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Assessing the Brazilian-Chilean bilateral relations: public diplomacy, nation branding and presidential diplomacy

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Chapter 4

Brazil, Chile, the United States and Argentina Managing their Nation Brands

The expansion of multi-level cooperation between states, as well as newly emerging topics on the international agenda and the emergence of new actors in the international community have produced a change in the focus of international studies. The three topics described in the first chapter have gone beyond the limits of traditional diplomacy. Today's message to think and act globally has become a key element to promoting a better understanding of international affairs. Since there are increasingly interrelated issues facing governments worldwide, traditional diplomacy has proven to be ineffective when dealing with current international relations. Diplomacy cannot be restricted to a state's activity, so the focus has shifted from the exclusive campaigns of state actors to inclusive participation and the increasing engagement of non-state actors. Foreign affairs increasingly stems from horizontal links, to the extent that not only is the Brazil-Chile relationship built on a decentralised base but the United States and Argentina cannot be studied exclusively from a traditional diplomacy perspective. The interaction between private groups should not be underestimated in the context of the ties between the United States-Brazil and the United States-Chile, as well as those between Argentina-Brazil and Argentina-Chile.

Public diplomacy and nation branding are a two-way process in which the participation of citizens increases and it is not only official actors who play an active role in foreign affairs. It should be taken into account that both concepts highlight a deepening public-private interaction. Indeed, public diplomacy and nation branding is top-down perception, setting the stage for a broad-based dialogue. The importance of inter-sector participation cannot be underestimated, since mutual support plays a decisive role in creating greater cohesion between public diplomacy and nation branding, converging long-term aims (Guitian, 2013: 17).

Along with Brazil-Chile bilateral relations, Argentina has always played a key role in determining whether the two actors strengthen their ties or

distance themselves from each other. For instance, at the beginning of the War of the Pacific, boundary disputes between Argentina, Chile and Brazil played a decisive role in bilateral relations. The disputes between Chile and Argentina over the region of Patagonia and the Tierra del Fuego archipelago raised concerns in Chile (Canaveze, 2008: 3). Indeed, Brazil and Argentina's past rivalry encouraged Brazil-Chile long-term links. The need to contain their common neighbour, Argentina, sustained an unwritten partnership between Chile and Brazil the so-called 'friendship without limits', 'traditional friendship' or 'friendship without examples'. All these terms serve to create a favourable atmosphere for further developing diplomatic relations between Brazil and Chile. Friendship was important for both states. From Brazil's perspective, Chile was an important ally against Argentina. In Chile's view, Brazil-Chile links helped maintain the balance with Buenos Aires, while facilitating the relationship with Bolivia and Peru (Soto, 2012: 17). For both partners, the alliance served as an important element for maintaining geopolitical balance in the Southern Cone.

Another central actor in Brazil-Chile relations was the United States, particularly during negotiations with Mercosur. In this respect, the United States was considered one of the main obstacles to Chile joining the regional integration initiative. United States foreign policy has had a tremendous impact on Brazil-Chile links, especially considering the consequences of the United States-Chile Free Trade Agreement (FTA) that came into force on January 1st 2004 (Murphy, 2005: 160). For obvious reasons, the FTA with the US reflected Chilean foreign policy's priorities to the detriment of Mercosur integration.

The Mercosur Summit on 14th-15th December 2000 in Florianópolis (Brazil) illustrated this point, since Chile left the summit early to engage in bilateral free trade negotiations with the United States. The fact that President Cardoso was not officially informed of this by his Chilean counterpart caused discomfort in Brazil-Chile relations. Like Argentina, the United States is a fundamental actor that affects Brazil-Chile bilateral ties.¹ Brazil and Chile have changed their bilateral links with the United States over the years, since the increasing participation of new actors demanded a multifaceted approach to reporting the impact of Argentina and the United

¹ See United-States-Chile Free Trade Agreement Implementation Act. 29th July 2003, p. 36.

States on Brazil-Chile bilateral affairs.

Dynamic international relations demand a network approach like that provided by the concept of public diplomacy. Insofar as investments and trade play a relevant role in foreign affairs, public diplomacy supports Brazil-Chile links with the United States and Argentina. For instance, the United States-Chile FTAs involve important aspects such as reducing trade barriers for services, protection of intellectual property and non-discrimination in the trade of digital products.² Brazil has also enjoyed strong relations with the United States, consisting of the signing of ten bilateral agreements in March 2011, five more in April 2012 and 11 in June 2015. For example, Brazil and the United States' private sectors are institutionalising their defence engagements in order to exchange information and ideas.³

Although commerce is an important element for Brazil-Chile relations with the United States, the relationship between them is not constrained to trade flows and investments. The relationship between Brazil and the United States is much broader, as explained by the public diplomacy concept. From Brazil's standpoint, the United States has become important in terms of being an export market for Brazilian commodities. Losing its position as the main market for China has not diminished the United States' status as a significant player in Brazil-Chile bilateral ties. The Free Trade Area of the Americas (FTAA) is an important example of the United States maintaining an ambitious platform for Latin America (Schott, 2005: 2). Despite 34 countries opting to abandon the project and the harmonisation of trade policies in 2003, Chile's interest in negotiating free trade agreements with the United States guided its foreign policy and did not favour Brazil-Chile links at that time. However, the fact that these countries share common fundamental international values and a long-term historical friendship demands a broader approach to help understand the two countries' unique relationship.

The economic crisis of 2008-2009 favoured the emergence of protectionist policies and led to what some actors called a lack of agenda

² See *Office of the United States Trade Representative*, "Chile Free Trade Agreement". <https://ustr.gov/trade-agreements/free-trade-agreements/chile-fta>.

³ See US Department of State, "U.S. relations with Brazil". 29 July 2015. <http://www.state.gov/r/pa/ei/bgn/35640.htm>.

between Brazil and the United States.⁴ The decreasing importance of the United States as an export market and imports supplier did not mean a lack of cooperation between Brazil and the United States. In this sense, the decrease in trade activities cannot be related to a lack of bilateral dialogue, since foreign policy encompasses a multifaceted context for interaction. New kinds of bilateral links emerged between the United States and Brazil, given the increase in the export of primary products to and Brazilian investments in the United States (Meyer, 2016: 12). Increasing horizontal links within bilateral ties is aligned with strengthening the role of political actors and the business sector to thus improve the dialogue between the two states. Moreover, strengthening civil society's participation of civil society is fundamental to increasing the dimensions of international relations beyond traditional diplomacy.

The emergence of a United States-Brazil global partnership dialogue to the detriment of the previous perception of Brazil as restricted to regional-local player has changed the nature of their bilateral relations. The United States only recognised Brazil as a prominent global player in lesser politic topics such as trade, finance and climate change, thus Washington did not back Brazil's aspirations for a permanent seat on the UN Security Council.⁵ In 2008, the target for bilateral trade volume was US\$ 53 billion. Until that year, the United States had been the largest export market and largest import supplier to Brazil since 1989. By 2009, China has become Brazil's dominant trading partner. Although the United States has been the largest provider of foreign direct investment (FDI) in Brazil, particularly in financial services, the chemical industry and oil and gas, a growing interest in agro-business provided new opportunities for bilateral dialogue (Almeida, 2008: 7). As Chapter 5 intends to show, energy and particularly ethanol encourages bilateral dialogue between Brazil and the United States.⁶ Energy and ethanol

⁴ The absence of a formal economic agenda led to the forced addition of several specific issues not directly related to the attempt to create a coherent agenda in the economic area. The two countries' foreign policy focused on facilitating trade and investment without aperture to mutual markets or harmonising broader policies. Diego Zancan Bonomo (2011), "As relações econômicas Brasil-EUA", in *Política Externa*, vol. 19, n° 4. São Paulo: Paz e Terra, p. 100.

⁵ See *Mercopress*, "Obama praises Brazil, but falls short of backing bid for UN Security Council". Sunday 20th March 2011. <http://en.mercopress.com/2011/03/20/obama-praises-brazil-but-falls-short-of-backing-bid-for-un-security-council>.

⁶ Although Brazil-United States decreased the two countries maintained strategic

are not only significant to bilateral affairs, energy is also a central component for Brazil nation branding strategy.

The countries differ considerably concerning the development of their nation brands. Whilst Chile promotes itself as an efficient and transparent country in which to do business, Brazil focuses on its sustainable and renewable energy matrix. As has already been said in the first chapter, small countries tend to devote more time and effort to projecting a positive nation branding to distinguish themselves in the international arena. However, the increasing importance of nation branding worldwide has also had a significant impact on Brazil's image projection, to the extent that its nation branding is not restricted to stereotypical images such as soccer, 'samba', 'mulatas' and 'carnival' and the country has launched energy as its most visible brand (Niesing, 2015: 12-13). Compared to branded countries, Brazil has almost no commercial international brands although, ironically, it is one of the most strongly branded countries in the world.

Curiously, the Brazil brand per se says a lot by itself, with people immediately associating it with samba, carnival, sex, soccer and beaches. In fact, these images are much more easily related to tourist attractions than the destination that targets business. The definition says much more about how stereotypes are understood, in other words the features – whether good or bad - that differentiates one group from the other. Indeed, for the average Brazilian, these may be even insulting clichés. However, it should be recognised that these stereotypes do help sell many kinds of product. As Anholt highlights, "After all, strong brand is a rich brand and richness implies a complex and satisfying mix of many different elements" (Anholt, 2010: 30).

In contrast, America has been one of the most expensive market brands in the past century compared to the rest of the world, which means it is defined as the world's leading nation branding. In this respect, America is referred to as a megabrand, whose image is so powerful and positive that is hardly necessary for it to be rebranded, with Hollywood as its exclusive advertising agency and NASA as an agency to help promote and spread America's all-pervasive image (Anholt, 2010: 27-29). Even though brand images of the United States also contain negative elements, they are not

partnership. See Matthew Schewel (2009), "Brazil's Rouseff makes push for biofuels", Inter-american dialogues, 22 July 2009. Washington, D.C.

enough to diminish its attraction in practical terms.⁷

Argentina's dramatic economic situation led the country to reformulate its nation brand, with long-term national image strategy. For most people, Argentina has long been linked to the Falklands dispute and the lessons learned from its default in 2001. However, Argentina has a very strong nation branding in terms of tourism and cultural attractions.⁸ The best-known and most emblematic Argentine symbols are the 'tango', the legendary 'gauchos' and its passion for soccer. This multifaceted tourism has been linked to slogans such as 'Argentina beats for you', 'Argentina, more than one reason' and 'Argentina, a serious country' (Foster, 1998: 153). The country is particularly famous for its sporting potential, especially in soccer, tennis and basketball as illustrated by the success of stars such as Lionel Messi, Juan Martin del Potro and Emanuel Ginobili, who have all participated in major advertising campaigns.

How it is perceived politically has also improved somewhat. As Macmillen points out, "international respect has been shown for its attempts to try those responsible for the egregious human rights abuses of the last military dictatorship and the legislation to legalise same-sex marriage in 2010 displays a burgeoning liberalisation that is positively viewed abroad (Macmillen, 2011)."⁹ Its nation branding policy is a coordinated effort between the government supported by the Strategic Country Brand and the Inter-Ministerial Commission that seeks to export the 'Argentina' brand abroad. Brand activities have converged to coordinated bilateral efforts between Argentina and Brazil for the Iguazu Falls to become one of the new Seven Natural Wonders of the World. This joint campaign has had positive

⁷ The Iraq War, entered into despite opposition from public opinion worldwide, could not be justified by means of public diplomacy. Guantanamo Prison is another example of the lack of legitimacy in sustaining public diplomacy targets, given the doubtful legality of imprisoning people there. Peter van Ham (2005), "Power, public diplomacy, and the *Pax Americana*" in Melissen, Jan, *The new public diplomacy: soft power in international relations*. London: Palgrave Macmillan.

⁸ See Daniel de Castro Linhares and Isaak Newton Soares (2012), "Marca país: a logo como um recurso mercadológico dos países latino americanos", *Percurso*, vol. 12, n. 1. Curitiba: UNICURITIBA.

⁹ Macmillen, Dmitri. "Nation Branding in Argentina: Twenty years on rebranding Argentina". http://www.culturaldiplomacy.org/culturaldiplomacynews/content/pdf/Cultural_Diplomacy_Outlook_Report_2011_-_04-01.pdf

results since voting led to a provisional win for the Falls.¹⁰

Whereas Argentina's image has vastly improved in the past decade, a better international insertion strategy to tackle domestic problems requires further initiatives to improve the country's image after the largest debt default in its history in December 2001 (Anholt, 2010: 27-29). Furthermore, the entire political class lacked popular support, the currency was dramatically devalued and there was rampant inflation and doubts about debt restructuring and bond repayments. All these elements led to an uncertain economic and political scenario that did not attract foreign investments. The difficult relationship between Argentina and the IMF due to the country failing to provide adequate statistics led to a difficult economic scenario in the following years.¹¹ This instability made it difficult to conduct business internally and the economic interdependence between Brazil, Chile and Argentina suffered the effects of the chaos in Argentina. The current level of interdependence between the three actors is on the increase, because the effects of the economic policies put into practice in one country are transferred to the others, given that Brazil, Chile and Argentina are macro-economic trading partners.

In contrast to Brazil, Chile has made consistent efforts towards a long-term nation branding strategy to attract foreign direct investment. In this sense, Chile has focused on the macro-economic fundamentals of its economy, its commitment to economic liberalisation and free market policies as the best ways of communicating its message. The Chilean nation branding strategy has clearly positioned itself in the market sector to boost inward investment. International marketers have begun to understand the added benefits of managing their brands and brand management has become a critical aspect for attracting global capital (Anholt, 2010: 28). The increasing importance of nation branding policies has led to the fact that almost every country implements a nation building strategy in one way or

¹⁰ Official confirmation of Iguazu Falls as one of the New Seven Wonders of the World was given at the Brazilian Embassy in Buenos Aires. The coordinated campaign between Brazil and Argentina ended on 11th November 2012. "Iguazu Falls officially confirmed a Wonder of Nature", World of New 7 Wonders. <http://world.new7wonders.com/2012/02/23/iguazu-falls-officially-confirmed-a-wonder-of-nature/>.

¹¹ Jaime López (2014), "Argentina intenta hacer las paces con el FMI, necesita de un préstamo de 10.000 millones para evitar la suspensión de pagos", *El Mundo*, Economía, 26/02/2014.

another.

Chile has devoted significant efforts to building up a well-consolidated nation branding as part of its international insertion strategy and the importance of nation branding has also increased in Brazil. Therefore, Brazil-Chile bilateral ties cannot be studied without taking into account the nation branding concept. Chile's nation image has key consequences for Brazil-Chile relations given that, beyond traditional diplomacy, so-called 'business diplomacy' also plays an important role in bilateral links. This means that not only are government representatives important actors in bilateral relations, but non-governmental stakeholders are also crucial to explaining bilateral ties (London, 1999: 10). The study of the process of branding a nation serves as a key element to understanding interstate relations, particularly in the context of the Brazil-Chile relationship.

4.1 Chile's Reformulated Nation Branding

Although nation branding is a new concept that dated from 1996, the idea of rebranding a nation's image is not completely new. From Chile's view, the concept of nation branding links a market perspective with business diplomacy. It means that a nation branding strategy is an important way of projecting Chile's image as a new 'tiger' country. Pragmatic economic policies, together with the demands of promoting exports, have become a defining feature for success in the current economic context. As already observed and discussed in Chapter 3, the nation brand allows a country to attract greater foreign direct investment (FDI), insofar as it encourages investor interest in the opportunities available in a country. Increasing investments provides income streams and helps insert national products into the world market.¹²

Nation branding is not restricted to the economy, with other dimensions playing a relevant role, such as the tragedies that hit Chile in 2010. The disastrous earthquake and the cave-in of a mine and subsequent rescue operation of the 33 miners trapped in the Atacama region demonstrate that

¹² See *CEPAL*, "La inversión extranjera directa en América Latina y el Caribe". http://repositorio.cepal.org/bitstream/handle/11362/38214/S1500535_es.pdf;jsessionid=174B5168F56F2CEE4FBDD94403D0C2FA?sequence=4.

tragic incidents change the country's international image.¹³ Although, impossible to predict, both incidents provided the opportunity for leveraging Chilean national support and brand recognition. Indeed, both episodes brought Chile into the daily news worldwide. Coincidentally, in nearly all of the media coverage shown, the Chilean flag was clearly present with Chileans projecting their product to audiences across the world.¹⁴

One way or another, both the benefits of the targets of tourism destination brandings and nation brands policy operate in a very volatile external environment. For example, external factors such as war, political turmoil or even negative media coverage can lead to disastrous consequences in terms of brand image. For small countries with a limited global voice like Chile, even regional instability can have devastating results on the economy. As Morgan and Pritchard remind us, "Although tourists may resume 'normal' travel habits after a single terrorist event, it is becoming clear that investors may take longer to return to what they perceive as unreliable business climates" (Morgan and Pritchard, 2010: 62).

Therefore, serious efforts are being made to promote Chile's positive business environment as a successful brand. In this context, Chilean brand managers promote its political stability, the modernisation of the state, its tradition of democracy, its independent judicial system, its social cohesion and its economic freedom. Moreover, the idea of it being an exception, which is a key element to Chile national identity, plays an important role in differentiating the brand from competitors. This point is central to the direction, purpose and meaning of the Chile as a stable, trustworthy and peaceful country in the Latin American continent.

4.1.1 Brazil's energy brand

Brazil has made little efforts to develop its brand, compared to other

¹³ Larraín, Maria Cristina Prieto. "Branding the Chilean nation, socio-cultural change, national identity and international image". Universiteit Leiden, 24th November 2011. Accessed on 19 May 2013. <https://openaccess.leidenuniv.nl/bitstream/handle/1887/18141/front.pdf?sequence=16>

¹⁴ Nicholet. "Chile: an emerging national brand built from the red, white and blue". Global Marketing: Georgetown University, 2nd July 2011. <http://2011globalmarketing.wordpress.com/2011/07/02/chile-an-emerging-brand-built-from-the-red-white-and-blue/>

countries' costly and constant investments in the policy of branding a nation. However, the idea that Brazil could develop a global brand is not a distant prospect. The fact that Brazil has hosted two international events of great magnitude, the World Cup in 2014 and the 2016 Olympics (in Rio de Janeiro) will probably accelerate its destination branding. Apart from what is already known about Brazil, such as the visual image of Christ the Redeemer at Mount Corcovado, events such as the carnival and music such as samba, its brand can also propagate a much more complex and diverse mix of new elements.¹⁵

Illustrating this point is the emerging brand of Brazilian ethanol, which today is part of the business sector. As an important energy resource, ethanol is an example of the relevance of public-private cooperation in public diplomacy. The development of ethanol as a sustainable energy source has laid the groundwork for a high value Brazilian brand based on renewable energy. The relationship between the strategies of public diplomacy and nation branding in the context of ethanol can be identified.¹⁶

Moreover, presidential diplomacy is a central element to promoting ethanol as a renewable energy source. Presidential diplomacy contributes by projecting ethanol's positive image as a sustainable resource abroad. Actions carried out by the head of the Executive branch have had an important impact on foreign policy strategy. President Lula has been overwhelmingly supportive of projecting ethanol as Brazil's nation brand. President Lula's state visits to Finland, Sweden, Denmark and Norway in September 2007 underline this point. Among the topics at official summits, the emphasis on biofuel cooperation and energy efficiency in the field of ethanol cannot be underestimated.¹⁷

Furthermore, given the global circumstances, developing countries also benefit from a move towards ethanol exports. From the Brazilian standpoint, potential biofuel development reduces developing countries' dependence

¹⁵ See Sicco van Gelder (2005), *Global brand strategy: Unlocking brand potential across countries*. London: Kogan Page Limited, pp. 20-21.

¹⁶ However, with Brazil's political and economic crises in 2015 and 2016, ethanol has been one of the hardest hit sectors. See Daniel Gallas (2015), "Brazil's biofuel industry finds new sweetspot", *BBC News*. <http://www.bbc.com/news/business-33114119>.

¹⁷ "Visit of President Luiz Inácio Lula da Silva to the Nordic countries". Ministério das Relações Exteriores. <http://www.itamaraty.gov.br/sala-de-imprensa/notas-a-imprensa/2007/06/visit-of-president-luiz-inacio-lula-da-silva-to>

abroad, besides generating income for their populations. Promoting biofuels as a vector of sustainable development has led Brazil to cooperation agreements with several countries in recent years. In this context, the memorandum of understanding between Brazil and the US to advance cooperation on biofuels, in which they agreed to cooperate on the research, development and deployment of biofuels, deserves a special mention.¹⁸

Brazil is a major player in the world ethanol market and can increase its production of ethanol by expanding into sugar cane. Whereas Brazil has not yet developed an outstanding ethanol branding strategy, its foreign policy has made a significant effort to brand the positive attributes of ethanol and biofuels. To contribute to the discussion, high-profile international activities have been held by Brazil, such as the International Biofuels Conference that took place in São Paulo in November 2008.¹⁹

Even if the promotion of renewable energy sources is, to some extent, restricted by the context of foreign policy, the important role played by the projection of ethanol as a leading renewable energy source should not be diminished. Moreover, the official opening of the Panamerican Games in 2007 in Rio de Janeiro was accompanied by the slogan of ‘Viva essa energia’ (Experience the energy), which sought to stress Petrobras’ commitment to developing clean and renewable energy sources. Petrobras’ marketing strategy attempted to use the word energy in both ways, referring to energy as a fuel and, at the same time, to the athletes’ surpassing their limits and achieving their goals.²⁰ Petrobras has also developed a communication strategy for South America by launching television commercials linking Petrobras, a renewable energy source with Brazil.

Brazil has begun to work on a believable global brand, focusing on new sources of energy. To achieve this goal, the establishment of an inter-sector partnership has occurred, associating the public and the private sector.

¹⁸ “Memorandum of understanding between the United States and Brazil to advance cooperation on biofuels”.http://www.cfr.org/publication/13132/memorandum_of_understanding_between_the_united_states_and_brazil_to_advance_cooperation_on_biofuels.htm

¹⁹ “Brasil prepara conferência internacional para debater biocombustíveis”. Biodieselbr.com,<http://www.biodieselbr.com/noticias/biodiesel/brasil-prepara-conferenciainternacional-debater-biocombustiveis-10-04-08.htm>

²⁰ “5º Seminário de comunicação e marketing, Petrobras e PUC-Rio”, Pensamento criativo,http://www.pensamentocriativo.com.br/seminarios/5_seminario_de_comunicacao_e_marketing_petrobras_e_puc_rio

Several sectors have embarked on the branding process, Petrobras representing private law, presidential diplomacy carried out by President Lula on his state visits and public diplomacy, in which the business sector plays a major role, accompanied by the diplomatic corps.²¹ Despite the absence of a consolidated agency that carries out Brazil's branding strategy (Chile has the Foreign Investment Committee), Brazil understands that branding its image can profoundly shape its economic and political destiny. Having understood the role played by new energy resources in sustainable development, Petrobras ceased to operate exclusively with oil and became an integrated energy company in the broader sense. Although not megabrand like the United States with its powerful image, the Brazil brand has gradually been recreated to the point that its well-known clichés are rebranded into something more substantial, fair and true.

4.1.2 Chilean and Brazilian relations with the United States

As already discussed, the end of the Cold War redefined the scenario of current foreign affairs in the continent. The new scenario embraced two types of relations: the interstate relations between Latin American countries themselves and the relations of Latin American countries with the United States. It should be remembered that during the Cold War, relations with the United States were fundamentally defined in terms of political and security matters, as the main aim was to confront the threat of communism. With the end of the Cold War, it is understandable that the 1990s were characterised by the setting of a new continental agenda whereby foreign policy priorities had to be redefined (Holden and Zolov, 2011: 16).

In this context, a more benign economic environment was developed, attracting investment, implementing liberalised economic reforms and building trade integration arrangements. Furthermore, academia has been optimistic about the main circumstances that constitute the framework for preventing conflict and fostering cooperation in Latin America. Ironically,

²¹ Petrobras is a joint capital company and a member of the indirect public administration established by the Public Power with the mandatory participation of public and private capital. Marcelo Alexandrino and Vicente Paulo, *Direito administrativo descomplicado*. São Paulo: Método, 2010, p. 74.

these changes are expected to create a favourable architecture for hemispheric relation, based on cooperation, solidarity and common identity. On the other hand, sceptics believed that, as a super power, the United States could restrict its relationship with the closest countries in Latin America and the affairs that affect Washington most directly (Fonseca, 2007: 65-66).

Despite liberalised economic environment, certain aspects of the international economic scenario should be taken into account to explain the background of Brazil-Chile-United States affairs. The lost decade of the 1980s had significant influence on Latin American economies, given the stagnation these countries suffered (Batista, 2016). In 1979, the United States raised its interest rates, meaning the end of easy cheap money, which led to the beginning of a financial crisis in Mexico (in August 1982) and in Brazil three months later. This measure promoted capital attraction and the revaluation of the dollar, while weakening the position of poor countries' oil net importers.²²

Debt crises and defaults in Latin America occurred through transferring resources to debtor countries to return money to creditor banks such as the IMF of which Brazil was a regular customer at the time. The IMF was an actor that controlled Brazil's economic stability, as well as the World Bank. IMF loan agreements with Brazil provided important short-term relief, helping to finance the current account deficit and stabilise the real exchange rate. Nevertheless, IMF support demands economic conditions, specify policy goals and structural performance criteria. The country must submit a detailed report on a quarterly basis as a precondition for access to loans. The absence of formal links between the FTAA and the IMF, since the latter are not the committed to fostering regional free trade agreements, does not mean both institutions lack influence. As Batista Junior states, this connection can have an informal background and affects Brazil-FTAA negotiations. The defence of Brazilian interests vis-à-vis the FTAA can also have significant consequences for the IMF agreement process.²³

According to United States' financial policy, Chile carried out a process

²² See David M. Cutler (2002), "Financial crisis, health outcomes and ageing: Mexico in the 1980s and 1990s", *Journal of Public Economics*, vol. 84, Issue 2, May. London: Elsevier, pp. 279-303.

²³ Paulo Nogueira Batista Junior, *O Brasil e a economia internacional: recuperação e defesa da autonomia nacional*. Rio de Janeiro: Elsevier, 2005, pp. 105-106.

of financial adjustments and economic reforms, economic and trade liberalisation and the privatisation of state-owned countries, among other measures. There was consensus in Chile's foreign policy over the country's strategy as an international trading state.²⁴ Brazil opted for partial adherence to economically liberalised policies, since it conducted part of the economic liberalisation programmes. According to Brazil's economic perspective, low levels of privatisation, a heavy taxation system and the absence of fiscal reform remained part of the country's domestic policy (Almeida, 2012: 156-7).

The fact that Brazil opened up some sectors of its economy - such as the finance, electric power and concessions for transport - without improving bilateral relations caused certain discomfort, since the country expected to receive better treatment.²⁵ In spite of Brazil's position managing economic liberalised measures, insufficient open market policies led to the United States' diplomatic hopes being disappointed. Another dimension also affected bilateral links, given the increasing importance of trade and the creation of the World Trade Organisation (WTO). This new scenario led to the discussion of Brazil-United States trade disputes within a multilateral perspective.²⁶

²⁴ During the 1980s, Chile had a critical need for loans from the IMF, given the economic difficulties the country was facing. The economic crisis began in 1981 as a result of increasing imports to the detriment of the decrease in exports of the country's principal commodities, particularly copper. "Chile recibirá del FMI un crédito de 900 millones de dólares". *El País*, Archivo, Thursday 6th January 1983. http://elpais.com/diario/1983/01/06/economia/410655612_850215.html. Accessed on 11th June 2013. This is in contrast to the IMF's current present assessment that highlights Chile's important financial system that is, diversified and highly integrated into the global financial system. Moreover, the country's financial system weathered the crisis well – the result of strong balance sheets and profitability overall, a robust regulatory framework, and timely action by the authorities to counter the pressures on liquidity and the supply of credit during the crisis. "Chile: financial system stability assessment". August 2011, IMF Report N° 11/261, Washington, D.C., approved by José Viñals and Nicolás Eyzaguirre. <http://www.imf.org/external/pubs/ft/scr/2011/cr11261.pdf>. Accessed on 11th June 2013

²⁵ The Brazilian Privatisation Programme - PND - was instituted under Law N° 8.031/90, when the concept of privatisation became an integral part of the economic reforms initiated by the government. See Brazilian Development Bank (BNDES), "Privatization in Brazil". p. 15. http://www.bndes.gov.br/SiteBNDES/export/sites/default/bndes_en/Galerias/Download/studies/priv_brazil.pdf

²⁶ Brazil's disputes over United States' subsidies for the production, use and export of upland cotton. "United States – subsidies on upland cotton. Brazil's first submission to the panel regarding the peace clause and non-peace clause related claims". *Ministry of Foreign*

Brazil's foreign policy underwent significant changes to acquire more visibility in the international arena. This reshaped foreign policy gained importance due to three facts: its emphasis on regional integration processes, trade liberalisation and multilateral negotiations. As Mariano and Vigevani highlight, an important factor that has contributed to this change since 1989 is the quest for autonomy in the international arena, with the term of President Fernando Collor de Mello bringing a 'bilateral realignment' with the United States instead of a multilateral-global paradigm for approach to foreign policy.²⁷ The strategy was to reformulate domestic policy in order to align it with the doctrine of the Washington Consensus. Collor changed the focus of the international insertion strategy, moving away from Third World values and highlighting the importance of fostering relations with the United States (Sposito, 2013: 119-120).

President Collor's term reveals an interesting dynamic of Brazil's foreign policy towards the United States, in which some connections to Chile can be made. Even if Brazil adopted a bilateral alignment with the United States, the former did not fully support the demands of the latter. In contrast to the Argentina of President Carlos Menem and the Mexico of President Carlos

Affairs. <http://www.itamaraty.gov.br/o-ministerio/conheca-o-ministerio/tecnologicos/cgc/solucao-de-controversias/participacao-do-brasil-nos-contenciosos-documentos/brasil-como-demandante/ds-267-estados-unidos-subsidios-ao-algodao-brasil/1-painel/peticao-inicial-do-brasil>. The United States' anti-dumping measures against the import of Brazilian orange juice were another trade dispute that ended with a favourable ruling for Brazil. "Brazil-USA WTO dispute on anti-dumping measures on imports of Brazilian orange-juice – final report". Ministry of Foreign Affairs. <http://www.itamaraty.gov.br/sala-de-imprensa/notas-a-imprensa/contencioso-na-omc-entre-brasil-e-estados-unidos-sobre-medidas-antidumping-aplicadas-sobre-a-importacao-de-suco-de-laranja-brasileiro-relatorio-final-do-painel-brasil-2013-usa-wto-dispute-on-anti-dumping-measures-on-imports-of-brazilian-orange-juice/?searchterm=contencioso%20suco%20de%20laranja%20OMC>. Accessed on 10 May 2013.

²⁷ In the period of Independent Foreign Policy (1961-1964) and in some military government, since 1967, particularly during the term of President Geisel (1974-1978), this search for autonomy seems to have been related to maintaining distance from international affairs during the period of the Cold War. However, since 1989 there has been a profound debate on the part of the elite and policy makers as to the aim of Brazilian foreign policy. This then profoundly modifies the foreign policy strategy which seeks 'autonomy through participation'. Therefore, during the Cold War period, Brazilian foreign policy had been conducted through the influence of Araújo Castro whose position went against the establishment of policies opposed to the existing hierarchy of power. Despite oscillating foreign policy, this situation lasted from 1967 until 1989 and constituted the foundation of an 'autonomy through distance' policy (Mariano and Vigevani. 2006: 336).

Salinas, the alignment of Collor's administration did not apply to all circumstances, as will be observed. For instance, issues such as the environment, regional integration and the Persian Gulf War illustrate this point, given that Argentina sent troops into the Persian Gulf War while Brazil only provided political support. In this sense, Brazil's alignment with the United States should not be interpreted as absolute support (Pecequilo, 2011: 50-2).

As will be analysed, the factors explaining Brazil's performance in the FTAA match the performance of its foreign policy in this period. In this sense, FTAA negotiations can explain the limits of autonomy through a participation strategy. The main difficulties arise from dealing with a partner like the United States and maintaining a reasonable margin for manoeuvres in the international system. Furthermore, Brazil has had to overcome the fact that negotiated contents undermine future aspirations concerning the implementation of development national policy. As Hirst says, "it has become clear that Brazil's resistance to the FTAA goes beyond Mercosur" (Hirst, 2005: 21). Since both countries are major actors in the FTAA initiative, Mercosur serves as the scenario for the Brazil-United States negotiation process. The leading role played by Brazil in the Southern Cone demands a cautious negotiating strategy.

Chilean foreign policy since the 1990s has brought with it a strategy of 'open regionalism', as has Mexico's, which has been the most aggressive Latin American state when pursuing bilateral free trade agreements.²⁸ When referring to Chile's strategy in hemispheric politics, membership of the North American Free Trade Association (NAFTA) should be taken into account and was a central issue in its foreign policy during the 1990s. Moreover, Chile's commercial diplomacy caused some tensions in this area: on one hand with the attempt to achieve a closer relationship with the United States and on the other the limited cooperation with Mercosur. In dealing with the United States, Chile stressed the material benefits of cooperation since copper remained an important source of export and the industrial content of its exports remained low (Mullins, 2006: 115).

²⁸ The concept of new regionalisms means an aperture to international market combined with encouraging the private sector and economic liberalisation. Indeed, it is distinguished by trade liberalisation measures, like safeguarding rules and non-tariff barriers to reduce import barriers and promote an increase in trade between nations. Devlin and Estevadeordal, 2001: 22 *apud* thesis, p. 73.

To a great extent, this explains the different stances of Brazil and Chile's negotiations regarding the FTAA. Despite Chile's long-standing interest in the United States market, it has sought to establish contacts all over the world. Nevertheless, it should be borne in mind that good relations with the United States were a high priority of Chilean foreign policy during the 1990s. The considerations shown in the following sections endeavour to demonstrate that Brazil and Chile's diverging positions regarding their policies towards the United States led to a lack of strong diplomatic links between Brazil and Chile. On one hand, intense Chilean diplomatic activity as a mechanism for entering into an agreement with the United States was necessary to undertake an ambitious strategic agenda as well as the country's trade priorities. On the other hand, Brazil-United States relations were interspersed with more difficult periods in the relationship and a sense of frustration from both actors without them actually entering into confrontation. Indeed, a consequence of both states' sub-regional leadership role was the difficulty of accepting FTAA rules, especially in Brazil's industrial sector.

4.1.3 The United States' strategy towards the continent

In practical terms, the United States' new multilateral agenda was aimed at political and trade initiatives in the continent and has fundamentally been based on presidential and ministerial diplomacy. It is worth highlighting that United States foreign policy is carried out by the State Department, the National Security Council and the United States Trade Representative, whilst Brazil's foreign policy is conducted by the Ministry of Foreign Affairs, the so-called Itamaraty.²⁹ Indeed, Brazilian foreign policy has a strictly Executive character, while in Chile the Executive predominates in foreign affairs and the Legislative also has the capacity to influence the trade policy decision-making process. The difference between the three states explains the general guidelines on which each foreign policy process is based. The role played by presidential diplomacy is also a key mechanism for the study of both Brazil and Chile's foreign affairs (Bernal-Meza, 1998).

²⁹ See *The White House*, President Barak Obama, "Regional Issues". <https://www.whitehouse.gov/issues/foreign-policy>.

Moreover, the polarisation of political parties' preferences in Chilean foreign policy does not reflect the same traditional basis as that of Brazilian diplomacy.

The increasing participation of unofficial actors such as the private sector, NGOs and civil society in foreign policy decision-making processes illustrates the importance of public diplomacy, nation branding and presidential diplomacy. As Onuki highlights, the Chilean Executive branch is the principal decision maker, although legislators do not completely forget their preferences when determining foreign policy. In the case of Chile, the preponderance of the Executive in formulating foreign policy aims promotes the internationalisation of its economy and development.³⁰

The way each country carries out its foreign policy should also be taken into account. It is also important to bear in mind that FTAA negotiations go beyond trade issues, since they encompass a wide range of topics in Brazil-United States bilateral relations. The bilateral agenda includes money-laundering cases, terrorist operations, human rights and adherence to international non-proliferation agreements among others (Schott, 2005). Beyond trade negotiations, other predominant topics were Mercosur's position regarding the FTAA process, demands for equal treatment in the WTO field and the claim for a permanent seat on the UN Security Council. Adopting the perspective that the FTAA consists of an economic-political project seeking to reduce Asian and European influence in Latin America provides a better understanding of the negotiation process.

In this scenario, the United States' strategy caused heterogeneous reactions among Latin American countries as will be seen. The proposal of a hemispheric free trade zone was first presented during the Enterprise for the Americas Initiative in 1991 by President Bush. In other words, the initiative to create the Free Trade Areas of the Americas (FTAA) suggested the creation of a hemispheric free trade area from Alaska to Tierra del Fuego, excluding Cuba. The FTAA project was heavily influenced by the NAFTA agreement considering that both initiatives were related. The impact of the NAFTA on the FTAA project cannot be underestimated, since the former

³⁰ The fact that the Executive has preponderance over the Legislative is relevant to all foreign policy matters. More information in Onuki, Janaína *et al.*, "Political parties, foreign policy and ideology: Argentina and Chile in comparative perspective". Brazilian Political Science Review, 2009, pp. 127-154. Available at: http://www.fflch.usp.br/dcp/assets/docs/Janina/Artigo_BPSR_-_Janina.PDF. Accessed on 10th July 2013.

imposes much stricter obligations on the members than the latter. The NAFTA came into force in 1994, involved the United States, Canada and Mexico and was focused on eliminating most tariff and non-tariff barriers, promoting a reliable framework for investment and generating an environment of confidence and stability for long-term investment.³¹

The formation of the NAFTA laid the groundwork for the creation of a hemispheric free trade area, while Brazil and Argentina, on the other hand, promoted the creation of Mercosur. Brazil has adopted different positions since the beginning of hemispheric integration, influenced by different FTAA factors. First, when the Bush Initiative was launched in 1990, Brazil showed its contempt for a free trade area of the Americas. Four years later at the Miami Summit, the country went on the defensive, fearing that Mercosur and the FTAA were mutually exclusive. During preparations for the summit in Santiago, in which official negotiations for the FTAA began, a third attitude emerged. Thereafter, Brazil assumed a positive stance, motivated by two different things: a) its presence in Mercosur and b) the articulation of a national position on the FTAA, anchored in the converging interests defined by the government, the business sector and union leaders.³²

As has been explained, the main aim of the FTAA proposal was to promote the United States' business interests in the continent while attention was focused on Eastern Europe and the disappearance of communism. The FTAA strategy had clear economic goals, whose implementation relied on political action. As well as liberalising goods and services, other relevant issues were taken into account (Carranza, 2004: 319-320). Needless to say, a project as ambitious as the FTAA, which altered how the economic system worked, had significant legal consequences. Regional economic integration has an important effect on the internal justice system of member countries, just like world trade liberalisation. As Vizentini states:

³¹ *NaftaNow.Org*, "NAFTA background". Accessed on 20 May 2013. http://www.naftanow.org/about/default_en.asp

³² Veiga, Pedro da Motta. *El Mercosur y el proceso de construcción del ALCA. Integración y Comercio*, Buenos Aires: Intal, 1998, p. 3-32; LIMA, Maria Regina Soares de. Brazil's response to the new regionalism. In: G. Mace and J.P. Thérien (Eds) (1996), *Foreign policy and regionalism in the Americas*. Boulder, CO, Lynne Rienner Publishers, pp. 137-158 apud Hirst Monica, "Os cinco 'As' das relações Brasil-Estados Unidos: aliança, alinhamento, autonomia, ajustamento e alinhção" in *Relações Internacionais do Brasil: temas e agendas*. Henrique Altemani de Oliveira, Antônio Carlos Lessa (Ed). São Paulo: Saraiva 2006, p. 105.

“The meaning of the FTAA and indeed its importance to the United States can only be fully understood in the context of the reorientation of North America world hegemony after the Cold War. Even though the FTAA’s reach is continental, the initiative has a planetary scope in the construction of the new order by American power in relation to other poles, such as the European Union and East Asia (Japan and China)” (Vizentini, 2004: 11).

It should be highlighted that the FTAA emerged at the same time as the Washington Consensus, meaning the redirection of United States foreign policy towards Latin America. This forum sought to liberalise Latin American markets by privatising state-owned enterprises, liberalising financial flows, reducing economic interference by the government and limiting public account deficits among others. The high social, political and economic costs of this process for a country with internal social disparities like Brazil were not taken into account. The creation of the neoliberal environment by each country functioned as a prerequisite for access to North American markets (Tautz, 2009). In fact, the United States’ strategy had already adopted in 1988, when cooperation agreements were signed between the United States and Canada and discussions with Mexico later initiated. Given the possibility of establishing a hemispheric free trade area at that time, the United States prioritised the NAFTA.

From a Chilean-Brazilian perspective, there had already been significantly different reactions to the United States’ new agenda in the region. Brazil reacted cautiously to the NAFTA and FTAA initiatives, being neither for nor against either proposal. In practical terms, Brazil wanted to gain time by using diplomatic manoeuvres to obstruct any hasty action.³³ In contrast, Chile did want to join NAFTA, this never actually happened (Vizentini, 2004: 13-14). Therefore, it can be seen that Chile and Brazil adopted totally different foreign policies regarding the FTAA. In the Mercosur context, the FTAA negotiation process jeopardised Chile’s membership. According to Diaz:

“Chile’s mercantilist foreign policy determines to some extent the connection of

³³ It is part of Brazil’s foreign policy strategy to not refuse a proposal at first glance, even if it is difficult to immediately recognise the benefits.

the country's elites with the north. On the other side of the coin, their failed relationship with neighbours such as Peru and Bolivia and even Argentina - explain their choice to look to strategic relations with the US. However, it is interesting to note that strategic steps were taken in the 1990s with Argentina" (Alvaro Díaz, interviewed on 7 February 2013 by e-mail).

The following discussion may, in theoretical terms, explain the environment in which the foreign policy of both countries was born. It should be remembered that Chile was the first country to react positively to the Initiatives of the Americas, since a preferential relationship with the United States was a long sought-after goal in Chilean trade policy. That said, on the Chilean side, imports from the United States competed with domestic products in a manner that did not boost bilateral exchange and, in fact, jeopardised national industry. Given the absence of a significant industrial area that needed to be protected a more appreciative and trustworthy atmosphere was generated between Chile and the United States. Furthermore, the ability to access the extensive United States' market with its commodities yielded appreciable sales in its trade balance (Chiarelli, 2004: 59). Chile shaped its international trade insertion with specialisation in a narrow range of products focusing on comparative and competitive advantages and as a result the FTAA meant increasing the size of its export market.

As in the case of Chile, most Latin American countries export products of lower value, whilst importing technologically sophisticated goods. Therefore, both countries directed their efforts to joining the FTAA. This means that each country's reaction to the FTAA proposal also had its roots in the domestic economic structure and therefore the differences in Chile and Brazil's industrial policy explain their opposing reactions to United States foreign policy.³⁴ Chilean trade strategy has prioritised exports to the detriment of protecting the local economy. Thus, Chile continued an

³⁴ Importantly, from 1964 to 1980, the Brazilian state's development strategy was based on the constitution of a highly integrated industrial economy. This occurred due to the collapse of export-led growth based on primary products in the 1930s and a gradual consensus emerged that economic development must be a top priority of national economic policy. Ricardo Bielshowsky and Carlos Mussi. "El pensamiento desarrollista em Brasil: 1930-1964 y anotaciones sobre 1964-2005" in Rose Cave (ed) (2006). *Brasil y Chile: una mirada hacia América Latina y sus perspectivas*. Santiago: RIL Editores, p. 29.

economic strategy based on growth in exports, while the Brazilian policy prioritised domestic markets to generate growth (Mulins, 2006: 121).

While engaging in the analysis of asymmetric relations in the continent, of which the FTAA is the most concrete evidence by far, it is important to quantify and measure the presence of a larger partner in Southern Cone geopolitics. On the one hand, it is possible to generalise by saying that, in theory, the larger partner may seek economic-political benefits from neighbouring countries too and the reversal of trade discrimination. In brief, it aims to create a standard area. As will be explained, in theory, the larger partner also plays the role of 'paymaster', whereby it bears most of the integration costs. As Mattli adds, "the presence of an undisputed leader state among the group of countries seeking closer ties serves as a focal point for the coordination of rules, regulations, and policies; it also helps to ease distributional tensions by assuming the role of regional paymaster" (Mattli, 1999: 100). In this sense, the United States did not assume the role of the driving force behind integration. An active position cannot be attributed to the United States in terms of solving regional problems in order to provide the conditions for sustained cooperation.

Despite the asymmetry among its partners, the United States did not appear to be willing to contribute to the costs of the FTAA process. The participation of smaller partners was centred on economic factors, such as the possibility of broadening market access, access to investments and increasing the credibility of and support for economic reform programmes. In broader terms, integration processes tend to be asymmetrical. However, what distinguishes the case of the FTAA is the huge asymmetry that separated the United States from other participating countries. Such huge asymmetry raised doubts about the United States' real interest in the hemisphere (Mariano and Tullo, 2006: 323).

Considering the broader scope of an economic agreement such as the FTAA, this not only has deep-rooted structural and institutional effects, but also long-term consequences.³⁵ The FTAA would not commit to a restricted free trade zone. In general terms, a free trade zone involves an international

³⁵ The FTAA was the most ambitious free trade initiative of the post-war trading system. However, negotiations have been complicated by financial crises and the political turmoil facing the region. See Jeffrey J. Schott (2005), *Does the FTAA have a future?* Institute for International Economics. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=608109>.

agreement, which requires the signing countries' commitment to eliminate tariff and non-tariff barriers for the reciprocal trade of goods and services. However, the FTAA initiative is much more ambitious than that United States foreign policy, rather than seeking peace, cooperation and stability, aimed to expanding its power by taking advantage of the geopolitical and geo-economic transformations of the Latin American states.

4.1.4 Brazilian and Chilean diverging strategies towards the FTAA

Brazil and Chile have diverging views on United States foreign policy because of their different geopolitical contexts and internal development strategies. The key issue is the importance of Brazil and Chile's positions vis-à-vis the FTAA project, insofar as the initiative measures both countries' commitment to United States foreign policy targets. Brazilian and Chilean national development policies as well as their international insertion strategies, have paved the way for explaining their different perceptions of the FTAA. Despite Brazil and Chile's different approaches to the free trade agreement, the period being analysed did not mean an absence of bilateral dialogue. The lack of a strong commitment to official bilateral dialogue needs some study not only in terms of the analysis of traditional diplomacy analysis, but also to observe the multifaceted approach of public diplomacy and presidential diplomacy, together with the specific concepts needed to understand the dynamic of the Brazil-Chile-United States relationship.

Russel and Tokatlian (2008) focus on four different models to explain the different types of relationship between Latin American countries and the United States. It is worth pointing out that all of them involve a certain view of the international system, a specific relationship with Washington and - last but not least - the assignation of different places in the region's foreign policy. In general, these models reflect government policies, although there are a few exceptions, which reflect either the existence of some kind of state policy or a widespread policy strategy.

Regarding this classification, Chilean foreign policy strategy towards the United States consists of the 'accommodation model' with the gradual and selective coupling that characterised its relationship with the United States.

Moreover, the accommodation model promotes an active role in shaping international regimes preferably, in accordance with Washington. It means that the country adopts a single position in the international arena by focusing on foreign policy strategy regarding their own individual interests, without a firm commitment to collective mechanisms. In this way, economic diplomacy is essential both at global and hemispheric levels. Thus, assigning prominence to diplomatic negotiations with one's neighbours rests on the opportunity of negotiating better terms with the United States.³⁶

However, the defence of their own basic principles in the international field leads to a distancing from Washington in many foreign matters. The countries belonging to this group, including Chile as an emblematic case, require offsetting the effects of the domestic economic model with social compensation measures. In essence, Chile promotes a balance between market and state, while projecting its foreign policy towards Washington, Latin America and the world. It should be highlighted that, like Chile, the countries belonging to this group seek the introduction of partial adjustment measures to the global order and in foreign affairs, stress the importance of relations with the United States. This focus on Washington has led to a position of relative indifference towards the region (Rahn, 2014). As already stated above, adopting a favourable position regarding the FTAA with the United States illustrates this point.

Nonetheless, an important factor that contributes to further understanding Chilean foreign policy towards Washington, is its opposition to following the United States in the war against Iraq in 2003. As a non-permanent member, Chile stated this position at the UN Security Council (Russel and Tokatlian, 2008: 14-15). In this way, Chilean diplomatic skills, manoeuvring in difficult times to defend the country's democratic values, can be seen, as well as its commitment to international law. This stance has enabled further steps to be taken to avoid issues on the security agenda being affected by the economic one. In brief, Chile has tended to distance non-economic issues from Washington. Chile's independence regarding

³⁶ Importantly, at the present time there is interest from Latin American countries in seizing diplomatic opportunities with both neighbouring states and US. *Folha de São Paulo*, Dinheiro, Rubens Ricupero, "Trapalhadas em série", 16 August 2009. The reader will notice a significant difference between Brazilian and Chilean foreign policy towards the region and Washington.

issues on the international agenda demonstrates the possibility of manoeuvring in foreign affairs. Chile's independent approach favours the defence of common positions with Brazil, regarding human rights and the promotion of democratic values.

Chile is not totally connected to the United States' aims, although bilateral ties can be classified as highly linked, economically speaking. Considering Chile-United States relations, it can be observed that the United States is one of the most important destinations for Chilean exports. Chilean commerce with the United States is not only reflected in the amounts exported, but also in the variety of products that are shipped.³⁷ However, Chile's relations with the United States should not be restricted to commerce, although these do foster feelings of admiration and respect. President Lagos favoured strengthening relations with the United States arguing that trade agreements would help the country become a more competitive and dynamic economy. From Chile's standpoint:

“There is a consensus that bilateral ties are permeated in turn by alternate feelings of love and hate to the extent that their foreign policies did not experience constant harmonic long-term ties. In this way, Chile is not totally connected to US goals. As opposed to what Brazil perceived, Chile's agreement with US foreign policy rests on a number of complex issues. Chile's approach towards the US cannot be classified as a totally connection without considering the country's internal aspects” (Jaime Baeza, Professor at the University of Chile, interviewed on 30th August 2011 in Santiago de Chile).

Furthermore, links with the United States do not only exist in trade and cooperation was seen after the earthquake, when the United States offered help. The United States Agriculture Undersecretary offered to cooperate with Chile to mitigate the effects of the earthquake on Chilean agriculture. This cooperation targeted scientific and commercial exchange programmes and formed specialist teams to support agriculture and environmental issues.³⁸ The perception of Brazil-Chile bilateral links was twofold: the fact

³⁷ See *Office of the United States Trade Representative*, Chile Free Trade Agreement. <https://ustr.gov/trade-agreements/free-trade-agreements/chile-fta>.

³⁸ Ministerio de Relaciones Exteriores/Dirección General de Relaciones Económicas Internacionales/Departamento de Estudios. Alejandro Gutiérrez; Roberto Urmeneta. December 2010, p. 6. Accessed on 1st June 2013. <http://www.sice.oas.org/TPD/>

that Chile's foreign policy prioritized links with the United States did not mean the end of Brazil-Chile relations from multi-sector approach; at the same time, signing a FTA with the United States was a goal doggedly pursued by Chilean foreign policy from 1990 onwards.

From the Brazilian perspective, there is what Russel and Tokatlian address as 'limited opposition' whereby there is a joint policy concerning the United States. This means that at the same time, there is a combination of disagreement and collaboration, deference and resistance and conciliation and misconceptions in Brazilian foreign policy with Washington. According to the 'limited opposition' strategy, the priorities lay with maintaining regional integration as a way to strengthening their negotiation power with the United States. In this sense, political ties with close countries are crucially important in order to achieve greater autonomy in negotiations with the United States. In general, these countries have adopted a development model that is more sensitive to social issues, whereby the state plays a significant role in terms of economic and political transactions (Russel and Tokatlian, 2008: 15).

Furthermore, these countries seek more profound changes in the economic and financial structure of the international system and, at the same time, immediate negotiations with the FTAA are discouraged. In essence, their foreign policy strategies encourage the reform of global order wherein the United States is considered a dual power. In other words, the United States may represent both a threat and an opportunity at the same time. Brazil is the best example of a Latin American country that conducts a foreign policy strategy like this. In addition, Brazil's position in the continent has two aims: firstly, due to it aspiring to regional leadership and secondly because of its extra-hemispheric projection. As a result, Brazil seeks a middle ground between distancing itself from Washington and expressing the desire to develop a closer relationship with the United States. Said another way, on one hand it partially competes with Washington and on the other, it needs its support to achieve its goal of playing a more active role in the political and economic international order (Russel and Tokatlian, 2008: 15-16).

On the other hand, Chilean membership of the North American Free-

Trade Association during the 1990s was central into its foreign policy.³⁹ In this regard, the Frei administration invested a good deal of political capital in this strategy. Put into perspective, the strong interest in NAFTA is related to the perceived economic and political benefits that Chile would acquire by pursuing easier access to the United States market. NAFTA membership would also be an important signal to the financial markets, stressing closer relations with the most powerful economy in the world (Mulins, 2006: 121). Therefore, Chile fully supported the United States initiative, given the fact that the arrangement was an endorsement of the regional efforts of trade liberalisation and institutional stability.

Moreover, for an outward economy like Chile's one, the free trade agreement has become a vital aspect of its foreign policy. The Chilean position is applied to countries that have a less diverse productive structure. This set of countries has insertion into international trade, with a narrow range of products seeking central markets in order to seize comparative and competitive advantages. (Mariano and Vigevani, 2006: 325). At this time, the central foreign policy towards the United States influenced relations with the Southern Cone because of Chilean expectations of having special relations with the north. Nevertheless, the end of the twentieth century has brought important alterations to the patterns of international trade, whereby foreign trade is not restricted to the United States' market, but is split around the globe.

The emergence of a new multilateral order in which Brazil achieves global visibility plays a fundamental role to understanding the importance of Chile's strategic approach to Brazil.⁴⁰ Changing the perception of the United States as a unique economic-military great power to the detriment of China

³⁹ Investment and trade is everything in North American foreign policy. Therefore, the United States codifies its rules and agreements in initiatives such as the NAFTA. Further reading in Walter Russell Mead (2001), *Special providence: American foreign policy and how it changed the world*. New York: Routledge.

⁴⁰ The new multilateral order embraces the multifaceted approach of public diplomacy. Public diplomacy is a form of engagement, meaning intellectual and socio-political engagement. See Alan K. Henrikson (2005), "Niche diplomacy in the world public arena: the global corners of Canada and Norway" in Melissen, Jan, *The new public diplomacy: soft power in international relations*. New York: Palgrave MacMillan. Further reading in José Augusto Guilhon Albuquerque (2006), "Os desafios de uma ordem internacional em transição" in Oliveira, Henrique Altemani and Lessa, Antônio Carlos, *Relações internacionais do Brasil: temas e agendas*, vol. 1. São Paulo: Saraiva.

and other emerging powers, shifted the international perspective from one singular power to a new multilateral arrangement.⁴¹ For obvious reasons, the new international system brought significant changes to current Brazil-Chile affairs, to the extent that these new international parameters, which influenced the standards of their bilateral relationship could not be ignored. Chile's focus on strengthening its ties with the United States should not serve to explain the lack of studies on Brazil-Chile bilateral relations.

4.1.5 The limited scope of the FTAA

The demands of the business sector together and labour unions explain Brazil's position during the FTAA negotiation process. Brazil's nationalist economic policy gained the support of key sectors such as labour unions, political parties and the business and academic sectors. The country had growing concerns, not only about the economic effects of trade liberalisation, but also the lack of the guarantee of reciprocity on the part of the United States (Nelson, 2015). The impact of bilateral trade disputes contributed to Brazil's careful approach to the United States. In this context, negotiations were carried out according to three principles: the indissolubility of Mercosur, the gradual nature of the integration process and the balance between costs and benefits.

The wide scope of the cooperation initiatives between the two countries means that Brazil and the United States do not share similar interests in the region. Brazil aims to expand its influence in South America and supporting democratic values has always been a feature of the country's international insertion, with a core issue being the expectations and frustrations related to the recognition of Brazil's international potential. There was an internal consensus that the opening of new historical stages in Brazil would be projected in its international insertion. However, frustration not only occurred in the Brazilian field, since the United States also expected a much more liberalised economy from its Brazilian counterpart. As will be

⁴¹ Today's China is a booming economic power with a pragmatic foreign policy regarding the international community. China's projection of its nation brand sells its ancient culture and economic success. More information in Ingrid d'Hooghe (2005), "Public diplomacy in the People's Republic of China", in Jan Melissen, *The new public diplomacy: soft power in international relations*. New York: Palgrave Macmillan.

observed, the understandings and misunderstandings that occurred between the two in the FTAA negotiations would become the most prominent issue on the bilateral agenda in the first year of Lula's administration.⁴²

Moreover, another important and changing feature refers to the new world order. The importance of the United States as a market has declined and foreign trade has been divided into four zones: Europe, North America, Asia and Latin America (Mulins, 2006: 115). As Van Dijk states:

“Regarding the direction of trade flows prior to the establishment of the FTAA, it can be noted that the trade of Mexico and the Central America and Caribbean countries has traditionally been very much oriented towards North America, but this holds true to a much lesser extent for members of Mercosur and the Andean Group, which are more oriented towards the Latin American region and the United States” (Van Dijk, 2004: 156).

For instance, in 2007, the European Union accounted for more than half of the total value of all commercial services exported worldwide. China's rise as a global economic superpower changed the global perspective of American hegemony. Therefore, not only the United States, but also Europe lost its politically and economically dominant position to the detriment of China. However, the United States continued to be the second-largest exporter of commercial services, even if its share of world exports went down from 20% in 2000 to 15% in 2007.⁴³ This demonstrates that the United States' comparative advantage resides in the commercial services' sector. Therefore, the FTAA implies that all services are to be liberalised, even those provided by governments, such as education, social security and health care (Wiesebron, 2004: 79). Furthermore, FTAA negotiations

⁴² Hirst, Mônica. “Os cinco ‘as’ das relações Brasil-Estados Unidos: aliança, alinhamento, autonomia, ajustamento e afirmação” in Oliveira, Henrique Altemani and Lessa, Antonio Carlos *Relações Internacionais do Brasil: temas e agendas*. São Paulo: Saraiva, 2006, pp. 118-121.

⁴³ WTO. "Trade in commercial services by category. p. 118. http://www.wto.org/english/res_e/statis_e/its2008_e/its08_trade_category_e.pdf). While studying the FTAA, it should be considered that the United States has a deficit in its goods export rate compared to its goods imports one. Moreover, the gap between goods imports and export growth is particularly large in developing regions such as Latin America (WTO. "World Trade developments in 2003 and prospects for 2004". p. 8. http://www.wto.org/english/res_e/statis_e/its2004_e/its04_general_overview_e.pdf

adopted the so-called negative list, this means that all sectors are liberalized except those indicated by the countries, such as reservations or exceptions.⁴⁴ As a result, the United States tends to stimulate the liberalisation of international service transactions over the international economic system of goods.

Instead of studying the FTAA as the result of a Latin American consensus reached against the United States, it should be analysed as the result of diverging policy interests from the past. This explains the differences between Chilean and Brazilian foreign policy regarding the FTAA. Accordingly, the absence of converging interests between Brazilian foreign policy and that of the United States was not the only factor that led to disagreements about the implementation of the FTAA. Other countries in the region resisted to the United States' version of neoliberalism and the Washington Consensus served to overcome asymmetrical power relations in the continent (Boekle, 2007: 92).

Moreover, Brazil wanted to play the role of a fundamental regional actor in South America, while aspiring to an active role in global geopolitics. Therefore, Brazilian foreign policy remained reticent about establishing closer links with the United States. The FTAA denied Brazil's influence in the Southern Cone, as well as its foreign policy's autonomy in other international initiatives. In fact, Brazil needed more time to adapt its domestic market to the more competitive North American market and last but not least, the limited scope of the agreement, which did not include the transfer of science and technology, was criticised by Brazilian diplomacy (van Rompay, 2004: 30). Another way of stating the same point is by indicating that Brazilian foreign policy was sceptical about US provision for

⁴⁴ It is important to stress the difference between the GATT and the FTAA concerning the principle of national treatment. In the GATT, national treatment applies only to service sectors included in the schedules of specific commitments made by each member country whereby these sectors apply the rules of liberalisation established by each state. This type of services liberalisation is based on so-called positive lists. In contrast, the NAFTA and the FTAA are based on negative lists. Costa, Ligia Maura. *Comércio Exterior: negociações ee aspectos legais*. Rio de Janeiro: Elsevier/Campus, 2005, p. 60. The GATT 1947, negotiated by Great Britain and the United States was rightly characterised as having created a "rich man's club". It introduced a norm that was entirely normal at the time, namely trade non-discrimination. Chin Leng Lim. "The conventional morality of trade". In: *Global Justice and International Economic Law: opportunities and prospects*. New York: Cambridge University Press, p. 134.

opening its markets to Brazil's sectors of interest.

Other issues also played an important role in Brazil-United States ties, like the United States protectionist trade policies against Brazil's exports. The United States' coerciveness was the result of export measures promoted by Brazil and an emerging information technology policy. Another significant point of divergence was the new General Agreement on Tariffs and Trade, since Brazil opposed topics such as information technology rules as well as restricted liberalisation procedures, given its domestic industry. However, in 1996, the approval of an intellectual property law by the Brazilian Congress facilitated dialogue on normalising relations between the two states (Hirst, 2005: 9-11).

4.1.6 The diverging aspects of the FTAA and Mercosur

By the 1980s, many South American states were rebuilding their democracies after several years of military dictatorship. The four states that set up Mercosur (Brazil, Argentina, Uruguay and Paraguay) shared the common struggle for democracy, as well as economic crises and chronic inflation.⁴⁵ In this context, Brazil and Argentina suffered the impact of new trends in the international economy associated with neoliberal values, trade liberalisation and privatisation. Sustaining the macroeconomic balance demanded new cooperation mechanisms within the region in order to achieve greater insertion into the global economy.

In response to the FTAA initiative, Brazil launched the Common Market of the South (Mercosur), in 1991, made up of Brazil, Argentina, Uruguay and Paraguay, in an integration initiative guided by the trade agenda. This period brought with it the idea of economic cooperation, closely linked with the perception of economic growth and prosperity. After the Asunción Treaty of 26th March 1991, member states sought to establish a common market for the so-called four year 'transition period'.⁴⁶ The four years period targeted measures of legislative harmonisation, the coordination of

⁴⁵ See Javier Corrales (2013), "Constitutional Rewrites in Latin America 1987-2009" in Jorge Domínguez and Michael Shifter (eds), *Constructing democratic governance in Latin America*. Baltimore: The Johns Hopkins University Press, pp. 13-47.

⁴⁶ More information in Ruy Pereira (2014), "O valor do Mercosul", *Política Externa*, vol. 22, n° 3. São Paulo: Editora Paz e Terra.

macroeconomic and sectorial strategies, cooperation on commercial policies and the maintaining of similar foreign policies (Vigevani, 2004: 35).

Mercosur was the result of economic programmes carried out by Brazil and Argentina.⁴⁷ However the project had a broader impact, since it was supported on a three-fold basis: legal, political and economic. The political basis, as previously mentioned, was the redemocratisation process that the member countries underwent. The economic aspect was the initiative's main aim, fostering macroeconomic growth and international insertion. The legal order came from the fact that Mercosur had its roots in the ACE N° 36 in the field of the Latin America Integration Association (LAIA) and the Protocol of Ouro Preto (POP), signed on 17th December 1994, leading to the bloc's institutional structure. It only became explicitly legal through the POP and therefore could not be considered an international organisation during the transition period. Prior to the POP, any legal actions were performed by member states (Ventura, 2003: 63).

The aim behind Mercosur was that Brazil would consolidate sub-regional integration over any United States-led hemispheric proposal. Brazilian strategy towards the rest of the region rests on its full complement of industry, modern infrastructure, a well-established national project and competent diplomacy (Vizentini, 2004: 16). From a Brazilian foreign policy standpoint, prioritising Mercosur would lead to strengthening its bargaining position in future negotiations. Besides Brazil's geopolitical strategy, uncertainty regarding the possibility of moving forward with the FTAA, with the United States Congress as its centre weakened the United States' negotiating position.⁴⁸ Curiously, the absence of a fast track has not only delayed Brazil's negotiations with the United States, but also virtually frozen Chile's negotiations. Ironically, Chile was one of the main supporters of the arrangement and waited patiently, but not passively for this approval, as highlighted by Rosales. As already addressed due to the difficulties in continuing FTAA negotiations, in the first half of the 1990s, Washington

⁴⁷ See "30 years of Argentine democracy", *The Economist*, 22nd January 2014.

⁴⁸ Regarding the difficulties which Presidents Clinton and George W. Bush faced with obtaining fast tracking or trade promotion authority (TPA), Brazilian policymakers saw the United States' congressional resistance as a factor that could jeopardise the United States' ability to negotiate. *Estado de São Paulo*, 10th December 2000, "Mercosul sobrevive sem o Chile, diz Graça Lima"; interview with José A. G. Lima *apud* thesis by Jan van Rompay, p. 32.

established Economic Complementary Agreements (ECAs) with Mexico, Mercosur and the Andean areas. The Chilean focus on trade led to an FTA with Canada in 1996 and the ECA with Mexico was strengthened in 1998. In a sense, an appreciative environment was generated which also led to FTA negotiations with Central America along the lines of the NAFTA model⁴⁹ (Rosales, 2003: 3). Together with these, other FTAs were also negotiated between Chile, the European Union and South Korea.

From a political standpoint, Mercosur has remained a priority of Brazil's foreign policy strategy since President Bush's announcement of the Enterprise for the Americas Initiative in 1991. Nonetheless, while FTAA talks were being conducted, the foreign policy conducted by Brazil's Itamaraty was gradually changing from a defensive to a more offensive and contributive approach. In this scenario, the economic reforms that Brazil underwent in the 1990s were not reciprocated by the United States. This means that the Brazilian economy opened up too much and too fast, with negotiations with the United States having little impact on their own system of subsidies and non-tariff barriers. Additionally, the Itamaraty stressed the problem of the lack of definition of its role by the FTAA as well as its unclear trade policy towards Brazilian goods in the United States market (Van Rompay, 2004: 34).

During the summit in Mar del Plata, Argentina in November 2005, negotiations seemed to have reached an impasse, hindering further consensus over important issues. Among other things, the difficulties in the negotiations cannot only be attributed to disagreements between the political interests of the two main actors, the United States and Brazil, but also to disagreements of an economic character. In other words, the incompatibility between the foreign policy of Brazil and the United States cannot be considered as the only obstacle to the negotiation process. Another important factor was the growing discontent of Latin American countries over the Washington Consensus.⁵⁰ Furthermore, the United States was

⁴⁹ Economic-diplomatic agreements of a bilateral nature led by Washington sought to weaken or even derail the autonomous Latin American initiatives of integration, such as Mercosur (Chiarelli, 2004: 126).

⁵⁰ Bettina Boekle. "El Brasil y el Alca: análisis político enfocado em la política exterior brasileña", pp. 90-91 in Sérgio Costa, Hartmut Sangmeister, Sonja Steckbauer (eds) *O Brasil na América Latina: interações, percepções, interdependências.* São Paulo: Annablume; Adlaf; Fundação Heinrich Böll, 2007.

always reluctant to include the crucial topics of its protectionist strategy, like its anti-dumping legislation and policy to protect agriculture in the debate. According to United States' policy, these topics should preferably be treated in the World Trade Organisation (WTO).⁵¹ However, the United States wanted the FTAA to go beyond WTO standards on matters of interest, such as services, investments, government purchases and patents (Batista 2005: 79).

As mentioned above, the many obstacles during the FTAA negotiation process led to bilateral agreements between certain Latin American countries. From these countries' perspective, as in the case of Chile, such agreements ensured access to the United States' market and more foreign investment.⁵² For Brazil, this fact led to a struggle involving conflict and cooperation among Mercosur members, since the Brazilian government provided real short-term benefits as a way of maintaining some influence in the region. As Mariano and Vigevani point out, from a political standpoint, it is possible for countries to maintain complementary positions regarding their goals, even having parallel goals in the short-term. In this context, the prospect of the FTAA tends to generate limitations for the acquisition of regional balance (Mariano and Vigevani, 2006: 327).

In fact, Brazil's approach during the FTAA negotiations was backed by the business sector, highlighting a more offensive policy due to the United States' continued protectionism.⁵³ For example against, some of the goods that caused controversy like Brazilian orange juice and sugar exports, which had the highest import tax rate in the United States' market.⁵⁴ As a result, countries demanded guarantees with regards to United States' subsidised

⁵¹ It should be remembered that consensus among members of the WTO is the base of the decisions. Further reading Roberto Azevêdo (2014), "A OMC e a Conferência de Bali", *Política Externa*, vol. 22, nº 33. São Paulo: Editora Paz e Terra, pp. 9-20.

⁵² Stefan A Schirm. "Indicadores de liderança e modelos de análise para a nova política internacional do Brasil" p. 53 in Costa, Sérgio, Or.; Sangmeister, Hartmut, Org.; Steckbauer, Sonja, Org. "*O Brasil na América Latina: interações, percepções, interdependências.*" São Paulo: Annablume; Adlaf; Fundação Heinrich Böll, 2007.

⁵³ It must be stated that the business sector is not a homogeneous group, with some favouring a more positive approach to the FTAA initiative. In the shadow of the generals, p. 95.

⁵⁴ Brazil had ongoing problems with other products, such as steel, textiles and footwear which all faced a powerful US lobby in order to protect uncompetitive sectors of its economy. Batista Junior, Paulo Nogueira (2005: 78).

goods in order to ensure similar competition with their non-subsidised products.⁵⁵ It can be observed that the active participation of the Brazilian business community is congruent with the concept of public diplomacy, which means that the new diplomacy collaborated with diverse sectors.⁵⁶ Indeed, as analysed in the first chapter, the new international agenda demanded the participation of other sectors in foreign policy strategy and could not be restricted to the relationship between state representatives. That said, the support of the business sector played an important role in FTAA negotiations.

4.2 The Brazilian Business Sector vis-à-vis the FTAA

In addition to the different geopolitical strategies of Chile and Brazil, their opposing reactions can be explained due to their extremely different economic structures. On the Brazilian side, an estimation of initial trade losses and their impacts on the domestic economy demonstrated the effects they might had on exports. That said, the scarcity of expensive short-term credit seriously prejudiced and medium-sized companies in particular, which have little access to loans abroad. In this way, the FTAA with the United States had a destructive effect on much of the Brazilian productive system and also affected the most sophisticated sectors. As opposed to what some defenders of the FTAA believed, even the most sophisticated Brazilian companies were not prepared for the FTAA (Batista, 2005: 82-83).

⁵⁵ Neither sugar nor orange juice are considered crucial products to the United States economy, whereas the orange crops located in the state of Florida were key element to the elections of 2001. Regarding the sugar issue, even if Latin American countries needed the United States' market for export, the latter did not depend on these countries to meet its internal demand. Bettina Boekle, "El Brasil y el Alca: análisis político enfocado em la política exterior brasileña", pp. 98-99 in Sérgio Costa, Hartmut Sangmeister, Sonja Steckbauer (Eds) (2007). "*O Brasil na América Latina: interações, percepções, interdependências.*" São Paulo: Annablume/ Adlaf/ Fundação Heinrich Böll.

⁵⁶ However, the role played by Brazilian presidential diplomacy on its two main axes cannot be underestimated, in United States' and Southern Cone relations. Concerning either relations with the United States' or the neighbouring south, the president is an important driver of foreign policy, even though this does not mean the retraction of the Itamaraty from Brazilian foreign policy. Alessandra Falcão Preto. "O conceito de diplomacia presidencial: o papel da presidência da república na formulação da política externa. São Paulo: Universidade de São Paulo, 2006, p. 39.

It is important to remember that since the beginning of the 1950s, the Brazilian economic development model has been based on import substitution industrialisation (ISI). Continuing in this vein, the volume of the production and diversification of economic activity has also been very impressive in Brazil during the twentieth century. During the last century, a complex infrastructure of transportation, energy and communications was built up; huge steel, metallurgic and petrochemical industries were constructed and an important capital goods sector and a huge consumer goods industry emerged (Guimarães, 2004: 110).

As a result, some sectors of the Brazilian economy were able to compete in the international market, for example steel, textiles, footwear and large sectors of agriculture and agri-business. For this purpose, these sectors were targets for the systematic protectionist practices of developed countries (Batista, 2005: 84). Due to some domestic sectors' lack of competitiveness, together with excessive international protectionist barriers, the FTAA left a disastrous legacy for the Brazilian business sector. In this case case, state economic control was conducted through diverse institutions such as the Central Bank, the financial system and the Trade and Development Bank, even though they were interconnected.⁵⁷

In Brazil's opinion, rising doubts over competing without tariffs against the United States from 2005 to 2015 had always caused concern among businesses. At the same time, part of the business sector supported the FTAA project, given the possibility of reducing domestic intervention in the economy. For this group, the FTAA meant liberalising the domestic economy by diminishing state instruments of economic control. Other government departments stated that Brazil would face difficulties counterbalancing the United States' power, therefore dilatory manoeuvres were an important strategic policy for dealing with the FTAA initiative (Batista, 2005: 108).

Brazil was the only Latin American country that could resist the FTAA project while proposing alternative integration mechanisms like Mercosur. Mexico was already a member of the NAFTA and Chile targeted stronger

⁵⁷ In fact, multifaceted state intervention in the economy had been the target of widespread criticism due to the lack of coordination and communication among the different sectors. Werner Baer. *A economia brasileira*; tradução de Edite Sciulli - 2. ed. - São Paulo: Nobel, 2002, p. 297.

links with the United States. Central America and the Caribbean consisted of consolidated United States' zones of influence in Latin America.⁵⁸ However, Brazil's international insertion had changed, to the extent that the country was now an emerging global power. Indeed, the strategy of attracting Venezuela as a Mercosur member country was a way to prevent Chávez getting lost in the Caribbean and also a way of demonstrating a policy to strengthen regional influence. In this regard, Brazil's foreign policy adopted the position of an emerging power that should stand as autonomous before the United States.

4.2.1 Brazilian economic strategy in the 1990s

Since the 1990s Brazil has adopted a new economic strategy whereby privatisation, unilateral trade concessions, deregulation, the indiscriminate attraction of foreign capital and political alignment with Western powers transformed the domestic scenario.⁵⁹ The new strategy sought to promote monetary stability as well as fiscal equilibrium. Regarding trade and regional integration, the strategy consisted of overvaluing the exchange rate and fixing low tariffs in order to promote imports and control domestic prices and inflation. Furthermore, it considers denationalisation and structural trade and current account deficits as essential structural changes to the economy (Pinheiro, 1999: 11-12). However, these measures were not as rigidly adopted as in the case of Argentina.

On the one hand, a liberalising policy was adopted during the administration of President Fernando Collor de Mello (1990-1992), given anti-inflationary economic planning in which savings and other investments were temporarily blocked. President Collor desisted from building more advanced industrial structures in which the State actively intervened. On the other, the United States exerted pressure on internal economic liberalization, as well as on government barriers to national industries (like the computer

⁵⁸ See *The Economist*, "Trade in Latin America: Unity is strength", 10th March 2012. <http://www.economist.com/node/21549939>.

⁵⁹ However, Brazil's delay in entering the global economy causes concerns among the business sector. See Pedro Passos (2014), "Para uma nova política de comércio internacional do Brasil", *Política Externa*, vol. 22, n° 3. São Paulo: Editora Paz e Terra, pp. 31-40.

industry) and markets. Liberalising procedures were carried out through unilateral tariff reductions. The liberalisation policy did not offer compensation for international competition. The resuming of subordinate relations with the United States and an opening proposition for the IMF represented priorities adhering to the Washington Consensus (Visentini, 2013: 96).

Looking ahead, Brazilian economic and social indicators should raise concerns. To summarise, the liberalisation of the economy has brought even great social problems to a Brazil already facing social inequalities. As for the future, it can be speculated that the neoliberal strategy will face serious economic and social problems. From an economic perspective, dependence on the enormous inflow of capital, the multiplication of taxes, the dollarisation of domestic public debt and an excessive privatisation programme has had a great impact on unemployment, urbanisation, international competitiveness and export expansion among others (Visentini, 2004: 112).

President Collor did not take into account the fact that the Cold War weakened the United States' power and therefore the United States maintained firm strategy regarding international economic affairs in the framework of the FTAA initiative. Contrary to, President Collor's perception, military power was not linked to economic power, since the United States did not sustain economic hegemony. Interestingly enough, Southern Cone cooperation also targeted a reduction in tariff barriers in the sense that the main aim of strengthening ties was to accelerate tariff reductions. Fostering Brazil-Argentina relations with Uruguay and Paraguay had the aim of encouraging reductions in tariff barriers, since these, the smallest full members of Mercosur, maintained low trade barriers (*Ibid*).

4.2.2 Chile's liberal economic backgrounds

From the Chilean perspective, the Chicago Boys reversed the entire state-interventionist trend adopted since the 1920s. The Chicago Boys' dogmatism would not allow backtracking on liberalisation policies.⁶⁰

⁶⁰ The Chicago Boys took their place in the Chilean economy during Pinochet's administration at a time of steep price increases and mounting unemployment. In that

Therefore, in the mid-1970s, in order to open up the economy, market relations were imposed throughout society and a new entrepreneurial culture substituted dependence on the state (Collier and Sater 2004: 366). Despite the economic recession of the mid-1970s, the neoliberal programme was preserved. In this way, the privatisation of state-owned companies began in 1974, import tariffs were brought down, very liberal foreign laws were decreed and currency was reformed, among other measures.

The creation of a more benign neoliberal environment seemed to have results for the Chilean economy. The economy began to rebound from the recession, inflation fell and the GDP rose by an average of 7% per year. One interesting factor is the growth of non-traditional exports in that period. As in the example given by Collier and Sater, “Chilean apples appeared in British supermarkets and good-quality Chilean wines in American liquor stores. Whereas copper had accounted for nearly nine-tenths of all exports (taking yearly averages) in the 1960s, it accounted for under half in the 1980s” (Collier and Sater, 2004: 369-370). Importantly, privatisations in towns and the countryside alike provided excellent opportunities for financial conglomerates to consolidate their business empires.

By the end of the 1970s, these conglomerates - called ‘grupos económicos’ - had taken control of much of the banking system, the new and unregulated finance houses named ‘financieras’ and an increasing share of the manufacturing and agro-exporting sectors.⁶¹ This new pragmatism was based on a careful manipulation of the exchange rate and money supply, although it allowed for selective measures to stimulate domestic-oriented agriculture, industry and the already much-favoured exporters as well (Montecinos, 2009: 142-143). The combination of the limited strategies of import substitution and export promotion contributed towards propelling the country into a new phase of significant growth from the mid-1980s onwards. In this respect, the neoliberal framework was encouraged and

scenario, their unrestrained capitalist vision seemed risky. However, during 1974, the effects of the first oil shock, the result of which, was a rise in oil prices were felt and indeed, copper prices began to fall alarmingly. In a context where inflation seemed to be largely out of control, the Chicago Boys gained full control over economic policy. Simon Collier and William Sater (2004). *A History of Chile, 1808-2002*. New York: Cambridge University Press.

⁶¹ Further reading in Ricardo D. Paredes Molina *et al.* (1994), *Organización industrial y grupos económicos: el caso de Chile*. Departamento de Economía, Universidad de Chile.

maintained (Collier and Sater, 2004: 371).

It should be emphasised that Chile was a laboratory for neoliberal experiments and in this regard the country reaffirmed its exceptionalist position in the continent. As observed, economic growth after the mid-1980s was achieved at a heavy price, two deep recessions and badly distributed income (Collier, and Sater, 2004: 372). One of the major and most recognisable consequences of the neoliberal model was the increased concentration of wealth in the hands of a few, which simultaneously created a greater disparity between the rich and the poor. Oppenheim points out that “there may be differences of opinion as to whether the liberal reforms of the 1976-1981 period were, overall, beneficial for Chile, but there is clear evidence that economic concentration increased and income distribution worsened” (Oppenheim, 2007: 129).

The approval of the free trade agreement between Chile and the United States produced regional liberalisation efforts. As Rosales pointed out, “American authorities always highlighted Chile's best rights to accessing a FTA with the United States, insisting that Chile headed the ‘waiting list’ considering its good economic and trade performance” (Rosales, 2003: 2). Nonetheless, the United States was much more important to Chile than Latin America was generally to the United States. Since Chile was aware of the region’s lesser strategic importance to United States foreign policy, there was a persisting commitment on its part to establishing an FTA with that country.

In 2001 Chile was invited to initiate trade negotiations with the United States to open up the possibility of an FTA between the two countries. From Chile’s perspective, an FTA with the United States would create clearer rules about trade and investments, while reducing transaction costs and giving incentives to new exporters.⁶² As a result, the agreement eliminated, the escalation of tariffs, providing a greater impulse for diversifying exports. In summary, the main aim of the FTA was the construction of a preferential relationship with the United States.

⁶² See *the United States Congress*, 2002 Trade Policy Agenda and 2001 Annual Report, “Message from the President of the United States”. Washington: U.S. Government Printing Office, pp. 119-120.

4.3 United States Foreign Policy under George W. Bush *vis-à-vis* Latin America

As far as Latin America was concerned, George W. Bush campaigned for a platform that promised to reinforce and broaden relations with the region in 2000. Nonetheless, after attacks on September 11th things changed in terms of the priorities of the United States foreign policy and security became a key.⁶³ In contrast, security was not considered a priority for Latin American countries. However, in March 2007 President Bush decided to pay special attention to the continent with a visit to five countries. Clearly, the purpose of the visit was not trade negotiations, but rather to halt the growing influence of Hugo Chávez in the region.

In this respect, security and terrorism are not considered the only factors that explain the scant attention paid to Latin America. The United States' strategy of negotiating separate bilateral agreements also contributed towards paralysing FTAA negotiations (Fonseca, Carlos, 2007: 67). In fact, separate negotiations put the United States in a better position to assert its will. That said, the Enterprise for the Americas Initiative, launched in 1991 and which later resulted in the Free Trade Areas of the Americas (FTAA), with aspirations to become a hemispheric free-trade area from Alaska to Tierra del Fuego excluding Cuba, ended up producing nothing concrete in terms of hemispheric cooperation.

The aperture of the markets is an inevitable trend and trade liberalisation, leads to benefits for the world trade system as a whole. The elimination of trade barriers are important for both north and south, contributing to creating a more open and trusting environment in international trade. However, as explained, the implementation of the FTAA was a goal that generated uncertainty in both economic and political fields. Most significantly, the FTAA was an economic project with strong political ballast. Thus, its purpose was to bring a greater balance to relations in the hemisphere so as to not worsen internal asymmetries.⁶⁴ In order to understand the reasons that led to Brazil's foreign policy strategy regarding

⁶³ More information in Ricardo Seitenfus (2013), "O impacto do terrorismo sobre as relações internacionais" in *Relações Internacionais*, 2. ed.. Barueri: Manole.

⁶⁴ Costa, Lígia Maura. *Comércio Exterior: negociação e aspectos legais*. Rio de Janeiro: Elsevier/Campus, 2005, p. 62.

the FTAA, it is important to remember that this was not simply the free trade area it appeared to be. That said, a broad regional agreement like that of the FTAA generated not only profound structural and institutional changes but also significant long-lasting ones.

As is already known, no major steps to cementing the United States' influence in Latin America through the FTAA occurred. In the aftermath of September 11th, United States foreign policy focused its efforts on security and consequently its policy making collaborated to undermine the continent's agenda of cooperation. On a political level, the main difficulties arose because of the differences in the positions of the United States and Latin America regarding foreign policy strategy. The United States' focus on security has overshadowed Latin America's importance to Washington. In this respect, some studies have been devoted to the United States' neglect of the continent in this period. Despite this attitude mainly existing during the terms of George W. Bush, the scant attention paid to the continent had its origins in the presidencies of Bill Clinton and George H. W. Bush (Russel and Tokatlian, 2008: 20). With this in mind, the lack of a long-standing foreign policy strategy towards the region is understandable.

Regardless of the lack of President W. Bush's political capital to achieve a successful regional agenda, the importance of his official visit in early March 2007 should not be underestimated. In fact, this official visit seems to have achieved its goals to a certain extent. Firstly, it sought to establish closer ties with Brazil based on the two countries' interests in promoting production and global trade of ethanol. Secondly, President W. Bush aimed to get the tacit support of Brazil for a strategy to contain President Hugo Chávez. Curiously, President Lula's attitudes towards Chávez and the President of Bolivia, Evo Morales, hardened after the visit of the President of the United States (Soares, 2007).

The change in President Lula's position became evident during the Summit of Isla Margarita in April 2007. As Sotero highlights, there was a willingness to foster cooperation with the United States during Lula's second term. In many respects, this was due to Lula's interests in establishing closer ties with the private sector. In this way, Brazil redirected its hemispheric policy motivated by three fundamental factors: diverging interests with Venezuela and Bolivia; the need to reassert regional leadership and the fact that there were also some areas of agreement

between Brazil and the United States foreign policy.⁶⁵

At the present time, there are three major topics that shape the United States foreign policy towards the continent: the potential increase in transnational terrorism on a global scale; the sharp decline in the State's importance and the link between illicit drugs and organised crime (Russel and Tokatlian, 2008: 20). The imbalance of power between the United States and Latin America will continue in the coming years, meaning it could still be predominant feature of international policy in the near future.

In this context, Brazil and Chile have seen an opportunity to develop strategic policies towards Washington instead of the long-standing traditional diplomacy of previous decades. Regardless of the difficulties in the region's greater political balance, there is room for manoeuvre in the continent's geopolitics. In some respects, the multilateralism endorsed by the high-level of institutionalisation plays a major role in terms of restricting the abuse of power and legitimising the state policies to be adopted. Therefore, the United States cannot afford to ignore them without receiving substantial penalties for a loss of support for their policies and aspirations.

Most significantly, at the present time Brazil is a 'necessary interlocutor' between the United States and Latin America. This means that Brazil is crucial to the continent's stability. The fact that the United States has recognised Brazil as an articulator of consensus is exclusive to their foreign relations, meaning that Brazil plays a key role in regional security.⁶⁶ Brazilian cooperation on regional matters and the country's ability to deal with every Latin American country has legitimised its position. Brazil is a sub-regional leader and Chile supports the country's geopolitical position in the region.

⁶⁵ See Paulo Sotero (2007), "Bush na América Latina: próximo do Brasil, longe de Chávez". *Política Externa*. São Paulo: Editora Paz e Terra, p. 67.

⁶⁶ Diplomacy is a mode of tactful civilised conduct, gracefully smoothing the rough edges of competitive, sensitive societies and men. Chiefly, however, it is an instrument and procedure by which nation-states conduct their political affairs and other business among themselves while at peace. It is thus the legislative process of world politics. Power and force can establish or change equations of strength among nations, thus limiting diplomacy's influence. Paul Seabury (1964). *Power, freedom and diplomacy: the foreign policy of the United States of America*. University of California. New York: A Division of Random House, p. 332.

4.3.1 Brazil, the United States and Mercosur's biofuel and ethanol markets

A point made earlier in this chapter concerns the interests of both countries in increasing the production and global trade of ethanol. In this context, energy appears as the most promising area of bilateral cooperation between the two countries in the foreseeable future. The opportunity to explore cooperation in the research and development of ethanol has undeniable implications for Brazil as a global player. To illustrate this point, the Brazilian Sugarcane Industry Association (Unica) has sought to create a global ethanol market, transforming the product that today meets less than 3% of world fuels demands into an internationally important commodity.⁶⁷

It is worth observing that Proalcool was the world's most consolidated biofuel programme, as well as the main mechanism used by the government to encourage sugar-cane production and foster the industrial capacity needed to transform the alcohol programme into a credit subsidy. Subsidies are also currently given for the development of the ethanol industry in the financial system, with compensation for regions according to their level of production and biofuel use requirements. Proalcool was implemented through financing contracts with unions and with National Treasury Secretariat and Brazilian Bank funding (Banco do Brasil S/A) allocating resources for the programme (Andrade, 2009: 131-132).

The National Treasury provided financing to the Brazilian Bank according to the Selic rate and refinanced sugar mills, distilleries and cooperatives producing alcohol at a fixed rate for the programme (11,5% in 2004). The amount financed corresponded to the volume of alcohol estimated to guarantee the loan. Law N^o 10,453/02 established the Sugarcane Production Cost Programme for the north-east region, with direct compensation for major north-eastern production costs compared to the centre-south. Moreover, the Green Fleets Law determined that acquisition or

⁶⁷ The Brazilian sugar-energy industry particularly that associated with the National Alcohol Programme (Proalcool) was launched in the 1970s as an alternative to imported fossil fuels. After a successful period that lasted into the 1980's followed by a difficult stretch in the 1990s, ethanol made a strong comeback as an alternative fuel source in 2003, with the car industry's introduction of Flex-Fuel technology. Unica News, "White House staffers learn about Brazilian ethanol", 17/08/2009. <http://english.unica.com.br/noticias/show.asp?nwsCode={CBD9A90F-23DB-4A96-81F5-401D3E170024>

replacement of the official fleet only be made up of vehicles that used renewable fuels.

90% of biofuel production is concentrated in the United States, Brazil and Europe, which represents a great potential for Mercosur members.⁶⁸ Mercosur's main partner is the world's second largest producer. It is estimated that Brazil's production will reach 44 million tonnes by 2016, an increase of 145% compared to 2006.⁶⁹ Industrial scale production of ethanol goes back several decades, so it is not surprising that the ethanol sector outweighs the biodiesel one. The increasing demand for renewable energy sources has had an important impact on ethanol production, to the extent that production volume almost tripled between 1995 and 2006. World ethanol production has reached approximately 50 million tonnes, with Brazil and the United States contributing more than a third of the total (López and Starobinsky, 2009: 24-5).

It should be remembered that the bilateral agreement between Brazil and the United States in 2007 changed the energy scenario in such a way that it created an important international ethanol market. Strengthening ties in other sectors such as energy goes hand-in-hand with the concept of public diplomacy and demonstrates the importance of diverse actors in foreign affairs. Energy issues play a fundamental role in foreign policy strategies in Brazil, the United States and Chile and therefore help build bridges in the sector to strengthen bilateral links. On the other hand, global efforts to reduce dependence on oil have led to initiatives being encouraged worldwide that use renewable energy sources. An increase in environmental concerns demands an alternative energy matrix to serve as a potential solution for cleaner energy use. Achieving greater energy security through increasing biofuels and ethanol production demands a competitive performance from the country's producers.

However, there is still some reticence about the United States and

⁶⁸ Among experts, biodiesel is the best candidate for diesel fuel. Biofuel has a number of benefits, such as adding value to feedstock and increasing rural manufacturing jobs and income taxes and investments. More information in Ayhan Demirbas (2007), "Importance of biodiesel and transportation fuel", *Energy Policy*, vol. 35, issue 9. Elsevier, pp. 4661-4670.

⁶⁹ Despite the general arguments against renewable energy sources, Brazil's ethanol programme demonstrates that scale economies can profit by using renewable energy. See José Goldemberg *et al.* (2004), "Ethanol learning curve: the Brazilian experience", *Biomass and Bioenergy*, vol. 26, Issue 3. Elsevier, pp. 301-304.

Brazil's production of ethanol and its impact on food prices. Whereas the impact of ethanol produced from corn in food production is recognised, Brazilian ethanol derived from sugar-cane does have a similar impact (Zhang, 2010: 145-146). Unlike the United States, Brazilian ethanol is already a reality in its energy matrix. To illustrate this situation, it can be pointed out that Brazil today meets more than 40% of its needs for fuel for cars with ethanol.

At the same time, Brazil has become one of the three largest producers and exporters of food in the world, together with the United States and the European Union. In addition, sugar-cane is only grown in 5% of the country's land used for agriculture. This fact demonstrates how ethanol can be used as a political tool to reshape the Brazil-United States relationship. In practical terms, the United States-Brazil agreement to promote the consumption of biofuels such as ethanol has still not achieved great results. Ironically, this has occurred due to the trade barriers that the United States has imposed on ethanol imported from Brazil.⁷⁰

The growing international demand for biofuel and ethanol means that renewable energy source have become an important issue in foreign affairs, encouraging multi-sector cooperation such as public-private partnerships. Environmental concerns have increased in the last few decades, determining the comparative advantages of ethanol producers like Brazil. The combination of adequate weather conditions and an adequate renewal of sugar-cane stocks have led to an increase in production. The United States is the main destination of Brazilian ethanol exports, leading to continuous energy links. In Mercosur, biofuel cooperation, especially ethanol in which Brazil is a world leader would help launch the aforementioned energy sources as a real alternative to fossil fuels.

4.3.2 Mercosur vis-à-vis Brazilian and Chilean foreign policy

Given the even more unfavourable and worsening conditions for

⁷⁰ There has been an attempt by representatives of the Brazilian ethanol industry to create a more open and trustworthy market for ethanol as a global commodity. Moreover, the Brazilian biofuels sector has directed its efforts towards the greater carbon credit market advantages that President Obama wants to create to combat climate change. Eletrosul, Gestor digital de informações, "EUA buscam cooperação na área de energia", 13th March 2009. http://www.eletrosul.gov.br/gdi/gdi/index.php?pg=cl_abre&cd=hniceZ4:%5BTehe

international insertion in the 1980s, Brazilian foreign policy was unable to seize diplomatic opportunities with strategic world regions like before. In practical terms, relations with the European Union and Japan became more difficult due to increased protectionism. Likewise, the country's privileged relations with the developing world were impractical and hard to maintain. It became clear that the regional order established in the Middle East after Gulf War of 1991 restricted any possibility of relations in that area. As the international scenario worsened, the creation of a new regional reality came into effect. In this sense, the process of integration with neighbouring countries became a reality, bringing immediate economic benefits. Another important point that should be mentioned is the reinforcement of the regional base with a view to broadening Brazil's participation as well as that of its neighbours in the global system. The creation of Mercosur should not be considered a goal in itself but goes hand-in-hand with a far-reaching geopolitical project (Visentini, 2004: 16-17).

As was explained in the first chapter, contemporary integration initiatives cannot be exclusively defined as state activity and the role of the State should not be underestimated. It has been recognised that the adoption of major reforms in Chilean public policy led to a decrease in external tariffs, together with the liberalisation of foreign investment. In this sense, Chile decided not to take part in projects involving negotiated economic integration and instead chose to support a system with a freer exchange rate. At this time, the country withdrew from the Andean Group due to the fact that it did not share a common external tariff. Indeed, it opposed the common treatment of foreign investments as well as of industrialisation through import substitution. The transition from a military regime to a democratic one brought with it a multitude of risks because of the economic reforms carried out during the military government.

The developed strategy preserved the macroeconomic balance and therefore in President Aylwin's term import tariffs were also reduced as an incentive for non-traditional export products. Continuing along these lines, foreign policy was built up through trade negotiations with central markets. Meanwhile, more public and private resources were designated to Prochile and to a more active development of the Direcon.⁷¹ As a small country,

⁷¹ Dirección de Relaciones Económicas Internacionales. Prochile is an agency that belongs to Direcon and the Ministry of Foreign Affairs and is aimed at developing the country's

Chile's foreign policy strategy was to take advantage of global trade, even if it could not influence it.

Chile sought to sign complementary economic agreements within the framework of the ALADI with Mexico and other Latin American countries. Furthermore, it signed free trade agreements (FTA) and cooperation initiatives with certain developed and emerging Asian countries. The important strategic understanding that emerged between Chile and Mexico should be stressed, enabling the possibility of Chile becoming part of the APEC, in the same way as it also favoured its negotiations with developed countries.⁷² On the whole, this foreign policy strategy continued in the subsequent governments of Presidents Frei (1994-2000) and Lagos (2000-2006). During the Frei administration, complementary economic agreements were signed with Mercosur, other Latin American countries and Canada and the European Union. Trade agreements were part of Chile's long-term foreign policy, with the government encouraging the expansion and diversification of commerce.

4.3.3 The fundamental matters concerning the FTAA

As has been explained, the FTAA was designed by the United States' government and the business sector and led to a tremendous loss of autonomy for Latin American countries. Brazil was threatened by international agreements to keep its domestic market open to United States' exports and exports from other countries in the continent. Certainly, Brazilian companies could not compete with corporations from the United States, given their technological, financial and commercial power. However, Brazil would have to give up a number of government policy instruments in order to join to the FTAA.⁷³ As a result, its trade policy would cease to exist

trade policy. http://www.prochile.cl/quienes_somos/que_es_prochile.php. The activities carried out by Direcon depend on the Ministry of Foreign Affairs. http://www.direcon.cl/index.php?action=quienes_somos

⁷² Augusto Aninat (2008). "La política comercial chilena: una experiencia satisfactoria pero con nuevos desafíos", pp. 136-137.

⁷³ Brazil's organised resistance to the FTAA was shaped by the Rose Garden Agreement signed in the White House Garden on 19th June 1991. This was the first such multilateral agreement since the EAI. The agreement establish a Council of Trade and Investments, which would be shared and chaired on a rotating basis by the foreign ministers from

in other FTAA countries. This means that neither tariff barriers nor non-tariff barriers would apply to protect certain sectors of the economy.

In practical terms, the country would be unable to use trade policy to protect its industries and the emergence or consolidation of new sectors. Most significantly, the situation worsened during the government of George W. Bush, with the United States' interests becoming more explicit.⁷⁴ On the one hand, the FTAA played an important role in creating a more open environment for the more competitive sectors of the United States' economy. On the other, it adopted protectionist measures for the most vulnerable and least competitive sectors of its economy. As previously analysed, the FTAA also had trade and economic implications for Brazil, since the liberalised policies of the United States required the country to open up its industrial sectors. Maintaining industrial development was the basis of the national industrialisation initiative.

Historically protected from foreign competition, Brazil service sector reacted cautiously to the FTAA project. The negative listing approach adopted by the FTAA, which demanded the exclusion of certain sectors from the agreement, reflected the dissonance in the way the country was being industrialised.⁷⁵ The FTAA's target to include almost every sector in the liberalisation programme had undesirable effects on the economy. Therefore, the FTAA model was formally rejected, due to its strong liberalising nature. As already noted, the FTAA had a much broader scope than better market access to goods and services.

4.4 The Present Course of Brazilian Foreign Policy

Under President Lula, Brazilian foreign policy did not undergo any dramatic

Mercosur member countries and the Office of the United States Trade Representative. Significantly, the agreement established a framework in which to relax trade barriers between the United States and Mercosur countries. "Mecanismos de diálogo e processos negociadores". Ministério das Relações Exteriores. Available at: <http://www.itamaraty.gov.br/o-ministerio/conheca-o-ministerio/america-do-sul/dnc-ii-divisao-de-negociacoes-extra-regionais-do-mercosul-ii/?searchterm=acordo%20do%20Jardim%20das%20Rosas>. Accessed on 11th July 2013.

⁷⁴ See Luiz A. P. Souto Maior (2001), "Brasil-Estados Unidos: desafios de um relacionamento assimétrico", *Revista Brasileira de Política Internacional*, vol. 44, n° 1. Brasília: Instituto Brasileiro de Relações Internacionais.

⁷⁵ See *Inter-American development Bank*, "The trade policy making process: Level one of the two level game". Buenos Aires: INTAL_ITD_STA.

changes or adopt a more militant position as some would have expected from a leftist government. The appointment of a career diplomat, Ambassador Celso Amorim, as head of Brazilian foreign policy illustrates this point, strengthening the foreign policy of former President Cardoso in the last two years of his administration, which coincided with the international financial crisis. This means that, in the last two years of Cardoso's term, diplomacy prioritised an agenda of cooperation in South America as a way of circumventing the crisis in Mercosur, maintaining the integration process in adverse circumstances (Vigevani and Cepaluni, 2012: 50-51). Brazil also attempted to recover a degree of autonomy from the Bush administration, as already highlighted.

Brazil's new foreign policy strategy sought to increase its negotiating power on the international agenda vis-à-vis major world powers. At the same time, talks were conducted with its neighbours regarding the establishment of a broader partnership in order to help economic growth. That said, Brazil encouraged the possibility of a coordinated action plan at an international level, aiming to avoid the marginalisation the region was suffering.⁷⁶ The logic behind this strategy was that regional integration could contribute to South American development. Furthermore, an integrated Latin America was an indispensable tool for negotiating the FTAA (Visentini, 2006: 166).

The new international coalition strategy adopted by Brazil's foreign policy-makers was a continuous and flexible search for international activities in order to extend national power. The Brazilian multilateral foreign policy strategy of the twenty-first century, in which the G-20 and BRICs (Brazil, Russia, India and China), are important bodies in the country's foreign policy strategy has been considered by many analysts as more rhetoric than substance.⁷⁷ However, the coalitions strategy is part of a new global order, creating a new architecture for international relations. In

⁷⁶ It should be highlighted that Mercosur was created for strategic and political reasons beyond the field of trade. Further reading in Féliz Peña (2011), "Uma perspectiva sobre o futuro do Mercosul", *Política Externa*, vol. 20, n° 1. São Paulo: Editora Paz e Terra, pp. 99-106.

⁷⁷ The weakening of the United States' power in the international arena is associated with India and China's emerging position as global powers and has been attracting greater interests among the international community. Roberto Teixeira da Costa (2011), "Chile e Índia: protagonistas de um mundo em transformação", *Política Externa*, vol. 20, n° 1. São Paulo: Editora Paz e Terra, pp. 181-188.

this global scenario of restructuring, the so-called emerging countries of Brazil, India and South Africa, for example, aim to exert more political and economic influence on the international arena. The end of the Cold War brought the return of these large, peripheral countries to the diplomatic context, with them playing the role of intermediaries between developed and developing countries in international talks.

Despite major differences between the larger peripheral states, they all share similarities such as large populations and huge territories, providing opportunities for economic exploitation. As Visentini points out, the potential of these countries for promoting greater economic, scientific and technological developments, military capability and broad and diverse competitiveness on an international level was soon realised (Visentini, 2006: 161). Furthermore, in the current context of economic crisis, the size of these peripheral countries matters when world trade is falling, since large economies have millions of domestic consumers to turn to when foreign markets fail. Another important fact is that large economies tend to be diversified. On the one hand, diversification means little when markets all fail at once. On the other hand, it can be considered a significant advantage when recovery begins, since these countries are most likely to be involved in businesses in which demand is rising.⁷⁸

Due to the previously mentioned factors, these states can increase their bargaining power in the international arena through coordinated action. The reason behind this policy of coordination is the attempt to develop a more symmetrical world order. In response to the inability to reform existing structures within the United Nations, new attempts to shift the global balance of power were made by emerging countries. In this way, initiatives like the BRIC, striking for a bigger say in global policy-making, contribute to this trend. That said, when the BRIC meet, they discuss topics such as reforming the IMF and, in the case of China, Brazil and Russia plans to switch some of their foreign-currency reserves out of dollars and into IMF bonds.⁷⁹

Continuing along these lines, the G-20 the group of the world's 20 largest economies, constitutes a forum for debating topics that affect the global order, such as international crises, climate change and global warming and

⁷⁸ *The Economist*, 20th-26th June 2009, p. 65.

⁷⁹ *Ibid*, p. 63.

trade liberalisation among others. According to President Lula, decisions about measures to contain the international crisis cannot only be contained to the G-8 (the United States, Japan, Germany, the United Kingdom, France, Italy, Canada and Russia). The G-20, which represents about 80% of global wealth, should also discuss issues such as the recovery of the global economy.⁸⁰

In the long-run, Brazil's foreign policy expresses values of tolerance and respect for other countries. In accordance with the country's diplomatic tradition, Brazil's leadership builds on its capacity to articulate conflicting interests, while operating as a consensus-building country. Regardless of Chile's divergent approach to the FTAA initiative vis-à-vis Brazil's diplomatic strategy, the two countries share common values associated with their similar international insertion. As van Klaveren states:

“From Chile's standpoint, Brazil embodies the so-called ‘para-neighbour policy’, as does Ecuador, which has also been a traditional friend of Chile. This kind of relationship reflects ties that are not so strong, since neither state shares a common border or long-term stable relations that encourage mutual respect. Chile's position supporting the NAFTA and FTAA projects, while distancing itself from Mercosur and UNASUR initiatives, cannot be linked to Brazil-Chile ties. The perception within Chile's foreign policy plan was that strengthening participation in the field of UNASUR could demonstrate undesirable support of the country for the Bolivarian Alliance for the People of Our America (ALBA). Establishing closer links with President Hugo Chávez was not the goal of Chilean diplomacy (Alberto van Klaveren, Vice-Chancellor for Foreign Affairs (2006-2009), agent of the State of Chile in the case of Peru versus Chile in the International Court of Justice regarding a maritime border dispute on 16th January 2008. Interviewed on 29th August 2013 in Santiago de Chile).

Brazil and Chile's similar international insertion, based on the defence of human rights, should not be underestimated, given the importance of protecting human rights and the favourable environment developed from the 1990s onwards in both countries.⁸¹ The consolidation of human rights

⁸⁰ “Lula diz que cabe ao G-20 agir contra a crise”. *O Globo*, Economia, Tuesday, 14 July 2009.

⁸¹ Further reading in Mónica Serrano and Vesselin Popovski (2010), *Human rights regimes*

reforms laid the groundwork for both states' active position. From Brazil's standpoint, the return to civilian rule in 1985 brought a minimum number of political rights: universal suffrage, free and fair elections and an adequate separation of power. With regards to civil rights, the country signed every regional and international human rights protocol and convention, taking an active position in the United Nations' human rights protection system. Indeed, reapprochement to the Inter-American system also occurred in this period. The 1988 Constitution expressly recognised rights and guarantees in accordance with the country being a pioneer as one of the first to institute the National Plan of Action on Human Rights (Macaulay, 2010: 133-137).

In Chile, the increasing importance of protecting human rights has been twofold. The gross violations that occurred during the military dictatorship and the legal changes that had to be carried out to sustain democratic values as a due process of law to guarantee freedom of expression and to give rights to vulnerable groups led to important changes in the country's political system. The first step was the creation of the National Commission for Truth and Reconciliation (the Rettig Commission) during the administration of President Aylwin (1990-1994).⁸² From the 1990s onwards, civil tribunals played an active role in prosecuting the abuses committed by the dictatorship. Alongside Brazil, Chile remains extremely active in international forums on human rights, as illustrated by the country's position signing of the Universal Declaration of Human Rights and of the American Convention on Human Rights.

At a constitutional level, important changes took place in 2005, due to the interpretation of information of a public nature. Therefore, the so-called *desacato* laws were removed from the penal code and restrictions on freedom of expression in a state of emergency were modified to adhere to international standards. Vulnerable groups like women and their rights also underwent significant reforms, with the creation of the Ministry for Women (SERNAM). The transition policy included membership of intergovernmental human rights organisation notably the UN Human Rights Commission, the Inter-American Court and Commission, the UN Human

in the Americas. New York: United Nations University Press.

⁸² More information in the "Report of the Chilean National Commission on Truth and Reconciliation", United States Institute of Peace, 4th October 2002. Notre Dame: University of Notre Dame Press. http://www.usip.org/sites/default/files/resources/collections/truth_commissions/Chile90-Report/Chile90-Report.pdf

Rights Committee and the UN Sub-Commission on Human Rights (González, 2010: 156-164).

It is worth highlighting Brazil and Chile's similar approach, through their mutual support to the Universal Declaration of Human Rights and their policies on democratising and promoting human rights policies. Brazil's hope of gaining a permanent seat on the UN Security Council had Chile's support. The reform of the Security Council needed would lead to more permanent members and Brazil, as an emerging global power would comply with the council's need to better represent the new international context. The fact that Chile was the first country in the region to express such support has an important diplomatic interpretation.⁸³ It shows that Brazil and Chile think about global matters in a similar way, as well as demonstrating the values of peace, democracy and human rights.

4.4.1 Brazil-United States bilateral relations during the Obama administration

There is a general consensus that the well-functioning bilateral relationship between Brazil and the United States has not undergone significant changes during Obama's term. On the whole, the partnership has continued in the areas of cooperation, although the emergence of new subjects has warranted closer attention. The unexpectedly easy dialogue between President Bush and President Lula provided, to some extent, a new scenario for the development of bilateral ties from 2005 onwards (Amaral, 2002). Despite some scepticism about the ability of the two states to maintain a favourable relationship others saw an opportunity to cultivate good relations and continue the development of new areas of cooperation in the subsequent years, taking into account Obama and Lula's similarities in their personal trajectories and values.

Moreover, both presidents share the same opinion on multilateralism as an inclusive universal mechanism, as opposed to the idea of it as a mere

⁸³ Chile has carried out its foreign policy based on respect for international law, the inviolability of treaties, non-interference in other countries' international affairs and the juridical and peaceful resolution of controversies. "Chile's foreign policy", *Chile Embassy of Chile*, Washington D.C., 2014. <http://www.chile-usa.org/forpolicy.htm>

grouping of the like-minded. When announcing his foreign policy, President Obama named three main Department of State priorities: strengthening international institutions, promoting nuclear non-proliferation and managing peace in the Middle East. Indeed, he ranked the UN as an indispensable organisation for fostering global cooperation. The previous 15 years had been filled with the United States' attempts to promote 'anchor projects' in Latin America: the Enterprise for the Americas (EAI) announced by President George Bush in June 1990 and the redefinition of the Latin American system through periodic summits with the creation of the FTAA as the main target, as previously studied (Sharma and Gielen, 2014: 219).

As outlined in the chapter about energy and also in the section about nation branding, Brazil and the United States developed a partnership to search for and develop biofuels. This bilateral understanding had implications for the harmonisation of global technical standards. Furthermore, it contributed to the dissemination of information seeking the production and use of biofuel in developing countries through the viability of financing studies and technical assistance.⁸⁴ Bilateral cooperation is a big step towards an international biofuel market with the largest possible number of producer and consumer countries, all of which is a prerequisite for the security of this energy source. The appointment of a Nobel Prize winning physicist committed to clean and renewable energy sources to the Department of Energy illustrates the United States energy policy.

Regarding trade, Brazilian exports increased from US\$13.2 billion to US\$27.4 billion between 2000 and 2008 and imports rose from US\$12.9 billion to US\$25.6 billion. The United States enjoyed a strong commercial relationship with Brazil, representing nearly US\$63 billion of bilateral trade in 2008. Ironically, bilateral trade led to a better trade performance, with some countries maintaining a free trade agreement with the United States. In 2008, the United States was Brazil's top foreign direct investor (US\$7

⁸⁴ However, Brazil's protest over United States' ethanol tariffs demonstrated the trade dispute between the two countries over ethanol. According to Brazil, the US tariff of US\$ 54 cents per gallon was designed to protect American corn farmers who could not produce ethanol as cheaply as sugarcane growers. The United States considers ethanol the only United States product outside the scope of WTO rules, but Brazil challenges this, saying any tariff cuts would have to be a part of future global trade pact. "Brazil is poised to begin WTO protest over ethanol tariffs". *New York Times*. Available at: http://www.nytimes.com/2008/07/30/business/worldbusiness/30iht-30ethan.14880834.html?_r=0. Accessed on 11 July 2013.

billion) and, at the same time, the largest recipient of Brazilian foreign direct investment (US\$4.8 billion). Both President Obama and Secretary of State Clinton demonstrated signs of an interest in strengthening relations with Brazil in the economic and commercial fields through their support, for example of the United States-Brazil CEO Forum that takes place twice a year.⁸⁵

In the UN Security Council, cooperation between the two countries acquired greater relevance, given Brazil's two-year term (2010-2011) as a non-permanent member.⁸⁶ Under the United Nations' Charter, the Security Council has primary responsibility for maintaining international peace and security and the authority to determine "the existence of any threat to peace, breach of the peace or act of aggression" (Article 39). The Council decides which measures are to be adopted to fight these threats, including the establishment of peacekeeping operations.⁸⁷ Brazil's participation in international decision-making sets the stage for further bilateral partnerships. The United States recognised Brazil as an emerging power and a key actor when dealing with issues of lesser politics, like trade, finance and the climate, given its ranking as the Latin American leader in dealing with radical regional trends (Bonomo, 2011: 101).

Minister Celso Amorim and Secretary of State Hillary Clinton had phone conversation shortly after the confirmation of the appointment of Clinton by the United States Senate. On 24th February, Clinton and Amorim held a summit to decide common areas for more intense cooperation and dialogue

⁸⁵ Brazilian-American Chamber of Commerce, Inc., "United States -Brazil CEO Forum to hold fourth meeting in Washington later this month". 16th July 2009. http://www.brazilcham.com/default.asp?id=248&c002_ui=sa&c002_id=730

⁸⁶ United Nations Security Council. http://www.un.org/sc/list_eng5.asp

⁸⁷ Brazil held an elective seat on the Council for the tenth time, a number matched only by Japan. As an elected member of the Security Council, Brazilian priorities were among others, stability in Haiti, the situation in Guinea Bissau, peace in the Middle East, efforts towards disarmament, the promotion of respect for International Humanitarian Law, the strengthening of peacekeeping operations and an approach that relates the defence of security to the promotion of socio-economic development. Nowadays, Brazil contributes more than 1,300 soldiers, military observers and police on three different continents. The greatest contingent is in Haiti, where a Brazilian General also holds the military command of the United Nations Stabilisation Mission in Haiti (Minustah), made up of 17 countries. Ministério das Relações Exteriores, "Brazil elected to the United Nations Security Council", 15 October 2009. <http://www.itamaraty.gov.br/sala-de-imprensa/notas-a-imprensa/2009/10/15/brazil-elected-to-the-united-nations-security>

in the future: energy, climate change and global warming; the first against poverty; Haiti, Cuba and the Middle East and the strengthening and reform of the UN among others. Triangular cooperation for promoting the development of third world countries was also an important topic during the talks. As pointed out earlier, the complementary capabilities of Brazil and the United States already existed in the areas of ethanol and health, yet further progress could also be made in other fields allowing for a joint performance (Patriota, 2009: 91).

Most notably, the development of closer dialogue does not imply absolute alignment or agreement between the two states. However, their partnership has faced difficulties due to the international financial crisis and the resurgence of protectionist tendencies. Furthermore, the latest negotiations of the Doha Round, agricultural subsidies, a consensus on the ethanol tariff, the relationship between intellectual property and access to health among others, all demand constant dialogue.⁸⁸ Fixing these issues requires an extra effort on the part of Brazilian diplomacy.⁸⁹

It should be remembered that this is the first time in history that an international financial crisis has not significantly affect Brazil's growth. Despite unequal social distribution remaining improvements did not occur to social inequality rates. Obviously, more needs to be done to improve the education system, health care, infrastructure, transportation and the political and tributary system among others (Oliveira, 2010). However, Brazil did take advantage of the environment of mutual respect between the two countries, the undeniable new political affinities and the more powerful international role it had acquired in recent years. The addition of several specific topics not directly linked to the need to create a common economic agenda or to the harmonisation of trade policies sustains the progressive institutionalisation of bilateral dialogue.

The Brazil-United States relationship during President Dilma and

⁸⁸ The complexity of agricultural issues demanded global solution for liberalising these markets. John C. Beghin and Ataman Aksoy (2003), *Agricultural trade and the Doha Round: lessons from commodity studies*. Iowa City: Iowa State University Press.

⁸⁹ Negotiation is the principal mechanism for resolving major conflicts in international commerce. Advances in transport and communication systems coincided with a period of political, trade and economic instability. Therefore, negotiation was the best way to solve conflicts in international trade. See Ligia Maura Costa (2005), *Comércio exterior: negociação e aspectos legais*. Rio de Janeiro: Elsevier.

Obama's administration was not marked by strong political links. The United States spying on Brazil significantly influenced the bilateral relationship. Evidence that the United States' National Security Agency (NSA) appeared to be spying on Petrobras, Brazil's national oil company caused certain discomfort between the two countries. President Dilma Rousseff demanded explanations from the United States, threatening to postpone or cease paying official visits to Washington. The lack of formal explanations led to the cancellation of the planned state visit.

Chile joined Brazil in demanding answers from Washington over allegations of spying.⁹⁰ Chile's Minister of Foreign Affairs Alfredo Moreno, categorically condemned the practice of espionage. As Moreno said, "Chile reaffirms its adherence to international law and conventions, which are appropriate instruments to ensure harmonious coexistence among nations."⁹¹ Regional cooperation mechanisms, such as the Community of Latin American and Caribbean States (CELAC) set up in 2011, included Cuba and excluded the United States and Canada and create a new regional body. The CELAC provides hope of a regional cooperation initiative beyond the United States' influence.⁹²

In line with the interpretation of public diplomacy, the growing participation of different actors, such as the business sector in foreign affairs is significant, especially from a regional point-of-view. The focus on the centrality public diplomacy is now occupying in foreign policy, with the rise of multiple actors, offers a new paradigm for exploring international relations. The CELAC and the European Union (EU) summit of heads of

⁹⁰ "Brazil and the United States: more in sorrow than anger". Volume, 408, 21st-27th September 2013. *The Economist*, p. 37.

⁹¹ Karen Riquelme. "Chile condemns USA spying". *News*. 11th July 2013.

⁹² The combined gross domestic products of the countries in CELAC make it the third largest economic powerhouse in the world. It is also the group with the world's largest oil reserves and the third largest world producer of energy and food. In Havana, on 30th January 2014, the bloc's leaders signed a declaration that stated that regional integration should respect the sovereign right of each of the region's population to choose their own form of political and economic organisation. "Time to hug a Cuban: a rush to embrace a fading outpost of communism", *The Economist*, 15th-21st October, vol. 410, 2014. p. 32. Founded in 1986, the well-known Rio Group - 'Grupo de Rio' - was a political forum to facilitate discussions of common interest. The Rio Group's dialogue with the EU was institutionalised in 1990. The Rio Group merged with CALC (Cumbres América Latina y Caribe - internal LAC Summits in 2010 under the CELAC framework. "The EU and the Rio Group", *European Union External Action*, http://eeas.europa.eu/la/riogroup_en.htm

state and governments in Santiago de Chile from 26th-27th January 2013, was the first of the official meetings between the European Union and CELAC and contributed to the regional approach towards Europe. Brazil, Chile and the other Latin American states came together to address an alliance on sustainable development.⁹³ The CELAC sought to promote regional cooperation within a framework of solidarity, economic cooperation and political coordination.

4.4.2 Chile's expectation with regards to the United States

In 2000, Chile undertook an ambitious agenda with the United States, made up of emerging topics such as electronic commerce, business visas, labour requirements, environmental topics and civil society participation in the trade negotiation process, all beyond the traditional topics of trade negotiation. Not surprisingly, a free trade agreement with the United States had been the goal of Chile's foreign policy with the EAI since June 1990. Symbolic negotiations occurred in the early 2000s during the administration of President Clinton and actual negotiations were carried out during the term of President George W. Bush, but were not fast-tracked. Afterwards, the United States Congress – by a minimum number of votes – passed the Trade Promotion Authority (TPA) on 6th December 2002. As Pizarro stated:

“President Lagos’ approach is totally in accordance with the United States’ liberalising values. More than sharing similar economic principles, Lagos appreciates the significance of strengthening and intensifying links with the United States. Therefore, his administration was connected to the United States’ trade liberalisation measures. The first free trade agreement ratified by Chile was the Canada-Chile Free Trade Agreement (CCFTA) that came into force in 1997 during Lagos’ government” (Interviewed on 24 August 2011 in Santiago de Chile).

The CCFTA promoted increasing bilateral links between the two countries, with Canada becoming the largest source of new direct investment in Chile since the agreement. In this way, the aim of strengthening ties with the United

⁹³ “EU-CELAC Action Plan 2013-2015”, Santiago 27th January 2013, 5748/2013, Press 32. <http://www.consilium.europa.eu>

States consisted of opening up the Chilean economy, becoming more competitive, fostering the export-oriented model, increasing value-added exports and raising the share of manufactured goods and skilled services.⁹⁴ Achieving a balanced partnership played a key role in promoting understanding beyond the WTO, as well as including all aspects of a bilateral economic relationship, such as trade, investments and strict trade barriers.

When negotiations took place, 19 topics were selected from topics involving trade goods, trade protectionism, technical rules, investments, trade services, institutionalisation issues, labour requirements and environment sustainability. Official talks started in December 2000, with 14 rounds of negotiations concluding in agreements on 11th December 2002. President Lagos officially announced the new agreement, emphasising the opportunities for job creation and the dynamic growing economy. On 31st January 2003, the United States notified Congress of its intention to sign the free trade agreement, with the legal procedure to be carried out in an estimated minimum of 90 days.⁹⁵ However, in the international context, the result was that the agreement's ratification was postponed.

The press argued about the pressure on President George W. Bush to sign the FTA in exchange for Chile's support for United States' military intervention in Iraq in the UN Security Council. In this respect, President Lagos' decision to remove FTA negotiations from the UN Security Council debate was unanimously backed in Chile. Maintaining an independent approach while strengthening bilateral trade and economic connections demonstrates the lack of correlation between the country's economic and political-diplomatic position (Sater, 1990: 135-136). Therefore Chile - as a non-permanent member of the UN Security Council - maintained its opposition to the military invasion of Iraq. The United States-Chile FTA entered into force on 1st January 2004.

Chile's neoliberal approach, in accordance with the United States' advanced economic liberalisation values, demonstrated the pragmatism of Chilean diplomacy, whereas their absence of support for issues related to

⁹⁴ See *Government of Canada* (2012), "Canada-Chile Free Trade Agreement". <http://www.agr.gc.ca/eng/industry-markets-and-trade/agri-food-trade-policy/trade-agreements-in-force/canada-chile-free-trade-agreement-ccfta/?id=1383936689069>.

⁹⁵ "Chile: 20 años de negociaciones comerciales". *Direcon*. Santiago: B&B impresores. November 2009, pp. 135-136.

‘hard politics’ as illustrated by the invasion of Iraq, should not be underestimated. Economic ties do not have a direct relation on international political insertion, which explains the adoption of Chile’s independent position on specific topics (Pennaforte, 2001: 68-69). Another important point that help understand Chile’s foreign policy approach consists of the greater priority given to the Pacific Alliance by President Sebastián Piñera.

Chile’s business diplomacy was consolidated by the Pacific Alliance, with the private sector playing a significant role in carrying out market integration initiatives. The pragmatic nature of the alliance goes hand-in-hand with the country’s foreign policy strategy. Therefore, on 23rd May 2013, Chile, Colombia, Mexico and Peru signed the alliance removing tariffs on 90% of their trade of merchandise. Although the alliance currently involves four Latin American countries, nine showed up at the meeting as observers, including Canada, Spain, Australia, New Zealand, Uruguay, Japan, Guatemala, Costa Rica and Panama. These countries and investors from outside of Latin America were attracted by the positive business climate among the alliance’s members.

The countries of the new alliance already occupied four of the top five spots in the World Bank’s list of countries for doing business in Latin America, encouraged by the fact that the bloc was serious. According to international perceptions, the bloc was focused on trade, investment and immigration rather than politics and ideology.⁹⁶ Not surprisingly, Chile signed the Pacific Alliance because of its economic foreign policy priorities, which had gained a preponderant position in the country’s diplomatic targets. Since trade and investment liberalisation were fundamental aims of Chile’s economic policy, the alliance created a deeper regional market in which to reap scale economies.

4.5 The Pacific Alliance *vis-à-vis* Mercosur

The excitement among the international press over the Pacific Alliance should be cautiously observed. Different organisations’ perceptions of the economies of the Atlantic and Pacific countries led to the erroneous

⁹⁶ Keppel, Stephen. “Meet Latin America’s serious side: the Pacific Alliance”. ABC News, 28th May 2013. Available at: http://abcnews.go.com/ABC_Univision/News/meet-latin-americas-side-pacific-alliance/story?id=19262599#.UeM4S1OhA0Q.

interpretation of Mercosur as a political front without original principles and which opposed the pragmatism aspect of the Pacific Alliance.⁹⁷ The superficial analysis of Mercosur as a lost cause without considering Brazil's role as a leader in the region does not serve to help understand Brazil-Chile cooperation. It is worth remembering that Brazil-Chile ties demand public diplomacy, nation branding and a presidential diplomatic approach, in which the traditional diplomacy perspective lags far behind when explaining current bilateral links.

On 30th April 2013 Chile's Chamber of Deputies approved the law proposed by the administration of President Piñera, a first step that targeted parliamentary sanctions for the Pacific Alliance agreement, signed in Paranal, Antofagasta on 6th June 2012. The pact was signed by the host country's president plus Mexico, Peru and Colombia which gave way to the Pacific Alliance upon the signature of the Lima Declaration on 28th April 2011. This was the political context in which President Alan García officially invited the presidents of the three countries to join closer collaboration between them. As Monge says:

“The idea had its roots in the economic perception, given that the nations that made up the alliance - the so-called ‘Arc’ at the beginning – had exports valued at \$445 billion in 2010, almost more than 60% of Mercosur exports in the same year, according to the World Trade Organisation. Simultaneously, the traditional allies of Chile - like Brazil and Ecuador - in terms of ideological activism should not be ignored. Traditional historical friendships should not be transformed into economy as the main aim of foreign policy aims” (Monge, 2013: 2).

Brazil's international insertion as a global emerging superpower encouraged Chile's interest in developing closer links. Moreover, their share and similar values on various topics in the international agenda could not be ignored. Díaz provides a fundamental explanation:

⁹⁷ See *The Economist* (2015), How deep is their love? The Pacific Alliance is a great brand in search of a shared product, 14 March 2015. <http://www.economist.com/news/americas/21646273-pacific-alliance-great-brand-search-shared-product-how-deep-their-love>.

“The Pacific Alliance is the natural integrated economic bloc for Latin American countries with coasts in the Pacific. The perception of the alliance as an anti-Mercosur bloc is not aligned with Chile’s foreign policy targets. The subsequent administration considered Brazil and Mercosur as essential actors in the country’s diplomatic strategy. However, Brazil needs to redefine its foreign policy with regards to Chile” (Álvaro Díaz. Interviewed on 6th June 2013 via e-mail).

In this way, pragmatism and continuity appeared in Lagos’ economic policies. As seen in the first chapter, the long-term focus of Chilean foreign policy encourages the state’s relations of cooperation with conglomerates and business sectors. The public diplomacy perspective demonstrates the importance of diverse sectors to understanding Chile’s strategy, insofar as the country has maintained neoliberalism as a development model, strengthening the role played by transnational capital.⁹⁸ Furthermore, the country has created fundamental institutions to guarantee coherence during negotiations and parliamentary approval for trade agreements. In theory, the Arc of the Pacific goes hand-in-hand with the country’s liberal foreign policy aims.

Another core element to understanding Chile’s growth is the emergence of China as an international power, increasing its imports of Chilean copper. According to OECD rates, Chile has grown by 4.8% a year and has seen productivity increase by 1.1% a year. However, its educational system’s performance, labour force participation and youth unemployment rate are relatively high compared to other OECD countries. At the same time, the country is described as investing enough in education and training, since Chile spent 6.8% of its annual income on education in 2010 more than the OECD average in 2009.⁹⁹ According to the 2012 Human Development Index Ranking, Chile ranked fortieth with a ‘Very High Human Development’, while Brazil was eighty-fifth with ‘High Human Development’.¹⁰⁰

⁹⁸ Public diplomacy requires state and private actors to communicate with the people. Geoffrey Cowan and Amelia Arsenault, “Moving from monologue to dialogue to collaboration: the three layers of public diplomacy”, *The Annals of the American Academy of Political and Social Science*. <http://ann.sagepub.com/content/616/1/10.short>

⁹⁹ “How Chile compares”. OECD. <http://skills.oecd.org/informationbycountry/chile.html>. Accessed on 10th July 2013.

¹⁰⁰ *Human Development Reports*. 2012 Human Development Index (HDI) Ranking.

Despite the importance of China's insertion into the global scenario, the internal differences between Chile and Brazil's social organisation should be observed. Brazil's gigantic dimensions and social inequalities contradict the country's international insertion as an emerging global power. Nevertheless, the boom in the past years has caused significant changes to the rate of poverty, especially in the north-west region, falling markedly from 21% in 2003 to 11% in 2009. Extreme poverty (people living on \$1.25 per day) has also dropped dramatically from 10% in 2004 to 2.2% in 2009. Despite their totally different dimensions – to some extent explaining Chile's better human development levels – Brazil's social inequalities remain high even for a middle-income country.¹⁰¹ Brazil's human development levels contrast sharply with its position as the world's seventh wealthiest economy. Hosting important international events such as the Pope's trip to Brazil in July 2013, the World Cup in 2014 and the Olympic Games in 2016 has demanded logistical organisation as well as social development.

The Pacific Alliance and Mercosur should not be seen as South America separating into two blocs, since the former is the natural way for countries on the Pacific coast. The coexistence of two blocs does not mean a continental division, since Mercosur serves to consolidate the efforts of Argentina-Brazil integration after a history of wars and differences. Moreover, the Pacific Alliance does not reflect the homogeneous cohesion of Chilean national interests, since the agreement in practice summarises the conducting of business diplomacy. The historical friendship and mutual support in multilateral forums of the Brazil-Chile bilateral relationship should not be underestimated. When analysing Brazil-Chile bilateral relations, Asia is an overwhelmingly important actor with Chile representing a bridge to the Pacific. As long as China is its main trade partner, Brazil urgently needs access to the Pacific. Chile is the natural choice in this case, since the country's stable socio-economic circumstances favours building infrastructure partnerships.

Available at: <http://hdr.undp.org/en/statistics/>. Accessed on 1 August 2013.

¹⁰¹ "Brazil overview". The World Bank. Available at: <http://www.worldbank.org/en/country/brazil/overview>. Accessed on 1st August 2013.

4.5.1 Brazil-Chile-Asia

The increasing importance of China as a global power - to the detriment of the United States' world influence - targets a new approach to the role played by the Asian actor in Brazil-Chile foreign affairs. The remarkable growth of China in the past few years demands special attention, given the transformation it has produced in the global economy's contemporary history. China's growth has had a direct effect on Brazil and Chile's economies, taking into account the flux of commerce between China and the two countries. China's rapid growth in the world economy has enhanced Brazil-Chile direct growth and both the United States and this Asian power have emerged as relevant actors in the Brazil-Chile bilateral context.

In the global order, Brazil and China are similar in the sense that they both face difficulties when projecting an accurate contemporary image abroad.¹⁰² We support the idea that Brazil's image is completely tied to past perceptions, which may occasionally correspond more to stereotypes than serious branding initiatives. Like China, Brazil finds its identity shifting as never before since both states have become increasingly influential global players. From the Brazilian perspective, the emerging force of ethanol as a renewable energy source is also a tool of political influence and therefore careful marketing is necessary to maintain its value. In addition Brazil's exports have diversified over the years, to the extent that the country has become one of the world's most successful and fastest growing manufacturers of jet aircrafts with its company Embraer (Morgan, 2002: 43). Today, China and Brazil face similar dilemmas and need to find ways to select a set of ideas and values – among the ones that are most obvious and important - in order to rebrand their contemporary image. It should be highlighted that it takes patience to establish brand reputations and that a successful nation brand requires a long-term effort.

From the Chinese perspective, it successful nation brand is not only important in the context of domestic public diplomacy, but also, given the

¹⁰² However, China comprises the same public diplomacy instruments as other countries, like internet, the media, events, publications, notwithstanding the fact that in the case of China, many of these mechanisms are state-controlled. Ingrid d' Hooghe (2005), "Public diplomacy in the People's republic of China", in Melissen, Jan, *The new public diplomacy: soft power and international relations*. London: Palgrave Macmillan, p. 96.

potentially vital role China can play in maintaining a peaceful international order, its misbranding may result in dangerous consequences worldwide (Bergsten, 2009: 9). Therefore, China needs to reassure the international community of the overall positive, peaceful and constructive implications of its growth.¹⁰³ Given the challenge to the global economy posed by China, it can be assumed that its growth is also reflected in Latin America and as a result in Brazil-Chile affairs. The emergence of a new global agenda in the twenty-first century has been suggested in which a broader coalition of government officials and non-governmental agents provide the necessary elements to deal with a wide array of critical issues in the international system.¹⁰⁴

4.5.2 The background and potential of a Brazil-Chile-Asia partnership

Once Asian states have diversified their socio-economic realities, they provide different opportunities for Brazil and Chile in terms of sustainable

¹⁰³ China recognises the importance of projecting its culture through soft power. Nicholas Dynon (2014), “China and nation branding: Beijing’s ‘all culture’ focus is delivering a poor return on its soft power investment”, *The Diplomat*, 11th January 2014. <http://thediplomat.com/2014/01/china-and-nation-branding/>

¹⁰⁴ Nowadays, non-traditional issues play an increasingly important role in the international security agenda and therefore multilateral bodies have assumed a substantial role in global coordination. The new reality demands cooperation between diverse actors and emerging economies, like China and Brazil play a central role in the process. See Giovanni Maggi (1999), “The role of multilateral institutions in international trade cooperation”, *The American Economic Review*, vol. 89, n° 1. American Economic Association. There will be no cooperation on global affairs unless emerging powers embrace them. With the advent of the financial crisis this approach became clear. More information in “The origins of the financial crisis”, *The Economist*, 7th September 2013. London. We have the Group of Twenty, which has assumed an important role in the context of financial crisis in many ways reducing the importance of the Group of Seven. See Leonardo Ramos *et al* (2012), “A governança econômica global e os desafios do G20 pós-crise financeira: análise das posições de Estados Unidos, Alemanha e Brasil”, *Revista Brasileira de Política Internacional*, vol. 55, n° 2, July/December 2012. Brasília. Within a multilateral scenario, nation branding is part of a collective domestic effort to promote a better image abroad. Public diplomacy embraces the concept of nation branding, so both strategies should be aligned, otherwise countries’ misconceptions may cause either international friction or have opposite effects internally. For the importance of systematic multidisciplinary effort to analyse contemporary international relations, see Eytan Gilboa (2008), “Searching for a theory of public diplomacy”, *The Annals of the American Academy of Political and Social Science*, vol. 616, pp. 55-77.

relations. The emerging importance of Asia is not only due to the Pacific Alliance, but also to other areas, as will be observed. Despite China's position at the forefront of economic influence, it is worth observing the Asian presence in Brazil-Chile ties. When referring to Asia, two points must be discussed: first, the relevance of Asia in the field of Brazil-Chile relations, given that Chile is a bridge to accessing Asia. Secondly, Asia is a significant international partner, so Brazil-Chile-Asia relations should be observed from a long-term perspective. The emergence of Asian provides a new architecture for Asia-Latin America relations in that new forms of approach, not previously available, have been developed, as will be argued in this section.

Ironically, the Asian crisis combined with the Brazilian crisis at the beginning of 1999, created an opportunity to establish closer links, but also created downturn in the trade and investment between both states. The post-crisis circumstances laid the groundwork for strengthening political ties seeking mutual support to deal with issues on the international scene. However, what is seen in Asian intercontinental relations - particularly in the case of Brazil - is the difficulty in prioritising an Asian partnership to the expense of either regional or Western commitments. As will be discussed, there is a huge interest in expanding political ties and business partnerships, even though there is no clearly defined way of pursuing these goals.

As a result, an institutionalised approach to Asia and Latin America was developed in 1999, called the Forum for East Asian-Latin American Cooperation¹⁰⁵ (FEALAC). The FEALAC played a strategic role in fostering and strengthening relations between the two regions without the presence of the United States. It demonstrated the increasing interests from both sides in promoting cooperation and strengthening political economic dialogue. Technology has helped mitigate the effects of the geographical distance between East Asia and Latin America and has created a benign environment in which to foster interaction between the two regions. Along with the concept of public diplomacy explained earlier, the FEALAC forum sought both a private and public approach to promoting better understanding and political and economic dialogue. The possibility of preferential Latin

¹⁰⁵ The FEALAC is an association of 34 countries from East Asia and Latin America that came together for the first time to form an official and regular channel of dialogue between the two regions. FEALAC, http://www.fealac.org/FEALAC/01_about/sub01_01.asp

American-United States trade due to the emergence of the FTAA provided the context for the development of Asian cooperation initiatives. To avoid the negative effects that the FTAA might have brought to Asian insertion into the Latin American market, Asia launched the FEALAC.

All in all, the evidence suggests that the revival of Brazil's attractiveness, the aperture of the market, financial stability and market expansion (as a result of Mercosur) have all played a significant role in Asia-Brazil relations (Oliveira, 2006: 179-181). Therefore, in the study of the Latin American-Asian partnership, the FEALAC can be considered a big step towards establishing ties between the two regions. Since one of the key aims of the FEALAC was multidisciplinary cooperation, the partnership was not constrained to the economic field and an increasing interest in political links should be taken into account.

To understand East Asian-South American relations, it should be considered that Asian countries share important features with the region, like the fact that cultural differences exert a strong influence on the economy and politics. Furthermore, APEC¹⁰⁶ and ASEAN¹⁰⁷ are the leading regional institutions, even though none of these initiatives have played a central role in achieving economic leadership in the Pacific region. The absence of a regional political framework and the direct influence of economic forces in integration processes - either among their members or abroad - has led to the separate study of Asian countries. Nonetheless, our study focuses on the relevance of Asia in the context of Brazil-Chile relationship and therefore an emphasis on Asia as a core component to strengthening bilateral links.

Creating a benign geopolitical scenario, China's economic progress has influenced the way north-east Asia has inserted itself into the world today. Furthermore, China's attractiveness as an alternative development model is a source of normative power for the country. Its emergence and impact on the global economy provides a new context for international relations at the beginning of this century. China is welcomed as an engine of economic growth worldwide, not only in terms of trade but also China's in foreign

¹⁰⁶ Asia-Pacific Economic Cooperation, which included Chile among its members and operated as a cooperative, multilateral economic trade forum. APEC <http://publications.apec.org/index.php>

¹⁰⁷ Association of South-East Asian Nations. <http://www.aseansec.org/index2008.html>

policy. Geopolitics have been growing rapidly, to the extent that they have become a key element for the study of other emerging powers like Brazil.¹⁰⁸

State relations with Asia have grown, motivated by President Lula's administration but also by Brazil's relations with East Asian countries as the result of over a century of friendship and cooperation. For instance, relations with Japan commenced in 1895 and relations with China officially began in 1909 after signing of an arbitration convention. Indeed, under the military rule of the 1970s and early 1980s, Brazil developed extensive ties with the developing world. In other words, the Itamaraty's desire to seek a closer relationship with developing countries has been present for some time.

Moreover, in the 1990s, Brazil redirected its foreign policy in terms of international affairs. As part of this strategy, Asia played an increasingly important role in Brazil's world insertion policy. From an economic perspective, its growing interest in expanding cooperation ties led to the emergence of Asia as an important actor after the Cold War. In this respect, in 1993, during the term of President Itamar Franco, Asia was recognised as being key to shaping bilateral arrangements. The strength of Asian links enjoyed strong diplomatic support, considering on one hand, the demand for investments and the easy access to technology and, on the other, a huge capacity for market consumption.

From a political standpoint, Brazil's foreign policy strategy was to strengthen Southern Cone integration, whilst expanding relations with different regional poles. Indeed, Brazil and Asia shared similar views in multilateral forums, ensuring more autonomy and a diversified partnership for Brazilian diplomacy. In accordance with the new scope of Brazilian foreign policy, President Cardoso maintained the focus on a long-term relationship with Asia and in his first term in January 1995, paid an official visit to Malaysia and Japan. During his second term, at the beginning of twenty-first century, Cardoso was the first Brazilian president to visit Seoul, Dili and Jakarta.¹⁰⁹

¹⁰⁸ Moreover, the Yellow Sea Basin was portrayed as a new model for dynamic transnational cooperation between the Chinese, Japanese and South Korean economies. In terms of economic value, Japan, China and South Korea provide a useful insight into the increasing importance of Asian trade. Amaury Porto de Oliveira. "Coréia do Sul e China em tempos de globalização administrada". *Política externa*, vol. 16, nº 1, June-July-August 2007, p. 83.

¹⁰⁹ Henrique Altemani de Oliveira, "O Brasil e a Ásia" in Henrique Altemani Oliveira and

Continuing along these lines, President Lula shared the vision of his predecessors for creating a benign environment for an Asia-Brazil partnership in his inaugural speech on 1st January 2003.¹¹⁰ However, after Lula's election, the focus on relations with other developing countries increased. To illustrate this point, Brazil has developed closer links with China, India and South Africa in recent years. In other words, after decades of talks about the importance of south-south ties, significant progress has been made regarding those links.

After prioritising relations with central states, Brazilian foreign policy saw an opportunity to learn from Asian countries about how to combine tradition, culture, business, its own interests and international insertion. Importantly, this focus was not only connected to ideological terms and trade also played a crucial role in the process. In this way, the foreign policy goals were to open markets up to Brazilian goods and services. Brazil's relationship with developing countries offered potential leverage in wider negotiations on trade. As a result, Brazil and similar countries were less vulnerable to the regular intense pressure from the United States (Mullins, 2006: 96-97).

In fact, a more appreciative atmosphere was created that favoured Brazil's relationship with the developing world and is partly the result of two sets of circumstances. First came the relative decline of the United States's economic and political pre-eminence after a period of dominance at the end of the Cold War. As has been explained, Latin America was specifically neglected because of the - "war on terror" - under George W Bush. The second factor is that not only Brazil, but also other Latin American countries had become more self-confident in terms of asserting their diplomatic independence. This is due to economic stability and the more robust democracies acquired by the regions' states. From the Brazilian perspective, in the elected left-wing government of President Lula, the

Antônio Carlos Lessa, *Relações Internacionais do Brasil: temas e agendas*, vol. 1. São Paulo: Saraiva, 2006, pp. 170-178.

¹¹⁰ Since the 1990s, Brazil and Asia have re-established ties, despite their remarkable differences in previous periods. Firstly, Japan remained the most important trade and investment partner only losing ground afterwards to other competitors. The relationship with China, South Korea and the Association of South-East Asian Nations (Asean) was highly supported. Henrique Altemani de Oliveira, "O Brasil e a Ásia" in Henrique Altemani Oliveira and Antônio Carlos Lessa, *Relações Internacionais do Brasil: temas e agendas*, vol. 1. São Paulo: Saraiva, 2006, p. 178.

search for new allies occupies a prominent position on the Itamaraty's agenda. This was part of its strategy to seek a more powerful role as a regional power of global significance. Therefore, Brazil saw expanding ties with China as an opportunity to strength south-south alliances not only with China, but also with India, Russia and South Africa as will be seen later on.¹¹¹

There are parallels between Brazil and Chile's background relationship with East Asia, since both nations began to develop diplomatic ties with their Asian counterparts in the late nineteenth century. Brazil entered into relations with Japan in 1895 and with China officially in 1909, while Chile's diplomatic ties started in 1845 and ran until the end of the century, when it opened a consulate in Canton and Hong Kong and a commercial bureau in China. Like Brazil, Chile's international affairs throughout the twentieth century have been defined by their relationship with the United States, Europe and Latin America. Whether East Asia will strengthen its ties remains to be seen.¹¹² The widespread prejudice and misconception were based on the idea of the 'yellow peril' prevalent in the West. Furthermore, the enormous geographical barrier posed by the Pacific Ocean, combined with the lack of appropriate technology to foster cooperation set the stage for the absence of viable methods for improving dialogue.

However, Chile was the first South American country to establish ties with Beijing in December 1970 under the socialist President Allende. Furthermore, the eighties included a move towards enhancing ties with the nations that avoided condemning Chilean policy-makers for human rights abuses. Throughout the 1980s Chilean authorities, including high-ranked officials, businessmen and journalists, advanced China's position as an emerging power. In the 1990s, two successive Chilean presidents regularly held talks with Chinese heads of state as part of their multilateral and bilateral discussions. The president's official visits were accompanied by large delegations of businessmen who contributed to conveying Chile's nation brand as a serious country (Benedikter, 2015: 128-129). According to how it was promoted brand, a sound business environment helped project the country's image in East Asia. As well as, Chile's aim of playing a

¹¹¹ *The Economist*, 15th August 2009. "Briefing Latin American geopolitics", p. 19.

¹¹² For a regional economic outlook, see *Asia and Pacific: Consolidating recovery and building sustainable growth*. Washington D.C: International Monetary Fund, 2010.

leading role in South America as a bridge with Asia, Brazil's recognition of Chile as an export platform also illustrated this point.

Despite diplomatic stagnation during Pinochet's regime, which should have led to the Asia-Chile relationship getting worse, trade rose dramatically especially with Japan, South Korea and China. Furthermore, the first joint venture between Beijing and a Latin American state was signed with a Chilean copper company in 1987.¹¹³ In the coming decade, President Frei recognised the economic importance of Asia and that Chile would be the natural bridge between Asia and Latin American countries. From a traditional foreign policy perspective, the admission of Chile as a member of APEC in 1993 – with China's support - represented a further step towards Pacific cooperation. In November 1995, President Frei paid an official visit to China, reinforcing bilateral ties.¹¹⁴

¹¹³ More information about Asian joint ventures in M. Patricia Marchak (1995), *Logging the globe*. Quebec: MacGill-Queen's University Press.

¹¹⁴ Frei's administration exerted a political and economic influence on bilateral trade, which resulted in the decision to establish a consulate in Shanghai in 1996. The Chinese market was the third most important destination of Chilean exports, after America and Japan. Copper, cellulose and fish accounted for almost 75% of Chile's total outputs in China, with copper representing 25% of this. Insofar as the Chinese market grew rapidly and increased its need for copper talks were conducted in the area of Chinese investments, seeking to start joint ventures with the Chilean copper industry. For instance, the Chilean Quadra Mining company QUA agreed to form a joint venture with China's largest utility company to develop its huge Sierra Gorda project in Chile, expected to cost over US\$ 2 billion. "Quadra, Chinese utility in Chilean join venture", *Reuters*, 8th March 2010. <http://www.reuters.com/article/2010/03/08/er-quadra-china-idUSN0816535220100308>. In this respect, plans were discussed for Chile to sell its copper know-how to China. Since then, discussions have taken place between the Chinese National Corporation of Non-Ferrous Metals and the corresponding Chilean companies as part of a project to invest in copper exploitation in Chile. Talks have also focused on fostering partnerships in other areas, such as the non-violent use of atomic energy and the possibility of developing common projects in the space industry. In 1995, during President Frei's visit, a maritime agreement was signed, in which mutual maritime and port rights were given. The two countries also signed a forestry agreement including the processing and commercialisation of forestry production .Augusto Soto Alvarez. "Chile faces China. Relations in a new era. Expectations and realities", p. 3. <http://www.casaasia.es/pdf/1409041520081095168008479.pdf>. The APEC Summit in 1995 was a meeting in which China announced significant tariff reductions, including on fruits and vegetables. The products that benefitted were salmon, wine and grape. Chile also directed its wine production towards the Chinese market through its aggressive trade strategy that opened a permanent Chilean company in Beijing. ProChile, "Expertos internacionales expusieron oportunidades para vinos chilenos em los mercados asiáticos emergentes", 12th July 2010. <http://rc.prochile.cl/>

Over the last few years, Chile's improving economy, political stability and status as the only South American country that is a member of APEC (since November 1994) has provided it with opportunities to take advantage of its position and make advances in Asia. The opinion in Chile was that, since other countries in the region had undergone sustainable growth, the country should hurry up and strengthen its ties with Asia in order to improve its position as leader. Membership of APEC had already been extended to Peru (November 1998), while Colombia and Ecuador's interest in joining it suggest that they will be next.¹¹⁵ However, for countries that do not face the Pacific Ocean like Brazil and Argentina that also have significant trade with Asia, Chile would help bridge the gap between the two regions. It must be considered that Brazil was the first Latin American partner of China.

4.5.3 Chile as a bridge to Asia

Once Asia had provided technology and a huge market, Chile's aim was to strengthen its export strategy in the region. By entering into a second stage of export-oriented manufacturing with the generation of value-added production, the Japanese industry and Chinese market became core elements of Chile's trade policy. As highlighted earlier, the tariff liberalisation announced by Beijing in conjunction with the rising amount of participation in joint ventures in China bolstered Chile's trade policy efforts. From the Chilean perspective, there was mutual desire to advance its position in Asia and a willingness to become the natural bridge between Mercosur and the Pacific Ocean.

However, as was pointed out earlier, Peru-Brazil bilateral initiatives have progressed in terms of business partnerships, illustrated by \$20 billion in Brazilian company investments in the country in 2010. Indeed, projects with Peru-Brazil cooperation have assumed a leading position in the area of regional infrastructure. Peruvian ports appear to be viable vehicles for Asia, especially China and therefore, public-private integration methods have

noticia/26339/1.

¹¹⁵ Alvarez, Augusto Soto. "Chile faces China. Relations in a new era. Expectations and realities". p. 3. <http://www.casaasia.es/pdf/1409041520081095168008479.pdf>

been developed between Brazil and Peru.¹¹⁶ In fact, Chile offered better access to the Pacific through a series of improvements to railroads, highways and ports, although the Andes remain a tremendous natural barrier. In this way, investments, transportation and communications - in short, financial support mechanisms - must be developed in order to create a more realistic approach.

Continuous trade growth spurred on by an emerging Asia brought with it the urgent need to find a - “valid bridge” - between Asia and Latin America. From a Brazilian standpoint, the Chile-Brazil partnership widened its trade flow taking advantage of the FTAs that Chile had signed with several countries worldwide. Furthermore, goods production in Chilean territory seeking subsequent export is another interesting point, since Brazil enjoys a wide range of tariff reduction benefits because of the FTAs signed by Chile (Resende-Santos, 2007: 282-283). Today, the country has FTAs with Australia, Canada, South Korea, China, Costa Rica, El Salvador, Japan, Mexico, the United States, Panama and the European Union. However, from Brazil’s perspective, the key issue when gaining access to these markets is paying close attention to the rules of origin, because these cannot be violated whether or not access concerns are a priority. The pursuit of developing trade exchange in countries with which Chile has FTAs requires obeying the rules of origin.¹¹⁷

Apart from technical discussions, there are already signs of the expansion of Brazilian-Chilean export markets. Together, public-private sectors from the two countries have made mutual efforts to perform better trade-wise and to redirect their strategic partnerships. Since progress in WTO negotiations remains slow, the search for new markets has been part of Brazilian government strategy. Thus, as outlined in the first chapter, neither Brazilian or Chilean foreign policies can be restricted to the fields of diplomatic activities, since diverse issues such as the economy, business, trade, energy sources, sustainable development, the environment and nation branding among others occupy centre stage in international affairs.

¹¹⁶ *O Globo*, “Aposta brasileira no Peru”. *Economia*, 2 August 2010, p. 17.

¹¹⁷ “Parceria Brasil-Chile requer análise das regras de origem”. International Centre for Trade and Sustainable Development (ICTSD). <http://ictsd.org/i/news/pontesquinzenal/44935/>

4.5.4 Brazil-China

China has become a global economic superpower. It has the second largest national economy in the world and is the second largest exporter. China is far more deeply integrated into the world's economy than any of the other economic superpowers. Since China's rapid expansion has had a powerful effect on the rest of the world, China's emergence in the study of Brazil-Chile bilateral relations should be taken into account.¹¹⁸ Today, China is an increasingly important market for Brazilian and Chilean exports, since Brazil having to export through the Atlantic increases transport costs, shipping times and causes product prices to rise.

Maintaining a Sino-Brazilian relationship can be attributed to the cooperation efforts made by representatives of the two countries. The reestablishment of diplomatic relations with China occurred in 1974, as a result of Brazil's economic development and in conjunction with a favourable international context. As Brazil's foreign policy sought to diversify its partnership and focus on a more competitive international insertion, rebuilding ties with China played an important role in the pursuit of these goals. Despite the initial increase in trade flows, Sino-Brazilian relations at that time were restricted to the political-diplomatic field.¹¹⁹ Only in the 1990s, in the context of the aperture of the Brazilian economy and the increasing insertion of Chinese trade did Brazil-China trade ties get stronger. A big change occurred during the government of Presidents Cardoso and Lula who, aiming to maintain so-called 'universal' foreign policy, strongly supported relations with developing countries. On one hand, developing countries were becoming emerging markets, safer places to invest and not as dependent on aid from the West as they used to be. On the other, emerging countries meant areas with a strong political expression and the prospect of joint action in multilateral institutions.

When carrying out foreign policy, the business sector was at the forefront of the Brazil-China negotiation process. This initiative was aligned with the

¹¹⁸ See *The World Bank*, "China Overview". 6th April 2016. <http://www.worldbank.org/en/country/china/overview>.

¹¹⁹ It is symptomatic that the development of closer relations occurred due to the initiative of the Brazilian entrepreneur Horácio Coimbra, who in 1970 visited the Canton Fairs for personal reasons. As a result, the government opened negotiations to establish political ties.

concept of public diplomacy, whereby other actors also played an important role in international affairs, as seen in the first chapter. Brazilian businessmen in search of new markets for their products took the first steps towards establishing Brazil-China political ties at the height of the Cold War. In response to this changing situation, China became Brazil's top trade partner in 2009, displacing the United States. Since then, both states have built a balanced partnership based on key points on the international agenda. The fact that both countries are important emerging powers that want developing nations to have a larger say in world affairs explains their cooperation efforts.¹²⁰

In practical terms, Brazil and China's national development models converged in the 1980s in such a way that both states supported the state-based development model. Therefore, talks were conducted after China's reform and opening-up policy and after Brazil's military regime was replaced by democracy.¹²¹ In this way, a more open and trusting environment was created, favouring bilateral relations. Brazil and China share common values such as the defence of sovereignty and national independence, territorial integrity and the defence of international stability and security. The strategic importance of dialogue between Brazil and China has increased in international organisations and through actions of bilateral cooperation and exchange. Indeed, in a context of recession in the wealthy

¹²⁰ In 1993, Zhu Rongji representing the President of the People's Bank of China, visited São Paulo to promote a strategic partnership between the former and the Federation of Industries of the State of São Paulo (Fiesp) seeking cooperation in the economic, commercial and financial fields. Cabral, Severino. "1974-2004: trinta anos de relações Brasil-China" in *Relações Sul-Sul : países da Ásia e o Brasil*. Alberto do Amaral Júnior e Michelle Ratton Sanchez (Eds.). São Paulo: Aduaneira, 2004, p. 167.

¹²¹ Policymakers broke with agro-export diplomacy and in turn committed themselves to the new role played by the state. This paradigm shift occurred not only in Brazil but also in many Latin American countries, which led to a new strategy of international insertion. The context could be typified as follows: introducing of economic diplomacy to external negotiations; promoting industry to meet societal demands and implementing national development projects to overcome inequalities between nations. The development paradigm contains ideological and political aspects that exerted more influence over the Brazilian scene from the 1950s until the 1980s. Amado Luiz Cervo. "Política exterior e relações internacionais do Brasil: enfoque paradigmático". *Revista brasileira de política internacional*, July-December, vol. 46, 2003. Instituto Brasileiro de Relações Internacionais. Brasília, Brasil, p. 9.

<http://redalyc.uaemex.mx/redalyc/pdf/358/35846201.pdf>

world, China and Brazil are contributing more than ever to world output.¹²²

Since the Brazil-China trade relationship has grown sharply, this improving partnership suggests that progress is possible, leading to a more benign environment for bilateral relations, which go well beyond mere commercial issues.¹²³ During the summit, Brazilian and Chinese authorities supported the creation of a new international reserve currency to eventually replace the dollar as the world's standard¹²⁴. The increasing importance of Asia claimed to facilitate access to Asia through the Pacific; therefore Brazil-Chile links go beyond bilateral ties, given the relevance of Chile to targeting Asian market.¹²⁵

The partnership with China has been normalised since 1974, though it only achieved consistency from the 1990s onwards, when important

¹²² While Brazilian diplomacy refers to relations with China as a 'strategic partnership', which means special relations with a certain country, Amado Cervo recognises the term 'ascending partnership' as the best way to define their relationship. An ascending partnership indicates a move towards closer ties in the future by comparing them to the present Brazil-US relationship. Cervo, Amado Luiz. *Inserção internacional: formação dos conceitos brasileiros*. São Paulo: Saraiva, 2008, p. 279.

¹²³ Together, both states demanded the reform of and a greater say for developing countries in global financial institutions like the World Bank and the International Monetary Fund, especially after the global financial crisis. The BRICS Summit held on 16th June 2009 in Yekaterinburg was the first full-format meeting of BRIC nations, which today are the main centres for economic growth in the world. BRIC consists of the world's fastest emerging economies – Brazil, Russia, India and China. The term BRIC (later BRICS) was first coined in 2001 by Jim O'Neill, chief economist for Goldman Sachs. However, despite those unlikely beginnings, in the past decade, BRICS has become a near ubiquitous financial term, shaping how a generation of investors, financiers and policymakers view the emerging markets. Now Public, "BRICS Yekaterinburg summit". *World*, <http://www.nowpublic.com/world/brics-yaketenaburg-summit>

¹²⁴ *O Globo*, "Brasil e China afinam discurso para reunião do G-20, 4th June 2010, *Economia*, p. 23.

¹²⁵ However, there is a certain reticence on the issue in the United Nations Security Council, since China does not support Brazil's demand for a permanent seat. Brazil would obviously like the Chinese to support its bid to get a permanent seat on the UN Security Council. It should be remembered that, in 2005, China opposed the proposal of the Group of 4 – Brazil, Germany, India and Japan – all of whom aspired to become permanent members of the UN Security Council. One way to explain the Chinese lack of support for the Group of 4 consists of its opposition to Japan and India's aspirations for permanent seats, meaning that Chinese opposition was not directly related to Brazil. *United Nations*, Press Release GA/10371. 'Uniting for consensus' group of states introduces text on Security Council reform to General Assembly, 26 July 2005. <http://www.un.org/News/Press/docs/2005/ga10371.doc.htm>

initiatives in the economic, commercial, scientific and technological fields were developed.¹²⁶ This is due, to some extent, to the context of the financial slump, which increased the role played by Asian countries in the international scenario.¹²⁷ China has grown at an average of 10% for the past 30 years, the most impressive record in history. Real GDP in 2006 was about 13 times the level of 1978, when Deng Xiaoping began economic reforms.¹²⁸

When Chinese President Hu Jintao officially visited Brazil in 2004, some issues came to the fore again: Chinese investment in infrastructure, the strengthening of business links, the growth of Brazilian manufactured goods in bilateral trade and the signing of bilateral agreements concerning trade. Furthermore, potential trade conflicts of interests were discussed in the field of the WTO. In 2006, Vice-President José de Alencar paid an official visit to China, aiming to establish the Sino-Brazilian Commission to increase bilateral partnerships, with regulatory agreements and strengthen cooperation in multilateral organisations especially the UN and the WTO, as well as bilateral links in agriculture, energy, mining, information technology, infrastructure and advanced technology.¹²⁹

¹²⁶ One of these initiatives was the China-Brazil Earth Resources Satellites Programme (CBERS), considered the paradigm of south-south cooperation. In other words, the CBERS is a pioneer in terms of satellites cooperation agreements between developing nations. Along these lines, further steps have been taken to develop cooperation programmes in other fields, such as information technology, biotechnology and joint initiatives in the production and selling of drugs against AIDS. See Paulo Vizontini (2006), “O G3 e o G20: o Brasil e as novas coalizões internacionais” in Henrique Altemani Oliveira and Antônio Carlos Lessa (Eds) (2006), *Relações Internacionais do Brasil: temas e agendas*, vol. 2. São Paulo: Saraiva. Moreover, bilateral trade has increased dramatically, transforming China into the most important trading partner for Brazil today. After almost 80 years of the US being Brazil’s top trading partner, the importance of China as a foreign trade leader has been growing rapidly. “China passa Estados Unidos como principal parceiro comercial do Brasil”. *O Globo, caderno Economia*, 5th May 2009.

¹²⁷ Important initiatives have been developed in the area of investments and joint ventures, such as the association between Baogang Steel and the Vale do Rio Doce company and between Embraer and AVIC-II. Edmundo Fujita. “O novo quadro estratégico da Ásia pós-guerra fria”. Amaral Júnior, Alberto and Ratom Sanchez, Michele. *Relações Sul-Sul países da Ásia e o Brasil*. São Paulo, 2004, p. 30.

¹²⁸ Bergsten *et al.* (2009) “China’s challenge to the global economic order”, p. 9 in China’s rise, challenges and opportunities. Washington DC, October 2009, p. 9.

¹²⁹ Rapid economic growth, together with urbanisation and industrialisation, have turned China into the second largest consumer of energy in the world. In this regard, China faces a series of challenges such as expanding its energy supply by increasing the efficiency of

Brazil and China share a coherent foreign policy concerning national development, the stage of development achieved in recent decades, geopolitical standpoints and the autonomy of state-led world insertion. According to the Brazilian Central Bank, there is a growing tendency towards Chinese investment in Brazil and Chinese direct investment is still increasing, growing by \$359 million in the first quarter of 2010 compared to \$83 million in 2009.¹³⁰ At the moment, China is the fifth largest foreign investor in Brazil, behind the United States, Bermudas, the Netherlands and France. Another sign of growing Chinese interest is the opening of a subsidiary of the Bank of China in São Paulo, which finances Brazilian companies' purchases of Chinese supplies.¹³¹

Since Brazil's main export commodity to China is soya beans - and considering that it has a lot of competition in the international market, especially from the United States - shipping costs must be reduced in order to have a more competitive product. In this scenario, Chile can serve as a bridge, facilitating Brazil-China trade. Since public diplomacy involves a broader coalition of decentralised actors, the Brazil-Chile pragmatic approach is congruent with a dynamic idea of the concept, since Brazil-China ties also demand a multifaceted approach.¹³² In this context, the creation of the China-Brazil Business Council contributes to promoting dialogue in a coordinated way, enhancing bilateral trade and the investment environment.¹³³

how it is used. Since the geopolitical context cannot be separated from the field of energy, as argued in a previous chapter, the problem of China's energy matrix, which is highly dependent on coal, should be addressed. Therefore, in the coming years, China's demand for new energy sources will increase rapidly and will certainly include a close association with other countries to exploit new oil deposits, develop nucleus-electricity and include renewable energy sources like ethanol. Luiz Augusto de Castro Alves. "Os desafios da China na crise do mundo globalizado". *Política externa*, vol. 18, nº 1, June/July/August 2009. Universidade de São Paulo, p. 99.

¹³⁰ Investment performance does not consider the operation of Itaminas, the partnership between MMX the Chinese group Wisco and the Metallurgical Complex of Açú, launched on 18th May 2010. The partnership of the two companies represented the largest Chinese investment ever made in Brazil. *O Globo*, Economia, 19 May 2010, p. 27.

¹³¹ *O Globo*, Economia, 22nd May 2010, p. 25.

¹³² China is under pressure from the US to increase its soya bean purchases in order to drop its strong bilateral surplus in its favour. Henrique Altemani de Oliveira, "O Brasil e a Ásia" in *Relações Internacionais do Brasil: temas e agendas*. São Paulo: Saraiva, 2006, pp. 192-193.

¹³³ The CBBC is a non-profit organisation dedicated to promoting dialogue among

Moreover, China and Brazil share common values regarding their participation in world politics: peaceful coexistence among nations, respect for the sovereignty of all members of the international community and cooperation between countries to achieve greater equity in international economic development. In recent years China has been one of the most active countries using multilateralism as an instrument in international policy (Wei, 2008: 10). For Brazil, the issues of pluralism and self-determination are long-standing concerns in its foreign policy. Regarding the Brazil-China partnership, there are basically two areas in which progress can be made: scientific-technological cooperation to break the monopoly of developed countries and a political-strategic alliance in multilateral forums. As has been explained, there are many points of agreement between the two states, since both countries seek to achieve economic development, while improving the living conditions of their populations. Brazil-China long-term relations demand better access to the Pacific in order to facilitate business diplomacy. In this regard, Chile is the natural bridge to the Pacific, meaning that Brazil-Chile share a long-term trustworthy relationship.

4.5.5 The Brazilian-Chilean coordinated policies towards Asia

The relationship between Latin American states and Asia has been further stimulated by the initiatives of Chile and Singapore, for example, the cooperation forum between East Asia and Latin America (FEALAC) established in 1999 and outlined earlier. This forum involves 15 Asian countries and 15 Latin American countries, all seeking to strengthen their mutual knowledge and socio-economic cooperation. The first summit was held in Santiago de Chile in 2001. Together with South Korea, Brazil began to coordinate group activities, shortly after the summit in Manila in 2004. FEALAC's goal is to search for bi-regional areas of cooperation (Fujita, 2004: 31).

In this context, Brazil and Chile begin to establish coordinated policies based around the vision of the latter as an export platform for the United

Brazilian and Chinese companies. The CBBS focuses its efforts on addressing the structural issues underlying bilateral relations. China-Brazil Business Council, http://www.cebc.org.br/005/00502005.asp?ttCD_CHAVE=12211

States, EU and Asia, taking into account its bilateral agreements worldwide. Despite the fact that Chile has developed a long-term strategy as an export-platform, this concept only became important to Brazil in 2008. In practical terms, attention has been paid to policies concerning an increase in trade and investment between both states. In pursuit of these goals, Brazil sent a trade mission to Chile from 1st-3rd April 2009. Apart from using Chile as an export platform for products destined for Asia, the mission sought to strengthen trade ties and foster partnerships between entrepreneurs.¹³⁴ The opportunity for integrating the two countries' supply chains contributed to diversifying the market, especially during economic crises. Brazil took advantage of the trade agreement network, which Chile had signed worldwide as a way of expanding markets.

With copper as its main export commodity, Chile has a great opportunity in the Asian market. The country has also succeeded in reducing its dependence on mining: 89% of total exports in 1973, the mining sector's participation has gone down to 41% in 2001. Copper is still an important export commodity through and in 2005 accounted for 15.5% of the government's budget. Together with this, Chile has diversified its exports to include wine, fresh fruit and salmon. Furthermore, it has been possible to direct efforts towards higher value-added sectors than the copper industry, such as mining consulting and machinery.¹³⁵

However, for Brazil a major concern is excessive specialisation in commodities, which could lead to the 'Dutch disease' in the economy. This is when either the focus on a single product or a low diversification when it comes to products causes an undesirable architecture for trade relations. That said, the increasing economic force that is China and its insatiable demand for raw materials may widen trade concerns. At the same time,

¹³⁴ Ministério do Desenvolvimento, Indústria e Comércio Exterior. "MDIC recebe inscrições para missão empresarial ao Chile", 04/03/2009. <http://www.mdic.gov.br>

¹³⁵ The introduction of new varieties of grape, quality control of wine and the certification of fruits for export are among Fundación Chile's innovations. In 2005, the Chilean government introduced a mining tax to increase public funds for research and development. However, one of the challenges has been to incorporate the private sector into financial innovations. A lack of human resources is another of the difficulties with the relationship between industry and science, although important measures are being put into practice. Rolando Avendaño, Goril Bjerkehol Havro, Javier Santiso. "Oportunidades na Ásia? Perspectivas para o comércio internacional da América Latina". *Política Externa*, vol.18, n° 3, December/January/February, 2009-2010, pp. 158-159.

Brazilian manufactured products could lose ground in the export sector. Brazilian manufactured exports, however, have gained ground as shown by the deal involving Embraer – the Brazilian aircraft maker – with a unit of the state-owned China Development Bank (CDB) to fund the sale of regional jets in Asia and since December 2009, Embraer has had a factory in the north-eastern Chinese city of Harbin.¹³⁶

From 2002 to 2003, Brazilian exports to China increased by 80%. Together, they accounted for 6.2% of Brazilian exports, in contrast to 1999 when they accounted for 1.4%. The five Brazilian products that have benefitted most from Chinese demand are soybeans, soybean oil, iron ore, steel and wood, all of which correspond to 75% of the total of Brazil's exports to China in 2008. However, the low-tech sector has been couched in terms of being the most vulnerable to Chinese competition.¹³⁷ In addition, in the long-run this threat can be extended to the automobile industry. There are also some market policies that should be taken into account when strengthening bilateral relations between China and Brazil. For instance, the two countries' agricultural sectors complement each other, since they foster trade and investments. For Brazil, the main challenge concerning China is to maintain the same kind of exports as to other regions, while avoiding an excessive specialisation in commodities.

4.6 Latin American Infrastructure

Before undertaking an analysis of the potential implications of an Asian-Latin American partnership, it should be noted that the region's countries have become less dependent on traditional trade partners. For the first time, in history, the region has sought to establish relations simultaneously with the three main world centres of trade – the United States, the European Union and Asia. China has overtaken the United States and the European Union to become Brazil's biggest trading partner and formal diplomatic ties have been strengthened, as stated earlier. Despite the fact that the United States still accounts for more than 50% of Latin American exports, trade

¹³⁶ Reuters. FACTBOX-Brazil-China ties surge with trade and investment. 13th April. <http://www.reuters.com/article/idUSN1321425620100413>

¹³⁷ More information in Vera Thorstensen (2010-2011), "China e EUA – de guerras cambiais a guerras comerciais", *Política Externa*, vol. 19, n° 3. São Paulo: Editora Paz e Terra, pp. 11-35.

with Asia has grown considerably in the last few years, although the lack of a suitable infrastructure has caused considerable concerns in terms of Latin America's competitive advantage.¹³⁸

In this way, building an effective infrastructure would strengthen the region's trade relations as a whole. This means that the cause of high transport costs can not only be attributed to the long distances involved, but also to the quality of its infrastructure (Gayá and Campos, 2009). Therefore, foreign affairs are included in a much broader discussion, given that traditional diplomacy restricts the understanding of contemporary international relations. In contrast, public diplomacy is a flexible approach, according to which not only state-centric actors are considered in foreign affairs and decentralised actors also play a relevant role.

However, the relevance of investment in infrastructure differs depending on each economic sector. For instance, economies focused on the export of commodities like Chile tend to emphasise the need for ensuring transportation infrastructure. Chile has developed successful public-private partnerships in the second half of the 1990s, with large investments in infrastructure (Grimsey and Lewis: 2004: 127). Unfortunately, infrastructure problems remain in several of the region's areas. When compared to other Latin American states, Chile is considered a successful example of the transformation of high rates of growth into large investments in infrastructure.

With the exception of Chile, there are twice the number of roads per capita in Asia than in Latin America. In Brazil, for example, only 5% of roads are paved and both the river system and railways are underdeveloped. The performance and efficiency of ports is a critical factor that differentiates Asia from Latin American ports. It should be highlighted that, since ports are a vital link in the overall chain of trade, to a large extent their level of efficiency determines a nation's international competitiveness.¹³⁹

Framework topics need to be dealt with in order for Latin American

¹³⁸ See *Inter-American Development Bank*, "14% drop in exports underlines importance of trade diversification in Latin America and the Caribbean". 14th December 2015. <http://www.iadb.org/en/news/news-releases/2015-12-14/latin-american-exports-drop-14,11365.html>.

¹³⁹ Hsuan-Shih Lee and Ming Tao Chou (2005). *Journal of the Eastern Asia Society for Transportation Studies*, vol. 6, pp. 544-559. http://www.easts.info/on-line/journal_06/544.pdf

integration to succeed and provide a competitive advantage in export costs. However, several aspects play an important role in the region's potential integration. First, the potential for economic gains from developing an infrastructure programme has to be significant in order to justify its high costs. Secondly, the willingness to do so relies on presidential diplomacy, involving the president's incorporation of new topics into the foreign policy agenda, as pointed out in the first chapter. This means that the willingness to develop projects involving infrastructure is expected to be conducted by political leaders, although policymakers may implement regional transportation projects if these are expected to improve their chances of retaining power. Third, a lack of coordination must be mentioned as one of the collective problems that can have a major impact on how regional infrastructure networks functions. Mattli highlights:

“... the presence of a benevolent leading country within the region seeking integration. Such a country serves as a focal point for the coordination of rules, regulations, and policies; it may also help to ease the tensions that arise from the inequitable distribution of gains from integration. Contested institutional leadership or the absence of leadership makes coordination games very difficult to resolve” (Mattli, 1999: 42).

Increasing Asian-Latin America trade has led to important partnership initiatives between countries in the region, like the “Brazil-Chile platform for integration”, which has set the stage for strengthening the integration between the two states, with a focus on the Asian market. The potential for economic gains between both countries has helped increase their interest in developing a mutual transportation network. However, regarding the integration of regional infrastructure, Peru-Brazil cooperation took the lead in the process. Brazil-Peru integration has shown signs of significant improvement, as illustrated by several Brazilian companies that, in 2010 invested over \$20 billions in their neighbouring state. Private integration has been driven by the rapid increase of Brazilian investments, mainly carried out by Vale, Votorantim and Eletrobras. One of the stated aims of this initiative is the gaining access to the Asian market, especially China.¹⁴⁰

With the target of implementing infrastructure projects, policymakers

¹⁴⁰ *O Globo*, “Aposta brasileira no Peru”, *Economia*, 2nd August 2010, p. 17.

should be able to accommodate the demands for transportation at each level of the integration process. Latin American topography per se is among the most restrictive in the world and tends to keep people and resources apart rather than joining them together. Since the territory is filled with natural barriers, improving the infrastructure of a transportation network is a core element for regional integration. The structure of Latin American countries has changed in many ways, with industrialisation, the increase in the export of commodities to the Asian market and intra-regional trade having a major impact on each nation's policy. Growing exchange at a regional level has given rise to the demands to develop the commitment to infrastructure needed to carry out cooperation aims.

4.6.1 China's power and its impact on Brazilian and Chilean foreign policy

China's rapidly growing economic and political influence around the world today is as undeniable as it is remarkable. Furthermore, China has become an active player in critical global security issues. Along with China, other emerging powers like Brazil, Russia and India have an ever-growing importance internationally. This means that no major international challenge can effectively be met without the assistance of an emerging power. China's embrace of globalisation in all its forms has meant that it has become a coequal player in international affairs (Derolle, 2015). Therefore, it is not possible to analyse international studies without taking into account China's role in the global arena.

As a permanent, veto-wielding member of the UN Security Council, China has the authority to act or block action on critical international affairs facing the world, be it weapons proliferation or energy security, among other issues. However, Brazil is interested in gaining Chinese support for its aims of getting a permanent seat on the UN Security Council, China's increasing power is forcing Western nations to look again at how they deal with emerging actors.¹⁴¹

¹⁴¹ See *Post-Western World*, "Brazil and UN Security Council reform: Is it time for another big push?", 30th June 2013. <http://www.postwesternworld.com/2013/06/30/brazil-and-un-security-council-reform-is-it-time-for-another-big-push/>.

As scenario of growing world interdependence means that Chile is not only an important actor in the Latin American context, but also an important partner for Brazil's intercontinental relations. The contemporary international scenario requires a more collaborative approach, in which the infrastructure sector is seen as a relevant area in foreign affairs. The promotion of links between the public and private sectors, provides Brazil-Chile relations with the conditions to develop pragmatic ties in accordance with the concept of public diplomacy. Chile has become a significant partner in the sense that the country helps reduce export costs to Brazil. The possibility of becoming a bridge to the Pacific has turned Chile into an important player in Brazil's foreign policy strategy, as well as in Latin American integration.¹⁴² As argued in the first chapter, the Brazil-Chile long-term stable relationship dating back to the ABC Pact forms a trustworthy context for a bilateral partnership.

The importance of the Brazil-Chile pragmatic approach has grown to the extent that China overtook the United States as Brazil's most important trade partner, although it would be wrong to conclude that Brazil-China ties are constrained to commerce. In many ways, the prospects for strengthening the partnership have progressed in terms of scientific-technological cooperation and politic-strategic alliances. Sharing a coherent foreign policy on national development, as well as geopolitical views and state's autonomy suggests that both countries share common positions. Both nations promote the idea that there no single model of national development applies to all countries and therefore each state must decide the best path of development without outside interferences. Moreover, the capacity to enforce future links has led to the definition of Brazil-China relations as an "ascending partnership" and China's brand remains well-regarded in most developing region - whether Africa or Latin America - mainly because of the perceived economic benefits of engagement with this country.

Furthermore, from a Chinese viewpoint, America remains at the top of the countries' explicit hierarchy of important topics in international relations, followed by fostering ties with neighbouring countries and then

¹⁴² See "Chile ready to act as a 'bridge' between Mercosur and the Pacific Alliance", *MercoPress.South Atlantic News Agency*, Wednesday, 27th August 2014. <http://en.mercopress.com/2014/08/27/chile-ready-to-act-as-a-bridge-between-mercosur-and-the-pacific-alliance>

developing states elsewhere. This means that in practical terms, recognising a ‘strategic partner’ cannot be taken literally. However, interaction with the developing world has increased in importance in recent years, previously outlined, with the growth of the Brazil-China relationship, the Chile-China FTA and the signing of a Memorandum of Understanding on Labour Cooperation and Social Security. This approach towards the developing world emerged in the latter years of Jiang Zemin’s administration and was accelerated under Hu Jintao (Olopade, 2014). In this regard, China has established multilateralism as a priority in foreign affairs and has developed certain patterns of cooperation with developing nations.

In Brazil steps were already being taken in the 1960s towards an independent foreign policy involving autonomy and partnership diversification, as a way of compensating for problems with traditional partners and to avoid reliance on a single country or region. Foreign policy in the 1990s provided a context whereby the macroeconomic stability promoted by the Real Plan in 1994, privatisation, trade openness and a consolidated democracy all laid the groundwork for a policy that involved diversifying its partners.¹⁴³ In brief, the concept of Brazil as an articulator of consensus, able to maintain a sustained and coherent dialogue with different actors worldwide emerged in the 1990s and East Asia-Brazil affairs have gained substantial support since then.

Despite concrete steps toward an Asia-Brazil partnership, the relationship suffered the effects of the Asian Crisis between 1997 and 1998. As a result, Asian imports dropped dramatically and rather than an adverse context for Brazilian output what was seen was an optimistic scenario for exports between 1997 and 2001, with the exception of the crisis period.¹⁴⁴ Another cause for concern is the lack of a consolidated effort on physical Latin American integration. The absence of a well-integrated transportation infrastructure has, to some extent, made an alliance on issues relating to China and other countries more complicated. Despite the lack of efficient infrastructure in the region, the establishment of constructive relations

¹⁴³ See *Folha de São Paulo*, “Entenda os mecanismos usados em 1994 na criação do Plano Real”, 28th June 2014. <http://www1.folha.uol.com.br/mercado/2014/06/1477907-entenda-quais-os-mecanismos-usados-em-1994-na-criacao-do-plano-real.shtml>.

¹⁴⁴ More information in Prema-chandra Athukorala and Nobuaki Yamashita (2006), “Product fragmentation and trade integration: East Asia in a global context”, *The North American Journal of Economics and Finance*, vol. 17, issue 3, pp. 233-256.

recognising Chile as an export platform towards Asia is noted. The initiative of a Brazil-Chile platform for integration is offered as an example of this attempt.

As well as initiatives such as the development of the Brazil-Chile partnership, East Asian and Latin American countries came together for the formation of the FEALAC. However, one of the major obstacles facing FEALAC is that both regions preferred a traditional partnership, either in South America or in East Asia. However, this means that within the developing world, traditional partners - called Western powers – benefited from such alliances, to the detriment of their potential Asian counterparts. Secondly, as pointed out earlier, when referring to East Asia, there are changing trade and economic circumstances regarding China's major impact on total trade, increasing Korean participation and the re-establishment of ties with Japan. High expectations about the increase in Chinese investments have played a significant role, while South Korea seeks investments possibilities in Brazil aimed at third-party markets. Thirdly, China considers Brazil a “strategic partner” sharing a commitment to topics on the international agenda and supporting a new world order. In short, technological and political ties have been core elements to bilateral relations in recent years.