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# Venezuela's Full Membership Changes Face of MERCOSUR

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By Andrés Gaudin

When Argentina, Brazil, and Uruguay welcomed Venezuela as a full member of the Southern Cone Common Market (MERCOSUR) on July 31, they were not merely receiving another trade ally, they were taking a geopolitical step toward creating a new hemispheric order. Venezuela, which had sought MERCOSUR membership since 2006, counted from the beginning on favorable votes from those three countries, but, in the intervening six years, the Senate of Paraguay—the fourth founding member of the customs union—systematically refused to approve it.

On June 22, after that same Senate staged a legislative coup to remove constitutional President Fernando Lugo, the regional bloc used its Carta Democrática (Democratic Charter) to suspend the de facto government in Asunción and opened its doors, at last, to Venezuela.

Thus, the world's fifth-largest power was born—after the US, China, Germany, and Japan, in that order. Numbers for the new regional bloc speak volumes. With the incorporation of Venezuela, MERCOSUR will have a territory of nearly 13 million sq km, a population of 271 million—seven of every 10 South Americans—and a GDP of US\$3.3 trillion, 82.3% of the total GDP of South America. In addition, the bloc is the world's largest food producer, it has the largest proven oil reserves, and its average employment rate is better than that of the European Union (EU). Still awaiting full membership are Bolivia, Chile, Colombia, Ecuador, and Peru. All indications are that Bolivia will be the next to be admitted.

## ***Our North is the South***

"Our North is the South," said Venezuelan President Hugo Chávez, repeating MERCOSUR's official motto. And, addressing his counterparts Presidents Cristina Fernández de Kirchner of Argentina, Dilma Rousseff of Brazil, and José Mujica of Uruguay, he added, "Now, we are in our exact geopolitical dimension, this is our site and our essence." After a pause, he added, "I am certain that as of today we are entering a new accelerated period in the history that we are building of profound political and social changes. In the coming years, we will see more changes than have taken place in the region's entire 200 years of independence."

Practically, however, the new partner's path will be difficult until it adapts to the institutional structure (adoption of the nomenclature and common external tariff and the tax-rate exemptions). The four foreign ministers meeting in Brasilia on July 31 said that the path must be traveled in four years.

None of the governments said so, which was appropriate diplomatically, but the first major challenge will be faced on Oct. 7, when Venezuela elects a new president. If Chávez is re-elected—a hope that Fernández de Kirchner, Rouseff, and Mujica do not hide—the political momentum could be even greater.

If Henrique Capriles, the rightest candidate, wins, the situation could be traumatic. Capriles has never commented on the issue publically; he has only said that he would fully review the present government's diplomacy, and he has emphatically criticized the Chávez administration's political solidarity and regional insertion with South American countries.

In Capriles' opinion, "Chávez gave away US\$170 billion" to Uruguay, Bolivia, Ecuador, and other countries to improve hospitals, buy ambulances, develop health and literacy programs, build houses, and improve sewer and potable-water systems. "With me, this country is not going to give anything to anyone, not one drop of oil is going to be given during a campaign rally.

During the hours following the signing of Venezuela's incorporation, the four countries that make up MERCOSUR until Paraguay returns or new members are accepted signed the first agreements. Uruguay settled in advance a debt it had with the Venezuelan state Petróleos de Venezuela SA (PDVSA); in exchange, it will receive crude at a preferential price with easy financing.

Argentina agreed to implement the Plan Estratégico de Cooperación Energética, which provides for incorporating the recently renationalized YPF into Venezuela's Empresa Mixta de la Faja Petrolífera del Orinoco and including PDVSA in oil and gas exploitation projects in Argentina.

Finally, Brazil signed an agreement to provide 20 commercial planes (the Embraer E-190), a transaction that begins with the delivery of six planes to the Venezuelan state airline Conviasa and that, when finished, will be worth US\$900 million.

For the Brazilian aeronautical industry, the agreement has enormous significance and marks its entry into an expanding market. In 2008, Embraer had agreed to the US\$500 million sale of its Super Tucano A-29s—a turboprop aircraft designed for counterintelligence and advanced training—but the US blocked the deal, which it could do because the aircraft used US technology.

### ***Venezuela helps MERCOSUR quantitatively and qualitatively***

Argentine political analyst Atilio Borón wrote in an article that, with its new partner, MERCOSUR has been reinforced quantitatively and qualitatively. Quantitatively, because of the numbers that make the area the fifth world power. Qualitatively, because Venezuela, according

to the Organization of the Petroleum Exporting Countries (OPEC), has the largest proven oil reserves in the world (displacing Saudi Arabia).

In the article, published Aug. 1 in the Argentina daily *Página 12*, Borón says that "because of the economic complementarity of the partners, MERCOSUR looks more harmonious and balanced than the European Union, whose energy fragility is its Achilles' heel. A decisive period is beginning in which the largest oil power on the planet joins a group of major food-producing South American countries—and, in the cases of Argentina and Brazil, ones that possess an important industrial base and significant mineral riches."

Borón celebrates Venezuela's entry into MERCOSUR and sees it almost as a lifeline for the region. "In a context of world crises," he says, "and given the protectionist policies that governments of the centers of capitalism adopt with increasing vigor, integration of the countries of the American South is the only safeguard that will allow them to resist the onslaught of the world crisis of capitalism or mitigate its impact."

Borón and fellow Argentine Carlos Álvarez, the former head of MERCOSUR, agree that the new and strengthened integration mechanism still has to resolve pending issues from the agreements that created the bloc, which, at the time, reflected the ideological hegemony of neoliberalism. They were referring to the *Declaración de Foz de Iguazú*, signed in 1985 in the town on the border between Brazil and Argentina by then Presidents José Sarney of Brazil and Raúl Alfonsín of Argentina, and the March 1991 *Tratado de Asunción*, which marked the official birth of MERCOSUR.

Borón goes further and makes an observation shared by other analysts of the region. The fundamental significance of Venezuela's entry into MERCOSUR lies in something else, and that is the defeat of US policy in the region. "The isolation of [Venezuela] and turning it into a pariah state was the US's strategic objective following the demise of its Free Trade of the Americas (FTAA) project," he said. "The Paraguayan Senate had lent itself to that game in exchange for a reward for its leaders, but the coup against Lugo disrupted the US plans. The White House did not notice that the time when its wishes were treated as commands had definitively passed, and it never thought that Argentina, Brazil, and Uruguay would have the audacity to take advantage of Paraguay's suspension to end the absurd six-year delay" (referring to the sanction MERCOSUR applied to the de facto regime that took over following Lugo's ouster).

Borón said that, geopolitically, Venezuela's inclusion in MERCOSUR "is, and this is worth considering, the major defeat suffered by US diplomacy since the collapse of the FTAA"—the great hemispheric plan of the administration of former US President George W. Bush—at the Summit of the Americas in November 2005.

Finally, Borón quotes Brazilian diplomat Samuel Pinheiro Guimarães, who says that from now on it will be difficult to orchestrate a coup in Venezuela, a country that is now institutionally protected by the MERCOSUR *Carta Democrática*.

In addition to these observations, Uruguayan President Mujica made an assessment shared by regional leaders and political figures. At least that is what a video, widely circulated on the Web, seemed to show, as nothing had before. It included a key quote from Mujica's July 31 speech in Brasilia, when the presidents welcomed Venezuela. "It's not about being the richest on the planet but the happiest. Our freedom cost us a lot; we must transform freedom into a cause. To be free is to NOT be slaves of necessity; it is to have the elemental guarantee of what is necessary to live, but then to have time to live and spend time on that which motivates each of us."