Foreign policy and development models: 
Argentina and Brazil in comparative 
perspective (1930-2010)

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Abstract. The main objective of this paper is to analyze how the Argentine and Brazilian governments, which have adopted a series of different development models, used foreign policy to achieve their goals from 1930 to 2010. We link development and foreign policy studies, understood as a key pairing for the understanding of the results obtained in these countries. This approach is also used to compare the performance of Argentina and Brazil from this perspective.

Keywords: Foreign policy; development model; Argentina; Brazil; comparative perspective.

Acronyms and abbreviations
ALALC Latin American Free Trade Association (Asociación Latinoamericana de Libre Comercio)
BNDES National Development Bank of Brazil (Banco Nacional de Desenvolvimento)
BRICS Brazil, Russian, India, China, and South Africa
CDI Industrial Development Commission, Brazil (Comissão de Desenvolvimento Industrial)
COSIPLAN South American Council of Infrastructure and Planning (Consejo Suramericano de Infraestructura y Planeamiento)
DFI Direct foreign investment
ECLAC Economic Commission for Latin America and the Caribbean
IBSA IBSA Dialogue Forum (India, Brazil, South Africa)
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<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>IIRSA</td>
<td>Initiative for the Integration of South American Regional Infrastructure (Iniciativa para la Integración de la Infraestructura Regional Suramericana)</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MERCOSUR</td>
<td>Common Market of the South (Mercado Común del Sur)</td>
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<td>OAS</td>
<td>Organization of American States</td>
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<td>OPA</td>
<td>Operation Pan America (Operación Panamericana)</td>
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<td>UNASUR</td>
<td>Union of South American Nations (Unión de Naciones Suramericanas)</td>
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<td>YPF</td>
<td>Fiscal Oilfields, Argentina (Yacimientos Petrolíferos Fiscales)</td>
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1. Introduction

All governments, explicitly or tacitly, have a development strategy; this can be defined as a line of action or a development plan with certain objectives which, in the final analysis, are oriented towards a particular conception of development – a model of development (Devlin & Moguillansky, 2009). Foreign policy, as a public policy, should take into account this development strategy and, if it does so, the state will act on the international stage to fulfill these internally delineated objectives that favor a particular model of development. The principal dividing line when it comes to differentiating between development strategies lies in the level of public intervention and the manner in which productive transformations are carried out. According to the monetarist, neoliberal vision or the orthodox paradigm, state intervention should only strengthen the autonomous action of the market through monetary and fiscal policies that are compatible with macroeconomic stability. In contrast, the developmentalist, heterodox or structuralist model gives the state a leading role in the management of the economy and society through the distribution of income. In between these two approaches are the so-called neo-structuralist or neo-developmentalist models, which can be thought of as mixed because they stipulate that the state should have a role in economic decisions but that this should be complementary to the market; that is, they prescribe a close relationship between the public and the private. In fact, no capitalist development strategy is “pure,” since each includes elements from both spheres. The point of disagreement is the centrality of these two agents. While monetarist-neoliberal strategies state that the market is the central actor and driver of development, developmentalist-structuralist strategies invert the equation, assigning this role to the state, while a third option establishes a point of equilibrium between the two.

Nevertheless, as Actis, Lorenzini, and Zelicovich note, it is important to keep in mind that the idea of development “transcends economic definitions and is converted, among other things, into an important structuring factor in foreign policy and in a country’s strategy of international insertion”1 (2016, p. 16). Thus, the objective of this study is to analyze how the governments of Argentina and Brazil, which have implemented a series of different economic development models, have used foreign policy to achieve their objectives, at the same time as we compare the application and results of these models in both countries. The hypothesis is that, as a function of the foreign policy implemented, the application of models that were “theore-

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1 Translation by Apuntes.
tically” the same brought about different results. That is, the results, when there are bases and margins of actions that are distinct both domestically and internationally, are different even though the theoretical premises are similar to each other on most points. For this reason, it is also important to analyze different historical periods in order to reinforce our premises, since “the contexts in which these decisions are taken are fundamental in the sense that they determine the permissibility and viability of each action”\(^2\) (Actis et al., 2016, p. 16).

To compare our hypotheses, we start from the concept of foreign policy developed by Celso Lafer, who sees it as a public policy whose objective is “[…] to translate internal necessities into external possibilities […]”\(^3\) (2002, p. 20). Therefore, we think that foreign policy cannot be disassociated from the needs of a country. In this sense, this article focuses on the requirements of a model of development which, as already noted, constitutes a line of action intended to achieve certain objectives that are defined by a specific conception of development. In this manner, we intend to unite the study of development models with the foreign policy deployed by these countries and understand them as a fundamental pairing for the analysis of the results obtained, with the development model as the independent variable and foreign policy as the dependent variable. It should be noted that the influence of exogenous factors on the decisions that a country takes regarding a development model is not denied; on the contrary, when a decision is made regarding the implementation of a development model, it is acknowledged that the situation on the international level has to be taken into account. It is foreign policy which adjusts to the needs of development model. From this point of view, it is not sufficient to study the productive transformations within the state; it is necessary to analyze the linkage between these and whether or not the international situation is taken advantage of in the design and implementation of foreign policy.

Concretely, from the 1930s, the issue of development was a key element in the thinking of successive governments as well as Latin American intellectuals. The economic development of Argentina and Brazil was understood in different ways, depending on the national and international contexts in which the respective models were applied.

The relationship between the development model and foreign policy is so close that Cervo (2008) does not refer to models of development but to types of states. Thus, according to this author, the search for economic

\(^2\) Translation by Apuntes.

\(^3\) Translation by Apuntes.
development was marked by four models, or paradigms: the liberal-conservative state (19th century to 1930), the developmentalist state (1930-1989), the normal state (1990 to 2002), and the logistic state (2003 to date). In order to differentiate our analysis somewhat from Cervo’s, and because his classification is not useful for the analysis of the Argentine case (especially in the last stage), we divide the development models historically into four periods: 1) import substitution model; b) developmentalist model; c) neoliberal model; and d) neo-developmental model, attempting to demonstrate – through a description of the linkage between a developmental model and foreign policy – the similarities and differences in the empirical manner in which these were applied in the two countries.

The methodology used here is based on bibliographic research and comparative method as analytical tools. As suggested by Collier, comparison ”sharpens our power of description, and plays a central role by bringing into focus suggestive similarities and contrasts among cases” (1993, p. 105).

2. Import substitution industrialization model

The international economic crisis of the 1930s led the economic and political elites of all countries affected to search for drastic solutions. In Brazil, once elites concluded that their country could no longer be held hostage by São Paulo coffee growers, an industrialist consensus was reached by the political and business class (but since Brazil started out with a slave-based agroexport model, unlike Argentina, this had a great impact on the conditions of structural inequality of the development models. It is important to clarify that for some authors, “the interests of São Paulo’s coffee growers,” once based on slavery, were never totally defeated since they continue to have an influence to this day. The liberals, who defended the thesis that Brazil had an agricultural vocation, were politically defeated. This defeat was consolidated in the second half of the 1950s. Starting from then, the liberals changed their discourse; they also became industrialists. The political divergences now centered on the means by which industrialization should be promoted, while the hypothesis that Brazil was an exclusively agricultural country was no longer defended.

This 1930s crisis diminished Brazil’s capacity to import products and make its international payments, while also reducing the pace of all economic activities. This was the context in which the government of Getúlio Vargas decided to increase the state’s participation in the economy in order to avoid a widespread recession. It was a transition period marked by a changeover from a system based on agroexports to an industrial system, in which the agricultural oligarchy was gradually replaced by an industrial bourgeoisie;
this is the reason that Brazil's proposal for international insertion had more to do with industrial than agroexport interests. Thus, a political-institutional structure was established that combined the centralization of power and an increase in the autonomy of the state and in its capacity to intervene in economic matters with external financing for investment in industry.

As mentioned above, the industrialization of Brazil was the product of the international situation and specific economic measures taken by the government to ameliorate the effects of the 1930s crisis. In 1931, foreign exchange controls were introduced – monopolized by the Banco do Brasil – in an effort to restore the balance of payments, which had been altered by continuous currency devaluations. This measure served as a protective mechanism that made it more difficult to import products considered less essential, which began to indirectly favor local industry. Thus, the process of import substitution advanced considerably.

On the other hand, there was also an external factor which influenced the policies of the Vargas government: the rupture of the balance of power in Europe. On the one hand, Germany began to look to Latin America as a place where it could expand its power. On the other, the United States began to establish links with other economies in order to guarantee its own recovery and growth. In this context, Vargas took advantage of the scope for negotiation that opened up due to the competition between these two “systems of power” (pragmatic equidistance, in the formulation by Moura, 1980). In this way, Vargas sought to obtain economic benefits using politico-diplomatic tools.

The eruption of the Second World War forced Vargas to equilibrate the contradictory tendencies that prevailed in Brazilian society and divided the government. In this regard, the criteria that predominated was pragmatism: Brazil affirmed its desire to collaborate militarily with the United States in exchange for loans for a national steelworks plan. Financing for the steel industry, a priority for the Brazilian government, was used as a diplomatic tool to pressure the United States when Germany offered Vargas a loan. As Hilton suggests, "Vargas and Itamaraty skillfully exploited such fear, constantly presenting Washington with the bogey of Nazi cooperation in Brazil's Steel plans”⁴ (1975, p. 772). Consequently, at the end of 1940, an agreement was signed by Brazil and the United States for the construction of the National Steel Company (Compañía Siderúrgica Nacional) and

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⁴ Itamaraty refers to the Brazilian Foreign Ministry.
Vargas received authorization for a loan requested for the construction of the Volta Redonda steelworks.

In the case of Argentina, it took more time for decisions to be made. The agroexport model remained in place with the elite of the “infamous decade” – the conservative regime – and the turn to the United States was not accomplished in time: the end of the balance of power in Europe did not affect the decision to align with Great Britain. Argentine elites persisted with the prevailing model until the following decade. Though a small industrial sector had developed, it was the product of state planning. In 1940, the Pinedo Plan was prepared, and was “[…] the first state document in which the possibility of partially modifying the existing economic development strategy was considered”⁵ (Llach, 1984, p. 517). The Pinedo Plan emphasized export industrialization and specialization in domestic raw materials as well as approaching the United States to obtain financing. The principal fear at the time was “exaggerated industrialization” (the so-called Keynesian industrialization); therefore, the plan sought to promote only necessary and efficient industry. In this sense, those supporting an economic opening emphasized the restriction of import substitution: “The emphasis on the need to import (‘it is necessary to import, while one can go on exporting’) highlights the will to restrict the process of import substitution”⁶ (Llach, 1984, p. 525). The central emphasis of the new strategy was not import substitution but the industrialization of exports, together with a diversification of markets – especially the United States and Brazil. Despite the fact that the Pinedo Plan was not approved by the Argentine congress, economic statistics from the period demonstrate that some of the plan’s ideas were implemented because the circumstances were favorable – WWII, industrial exports, and the diversification of markets. Nevertheless, the prevailing development model had deep roots in national ideology and the plan was rejected, since the heirs of the “generation of the 1880s” were incapable of yielding to larger sectors of civil society.

Finally, between 1946 and 1955, the import substitution model became the predominant Argentine economic strategy. Raúl Prebisch (a former advisor to Pinedo and former head of the Argentine Central Bank), the incoming director of ECLAC, described the policies that Latin American economies should adopt in order to achieve industrialization through import substitution. The main problem faced by Argentina’s economy was that Peronism did not foment base industries, and consequently intermediate

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⁵ Translation by Apuntes.
⁶ Translation by Apuntes.
and heavy industrial products could never be substituted. This internal obstacle for the Argentine economy – as well as the success of the Brazilian economy – had two external causes.

During the Second World War, Argentina had the so-called “Midas curse,” that is, it had foreign currency to spare from sales of foodstuffs around the world; but due to the industrialized countries’ freeze on exports, the country lacked the inputs necessary for the development of its economy. Later, Juan Domingo Perón’s ambiguity, indecision or outright sympathy for the Axis countries led to an economic boycott by the United States. Argentina was not part of the new opening up of world food markets, first because of the U.S. boycott and, second, because Perón was not interested. According to Gerchunoff (2010), the protectionist redistributionist strategy added to the later external strangulation, which led in turn to the shortage of foreign exchange and the freezing of the production structure. In the words of Dutra Fonseca and Ferrari Haines:

> The shortage of reserves, meanwhile, also coincided with a fall in prices and in demand for primary products on the world markets. Thus, Perón did not have the economic resources to continue promoting the economy and the country entered into a recession at the beginning of the 1950s, aggravated by a second drought that was responsible for destroying primary production.7 (2012, p. 1065)

In addition to this, starting in 1940 and while it had unusually high arms expenditure, the Argentine government tried to project its foreign policy upon Spanish-speaking Latin America. As part of what was called the “Third Position,” Perón emphasized the importance of Latin American regional integration and reached commercial, financial, and cultural agreements with Chile, Uruguay, and Peru. Nevertheless, his greatest interest was in Paraguay and Bolivia. In 1946, Perón announced an ambitious future cooperation program with Paraguay which led to an “economic union” in 1953. In the case of Bolivia, during WWII, Buenos Aires negotiated fuel concessions and an agreement to build a railroad that would unite Tacuiba with Santa Cruz. After the war, Perón paid an official visit to La Paz in order to redouble work on the railroad and to offer Bolivia commercial access to the ocean. Until the end of WWII, Argentina took an independent position which left it on the margins of the Inter-American community.

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7 Translation by Apuntes. Translation from Portuguese by the author.
3. Developmentalist model

When seeking to explain developmentalism, it is essential to contextualize the changes that occurred on the systemic level. First, Khrushchev’s declaration of the superiority of communism and its triumph by peaceful means led to Peaceful Coexistence, which – notwithstanding the ups and downs of the Cold War – would lead to the second characteristic of the era: the North-South “struggle” as elucidated by – among other things – a recognition of the consequences of the deterioration of the terms of exchange.

Because of this latter characteristic, the developmentalist model appealed to private international capital in line with the needs of the internal market – associated development – and the growth of heavy industry, which would assure these nations a place among the industrialized countries. At the same time, the state channeled the resources from these investments by employing selective criteria. As Nosiglia suggests: “What determines the positive or negative effect of capital is not its origin but its destination” (1983, p. 23).

In Brazil, the developmentalist state used international action to obtain inputs for national development; because of this, the agroexport sector continued to decline in importance, to the benefit of the industrial sector. The policies of the Juscelino Kubitschek government prioritized industrialization, considering it to be fundamental for the economic development of the country. The consequent need for foreign capital forced Brazil to develop a closer relationship with the United States.

First, it should be clarified that Kubitschek’s National Development Plan (also known as the Goals Plan) was built on the institutional foundations previously laid by Vargas – above all the Industrial Development Commission (Comissão de Desenvolvimento Industrial, CDI) – and was based on four goals: energy, transportation, food, and base industry. Second, the foreign policy of this government was also linked to the model of development. Third, as a synthesis of the first two premises and as noted by Pio Penna Filho:

Brazil’s foreign policy in the years 1956-61 was carried out according to the country’s industrialization plans. It is possible to compare it progressively with the achievements obtained by the Goals Plan and also as a function of this plan. Foreign relations, basically, followed this path. (Penna Filho, 2002, p. 191)

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8 Translation by Apuntes.  
9 Translation from Spanish by Apuntes. Translation from Portuguese by the author.
Two factors need to be highlighted, one internal and one external but both related to the need to obtain foreign investment. The internal factor was related to an initiative by Kubitschek – the promotion of the so-called Operation Pan America (Operación Panamericana, OPA) to increase the climate of cooperation in the hemisphere and promote outreach to the United States:

[OPA] was seen as a new effort for a closer relationship with the United States, a multilateral tactic which included Latin America in the project […], it sought to bring in the United States to participate in a process of reverting the panorama of regional underdevelopment, as a source of investment, technology and markets.¹⁰ (Oliveira, 2005, p. 73)

In reality, what OPA was intended to do – move the issue of the struggle against communism from the strategic-military field to an economic-financial one – was not understood by the United States until the advent of the Kennedy administration and the Alliance for Progress. Nevertheless, the effort was not in vain; OPA promoted understanding between Kubitschek and the rest of the leaders of the region. When it was implemented, Arturo Frondizi, the president of Argentina, gave it his support. During the Pan American Conferences, both defended the idea that the greatest threat to our countries was not extra-continental foreign powers but underdevelopment. This climate of cooperation later enabled the establishment of the Latin American Free Trade Association (Asociación Latinoamericana de Libre Comercio, ALALC), the first integration process in the region. The central objective of regional integration processes was to support a developmentalist model of industrialization through import substitution, this time promoted by the state and not as a result of external conditions. This closed regionalism prescribed that the member states increase their external tariffs to avoid the entry of more competitive products from third countries, and grow their internal markets to strengthen domestic industrial sectors.

Nevertheless, at a time when commerce was protectionist, the country began to grant some fiscal concessions in order to attract investment. Here, we can observe the second factor: the external – the beginning of the post-WWII European and Japanese recovery, together with the U.S. investments made in Latin American markets with the sole purpose of arresting the loss of those they had considered captive. Thus, Kubitschek negotiated with all capitalist industrialized countries indiscriminately so as to obtain what

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¹⁰ Translation from Spanish by *Apuntes*. Translation from Portuguese by the author.
he needed to carry out his plan. The result was a large amount of foreign capital that, together with funds from the National Development Bank of Brazil (Banco Nacional de Desenvolvimento, BNDES) and the Brazilian private sector, assured the growth of the industrial sector. One example was the creation of Usiminas (steelworks) with Japanese capital.

In the case of Argentina, Frondizi prioritized petroleum, steel, energy, the heavy chemical industry, increases in agricultural productivity, and transportation infrastructure. The equation, created by Rogelio Frigerio, pioneer of Argentine developmentalism, was: petroleum + meat = steel. As Nosiglia explains: “[…] the priority is steel; but in order to obtain it, it is necessary to save foreign exchange, be self-sufficient in petroleum and, simultaneously, generate foreign exchange by multiplying production and the export of meats”11 (1983, p. 33). Nevertheless, Frondizi encountered a series of “inherited” problems that would later become his own. First, a large sector of society and the political opposition equated foreign capital with the loss of sovereignty. Second, in order to have enough petroleum for the developmentalist equation, there was a need for knowhow and machines that the country did not have and which made the acquisition of foreign private capital essential. This is how the “vicious circle” began, which was exacerbated because of YPF’s policy of procuring without bidding or the approval of Congress. As Frondizi himself explained, the two “pure” options were: a) leaving aside the possibility of supplying state resources; and b) allowing foreign companies to act as they pleased in YPF. But neither of these was viable. Self-sufficiency was achieved, albeit at a very high political cost to the government.

At the same time, in order to achieve economic objectives, two laws were crucial: the foreign investment law (Law Nº 14,780) and its complement for industrial promotion (Law Nº 14,781). The principal objective of Law Nº 14,780 was to eliminate the “inconveniences” created by Law Nº 14,222 of 1953, which regulated the transfer of foreign capital by foreign companies and restricted the repatriation of capital. This law basically established how foreign investment would be treated, while stimulating investment in productive sectors considered to be crucial by the state. It is also worth clarifying that investments in the petroleum sector were not subject to such stimuli, since they were carried out through direct contracts. The result of these laws, in addition to the low internal savings rate and no improvement in exports, was inflationary pressure – prompted by the capacity of foreign

11 Translation by Apuntes.
companies operating in the country to set prices due to the stimuli and the monopolies achieved in these sectors of industry – and an increase in the deficit. This deficit led the Frondizi government to request loans at the beginning of its mandate from the International Monetary Fund, thereby losing the country the limited decision-making autonomy it had and establishing a link of dependency that would endure until the current century.

In foreign policy, Frondizi employed, like never before, the tool of official visits to promote Argentina as a country that was trustworthy and open to negotiations. Nevertheless – like Perón – he miscalculated with regard to the international system. Frondizi genuinely believed in “peaceful coexistence” and the possibility of becoming a key player in the inter-American system. Relations between Brazil and Cuba were an example of this. With respect to Brazil, the ideological convergence with Kubitschek led him to join OPA and ALALC. Nevertheless, the next Brazilian President, Jânio Quadros, was not so well regarded by the United States, and the Uruguayana Accords were seen as an affront because of the good relations between Quadros and Cuba. In reality, the idea of expanding markets to increase the flow of Argentine exports was implicit in the Uruguayana Accords, but this is not how they were interpreted in the prevailing international context, especially since this meeting of two South American presidents fighting for the self-determination of peoples took place at the same time as the Bay of Pigs Invasion.

In addition, the “Che affair” contributed to the tension. Despite the Bay of Pigs Invasion, Frondizi continued to insist that Argentina would be a good mediator in the conflicts between Cuba and the United States. For this reason, and because Argentina opposed the expulsion of Cuba from the Organization of American States (OAS), Frondizi met with Ernesto Guevara, Finance Minister of the Caribbean island. This was perfectly normal considering that Argentina maintained normal diplomatic relations with Cuba. However, the aura of mystery that surrounded the visit – it was not official but held in secrecy – awoke suspicions among conservative Argentine sectors as well as in the hegemonic power.

4. Neoliberal model

The neoliberal model of the 1990s owes much to its historical context. The “end of history” united ideologies on this side of the world and it was understood that, in consonance with the criteria of the peripheral realism of Carlos Escudé: in order to have power, the only possible option for a country like Argentina is to align itself with the hegemonic power. Thus, the old ideas of ECLAC were abandoned and international pressure for the creation of integrated blocs was intense, in that these became the only option for
underdeveloped countries given the risks of globalization. Thus, as occurred in almost all Latin American countries, Argentina under President Carlos Menem and Brazil under the successive presidencies of Fernando Collor de Melo, Itamar Franco, and Fernando Henrique Cardoso broke with the ideal of developmentalism and with the paradigm of the developmentalist state, replacing it with the neoliberal paradigm through rapid and radical reforms.

Consequently, there was an abandonment of the ideas and policies that dominated in the previous governments, including import substitution, and both the role of the state and the economic and commercial relations of both countries were reformulated. A point of view was adopted that saw all problems as purely economic. The neoliberal model views development as a consequence of competitive integration in international markets. The principal characteristic of this paradigm is the abandonment (and critique) of the strategy of inducing development through state initiatives.

In the decade of the 1990s, the public-private pairing was presented as a zero sum game in which, as the market grew, the state grew smaller. The principal characteristics of the neoliberal model was the shrinking of the state, the privatization of public enterprises, the deregulation of markets, and economic and financial opening up. All the measures adopted in this decade were taken from the so-called Washington Consensus. It posited that there were ten reforms that should be carried out in Latin America for it to emerge from the crises that most of its countries were experiencing. These reforms were: fiscal discipline, reordering the priorities of government spending, tax reform, liberalization of interest rates, competitive exchange rates, liberalization of commerce, liberalization of foreign investment, privatization, deregulation, and legal security for property rights. Nevertheless, as we shall see, each country adopted these measures in its own way, interpreting them in turn in a more or less orthodox or flexible manner.

In the Argentine case, the first thing that needs to be noted is that some orthodox measures had already been applied by the governments of the military dictatorship (1976-1983). Thus, in the 1990s, the government became more recalcitrant, destroying the little that remained standing – including all industry. The Menem government was sadly colorful, setting some goals that were inaccessible and exactly following some theoretical precepts of Carlos Escudé’s peripheral realism and the Washington Consensus. This was done in such a way that the IMF called Argentina the “best student” in the application of its recommendations. Menem had two objectives: to economically stabilize the country and to make it part of the “First World.” Both were achieved through a foreign policy of unconditional alignment with the United States. In this sense, we are in complete agreement with
Míguez when he states that “neoliberalism led to a specific foreign policy, in accordance with a vision of the world which was implicit in it, and which was converted into a tool for the implementation of the new pattern of accumulation”\(^{12}\) (2010, p. 95).

This was the context in which the peripheral realism of Carlos Escudé developed. The crux of his theory was that Argentina was most prosperous in the period in which it was aligned with Great Britain; ergo, Argentina should align with a great power to recover from its crisis. Thus, in order to fulfill the precepts for economic wellbeing – through alignment with the United States – Menem’s policy was designed around the canons that it was assumed would please the great power. Escudé (1992) enumerates various of these when describing Menem’s foreign policy: reestablishing diplomatic relations and ending confrontations with Great Britain over the Malvinas; the resolution of border disputes with Chile; the continuation of integration processes – with emphasis on MERCOSUR (Mercado Común del Sur); elimination of any suspicions of regional destabilization; and standing offers to act as a mediator in various conflicts.

The most controversial foreign policy measure was probably sending troops to Iraq. Why was the decision to send soldiers to the Gulf so contentious? Simply because neutrality had traditionally been one of the most outstanding and indelible aspects of Argentine diplomacy. Thus, the justification of then Foreign Minister Cavallo that neutrality was an outdated principle left a bitter taste. Nevertheless, considering Argentina did not participate in any conflicts after the first Iraq War, it might be concluded that the initial decision to send troops was due to motives other than the obsolescence of the principle of neutrality, as the Foreign Minister had claimed. Perhaps it would have been better to openly acknowledge that this principle was abandoned due to the government’s unconditional alignment with the United States. Thus, during the 1990s, an affinity with the U.S. led the Argentine government to renounce one of the country’s most important foreign policy traditions. The worst thing about this was that nothing was gained: there was no negotiation, no request or demand on the part of the United States (although some authors claim that Menem decided to intervene because there was a promise that Argentine enterprises could participate in the reconstruction of Kuwait after the war. If this could be proved, the decision to send troops would be consistent with the developmental model).

\(^{12}\) Translation by Apuntes.
In the Brazilian case, the normal paradigm also caused a great change within the state; the result was an increase in structural dependence and a historical reversal of the gains the country had made in previous decades. Nevertheless, Brazil started from a very different position than Argentina since its military governments (1964-1985) were true developmentalists, having intervened in the economy and protected national industry. In the words of Sallum and Palacios:

The Vargas Era refers metaphorically to a system of domination with roots in society and the economy, which perpetuated itself for more than half a century in Brazilian life. It began to be constructed in the 1930s, reached its high point in the 1970s, and was gradually dismantled starting in the 1980s.13 (Sallum & Palacios, 2000, p. 745).

And it is precisely the words “gradually” and “moderation” that indicate the key difference in comparison to the Argentine case. The liberalization of the economy ran into two obstacles that did not exist in Argentina. The first was related to unions – chiefly employees of the government and state enterprises; the second was the legal framework of the 1988 Constitution, which increased limits on foreign capital and state control of the market and increased social services. The Constitution of 1988 “assured the preservation of old forms of articulation between the state and the market at the precise time that the process of transnationalization and neoliberal ideology was about to take on global dimensions […]”14 (Sallum & Palacios, 2000, p. 748). All these – the forces that favored and those that opposed neoliberalism – resulted in a much more light liberalization of the economy in Brazil.

As a result, Brazil’s commercial liberalization and privatization strategies were diametrically opposed to those applied by its southern neighbor. The commercial opening of regionalism was not so harmful. Brazil did not suffer from these counterweights and instead, the economy responded positively to the economic opening. The primary Brazilian strategy was to protect its most traditional and competitive industries, thus fulfilling its objective of insertion into international markets through a competitiveness which, in principle, was artificial, but which nonetheless ended up strengthening national industry.

The second strategy was selective privatization. While it privatized some state enterprises, Brazil kept the “jewels in the crown.” As Cervo (2002)

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13 Translation by Apuntes
14 Translation by Apuntes.
confirms, the privatization process was controlled in order not to destroy national patrimony, and large national enterprises were even created in sectors where competitiveness was possible (mining, steel, aeronautics, and the space industry). Another interesting maneuver was incomplete privatization or mixed enterprises; the prime example of this was Petrobras.

In terms of foreign policy, Brazil’s was designed and applied as if the developmentalist paradigm was still in effect, or perhaps the intension was to use foreign policy to counteract the negative effects of the neoliberal model. At the beginning of the 1990s, the idea of “South Americanism” became a foundation of Brazilian identity. In contrast to Argentina, from this point on, Brazil attempted to balance the United States’ role in the interests of this sub-region and to displace Mexico as a possible competitor for regional leadership. The broadly accepted premise was that the destiny of Brazil was linked to its South American neighbors: “this vision identifies South American integration as a stage for reducing the impacts and the rhythm of an opening to the outside and absorbing Brazilian manufactured products”\(^\text{15}\) (Gomes Saraiva, 2012, p. 91).

5. Neo-developmentalist model

At the beginning of the new century, there was a certain ideological convergence among South American governments which can be described as post-liberal. The post-liberal or neo-developmentalist model was principally characterized by its rejection of the previous economic model, which was criticized for generating and perpetuating social inequalities. Starting from this shared appreciation, neo-developmentalistism, which has some distinctive characteristics, was delineated as the “return” of the state, intervention in markets, emphasis on the internal market, inclusive social policies – going as far as to be paternalistic – and the relative autonomy of centers of power. Its principles were applied from points of departure, viewpoints, and objectives which were so different from one another that they led to opposite situations.

At the same time, two external factors combined to allow the governments analyzed to increase their room for maneuver both domestically and internationally: the 9/11 attacks, and increases in the prices of commodities. The 9/11 attacks distracted the United States from its global commitments (with the exception of areas considered to be strategic to its national interests) and permitted some emerging powers, among them Brazil, to increase their levels of participation and responsibility on the international level, as

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\(^{15}\) Translation by Apuntes
well as in their areas of influence (Giaccaglia, 2010). Meanwhile, in other middle-income countries, such as Argentina, it became possible to try to solve structural problems of direct negotiation without U.S. influence. With respect to commodities, the considerable growth in demand resulted in their prices increasing considerably. Obviously this favored the balance of payments of countries that exported these types of products, such as Argentina and Brazil.

In the case of Brazil, the surplus liquidity generated by the inflow of foreign exchange was invested in projects outside the country. The model was intended to improve levels of economic growth through direct foreign investments (DFI), primarily among the countries of South America. During his eight years in government, Lula Da Silva implemented a hybrid strategy, which included the adoption of an orthodox monetary policy alongside an economic policy that was heterodox given the role it assigned to the state (Pereyra Doval & Actis, 2012). This economic policy privileged the control of inflation over growth through a revalued exchange rate, high interest rates, and exhaustive control of public spending. Nevertheless, in line with the classification of the aforementioned development strategies, the fundamentals of this economic policy have their developmentalist roots in the belief that the state plays an indispensable role in productive transformation, and doubt that static comparative advantages can, by themselves, promote such a transformation (Devlin & Moguillansky, 2009).

In macroeconomic terms, the decision to maintain a revalued exchange rate explains part of this phenomenon. In addition, the world economic crisis accelerated processes of mergers and acquisitions, resulting in the creation of large monopolies with financing and aid from the state. The developmentalist imprint on the internationalization of the Brazilian economy can be seen clearly in the role of the BNDES. Since 2003, this bank identified the internationalization of enterprises as one of its objectives. In addition, as Ribeiro and Casado Lima (2008) note, BNDES prioritized South American integration as one of its strategies.

This government’s foreign policy, just as its public policy, was linked to the process of internationalization of capital. Returning to this article’s line of analysis, the Da Silva administration made it clear that its foreign policy was going to be closely linked to a strategy of international development. Therefore, it is worth quoting Coelho’s hypothesis at length:

The search for new markets for Brazilian products and the strategy of international projection consolidated the relationship of the large Brazilian enterprises with the external actions of the country abroad […] Therefore, at the same time as the resources
of BNDES helped national enterprises to expand their foreign activities, the bank became consolidated as a financial institution with broad regional reach increasing, in a generalized way, the influence of Brazil on the international scene.16 (Coelho Cardoch Valdez, 2011, p. 6)

The most convincing example of how diplomacy can generate initiatives that promote an economic development model is provided by Vigevani and Cepaluni (2007). According to the authors, at the first meeting of South American heads of state, held in Brasilia in 2000, where it was agreed to create the Initiative for the Integration of South American Regional Infrastructure (Iniciativa para la Integración de la Infraestructura Regional Suramericana, IIRSA), Itamaraty played a central role, since it was the main proponent of the initiative. In 2005, given the lack of financing to carry out the planned projects, Brazil committed BNDES to the initiative. This implied a change in the objectives of the bank, which came to be regarded as a financial actor promoting South American integration. The functionality of IIRSA (currently: South American Council of Infrastructure and Planning, COSIPLAN) can be seen in the expansion of Brazilian multinationals in the area of engineering and construction, such as Odebrecht and the Andrade Gutierrez Group. Finally, the internationalization of capital – both financial and as DFI – by Brazilian multinationals in South America can be considered a mechanism of political influence in South America.

Now, despite the supposed political and ideological convergence between Lula and his Argentine counterpart, both the domestic and the international policies of Nestor Kirchner were completely different than Da Silva’s because, among things, Kirchner had to deal with domestic variables that were much more complicated than those faced by the Brazilian president. First of all, he started off with a productive and economic base that was less diversified and of a lower quality than Brazil’s, in addition to a country that was going through one of its worst crises. There was an effort to revamp the industrial sector and, together with the advantages offered by a favorable international context, the government of Kirchner employed some domestic resources. The 2001 crisis meant that Kirchner needed to focus all his energies on achieving economic stability and making debt payments to the IMF, based on criteria that disassociated, at least on the level of discourse, foreign from domestic policy.

16 Translation from Spanish by Apuntes. Translation from Portuguese by the author.
Nevertheless, foreign policy was used to lobby for support to negotiate the debt. Thus, while Kirchner’s discourse was similar and accommodating to the new “populist” governments in the region – especially that of Chávez in Venezuela – the Argentine government was contemplative and willing to negotiate with the U.S. government of G.W. Bush. Consequently, we think that the break with neoliberal policy took place in the repudiation of international financial bodies, but, while there was a distancing from such harmful “carnal relations,” discord with the United States did not occur.

In fact, the United States became a nexus between Argentina and the IMF when the country came out of default, which had been compromised by two fundamental problems. The first was that, in order to achieve a certain internal cohesion and legitimacy (it will be recalled that Kirchner won with only 22% of the votes), the president led a discursive campaign in which he discredited the IMF; the second and most important problem was that, once the bond exchange was made, Kirchner stopped fulfilling the conditions he himself had accepted in the negotiated agreement. However, the situation with the IMF did not worsen since the president paid the debt.

The restructuring of foreign debt payments was based on three pillars: the availability of foreign exchange as a result of the increase in the price of commodities, Argentina’s international reserves, and going into debt to Venezuela. These pillars have a small defect: the price of commodities began to decline and Argentina’s reserves could not recover their pre-payment level. In the case of the debt to Venezuela, contrary to the discourse of “brother Latin Americans” or what was perceived as a “favor” from Chávez, the debt bonds (Boden) that Kirchner sold the Venezuelan president ended up being 40% more costly in terms of capital. On the other hand, when it came to private creditors, a plan was established for payments based on the issuance of new bonds to replace those had had not been settled. Of the creditors, 93% accepted this solution and consequently Argentina was able to come out of the default in which it was immersed. This led to the conflict with the holdouts years later.

As can be seen, and for the reasons explained earlier, from 2003 to 2005, Kirchner’s foreign policy combined non-confrontation with the United States and closer qualitative and quantitative ties with Venezuela. But Kirchner also prioritized bilateral relations with Brazil, with which a relationship was established that might be called a strategic alliance. This was unrelated to Argentina’s previous outreach to Brazil, which occurred in the mid-1980s, and the establishment of MERCOSUR in the 1990s. The relationship established or announced by Kirchner at the beginning
of the new millennium placed greater importance on Brazil than any other privileged partner.

Nevertheless, this bilateral relationship had some drawbacks which did not allow for the symbiosis to go beyond discourse. First of all, the Argentine president expected his counterpart to make a greater commitment to MERCOSUR to sustain this association with mutual trust, which would lead to the creation of a set of legal and political measures within this integrationist and cooperative process. That is, Kirchner insisted on enhancing the institutionalization of MERCOSUR. However, Lula opted for expanding his options instead of further developing what was already in place.

At this point, Kirchner started to develop closer relations with Venezuela. The president received a good deal of criticism for his overtures since they were viewed through an ideological prism. For example, “[…] the president was often called inexperienced and ignorant regarding international issues, and he was accused of being stuck in the Peronism of the 1970s, which led him to identify with regimes with an anti-imperialist ideological cast such as Cuba or Venezuela” (Colombo, 2011, p. 9). Nevertheless, we affirm that this rapprochement was completely functional for the interests of Argentina from Kirchner’s point of view. First, and most importantly, because Venezuela bought the above mentioned Boden bonds and sold petroleum on credit to Argentina in exchange for debt; for this reason, closer relations were based on underlying economic interests – in parallel to the petro-diplomacy exercised by Chávez. And second, because Kirchner expected this relationship to serve as a counterweight to Brazilian leadership in the region, given that Lula had strategic interests in Latin America.

After 2005, Argentine foreign policy could be implemented with increased autonomy, not only because the debt had been paid but because Kirchner, who started out with 22% public approval, was able to win a majority in the parliamentary elections of that year. The relationship that was established with the United States was a clear example. There were times when the Argentine government supported U.S. decisions and declarations (such as those related to the issue of terrorism) and times when it did not (abstaining in the vote against Cuba in the United Nations Human Rights Commission). Second, the relationship with Brazil tacitly suffered because Kirchner felt he had greater freedom to negotiate commercial relations within MERCOSUR, where Argentina had been running a deficit since 2003, something that had started to cause friction among its “allies.”

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17 Translation by Apuntes.
tension increased due to some issues such as Brazilian efforts to obtain a permanent seat on the United Nations Security Council, the creation of the Union of South American Nations (Unión de Naciones Suramericanas, UNASUR) sponsored by Lula, and Brazil’s formation of alliances with other emerging powers, which left Argentina on the sidelines (such as IBSA and the BRICS), among other issues. This led Argentina to establish closer relations with Venezuela as its relationship with Brazil grew more distant.

6. Conclusions

As we have seen in this article, there have been a variety of similarities as well as differences between Argentina and Brazil in the application of models of development, and in the way these were related to their foreign policies. To conclude, it worth summarizing these.

The governments of Vargas and Perón were similar in several ways, such as their models of industrialization by import substitution and how these were related by foreign policy. Consequently, the specialized literature generally refers to “populisms.” Following Arturo Fernández (2009), who provides insights into this concept, we can make some comparisons between these two governments: both had military origins; the military groups that took power expressed the discontent of the middle and lower classes; they developed in agricultural societies; although the crisis of the 1930s had an influence on the decline of oligarchies, these continued to have some quotas of power; they expanded and centralized the role of the state, coopting unions and/or having the government create them and drafting labor legislation, thereby winning the support of the working class; they tried and succeeded in eliminating the influence of communist parties on working class sectors; they admired and applied some fascist practices but later ended up moving closer to the United States; finally, both were precursors of centralized and planned government post-industrialization programs.

There were also differences in the populism of the two governments: a) Vargas used foreign policy as a vehicle to finance the intermediate goods and heavy industries, while Perón, who believed in the inevitability of a third world war, decided to close off his country from foreign markets – which, added to the U.S. boycott (also the product of a Peronist miscalculation), produced industrial stagnation. This was the turning point when the Brazilian productive structure began to diverge from the Argentine. Vargas promoted heavy industry while Perón concentrated on light industry; b) in Argentina, the agricultural sector became a “dirty word,” while in Brazil, there was a convergence between the most dynamic productive sectors in the agroexport and import substitution sectors – in fact, the first economic
measures that Vargas put in place during the international crisis were to help the coffee sector; c) Vargas thought that industrialization represented the overarching objective of foreign policy, given that through it, the principal problems of the country would be resolved—that is, he saw industrialization as an end in itself; Perón, on the other hand, prioritized the redistribution of income, which meant that industrialization was only a means to accomplish this objective—here, it is important to note that we are in no way denying the enormous redistribution efforts undertaken by Vargas, who was the president who marks a dividing line in terms of the redistribution of income; only that the equation was inverted.

The developmentalist governments of Kubitschek and Frondizi also had similarities and differences. In terms of the similarities, first, there were efforts by both governments to develop heavy industry financed by more import substitution combined with the export of traditional products and foreign investment. After being repulsed by the United States, both presidents negotiated with other countries to “tempt” the U.S. to invest. Second, both thought that poverty and underdevelopment were the only dangers that could lead to communist-style revolutions. Third, they thought that development was a linear process that would be achieved by distinct stages and that the United States and other industrialized countries were the paradigm to be followed.

At the same time, the differences both in the status quo and in the treatment of policies led to differing results. Thus: a) after the “break” with Great Britain during the Second World War, in 1958, Argentina still had not defined who it was “aligned” with. So when Frondizi took power, Argentina still did not have a consolidated position in the western block. On the other hand, Kubitschek took power amid a framework of instrumental and ideological alignment put in place during the Vargas era; b) European and Japanese investments challenged the United States not to lag behind and Kubitschek was able to attract U.S. investment in Brazil; in the Argentine case, investments were concessioned and intermediated by the IMF; c) Brazil already had a developed industrial base while Argentina’s was still developing its own, which consisted predominantly of light industry; d) although both governments turned towards the United States, Brazil had a coherent and thought-out foreign policy, while in the case of Argentina, according to Ezquerro (2004), foreign policy was organized in two stages in terms of its links with the hegemon. The first was functional, in harmony with the rules of the multilateral system and following the policies of the IMF; the second was contradictory and ambiguous, and toyed with a closer relationship with Cuba, at the same time as it asked for economic cooperation; e)
the Brazilian case was one of the most successful in Latin America in terms of economic planning, and led to a positive balance of payments and an increase in the negotiating power of the state; while in the Argentine case, paradoxically, as the executive took on more responsibility with respect to selective investments, its very character led to a loss of control by the state. This in turn led to balance of payments deficits and the weakening of the state, which made it possible for multinational corporations and international lending institutions to play a greater role in future economic planning.

As to the neoliberal model, although the premises were the same, we also find differences and similarities in its application. In this case, the differences were more interesting than the similarities given that they are based on the inherent characteristics of the model, which we mentioned previously, while the differences are evident in the following: a) they have a different starting point: the “Brazilian miracle” in the 1970s during the military governments contrasts with the dismantling of industry in the Argentine case; b) in both cases, the associated development was related to external integration; nevertheless, in Argentina this took place without a national plan in place, while Brazil embraced openness despite the fact that the underlying plan was to maintain room for maneuver in order not to endanger the national development plan; c) while there were privatizations in both cases, in Brazil these were less numerous. Hertel (2013) states that Brazil privatized Embraer, Companhia Vale do Rio Doce, Telebrás, Light, and Companhia Siderurgica Nacional, in addition to some state banks, while in the case of Argentina the following were privatized: Aerolíneas Argentinas, YPF, Entel, Gas del Estado, Atucha I and Atucha II, government television channels, sanitation and sewer companies, postal services and tolls, among others; d) the process of economic integration undertaken by both governments (through MERCOSUR) was used differently. While for Argentina it was an efficient policy instrument to intensify commercial liberalization and to continue reducing the average levels of protection, which is what neoliberal policies demanded, in the Brazilian case, an effort was made to reduce the negative consequences of economic openness through a process of creating commerce for the whole commercial grouping, which absorbed Brazilian manufacturing exports; e) in both cases, the countries reached out to international financial institutions but, while Argentina applied the policies they recommended, Brazil negotiated these policies; f) finally, while Argentina aligned itself with the United States, Brazil tried to counterbalance U.S. hegemony in the subcontinent. In this sense, we think that the characterization by Russell and Tokatlian (2009) is fundamental – that Menem’s
foreign policy was one of linkage with the United States while Brazil’s was characterized by limited opposition.

Finally, in the neo-developmentalist model, we can see that when there are distinct bases and margins of actions, the results are also very different, although the theoretical assumptions are more similar than different. We think that of the four models, this was the one in which the paths of the two South American countries diverged the most. While, as we already noted, in both cases there was a “return” of the state to the economic life of the country, together with active social policies and a greater measure of autonomy in international affairs, it is also the case that in the period studied, while one country was considered an “emerging power” both academically and politically, the other fought with discourses in international financial institutions. In the Brazilian case, industrial policy was based on increasing the capacity and disposition of enterprises to innovate and invest; in contrast, in the Argentine case, it was necessary to start from scratch, so that incentives entailed policies that were purely protectionist such as subsidies, tax exemptions, sponsored credit, and technical assistance. Thus, while both countries turned to the state to promote industry, in Brazil this promotion meant establishing contacts or smoothing the road for businessmen to do business abroad (what Cervo [2008] calls a logistic state), while in Argentina the state became a welfare state.

Another important difference is the fact that in the Argentine case, enterprises that had been privatized in the 1990s were nationalized again, which required spending energy and money that, in turn, the Brazilian state did not have to spend. This meant that it was much easier for the Brazilian economy to recover under Lula after the payment of the debt to the IMF (a payment that Brazil made at the same time as Argentina), while Kirchner used Argentine treasury reserves and finally had to borrow money from new creditors. We agree with Malacalza, who states that “[…] Brazilian consensus and stability in the framework of economic policies and support for the competitiveness of its multinational companies contrasts with Argentine ad hoc measures and fluctuations regarding the definition of the Model of Development“18 (2014, p. 44).

The development project of a country can change in accordance with distinct national or international situations, but national interest tends to be much more long lasting. Thus, a change in the model at each stage does not imply that national interest – understood as development – is left aside,

18 Translation by Apuntes.
although the strategies used are different in accordance with the model being implemented. In the Brazilian case, we can see a greater continuity in these strategies because state intervention was never eliminated, though at times it was decreased; in the Argentine case, we can observe the abandonment of such strategies by the state. At the same time, in Brazil, it is easier to identify a line of continuity between the models of development and the foreign policies implemented, while in Argentina, there were periods where both were completely dissociated. In this sense, the Brazilian case indicates a homeostatic foreign policy, that is, one which was auto-regulated to adapt to different international contexts while maintaining a coherent sequence; while in the Argentine case, we find structural incongruence, which does not permit the country to maintain a line of continuity in foreign policy.
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Foreign policy and development models: Argentina and Brazil in comparative perspective (1930-2010)


