Chile, Latin America, and the Asia–Pacific Region

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Let me begin by thanking Paul and the University for the invitation to this Colloquium, and allow me to take a minute with a short personal recollection concerning Princeton and Paul Sigmund. I started my graduate program in Politics in 1969. Those years of study, first in course work, then doing my dissertation project, precepting, and finally taking some courses just to enjoy great teaching by Princeton professors, remain an unforgettable time. I had the wonderful experience of Paul's teaching in the history of political theory. I will always remember the lively evening discussions in the warm, congenial atmosphere at 8 Evelyn Place, the home of Paul and Barbara Sigmund. I appreciated especially Paul's ability to relate the writings of thinkers to contemporary political discussion, especially debates going on in my own country. Actually, the origin of Paul's long–term interest in the study of Chilean politics lies, at least in part, in the role of political ideas in our political processes, especially in the crucial period from the mid–1950s to the 1990s. From 1971 to 1973, Paul was, with Robert Gilpin, my adviser in the thesis I was writing on Chilean foreign policy in the government of President Eduardo Frei, who served from 1964 to 1970. Over the years, I have enjoyed Paul's friendship and benefitted from his support. Ten years after my Ph.D., I was honored by an invitation to teach on Latin American foreign policies, an opportunity I enjoyed tremendously. In Chile, Paul, as a leading scholar and seasoned observer of our politics, has witnessed most Presidential and Congressional elections, and his regular visits have helped us to keep in touch. I hope he will come again this December, when we will have a general election, and I wish that we will continue reading his perceptive analyses of Chile and the region.

With the excellent presentations we have had on Chile's foreign relations and economic policies, I can turn directly to the topic of Chile, Latin America, and East Asia. In this presentation, I will argue that Latin America greatly benefits from closer economic, political, scientific and technological as well as cultural ties to East Asia, but that, at the same time, the development of such ties is still at an incipient stage.

This subject is very important for Chile's political and economic external relations. First, in proportion to the size of our economy, our foreign trade with East Asia is the highest in Latin America. One third of Chile's exports flows to East Asian economies. In 2004, close to 35% of Chilean exports went to Asia, compared to 24.6% to the EU, 17.3% to Latin America, and 15.1% to the United States.[1] This diversified geographic structure of exports is a feature not found in many Latin American economies that depend very heavily on a single destination market. Of course, the growing importance of Asia stands out.

Second, Chile would like to play a bridging role between East Asia and the Southern Cone. While Chile's size is small, we strive to promote the advantages of basing regional operations in Chile. The key messages to our partners are that Chile offers political stability and the rule of law, openness to foreign investment, an efficient financial system, modern infrastructure, in some cases, a growing network of agreements on free trade, the protection of investments, and avoidance of double taxation. Of course, much remains to be done in each of these areas.

Efforts to bridge the traditional gap between these two regions are a recent trend, manifested both in bilateral diplomacy and through participation of Latin American governments and other actors in various interregional fora. The domestic constituencies supporting these processes are growing, but they are still small compared to groups involved in our relations with traditional political, economic, and social–cultural partners in the Americas and Europe. And, while we are making progress in discovering the Asia Pacific region, and have actually developed relations, mostly diplomatic and commercial, the task of consolidating deeper and stronger links remains largely ahead of us.

Historically, relations between East Asia and Latin America have been weak, intermittent, and mostly indirect. Explanations for this situation can be found in both regions. Let me mention some factors

1. In East Asia, the increasing isolation of China since the 17th century, that is, the late Ming period and the Qing dynasty, and the encapsulation of Japan under the Tokugawa shogunate until its demise in the mid–19th century, effectively suppressed potential interest in what, from the vantage point of these ancient empires, was an alien, distant, and unimportant part of the world;

–South of these countries, the colonial status of most of what today is called Southeast Asia had a similar effect. One partial exception was the experience of Spanish colonialism shared by the Philippines and Spanish America. The Manila galleon, which sailed for centuries between the Pacific coast of Mexico and the island of Luzon, provided a tenuous but durable Asian– Spanish American connection, though this was of course guided by Spain's mercantilist policies. While the Western Hemisphere was in the grip of Spanish and Portuguese colonial masters, external relations beyond the metropolitan powers were difficult if not impossible to be developed. Authorities deemed them suspicious, sometimes for good reasons. At one point, the leader of Chilean independence, Bernardo O'Higgins, said that the newly independent American countries should promote the liberation of the Philippines. But more generally, both East Asia and Latin America were parts of systems of "hubs and spokes", where the "spokes" were linked to different "hubs", in Madrid, Lisbon, London, and other metropolitan centers.

2. In the 19th century, the political, economic, and cultural priorities of the newly independent Latin American nations were to build relations with their neighbors, the United States, and the European powers. Under the Monroe Doctrine, the United States was eager to exclude non–regional powers in the Western Hemisphere. But some South American countries were integrated, at least in part, into an informal empire under the "Pax Britannica". These patterns left little room for other dimensions

[1] Source: Central Bank of Chile.

of diplomacy. Only exceptionally, thought was given to Asia. One such case was Chile's interest in Meiji Japan, which was motivated mainly by the interest in opening a new, promising market for nitrate fertlizer in Asia. Chile's indirect sale to Japan of a cruiser being built in Britain for the Chilean navy added to the Japanese naval forces in the war with China in 1894–95. This was of course well received in Tokyo. By 1897, a treaty of Navigation and Commerce between the two countries was being signed.

3. Third, Asian immigration into Latin America was relatively small. Although Chinese laborers arrived in countries such as Cuba, Peru, and Chile in the 19th century, the communities of overseas Chinese in Latin America did not grow to achieve "critical mass" in relations with China. The large inflow of Japanese migrants to Brazil, and to a lesser extent in Peru and Mexico, remained exceptions. Incidentally, a degree of return migration has taken place (perhaps 250,000 from Brazil and 50,000 from Peru), and the question has come up whether return migrants and their children are "real" Japanese (the term "dekasegi" has occasionally been used to refer to these migrants – which is said to have the connotation of low social status). The IADB is now engaged in a project to support people who want to again resettle from Japan to Peru, so they can set up small businesses. Recently, Korean communities have been growing in several Latin American countries. Their future role in relations with Korea is an open question.

4. A brief observation about mutual perceptions, starting from the Latin American perspective: We have to admit that in our patterns of social attitudes, there is ambivalence towards Asians and the cultures they represent. While many Latin Americans of Asian descent have successfully integrated, social and cultural distance is still a factor. East Asian economic achievements are valued, even admired; Asian imports, upmarket, mass market, even counterfeit, sell extremely well. We are increasingly exposed to Asian cars, electronics, appliances, foods, design, and animation. There is perhaps a recognition of a degree of Asian "soft power" in our region, especially in elite circles. But the people–to–people dimension remains underdeveloped. Many Latin Americans still have trouble differentiating between different Asian cultural and national identities. The fact that Peruvian President Fujimori was nicknamed "El Chino" is illustrative. The stereotype of Asians being inscrutable, enigmatic, lingers on. In general, diplomats perform competently in their interactions with Asian counterparts, but beyond the limited official sphere, much more should be done to help overcome "parochialism" in Latin American social–cultural perspectives toward Asian countries and peoples. In Asia, images of Latin America are fuzzy. The perception of the region as a backyard of the United States persists, as do stereotypes of political instability, economic underachievement, and social exclusion. To develop better mutual understanding requires complementing intergovernmental relations with social and cultural initiatives.

5. The role of geography cannot be ignored. Even in the context of globalization, physical distance remains a factor raising the cost of interactions between the two regions. Shipping routes are long and in many cases indirect. This is changing fast, but bottlenecks remain on both sides of the Pacific. Proposals to develop East–West overland infrastructure linking South America to Asia via the Pacific ports have potential, especially for the heartland areas faraway from the Atlantic coast, but have not made sufficient progress. Air connections are mostly via North America and Europe. The route to Southeast Asia via the Atlantic and Indian Oceans remains secondary, as does the new South Pacific route via New Zealand and Australia. On this last route traffic is growing very fast due to an alliance between airlines from Chile and Australia. This is making a real contribution to make air transport links more efficient. Lowering barriers to entry into the air transport industry should be a common interest in both regions. This is of course a large challenge, both economic and political.

6. The bipolar structure of the Cold War international system kept the two regions apart. While revolutionary changes in both regions influenced interregional relations, this happened mostly in the context of the superpower contest. Colombia sent a military force to fight in the Korean war. Our region was a distant observer of the Chinese revolution, but in the 1960s the influence of Maoism and the Sino–Soviet dispute on the Latin American Communist parties and other groups was significant. On the Taiwan issue, to the late 60s, most Latin American governments followed the lead of the United States and were supporters of Taipei. The Vietnam war was closely followed in Latin America, but its effect had more to do with attitudes towards the United States than vis–a–vis Southeast Asia, though in Chile the government of President Allende established diplomatic relations with Hanoi (by the way, Chile has just reopened the embassy in Vietnam). Of course, Cuba has a long tradition of relations with Asian communist countries. The Non–Aligned Movement and the Group of 77 helped to develop some contacts between Latin America and Asia within broader political and economic frameworks. But even considering such initiatives, the influence of Washington's East Asian policies, and in general the Cold War diplomacy of the US, remained a central factor in shaping Latin America's limited relations with that region.

Interregional, East Asian–Latin American engagement is mostly a recent, post–Cold War development. The end of the Cold War allowed some "breathing space" to our foreign policies. Of course, this was changed by the war on terrorism after September 11, 2001, but governments in the region mostly do not want a single–issue approach to international relations. Also, the successful record of the economic policies in several East Asian countries was followed in Latin America. Even though the Asian financial crisis affected our region, Latin American interest in East Asia did not subside. Steps to increase cooperation, mostly but not exclusively economic, have been taking shape. For the official actors involved, this is an exciting experience, since

- It is a line of policy innovation, a learning experience about countries, economies, and societies that, as we have seen, have been largely unknown to us for a long time;
- It offers opportunities to career diplomats to do their work with relatively little political interference. The political class remains less interested in East Asia than in other areas of our foreign relations, and thus, for example, political parties are less keen to secure ambassadorial appointments. Put in a more positive light, actors across a broad spectrum of political options are generally supportive of developing ties with East Asia, regardless of domestic differences on other issues, which helps to build continuity into our interregional diplomacies, and
- Developing these ties holds promise of substantial and growing returns, especially in trade and investment. To give an example, Professor Vittorio Corbo, Governor of the Central Bank of Chile, has stated that:

"Chile has been one of the countries most benefited by China's surge, as, in relative terms, it is currently Latin America's main exporter to China, with 8.6% of Chile's total exports. The increased demand for copper and its consequent rise in price has been reflected in the fact that more than 70% of Chile's total exports to China correspond to copper. But also, some other Chilean products

are gaining some market in China, like fishery and wooden products. Strengthening commercial links with China can reinforce the mutual benefits that our relation is already reaping. In this matter, a Free Trade Agreement between both countries would be highly welcomed".[2]

Since these remarks were made, bilateral FTA negotiations have started. I might add that Chile runs a large trade surplus with China, which helps us with our overall trade balance, as Chile runs large deficits in other areas, especially the Mercosur.

Chile is also holding preliminary talks with Japan via a committee called the Joint Study Group, which was set up after Prime Minister Koizumi and President Lagos announced last November their commitment to look into the feasibility of a FTA negotiation. The goal is to be able to make an announcement of the start of formal negotiations, hopefully by the time of the APEC summit in Korea, this November. Chile has another FTA project in the area, with Singapore (plus Brunei) and New Zealand, the so–called "P 3".[3] To complete the picture of bilaterals, a FTA with Korea is in force; the initial effect of this agreement has been a substantial increase in two–way trade.

The main arena for the new interregional diplomacy has been the Asia Pacific Economic Cooperation forum (APEC), established in 1989, which after modest beginnings as a ministerial conference, grew in the 1990s, today comprising 21 members in East and Southeast Asia, Australia and New Zealand, as well as the NAFTA area and South America, where Chile and Peru are participants.

The initiators of APEC in Australia, Japan and Southeast Asia did not contemplate Latin American membership in their blueprint of this forum. In fact, the conventional map of Pacific diplomacy mostly ignored Latin America. In the older academic literature, this was mirrored as Latin America was overlooked by most authors discussing Pacific Basin affairs.

But the admission of Mexico into APEC in 1993, which was related to the establishment of NAFTA, was seized as a precedent in the Latin American Pacific Basin countries. Chile actively lobbied to join, with help from unlikely allies such as Malaysia. In the early 1990's, Prime Minister Mahathir, a supporter of East Asian regionalism, saw potential for a South–South alliance with Latin America, which from his perspective might have created a counterweight to Western influence in APEC. The fact that Australia and the United States did not seem enthusiastic about Chile's application may have provided an additional incentive to Mahathir. Chile was successful between the 1993 Seattle (or Blake Island) summit, and the Bogor, Indonesia summit, which is remembered for the "Bogor Goals" of full liberalization for developed members by year 2010 and for all by 2020. This, incidentally, is now seen as a problem as there are growing concerns that the 2010 target might not be reached. This is a central issue in APEC's 2005 policy cycle, led by Korea, which must conclude the Mid Term Review of APEC's progress toward the Bogor goals. The crucial limiting factors seem to lie in the voluntary, non–binding nature of commitments in APEC, and with the very structure of the network, which was not designed as a negotiating body. I will return to this.

In 1998, Peru became a member in APEC, with Russia and Vietnam. Since then, a moratorium on new applications has "frozen" APEC membership. Some Asian members, perhaps more interested in developing East Asian regional arrangements, may think that Latin Americans are marginal

2 "Implications of China's Regional and Global Integration", paper presented at the conference "China's Peaceful Rise: Implications for the Asia Pacific Region", Santiago, CSIS–Chile Pacific Foundation, 16 November 2004, 5–6.

3 With the accession of Brunei Darussalam, the agreement is now "P4".

participants in APEC. A related concern, not publicly voiced, is that a growing Latin American membership might lead to the formation of a "Latin caucus" within the forum. In any case, as in other organizations, it appears that with regard to the membership issue, APEC faced the classic dilemma of extension vs. consolidation. Some observers suspect that, while the options for extension have not been exhausted, consolidation has not been achieved either, especially in the context of a perception of "drift" spreading in the membership. I will briefly elaborate on this point because it is of central importance in APEC so–called Mid–Term Review as the timelines for the Bogor Goals get closer.

At present it is not clear whether APEC is suited to function as a vehicle for trade liberalization, as the approach to opening based on so–called "concerted unilateral action" advanced in the mid–1990s, with liberalization measures favoring members and non–members alike (open regionalism) is widely seen as a "toothless" mechanism because commitments are not binding among members. Chile tried, during her 2004 turn in leading APEC, to give the forum a renewed sense of direction by addressing this problem. Specifically, the leadership of the APEC Business Advisory Council (ABAC) persuaded the Chilean government that the purely voluntary nature of APEC decisions should be reviewed, and also suggested a feasibility study of an APEC–wide Free Trade Area, which would stem the proliferation of bilateral deals, reinforce the trans–Pacific dimension of APEC, and send a message to the WTO that the Doha Development Agenda should be completed soon. However, to achieve such ambitious goals several years of sustained regional diplomacy are needed, and continuity of leadership between Chile, Korea, Vietnam, Australia, Peru, and Singapore, the leaders of APEC until 2009, is uncertain. Chile's Senior Official, Ricardo Lagos Jr., has said that the Chilean government understands the demands from the business sector, and that President Lagos will return to the issue in this year's summit. However, he also warned that APEC cannot be transformed overnight.[4] In the meantime, APEC's proposed answer to the wave of bilaterals is to examine them in terms of compatibility with APEC and WTO principles and timetables. No one however is sure whether such reviews will actually be undertaken, and if so, whether they could carry weight with contracting parties.

In this context, it would seem that the main attractions of APEC, especially for the smaller members like Chile, lie less in the agenda of the forum than in the opportunities to showcase the country to the Asia Pacific partners, and, second, to engage in political networking at the highest level. Leaders place high value on yearly opportunities to conduct APEC and non–APEC diplomacy (mostly bilateral) on the neutral ground provided by the host economy, without the diplomatic complexities involved in bilateral official visits. One example is the FTA between the US and Chile, an initiative that was rescued from stagnation by Presidents Clinton and Lagos after an informal conversation during the 2000 APEC Summit in Brunei. For this reason, former Australian Prime Minister Paul Keating has called the APEC Leaders' Meeting (AELM), "the principal piece of political architecture in the Asia–Pacific."[5] So long as political leaders feel this way, APEC will continue, even if its role were reduced to exchanges on policy collaboration and "best practices".

What is the limit of Latin America's potential in APEC? If and when the moratorium on new members is lifted, Latin American applicants might be Ecuador and Colombia.[6] Both already participate in

4 Diario Financiero, March 31, 2005.

5 The Sydney Morning Herald, April 4, 2005.

6 On Colombia, Carolina Barco (2004: 88).

other Pacific Basin bodies (especially the Pacific Economic Cooperation Council, PECC). Perhaps Panama could join the queue. Of course, even if this limited expansion of participation by Latin American economies in APEC should materialize, a large degree of asymmetry vis–a–vis East Asians, in terms of numbers, economic size, and political–economic bases of power will remain. So even if Latin Americans have made, and can continue making, some contributions to the APEC forum, the "center of gravity" of interactions in this network will continue being around the large East Asian members and between them and the United States.

There are some Latin American political initiatives vis–a–vis specific countries, like the Rio Group talks with China. But there is only one specifically East Asian–Latin American network, the Forum for East Asian–Latin American Cooperation, FEALAC (in Spanish, FOCALAE), first launched in late 1998 as an initiative of Singapore and Chile. FEALAC is built on the following criteria. It is not a Pacific Rim body, which means that Latin American membership extends to non–Pacific countries. By definition, FEALAC excludes the United States and Canada. The agenda is open–ended, thus harboring a potential for dialogue in areas such as political and cultural affairs. Members are governments of sovereign states (so far, a total of 32). On the East Asian side, this excludes Taiwan (Chinese Taipei) and Hong Kong. On the other hand, the new members of ASEAN (Cambodia, Laos, and Myanmar) are members. Australia and New Zealand are in FEALAC, as Singaporean pragmatism was able prevail over a strict definition of East Asian identity, advocated by Malaysia. This marks an important and positive difference with the Asia–Europe Meetings system, which I believe was the implicit model for FEALAC.

But in the comparison with ASEM a crucial weakness of FEALAC becomes apparent, which is the lack of a body or institution to implement actual cooperation programs. In ASEM, this is the Asia–Europe Foundation (ASEF), based in Singapore. Suggestions to establish an Asia–Latin America Foundation along the lines of ASEF have not been taken up by governments. Two ministerial meetings have been held, the first in Santiago in 2001, the second in Manila last year. In this last conference, governments were clear in not overemphasizing the importance of FEALAC, described by foreign ministers as a mechanism that should complement other areas of multilateral engagement of the participants. In other words, both regions have other priorities, but think that FEALAC is a secondary avenue still worth exploring. The problem is that so far no substantial resources have been committed to do this. Governments recongnize that FEALAC needs to work on the people–to–people dimension to add to the official level. One initiative on this so–called "track two" is to build academic links among institutions working on subjetcs that are on the FEALAC agenda. This Chilean project is still small scale and in a virtual stage, but work is underway to organize substantive meetings on issues of common interest.

SOME FINAL REMARKS

1. In this presentation, I have looked at the development of relations between Latin America and East Asia, emphasizing the case of Chile. In our country, there is a growing consensus across the political spectrum that these relations are of growing importance, although much remains to be done to understand our neighbors across the Pacific. Deepening and strengthening economic, political, and other areas of relations with Asia requires sustained efforts to improve our diplomacy, build up business ties, engage in cooperation projects, and develop cultural awareness and understanding. In all these dimensions, we have less experience than in relations with Western countries.

2. While Latin America in general, and Chile in particular, is not an actor on the East Asian international scene, our region, and Chile, share an interest in peace and stability in East Asia as a precondition for developing closer relations.

3. Pacific Basin cooperation networks and inter–regional networks play important bridging roles. They have helped to put us "on the map" of East Asian actors, and viceversa, but regional and inter–regional levels of interaction, while useful, must be complemented by sound bilateral policies vis–a–vis Japan, Korea, China, and Southeast Asia.

4. Progress has been made in developing official relations with East Asia, but at the domestic level, constituencies supporting such relations remain limited, mostly to big business; the "people to people" dimension remains mostly undeveloped.

5. The composition of trade between Chile and the East Asian economies shows a heavy incidence of commodities on the export side, and of manufactures on the import side. With few exceptions, similar patterns prevail in the rest of Latin America. Of course, natural resources are very important, but what we would like to see is higher value–added exports as well as more investments and exchanges of services, i.e., we would not like to limit economic relations to a new version of a North–South scheme, and we believe that economic relations should develop in a broader framework of political, cultural, and social exchanges. This is easier said than done, but it summarizes the task ahead of us.

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