brazil launched the

⁶ Among a growing literature on the issue of Brazil and regional integration there are Carranza (2006); Pena (2005) and Herz (2003) Mattar Nasser (2010).

idea of a South American Free Trade Area (SAFTA) in order to try to unify South American countries and prepare for a larger-scale integration process.

Unfortunately the US proposal did not live up to its expectations. Soon after President Clinton launched his Free Trade Areas of the Americas, FTAA, in 1994, it became clear that social and political issues were not going to be addressed in the US initiative. Due to the gap between words and reality, the FTAA proposal began to be regarded as a mere attempt by the US to dominate Central and South American economies and re-design its hegemony in Latin America.

Supporters of the FTAA pointed out the positive aspects of NAFTA on the Mexican economy: the growth of its northern region; the growth of trade with the US and so on. Nevertheless, the Mexican case also showed that the key issue of regional imbalances in Latin America had not been dealt with. If Mexico wanted to be looked on as a model case to prove the success of the FTAA, there needed to be at least a way to safeguard local business interests and address regional imbalances in Latin America, an issue that has provoked social and political unrest and instability all over the region.

Since the beginning of the FTAA initiative, Brazil has occupied a strategic position within its negotiations. It co-chaired the process with the US while continuing to work for the development of Mercosur, a sub-regional integration initiative intended to go far beyond FTAA promises. As co-chair, Brazil was in a position to use its influence to either slow down or accelerate the free trade agreement. As it became more difficult for the US to offer what regional elites considered to be a good deal and the US continued to insist on a parallel divide-and-rule approach by proposing bi-national agreements to small countries, Brazil gradually directed its influence to blocking US goals. The Brazilian elite decided to continue to support Mercosur and other regional blocs as a regional counter-hegemonic option.

According to a former Brazilian Ambassador to the US, Rubens Barbosa⁷, an FTAA acceptable to Brazil and Mercosur should include: a) the elimination of tariff barriers and the transformation of all specific customs duties into *ad valorem* tariffs; b) effective access to markets by means of a gradual but continual reduction of all non-tariff barriers (i.e. quotas, phytosanitary measures, etc.); c) discipline in the application of defensive trade measures (e.g. safeguards against what?, antidumping measures) that affect Brazilian agricultural exports to the United States as well as other sectors that have been traditionally subjected to selective protectionism (i.e. steel products, footwear, etc.); d) a precise understanding that mechanisms that provide for unilateral trade sanctions must not be used; e) the elimination of trade-distorting mechanisms (such as export subsidies) and the disciplined application of domestic subsidies that affect the setting of domestic and foreign prices; and f) harmonizing the FTAA negotiations with those of

⁷ Barbosa, Rubens. The FTAA that is in Brazil's Interest. 2001.

the WTO, in order to adjust the advances achieved within the scope of the Hemisphere to the efforts that will be undertaken in multilateral agreements. [As a non-specialist reader, I do not understand this last sentence – Graham]

As one can see, the issues of discord between Brazil and the US concerning the FTAA were mainly contained in the idea of trade liberalization. There was a perception that the US proposal would trap important sectors of Brazilian economy within a set of agreements that would benefit only US business. This view enhanced the arguments against the FTAA backed by the US and pushed into opposition to it even those Latin American intellectuals who supported the opening of Latin American economies to the US.

Once the path towards globalization throughout hemispheric integration was blocked, Mercosur began to demonstrate its potential for boosting regional trade and the economy as a whole. This has strengthened regionalism and given Brazil's economic and bureaucratic elites a favourable situation from which to play an active role in foreign policy and to lead regional integration.

The evolution of trade among countries in Mercosur has had an unstable but upward trend since that edanisation was founded. Another point worth highlighting is that the goods traded between members of Mercosur are mainly manufactured goods and services, which are more sophisticated in terms of technology. Particularly in the case of Argentina and Brazil, this diversification is helping foster investments in various areas of technology and is thus enhancing the competitiveness of the bloc. This represents an important form of support for fostering regional businesses. The importance of large Brazilian and Argentine companies in the regional market has increased and the idea of a South American powerhouse led by São Paulo and Buenos Aires is no longer simply a desire.

b) Development of Regional Security

The last few years of the Clinton presidency were marked by a return to a fragmented perception of Latin America based on traditional stereotypes. This gradually led to what Howard Wiarda⁸ called "benign neglect". In other words to US failure to regard the region as a priority and as a consequence a lack of US policies for the region, which was left alone to make and develop its own moves in terms of regional integration and foreign policy.

After September 11, US foreign policy replaced the idea of opening markets and fostering free trade with the idea of closing borders and subordinating trade and all other issues to national security. During the first year of President Bush's administration US support for the legalization of illegal workers from Latin America was seen as a matter of justice. After September 11, Latin America became a problem due to the large number of illegal and uncontrolled emigrants already in the US and those going there.

⁸ "American Foreign Policy toward Latin America in the Post-Cold War Era: A case of Benign Neglect?" in Maskeetalli (Eds) (2006) *US Foreign Policy Towards Third World*. M.E. Sharp, London.

This situation enhanced the perception of the Latin America elites that they had to find a way on their own to foster economic growth, and deal with regional political issues as well as to reduce social imbalances.

There was an open window of opportunity for South America to strengthen its regional integration and for Brazil to be heard in major international fora. In September 2000 Brazilian President Fernando Cardoso invited other South American Presidents to participate in what later became known as the First South American Presidential Summit. According to Cardoso's assessment the meeting was historic and represented a step forward towards the construction and exchange of common experiences on democracy, peace, justice and prosperity for all the countries of South America.

Cardoso pointed out five key decisions taken at the meeting.⁹ First, the countries of South America must strive together to keep and consolidate democracy, human rights and freedom in the region. And this must take into account the history of the great South American leaders who fought for independence and freedom. Secondly, Mercosur and the Andean Community must move into shaping an enlarged South American free trade area including also Guyana and Surinam. Thirdly, each country is expected to draw up a plan and projects for the development of South American energy and transport infrastructure. They would count on the support of the Inter-American Development Bank and other regional institutions to finance these projects. Fourthly, a committee was created to combat money laundering as well as corruption and edanized crime in the financial sector. Fifth, a regional fund was created to foster the common development of science and technology. The seed of the South American project was planted and the debate on regional integration began to stress issues other than trade.

Firstly seen as an up-dated version of the South American free trade initiative taken by former Brazilian President Sarney, the First South American Presidential Summit represented a further attempt to keep the debate on the need for regional integration firmly on the agenda of South American nations. It also introduced a new way of looking at the issue of integration at the levels of energy (building dams, the use of natural gas and other common natural resources such as water) and communications (roads, railroads, waterways and ports).

The Second South American Presidential Summit held in Guayaquil, Ecuador in July 2002 advanced the decisions taken in Brasília and represented an assurance that the Presidential summits were a new and very important multilateral mechanism for the region. The countries of the Greater Caribbean and South America had the opportunity to discuss how to link their economies and search for solutions to common problems.

The Guayaquil Consensus issued by the Summit emphasized the development of physical infrastructure for continental integration. Transport, telecommunications

9 Fernando Henrique Cardoso, "Cúpula Sul-Americana: Uma Avaliação" in *Correio Brasiliense* 7th March 2000.

and energy were the key issues to be dealt by the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA), launched at the First Summit in Brasilia in 2000. IIRSA's guiding vision is to facilitate integration within the three main coastal zones of South America – the Caribbean, Atlantic and Pacific – and to link these with the continent's internal regions. IIRSA's Technical Coordinating Committee is composed of three key financial institutions: the Inter-American Development Bank (IDB), the Andean Development Corporation (CAF), and the Financial Fund for the Development of the River Plate Basin.

Following up the call for projects at the Brasilia Summit, 162 projects sectors were identified for financing and implementation in the three priority. These include a bold scheme for road transportation links between Brazil, Guyana, Suriname and Venezuela.

Having perceived the emerging importance of security in the post 9/11 world, Cardoso's diplomacy started to adapt Brazilian foreign policy. By the time President Luis Inácio Lula da Silva took office, many thought Mercosur was in decline. The new Brazilian Foreign Minister, Celso Amorim, declared the government's interest in revitalizing Mercosur by creating a development fund and a Parliament. President Lula da Silva became more active in foreign policy in order to pursue the regional and global objectives of Brazil, thus creating new partnerships worldwide. In accordance with the growing concerns about security, Brazil made its candidature to become permanent member of the UN Security Council as a centerpiece of its foreign policy.

The experience from two Presidential summits has indicated new ways to deal collectively with challenges raised by regional development and diplomacy. It has also introduced other key issues to an agenda dominated by trade. It has helped the region to find a way to turn regional interests into dominant global security issues. The election of left-wing leaders in Brazil, Argentina, Uruguay, Venezuela, Chile, Bolivia, Peru encouraged the idea that South America should go along with integration and try to redefine itself in the new context. The formation of South American Community of Nations (SACN) seemed the best tool to achieve that.

The South American Community of Nations was launched at the Third South American Presidential Summit in the Peruvian city of Cuzco in 2004. Peruvian president Alejandro Toledo, declared a new country was being born out of the convergence between Mercosur, the Andean Community, Chile, Surinam and Guyana and that it would one day have a common currency, parliament and passport. He said the new community would also help member nations to confront the challenges of globalization and if in the past, geography divided South America, today it unites it.

According to the Cuzco Declaration the South American countries shall improve the coordination of regional diplomacy and policies towards the outside world. It also called on the regional business community to come forward and participate in the process of integration. The convergence between Mercosur and

the Andean Community, as well as the issues of energy and transport, were present too. The locations for the summit were chosen for their historical significance and their association with events that reflect well on South America. Cuzco was the ancient capital of the advanced civilization of the Incas. Ayachucho was the site of a decisive 1824 victory against Spanish troops by the South American independence movement headed by Bolívar.

The creation of the SACN represented a radical shift for the region. Trade was no longer the only main issue. South American countries were free to enhance their power and practice diplomacy among themselves and with the outside world as they had never been before. Despite strong differences in style among South American left wing leaders, they all seemed to agree on the need to construct a regional pole of economic and political power in order to influence world politics.

In August 2003, 23 projects for the integration of South American infrastructure worth US\$ 5.5 billion were presented by 12 South American countries. Most of these projects are near the frontiers between Mercosur countries and they aim to transform what used to be areas beset by security concerns into areas of economic prosperity. Growing investment from large regional enterprises, as well as multinationals, is set to consolidate a new pole of economic growth at the heart of South America. In 2004 alone, foreign investment by Brazilian businesses stood at US\$ 9.5 billion and most of it went to the Mercosur area.¹⁰ There has been continuous growth in small- and medium-sized regional enterprises as well as in investment from Europe, North America and Asia.

A proposal for the setting up of structural funds to combat imbalances among Mercosur members was approved in 2004. According to the site ADNmundo, in January 2007 Paraguay received its first share of these funds. US\$60 million dollars are in the account of the Ministry of the Economy of Paraguay to be spent on social projects and on the construction of roads.

South American is now engaged in building a strong regional system that incorporates the excluded sectors of their societies. Mercosur has given the region an international status it never had before. It has resisted the FTAA and offered another view of regional integration. It led the US to abandon its one-sided project of free trade for the hemisphere and recognize that in order to advance the process it should look at Mercosur and other regional blocs as players to negotiate with.

c) President Luis Inácio Lula da Silva's Government's Foreign Policy

By the time President Luis Inácio Lula da Silva took office, a wave of conflicts on industry and trade between Brazil and Argentina had put an end to initial optimism concerning Mercosur. In a situation in which it could now perform a leading role in regional politics, Brazil decided to revitalize Mercosur, creating a development fund and a Parliament that held its first meeting in 2007.

10 Reynaldo Passenezi Filho, "Internacionalização, um desafio para os brasileiros", *Valor Econômico*, 28th March, 2005.

Benefiting from a favorable internal and external situation, Lula da Silva became more active in foreign policy in order to pursue the regional and global objectives of Brazil and create new partnerships. In economic diplomacy, the President played a central role in launching SACN, later renamed the South American Union.

Lula da Silva's foreign policy moved beyond regionalism and proposed bi-national trade agreements with other emerging and developing regions in the world. Brazil has been engaged with countries from Central America to Middle East, Africa and Asia in order to diversify even more its trade balance and to reduce its trade dependence on the US and Europe. New initiatives with emerging countries such as South Africa, India, China, Russia, have been taken in order to enlarge the international power of Brazil and shift today's outdated international power structures.

Another key Brazilian initiative has led to the creation of the G-20, a new global summit that brings together both developed and emerging countries into a forum for discussions on the current economic crisis as well as the shape of the new global order concerning finance and economics.

On matters of security, and at first surprisingly to many, Brazil's candidature for a permanent seat at the UN Security Council symbolizes its will to actively participate in world decisions. Brazil is not only claiming its right to be a permanent member, but acting and trying to influence key international issues beyond its traditional zone of influence.

Brazil's active role in key international economic and security issues is not just a characteristic of President Cardoso and President Lula da Silva or a projection of Itamaraty's ego. It reflects the new situation and interests that are well-founded in modern Brazil. The emergence of new elites has led Brazil to stop being a rule-taker. The counter-hegemonic view that is being consolidated in Brazil lies in this perspective and the confidence in its soft power.

Brazil has developed a successful model of cooperation with Argentina and this can be useful in dealing with bi-national problems as well as in fostering cooperation and integration. The *Bolsa familia* and other social initiatives are models for dealing with poverty, hunger, education and health, and most of them are internationally regarded as effective. Brazil has developed technology to support its social policies and is engaged in reconstructing Haiti, perhaps the most important experience in state-building today. On the eve of presidential elections in Brazil, there is a general hope that what both Cardoso and Lula da Silva have made will be enhanced and polished by the next administration.

Conclusion: Ongoing Challenges

The new Brazilian elites have ongoing challenges if they wish to consolidate a coherent counter-hegemonic view and if they wish to convince others that this

view offers a better kind of know-how to make international politics in the 21st Century.

Four internal challenges must be faced in order for a counter-hegemonic initiative supported by Brazil to consolidate itself as a point of reference for other South American and emerging countries. First, to move ahead with formulating an overall view that incorporates elements from the experience of the new elites and other emerging social groups into state policies. Secondly, to make the ideals of social justice, human rights, wealth distribution, democracy and cooperation as important as economic growth within State action. Thirdly, to support internationally Brazil's counter-hegemonic policies and views as a way of dealing with today's international issues, particularly in emerging countries. Finally, to stress its relationship with neighboring countries and the fact of its global engagement being one of cooperation and partnership and provide leadership by reason of the legitimacy of its actions and ideals.

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Abstract

There have been two key initiatives taken in the last two decades in Brazil to create a counter-hegemonic project for the country. One initiative resulted from Brazil's business community and high-level State bureaucracy and aimed at forming a regional economic and political bloc that would guarantee and enlarge a relative independence from the hegemonic powers. The other resulted from the emergence of the new unionist movement in São Paulo and from the formation of Partido dos Trabalhadores and aimed at promoting radical democratization and reducing social exclusion. Both initiatives have created policies and changes that have converged to enhance Brazil's counter-hegemonic position as a regional and emerging power.

Resumo

Duas iniciativas importantes ocorridas nas duas últimas décadas produziram a contra-hegemonia brasileira. Uma resulta da ação da comunidade de negócios e da alta burocracia nacional e busca a formação de um bloco regional de caráter político e econômico. A outra resulta do surgimento do Partido dos Trabalhadores e visa promover a democratização radical e a redução da exclusão social. Ambas produziram políticas e mudanças que convergem para criar uma emergente contra-hegemonia regional brasileira.

Keywords: Brazil's foreign policy; Workers' Party; Mercosur; South American Integration; counter-hegemony; Luís Inácio Lula da Silva's Government

Palavras-chave: Política Externa Brasileira; Partido dos Trabalhadores; Mercosul; Integração da América do Sul; contra-hegemonia; Governo de Luís Inácio Lula da Silva.