

The Lagos Presidency: an assessment of the elections and its impact on Canada-Chile Relations

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EXECUTIVE SUMMARY

With the January 2000 election of Ricardo Lagos as president of Chile, the promise of a new era in Chilean politics has emerged. More specifically, Chile's closest elections since the return to democratic governance in 1990 represented three fundamental changes: the definitive eclipse of the "authoritarian-democracy" cleavage that had marked Chilean politics since the mid-1980s; the solidification of an electoral alignment based on centre-right and centre-left electoral blocs to the exclusion of other viable alternatives; and the emergence of a new style of politics.

These changes will affect how Lagos is able to deal with the principal challenges his government must address. In the immediate term, the Lagos Administration must deal with stubbornly high levels of unemployment in the aftermath of Chile's worst recession since the early 1980s, and growing unrest among key societal actors. For the longer term, it must re-establish linkages with Chilean civil society if it is to cope with the political changes ushered in by the recent elections and address chronic problems of inequality, personal security and the authoritarian institutions inherited from 17 years of military rule.

For Canada, the Lagos Administration offers new opportunities for strengthening what has proven to be one of Canada's most successful relationships in South America, both bilaterally and in the pursuit of Canada's hemispheric goals. Aside from growing economic linkages between the two countries, Canada and Chile have been partners in strengthening hemispheric institutions, particularly through the Summit of the Americas process. One possible issue separating the two countries is the question of non-intervention in domestic matters, where Chile pursues a more traditional stance that may be at odds with Canada's commitment to a more activist role in defending democracy in the hemisphere. Yet even in this area, Canada and Chile have shared important interests and Canada should therefore consider Chile a principal ally in Latin America. Five specific recommendations are offered to further strengthen ties between the two countries.

RÉSUMÉ

Le 16 janvier 2000, Ricardo Lagos a été élu président du Chili, inaugurant ainsi la promesse d'une nouvelle ère politique dans ce pays. Plus précisément, la dernière élection au Chili depuis le retour à un régime démocratique en 1990 représentait trois changements fondamentaux : la suppression définitive de la division entre le régime autoritaire et la démocratie qui avait marqué la politique chilienne depuis le milieu

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des années 80; le renforcement d'un alignement de l'électorat sur un bloc du centre-droite et un autre du centre-gauche, menant à l'exclusion des autres solutions de rechange valables; et l'apparition d'un nouveau style de politique.

Ces changements se répercuteront sur la façon dont Lagos pourra aborder les principaux défis que son gouvernement devra relever. À court terme, l'administration Lagos doit s'attaquer à des niveaux de chômage obstinément élevés, dans la foulée de la pire récession que le pays a connue depuis le début des années 80, ainsi qu'à une agitation croissante des principaux acteurs de la société. À long terme, elle doit rétablir les liens avec la société civile du Chili si elle espère faire face aux changements politiques amenés par la récente élection et aborder les problèmes chroniques que suscitent l'inégalité, la sécurité personnelle et les institutions autoritaires héritées de 17 années de pouvoir militaire.

Pour le Canada, l'administration Lagos offre de nouvelles possibilités de renforcer les relations les plus fructueuses que le Canada aura établies en Amérique du Sud, tant sur le plan bilatéral que pour l'accomplissement des objectifs hémisphériques du Canada. Outre des liens économiques plus forts entre les deux pays, le Canada et le Chili ont participé au renforcement des institutions hémisphériques, plus particulièrement par l'intermédiaire du Sommet des Amériques. Il est possible que la question de non-ingérence dans les affaires intérieures continue de séparer les deux pays, étant donné que le Chili adopte une position plus classique qui risque de détonner par rapport au rôle que le Canada est déterminé à jouer dans la défense de la démocratie au sein de l'hémisphère. Or, même dans ce domaine, le Canada devrait considérer le Chili comme un allié principal dans l'hémisphère vu les importants intérêts communs qu'il a partagés avec ce pays. On offre cinq recommandations précises visant à raffermir les liens entre ces deux pays.

RESUMEN

La elección de Ricardo Lagos a la presidencia de Chile el 16 de enero de 2000 anunció la promesa de una nueva era en la política chilena. De manera particular, estas elecciones — las más reñidas desde el retorno de Chile a la democracia en 1990 — significaron tres cambios fundamentales: el ocaso de la “democracia autoritaria” que caracterizara la escena política chilena desde mediados de la década de 1980; la consolidación de un reordenamiento electoral basado en bloques electorales de centroderecha y centroizquierda, en detrimento de otras alternativas factibles; y el surgimiento de un nuevo estilo de hacer política.

Estos cambios influirán en la capacidad de Lagos y su gobierno a la hora de enfrentar los principales retos que tendrán ante sí. En el corto plazo, la administración de Lagos tendrá que lidiar con los altos y persistentes niveles de desempleo acarreados por la peor recesión que ha vivido el país desde principios de los '80s, y el creciente descontento de algunos de los principales sectores sociales. En el largo plazo, deberá restablecer sus vínculos con la sociedad civil chilena en aras de enfrentar los desafíos políticos aparejados a las recientes elecciones, así como encarar los graves problemas de desigualdad, seguridad personal, y de las instituciones autoritarias heredadas luego de 17 años de dictadura militar.

La administración de Lagos le brinda a Canadá nuevas oportunidades para fortalecer lo que ha demostrado ser las relaciones canadienses más exitosas en Sudamérica, tanto desde el punto de vista bilateral como en la consecución de los intereses canadienses en el hemisferio. Además del auge de los vínculos comerciales entre los dos países, Canadá y Chile han hecho causa común a favor del fortalecimiento de las instituciones hemisféricas, especialmente a través del proceso de las Cumbres de las Américas. El tema de la no-ingerencia en los asuntos internos de los países es una cuestión de posible desacuerdo entre las dos naciones ya que Chile adopta una postura más tradicionalista que podría entrar en conflicto con el propósito de Canadá de asumir un papel más activo en defensa de la democracia en el hemisferio. No obstante, incluso en este tema Canadá y Chile comparten intereses comunes. Por lo tanto, Canadá deberá ver en Chile a un aliado importante en el hemisferio. En este trabajo se ofrecen cinco recomendaciones específicas para coadyuvar al fortalecimiento de los vínculos existentes entre ambas naciones.

LAGOS' ELECTORAL VICTORY AND ITS SIGNIFICANCE

On January 16, 2000, Ricardo Lagos was elected president of Chile, ushering in the promise of a new era in Chilean politics. For the first time since a violent military coup overthrew the elected government of Salvador Allende in 1973, Chile again had a Socialist president. More importantly, the Lagos presidency is the third consecutive government of the *Concertación* coalition, making it the most successful political alliance in the country's modern history.

The long-term significance of Lagos' electoral victory lies in its closeness. In December 1999, Lagos narrowly defeated the right-wing candidate, Joaquín Lavín, by 48 percent to 47.5 percent. As a result, Chile had its first-ever run-off election between the two candidates with the highest percentage of the popular vote. The January 2000 run-off election was equally close, with Lagos receiving 51.3 percent of the vote to Lavín's 48.7 percent. This polarization of the vote itself was historic. Never before in Chile's modern history had a right-wing candidate received such a high percentage of the popular vote, coming very close to an absolute majority.

While such a competitive race may have been the inevitable outcome of Chile's worst recession in over 15 years and an understandable desire for change after nine years of *Concertación* governments, the elections represented far more fundamental changes in Chilean politics. Three changes in particular should be highlighted:

- the definitive eclipse of the "authoritarian-democracy" cleavage that had marked Chilean politics since the mid-1980s;
- the solidification of an electoral alignment based on centre-right and a centre-left electoral blocs to the exclusion of other viable alternatives; and
- the emergence of a new style of politics.

The End of the "Authoritarian-Democracy Cleavage"

Since the outbreak of mass protests in 1983, Chilean politics have been defined by a polarization between those who supported the military regime and its legacy of restricted democracy in the 1980 Constitution, and those who opposed both military rule and the continued restrictions on Chilean democracy after the military's return to the barracks. This crystallized in the 1988 plebiscite, in which almost 55 percent of the electorate voted "no" (for democracy) and 43 percent voted "yes" (for continued authoritarianism) on a ballot to accept or reject Augusto Pinochet as the military

junta's candidate for president. The same general voting pattern held, particularly for the presidency, until Lavín broke the ceiling on votes for the right in December 1999. While Chileans remain stubbornly divided over these issues to this day, these divisions are no longer directly reflected in how they vote.

The likely durability of this change is clear because of the context in which the elections took place: Pinochet's detention by British authorities in London on October 16, 1998, for possible extradition to Spain to face trial for human rights abuses. Pinochet's detention, and the drawn-out process through which he was eventually allowed to return to

Chile in early March 2000, put the issue of past human rights abuses squarely on the public agenda. Yet it had surprisingly little impact on the elections, even if it created significant problems for the incumbent government of Eduardo Frei and led to a spate of judicial activity. More than 80 former officials of the military regime were indicted in 2000 (including an active duty officer who was subsequently forced to resign), and Pinochet was stripped of the immunity from prosecution he enjoyed as a "Senator for Life" under the 1980 Constitution when the Supreme Court overwhelmingly agreed to uphold the Appellate Court's decision in August 2000. Although it is

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unclear if Pinochet will ever actually stand trial, given his age and precarious health (which is why the British Government released him from custody), the symbolism of what already has taken place cannot be underestimated. Moreover, the Supreme Court went much further than the Appellate Court in its ruling, determining that the 1978 Amnesty Law could be applied only after guilt had been determined in specific cases. Another key decision of the Supreme Court came on January 10, 2001 when it ruled that the interrogation regarding the “Caravan of Death” (the 1973 military tour of detention centres around the country and summary execution of at least 74 alleged regime opponents) should take place regardless of the outcome of medical exams to determine Pinochet’s fitness to stand trial.

The fact that the 1999–2000 elections were so close in the midst of increasingly public demands by the majority of Chileans for “justice” regarding human rights abuses during the military regime, demonstrates that the public has begun to disassociate their electoral choices from their views of the military regime. Ironically, this is what both candidates sought as they deliberately tried to distance themselves from their pasts and proclaimed their desire for human rights issues to be resolved by the courts. (Lagos had participated in the Allende government and Lavín worked for the military regime.) The military also seems to have accepted this change. Their reaction to the Supreme Court decisions — which has implications far more significant than Pinochet’s ultimate fate — was notably muted. Indeed, the military has given increasing signs of distancing itself from the military regime’s legacy. Generational changes within the officer corps and, ironically, the military’s reaction to recently disclosed US government documents showing that former high-level officials during the military regime (including the head of the secret police) were on the CIA payroll, suggest that the military will be content to let judicial processes run their course. The release of information in January 2001 on the remains of 200 people “disappeared” during the military regime — the result of a six-month investigation by human rights activists, religious officials and the army — is another example of changes in the Chilean military.

A New Electoral Alignment

The sharp polarization of votes behind Lagos and Lavín reflects the consolidation of both the *Concertación* as a centre-left electoral coalition and a new centre-right coalition that promise to dominate Chilean politics for the foreseeable future. This is clear from several factors that converged in the 1999–2000 elections. First, the *Concertación* survived what was potentially the biggest threat to its existence to date. There was a surprisingly smooth transfer of power from the Christian Democratic Party (PDC) to the coalition’s more leftist parties led by Lagos, the Socialist Party (PS) and the Party for Democracy (PPD). The PDC had effectively led the *Concertación* since its founding. Its dominance ended, however, when Lagos resoundingly defeated the PDC presidential nominee Andres Zaldívar in a national primary election held in May 1999. Despite the PDC’s organizational advantages, Lagos won a remarkable 71 percent of the primary vote.

The severely lopsided nature of the PDC candidate’s defeat in the primaries undoubtedly helped maintain coalition unity: the PDC had few options other than backing Lagos since it obviously could not beat him in presidential elections if it dropped out of the coalition. While still the largest party in Chile, the PDC no longer dwarfs its coalition partners to the same extent as in the past. This not only limits the party’s alternatives, but also allows more space in the *Concertación* for its growing centre-left parties, the PS and PPD. Such balance should only serve to strengthen the coalition by increasing each party’s interest in maintaining it.

A second factor that strengthens this new tendency is the disappearance of other alternatives in the 1999–2000 elections. For the PDC, the possibility of an alliance with moderate elements on the right seems to be ruled out for the foreseeable future. In addition to the party’s continued support for Lagos, the failed campaign of Arturo Frei Bolivar, the then-president’s cousin who abandoned the PDC to run as a conservative independent candidate would seem to rule that out. Frei Bolivar hoped to galvanize PDC opposition to a Lagos, yet received a scant 0.38 percent of the vote.

A similar narrowing of alternatives also took place on the left. The Communist Party (PC) has made significant gains within civil society in recent years, winning important union and student body elections. It suffered a major blow in the 1999–2000 elections when the PC's Secretary General and presidential candidate, Gladys Marin, received only 3.19 percent of the vote, significantly less than the 4.69 percent that the party received in the 1993 presidential elections. The failure of reformist elements to take control of the party in the aftermath of this electoral setback suggests that any significant turnaround in the PC's national electoral support is unlikely.

Other leftist parties outside the *Concertación* also did unusually poorly in the 1999–2000 elections. The two principal parties which each ran their own presidential candidate, the Humanist and Ecologist parties, together polled just 0.95 percent of the vote — substantially less than the 6.72 percent that principal leftist candidates other than the PC received in 1993. The PS and PPD would appear to have few alternatives other than remaining aligned with the PDC in the *Concertación* given that their combined number of votes has yet to break the 25 percent mark.

On the right, one key to Lavín's success was his ability to unite the two principal right parties, the National Renovation Party (RN) and the Independent Democratic Union (UDI). This has always been problematic in the past, given both parties' desire to dominate the centre-right and important differences regarding their ties to the legacy of the military regime. Differences on their respective stances toward the Pinochet era are likely to fade as its importance for future elections continues to decline over time. Just as it is hard to envision viable electoral alternatives for the principal parties of the *Concertación*, there seem to be few alternatives for the major parties of the right.

Even though the two presidential candidates clearly were positioned on opposite ends of the political spectrum, their ideological differences ultimately proved to be quite narrow. Both received substantial support from most social strata in Chilean society. This was not an ideologically

charged campaign and in the key area of economic policy, the two candidates were not that far apart from one another. Thus the two blocs will remain fluid and ill-defined, with either one capable of winning electoral majorities depending on the qualities of the individual candidates who are their standard-bearers.

A New Style of Politics

If the substantive differences between Lagos and Lavín were less than might have been expected, the contrast in their campaign styles and the kind of relationship that they sought to establish with the electorate could not have been sharper. This contrast was in large part generational, although the differences separating the two candidates in this regard were far greater than their 15-year age difference. Fundamentally, Lagos represented the kind of politics associated with Chile's rich democratic past, whereas Lavín came through as a new kind of politician, perhaps much more in tune with Chile's present reality.

The radical reforms of the state and the economy instituted by the military regime, combined with its intense repression of all political activity, irrevocably undermined the foundations for the "old" kind of politics based on traditional political parties and ideology. The role traditionally played by political parties and ideology has largely been replaced by the candidate's ability to personally "connect" with the people. Recognizing this early on, Lavín launched his national campaign with an unorthodox "Walk through Chile" that brought him into direct contact with Chileans from all walks of life all across the country's territorial expanse. Throughout the campaign, Lavín adopted an anti-party and anti-politics stance that played to widespread perceptions that Chile's politicians had become disconnected from society. Lavín explicitly tailored his platform to the polls and, as a result of this direct "connection" with the people, he claimed to know their true problems better than Lagos. Lavín focused his electoral promises on issues of most concern to Chileans, such as jobs and crime, followed closely by education and child care.

Whereas Lavín homed in on the consequences of economic inequality and flawed democratic institutions, Lagos sought to deal with the

underlying structural sources of these problems. Lagos was certainly not insensitive to the concrete issues of most concern to the average voter, but his priorities appeared to be different. For example, even though polling data consistently showed that Chileans were largely uninterested in constitutional changes to advance Chilean democratization, this remained a priority for Lagos. Lagos noted that "... these are two different ways of listening to what people are saying... The public is able to separate the wheat from the chaff. But why is it we are told [by Lavín] that we should only fight crime, and should not concern ourselves with the issue of designated senators? Let's get serious!" (*Santiago Times*, June 8, 1999).

LAGOS' IMMEDIATE AND PERSISTENT CHALLENGES

Lagos inherited a variety of problems that he will have to address during his tenure in office. His most immediate challenge is to deal with unemployment rates that remain in the double-digits, despite the economy's reactivation in the beginning of 2000 and a projected growth rate of between 5 and 6 percent for the year. This is below the economy's 7 percent average growth rate since the return to democracy through 1998, when unemployment reached the low single-digits. Still, the government projected in May 2000 that unemployment would fall to 7 percent by December — a far cry from the 10.7 percent registered for September. A principal reason for this disappointing result is that renewed economic growth has been due largely to improved commodity prices, and this has not translated into expected job creation. For example, copper accounts for approximately 40 percent of Chile's exports and the international price was up 27 percent in the first quarter of 2000 compared to the first quarter of 1999. In the longer term, lagging productivity gains undoubtedly will hamper improvements in both employment and real wages.

Other immediate challenges include growing unrest among truck-owners, who staged a relatively

successful national strike in October 2000 that was stopped only after the Government agreed to negotiate. The capital's subway drivers' union went on strike in November 2000 and Chile's largest labour organization, the Unitary Workers' Central (CUT), is also showing signs of increased militancy. In particular, the CUT is upset over the government's proposed labour reforms, which were sent to Congress for approval without the changes in collective bargaining rights and new regulations over the ability of employers to replace striking workers that Lagos had been committed to. The more limited reforms were justified by the Government as necessary to protect employment and minimize opposition from the right in the legislature. Another important reason is that business interests have been noticeably upset with what they view as a sluggish economic recovery. Although the reasons for their pessimism are complicated, difficult to assess and

not yet shared by international investors, such pessimism threatens to become a self-fulfilling prophecy, as Carlos Janda, Morgan Stanley's Vice President for Latin America warned, "If the Chileans are so scared, there must be something going on." (*Santiago Times*, October 11, 2000).

Beyond these more immediate concerns, the Lagos government will attempt to address several more intractable problems. First, despite Chile's impressive success in reducing poverty rates by over half and raising real salaries prior to the

1999 recession, the country remains second only to Brazil in Latin America in its level of economic inequality. Moreover, the level of inequality has remained relatively unchanged since the return to democracy, and has actually increased marginally during the 1990s. High levels of inequality are closely related to another social problem: personal insecurity. According to the United Nation's Development Program's *Human Development Report*, the existence of very high levels of personal insecurity is a paradox given Chile's impressive achievements according to most macro-economic indicators. It is reflected in public opinion surveys in a variety of ways, including fear of rising crime, very

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low levels of trust among Chileans, and fear of economic exclusion due to the lack of employment security. Indeed, Lavín's good electoral performance was closely tied to his promises to address these issues directly, while Lagos' promises to deal with their underlying structural sources at the political level failed to generate sufficient enthusiasm among many voters.

Lagos has retained his commitment to major institutional reforms, although the political realities will make that a difficult challenge to meet. Among his various priorities are constitutional reforms to eliminate designated senators, restore the President's ability to replace the heads of the armed forces and change Chile's current electoral system.

The outcome of the October 2000 municipal elections will only complicate Lagos' efforts at reform. Lavín's Alliance for Chile (*Alianza por Chile*) coalition won 40.1 percent of the vote across Chile, substantially more than the 32.5 percent the right had won in the last municipal elections that were held in 1996. Lavín himself did exceptionally well, winning the Santiago mayor's race with 61 percent of the vote. In addition to the capital city, Alliance candidates were elected mayor in 30 of the Santiago metropolitan region's 52 boroughs, including several very poor ones that traditionally had voted for the *Concertación*. Overall, there are now Alliance mayors in 6 of Chile's 15 biggest cities. More than ever, the Alliance has its sights on capturing the presidency in 2005, and its success in the recent municipal elections offers a firm stepping stone toward achieving that goal. The right can therefore be expected to be even less cooperative in negotiating Lagos' desired reforms.

One final area of reform should be highlighted: growing demands for the recognition of the rights of indigenous peoples. This was a particularly problematic issue for the previous government, which was perceived as favouring business interests and economic development over the rights of

indigenous groups. The result was a growing level of mobilization and isolated violence. Such mobilization is likely to continue, especially since the Chamber of Deputies has rejected a bill that would have given indigenous peoples constitutional recognition. The fact that the bill had the full backing of the Lagos Government and had been languishing in Congress since 1991 suggests just how difficult the challenge of addressing indigenous issues will be.

To address all of these problems, it is imperative that the Lagos government establish more effective relations with civil society, working with key actors to resolve these problems and overcome right-wing opposition. The extensive reforms of the state

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during the military regime, which had the effect of drastically curtailing the state's role in society, have led to a fundamental shift in the locus of power to civil society and away from political parties. This, aside from institutional obstacles created by the military regime, is one reason why change has been so slow in Chile. Right-wing parties were the first to realize this shift and, benefiting from their ties to the military regime, were able to adapt. Similarly, the central role of private business in the economy has inevitably been accompanied by greater political clout. The

Concertación must do a better job than it has so far in adapting to this shift in the locus of power and focus on strengthening civil society, particularly the collective representatives of distinct groups, including workers, but also women, ethnic minorities and the poor more generally. It needs to reach out to the people, but not in Lavín's direct, superficial way. Instead, Lagos needs to help people organize themselves so that they can define and defend their own interests, rather than await ready-made solutions offered by today's new-style politicians.

Lagos, perhaps learning from his near electoral defeat, seems to have recognized this. In addition to making labour reform a priority, he has attempted to reactivate the long-moribund tripartite

negotiations among representatives of business interests, organized labour and the state over important economic policy issues, like setting the minimum wage. Moreover, soon after assuming office he set about establishing a *Mesa de Diálogo* (forum for dialogue) between representatives of civil society and the state to similarly discuss possible solutions to their shared concerns. While it is obviously too soon to know how successful such efforts will be, it is a path likely to strengthen Chilean democracy by rooting it much more firmly in a strong, active civil society working in collaboration with the state.

NEW OPPORTUNITIES FOR CANADA

The election of Ricardo Lagos should be viewed positively from the perspective of Canada's bilateral and hemispheric interests. Canada's close relationship with Chile reflects Canada's growing economic interests there, as well as the two countries' commitment to strengthening the role of key international institutions and a shared concern for countering US dominance in the hemisphere. The two countries have been particularly effective in strengthening the Summit of the Americas process as an important agenda-setting body for the hemisphere. This reflects Chile and Canada's shared leadership role as part of the "troika" responsible for hosting the first three summits, along with the US.

Canada and Chile's partnership in the Summits process and at the Organization of American States (OAS) underscores the two countries' shared interest as middle powers in increasing their international influence through the strengthening of international institutions and the minimization of the military concerns that historically have dominated international relations. For this same reason, Chile was an early adherent to the Canadian government's Land Mines Treaty Initiative, despite the high economic costs this would entail given the

military government's extensive use of mines along its borders with Argentina, Bolivia and Peru. Similarly, Chile is a close ally in Canada's efforts to reformulate traditional international security norms by emphasizing the concept of human security, which shifts the focus in international relations away from threats to state security and toward the elimination of threats affecting people.

The Lagos administration will place even more emphasis on the shared interests that have led to growing collaboration between two countries since Chile's democratic transition. Chile has always considered its relationship with Canada to be good and relatively problem-free. Now that Lagos' insistence that the Chilean courts should and could resolve the country's human rights problems without foreign intervention appears to have been vindicated, Chile can again devote its full attention to playing a constructive role in the international arena in ways that are likely to complement Canada's objectives.

Perhaps more importantly, the Lagos government sees Canada as a like-minded partner, and maybe even as a source of new ideas. Lagos appears to have anticipated Canadian Finance Minister Paul Martin's call to the G-20 members in October when, in his September address to the United Nations, Lagos proclaimed that "to believe in the globalization process does not mean that we must accept anarchy or the law of the jungle...But globalization will not have a human face if we do not work to establish rules and institutions capable of guiding it in all its aspect." (*Santiago Times*, September 7, 2000). Lagos and his closest advisers see Canada and its intellectual traditions as being much more compatible with their own vision than that of the US. Canada is, in many ways, a model for the kind of state-society relations that the Lagos government hopes to develop for Chile. There are indications that Chilean officials are seeking advice from their Canadian counterparts, which will

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likely help create a greater affinity between the two countries.

Moreover, an important personal goal of Lagos is to make Chile a centre of intellectual effervescence in Latin America again, similar to the role it played in the 1960s and early 1970s. More specifically, he hopes to profile in Chile Latin America's version of the so-called "Third Way" championed most conspicuously by Bill Clinton in the US, Tony Blair in Britain and Germany's Gerhard Schröder. From the Chilean perspective, Canada's intellectual tradition in the social sciences has more to offer than that of the US and this will most probably correspond with increasing academic and intellectual exchanges between the two countries. Such an exchange could be facilitated by the numerous links established between the two countries' academic communities as a result of the many Chileans who studied and taught in Canada during the military regime.

Economically, the countries' bilateral free-trade agreement has been quite successful. Even before the agreement was signed in November 1996, bilateral trade between the two countries had doubled since 1983, peaking in 1996 at C\$760 million. Lower copper prices and smaller wheat shipments led to a subsequent decline in 1997 and 1998, after which Chile entered into a recession in 1999. The high price of copper in 2000, which is expected to continue to rise through 2001 at least, has already led to important new Canadian investments in Chile.

This trade reflects important complementarities between the two countries. Both countries have large mineral and forestry sectors. In Chile, this has continued to attract Canadian investment and expertise. Canada's cumulative actual and planned investment in Chile stood at approximately C\$8 billion in 1999, second only to the United States. Canada frequently ranks first in yearly authorized investment figures in Chile. Much of this investment (approximately 70 percent) is in mining, and 5 of

the top 20 Chilean exporters are mining firms owned by Canadian interests.

Canadian interests have expanded beyond resource extraction and include significant investments in energy, financial services, equipment manufacturing and telecommunications. Most recently, Hydro-Quebec made a substantial investment in Chile's electrical grid. This is an investment that is likely to grow, as the President and Chief Executive Officer of Hydro-Quebec emphasized in announcing the investment (*WorldOil.com Industry News*, October 13, 2000).

More generally, Canada and Chile are both strong advocates of regional economic integration and economic liberalization. Chile is a strong advocate of the Free Trade Area of the Americas (FTAA) and has consistently pushed for greater economic liberalization in other fora, including most recently at the November 2000 Brunei Summit of the Asia-Pacific Economic Cooperation (APEC) and with the announcement of free trade negotiations with the United States.

This commitment has delayed Chile's full membership in MERCOSUR. Chile insists on retaining its autonomy to negotiate trade agreements with other bodies, including NAFTA and the European Union, and to maintain import tariffs below those set by MERCOSUR countries.

Canada, however, cannot assume that its relations with Chile will be problem-free. As became clear in Chile's official position on Pinochet's arrest in London (which Lagos generally supported), Chile is very sensitive to what it feels are affronts to its national sovereignty. Chile is therefore likely to continue to emphasize what many consider to be outdated principles of national sovereignty. On many of the specific issues that are likely to raise such concerns, including most recently debates over the appropriate response by the OAS to Peru's highly flawed electoral process, Chile and Canada can be expected to "agree to disagree." In this area, more than most others, Chile can be expected to

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ally itself more closely with other Latin American countries, citing earlier examples of US refusal to adhere to such norms. Yet even in this area, Canada and Chile have important shared interests in creating new international bodies, like the International Commission on Intervention and State Sovereignty (ICISS), to curb potential abuses by more powerful countries.

Another important example of divergent interests is reflected in Lagos' recent endorsement of the US-sponsored anti-narcotics Plan Colombia on October 12, 2000. While such support goes against the advice of many of his own law enforcement officials, who fear that the plan could lead to increased drug trafficking in Chile (by drug cartels choosing to relocate in countries like Chile), Lagos' commitment seems to reflect his belief in regional solidarity. Yet even here, his concern for dealing with the structural causes of problems seems to have prevailed. For this reason, Lagos emphasized the social and economic aspects of the plan, which he claimed would account for 75 percent of US aid.

Overall, however, the areas of likely disagreement are relatively limited and unlikely to create major tensions between the two countries. Moreover, it is to Canada's advantage to pursue stronger bilateral ties and engage with Chile on what are often larger issues of shared interest, including the strengthening of the OAS and a more effective management of the negative consequences of free trade and globalization. Lagos' tenure will only tend to help Canada in achieving those objectives.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Canada should consider Chile to be a principal ally in the hemisphere. While the relative size of Chile's economy will limit the potential for bilateral trade relative to that of other countries in the region, the two countries share such a wide variety of common interests that Canada should prioritize its political relations with Chile. Although there occasionally may be disagreements on certain issues, these can be expected to be relatively minor compared to those that may arise between Canada and the larger economic powers in the hemisphere. Chile's leadership role in Latin America, resulting from

its successful economic transformation, solid democratic institutions and intellectual heritage, suggests that Canada and Chile together can continue to play a pivotal role in the international arena as advocates of a number of issues of primary importance to Canada. These include, on the economic front, regional economic integration, both within the Americas and APEC, greater economic liberalization and transparency in international economic bodies such as the World Trade Organization (WTO) and the International Monetary Fund (IMF), and a more equitable international trading environment that does not exclude the world's disadvantaged peoples. Politically, both countries are firmly committed to strengthening international organizations in order to promote more equal relations among countries, to minimize the predominance of traditional military security concerns at the expense of human security and to promote democracy.

Relations between the two countries should also continue to promote stronger links between their respective civil societies. In many ways Canada can serve as a model for Chile, as the Lagos government seeks to re-establish its ties with Chilean society. Exchanges between different segments of civil society, including cultural groups, organizations representing disadvantaged groups, First Nations peoples, workers, women and students, would enrich the experiences of people in both countries. In particular, Canada's own recent experiences in dealing with indigenous peoples' demands suggest that more exchanges between policy-makers and indigenous groups in both countries might be especially fruitful.

The above analysis suggests five policy recommendations:

- There should be greater coordination and consultation between Canadian and Chilean officials in key policy areas, including the promotion of regional free trade, economic liberalization and the reform of international economic institutions such as the WTO and IMF.
- When possible, the countries should take unified positions on issues relating to the reform of existing international bodies, such as the OAS

- and the United Nations, and the creation of new ones, such as the International Court of Justice and the International Commission on Intervention and State Sovereignty.
- Chile and Canada should provide shared leadership in the creation of a new international human security regime.
 - Leaders should promote greater exchanges between Canadian and Chilean civil societies.
 - Leaders should explore the possibility of common initiatives for the promotion of the rights of indigenous peoples in the Americas.

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