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Business, Government and Foreign Policy: Brazilian Construction Firms Abroad*

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This article analyses the interaction between Brazilian companies and government in the context of foreign policy, observing the state's support for the internationalization of large Brazilian civil construction firms. The results show that over the years these companies had privileged access to the Federal Executive, including civil service agencies. One consequence of this system of channelling demands through the Executive was to demote the Legislative branch to a secondary role. This pattern of interaction changed following the restoration of Congress's decision-making capacity, prompting the sector to diversify its areas of influence, focusing in particular on the Congress. To expand internationally, construction firms interact with the government primarily through the Executive, specifically via the Ministry of Foreign Affairs (Itamaraty), which provides technical and diplomatic support, and the Banco Nacional de Desenvolvimento Econômico, which supplies funding. The main argument of this article is that foreign policy should be examined through the relations between state and non-state actors in a multitude of decision-making arenas, taking into consideration both domestic and international factors.

Keywords: State-business relationship; civil construction; foreign policy; company internationalization.

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Globalization has been altering the relational logic of the main international actors. Although the scale of its impact on the State's role in the international system remains controversial, there is some degree of consensus in the literature that the major transformations occurring in recent decades in communications, technologies and transportation have altered the international power structure. States have been forced to interact more closely with non-state actors, sharing spaces in national and international decision-making arenas and cooperating to achieve mutual advances.

In defining foreign policy, non-state actors increasingly participate in the state's decisions. Moravcsik (2008) asserts: "The liberal state constitutes the critical 'transmission belt' by which the preferences and social power of individuals and groups are translated into foreign policy" (MORAVCSIK, 2008, p. 237). Foreign policy is a result of the interactive dynamic between state agents and interest groups, the constant interaction between domestic and international factors, and the balance between the Executive and Legislative Powers (MILNER, 1997).

This article analyses the interactive dynamic between the national business community and the Brazilian state, focusing in particular on the expansion of the international activities of the country's biggest construction firms. It seeks to identify the ways in which the interests of companies from this sector are mobilized and organized, while also highlighting the institutional channels created by the national state to capture these demands. Two different analytic approaches are explored. The first tends to concentrate on how the national business sector operates within the political system – the business/state relationship (CARDOSO, 1975; DINIZ and BOSCHI, 2007; LEOPOLDI, 2000; MANCUSO and GOZETO, 2011; OLIVEIRA, 2015; SCHMITTER, 1974). The second aims to comprehend how state institutions capture these demands in the foreign policy area – the state/business relationship (FIGUEIRA, 2009; LIMA and SANTOS, 2001; OLIVEIRA and ONUKI, 2007; PINHEIRO, 2003; VEIGA, 2006). The article analyses both the role performed by the Brazilian government in stimulating the internationalization of civil construction firms, and the ways in which companies from the sector have utilized the country's diplomatic structure to lever new business opportunities abroad. Finally it looks to identify the causal relations

between the phenomena by means of what King, Keohane and Verba (1994) call as descriptive inferences.

The analysis centres on large companies from the civil construction sector that: 01. were pioneers in projecting their business activities internationally; 02. display a strong presence in the foreign market; 03. possess historical trajectories that traverse different governments and political regimes; 04. have shown a high degree of penetration within state structures over the years.

The study adopts a qualitative approach, beginning its empirical observation in the 1930s, the moment when the system representing corporate interests linked to the Brazilian state first emerged. A variety of data collection techniques were used. Semi-structured interviews were conducted to obtain information on situations where the interviewee was personally involved in the process of interest. Since the reconstruction of the narrative from facts obtained across broad time spans can generate vacuums, triangulation techniques were used to resolve potential divergences between spoken discourse, documents and direct observation. In complementary fashion, information was drawn from annual management reports (2002-2014), media reports and published testimonies, as well as searches in newspapers, books and specialized periodicals, and government information published on the sites of the public agencies covered by the research: the Foreign Ministry (Ministério das Relações Exteriores, MRE), the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social, BNDES), the Ministry of Development, Industry and Foreign Trade (Ministério do Desenvolvimento, Indústria e Comércio Exterior, MDIC), and the Finance Ministry (Ministério da Fazenda, MF). Interviews were conducted with representatives of government and business: BNDES's Foreign Trade Superintendent (June 2014), the Head of Itamaraty's Investment Department (April 2014), and directors and managers from the international areas of four companies: Andrade Gutierrez (June 2014), Camargo Corrêa (June 2014), Odebrecht (July 2014) and Queiroz Galvão (August 2014 and April 2015)¹. Given

¹ It should be pointed out that the research was conducted before the start of the Operation Car Wash (Lava-Jato) investigations by the Brazilian Federal Police, which involved the construction firms analysed in this work, meaning that the inquiry does not form part of the study's scope.

the qualitative nature of the present study, its findings are not oriented towards generalizing conclusions: rather they look to describe the system through which the interests of national construction firms are represented to the Brazilian state. As Brady and Collier (2010) have underlined, the strength of such observations resides not in the breadth of the phenomenon examined but in the perception of its processes.

This article is structured as follows. The first section presents the literature on the role of multinationals and their interaction with different actors in the context of globalization. It reconstructs the main foreign policy debates resulting from the interaction between domestic and international factors, paying special attention to the business sector's role in this process. The organisation of interest groups and their mechanisms for liaising with the State form the topic of the following section, grounded in pluralist, corporatist and institutional models. Next the article describes how the study was put into practice. The final section analyses how the national civil construction sector has collectively determined its preferences and channelled its demands to the government in order to expand its business activities abroad.

The premises of the analysis

Studies of foreign policy that disregard domestic policy and its relation to the international environment have increasingly lost their explanatory force. Systemic transformations, quickening in pace since the 1990s especially, have had a decisive impact not only on how foreign policy is formulated and decided, but also on how it is conceived. More recent studies define foreign policy as the result of multiple conditioning factors originating both internally and externally (HILL, 2003). In other words, foreign policy involves a complex game between different actors permeated by an immense range of structures located both in the international and domestic systems.

The pioneering theoretical formulation of this complex game was presented by Robert Putnam in his study 'Diplomacy and Domestic Politics: The Logic of Two-Level-Games' (1988), where he argues that international negotiators play in both arenas, domestic and international, seeking to assure and respond to the interests of domestic actors, while also responding to the constraints and

incentives generated by the international system. Putnam's model (1988) also includes actors previously overlooked in studies of international affairs, such as state actors (Executive and Legislature) and non-state (NGOs, interest groups, public opinion).

The present study is based on the analytic model presented by Helen Milner in 'Interests, Institutions, and Information' (1997). In this model, the main actors are the National Executive, the Legislature, domestic interest groups and the Executive of the foreign country in question. The interaction between them is mediated by political institutions and also by the preferences of domestic actors and the distribution of information. The model's key premise, based on rational choice theory, is that the preferences of political actors are a function of electoral calculations, while those of economic groups derive from the distributive consequences of political action at international level. Hence politicians with electoral objectives should establish policies that converge with the preferences of economic groups, while avoiding taking decisions that may lead to electoral losses.

As well as the preferences of domestic actors, another two key variables are utilized by the author: domestic political institutions and the distribution of information. The first involves identifying how political and electoral systems can influence the participation of these actors in foreign policy matters: the higher the number of veto players, the more difficult the negotiations will be due to the multiple preferences, highlighting the polyarchic nature of foreign policy.

The model also predicts that interest groups will provide technical information to the Legislature, enabling the latter to participate more assertively in foreign policy affairs. Millner (1997) suggests that the Executive possesses privileged technical information due to its role in formulating and executing foreign policy. This in turn generates an inevitable information imbalance between the Powers. In order for their interests to be represented, economic groups will seek to influence the Legislative branch, submitting detailed technical information on topics being discussed in international negotiations. This initiative tends to rebalance information, favoring a more horizontal decision-making environment. Otherwise – when the information remains concentrated in the Executive – the tendency will be for an information imbalance to persist between the powers. Consequently, the effect of the distribution of information depends on the

structure of preferences and political institutions, with interest groups playing a crucial role in this process.

The present study empirically tested Milner's model (1997) for the Brazilian case, seeking to examine the construction of domestic preferences, the organizational forms taken by the economic interest groups and their impacts on political representation. Next it is foregrounded the institutional permeability of the Brazilian state to the demands of Brazilian construction firms in relation to foreign policy.

Business mobilization and the formation of preferences in Brazil

Two perspectives stand out when it comes to the analysis of the formation of preferences among economic groups. The pluralist approach is founded on the premise that when political decisions concern redistributive policies, which inevitably generate 'winners and losers' with conflicting interests, many interest groups will try to influence the decision-making process, forming antagonistic coalitions. This signifies that "the political system is an arena in which the different organized groups compete, pursuing their own preferences, leaving the state responsible for ensuring fair competition and respect for the rules of the game" (ARAÚJO and TAPIA, 1991, p. 04). This approach assumes that the interest groups have individual freedom of association and distinct forms of mobilization that enables them to make effective inputs to the decision-making process (ALMOND and POWEL, 1966). Interest groups have a distinct capacity to affect the decision-making dynamic since the latter depends on the readiness of these groups to provide information and resources. Additionally, the strategies adopted by interest groups in terms of channelling demands to political agents also affect the outcome of the 'game'. Factors such as influence in elections, campaign funding, and the structuring of lobby activity can generate large imbalances in the pressure capacity of some interest groups compared to others (GROSSMAN and HELPMAN, 2001).

The institutional approach in turn argues that the incentives and constraints that affect interest groups and their mobilization can be seen as outputs rather than inputs of the decision-making process. Schmitter (1974) identified patterns of representation in Latin American countries that diverged from those observed in European and American democracies: institutionalized,

centralized and hierarchical forms of direct interaction between state and society, corresponding to the model denominated 'state corporativism'. This type of arrangement presumes the obligatory contribution of non-state actors to financing the structure of representation, such as, for example, the compulsory fee charged by syndicates, which characterizes the non-voluntary aspect of the mobilization of interests.

O'Donnell (1975) also looked to understand the phenomenon of corporatism in contrast to pluralist theories, seeking to highlight explanatory variables that went beyond the idea of authoritarian States, arguing that the development of industrial capitalism and the profile of the State also influence the organizational form of interest groups. He argued that political, economic and social contexts can lead to subtypes of corporatist arrangements. Complementing this approach, Lehbruch (1982) argues that contemporary structural transformations could lead to the emergence of new structures of representing and mediating interests. The concept of (neo)corporatism opens up space for interpretations capable of elucidating configurations at other levels of representation: macro, meso and micro (CAWSON, 1985).

Analyses of the representation of interest groups in Brazil tend to set out from the 1930s when a corporate system became linked to the State under the Getúlio Vargas government, channelling business demands directly to the Federal Executive in a hierarchical and non-competitive form (DINIZ and BOSCHI, 2007). The state was responsible for creating a structure of dialogue with the diverse economic sectors, defining the form of organized representation and the possibilities for interaction. Business interests began to be structured in a pyramidal form: national confederations at the summit – in direct communication with the government – followed lower down by state federations, and finally regional associations and syndicates at the base (LEOPOLDI, 2000).

The dissatisfaction of marginalized economic groups and the diversity of business interests gave rise to new and more plural forms of organized representation. Different structures started to coexist in parallel, leading to a fragmentation of interests and a weakening of the capacity of economic groups to influence government policy (DINIZ and BOSCHI, 2007). This fragmentation intensified under the military dictatorship, a period which saw the selective

admission of some economic groups into decision-making arrangements with the top tier of government, a phenomenon theoretically labelled 'bureaucratic loops' (CARDOSO, 1975).

Changes in this pattern of interaction became more perceptible after the 1990s in Brazil and in the international system more generally. The policy of economic liberalization led to an intensification of competition, mobilizing different sectors, whether keen to protect themselves from competition or interested in expanding the activities into new markets. The return to democracy also permitted a revival of spaces of dialogue between the state and society, including the National Congress, making the institutional possibilities for channelling demands, previously strong concentrated in the Executive, more widely available. In this context, as Mancuso and Gozetto (2011) point out, lobbying – though not yet regulated in Brazil – frequently became employed as a pressure tool, combined with the influence exerted by economic groups in the election of politicians via campaign funding or by fielding their own candidates. It was also within this new competitive scenario that, according to Oliveira (2015), a turning point occurred in the participation of Brazilian business in international trade deals. Groups that had previously displayed a degree of apathy, merely responding to pre-existing government demands, started to mobilize from the 1990s in an organized and structured form via the Brazilian Business Coalition (Coalizão Empresarial Brasileira ,CEB).

Permeability of Brazilian institutions to foreign policy demands

The model proposed by Helen Milner (1997) also recommends observing the characteristics of institutions since the latter may either attract or repel the approximation of non-state actors, depending on the degree of permeability and the decision-making capacity of the political actors. On this aspect, the Brazilian case would appear emblematic: several authors (FIGUEIRA, 2009; LIMA and SANTOS, 2001; OLIVEIRA and ONUKI, 2007; PINHEIRO, 2003) emphasize the limited powers of Congress to decide on foreign policy matters, able only to approve or veto at the end of the process (ex post) – in other words, unable to have a decisive influence on the decision-making process itself save indirectly (by the Executive anticipating the Legislative's preferences) or in dispersed and sporadic

form.

Questions concerning horizontal mechanisms of accountability in the relations between the government branches in the making of foreign policy have been a common theme among Brazilian analysts. On one hand the bureaucratic isolation and the pre-eminence of the Executive are seen to have helped ensure the efficiency of the process due to its centralization and the ability to respond more quickly to emerging problems, as well as providing continuity to the framework set by the diplomatic agenda due to the distance maintained from conflicting political interests. On the other hand, though, the Legislative branch's limited involvement in foreign policy decisions, combined with instruments that exacerbated the imbalance between the government branches in the Executive's favour, resulted in the limited democratic representativeness of Brazil's international policy decisions. In other words, without the power to set the agenda and with the direct channelling of sector-based interests to the Executive, the Brazilian National Congress had in practice become a mere observer to the process (OLIVEIRA and ONUKI, 2007).

Nonetheless, it is worth stressing that Itamaraty's control over Brazil's diplomatic agenda has been changing since the return to democracy, albeit gradually, with the creation of spaces for dialogue between the state and groups from society, including the Americas Business Forum (Fórum Empresarial das Américas), the National Coordination Unit for ALCA Affairs (Seção Nacional de Coordenação dos assuntos relativos à ALCA, SENALCA), National Coordination Unit for EU - Mercosur Negotiations (Seção Nacional de Coordenação dos Assuntos relativos às negociações Mercosul-União Europeia, SENEUROPA), the Standing Business Committee of the Foreign Ministry (Comitê Empresarial permanente do Ministério das Relações Exteriores), and Mercosur's Social and Economic Consultative (Forum Fórum Consultivo Social e Econômico do MERCOSUL). In addition to the spaces of dialogue between government and society created in this context of trade liberalization, there was also an expansion in inter-ministerial committees, oriented toward a more horizontal decision-making dynamic (FIGUEIRA, 2009). Some of these administrative spaces were consolidated through more institutionalized structures, exemplified by the Chamber of Foreign Trade (Câmara de Comércio Exterior, CAMEX), a joint body composed of diverse

ministries, responsible for topics concerning Brazil's trade agenda. These changes led, on one hand, to a fragmentation of the decision-making process and the intensification of disputes between different bureaucratic structures and, on the other, to the diversification of the spaces of dialogue with society, making the content of policies more permeable and convergent with the multitude of different demands.

In sum, contemporary Brazil presents a hybrid structure to the organization of business interests, containing both elements of state corporatism and also more plural and horizontal forms of representation. In institutional terms, the Executive and Legislature act in an unbalanced form in the area of foreign policy.

Studying changes in the behaviour of these factors through case studies can thus contribute to a clearer understanding of the mechanisms employed to represent interests in Brazil.

The interaction between construction firms and the Brazilian State

Expansion in the domestic market

The activities of the heavy construction industry in Brazil began in the second half of the nineteenth century, a moment of transition from the slave economy to capitalism. An important landmark was the first Brazilian railway, inaugurated in 1854 and connecting Guanabara Bay to Petrópolis, an initiative headed by the Baron of Mauá and financed by British capital (PAULA, 2012). This first phase of the heavy construction industry in Brazil spanned between 1850 and 1930, a model based on urban-industrial infrastructural works that entrenched national dependency since most of the firms contracted were foreign (CAMPOS, 2012).

From the 1930s, however, which saw the arrival of Getúlio Vargas in power, inaugurating a period known as Estado Novo, the participation of national private-sector capital increased, assisted by public policies that provided incentives to companies from the sector. Also, dating from this period were the first large-scale home financing policies, such as the Fundação Casa Popular and the Caixa Econômica Federal, which played a key role in consolidating the nation's

civil construction sector (CAMPOS, 2012). Another outcome of this historical moment was the formation of a corporatist system for representing interests (of syndicates and owners) linked to the Brazilian State, tying "syndicalism to the State and the laws of the Republic" (Decree 19.770 of March 19, 1931). The argument for this government intrusion into the life of associations resided in the idea of "reducing conflicts and reconciling interests during a period of waning oligarchical power, a rise in new business sectors and pressure from the popular classes" (RODRIGUES, 2009, p. 47). In this context, the Legislative branch diminished in importance as a tool for channelling the interests of society to the political sphere – that is, the creation of a space of official dialogue between the Executive, the business sector and workers pushed the historical role of Congress in representing interests in Brazil into the background (RODRIGUES, 2009).

In the case of the heavy construction industry, the syndicate that worked to embody the sector's interests and liaise with state structures was SINICON (National Syndicate of the Heavy Construction Industry – Infrastructure/ Sindicato Nacional da Indústria da Construção Pesada - Infraestrutura). In the words of Campos (2012), the syndicate acted almost as a kind of contractors' party, winning numerous battles over its history. One of the first and largest of the sector's victories was the Joppert Law (Decree-Law 8463 of December 27, 1947) which reformulated the National Roads Department (Departamento Nacional de Estradas de Rodagem, DNER), granting it financial and administrative autonomy, as well as creating the National Highway Fund (Fundo Rodoviário Nacional, FRN), which retained funds from the Single Tax on Liquid Fuels and Mineral Oils (Imposto Único sobre Combustíveis Líquidos e Lubrificantes Minerais, IUSCL) (CAMARGOS, 1993; FERRAZ FILHO, 1981). This enabled the FRN to implement the National Highway Plan (Plano Rodoviário Nacional, PRN) by passing on financial resources to DNER, guaranteeing a fund for taking out loans in Brazil and abroad. It was also during this period that alongside the syndicate representations and the Engineering Club, civil construction also became represented by a professional association independent of the state corporatist structure – the Brazilian Chamber of the Construction Industry (Câmara Brasileira da Indústria da Construção, CBIC) (1957) – which took on the function of promoting the sector's interests in Brazil and abroad, uniting diverse syndicates and employer associations.

Hence the expansion of the construction market created the conditions for national constructors to leave their regions and begin to execute works at a national level, principally in the implementation of highway and electricity policies, which intensified under the Juscelino Kubitschek government. New legislation concerning government contracts, elaborated during the period of military dictatorship, also enabled increasing monopolization within the heavy construction industry (CAMARGOS, 1993). One important landmark was Decree 64.345 of April 10, 1969, responsible for protecting the national market by stipulating that foreign companies could only be hired in cases where no national company was able to provide the service. In this event, a consortium had to be formed with participation of national firms so as to ensure technology transfer. It is worth emphasizing, however, that this advantage was not won in an easy manner, as Campos asserts (2012). The process began with a campaign led by the sector, via the Engineering Club, opposing the stance adopted by the Castello Branco government, which became known as the movement 'fighting for Brazilian engineering'. The starting point for this manifesto was the criticism of the foreign construction firms being hired to implement public works in Brazil. The expectation was that some kind of preference would be given to national companies. And this indeed is what happened.

Hence the policies of the military regime are essential to understanding the present size of the national construction firms: this was the period when they became consolidated as monopolistic groups, leaders of economic conglomerates operating domestically and internationally. During this period the governments provided a variety of incentives through the creation of the National Housing Bank (Banco Nacional de Habitação, BNH), a key element in the boost given to housing construction, and through large public works. In terms of the latter, one point to pick out was the maintenance of Kubitschek's highway program, including the Trans-Amazonian highway. At the end of the 1970s more than 80% of transport had shifted to the roads (CAMPOS, 2010). In relation to the electricity sector, a common thread was the construction of large-scale hydroelectric dams like Itaipu.

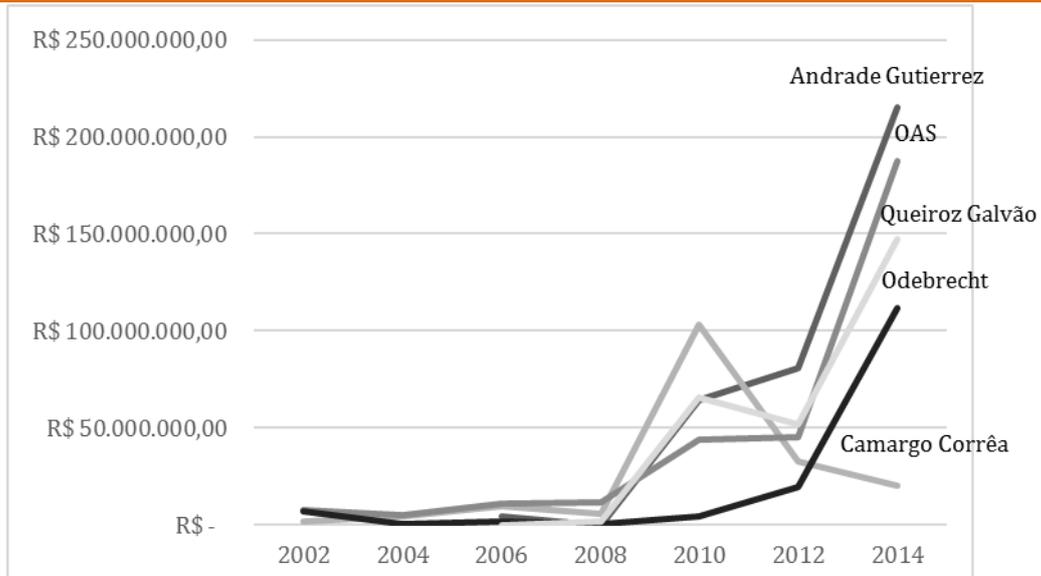
From Vargas to the end of the military dictatorship, the strategy of representation via syndicates (SINICON) and professional associations (CBIC) also included individualized pressures through important names of the national

industrial bourgeoisie, such as Sebastião Camargo, which enabled demands to be submitted directly to the Executive. Another prominent figure was Mário Andreazza, who represented the interests of this sector while also occupying leading positions in the government, including in the Ministry of Transport and the Interior Ministry, over the course of the Figueiredo administration. As well as posts in the Executive, individuals linked to civil construction also held seats in Congress during this period. This interaction between the state and business leaders was strategically established through events promoted by these sectors with members of the government duly invited to give talks and interact with other representatives invited to the sector meetings (LAZZARINI, 2011).

This mutual interaction between heavy civil construction firms and the Brazilian State, whose demands were channelled primarily via the Executive Power – either through organizations linked to the state corporatist system, through autonomous regional organisations, or through individuals with direct access to the government – assumed a new configuration from the 1970s, a moment of national economic stagnation and the shrinking of domestic demand. During this period the main construction firms began plans to expand their activities to the international market. In the following decade, Brazil underwent a process of political and also economic opening. As a result, sector interests also turned to the Legislative branch in the attempt to influence the approval of parliamentary amendments of interest to the sector, mainly through campaign funding.

Graph 01 presents data on the evolving participation of the leading Brazilian construction firms in the funding of electoral campaigns. The rise in the amounts spent demonstrates the increasing importance of this mechanism over time, highlighting how peaks in 'investment' coincide with the elections of presidents, governors and senators. The expansion in the participation of these companies in electoral campaign funding, especially parliamentary elections, can also be observed in the growth of the construction lobby in the Chamber of Deputies in the 2014 and 2018 legislatures, as can be seen in Figure 01, which shows that there were 226 members of parliament in the construction industry lobby, with many deputies also belonging to other lobbies.

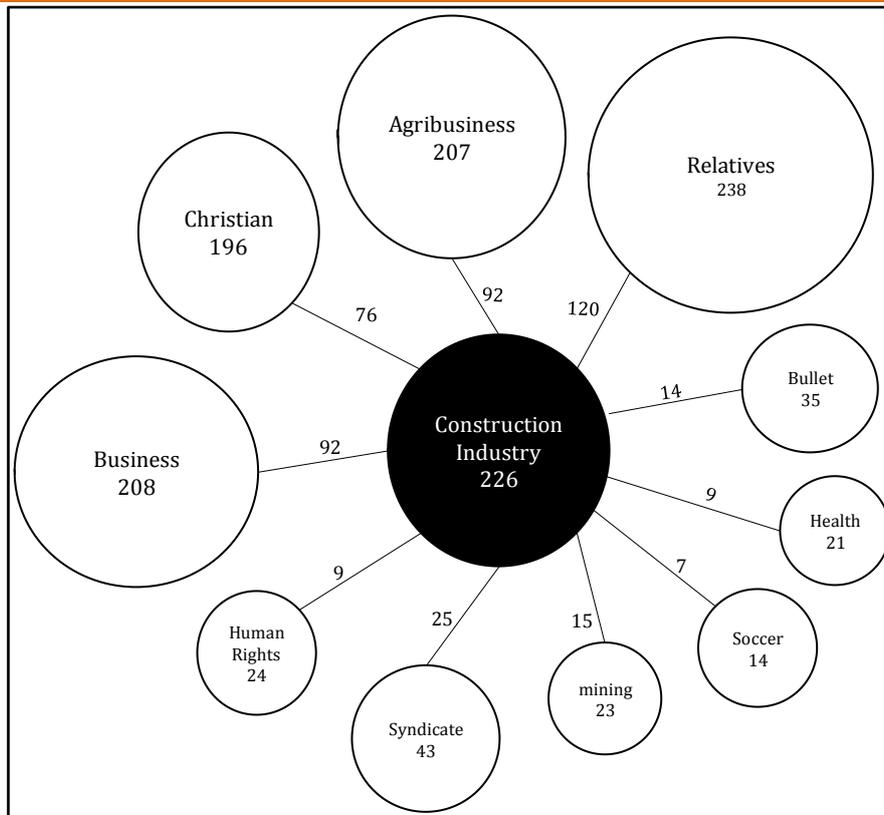
Graph 01. Evolution of campaign funding by leading construction firms (2002-2014)



Source: Às Claras Transparência Brasil (<http://www.asclaras.org.br>). Accessed on April 15, 2016.

Note: Donations by construction firms, registered with the Superior Electoral Court, using data available from 2002 onward. Donations to committees/directorates and to candidates are combined.

Figure 01. Lobbies in the Chamber of Deputies in 2014 and 2018 legislatures



Source: Agência de Reportagem e Jornalismo Investigativo Pública (<http://apublica.org/2016/02/truco-as-bancadas-da-camara>). Accessed on November 10, 2016.

A second form of identifying non-party actions is via the Cross-Party Groups (CPGs), which unite members of different parties around common agendas or interests. These CPGs, though existing previously in a non-formalized way, were regulated by the Chamber of Deputies through Board Act 69/2005. During the last four legislatures since, a number of these groups have looked to respond to the demands of the civil construction industry and other related sectors, as shown in Table 01.

Table 01. Cross-party groups (CPGs) in infrastructure areas

| Legislature | Cross-party groups |
|------------------|---|
| 52 nd | North-South Railway CPG Mobilization for Engineering CPG CPG in Support of the National Infrastructure |
| 53 rd | Mixed CPG in Support of Infrastructure |
| 54 th | CPG in Support of Conclusion of the 101-South Works CPG in Support of Duplication of the BR 135-MA Highway |
| 55 th | CPG in Support of Duplication of the BR 381-MA Highway CPG in Support of Duplication of the BR 251-MA Highway CPG in Support of Paving the BR 285 and the Coastal Railway CPG for Recuperating the BR 319 Highway Mixed CPG for National Infrastructure |

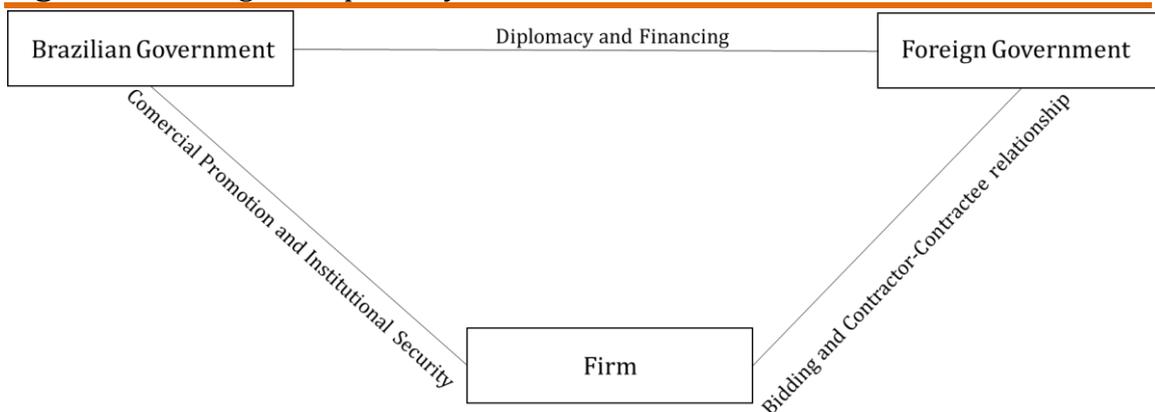
Source: Câmara dos Deputados

The channelling of contractors' demands in the Legislative branch can also be observed in the strategic influence of some of the politicians funded by these companies over the course of campaigns. The Inter-Syndicate Parliamentary Consultancy Department (Departamento Intersindical de Assessoria Parlamentar, DIAP) identified the 100 most influential parliamentarians in 2016 in the capacity of 01. debaters, 02. articulators, 03. policy formulators, 04. negotiators and 05. opinion makers, identifying as a result 62 deputies and 38 senators (DIAP, 2016). Cross-referencing the database on construction firms (226) with the report on the 'Congress People of the Year' reveals 34 deputies present on both lists. In other words, 54% of the most influential deputies in 2016 represented the interests of the civil construction sector in the National Congress. Even more significant are the deputies heading key institutional positions, such as the Senate's Infrastructure Committee and Congress's Joint Budget Committee. The latter is particularly

relevant in terms of the distribution and execution of parliamentary amendments. In a survey conducted by the newspaper 'O Globo' (2007), 66% of the full members of the budget committee had received funding from constructors.

Companies from the sector act on different fronts then: as well as the professional entities – SINICON, National Industry Confederation (Confederação Nacional da Indústria, CNI), Brazilian Association of Infrastructure industries, (Associação Brasileira da Infraestrutura e Indústrias de Base, ABDIB), CBIC and others –, the construction firms influence the drafting of legislation and the issuing of favourable advisory reports, acting via the Legislative branch and via entities linked to the Executive such as the Chamber of Foreign Trade (Câmara de Comércio Exterior, CAMEX), the Foreign Ministry and the Ministry of Development, Industry and Foreign Trade. This evidence demonstrates a kind of 'siege of influence' around the State, as shown in Figure 02.

Figure 02. Triangular diplomacy



Source: Adapted from Stopford & Strange (1991).

The internationalization of the Brazilian civil construction sector

The close connections between the big companies from the civil construction sector and several state agencies can be observed in the trajectory taken by the internationalization of some of these firms. Although the decision to invest in foreign markets and the destination of these investments are decided exclusively by the company, we cannot ignore the existence of exogenous influences on these decisions. For the major Brazilian constructors, incentives

offered by the Brazilian government via federal agencies played an essential role in the internationalization strategy.

The internationalization of Brazil's civil construction companies started in the mid-1960s, a moment when they began to prospect international competitive tenders in neighbouring countries, setting up international departments in their corporate structures to compete in foreign tenders. Camargo Corrêa made its first attempt in 1967, while Mendes Júnior created its international department in 1969 and its first foreign subsidiary began operating in 1974. Other companies like Affonseca, Ecisa, Rabello and Esusa opened their own companies in tax havens (CAMPOS, 2010). The internationalization of heavy construction firms was precipitated by the expansion of the international market, combined with the specificities of Brazilian engineering, adapted to the requirements of developing countries, the biggest source of demand at the time (FERRAZ FILHO, 1981). Another important factor in this externalization of the constructors were the strategic partnerships agreed with state companies like Petrobrás and Vale do Rio Doce, who hired the services of domestic civil construction firms. In 1980, for example, Petrobrás expanded operations to Angola, taking Odebrecht with it.

The importance of the Brazilian State in the internationalization of Brazil civil construction firms can also be observed in the fact that 90% of the value of the contracts signed by national companies in emerging markets were funded mainly by the Brazilian Government, concentrated largely in Latin America (CAMARGOS, 1993). The company Andrade Gutierrez reported that the contract signed in 1985 for its first international construction project, a highway in the Congo, resulted from a funding opportunity provided by the Brazilian government, which wanted to invest in the African country for political and economic reasons. During the same period, the company also turned its attention to Latin America with the opportunity in 1984 to build a 150km section of the Chimoré-Yapacani highway in Bolivia, followed by a construction project in Ecuador, the Mendez-Morona highway, linking the country's borders to Peru and the Nassau International Airport in the Bahamas (GRANDES CONSTRUÇÕES, 2013).

The State thus performed a fundamental role by providing both financing and diplomacy during this early phase of expansion. In this case, we can emphasize Itamaraty, working through the Department of Trade Promotion and Investments,

and the 102 SECOMs (Trade Promotion Sectors) located strategically around the globe, providing support through information, technical assistance and the creation of 'comfort zones', as well as facilitating operations through trade deals and investments. BNDES also began to play a significant role in the process, especially following the reform of its internal structure in 2005, which enabled financing for corporate internationalization via the BNDES/Finem line of credit and the bolstering of BNDESPar. Over time, therefore, there was an expansion and strengthening of the institutional frameworks providing support to companies in their international expansion (SILVA-RÊGO, 2015), continuing the role performed by the Brazilian state in earlier periods.

In relation to Africa, it is important to highlight Brazil's line of funding with Angola. The latter country, possessing large oil reserves, uses this commodity to finance public works executed by Brazilian companies. According to BNDES's Superintendent for Foreign Trade in an interview with the authors, "since 2006 six agreements have been signed with Angola, totalling between 07 and 08 billion dollars"².

As well as agreements, the companies also emphasized the presence of embassies in foreign countries as an element that helps reduce uncertainties and, consequently, the risks faced. Institutional security is cited as a factor by Andrade Gutierrez's Director of Foreign Financing in interview: "Obviously we look to operate in a country where, at the very least, there is some kind of Brazilian representation, an embassy, and this obviously helps mitigate risk"³. A similar idea was expressed by the International Business Development Manager of Camargo Corrêa who, in another interview conducted by the authors, stated:

Let's take two countries that are high risk today, Venezuela and Iraq. We feel better supported operating in Venezuela because Brazil's bilateral diplomatic relations with the country are tremendous, despite all the country's macroeconomic and political issues. Iraq's the opposite. So being where the Brazilian government wants to be, or already is, is an important bonus⁴.

² Interview to the authors held on June 20, 2014.

³ Interview to the authors held on June 25, 2014.

⁴ Interview to the authors held on June 13, 2014.

The Head of the Investment Division (DINV) of Itamaraty in interview added that:

The decisions to enter a country are made entirely by the companies themselves, likewise their relations with them. The government, however, asks them to avoid leaving abruptly or behaving in a way that jeopardizes the bilateral relationship. Among governments there's a clear political dimension to the valorisation of 'Brazilianness'. In other words, strengthening bilateral relations involves the behaviour of the companies abroad, which leads to closer relations between the countries, which, in turn, lowers the risk for Brazilian companies⁵.

Here it is worth citing some examples where this relationship has proven effective and indeed fundamental. In the case of Camargo Corrêa's entry into Argentina, Brazilian diplomacy performed an essential role by providing advice as well as mediating conflicts with the local government. The same could be observed in the diplomatic support for the recent problems faced by Odebrecht and Queiroz Galvão in Ecuador and Bolivia, respectively (AZEREDO, 2010).

As well as supporting the foreign expansion of the construction firms and assisting with risk situations, Itamaraty also helped the internationalization of BNDES by developing even closer ties between the bank and Brazilian companies abroad. As well as possessing a subsidiary in London for raising funds, the bank also has offices in Uruguay and Johannesburg. The former is where the MERCOSUR headquarters is located, while the latter, in addition to being one of Africa's main cities, is where most of the institutions similar to BNDES are found. Concerning these two subsidiaries, the bank's Superintendent for Foreign Trade explains that:

What we really want is to turn them into hubs that can receive and discuss initiatives not intended to mature the next day but somewhere in the medium term. As well as provide a different channel to what we had previously. Today we have a dedicated team in these two locations, which gives us more freedom to travel to events and meetings in these countries, as well as check out projects and initiatives still at an early stage of development, which tends to be a huge bonus in terms of assessing the capacity of Brazilian companies to enter⁶.

⁵ Interview to the authors held on April 20, 2014.

⁶ Interview to the authors held on June 20, 2014.

The bank's presence on these continents is welcomed by the construction firms since it allows a better flow of information, along with funding, reflected in greater support for their international operations. Along these lines, Andrade Gutierrez's Director of Foreign Funding states:

I can't imagine the companies operating without government support, it's not possible. So were you to say that we're not going to have support from the government, we would undoubtedly close, in practice we would close 90% of the markets, 90% of our markets have a portion of funding from the Brazilian government⁷.

He also adds that Brazil's foreign policy strategy to some extent determines the countries where the company will operate and how it will do so. As a consequence, alignment between the construction firms and foreign policy becomes fundamental. According to the director:

Under the Lula government, the country had a policy, it had a much more offensive strategic vision than it has now under the Dilma government, and the companies felt this. If you look at the activities and projects that we had going during the Lula government and compare them with what exists today in the Dilma government, they have shrunk. The portfolio of BNDES projects, for instance, which is where everything ends up and which everyone thinks finances all trade – it only provides funding – is based on government decisions in support of foreign trade, as well as the backing of collegiate bodies like the Funding and Export Guarantee Committee (Comitê de Financiamento e Garantia das Exportações, COFIG) and the Chamber of Foreign Trade. Taken as a whole, then, we can see that the projects shrank, so foreign policy influences everything⁸.

Meanwhile Camargo Corrêa's International Business Development Manager emphasized that:

There are two ways of benefitting from foreign policy. The first concerns those countries that are strategically important to the government, irrespective of the moment, the context currently being experienced by each of the countries: here we can take the example of Argentina and Venezuela, which are countries that come rain or shine are strategic to Brazil from a regional perspective. And then there is another line of new markets that have become important for Brazil or for the private sector, which manages to show the government that a particular market is important and, for this reason, may be strategic,

⁷ Interview to the authors held on June 25, 2014.

⁸ Interview to the authors held on June 25, 2014.

especially in terms of trade relations. In this case, the Brazilian government starts to forge closer ties with that market and, if and when it sees a benefit for Brazilian society, mobilizes public funds and government employees to establish relations with the region in question. After that we begin to sense a slightly more comfortable environment for us to operate in the country⁹.

Queiroz Galvão's Director of Institutional Development, interviewed by the authors, stressed the importance of Itamaraty's role in diplomatic and/or commercial representations. It is the trade missions that open the doors for governments to start talks with Brazilian companies, as well as visits to local embassies, enabling a dialogue through which the company can present its commercial credentials.

A different kind of relationship with the government can be observed in the case of the Odebrecht Group. According to its Budget Manager the company's size and aggressiveness together with its structure, which stimulates internal entrepreneurship, enable the construction firm to depend less on the government than its peers. He adds that the firm's presence in developed countries helps it to obtain low-interest loans from other banks. Nonetheless, Odebrecht is the construction firm to make most use of the line of financing for the Angolan government, as well as utilizing BNDES for other projects. Furthermore, the company's CEO at the time emphasized political synergy as one of the basic principles guiding the company's internationalization, one of the indispensable factors being "the convergence of Brazil's interests and those of the company in the client country" (ODEBRECHT, 1992, p. 77). This synergy can be observed in the recent outlays made by BNDES for engineering services abroad, corresponding to around US\$ 10.14 billion between 1998 and the first quarter of 2015, or 30% of the total amount funded through the post-shipment mode. It can also be observed in the convergence between the directives of Brazilian foreign policy over recent decades in relation to the South-South axis (Latin America, Africa and Asia) and the internationalization of these contractors, as shown in Figure 03.

Finally we can take the case of the company Mendes Júnior, which among the large internationalized Brazilian construction firms has a long history of close connections with the Brazilian state. From the end of the 1970s onward, Brazil-Iraq trade was out of balance. Attempting to correct this scenario, the solution encountered by then President Ernesto Geisel was to sell Brazilian engineering

⁹ Interview to the authors held on June 13, 2014.

the various Brazilian governments, with this relationship considered pivotal to the international expansion of the Brazilian civil construction industry. Along the same lines, the sector has increasingly promoted itself as strategic to the country's economy, currently accounting for 10.1% of GDP (FIESP, 2015) and employing 119,018 workers in the sector in 2014 (IBGE, 2014). If the entire production chain is taken into account, the volume of workers corresponds to around 13.5% of the country's entire workforce (FIESP, 2015). The Brazilian state thus invested in public policies designed to produce 'national champion' companies, with construction firms some of those benefitted through diverse instruments stemming from the state, which helped consolidate their activities in the domestic market and their international expansion (FINCHELSTEIN, 2010).

The interaction between civil construction companies and the government on foreign policy matters, though recurrent over time, displayed changes in the organizational form taken to mobilize and channel the sector's interests and in the spaces for interaction created by the State. A degree of consensus exists among authors that the mobilization of the Brazilian business community, including the civil construction sector, was born dependent on the corporate and hierarchical system established by the Getúlio Vargas government. As the years passed, new forms of mobilization were proposed. During the military dictatorship, for example, some business groups gained privileged access to the state machinery. One of these interest groups with special access to the State was composed of the large national construction firms, which also held representative positions in the Executive.

Later the Legislative branch also became an important arena for exerting influence. The return to democracy, which coincided with Brazil's increased opening to trade and the rise in global economic liberalization, led to changes in the modus operandi of the business sector. Facing strong competition, firms began to mobilize in an autonomous, competitive and plural form, both through posts in the Legislative branch, political seats on professional associations and business councils, and through campaign funding. Along the same lines, the State also came under pressure due to systemic changes at domestic and international level, leading to the gradual opening of dialogue between the dominant agency in foreign

policy decision-making up until then – the Ministry of Foreign Affairs – and other state bureaucracies and economic agents.

Final considerations

The relations between companies, government and foreign policy are a vast field to be explored. Little is known about the representation of interests of corporate sectors at the international level. Brazilian studies emphasize the secondary role of the Legislative branch in the decision-making dynamic on international topics, or the centralized and insulated nature of Itamaraty, the Brazilian Foreign Office, in developing foreign policy, or demonstrate through case studies the business sector's coordinated participation in particular international negotiations. Few, however, venture into the maze through which interests are channelled in the foreign policy decision-making system.

This article contributes to this research agenda by showing that the large national construction firms have historically enjoyed privileged access to the Executive, including different civil service agencies. In this pattern of interaction, the Legislative branch performed a secondary role, not only on international issues but also as an arena for representing business sector interests. In line with the theoretical model proposed by Helen Milner (1997), we can affirm that, in the Brazilian case, the formulation of foreign policy maintained for a long time an imbalanced format that favoured the National Executive over the Legislative branch. After the return to democracy, however, the construction firms also organized with the aim of influencing the National Congress, thus closing a kind of 'siege' around the State, diversifying its channels of access and tools used to apply pressure. Direct representations to the Executive were maintained and sometimes intensified. At the same time, the Legislative branch also became a conduit for pressing government policy, demonstrating a large capacity for organizing the interests of large Brazilian companies from the civil construction sector.

The interviews conducted in this study indicate that the companies believe that foreign policy directives influence the decisions on where to locate their investments abroad, especially in response to technical and diplomatic support, but primarily because such directives are tied to lines of funding. It is through this mechanism that inter-ministerial bodies have grown in strength, creating an

environment for companies to operate and prosper, aligning the expectations of the public and private sectors.

Relations between companies and the State are structured through a multitude of civil service agencies and representative bodies, just as Milner (1997) observed. This relation is not structured by actions taken in isolation by the State or the companies, but by the complex interaction between diverse institutions.

These tools providing assistance and support to the internationalization of companies, though they do not necessarily coincide with the decision of firms on where to be located in the international market, are created and directed towards the country's geopolitical and strategic reference points, which can stimulate particular corporate geopolitical movements, leading to a convergence between government and business interests abroad. These aspects reinforce the premises that foreign policy should be analysed in holistic form, i.e. as a flexible and mutable outcome of negotiating efforts at both domestic and international levels. Consequently future studies that extend the scope of the analysis, incorporating other sectors/companies or applying other methodologies, are needed to advance this area of research in Brazil, enabling a more complete and complex depiction of the phenomenon under study.

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