Instituto de Relações Internacionais
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Summary of the International Seminar:

CRISES AND INSTITUTIONS IN LATIN AMERICA AND EUROPE

Institute of International Relations, University of São Paulo

October 30th 2017

The second outreach event of the Jean Monnet Network "Crisis-Equity-Democracy in Europe and in Latin America" took place on 30 October in the Institute of International Relations of the University of Sao Paulo in Brazil.

The International Seminar under the Title "Crisis and Institutions in Latin America and Europe" represented the official opening of the Jean Monnet Network "Crisis-Equity-Democracy for Europe and Latin America" in Brazil and Latin America and served as an occasion to officially launch a network of all the Brazilian Jean Monnet Projects by the EU Delegation in Brazil.

IRI-USP director, Pedro Dallari, officially opened the event together with the **Head of Unit of the Political Section at the EU Delegation, Stefan Simosas.**

Bettina De Souza Guilherme, founder and coordinator of the Network, explained the origin of the project within the IRI-USP and emphasized that the IRI played an important role as the cradle of the Network.

Kai Lehmann, coordinator of the Network within the **IRI-USP** team and organizer of the event, introduced the subject presenting **a typology of crisis from economic, political, governance crisis and their implications for regionalism in Latin America and for the integration process in the EU.**

Stefan Simosas underlined the multiple challenges the EU is currently confronted with: the increase of nationalist and populist parties and governments, BREXIT, Trump and terrorism. At the same time some countries in Latin America have been suffering from more diverse types of risks such as Venezuela, Argentina and Brazil which have an adverse impact on regionalism in Latin America.

Simosas explained that many of the regional organizations in LAC have been weakened by the crisis of some of the LAC countries and proved to be largely ineffective in counteracting the crisis. The changes of political leadership and governments in Brazil, Argentina and Peru weakened UNASUR, ALBA, but strengthened the OAS. Additionally, MERCOSUL, which had been more or less inactive for some time, found a new impulse to strengthen economic cooperation and to revive the EU-Mercosul free trade negotiations.

EU relationships improved in regard to Cuba with whom a bilateral agreement was concluded and deteriorated during the same time with Venezuela and Brazil. Indeed, while the EU has a strategic partnership with Brazil in place, there has not been any bilateral meeting taking place since 2014. Also the EU-CELAC Summit in San Salvador was cancelled because of the crisis in Venezuela, exposing a dramatic lack of leadership within LAC countries and regional organisations.

Christian Ghymer**s**, **president of IRELAC and coordinator of the Jean Monnet Network "Crisis-Equity-Democracy"** presented an **analytic typology of crisis for comparing EU and CELAC crisis.**

Ghymers explained the importance for our project to start by taking and agreeing upon an overview of the range of different crisis. This is a necessary step for making significant a comparison between European and Latin American crisis as pretends our Monnet project, i.e. for understanding better the causes of the global crisis as they developed both in Europe and in CELAC economies.

He emphasized a macro-historical point of view for drawing two important principles upon which the project could be built up: a simple analytic scheme based upon observed trends and not from ideological beliefs or positions with respect to markets versus state interventions. Instead he opted for a broader concept of crisis: a damaging imbalanced relation between supply and demand i.e. it could refer to systemic (long-run, cyclical or policy-induced macroeconomic mismatches) and proposes a definition of economic crisis: situation of increased relative scarcity issuing damaging spillovers and need for adjustment in which history shows some persistent facts:

1) Any economic crisis comes from an unsustainable disequilibrium between income and expenditure (macroeconomic imbalances), the origin of which are policy distortions, either domestic (social, macro or commercial/industrial policies) or external factors (chocks from other countries)

2) It is the kind of adjustment to the imbalances which allows for categorizing the different types of crisis—currency crises, sudden stops, debt crises, banking crises, industrial crisis, political or social ones etc….

3) Any way-out of a crisis acts basically through 2 main channels: Total Factor productivity (TFP) growth or recovery and some degrees of redistribution of the incomes from this productivity growth, with the important feature that productivity and social cohesion are intertwined

4) Since TFP growth is dependent upon the quality of governance and institutions giving sufficient social cohesion, any crisis resolution requires specific social policies (for social cohesion and lowering risks) and improvement in governance for preventing a capture of rents by groups of vested interests or politically strong stakeholders

From these historical facts, CG deducted two main criteria for getting a typology of crisis adequate for analyzing crisis from a socio-macroeconomic point of view:

First criterion: the way the 2 key resolution channels are intertwined
Second criterion: the degree of rent-seeking which acts upon our 2 dimensions of TFP growth and therefore upon crisis occurrence and resolution: by reducing or impeding lower prices and higher productivity and by reducing social cohesion and increasing obstacles and risks for the innovators (new entrants) at the benefit of incumbent producers.

Applying this method of typology leads to interesting conclusions for the Monnet project: contrary to à-priori view, his typology shows that CELAC and the EU share the very same disease:
According to the TFP growth criterion, this global crisis started before the "business-cycle crisis" of 2008-09, is effectively global and is deepening: no exception => systemic crisis affecting

both "leftist" and "rightist" regimes: everywhere TFP shows increasing relative scarcity i.e. worrying future bottlenecks lowering the potential growth, especially taking on board that TFP are measured without replacement for ageing and for natural resources depletion!

Also the rent-seeking company criterion should help to understand the policy mistakes both in the North and the South: there are always vested interest behind macroeconomic and trade policies. Inside the EU as well as inside CELAC area, different degrees of crisis do appear according to macroeconomic imbalances indicating different (mistaken) policy schemes.

In the Euro-area: Southern economies attracted Northern capital (inflows of capital) leading to current account deficit and real appreciation. This leads to lower real interest rates and stimulates a credit boom implying less savings and leading to a vicious circle resulting in "sudden stop" with no-lender-of last-resort (ECB is not a full Central Bank) in place. We can observe that the bonds-crisis leads to a banking crisis resulting in a credit crunch, very similar to past Latin American crisis.

In the CELAC there are, according to **Christian Ghymers,** two tendencies: the Pacific coast is broadly but slowly progressing (democracy and less rent-seeking, more trade and financial openness, better governance, fiscal rules, monetary independency, floating exchange-rates, pro-markets, regional integration), while the Atlantic coast following policies that are more characterized by protectionism and rent-seeking interventionism (Kirschnerism, Chavism. According to Ghymers, regional integration conditioned to anti-market ideology, lack of property rights and unsecure state of law etc. These countries (Argentina, Venezuela,…) developed a populism using an overvaluation of currency combined with overspending, provoking inevitable external imbalances leading to debt constraint and monetary crisis (hyperinflation and supply fall), counterproductive effects on social conditions.

Stephany Griffith-Jones from Columbia University intervened via Skype, presented her conclusions comparing crisis in Europe and Latin America and proposed possible solutions for the crises in Europe and Latin America.

Griffith-Jones identified on the one hand excessive financial liberalization, not accompanied by sufficient regulation as key causes of crisis and on the other hand incorrect policies and weak institutions as further increasing chances of crises. Additionally, crises tend to weaken institutions further.

Griffith-Jones drew the following lessons from past financial, debt and currency crises:

First complacency must be avoided: She outlined that in the past, developed country policy-makers thought crises happen only in emerging and developing countries; therefore they were complacent about risks in their economies. Now risk is that emerging and developing county policy-makers become complacent, because capital flows to them and their domestic financial system were not much affected by the 2007/8 financial crisis.

Second, she outlined that once again it shows that booms of external capital flows often precede crises and should thus be regarded as a warning sign. This was the case in Latin America in the late 1970s and early 1980s, which became major factor in causing the Latin American 1980s debt crisis. A similar situation arose in the pre-2007 period in the EU , when major levels of private capital flows went from the core EU countries, (Germany , France and UK) to the European periphery, especially Greece-where private capital flows averaged as much as 10% of GDP annually- , and Spain, where they reached as much as 7% of GDP annually. Indeed, the private capital flows to these European countries, as proportion of GDP, were higher than the equivalent flows to Latin America, in the late 1970s.

Third, Griffith-Jones underlined the fact that a management of crises based on imposing austerity on debtor countries is often counter-productive. This was a feature of both the Latin American and the Eurozone debt crises, when very large austerity policies, (both on tightening of fiscal policies, as well as on reducing real wages), lead to sharp and partly unnecessary falls in output, investment and employment. Both in the case of Latin America in the 1980s, and of Greece post 2008, insufficient and late debt relief was granted,(too little and too late).

These policies lead to major compressions of imports, and to declines of per capita GDP, both in Latin America in the 1980s(the lost decade to the region’s development) and in the periphery countries of the Eurozone, with a particularly dramatic decrease of GDP per capita in Greece. The purpose of such policies was to maintain payments on servicing the debt.

Proposals for a better Crisis Management:

1) **Griffith-Jones** identifies s**ufficient and sufficiently early debt relief** as the better solution:

If sufficient, and sufficiently early debt relief had been granted, both in Latin America and in the case of Greece, the decline in GDP, employment, wages and investment could have been smaller and recovery quicker.

An important, but relatively unknown precedent in Europe was the massive debt relief granted by the victors of WW II to Germany, which played a very positive role in funding rebuilding of the German economy, leading later to the “German economic miracle”.

In the case of Latin America, debt relief was somewhat more problematic, in the 1980s, as the debt was held by the largest private international banks in the world, and default on them, or early and large scale debt relief could have threatened their solvency(Griffith-Jones(ed), 1988). Fairly significant debt relief was only granted to Latin American countries, when these large international banks had made sufficient provisions against those losses.

In the case of Greece, granting more debt or debt service relief would be currently easier, as the debt-though originally financed by private banks- has been taken over by European governments; however, the problem is more political as Eurozone governments are unwilling to take those losses.

Consequences of Current Policy Mix and Crisis Management

a) Weak Recovery - Rise of Extreme Right Wing Parties
An important, though not only cause for the rise of extreme right- wing parties in the European Union, is the very weak recovery from the Eurozone debt crisis; fortunately, the recent evolution is far more encouraging, with all EU economies growing since 2016, and projected to continue doing so in the next two years.

b) Widening Divergencies between Countries
However, there are widening divergences in growth and unemployment between more successful countries and weaker ones, such as Greece and Spain, where unemployment, especially of the young, is still unacceptably high.

c) Rising Income Inequality within most Countries
Income inequality is high within most countries, whilst investment, even in successful Germany, is fairly low.
Many Europeans have lost hope that their children will have a better living standard in future than they have.
All this runs counter to the objective in Treaty of Rome to “promote throughout the Community a harmonious development of economic activities, continuous and balanced expansion, increase in stability, an accelerated raising of the standard of living …”

2. Alternative Policies were and are feasible

There are alternative policies that could have and still can lead to far better economic outcomes, in terms of growth, employment, and better income distribution.

An Alternative and Comprehensive Policy Package:

It is key that in Europe a comprehensive policy package is designed and implemented. An alternative economic package would include: increase in both public and private investment, greater symmetry of adjustment between current account surplus and deficit countries, and strengthening workers' bargaining rights leading to higher real wages.

The increase in investment is highly necessary, to facilitate greater innovation and more sustainable infrastructure; this would help European economies increase productivity, enabling them to be more competitive as well as greener in the medium term, whilst providing additional aggregate demand in the short–term to encourage more growth and employment now.

It is essential to increase public investment, valuable in itself, but also helping crowd in private investment, as leading economists like Joe Stiglitz have shown. As the International Monetary Fund argued, German, or other creditworthy Governments can borrow funds cheaply, and these resources, if well invested, will have yields well above the cost of borrowing. As a result, future debt to GDP levels would fall, as growth would increase.

More generally, all EU countries should be allowed - by making the current Growth and Stability Pact more flexible - to increase their deficits, by say 1% of GDP, provided resources are channeled into productive investment, as suggested by Peter Bofinger, who called this a Lighthouse Initiative.

This Lighthouse Initiative should be complemented by a further expansion and improvement of the European Fund for Strategic Investment (EFSI), known as the Junker Plan, which helps finance private investment, both in strategic sectors, like innovation, green and digital economy, as well as funding small and medium enterprises, to help increase employment. For this, the paid-in capital of the European Investment Bank could be increased by European states.

The EFSI initiative will work best if it collaborates very closely with well-run national public development banks, like Germany's KfW, so effective in helping catalyze private investment in renewables, and financing SMEs. Development banks channel long-term funds into productive investment. Governments only fund the banks' capital; resources for lending are raised on capital markets, allowing leverage of public funds. Government ownership encourages credit channeled to priority sectors, benefitting the majority of citizens. It would be desirable to increase the capital of existing national development banks, and create development banks, in European countries where they do not exist.

After the Eurozone debt crisis, spending fell sharply in current account deficit countries forced to adjust, with insufficient offsetting expansionary policy in current account surplus countries, so the net effect was deflationary for EU as a whole, - a key reason for low Eurozone growth and in deficit countries.
This was very negative for EU countries, especially the deficit ones. It was also very negative for the rest of the world, especially emerging and developing economies, as European demand for their products was significantly lower than it could have been, lowering those countries

growth. Because the EU is the world's largest trading bloc, this negative effect on Latin America and the rest of the world, was very significant.

Since 2011, Germany became the world's major current account surplus economy, with a current account surplus around 8.6% of GDP in 2016; Holland's surplus is even higher, at around 10% of GDP. Relatively higher wage adjustments of surplus economies as well as more expansionary fiscal policies, for increased investment, is an essential part of policy packages for more dynamic Eurozone growth. The resulting expansion, via both higher wage growth and growth of fiscal spending for more public investment, would benefit surplus countries themselves. They would enjoy higher growth and better income distribution, as real wages rise - as well as generating positive spillovers for neighboring, especially deficit, countries. These measures would thus be positive for all countries, and all citizens.

As in much of the rest of the developed world, the share of wages in the EU within total income has fallen; this is very negative, both because it worsens income distribution, and reduces aggregate demand, and thus growth, as poorer people consume more than richer ones. Measures to strengthen workers' bargaining rights and increase wages, will be good both for growth and for a better income distribution.

Reference : Griffith-Jones S. (ed) 1988. Managing World Debt. Wheatsheaf. UK

Daniela Magalhães Prates from the university UNICAMP presented **the concept of currency hierarchy, monetary sovereignty and financial crisis adapted to EMU**.

Inside of Economic and Monetary Union Germany is positioned at the top level and the periphery countries, which gives them a much smaller and reduced policy space as compared to Germany, a consequence of the institutional framework of EMU. Prates stressed the importance to analyze the challenges and dilemmas currently faced by center (mainly, EMU members) peripheral emerging economies and, hence, to draw policy recommendations to mitigate them.

Dimitris Katsikas the director of the Crisis Observatory of the Hellenic Foundation for European and Foreign Policy, spoke about **the attitudes of Europeans towards the EU before and after the economic crisis.**

Due to the crisis and its management he EU has led to a massive loss of trust of the EU citizens by 26% (from 57 % trust in 2007 to 31% in 2013). Also it may not be surprising that the generally very positive attitudes of the Southern and periphery countries before the crisis turned sour during and in the aftermath of the crisis, with Greece leading the camp of the EU critics with 73% of distrust in 2016. Likewise EU citizens of Southern, periphery and debtor countries do not believe that their voice counts in the EU, again with Greece leading the group of the Eurosceptic countries with 85% not believing that their voice counts in the EU, followed by Cyprus (74%), Czech Republic (73%), Estonia (70%), Italy (68%) and Spain (64%).

In contrast the “Northern” and/or creditor countries are very confident that their voice counts in the EU with Denmark leading with 67% followed by Sweden with 64%, Germany with 62% and the Netherlands and Belgium with 59%.

Eleonora Poli from the Istituto Affari Internazionali spoke about the **economic crisis and the rise of populism and nationalism in the EU** under the title **"Wind of Change- Wind of Populism"**

According to Poli the Eurozone crisis and the crisis management had as a consequence the public disaffection towards what many view as deficient EU institutions and policies and brought about the surge of euroscepticism across member states. While euroscepticism is not a new phenomenon, the rise of mass anti- establishment movements notably in southern Europe is. Despite their different political and structural features, Five Star Movement in Italy, Syriza in Greece and several social movements sprung from the Indignados in Spain have recently become key actors in their national political arena by opposing, inter alia, EU-imposed austerity.

Yet these movements are not anti-EU in toto as are the UKIP in the UK or Front National in France ; They criticize what they view as the EU's lack of democracy and rigid economic policies, but they are not opposed to the EU integration project as such.

According to Eleonora Poli, the critique of these movements could be galvanized into a constructive force for a more integrated EU political space.

Furthermore, Poli specifically warned about the unpredictability of developments in Italy nationally but also for the European Union.

Bettina De Souza Guilherme, founder and coordinator of the Jean Monnet Crisis Network together with Christian Ghymers, addressed the issue of the **political discontent, and the need for putting the citizens in the center by democratizing the economic governance of EMU and EU and adding a social dimension to the EU.**

According to **De Souza Guilherme** the political discontent can be witnessed by the greatest wave of social and protest movements since the 60s, the political radicalization with the mushrooming of new and more radical left and right wing parties together with populist, xenophob and eurosceptic movements and parties at national, European and international level with dramatic impact for globalization and/ or EU integration such as Brexit and Trump.

De Souza Guilherme explained political mobilization as a reaction to "broken promises" regarding the "sharing" of the benefits of globalization and EU integration, "the lacking "trickling down", rather turned out to be a "trickling up" - a redistribution to the top", raising income disparities globally, and leaving an increasing number of people in job insecurity and poverty.

Growth, prosperity and protection from negative impacts of globalization were promises made when creating the European Community, when establishing the Internal Market and last but not least Economic and Monetary Union. While these measures led to an increased competivity, an increasing share of the citizens feel left out of the benefits and resent the "lack" of protecting from the negative impacts of globalization in the form of compensating globalization losers. Instead, these projects are perceived as accelerators for a heightened competition, deregulation and flexibilisation and deterioration of labour conditions.

Instead of more protection from globalization, deregulation - as for example in the financial services sector - the internal market and EMU led to the complete exposure of the impact of the global financial crisis, and/or even to the crisis as such with millions of citizens losing their jobs and homes.

Additionally, the fact that financial markets were "bailed out' without any conditions by welfare state taking over these private debts, lending to the ballooning of public debts and in the aftermath to the retrenchment of the welfare states led to a strong disaffection towards the EU and globalization.

The crisis and its disastrous management in terms of economic, social and political costs exposed weaknesses, flaws and failures of the architecture of EMU with a supranational monetary policy delegated to an independent European Central Bank with inflation targeting as the main objective and an intergovernmental economic policy cooperation without any rules, mechanisms or instruments in place in the case of the risk of sovereign default, to counter internal imbalances and to properly 'govern" financial markets, both to avoid the occurrence of another financial crisis.

EU intergovernmental crisis management by "muddling through" driven by the pressure of the financial markets and with an asymmetric power of the strongest nation state(hegemony) in place dictating and imposing the rules not only for the debtor countries but for the future economic governance (Troika, 2 -Pack, 6 - Pack, Fiscal Compact) Additionally, the "Euro-group" and the Euro Heads of States and Governments delegated to the Troika (ECB, European Commission and IMF) to negotiate and control budgetary consolidation programmes with the debtor countries receiving EMS money.

The European Parliament in its resolution of 13 March 2014 on the enquiry on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries exposed the democratic deficit with the lacking accountability and flaws both in terms of input and output democracy in a conference with the national parliaments on the issue of European economic governance. Apart from the democratic deficit, the EP criticized the Troika for disregarding the negative impacts on employment, poverty, social cohesion and inequality, in violation to the objectives of the European Union Treaties, the EU strategies of Lisbon and Europe 2020, the Charter of Fundamental Right of the European Union and breaking various obligations of international law, notably ILO conventions and a number of human rights conventions.

According to European Court of Justice Advocate General Juliane Kokott (Pringle Case) EU institutions acted in a conflict of interest and in violation of their obligations to be bound to the full extent to European law including the Charter of Fundamental Rights' within their activities within the Troika.

Last but not least the Troika imposed to the debtor countries so called Memorandums of Understanding (MoU), which represented a combination of EU budget consolidation with IMF policy prescriptions of deregulation, liberalization and wage restraint resulted into an overdoses of contractionay policies. Apart from not being democratically elected or accountable for their action,
"Troika Tecnocracy" did not at all deliver in terms of output democracy.

In 2013, the IMF admitted policy mistakes 'fiscal multipliers were substantially higher than implicitly assumed by forecasters' .[1] The Commission also admitted mistakes in policy prescriptions “spillover effects from simultaneous consolidations in all euro area countries at the same time have further exacerbated the recession in programme and vulnerable countries” and concluded: “that a temporary stimulus in AAA-rated countries could help the required rebalancing process in the euro area. Although the impact on current accounts is shown to be modest and it clearly cannot be a substitute for reforms in deficit countries, it would support growth in the core countries and spillovers to the periphery countries would ease their adjustment.”[2]

In short the Troika policy mix led to longer and deeper recession with major negative consequences in terms of growth, employment and poverty additionally to tremendous political costs in terms of democracy, social and regional cohesion and loss of trust in the EU and traditional political parties nationally and on EU level.

The European Parliament has over the past decade demanded a serous of reforms to render EMU and EU economic governance more democratic as for example incorporating Euro area economic governance including the Fiscal compact into communitarian law , thus guaranteeing democratic accountability and for a reform of the Troika, the founding of an EMF, an Euro Finance Minister and an own Euro budget and the introduction of a 'growth task force' to suggest options to promote growth which would complement fiscal consolidation and structural reforms which have been prevailing so far.

De Souza Guilherme added to the proposals of the European parliament some suggestions for reforms of the European Central Bank given the increasing role of the ECB after the crisis:

First, the ECB’s main objective of inflation control should be completed with introducing the objective of employment/inclusive and sustainable growth in analogy of the Federal Bank of the USA and of the objectives of the European Union.

Second, in order to ensure stronger reliance to EU norms, objectives and the acquis communautaire, including the social charter and the charter of fundamental rights should be explicitly formulated within the paragraphes formulating the role and objectives of the ECB,

Third, given the tremendous increase of the role and competence of the ECB, scrutiny rights of the EP over the ECB must be accordingly strengthened and enlarged to ensure true accountability.

Last but not least, to guarantee commitment to the social contract . stronger involvement of European social partners with ECB must be introduced.

De Souza Guilherme concluded with a reference to the proposals of the French president Emanuelle Macron who has proposed a new deal for Europe putting the EMU in the heart of European Union. His proposals include a Euro Finance Minister, an own Euro budget, an European Monetary Fund and accountability to the European Parliament. and give hope that

[1] IMF Working Paper, Growth Forecast Errors and Fiscal Multipliers, Olivier Blanchard et Daniel Leigh,2013

[2] Economic Papers 506 |Fiscal consolidations
and spillovers in the Euro area periphery and core
Jan in ‘t Veld, October 2013,

these reforms will soon be on the agenda of the European Union and will lead to a greater democratization and add a social dimension to the EU which both can help to regain the trust of the European citizens.

Regional Integration in Latin America

Maria Antonieta Lins Tedesco from the IRI USP focused her presentation on the discussion of some of the **actual experiences of regional financial integration, namely in Latin America** and the degree to which they search to reproduce the European experience.

Apart from the EU, several of the regional monetary and financial cooperation initiatives are responses to the international financial system instabilities.
Among the main objectives of financial integration initiatives put in place by emerging economies building protection to achieve greater stability of the exchange rate and less external vulnerability.

 Experiences of monetary union (or its preparation) seek to mimic the EU and prove that a harmonization of financial regulation, in addition to the previous macro convergence is crucial.

The study of different initiatives in financial cooperation among emerging economies and particularly the case of Mercosur reveled that it was used as a shield against crises since late 90s.

 But the prevailing experiences are concentrated in creating regional funds. The difficulties faced by the countries in coordination policies arise from the prevalence of domestic priorities and the fear of losing autonomy in the decision processes.

José Briceño Ruiz from the Universidad Cooperativa de Colombia in Bogotá shed some light on "The crisis in Venezuela and the role of regional organizations".

Briceño Ruiz explained the background of the Venezuelan crisis with 85% of the revenues coming from oil exports creating an over dependence and rentier model: Venezuela was not able to develop an industrial politics. When petrol prices fell globally, Venezuela's economy was in steep decline, leading to empty pharmacies and food shops, turning the economic to a political crisis.

Briceno Ruiz considered Hugo Chavez as very clever in building up international alliances and regional organizations (UNASUR, ALBA).which were dominated by like-minded governments such as Brazil, Bolivia and were defending Venezuela for a long time. In this way Venezuela managed for the longest time to avoid any condemnation or sanctions by activating the democracy clause. He stressed that while Venezuela is a country in which elections always took place, this, however, is not enough for a country to be considered a democracy. Additionally, we can observe that the separation of powers have increasingly disappeared and that the president is controlling the political system in an authoritarian way, reducing Venezuela to a "hybrid or authoritarian democracy".

Attitudes of Brazilian towards the Mercosur and EU before and after the economic crisis

Amâncio Jorge de Oliveira, deputy director of the IRI-USP, presented the results of his project of elite opinion polls on the attitudes of Brazilian towards the Mercosur before and after the economic crisis which will be published in the joint volume among the other research projects.

Andrea Hoffmann from PUC-Rio spoke about the **public perceptions of the EU in Brazil**, stating that the EU lost in attraction with both the global crisis and the crisis management.

The EU had always been presenting itself as a **model for democracy, human rights and social market economy.** The EU's handling of the crisis which was not much different to the IMF austerity programme in Latin America and was lacking democratic accountability and social sensitivity led to a loss of credibility of the EU model and diminished its appeal.