

BRIEF ANALYSES OF CHILEAN GEOPOLITICS

BREVE ANÁLISE DA GEOPOLÍTICA DO CHILE

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ABSTRACT

Currently, Chile can be considered as one of the most competitive and solid states in Latin America. A substantial reason for its success is due to the market-oriented economic policies and political stability that Chile has maintained, attracting foreign investment and promoting its exports. In this work, through analysis of Chile's standing and relations internationally, with other States or with international organizations, the authors verify the main challenges to this important South American country and analyze the dynamics that drive its foreign policy. Within this framework, it is concluded that the following issues stand out as themes of extreme importance for Chile now and in the future: territorial disputes with Peru and Bolivia, energy dependence, the strong correlation between the economy and copper production, Antarctica and the militarization of the South Atlantic.

Keywords: Chile. Geopolitics. Economic Growth. Free Trade. Territorial Disputes.

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RESUMO

O Chile pode ser considerado um dos Estados mais competitivos e sólidos da América Latina na atualidade. Esse seu sucesso advém, em muito, das políticas econômicas orientadas para o mercado e da estabilidade política que tem sabido manter, atraindo o investimento estrangeiro e promovendo as suas exportações. No presente trabalho, por meio da análise à forma como o Chile posiciona-se e relaciona-se no plano global, quer com outros Estados, quer com Organizações Internacionais, da análise à forma como interage no plano regional e da caracterização da sua economia e dos seus recursos mais importantes, aliado aos fatores internos e externos que mais o afetam na atualidade, é possível verificar quais são os principais desafios que se colocam a esse importante país sul-americano e perceber que dinâmicas conduzem a sua política externa. Nesse quadro, conclui-se que as questões como as disputas territoriais com o Peru e a Bolívia, a dependência energética, a forte correlação entre a economia e o cobre, a Antártida e a militarização do Atlântico Sul, destacam-se como temáticas de extrema importância para o Chile agora e no futuro.

Palavras-chave: Chile. Geopolítica. Crescimento Econômico. Livre Comércio. Disputas Territoriais.

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I INTRODUCTION

Chile is a politically stable and economically emerging nation situated in the Southeast region of South America. The Chilean history is marked by four important periods (LIBRARY OF CONGRESS, 2010). In 1810⁸, Chile asserted itself as an independent and sovereign State and this marks the first of the four periods. In 1932, Chile was as a democratic republic, and in 1970, with Salvador Allende⁹, the country became a socialist state, promoting a communist economic policy, nationalizing companies and engaging in agrarian reforms. This marks the beginning of the second period. This situation led to an actual polarization of Chilean society and, as a result, in September of 1973, a state coup headed by General Augusto Pinochet overthrew the faltering Allende administration. This period is marked by media control and violations of human rights. It is estimated that about three thousand people were arrested and another 38 thousand tortured. Nonetheless, the welfare state was dismantled, companies were privatized followed by market opening, thus enabling private investments and consequent economic growth. The fourth period is the return to democracy and to social and economic development, after Pinochet was defeated in the 1989 elections¹⁰. Since then Chile has been playing a steadily growing regional and global leading role. In fact, in the last two decades, a significant decrease was recorded, concomitantly to a relevant increase of the per capita GDP, the highest in the region, which certainly evidences the economic power of this State (MEYER, 2014).

The objective of this paper is to analyze Chile's power and influence relationships, both regionally and globally, presenting Chile's potentialities and vulnerabilities in further detail, as well as its relationships with its neighboring and competing States, that is, up to what point the Chilean interests differ from or coincide with those of the other players.

The following core question was selected to guide the research: What are the factors that characterize Chile's presence in the World?

In order to answer this core question and to synthesize study results, this paper was broken down into four sections. The first one focuses on the reference geopolitical picture, where Chile's position in the global and regional scenarios is discussed. The main players Chile has relations with are identified in the second section, as well as the significance of the Antarctica in this context. The third section focuses on the characterization of the factors that generate power for this State, pointing to its potentialities and vulnerabilities, and then bridging

out to the fourth section where the relations with the International Organizations of which Chile is a member are described. Last, to conclude, some considerations are presented, identifying the most important factors that contribute to enable Chile to take a firm stand in the World, and how this State intends to put them into practice.

2 CHILE'S REFERENCE GEOPOLITICAL SCENARIO

Chile has a privileged position on the southernmost area of South America, extending over approximately 4,300 km, from North to South, and just 200 km from East to West. On the North, Chile has borders with Peru and on the East with Bolivia and Argentina. Towards the South, the Chilean territory runs up to the South Pole, across the Chilean Antarctic territory, and to the West it goes deep towards the Pacific Ocean, up to the Easter Island 3,700 km from the coast. (CORPORACIÓN..., 2004).

The Chilean territory comprises three distinct geographic areas: America, Antarctica and Oceania, and it is thus, one of the States endowed with privileged position in face of the current global economic pole- the Pacific Rim (Figure 1).

Figure 1. Countries with privileged location with respect to the Pacific Rim.



Source: Corporación... (2004).

2.1 Chile in the World

Chile's participation in the international arena dates from 1837, when Chileans decided to challenge control over the port of Callao, in Peru, in order to ensure the superiority of the commercial routes in the Pacific Ocean. In this conflict Chile defeated the short-lived alliance between Peru and Bolivia¹¹, thus enabling a

⁸ Chilean Independence from Spain was formally declared on February 12, 1818.

⁹ The leader of the Popular Unity Coalition is a Socialist.

¹⁰ Following a severe banking crisis in 1981-84

¹¹ The Peruvian-Bolivian Confederation (1836-1839) in the so-called War of the Confederation.

distribution of power in the Pacific.

The Pacific War (1879-1883), once more against Peru and Bolivia, ultimately boosted the role played by Chile in the region, and significantly contributed to the enlargement of its territory (LIBRARY OF CONGRESS, 2010).

Along the 19th century, the commercial relations of Chile were consolidated, especially those with the United Kingdom that had a decisive influence on the organization of the Chilean Navy. France had an impact on the Chilean legal and educational systems, and some French influence in Chilean architecture can also be seen on the turning from 19th to the 20th century. German influence was mostly felt on the organization and formation of the Chilean Army (LIBRARY OF CONGRESS, 2010).

In June of 1945, Chile signed the United Nations Charter as a founding member of this Organization (UNITED NATIONS, 2014a), and acquired an influential international position. However, as a result of the military coup in 1973, Chile found itself in a position of isolation because of the accusations of human rights violations during while General Pinochet was in power (LIBRARY OF CONGRESS, 2010).

When democracy was reestablished in 1990, part the Pinochet economic policy, particularly trade opening by market diversification, was preserved, and this led to a decrease of poverty rates, but failed to eradicate the profound social inequalities (DANTAS, 2011). In this scenario, the general Chilean strategy was based on the development of multilateral relations around the world, establishing privileged relations with the United States of America (USA), the European Union (EU), Asia and South America (DANTAS, 2011). Also in terms of its international projection, Chile was the host country of the Asia-Pacific Economic Cooperation (APEC), in 2004, of which it is a full member.

Additionally, Chile has been proving to be an important international player with respect to economic and free trade issues (UNITED STATES, 2013). It is worth mentioning that in 2010 Chile was accepted as a member of the Organization for Economic Cooperation and Development (OECD), as the first among the South American countries to achieve this status (ORGANISATION..., 2010). Since democracy was restored, Chile has been an increasingly active player in international politics. Chile has completed its mission as a non permanent member of the Security Council and has been remarkably active in all the actions promoted by the different UN agencies, including the Peacekeeping Operations.

2.2 Chile in South America

Despite keeping trade relations with practically all countries in the region in order to avoid any obstacles to its full development, Chile chose to stay away from regional blocks. Notwithstanding, Chile is a member

of several regional organizations, notably the Latin America Integration Association (ALADI/LAIA), the Common Market of the South (MERCOSUR), the Latin America and Caribbean Economic System (SELA), the Organization of American States (OEA/OAS), the Inter-American Development Bank (IDB) and the Union of South American Nations (UNASUR). Chile is not a member of the CAN/A.C. (Andean Community) and has also decided not to join the MERCOSUR as a full member. These two organizations keep import tax rates that are higher than those enforced by Chile, and this is the reason why accession to any one of them would hinder the enforcement of the trade agreements that have already been signed with South American countries (DANTAS, 2011).

According to Fernández (2009)¹², Chile projects itself in the world based on its Latin American identity, which constitutes the center of gravity of its foreign policy and advocate of common ties in a region where the Chile shares the history, cultures, interests and objectives and where encouragement to regional integration is a highlight.

3 BASIC STRATEGIC ANALYSIS

3.1 Regional State Players

3.1.1 Bolivia

Since the Pacific War, the relations between Bolivia and Chile were far from perfect. This situation peaked in 2013, with the arrest of three Bolivian soldiers inside the Chilean territory, who allegedly were pursuing drug traffickers. The Bolivian government saw the three arrests as an action of retaliation from Chile for the Bolivian claims in different international forums whose purpose is the recovery of the much desired connection to the Pacific (SEM..., 2013).

Its current internal instability, the accession to the MERCOSUR and its distancing from its maritime neighbor on the West, seem to be the most important factors for Bolivian political and economic development and have mark marked the relations between these two states. (GOULART; BELLINCANTA; YAKABI, 2014).

3.1.2 Ecuador

Ecuador is one of the smallest South American States. The Ecuadorian economy is centered on hydrocarbons that account for over 50% of country's exports (EQUADOR, 2012).

Today, Ecuador is an important cocaine route, whose main destination is the United States across the Pacific waters, and is an "attractive" place for drug traffickers' money laundering (LYONS, 2012).

About Ecuador the following issues of interest

¹² Mariano Fernández is a former Chilean minister of foreign relations.

to Chile were detected: a potential source of regional instability due to drug trafficking, the long-lived territorial disputes with Peru, on the North, and a regional source of energy resources.

3.1.3 Venezuela

In view of the enterprise nationalization plan implemented by former president Hugo Chávez and the consequent increase of state control over of the industrial sector, foreign investments dropped resulting in Venezuelan economy slow down. In 2013, Venezuela's budget deficit was cut down to less than 10% of its GDP and, despite the record oil prices, public debt increased to 34% (UNITED STATES, 2014a).

Despite the discord with the USA, the Americans continue to be the largest commercial partners of Venezuela. As to Chile, it ranks 7 among the largest importers from Venezuela, which starts to gain relevance in the Chilean energy policy (BRIDGAT, 2014).

3.1.4 Paraguay

The Paraguayan economy has suffered significant ups and downs in the last few years and relies on government incentives. Nonetheless it was unable to withstand the strong financial crisis that has been troubling the world since 2008. Additionally, the political instability that resulted from the removal of President Lugo from office by the Congress, in 2012, was a destabilization factor from which the Paraguayan economy suffered a significant impact (VASCONCELOS, 2012).

Despite the fact that significant political or economic relations with Chile were not identified, the relations between Paraguay and Venezuela are significantly degraded (LORENTO; TRALDI, 2013), and, therefore, within a context of regional stability this is a factor of relative importance to Chile.

3.1.5 Peru

Peru is the third largest country in South America. Among others, it has borders with Chile and has abundant silver, gold, copper, zinc and hydrocarbon reserves, mostly found in the Andean Mountain Range. Peru has already been involved in territorial disputes with Ecuador and Colombia, but its most important rivalry is with Chile. Peru is also a major cocaine producer, which has been giving rise to internal violence and fights between the rival groups (PERU'S..., 2012).

Despite the rivalry with Chile, several initiatives have been developed targeting closer ties and cooperation between the two States, mostly since 2010, notably the Pacific Alliance¹³ and, among others, cooperation

¹³ The Pacific Alliance is composed of Chile, Colombia, Mexico, and Peru. It seeks to promote an area of free movement of goods, services, capital and people. Its main objective is to become a projection platform for the world, with an emphasis on Asia-Pacific, with a view to the further growth, development and competitiveness of the economies of member states (ALIANZA DEL PACIFIC, 2013).

agreements related to common interest areas, development of the Border Integration and Development Committee and the fight against drug trafficking (CHILE, 2014i).

In 2013, Chile ranked seventh among largest importers of Peruvian products (NOVO BANCO, 2014b).

3.1.6 Uruguay

After Paraguay, Uruguay is the smallest country of South America, however, this country one of its highest economic development rates (URUGUAY, 2012).

Nowadays Chile and Uruguay have a strategic association agreement whose purpose is to further bilateral relations, based on the establishment of a political, social, economic, trade and cooperation association between the parties, grounded on reciprocity, mutual interest, complementarity and closer relations in all fields of application (URUGUAY, 2008).

3.1.7 Colombia

Colombia is strategically located between the South and Central Americas. This country has significant natural riches, among which gold and oil are the most important. Colombia is also the global cocaine production leader and has been facing serious internal security problems having to face armed groups, the so called the Revolutionary Armed Forces of Colombia (FARC) and the local drug traffickers (COLÔMBIA, 2012). In terms of its territory, Colombia competes with Nicaragua for a maritime territory in the Caribbean Sea in view of the oil and gas existing there (PETRÓLEO..., 2013).

Colombia is an important partner of Chile. In 2001 a strategic partnership was established enabling the development of joint actions that are of great interest to both countries, among which the Pacific Alliance is the most important. Four commissions convened in 2012 to discuss matters of common interest, with special focus on political and social issues, cooperation, free trade and cultural matters. On the other hand, Colombia asked Chile to monitor the process of peace negotiation between the Colombian government and the FARC (CHILE, 2014j).

3.2 Relations with Brazil

Brazilian strategic aspirations define and assign priority to actions that aim at strengthening its borders, crime prevention and further cooperation with neighboring countries (BRASIL, 2012). In view of this scenario, in the eyes of Brazil, Chile has regional influence because of its economy, demography and the size of its territory (LOPES, 2010). Despite geographically opposed in the South American sub-continent, Chile and Brazil face the same security problems, notably, among other unlawful actions, piracy, armed robbery and illegal immigration (GUEDES, 2015).

In economic terms, the partnership between Brazil and Chile is embodied in investment agreements that started in 2010 and in the Cooperation Agreement for the Antarctica. As of 2012, with the establishment of the Inter-Oceanic Corridor for Brazil-Bolivia-Chile conditions were established for long term cooperation for energy planning (BRASIL, 2012).

To Chile, Brazil appears as a highly relevant market, once between them runs one of the largest bilateral trade flows in South America (BRASIL, 2011). Also in this respect, Chile also emerges as the third largest importer of Brazilian products, second just to China and the USA. As to Chilean exports, Brazil ranks fourth among its largest importers (BANCO ESPIRITO SANTO, 2014).

3.3 Relations with Argentina

The Andes stand as the East border between Chile and Argentina that has abundant natural resources, particularly oil and natural gas, which together with agricultural products account for their exports (ARGENTINA'S..., 2012).

In recent years the relations between Chile and Argentina have followed a path of cooperation and permanent bilateral dialogue and, in 2012, agreements were executed foreseeing recognition of laws, law enforcement cooperation, cooperation in Antarctica, border integration, tourism development, migration and consular assistance, cooperation for education and health (CHILE E ARGENTINA..., 2012).

Chile and Argentina have taken important steps in the field of defense - with the "2+2" standing as the most important one - from which a Memorandum of Understanding was signed by both countries and the Department of UN Peacekeeping Operations (DPKO) about the Combined Peace Force Cruz del Sur¹⁴ (CHILE, 2014i).

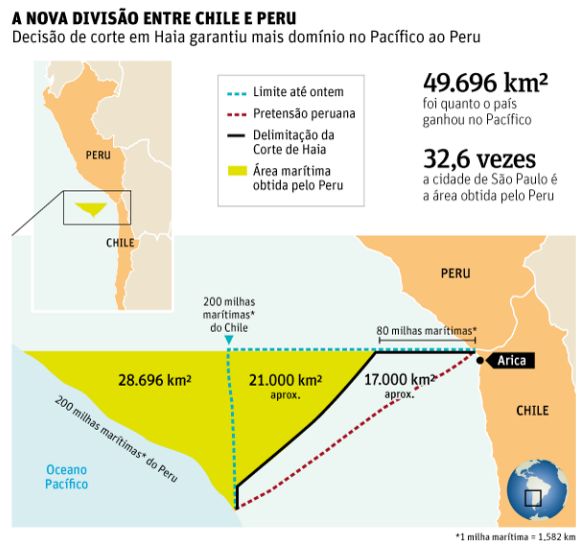
3.4 Territorial disputes

Just like Peru and Bolivia, after its independence Chile had to deal with the self-definition of territory and competitiveness in the region. It was in this context that the already mentioned Pacific War took place between 1879-1883, when Chile confronted Peru and Bolivia (STRATFOR, 2009). As a result of this confrontation, Chile conquered approximately one third of its current territory by assimilating two regions in the South of Peru, Tacna (subsequently returned in 1929) and Arica, while Bolivia lost its copper, guano and saltpeter- rich coastal province, as well as access to the Pacific Ocean¹⁵.

In January of 2008, Peru instituted proceedings

before the International Court of Justice (ICJ) asking the ICJ to arbitrate its maritime border with Chile. The ruling was published on January 27, 2014, and out of the 38,000 km² involved in the dispute, Peru was awarded approximately 20,000 km² and Chile kept the sovereignty over an area with fisheries resources (UNITED NATIONS, 2014b) (Figure 2). Despite all the disputes and international claims, in 2009, a military exercise, named "Salitre 2009", was carried out by Chile in Antofagasta, the first site that was attacked in 1879, generating significant discomfort for both parties, which added to the increased Chilean military capacity led Peru to request the UN to mediate a regional non-aggression pact (STRATFOR, 2009).

Figure 2. The new borders between Chile and Peru.



Source: Court... (2014).

As to Bolivia, on April 24, 2013, this country turned to the International Court of Justice asking for the negotiation of an agreement that would effectively ensure to Bolivia fully sovereign access to the Pacific Ocean. The decision issued by the ICJ mandates both parties to prepare a memorandum, and therefore, the decision will only be awarded in the course of the year 2015¹⁶ (INTERNATIONAL COURT OF JUSTICE, 2013).

Despite having faced territorial disputes with Argentina, notably the controversy about the Beagle Channel, which was ultimately resolved by Papal mediation in 1984¹⁷, another issue still exists involving Argentina and equally the United Kingdom: the dispute over the Falkland Islands. On one side Chile is interested in continued

16 On April 15, 2014, Bolivia submitted its Memorial in the International Court of Justice in the Hague, and as of February 18, 2015 Chile is elaborating its Counter-Memorial, leaving the next procedure for future decision.

17 At which time the maritime border was established, giving the islands in the northern half of the canal and the greater part of the disputed maritime territory projecting into the Atlantic to Argentina, and the islands in the southern half of the canal and the unnamed islands spread across the south and southwest of Cape Horn to Chile.

14 Went into stand-by in January 2012.

15 Through a treaty between the opposing parts, Chile ceded free access to the Pacific to Bolivia by means of a railroad to the port of Arica in 1904, but refuses to return any territory.

control of these islands in British hands, just as it defends the territories that are sources of disputes with Bolivia and Peru. On the other hand, the good relations with neighboring Argentina are critical to the energy issue and to the economic and security matters in the region. While this dispute was in progress, former Chilean president Sebastián Piñera even stated publicly that Chile supports Argentina, while at the same time keeping a special relationship with the United Kingdom. It is estimated that in the future Chile will continue stuck in the middle of this dispute, supporting the British and trying to smooth out relations with Argentina (STRATFOR, 2012).

3.5 The Falkland Islands, and access to Antarctica and the South Atlantic

In the Cold War period guaranteeing the security of the Cape Horn maritime route was an important strategic element. This situation continues to exist in view of the physical limitations of the North American aircraft carriers that prevent them from sailing in the Panama Canal. Within this context, the Falkland Islands remain as a relevant naval support site, "another of Admiral Thayer Mahan's choke points" of strategic relevance to ensure effective control of the Cape route. Notwithstanding the existence of possible control options - Punta Arenas (Chile) or Ushuaia (Argentina) – the joint efforts would be unfeasible for the regional armed forces (GUEDES, 2012, p. 42).

To the North Atlantic Treaty Organization (NATO) the fact that the United Kingdom rules over the Falklands represents a relevant strategic element as it ensures the physical connection between the South Atlantic and the South Pacific Oceans. It is important to note that the British Navy has capacity enough to defend and maintain them. Nonetheless, in the event some of the South Cone¹⁸ countries are able to procure military means capable of threatening this balance, the defense of the Falkland Islands may be threatened (GUEDES, 2012). The growing militarization of this zone and possible speculations about changes to the "status of denuclearized zone", in case the United Kingdom moves nuclear warheads to the region, confirm not just the strategic relevance but also the economic significance of that region. The growing attention directed to the South Atlantic by the traditional powers, and more recently, by the emerging powers, is far from innocent and evidences a "marked competition" for the recently discovered natural resources and access to the Antarctica (NEVES, 2013, p. 71).

The problem of the lack of security in the South Atlantic is fully identified, and there are already several regional and global powers getting ready for fight. In the specific case of the USA, the reactivation of the Fourth

Fleet for the Atlantic fully reveals the geopolitical interest this superpower has in the Southern area of this Ocean (GUEDES, 2015).

It would be reasonable to imagine that a military solution similar to the NATO could solve the South Atlantic security problems. However, the strong opposition from Brazil, South Africa and most of the African and South American countries has been preventing the enforcement of a solution of this type. It was on these grounds that the South Atlantic Peace and Cooperation Zone (ZOPACAS) was created in 1986 (ZOPACAS) (GUEDES, 2015).

To this date, and despite a certain amount of concern, the problem of keeping the South Atlantic secure has not progressed further than some exacerbated rhetoric from the various actors. It is critical then to take a holistic approach to the issue, but the question remains if it will be consensual or imposed (DE LA GORCE; SALVY, 2012).

4 THE GEOPOLITICAL FACTOR

4.1 Natural resources - the energy issue

Chile ranks fifth place among the largest energy consumers in South America, and imports 70% of the energy it consumes (THE WORLD BANK, 2014a), but it is one of the smallest producers of fossil fuels.

Most of the Chilean oil imports come from Latin American countries, especially Ecuador, Brazil, Colombia and Argentina. However, the USA is the main source of refined products, most importantly of diesel oil (UNITED STATES, 2014d). As to natural gas, Chile has recorded one of the highest natural gas consumption increases (2009/2010) worldwide (51%, against the 7.3% world average) (GUERRERO, 2012). Liquefied Natural Gas (LNG) accounts for most of the Chilean imports and comes from Equatorial Guinea, Trinidad and Tobago, Qatar and Yemen (UNITED STATES, 2014d). Although in smaller volumes, Chile also imports natural gas from Argentina along several gas pipelines built by the end of the nineties.

One third of Chile's installed production capacity is hydroelectric energy, 2% to 3% come from the wind power source and the remainder is produced by coal and natural gas-fired thermoelectric plants (UNITED STATES, 2014d). Thus, most of the energy produced in the country comes from non renewable sources, justifying the above mentioned dependence on imports. In a growing economy, this dependence on energy resources from abroad could pose a significant risk to national economic development and growth and increase reliance on the neighboring countries. For example, the Argentinean-Chilean crisis of 2004 shed light on the energy security problem by restricting the amount of gas exported from Argentina to Chile (GUERRERO, 2012). Additionally, territorial disputes

¹⁸ Chile and Argentina are the examples in this case.

with Bolivia and Peru hinder the process of gas imports from these producing countries (GUERRERO, 2012). Such issues prompted Chile to develop infrastructure to enable LNG imports and diversify its supply sources.

The relevance of all these issues led the Chilean government to establish a National Energy Strategy 2012-2030, foreseeing, besides the diversification of suppliers, consumption cuts to be achieved through energy efficiency and focus on renewable sources of energy, especially wind power (whose share of the energy mix is just 3%) (CHILE, 2012b).

4.2 Domestic performance - the economic issue

With a population of approximately 17 million inhabitants, Chile is the sixth largest economy in South America, with a GDP of about 280 billion dollars. This country, whose economic growth from 1986 to 2010, exceeded, on average, 5% per year, records the highest per capita GDP of the region (UNITED STATES, 2014b).

Chile has a market economy characterized by a high level of opening to foreign trade and is reputed to have robust financial institutions, which grants it the highest sovereign debt rating among the Latin American countries. Exports represent 1/3 of the national GDP, with raw materials accounting for almost 75% of total exports (INDEX MUNDI, 2014b).

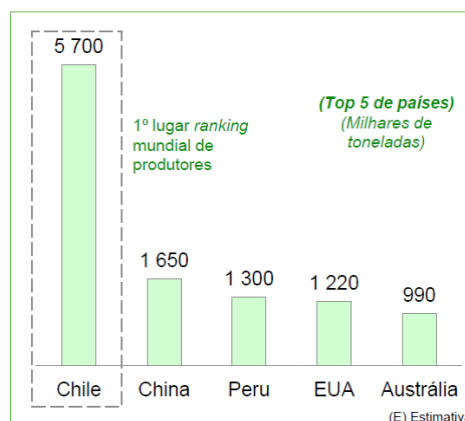
However, after marked growth in recent years, the Chilean economy is slowing down and dropped close to 4% in 2013 (INTERNATIONAL MONETARY FUND, 2014). Even though, it was able to demonstrate a compatible and sound economic base by being able to overcome the predicaments arising out of the serious global financial crisis in 2008, when measures such as the release of funds to bailout the copper sector, investment in infrastructure works and protection of low income population were implemented (CHILE, 2012a). It is important to highlight the economic growth that followed the natural disasters that ravaged the country in February of 2010, surpassing the most optimistic expectations and revealing Chilean recovery capacity (INTERNATIONAL CENTRE..., 2010; UM ANO..., 2011).

Chile is highly dependent for the activities of copper mining, production and, above all, exploration, and the evolution of the Chilean GDP is closely correlated the volume of copper exports and copper price in the international markets and currently represent about 19% of government revenues (UNITED STATES, 2014b).

The weight of copper exports on total exports has recorded a significant increase in recent years, making Chile simultaneously the largest global copper producer and exporter, as shown in Graph I (BANCO ESPIRITO SANTO, 2014).

The most important destinations of Chilean copper exports are in Asia (52%) – where China (40%),

Graph I. Estimated mineral production of copper in 2013.



Source: : Banco Espírito Santo (2014a).

South Korea (7%) and Taiwan (5%) stand out – and in the EU (16%), with Italy (5%) and the Netherlands (5%) accounting for the highest demand. It is important to underline the influence that China, the largest buyer of copper worldwide, has on the establishment of the international price and, on the revenue of the Chilean mining sector (BANCO ESPIRITO SANTO, 2014).

Besides a host of trade agreement, especially with the EU, the USA, the MERCOSUR, China and India, among others, Chile has recently joined the Trans-Pacific Economic Strategic Partnership, also known as the P4 (INDEX MUNDI, 2014b). In May of 2010, Chile signed the OECD convention, therefore, as previously mentioned, becoming the first Latin American country to join this organizations as a member.

Threading carefully along the years, the Chilean government has been enforcing counter-cyclical tax policies, accruing surpluses in the course of the period of growth and high prices of copper, and adopting expansion policies just in the period of copper price downward trends and slow growth (INDEX MUNDI, 2014b).

According to 2013 Economic Outlook¹⁹ for Latin America, if in the near future marked growth will still be seen in this region, in the medium term the situation is more complex, as a decrease in external demand will expose the limitations of the current growth model, based on low added value products and natural resources. Also facing this problem, in recent years Chile has been placing its chips on a policy of encouragement to education and innovation²⁰, which in the long run could mitigate this weakness. An indicator of this stand is the case of the Chilean wide band internet infrastructure, which is current the most advanced in Latin America, ahead of Brazil, Mexico and Argentina (ORGANISATION..., 2012).

This development strategy significantly grounded in administrative simplification and education

¹⁹ Organization coordinated by the OCDE.

²⁰ Through the InnovaChile program, the government strongly supports the development of technology startups.

and innovation, is already bearing fruits: in the economic freedom ranking (Economic Freedom Score) sponsored by NGO "The Heritage Foundation" jointly with the Wall Street Journal, Chile is in 7th place worldwide, in the 1st place at regional level²¹ (THE HERITAGE FOUNDATION, 2014).

Tourism has also been an important sector of the Chilean economy. In 2013, for example, the tourism sector accounted for 3.2% of its GDP, and a 5.4% increase is expected in 2014 (BANCO ESPIRITO SANTO, 2014).

The number of international tourists was increased by about 3.576 million, 0.6% above 2012 figures. This sector contributes directly with 3.2% of total jobs (BANCO ESPIRITO SANTO, 2014).

4.3 Internal disturbance factors

The Chilean society has significant inequalities and marked economy concentration, which can be identified as the leading internal disturbance factors. With regard to social inequalities two problems must be underlined: inequality of salaries and access to education. The inequality of salaries, by the way, one of the largest in the world, is evidenced in the assessment of the United Nations Development Program (UNDP), where in 2013 it was assessed at 52.1% of the GINI²² coefficient (PROGRAMA..., 2013, p. 152), despite recording some evolution against the 2003 assessment, where this coefficient was 57.5% (PROGRAMA..., 2003).

In terms of education, Chile is one of the OECD countries with less investment in public education, and in 2011, 100,000 children had no access to school. For a population of around 17.5 million inhabitants, where 21% are under 14 years of age and in school age, this figure is really high and gives reason for concern. (ORGANISATION..., 2013).

This situation gives rise to two problems. The first one is linked to criminality, notably in the vicinities of the capital Santiago, where there are 83 districts or small villages, comprising 700,000 people, controlled by gangs (pandilhas). The second one is child prostitution, of both male and females, with staggering figures recorded by the National Minors' Service (SENAME) of the Chilean Ministry of Justice, which in 2003 stated that there were around 3,700 sexually exploited children (CHILE, 2010b).

Notwithstanding, economy concentration of the most important problem faced by Chile, whose causes are identified and represented by the following aspects: concentration of the distribution of goods (supermarkets) in the hands of just three economic groups, which is manifested in the monopoly of retail trade; 60% of bank deposits are distributed just among four banks, thus

granting high power to these banks; and the marked inequality between the Santiago metropolitan area and the rest of the country increasingly contributing to the desertification of inland areas and their neighboring zones (ATIENZA; AROCA, 2012).

Despite having pinpointed the causes, the successive administrations have been unable to impose marked changes to this scenario, which evidences the immense influencing power these groups have on the political decision making and the Chilean society in general.

4.4 Military Capacity

The Chilean military defense is characterized and influenced by a highly complex reality. The geographic features and the geopolitical and geostrategic nature of the Chilean territory make country defense a true puzzle. In general terms Chile lacks strategic depth. And, for this reason the country seeks to establish political-strategic relations with its neighbors focusing on a conciliation of interests, above all in the security area. The strategic frailty of its territory is of a structural nature and, therefore, requires permanent attention, especially on the part of the defense community (SALAS, 2011).

The Chilean Armed Forces (FAC) are composed of three branches – Army, Navy and Air Force – with the President of the Republic acting as Supreme Commander of the Armed Forces. To the President of the Republic falls the task of organizing and deploying the Armed Forces according to national security needs (CHILE, 2010a), and he will be in direct command of the Chilean Armed Forces in case of war (CHILE, 2010a).

The National Defense Ministry directs the Chilean defense sector and its mission is to ensure the external security of the State (CHILE, 2010a). In case of an international crisis or of war, the Chairman of the Joint Chiefs of Staff will answer for the use of the Chilean Armed Forces (CHILE, 2010a).

For comparison purposes, Table I shows that Chilean armed forces are similar to those of its neighboring countries, although a certain unbalance can be evidenced in terms of equipment, with Chile standing in an advantageous position.

4.4.1 Army

The Chilean Army has approximately 45,000 military and its mission is to guarantee the sovereignty and the integrity of the national territory, protect the population, institutions and critical resources of the country in face of any external threat, as well as to act as tool of Chilean foreign policy (CHILE, 2014d).

In the last decade, the Army went through a process of deep restructuring that included the establishment of new units, merger of others, procurement of new equipment and personnel training, thus increasing Chilean Army efficiency (CHILE, 2014e). Currently, its

²¹ This ranking evaluates diverse factors, such as the efficiency of justice, corruption levels, fiscal freedom, government spending, regulatory efficiency of the state, freedom of trade, investment and financial transactions, etc.

²² Indicator used to calculate the inequality of income distribution (THE WORLD BANK, 2014c).

Table I – Comparative Table of Personnel and Key Materials.

Country	Personnel					Key Material					
	FFAA	Fleet	Army	Air Force	Paramilitary	Frigates	Submarines	CC/ VBTP/ VCI	Artillery/ Mortar	Attack Aircraft	Helicopters
Chile	59.050	16.300	35.000	7.750	44.700	7	4	870	1.005	58	93
Argentina	73.100	20.000	38.500	14.600	31.250	6	3	1.088	1.103	38	110
Bolivia	46.100	4.800	34.800	6.500	37.100	0	0	230	311	15	30
Peru	115.000	24.000	74.000	17.000	77.000	8	6	655	998	68	122

Source: Adapted from the International Institute for Strategic Studies (2013).

most important operational component comprises six Divisions and two Brigades (CHILE, 2014f).

4.4.2 Navy

The Chilean Navy is formed by approximately 25,000 military (CHILE, 2014b), deployed across several units along the 6,435 km coastline (UNITED STATES, 2014b), and the extended Chilean Antarctic Territory, extending out up to the South Pole, must also be taken into consideration (CHILE, 2014a).

The leading operational force of the Navy is its National Fleet, distributed by Naval Zones, and charged with the mission of contributing to the defense of the national territory and taking part in the international peacekeeping and stability efforts in the regions of interest to Chile. The Naval Zones extend from the northernmost region of the country up to the Antarctica. These Zones depend on the Navy Chiefs of Staff and comprise Operational and Logistic Forces, with the purpose of contributing to the defense of the sea front and control and protection of the traffic of vessels in their respective jurisdiction areas. This is why they are equipped with combat, patrol and logistics support resources (CHILE, 2014c).

The other operational forces that are part of the Chilean Navy are the Naval Aviation, the Submarine Force, the Command of Special Forces and the North and South Command of missile carrying boats ("Misileras") (CHILE, 2014c).

4.4.3 Air Force

It is estimated that Chilean Air Force has 12,000 men. The operational component of this force comprises five Aerial Brigades. In general terms, each one of these brigades is organized into three Aviation Groups, one Antiaircraft Defense Group and a Telecommunications or Electronic Detection Group (CHILE, 2014g).

The Air Brigades are operational units that act as directed by higher echelons planning. It is assigned the chief mission of air space control in their jurisdiction areas, by means of tactical aerial, anti-aircraft defense, administrative and logistics operations. The Brigades are also in charge of the Search and Rescue Service and also provide support to remote locations and cooperate in

emergency or natural disaster situations (CHILE, 2014g).

4.4.4 The arms race

In view of the above, both internally and in terms of foreign relations, there are in Chile certain sources of tension. In this respect and considering the rise of other regional players, as for example Brazil, several authors point to increased defense-related expenses as signs of an arms race (DEEN, 2011). However, as shown in Graphs 2 and 3, increased investments in the FAC results from GDP growth and not from an effective increase of the percentage allocated to Defense, whether in Chile, Peru or Bolivia, and therefore it should not be viewed an indicator of a potential increase of "conflictuality" in the region.

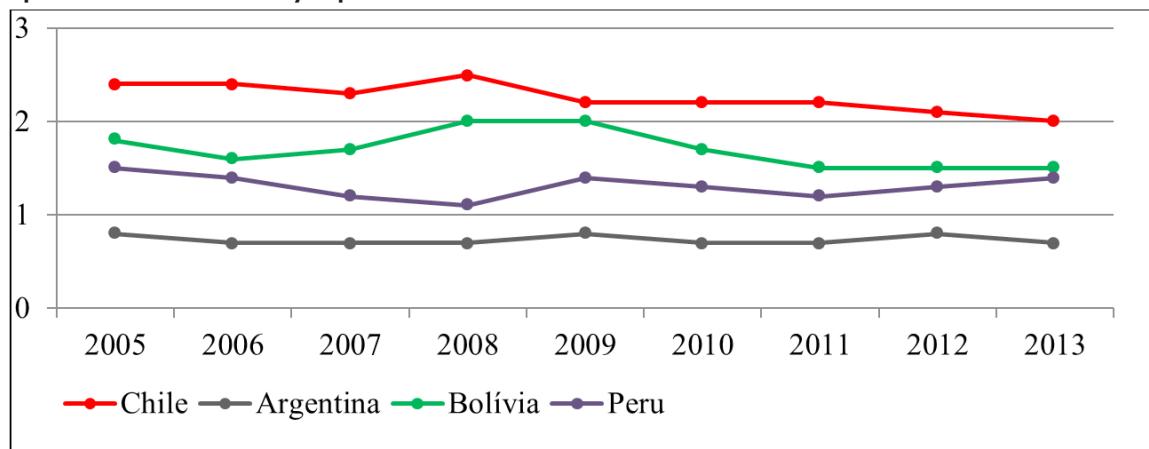
4.5 Potentialities and Vulnerabilities

Among the potentialities that set Chile apart from the other Latin American countries, the following should be mentioned: its location, facing the current global economic pole, the Asia-Pacific region, generating advantages to trade; its political stability, representing an attractive invitation to private investments that results in the possibility of development; its open market and low customs tax rates economic policy; and the Antarctica, whose resources are still to be exploited, but in that region drinking water appears as critical (MOMBERG, 2008).

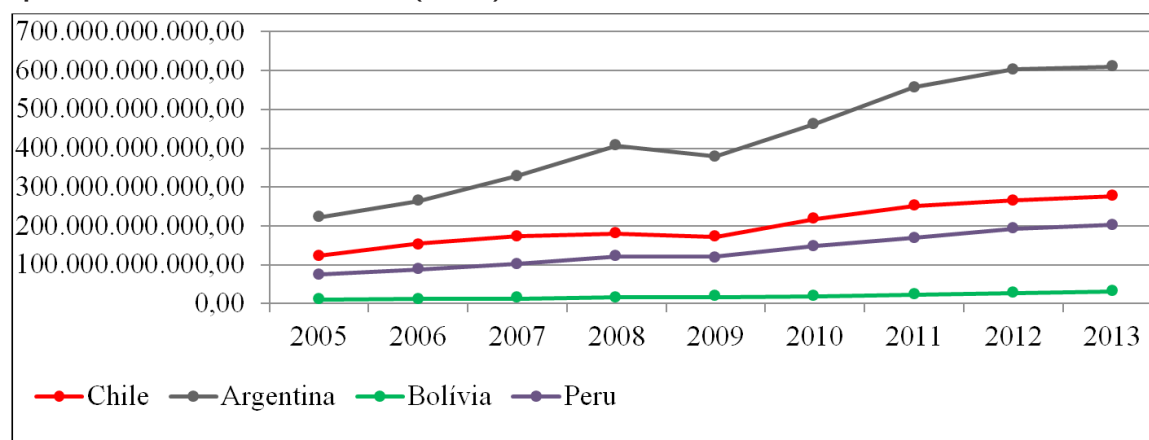
Nonetheless, Chile also faces two significant vulnerabilities: the copper-dependent economy and dependence on energy resources; as well as two significant challenges: economy concentration and the territorial disputes.

As to the vulnerabilities, in recent years, the Chilean economy has profiting from high copper prices. As previously mentioned, Chile is the largest global producer of this metal, with four times the production of China that ranks second (UNITED STATES, 2014c). Notwithstanding, the weight copper exports on the Chilean economy is far too high and, as a result, copper price oscillation may entail serious complications to the economy of this country (CHILE, 2013).

It is with concern that the energy issue is seen

Graph 2 – GDP-based military expenditures.

Source: The World Bank (2014d).

Graph 3 – GDP of the various countries (in US\$).

Source: The World Bank (2014b).

by the Chilean policy makers. As mentioned above, the plans to reduce the energy dependence must include a diversification of suppliers, with the Asia-Pacific region again standing out, and diversification of the nature of the energy sources, clearly focusing on renewable resources (CHILE, 2014h).

As to the challenges, the concentration of the economy - translated into the feeling of social inequality - is manifested in the students' protests of recent years. These popular manifestations led to an "awakening of citizenship" after a period of inertia of more than two decades (ALVARES; MONTEBELLO, 2013, p. 14). Actually, these manifestations act as catalysts for the social discontent that has been recorded, despite some measures being implemented to provide social and family support. This situation brings strong implications with respect to the international feeling of stability and security and, therefore, this is an issue to be solved (SMINK, 2011).

About the maritime disputes with Peru and land conflicts with Bolivia, Chile will have to adopt contingency measures in order to deal with the ruling issued by the ICJ in 2014, and foresee other measures to plan for the

decision to be issued in 2015, in order to mitigate possible constraints to its economy and, consequently, its stability.

5 FOREIGN POLICY AND THE INTEGRATION POLICIES

Chile is nowadays one of the most stable and prosperous countries in South America, not just as a result of its consistent economic growth, but also for taking an increasingly leading role in the processes of regional and international cooperation. The fast transition of Chilean international relations from a security focus to market economy enabled the country to rise to privileged global position (ARAVENA, 1997).

5.1 Regional and international relations as "elements of integration"

The sustainability of the Chilean economic growth, as we have already observed, has been critical

to the consolidation of its foreign policy. Going against some of the most important local interests, the key focus has been directed to multiple free trade agreements, which in general, have allowed Chile to reach a significant projection in the regional and global market (LOPES; CARVALHO, 2010).

In this important area, Chile is a member of the IBD, the UN and of their specific purpose agencies. Since January 1, 1995, Chile is a member of the World Trade Organization (WTO) and of the OECD, since May of 2010, where till then it sat, as an observer. At the regional level, Chile is part of the ALADI, the APEC, the SELA and the OAS, and has joined the MERCOSUR as an associate member and the CAN, equally, as an associate member. It is important to note the preferred bilateral relations with the EU (EU/Chile agreement) (AGÊNCIA..., 2013).

The ALADI is an inter-governmental body established in 1980, whose purpose is to strengthen the relations between its member countries, by means of bilateral agreements that will ensure the gradual and progressive establishment of a Latin American market, through the enforcement of a Regional Tariff Preference (RTP). Besides Chile the following countries are also members of the ALADI: Argentina; Bolivia; Brazil; Colombia; Cuba; Ecuador; Mexico; Panama; Paraguay; Peru; Uruguay; and Venezuela (ASSOCIAÇÃO..., 2014).

Established in 1989, the APEC appears as an informal group that has contributed to trade promotion, to attract investments, technology transfer and to the conservation of sea and fisheries resources, targeting the establishment of a free trade zone between its members by 2020. These are the APEC member countries: Australia; Brunei; Canada; Chile; South Korea; USA; Philippines; Hong Kong (China); Indonesia; Japan; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Popular Republic of China; Russia; Singapore; Thailand; Taiwan; and Vietnam (ASIA-PACIFIC..., 2014).

Formed by 28 countries, the SELA was established in 1975, with the purpose of speeding up the economic and social development of its member countries through inter-regional cooperation and the establishment of a permanent consultation and coordination service in economic and social issues (LATIN..., 2014).

On its turn, the OAS that was established in 1948 by 21 nations, and was subsequently joined by 14 other countries, whose main purposes are to promote good management practices, reinforce human rights, foster peace and security, expand trade and find solutions for the problems arising out of poverty, drugs and corruption among the "peoples of the Americas" (AGÊNCIA..., 2013, p. 18).

In recent years, Chile has also signed important free trade and association agreements with the most diverse countries and organizations, as for example, Turkey, Canada, USA, Mexico, El Salvador, the EU and the European Free Trade Agreement (EFTA), the remaining countries of the Trans-Pacific Strategic Economic

Partnership (P4) (Singapore, New Zealand, and Brunei), South Korea, China, Japan and Australia. Chile has also economic complementarity agreements in effect with its neighbors Ecuador, Colombia, Bolivia, Peru, and Venezuela (at the bilateral level), besides a partial reach agreement with India (AGÊNCIA..., 2013).

As to relations with the EU, the legal frameworks is fundamentally translated into a far reaching association agreement signed by the parties, which besides freedom of trade, services and access to public hiring by the signatories, encompasses several other, such as political dialogue and scientific and technological cooperation. This agreement, signed on November 18, 2002, came partially into effect on March 5, and in full effect once ratified by all participants on March 1, 2005, has decisively contributed to a significant increase in the commercial exchanges between the parties. Also noteworthy is the strategic plan designed by the EU for Chile for the 2007-2013 period, whose financial priorities include support to improvement of the educational system and professional qualification in the country, promotion of Chilean economic competitiveness in the global scenario and strengthening of relations between the parties (AGÊNCIA..., 2013).

5.2 The Chilean process of integration: most important trends and "stress points"

The course followed by the Chilean state after the independence does not show the same linear path of the other Latin American states. The foreign policy implemented from the nineties onwards directs special attention to marked decision making autonomy and, therefore, does not envisage "coupling" to any other international player as necessary of functional to the interests of the country (VALENZUELA, 2011). On the one hand, it aims to further its international presence by strengthening the political ties with several players, and on the other, to increase its economic integration, by enforcing an open regionalism policy, combining unilateral, bilateral, regional and multilateral strategies (VALENZUELA, 2011). An important feature of this Chilean option is the marked presence of political, strategic and security objectives, particularly towards its neighboring countries and the region as a whole (LOPES; CARVALHO, 2010).

Through the various agreement that were signed, the above mentioned objectives may be reached without Chile becoming a full member of regional blocks. This condition could reduce "both the reach of the enforced general trade opening strategy and the maneuvering margin in dealing with relevant international partners" (LOPES; CARVALHO, 2010, p. 645).

It is this strategy that Chile has been enforcing, making good use of its economic and political image. From it, Chile essentially intends to combine two objectives: to

avoid compromising Chilean relations with other countries and regions, keeping the trade gains arising out of unilateral opening, and ensure insertion in the region without the need to become a full member of the MERCOSUR or of the Andean Pact (LOPES; CARVALHO, 2010). Some of the agreements signed in the region do not offer relevant trade gains, but enable improved relations with neighbors with a history of conflicts with Chile, and also with countries on which it depends to obtain the necessary and critical energy security (LOPES; CARVALHO, 2010). Nonetheless, the option made by Chile on this specific context has also created unprecedented internal levels of social inequality. Despite a certain amount of criticism, Chile has been building a comfortable international position that has allowed the county to respond in a positive manner to the requirements of its development, admirably coordinating its role of both global trader and regional player.

6 CONCLUSION

The geopolitical concept of Chile is characterized by a set of unique factors. On one side, the influence of its historical legacy, up to some point, is shared by other countries in the region and some Western countries, such as the United Kingdom, France and Germany that shape their policy and strategic reasoning.

According to most of the analyst mentioned along this paper, Chile appears as one of the most competitive and sound states in Latin America. A significant part of the Chilean success derives from the political stability Chile has been able to maintain and the economic policies set in place that attract foreign investment and encourage exports.

On the political point of view, the analysis reveals the multiplicity of States Chile has relations with, thus exploring common interests, as well as the number of International Organizations the country has joined, clearly evidencing the focus on self-promotion as a relevant player in the international arena. Unquestionably, its economic performance, the territories in Antarctica and geographic position - and that allows Chile to control the Atlantic-Pacific connection and is advantageous in Asia-Pacific region - afford the country a relative importance and are, consequently, factors that bear on the interests of other players. Certainly, different from other Latin American countries, Chile has evidenced a permanent capability to promote its own potential.

As to the economic scenario, Chile has trade agreements with over 60 countries, and has recently signed reciprocal market access agreements with large consumers as, for example, China, the EU and the USA. The Chilean economy has been reaping the fruits of well defined tax policies that contribute to mitigate the effects of international market fluctuations. As a result, twice in recent years Chile has demonstrated to have capacity and arguments to present itself as an emerging State. The

way Chile managed to "by-pass" the serious 2008 global financial crisis and, two years later, the manner which the country responded to the natural disasters that ravaged the country, continuing to record an economic growth of over 4.5% are clear evidences of the full potential of this State.

Notwithstanding, Chile faces several internal and external challenges. On the subject of the internal policy, decrease of social inequalities, promotion of education and equal access to it are some of the problems faced by Chile. To many analysts, Chile nowadays is experiencing a form of "awakening of citizenship", which is a factor that if not appropriately monitored could cost Chile dearly. Also on this subject, the economic concentration that grant certain private economic conglomerates power of influence, constitutes yet another challenge the Chilean government will have to overcome together with drug trafficking, either with respect to consumption or as a platform for passage to Europe and to the South American region.

On the military point of view, Chile's limited strategic depth is an actual vulnerability. On this aspect, priority must be given to a strengthening of relations and synergy between neighboring countries, contributing to the establishment of a stronger regional integration and multilateralism in the promotion of regional peace and security.

Energy dependence is another reason for concern. A solution involves resumption of the Chilean hydroelectric project that was suspended in face of pressure from environmentalist groups. Thus, this is no doubt one of the major challenges posed to Chilean economic development, and to Chilean people to it is critical to find a way of minimizing energy dependence in a sustainable, economically and environmentally acceptable manner, and the Chilean government must prove capacity to implement the National Energy Strategy until 2030.

Dependence on copper also requires a careful analysis. In this area, Chile has been directing its attention to education, innovation and technology, aiming at diversification.

The territorial disputes still appear as a pressing subject, and the most complex of them is the issue with Bolivia, either because of its size or the natural resources existing there. Although not probable, an unfavorable decision by the international instances about the Chilean intentions could result in some instability to the region.

In the international arena, the Antarctica and the security of the South Atlantic, where the Falklands play an important role, represent the main issues Chile will face in the future, and its undefined stance with respect to the strife between the British and the Argentineans could even change.

Therefore, it can be said that it is by closer ties with other countries, whether regionally or globally, that Chile intends to project its identity and jointly face the matters that appear in the international agenda. The

national development itself is linked to the ability to keep the best political relations, trade exchanges and cooperation with its neighbors. However, without endangering such relations, Chile seeks to maintain the trade gains resulting from the unilateral opening and ensure Chilean insertion in the region without the need to become a member. Thus, in coming years the Chilean efforts will be focusing on the achievement of a set of common objectives, among which the following are noteworthy: strengthening of regional integration, multilateralism and promotion of international peace and security.

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The concept of authorship adopted by Meira Mattos Collection is based on substantial contributions to each of the persons listed as authors, following the categories below:

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