



Revista Brasileira de Política  
Internacional

ISSN: 0034-7329

[rbpi@ibri-rbpi.org.br](mailto:rbpi@ibri-rbpi.org.br)

Instituto Brasileiro de Relações  
Internacionais  
Brasil

de S. Duarte, Rubens; Soares de Lima, Maria Regina  
Politicising financial foreign policy: an analysis of Brazilian foreign policy formulation for  
the financial sector (2003- 2015)  
Revista Brasileira de Política Internacional, vol. 60, núm. 1, 2017, pp. 1-18  
Instituto Brasileiro de Relações Internacionais  
Brasília, Brasil

Available in: <http://www.redalyc.org/articulo.oa?id=35849807005>

- How to cite
- Complete issue
- More information about this article
- Journal's homepage in [redalyc.org](http://redalyc.org)

[redalyc.org](http://redalyc.org)

Scientific Information System

Network of Scientific Journals from Latin America, the Caribbean, Spain and Portugal

Non-profit academic project, developed under the open access initiative



Revista Brasileira de  
Política Internacional

ISSN 1983-3121

<http://www.scielo.br/rbpi>

### Rubens de S. Duarte

University of Birmingham, Department  
of Political Science and International  
Studies, Birmingham, United Kingdom  
(rubenssduarte@gmail.com).



ORCID ID:  
[orcid.org/0000-0002-9709-9865](https://orcid.org/0000-0002-9709-9865)

### Maria Regina Soares de Lima

Universidade do Estado do Rio de Janeiro,  
Instituto de Estudos Sociais e Políticos,  
Rio de Janeiro - RJ, Brazil  
(mrslima@iesp.uerj.br).



ORCID ID:  
[orcid.org/0000-0003-0857-2487](https://orcid.org/0000-0003-0857-2487)

#### Copyright:

- This is an open-access article distributed under the terms of a Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided that the original author and source are credited.
- Este é um artigo publicado em acesso aberto e distribuído sob os termos da Licença de Atribuição Creative Commons, que permite uso irrestrito, distribuição e reprodução em qualquer meio, desde que o autor e a fonte originais sejam creditados.



# Politicising financial foreign policy: an analysis of Brazilian foreign policy formulation for the financial sector (2003- 2015)

DOI: <http://dx.doi.org/10.1590/0034-7329201600113>

Rev. Bras. Polít. Int., 60(1): e005, 2017

## Abstract

At the start of the 21st century, there was a reconfiguration of the Brazilian domestic political dynamic, as its actors gradually became more interested in the formulation of foreign policy and tried to safeguard their interests. When analysing the country's foreign policy for the financial sector, it becomes quite clear that to consider foreign policy simply as one type of public policy is insufficient to assess its decision-making process. This paper seeks to contribute to the debate by arguing that the analysis of foreign policy should be carried out by taking into consideration specific issue-areas. This paper explores the movement to rearrange domestic decision power, seeking to gain leverage in international negotiations.

**Keywords:** Foreign policy analysis; Brazilian foreign policy; Financial sector.

## Acknowledgements

The authors would like to thank Carlos R. S. Milani and Lia Valls Pereira for the valuable comments and suggestions they made at the time, which have been incorporated in this version.

Received: July 13, 2016

Accepted: October 3, 2016

## Introduction

The end of the 20<sup>th</sup> century and the beginning of the 21<sup>st</sup> century were accompanied by great changes both in the domestic and international arenas; these have had an impact on the systemic constraints to which Brazil is subjected and, consequently, on its decision-making process regarding foreign policy. The changing dynamics of the international scenario, the financial crisis of 2008, the emergence of some Southern countries (China in particular), and the increase in commodity prices are among the processes that

have contributed to the mitigation of systemic constraints on Brazil. In the domestic arenas, the equalisation of the international debt, the macroeconomic stabilisation, the electoral victory of a left-wing party, and the gains in foreign policy autonomy should be highlighted. This combination of international and domestic factors has favoured the deconcentration of world power, benefiting countries of the South and fostering a more independent participation of Brazil on the international scene. These changes influence the process of foreign policy formulation during president Lula da Silva's government and first term of Dilma Rousseff, to the extent that they alter the political dynamic in the domestic arena as well as in the international one.

The understanding of foreign policy as a *sui generis* type of public policy assumes that its formulation is embedded in the domestic political game, even though the focus of this policy is on the state's international actions and, therefore, it is also influenced by the international system (Milani and Pinheiro 2013). That is why the state is not the sole actor that should be studied in International Relations, despite the fact that it is the one responsible for filtering and coordinating the other actors – which gives the government the leading role in the formulation of this particular kind of public policy. Various domestic actors try to safeguard their interests by exerting pressure on the state and getting it to put in place the international integration strategies most favourable to them. The actors that are influential in foreign policy decision-making are very heterogeneous, such as government agencies, ministries, civil society bodies, exporters, banks, insurance companies, and so forth. The decision to analyse foreign policy as public policy is even more appropriate in the case of democracies, such as Brazil. While some foreign policy issues may be considered state policy (e.g. the guarantee of sovereignty, international security, the right to development, etc.), there is considerable room for each government to implement a foreign policy that is coherent with the political programmes that won at the elections (Lima and Duarte 2013).

However, describing and analysing foreign policy as public policy is not sufficient for a detailed study. Attention should be paid to the existence of different issue-areas of foreign policy, each with its own peculiarities in terms of interests, narratives, material and symbolic capabilities of the actors involved, initiatives for mobilising internal support, and so on. The formulation of cooperation policy has a very different dynamic from that of trade policy, which is also quite distinct in relation to human rights policy, and the latter, in turn, is unlike the process of elaboration of speeches to be delivered to the General Assembly or in the UN Security Council. Keeping this heterogeneity in mind, this paper joins those debates that analyse foreign policy as public policy, and attempts to demonstrate the singularity of foreign policy for the financial sector. It also intends to further the existing knowledge about this sector as – due to its very composition and nature – it is one of the most opaque areas of a government's international policy.

Compared to other issue areas, the financial sector is more closed than other public policies, difficult to grasp by the general population. The need for technical knowledge and mastery of the field's jargon as prerequisites to actively participate in it may help to explain this fact, but they are not the only obstacles. The financial sector is marked by informality in the relations between financial institutions and government regulatory agencies, as well as by the difficulty in accessing information from public agencies – factors that cause this area to be lacking in transparency for

society in general. Therefore, knowledge remains limited, which makes the rise of a wider debate in the field – so essential in democracies – difficult to accomplish. Actors who can influence the formulation of foreign policy for the financial sector include government agencies – e.g. the Treasury Ministry, the Central Bank (BCB, as per the Portuguese acronym) and the Ministry of Foreign Affairs (also known as Itamaraty) – and certain sectors of civil society. It should be emphasised that the part of civil society involved with this theme is considerably heterogeneous, structurally asymmetric in terms of power and influence, and can be divided into two large groups: financial agents on the one side, social networks and movements on the other, each exerting its influence on the formulation of foreign policy in different and asymmetrical ways. As a consequence of the domestic and systemic changes mentioned above, the political dynamic within Brazil was reconfigured, thus bringing about a re-politicisation of foreign policy.

By analysing the domestic actors' perspectives and capacity to influence the decision-making process in the financial sector between 2003 and 2015, this paper argues that each issue area of the Brazilian foreign policy has its own special features (such as a high-level of technical expertise to participate, a structural power of the private sector and a very limited capacity of civil society organisations to influence the government). These elements lead to a rearrangement of the decision-making process seeking to expand the domestic constituency. Such movement was a strategy to increase Brazil's capability to engage with international negotiations. This paper is divided into five sections, in addition to the Introduction. Firstly, we offer a brief analysis of international events and describe how they gave cause to the reorganisation of the decision-making process in the Brazilian foreign policy for the financial sector. Secondly, the action of government actors, their roles, and the cooperation among them are discussed. Thirdly, we investigate how the influence of financial institutions takes place in the formulation of foreign policy. The fourth section examines the ways in which sectors of civil society, social movements and networks try to include themselves in this process. Finally, in the fifth section we highlight some empirical research findings, underlining their contribution to a deeper understanding of foreign policy as public policy and the quest for democratisation of its decision-making process.

Itamaraty is already starting to produce literature on its view of the financial policy (Beckert 2011; Ribeiro 2013; Franco 2015). However, it is a small amount compared to other areas such as trade. Given that there is little academic research on this topic, our study was based on information obtained through interviews with government officials, representatives of financial institutions, and civil society organisations (all of which are listed in Annex 1) between July and November 2012. The interviewees were chosen so as to provide a balanced representation of the various actors interested in Brazilian financial foreign policy. The questionnaire varied according to who the interviewees were and to which institutions they represented.

## The financial crisis of 2008 and its political consequences for Brazil

This section focuses on the impacts that the 2008 financial crisis had on the Brazilian political scene. Although a large part of the crisis' consequences is of an economic nature, this paper aims

to analyse the political dimension of the phenomenon while bringing some economic aspects to the table in order to substantiate its argument.

The international financial crisis, unlike those of the 1980s and 1990s, had its origin in Northern countries, mainly in the United States' economy – more specifically in the global shadow banking system. The first visible symptoms of crisis appeared in the US housing market, and particularly with the collapse of the traditional Lehman Brothers bank, which became a symbol for the beginning of the crisis. However, these events only took place after the crisis' effects had already hit the real economy, with the lack of liquidity, credit reduction, and the mistrust in markets (Farhi and Cintra 2009). The crisis erupted at a time when the domestic scene in some large economies of the South (among them China, India, and Brazil) seemed favourable enough to absorb such crisis. The Brazilian government placed its hopes in the domestic consumer market and strengthened public investment policy in order to boost the market and increase liquidity. In addition, Brazil has a modern and well-regulated financial system (for both public and private banks), and its history of high interest rates prevented leverage from reaching the same scale as it did in countries of the North.

In addition to these unilateral measures, there were also some multilateral initiatives. At first, the effects of the 2008 financial crisis were more substantial in the economies of the North, while the emerging countries were more effective in mitigating its impacts. Thus, it became quite evident to the Northern countries that it would be impossible to overcome the impacts of the crisis without the help of, and dialogue with, the countries of the South. The strengthening of multilateralism and the greater involvement of countries of the South in the decision-making process of international institutions is a historic demand of Brazil (Galvão 2012; Pereira 2009). Therefore, the traditional Brazilian quest for a more prominent participation in international forums has also conferred legitimacy to the country's stance in debates about the future of the world economy. Brazil and other countries of the South agreed to increase their financial participation in the International Monetary Fund (IMF), making the offer conditional on the reform of the institution. But the most significant change regarding Brazil's integration in the international scene was the promotion of the G-20 to summit forum status in 2009, in the final declaration at Pittsburgh. Brazil's participation in the G-20 is somewhat contradictory since the country has always condemned informal groups for their lack of transparency and the oligopolisation of international politics (Milani 2012). However, participation in the G-20 is important for Brazil – not only because it has the necessary credentials to do so, but also to legitimise its presence on the international scene and its advocacy role for the reform of the decision-making process. The Brazilian government claims that the country's participation in this group paved the way for a more relevant role of Brazil in other forums (Ramos et al. 2012). In this rationale, another important change is the replacement of the Financial Stability Forum (FSF) by the Financial Stability Board (FSB), which came to include all the countries of the G-20 in its composition<sup>1</sup>.

1 The FSB is an institution that (like its predecessor, the FSF) monitors the financial system and suggests the creation of new supervision mechanisms. The FSB collaborates closely with the IMF and, in addition, is responsible for the harmonisation of international and domestic rules.

These transformations show that the countries of the South were going through a positive period, as they started to be more active and gained more independence in the international arena. If international decision-making forums still could not be considered fully democratic, it seemed that at least they were becoming more plural.<sup>2</sup>

Therefore, Brazil's agency on the international scene were clearly less constrained by systemic restrictions, creating opportunities for the country to be more active, which it did. In addition to an international landscape that seemed conducive to pushing for reforms of the existing institutions, Brazil was also going through a favourable moment in the domestic sphere. As we shall discuss in the next section, in the 1980s and 1990s Brazil had very little room for manoeuvre to act on the financial agenda, because of its successive macroeconomic crises. The agreements with international institutions, such as the IMF, limited the possibilities of the Brazilian government to negotiate terms and conditionalities (Giambiagi 2005; Castro 2005). In face of the country's need for external aid, its discourse demanding greater participation in the international decision-making process lacked legitimacy. At the beginning of the 20<sup>th</sup> century, Brazil's traditional quest for protagonism in the global decision-making forums was starting to bear fruit, but it also presented the Brazilian government with the challenge of being prepared for such participation. Traditionally, Brazilian foreign policy had negotiated letters of commitment with other states and with international institutions, and internalised the norms issued by external actors. The government felt the need to "repoliticise" foreign policy, so that it would not be limited to technical negotiations, but meet the objectives of the Brazilian government. Therefore, the repoliticisation would have to incorporate actors that are not originally from the financial world, such as Itamaraty and civil society organisations. There was a growing aspiration for a foreign policy that took part in elaborating international norms for the financial sector rather than just negotiating their internalisation.

## The reorganisation of government actors in the formulation of foreign policy for the financial sector

As the previous section has shown, at the beginning of the 21<sup>st</sup> century both the international and the domestic scenes became more conducive to Brazil's active and autonomous participation in the financial regime. The economic themes taken up by the country's foreign policy in the 1990s oscillated between negotiation of the IMF loan packages and the process of opening up the economy. Discussing these issues demands highly-specialised knowledge and technical language, which led Itamaraty to lose ground in relation to other federal agencies such as the Treasury Ministry and BCB (Lima 2000). Thanks to its macroeconomic stabilisation and settling of the

2 Today, a historical retrospective shows that few of these changes were adopted in full. Even after the 14th General Quota Review that became effective on January 2016, the overhaul of the IMF quota system continues to come up against the conservatism of countries in the North (European governments and the US Congress in particular), and the FSB has made progress only in those areas where there was already a major confluence of ideas.



external debt, the Brazilian government gained greater autonomy (Pereira 2009). President Luiz Inácio Lula da Silva's partnership with Chancellor Celso Amorim may be an explanatory factor for the significant changes in Brazilian foreign policy's decision-making process, including for the financial sector (Lima and Duarte 2013). In face of a propitious moment (internationally and domestically), which led to a substantial turning point in Brazil's world integration, some government sectors felt the need to promote an institutional reform of the national bureaucracy. To help understand this process, we will briefly analyse the reorganisation of the functions of government actors, to be followed by an analysis of non-government actors.

It is important to emphasise that, although Brazilian agencies and ministries have a prominent role in the formulation of foreign policy, the 1988 Constitution determines that the conduct of international affairs is the responsibility of the President of the Republic (Article 84, item VII), although it may be delegated to other Executive bodies. Traditionally, it is incumbent on Itamaraty to advise the Presidency of the Republic and to filter the demands of various sectors of society. However, the Presidency does not always delegate the stewardship of foreign policy to other government institutions, rather than to Itamaraty (i.e. other ministries and agencies), as in the case of foreign policy for the financial sector. A parallel with the trade sector may help to illustrate a moment in time when Itamaraty's role in the conduct of foreign policy and in the mobilisation of civil society was preserved. During the 1980s and 1990s, the influence of the technical ministries on the formulation of foreign policy for the trade sector, as well as for the financial agenda, increased significantly. The period was economically uneasy for Brazil and for other countries of the periphery, thus reducing its possibilities to act on the international stage. As regards trade issues, Brazil – in addition to having its margin of manoeuvre restricted at the time – was under international pressure by the surge of economic liberalism, free trade agreements and market regulation. The state wished to build a solid Brazilian foreign policy, backed up by technical knowledge and showing legitimacy before society and other domestic actors.

Given these challenges, the government sought to find out beforehand the objectives of the various Brazilian sectors involved with the issue under negotiation. Some ministries had an important role to play in this process, including Itamaraty, which took on the function of identifying and filtering the demands of civil society and other domestic actors, and coordinated the Brazilian foreign policy formulation efforts (Veiga 2007). Despite having lost space in the trade agenda, Itamaraty kept its protagonism in overseeing the international trade negotiations by consulting with the various actors interested in the subject. In 1996, the creation of the National Coordinating Unit on FTAA Related Issues, for example, represented a moment of interaction among society, non-government domestic actors, and the federal government. This consultation model was repeated in the International Trade in Goods and Services Working Group (GICI), in 1999; also in the conversations about matters related to the WTO; and in the National Coordinating Section on Issues Related to the Inter-regional Association Mercosur-European Union (Seneuropa), in 2001, to discuss a possible free trade agreement at the bi-regional level.

According to Oliveira (2011), these groups enabled the effective participation of non-government actors, and secured Itamaraty's relevance in the formulation of foreign policy for the trade agenda in face of other government actors' advances (such as BCB, the Treasury, and the Ministry of Development, Industry and Trade). However, it should be noted that the model of these consultations was all about keeping state control over the formulation of foreign policy. The institutions mentioned have a certain degree of formality, but their functioning was fragile. The participants in these groups are chosen to attend each meeting by direct invitation from Itamaraty, thus giving the Ministry the power to decide who will be heard. As the actors are not sure about their participation in future meetings, they tend to avoid major conflicts with Itamaraty, in order not to put at risk their future participation.

In the case of formulation of foreign policy for the financial sector, there are both similarities and differences in relation to the trade area which should be highlighted. The period of macroeconomic crises in the 1980s and 1990s also brought about Itamaraty's loss of protagonism in the formulation of foreign policy for the financial sector. However, unlike the situation at the Uruguay Round and the talks on the FTAA, there were no negotiations in the financial agenda that directly involved Brazil. The Basel II agreement may be considered the main normative arrangement in the field of finance during that period, but Brazil had no direct participation in the talks leading up to it. At the end of the 20<sup>th</sup> century and beginning of the 21<sup>st</sup>, BCB and the Treasury Ministry were the main federal government bodies responsible for the formulation of foreign policy for the financial sector. The Brazilian government deemed it important that foreign policy for the financial sector be guided by persons and institutions used to dealing with the area's technical terms. The logical solution was to delegate this function to institutions which already dealt with such matters in the domestic sphere. Therefore, the division of competences between BCB and the Treasury was done informally, reflecting the allocation of functions that took place internally. BCB was responsible for banking supervision, while the Treasury was in charge of macroeconomic affairs. At the time, Itamaraty was to play a low-key role advising the main formulators of foreign policy for the financial sector, including the Presidency. This division of responsibilities was changed only after the financial crisis of 2008, with the promotion of the G-20 to summit forum status, which resulted in greater participation of Brazil on the international scene. Subnational-governmental actors are relevant in negotiating credit access (Maia and Saraiva 2016). However, these actors do not show the same interest in shaping Brazilian foreign policy.

In the Treasury, the Secretariat for International Affairs (SAIN) is the body in charge of foreign policy. At BCB, the Department of International Affairs (DERIN) – subordinated to the Directorate of International Affairs and Corporate Resources Management (DIREX) – is responsible for conducting Brazilian foreign policy in the financial sector, according to the institution's internal regulations. During the times of economic turbulence and international restrictions imposed on Brazil, those two bodies provided the technical support necessary for debt negotiation, talks with the IMF, and banking supervision issues. Unlike what had happened in the trade issue-area, there was no intervention by Itamaraty to coordinate the different domestic voices through a consultation



system. One of the reasons for this difference might be the absence of international negotiations in the financial regime likely to affect domestic actors at the same level as those related to trade. In trade negotiations, domestic actors saw the possibility of resisting some of the international pressures and to create agreements more favourable to their own interests (Veiga 2007). That process did not occur with the same intensity in regards to financial matters, either due to lack of interest or because of the assumption, on the part of the government and other actors involved, that the restrictions surrounding these themes were greater.

Itamaraty only recovered its protagonism after the country's macroeconomic stabilisation and the outbreak of the 2008 financial crisis. Brazil saw itself as a fundamental actor in the conversations about the future of the international financial architecture, pressing the government towards a new reorganisation of the formulation of foreign policy – but this time in the opposite direction of that of the end of the 20<sup>th</sup> century. Whereas in the 1980s and 1990s technical knowledge in economics was given precedence because of the decline of the country's autonomy on the international stage, now Brazilian foreign policy should once again promote a more critical vision of the world order, including in its proposals for a new architecture of the financial system. According to the diplomat Bruno Leite (2016), Itamaraty was the ideal actor to provide this critical approach due to its capacity to dialogue domestically with other ministries and internationally with other countries.

To that end, in 2010 the Department of Financial Affairs and Services (DFIN) was created within the Itamaraty. The DFIN is composed of three sectors, one of which deals specifically with issues related to the G-20, banks and multilateral financial institutions. It is worth noting that, before the creation of the DFIN, there was a General Coordination Office at Itamaraty responsible for financial matters, which advised the Presidency and other federal government bodies. Nevertheless, according to that Ministry's functional scale, General Coordination Offices are at a lower hierarchical level than Departments. This institutional change makes it quite evident to what extent financial affairs have gained importance within Itamaraty. However, the division of competences among the three government actors mentioned above is nebulous. As can be seen in Table 1, the main legal instruments laying down the distribution of functions are each body's own internal regulations. There is no law dealing specifically with this issue. In addition, the functions described in these internal regulations are often extensive and vague, thus creating an overlap of competences and leaving room for doubt about each actor's area of operation.

**Table 1: Division of competences between Governmental Offices***Actions of the Treasury Ministry, the Central Bank of Brazil, and the Ministry of Foreign Affairs (Itamaraty) after 2008*

	Treasury Ministry	Central Bank of Brazil	Ministry of Foreign Affairs
Office in charge	Secretariat for International Affairs (SAIN)	Department of international Affairs (DERIN)	Department of Financial Affairs and Services (DFIN)
Legal instrument	The Treasury Ministry's Directive 318 of 20/11/2001, amended by the Directive 385 of 04/07/2009	The internal rules of the Central Bank of Brazil. Administrative Rule 29.971 of 04/03/2005, published in the Official Gazette on 10/03/2005	The internal rules of the Ministry of Foreign Affairs. Decree 7.304 of 22/09/2010
Competence	Article 1: The Secretariat for International Affairs is a specific, unitary body reporting directly to the Minister of State of the Treasury. Its aims are: I – to monitor economic and financial negotiations with other governments and with foreign or international entities; II – to analyse the policies of international financial agencies, as well as the situation of the international economy and of economies that are strategic to Brazil; III – to participate in negotiations of Brazilian credits abroad; IV – to plan and monitor the policy of evaluation, negotiation and recovery of Brazilian credits abroad; V – to analyse the financial policies of international institutions and to monitor initiatives in the field of monetary and financial cooperation; VI – to monitor themes related to the Brazilian external debt directly with official and private creditors; VII – to monitor and coordinate within the Treasury Ministry the steps required for Brazil's process of economic integration in the Southern Common Market - MERCOSUR, along with participation in the Coordination of Macroeconomic Policies; VIII – to participate in trade negotiations relating to MERCOSUR and other economic blocs, and to comment on the advisability of Brazil's participation in international agreements or arrangements related to foreign trade; IX – to monitor and coordinate within the Ministry of Finance the steps required for Brazil's participation in the World Trade Organization - WTO and other international bodies in the field of trade and investment; X – to participate in negotiations within the WTO and other international bodies in the field of trade and investment; XI – to monitor the implementation of the national policy on import and export tariffs with the agencies in charge of drafting foreign trade policy; XII – to monitor the actions of the Treasury Ministry in the area of safeguards, as well as anti-dumping and counter-vailing duties; XIII – to hold the office of Executive Secretary in the Executive Council of the Export Guarantee Fund - CFGE; XIV – to support the Presidency of the Credit for Exports Committee – CCEX, and to coordinate the official financing of exports.	Art. 60. It is incumbent upon the DERIN: I – to articulate the institutional relationship with international agencies and forums and with other central banks; II – to manage the accounts of international agencies held with the Central Bank; III – to manage the financial transactions between Brazil and the International Monetary Fund (IMF); IV – to act in the processes of international financial and monetary integration, including by coordinating negotiations of financial services and investments; V – to provide advice to the area's Director and to the President's Office with regard to international affairs; VI – to plan and implement partnerships and technical cooperation agreements with central banks and international organizations, and to coordinate technical cooperation initiatives delivered by the Central Bank; VII – to evaluate the international context and its developments, the issues on the agenda of international agencies and forums, as well as technical cooperation, and processes of financial and monetary integration; VIII – to promote studies and actions aimed at strengthening the international integration of the Central Bank; IX – to be responsible for presentations on the international economy at COPOM meetings; X – to operationalise when so requested, the international payments and receipts of the National Treasury; XI – to negotiate international payment systems and their respective agreements.	Art. 33. It is for the Department of Financial Affairs and Services: I – to propose actions and foreign policy guidelines related to international monetary and financial systems and to international financial cooperation; II – to monitor the participation of the Brazilian government in international financial institutions as well as in meetings and negotiations regarding financial flows, monetary, exchange rate, tax and fiscal arrangements; III – to monitor the treatment of matters relating to financial, monetary, and fiscal cooperation in the bodies of collective deliberation in which the Ministry of Foreign Affairs takes part; IV – to address the international negotiations for agreements on services and agreements on investment.

Government actors try to overcome the lack of a robust legal instrument on the theme through cooperation and dialogue among themselves. However, there are no formal institutions whose mission is to facilitate this dialogue. In the absence of formal channels of communication, the custom according to which the head of SAIN should be a career diplomat has prevailed, which facilitates the coordination between the two public bodies. Through this measure, it is expected that the person responsible for steering international affairs within the Treasury will be an employee who knows intimately Itamaraty's ways of functioning and thinking, thereby facilitating coordination and dialogue between the two ministries. Apart from said measure, the dialogue among the federal government institutions mentioned above occurs in an extremely informal manner. In interviews with officials at these departments we found that there is a natural movement of coordination among the senior officials of the SAIN, the DERIN and the DFIN, but they are not held at any fixed intervals and there is no formality in this interaction. Talks among high ranking staff take place through telephone calls, or at occasional meetings, dinners and events. The same type of dynamics can be seen in the development of public policies for the financial sector in the domestic arena (Kasahara 2009).

The SAIN, the DERIN and the DFIN have become the main actors in the formulation of Brazilian foreign policy for the financial sector, although this attribution is still predominantly informal. While the Treasury and BCB have retained their competences, Itamaraty became responsible for giving a critical tone to Brazilian foreign policy. Without leaving the technical content aside, Brazil's presence in the "new" G-20 and in talks about the future of the international financial system went back to being characterised by the advocacy of the right to development, the pursuit of justice and equality, by partnership with countries of the Global South, as well as criticising the concentration of decision-making power in the countries of the North. According to a particular approach within Itamaraty, the Brazilian stance meet the interest of other Southern countries, which reinforced the country's role as a necessary interlocutor in the international arena (Leite 2016). There was a clear reconfiguration of the political game within the Brazilian government, which led to the repoliticisation of foreign policy by conferring a critical edge to the country's discourse about the world decision-making process. Therefore, Brazil's discourse for the financial sector became more proactive and aligned to other foreign policy issues, despite the fact that the description of the DFIN's duties is the shortest in terms of items and the most abstract.

## The influence of the private sector in the formulation of foreign policy

Among non-government actors, the private financial sector is the most influential in the formulation of foreign policy for that issue area. It is highly heterogeneous in its composition, consisting of universal banks, investment banks, insurance companies, asset management firms, and so forth; yet homogeneous in terms of its performance and vested interests. The model based on the creation of consultation groups that was put into practice in the trade sphere was not repeated for the financial system. Therefore, the dialogue between government actors and the private sector and their representatives is done through informal channels. As a general rule, government officials and employees of the country's major financial institutions talk at informal meetings (e.g. social events, dinners, conferences, private clubs). It is not unusual for them to belong to the same social circles, to have friends in common, or to have attended the same universities.

The informality and the resulting lack of records of these conversations make it extremely difficult to gauge the influence that non-state actors wield on the formulation of foreign policy. However, it should be pointed out that financial institutions may opt-out, which entails a structural power (Miranda 2003). These actors have substantial assets, made up mainly of financial flows with great cross-border mobility. Therefore, financial institutions have the ability to move their assets from one country to another with great ease and speed, thus putting the financing of government programs in jeopardy. Obviously, such flows do not stay fluid indefinitely, and these operations result in some losses inherent to the very process of transferring them (foreign exchange rates, taxes, fixed assets, to name a few). Arguably the financial sector veto power was one of the reasons for the current economic crisis during Dilma Rousseff's government (Singer 2015). Hence the relationship between the government and financial institutions means that one party depends

on the other and does not want to upset it (Minella 2007). The possibility to opt-out results in structural power for private agents, which is then used to put pressure on the government to meet their interests. The absence of dialogue-promoting institutions leaves the government even more susceptible to vetoes by private actors who can act freely. The state's structural dependence on finance capital makes decisions related to financial issues immune to transparency and democratic control – they constitute what some theorists call the field of “non-decision”, since they belong to the gray area of the capitalist state's reproduction (Przeworsky 1995).

The Brazilian Federation of Bank Associations (FEBRABAN) represents the interests of more than 70% of the banks registered by BCB. In so far as domestic banks are influenced by international agreements such as the Basel Convention, one would expect FEBRABAN to be very active in the formulation of proposals for the financial market's reform. From what could be gathered from our interviews with ex-presidents of that institution, such activism does not occur. FEBRABAN is not interested in proposing a new model for the financial system, but rather in maintaining the *status quo*. Topics such as reform of the Bretton Woods institutions, the ‘foreign exchange war’, South-South cooperation and monetary policy strategies are seen as issues of state sovereignty and, therefore, do not concern FEBRABAN. According to the institution, it wants to safeguard the stability of the financial market above all, in the best interest of its associates. Banks answer to their shareholders and account holders (national and international), who have invested their capital in order to make a profit. This expectation is calculated based on speculations about the future market, but it also varies according to the economic situation. The banks – and FEBRABAN by extension – try to avoid state actions that undermine the profit they expect to make. FEBRABAN's objective is to defend the rules and standards of the market, which is an indication of its conservative position.

In defending the state's maintenance of current rules, FEBRABAN compounds its political conservatism with a typically reactive stance. Since the banks' objectives are known by BCB, any ongoing dialogues about domestic and foreign policy issues are unnecessary. Therefore FEBRABAN only emerges from inertia when it estimates that its interests may be at risk. Changes in international rules affect profit expectations globally, and so the markets and shareholders would not lose confidence in Brazil specifically. According to one former president of FEBRABAN who was interviewed by one of the authors, the Brazilian banking sector is prepared for eventual changes in the international rules, and it is up to FEBRABAN to negotiate with BCB with regard to adaptation deadlines and the best model for this.

Due to the very nature of the business of its associates, FEBRABAN is in closer conversations with BCB than with the Treasury or Itamaraty. Our interviews with DERIN officials, and with an ex-president of FEBRABAN, revealed that BCB's dialogues with that institution were “very productive” in order to “strengthen the financial sector in Brazil”, but that those dialogues “were unusual” regarding international affairs. This claim can be corroborated through analysis of the public notices of public consultation released by BCB, as they all refer to matters of a domestic nature. The only notice that focused on an international theme – i.e. on the Basel III rules – came after that agreement had been reached, and in order to discuss the implementation of its new



rules. Itamaraty's dialogues with FEBRABAN on international affairs are even more incipient. Balduino, the minister who used to head the DFIN and became the head of SAIN during Rousseff's government, stated that because he was a friend of FEBRABAN's president, Murilo Portugal, talks between these actors took place at their personal meetings. It was during one of those meetings, for example, that the DFIN's position on the *Foreign Account Tax Compliance Act* (FATCA) was discussed. Dialogues between state actors and FEBRABAN, although quite rare, also occur on the government's initiative. For instance, during the FTAA negotiations Itamaraty consulted FEBRABAN regarding the national industry's possible rejection of proposed tariffs on financial services.

The Brazilian Financial and Capital Markets Association (ANBIMA) represents almost 350 financial institutions, and so it should also be analysed. ANBIMA is composed by various types of financial institutions (e.g. commercial banks, insurance companies, investment banks, asset management, to name a few) and it was created in October 2009 through a fusion of other associations. ANBIMA is even less active than FEBRABAN. According to article 3, item IV of the association's statute, ANBIMA's mission is to "support the legitimate interests of the financial and capital markets before the public powers, aiming towards their development, as well as the development of the institutions that operate in them". Although the pursuit of dialogue with the government is listed among the association's objectives, it only figures after ANBIMA's concern with management, legal advice, and technical training for its associates. The objectives listed, given their order of appearance, demonstrate the influence of ideas based on the principle of self-regulation of financial institutions. In consonance with a liberal perspective, the management and regulation of financial actors is viewed as most effective when done by the actors themselves, with little or no intervention from the state. To the extent that the officials representing ANBIMA and its associates consider that the state should not play an important role in financial activities, it is natural for the dialogue between them to be rather limited. Such dialogue is even more scarce in relation to foreign policy issues. According to ANBIMA's 2011 annual report, 25 letters were sent to the Securities Commission (CVM) whereas only two had the Treasury as their destination, in response to invitations by the ministry. During our interviews, some former employees of ANBIMA declared that the institution's interests were discussed directly with the World Bank, the IMF, the BIS, or the *International Organisation of Securities Commissions*. The staff at ANBIMA not only hold that the state should not have any significant influence on financial affairs, but they also have different views regarding the Brazilian government's position, which makes any dialogue even more difficult. So, while Brazil's foreign policy criticises the existence of a currency exchange war – devised by countries of the North in order to reduce the impacts of the crisis on their respective domestic economies – the ANBIMA interviewee declared that such a war did not exist, and that it was simply a case of system adjustment due to free floating exchange rates. However, this same ANBIMA employee stressed the importance of Itamaraty's initiatives for the internationalisation of the Brazilian economy, e.g. by opening talks with countries that are more closed from a financial point of view, like those of the Middle East. ANBIMA's lack of interest in talks with the government was also corroborated through interviews with employees of the SAIN,

the DERIN, and the DFIN. All were unanimous in saying that ANBIMA does not consult the government on matters of financial interest.

This analysis has so far emphasised the view that the financial system is composed of several highly interconnected actors who have vested interests both at the domestic and the international level. Their goal is to ensure that profits meet their expectations and previous calculations and, to this end, they want the state to modify the rules as little as possible. Therefore, the private sector's priority are issues of a domestic nature. As long as the Brazilian government's action in international forums has no direct impact on the financial sector's profits, such matters are left on the back burner. International negotiations towards a new financial architecture are of little interest to domestic financial actors for four main reasons: 1) since they already enjoy a convergence of ideas with other international financial actors, they believe that some institutions are stronger and better placed than the Brazilian ones to influence those talks; 2) although the government does meet, to a large extent, the financial actors' interests, there is no expectation that it will stop intervening in the market, which is considered ideal by many in this area; 3) if international standards change, this affects markets throughout the world and, consequently, the profit expectations have to be reviewed not only in Brazil – so there is no direct responsibility for any shareholder losses; and 4) the Brazilian financial market, with its high return rates, is very profitable for banks and the opportunity cost of operating internationally is low – this explains the little interest in international issues by domestic financial actors.

However, the lack of interest in relation to financial foreign policy does not mean that the private sector has little influence. On the contrary, the private sector exerts considerable influence on the decision-making process, due to its structural power. In addition to the power of veto, the fact that the political position of the private sector is known in advance, as it stems from neoliberal ideas endorsed by the US Central Bank and important multilateral banks, should also be taken into account. Hence, any dialogue between the government and the financial sector becomes dispensable on several occasions, precisely because, most of the time, the government acts as the perfect representative of the former's interests. The state's structural dependence of finance capital determines this delegation.

## The pursuit of participation of social movements and networks

The previous section has argued that financial institutions do have the ability to influence the formulation of foreign policy, but given their objectives they choose to adopt a reactive posture instead, only engaging in dialogue upon the federal bodies' initiative, or when they believe that government actions might affect their expected profits. In the case of social movements and networks, the situation is the opposite. This sector of civil society has a clear interest in the formulation of foreign policy but enjoys no structural power. In addition to their lack of veto power, the financial sphere is far from being a priority for civil society in general, which means that social networks and movements are very active, but barely influential. Despite civil society



organisations' low influence, this research added them to the study to demonstrate this particularity of the financial sector. Contrasting to other areas (such as human rights, climate change and trade), the rearrangement of the decision-making process failed in incorporating effectively the civil society and, consequently, the decision power remains concentrated in the hands of the government and the private sector.

For example, the Brazilian Network for the Integration of Peoples (REBRIP) has a critical view of Brazilian foreign policy – both in the trade and the financial fields. Although it supports some of the arguments that make up the Brazilian official discourse (such as the quest for fair and equitable development, as well as the importance of regionalism and of alliances with countries of the South), the Network strongly criticises Brazil's position in the G-20 and in the Bretton Woods institutions (Mello 2009). According to the REBRIP, Brazilian participation in the G-20 goes against the country's historical objections about informal groups. From the Network's point of view, institutions such as the IMF and the World Bank should not be reformed, but rather abolished, in so far as the core countries' conservatism will not allow reforms to go deep enough. That is why Brazil should have as its top priority the construction of a strong regional financial system which would enable the country and its neighbours to grow, instead of continuing to worry about the world financial architecture.

In an interview with the Network's representative, the REBRIP's dialogue with government actors was classified as "very open" and "very informal" as far as Itamaraty and the SAIN are concerned, whereas BCB is more closed than the former two. The Network's strategy to keep open its channels of communication with the government is to invite senior officials of the Treasury and Itamaraty for events such as conferences, round tables and book launchings. In addition, the Network usually draws up manifestos and letters which are sent to government bodies – with copies to the mass media to garner publicity and, consequently, to pressure the government into strengthening its dialogue with society. However, the government officials interviewed by us claimed not to remember any occasion when the REBRIP had significantly influenced the formulation of foreign policy, and were also unaware of the Network's criticism of foreign policy in the financial sector. The participation of organised civil society, in the opinion of a DFIN official interviewee, usually takes place in a more diffuse way, by contributing to the creation of internally consolidated positions in the long term. This difference in perceptions suggests that social networks are actors of secondary importance, even though they are always in pursuit of dialogue with the government.

In view of this near impossibility to influence the government's positions, the REBRIP's alternative is to mobilise civil society and to set priorities for the financial sector's agenda. The Network aims to become an expert on the subject and to contribute to the formulation of foreign policy in those aspects in which the government has no official position yet, either because it lacks expertise or because it ignores domestic actors' views and circumstances. However, this strategy is thwarted by civil society's lack of interest in subjects related to the financial field. According to REBRIP's representative and interviewee, civil society's movements and networks estimate that there are other priority themes (such as trade, human rights, the environment) that affect society

more directly and where their actions can make a difference, and therefore these deserve greater attention. The complexity of the debates also makes their comprehension difficult, thus limiting the actors' interest and participation in the financial agenda.

Since social movements and networks are willing to engage in dialogue with the government, this calls for an active stance. Nevertheless, they are not influential in the political game of the issue-area in question – they lack structural power, and the financial question is not seen as a priority by civil society. Informality in the decision-making process decreases even further the capacity of these civil society actors to exert influence, because they must build communication channels with the government or their pleas will hardly ever be met. Therefore, civil society finds itself in a difficult position, as it must remain faithful to its principles and, at the same time, not criticise the government too much so that the channels for dialogue stay open. The other alternative found by domestic actors is the direct participation in international forums, in order to give themselves publicity and networking power. This kind of initiative has little influence in the formulation of foreign policy, but it is an important way for non-government actors to engage in international talks, thereby helping them to acquire more voice, experience and power. At the same time, their activities and articulation in the international civil society arena contribute to reduce the information deficit that characterises a government policy of great technical complexity and opacity.

## Conclusion

The study of the formulation of Brazil's position on financial sector issues in the period from 2003 to 2015 confirms the view of foreign policy as a type of public policy, but it also shows that each issue area has its own special features, depending on the actors involved, their material and symbolic power, and their ability to articulate and mobilise domestic and international support. Widening the range of social actors involved in international issues does not necessarily increase their participation in foreign policy's decision-making process – ultimately, it is the specific arrangement of ideas, actors, power and institutions that defines the contours of decision-making in each issue-area. In the case of foreign policy for the financial sector, Itamaraty has less agency because the influence of other actors, such as BCB, the Treasury, and the private sector is quite significant. The structural power of financial capital results in informality in intergovernmental communication channels, as well as in those between the government and private financial agents. The power of the private financial sector makes it extremely influential; its reactive attitude and apparent lack of interest on the subject indicate that delegating the matter to the state and to government officials is working to their satisfaction.

Other actors of civil society, in turn, wield very little influence despite their activism and pursuit of dialogue. The re-politicisation of foreign policy has been the outcome of a moment of synergy, i.e. positive confluence between the domestic and the systemic levels. The Brazilian government's decision to formulate a more critical discourse on foreign policy for the financial

sector enabled Itamaraty to return to the political stewardship and the dynamic of this issue area. Itamaraty has changed the existing domestic political game and has influenced the decision-making process in Brazil's foreign policy for the financial sector, reinforcing its historic pleas for reform of global economic institutions. However, this re-politicisation of Brazilian practices in financial policy was only made possible mainly because of the favourable international moment, via an informal coordination between ministries. Nevertheless, it also contributed to this outcome the fact that the national private sector has shown little interest in Brazil's activity in the reform agenda of global financial institutions and their decision-making power and, consequently, it has not exercised its veto power.

Given that the competences of ministries and other government bodies in the formulation of foreign policy for the financial sector are not clearly defined, they end up competing with each other, putting at risk, to some extent, the capacity of the state to receive and filter the pressures from non-governmental actors. This situation is aggravated by the informality of the communication involving foreign policy in the financial sector. Such informality increases the uncertainty and the lack of transparency of the decision-making process, and makes the access to information very difficult for the general public. Consequently, the actors with veto power in a particular government policy are those who enjoy the most access to government and to information about the theme, while others have their participation hindered. Democracy certainly would benefit from the creation of formal communication channels and from greater transparency – ideally, these would encompass the country's many different agendas and areas of international action, thus contributing to lessening the information asymmetry among social actors and, consequently, allowing the government to be more independent in relation to the private actors with veto power, with a view to implementing the programmes that actually won at the elections.

## Bibliographic references

BECKERT, Tiago (2011) *O G20 e o novo relacionamento entre países emergentes e desenvolvidos na governança econômica mundial*. Dissertação de Mestrado. Brasília: Instituto Rio Branco, Ministério das Relações Exteriores,

CASTRO, Lavínia Barros de (2005). "Privatização, abertura e desindexação: a primeira metade dos anos 90" in *Economia brasileira contemporânea*. Rio de Janeiro: Elsevier, 2005.

FARHI, Maryse; CINTRA, Marcos A. M. (2009). "A arquitetura do sistema financeiro internacional contemporâneo". In *Revista de economia política*, vol. 29, nº 3 (115), pp. 274-294, julho-setembro, 2009.

FRANCO, Fábio Guimarães (2015) *O Conselho de Estabilidade Financeira (FSB): contextos e perspectivas sob a ótica da política externa brasileira*. Ministério das Relações Exteriores/Instituto Rio Branco, LX Curso de Altos Estudos (CAE).

GALVÃO, Marcos (2012) “O G20 e a transformação da governança internacional”, in *Política Externa*, vol. 20, no. 3 Dez/Jan/Fev 2011-2012, pp. 15-23.

GIAMBIAGI, Fábio (2005). “Estabilização, reformas e desequilíbrios macroeconômicos: os anos FHC” in *Economia brasileira contemporânea*. Rio de Janeiro: Elsevier, 2005.

KASAHARA, Yuri (2009). “A regulação do setor financeiro brasileiro: uma análise exploratória das relações entre Estado e setor privado”. In *Ponto de vista*, nº 2, fevereiro 2009.

LEITE, Bruno Soares (2016) “Diplomacia financeira – as finanças internacionais como instrumento de política externa brasileira” in GONÇALVES, Samo (org.) *Desafios da diplomacia econômica na perspectiva de jovens diplomatas* Brasília: FUNAG, 2016.

LIMA, Maria Regina Soares de (2000) “Instituições democráticas e política exterior”. In *Contexto internacional*. nº 22, Rio de Janeiro, p. 265-303, julho-dezembro de 2000.

LIMA, Maria Regina Soares de; DUARTE, Rubens de S. (2013) “Diplomacia presidencial e politização da política externa: Uma comparação dos governos FHC e Lula” in *Observador On-Line*. Rio de Janeiro: v. 8, n. 09.

MAIA, J. Bessa; SARAIVA, J. Sombra (2016) “A paradiplomacia financeira em países emergentes de estrutura federativa” in *Desafios*, 28(I), pp. 121-163.

MELLO, Fátima (2009). *G20 e a multipolaridade com sabor de passado*. Disponível em: <http://justicaambiental.org.br/v2/pagina.php?id=3110>. Acessado em 04/11/2014.

MILANI, Carlos R. S. (2012), “Crise política e relações internacionais: uma análise escalar da política externa brasileira”. In IV Conferência nacional de política externa e política internacional: relações internacionais em tempos de crise econômica e política. Brasília: Fundação Alexandre Gusmão, 2012, pp. 43-60.

MILANI, Carlos. R. S.; PINHEIRO, Leticia (2013). “Política Externa Brasileira: Os Desafios de sua Caracterização como Política Pública”. in *Contexto Internacional*, Vol. 35, n. 1, p. 11-41.

MINELLA, Ary (2007). “Representação de classe no empresariado financeiro na América Latina: a rede transassociativa no ano 2006” in *Revista de Sociologia e Política*, nº 28, Curitiba, 2007.

MIRANDA, Elflay (2003). “Globalização financeira e associações de bancos no Brasil: o caso da Febraban”. In *Sociedade e Cultura*, v. 6, nº 2, julho-dezembro 2003.

OLIVEIRA, Ivan Tiago Machado (2011). *Determinantes sistêmicos e domésticos da política comercial externa brasileira: uma análise das estratégias de negociação comercial do Brasil (1995-2010)*. Tese de Doutorado (Doutorado em Administração). Universidade Federal da Bahia, Salvador, 2011.

PEREIRA, Lia Valls (2009). “O Brasil e a agenda de reformas do Fundo Monetário Internacional”. In *Breves Cíndes* nº 19, setembro, 2009.

PRZEWORSKY, Adam (1995). *Estado e economia no capitalismo*. Rio de Janeiro: Relume Dumará.

RAMOS, L.; VADELL, J.; SAGGIORO, A.; FERNANDES, M. (2012) “A Governança econômica global e os desafios do G-20 pós-crise financeira: análise das posições de Estados Unidos, China, Alemanha e Brasil” in *Rev. Bras. Polít. Int.* 55 (2): pp. 10-27 [2012]

RIBEIRO, Paulo E. A. (2013) *Cúpulas do G-20: o Brasil e a transformação da governança econômico-financeira mundial*, LVIII Curso de Altos Estudos (LVIII CAE) no Instituto Rio Branco do Ministério das Relações Exteriores.

SINGER, André (2015) “Cutucando onças com varas curtas: O ensaio desenvolvimentista no primeiro mandato de Dilma Rousseff (2011-2014)” in *Novos Estudos*. Cebrap, julho de 2015, pp. 43-71.

VEIGA, Pedro da Mota (2007). “Política comercial no Brasil: características, condicionantes domésticos e policy-making”. In JANK, M. S.; SILBER, S. D.. *Políticas comerciais comparadas: desempenho e modelos organizacionais*. São Paulo: Singular, p. 71-162. 2007.

### Annex 1: Table of interviewees

*Interviewees per institution, position and how it was conducted*

Interviewee	Institution	Position	Via
Luís Antonio Balduino Carneiro	Itamaraty	Minister of second class	In person
Samo Gonçalves	Itamaraty	Secretary of second class	In person and phone
Diogo Souza Carmo Nogueira*	Central Bank	Head of a division of the Department International Affairs	e-mail
Fábio Augusto Najjarian Batista*	Central Bank	Head of a division of the Department International Affairs	e-mail
Fernando Nogueira da Costa	Febraban	Former president	In person
Luis Roberto Trosker	Febraban	Former president	Phone
Alfredo Moraes	ANBIMA	Vice-president	Phone
Diana Aguiar Orrico	Brazilian Network for the Integration of Peoples	Coordinator of the sector responsible for financial issues	Phone
Rogério Sobreira	Fundação Getulio Vargas	Professor and researcher	Phone
José Nelson Bessa Maia**	Treasury Ministry	General-Coordination Economic Dialogue International (CDINT-SAIN)	Phone and e-mail

\*Interviewees have stressed that their participation in this research is based on their personal opinion and not necessarily meet the official position of the Central Bank.

\*\*The interviewee has talked to the researchers informally, but he was not able to answer to the questions formally.