

LATIN AMERICA AND THE NEW GLOBAL ORDER

**DANGERS AND OPPORTUNITIES
IN A MULTIPOLAR WORLD**

edited by Antonella Mori

ISPI

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Introduction

“Latin America is at a crossroads”. Scholars have used this trite catchphrase several times in the past. And after all, with the epidemic of the novel coronavirus (SARS-CoV-2) morphing into a pandemic and going global, which countries and regions of the world cannot be said to be at a crossroads?

Yet, this is all the more true for today’s Latin America and the Caribbean (LAC) region. The region is experiencing new transformations in political, economic, and societal terms. In turn, all these rapid changes are having an impact on how LAC countries shape their own foreign policies, and on how they adapt to the challenges of an increasingly multipolar world.

First, Latin America is at a crossroads both politically and strategically. During the Cold War and beyond, LAC countries had two choices: either be loyal followers of the United States, or side with the socialist bloc headed by the Soviet Union. Of course, this was not always a clear choice. However, it could often determine the fate of governments, through coups, guerrillas, foreign interference, or mass protests. Today, the old world is gone and a new one has risen from its ashes. After the short hiatus of the 1990s and early 2000s, when Latin American countries were left with the US as their main partner (or opponent), and the EU was much further away, LAC countries today face a renewed “bipolar” competition between the US and China, with the EU at the margins. Beijing’s rising heft has been the subject of hundreds of articles. Most agree that China’s influence has shifted over time from pre-eminently

economic to more political, on par with Beijing's newfound assertiveness on the world stage. At the same time, China's tools for political influence have remained in large part economic and financial (such as debt financing), and this allows for sharp comparisons with another pre-eminently economic actor in terms of influence: the EU and its member states. As this Report will show, Brussels has not managed to properly leverage its economic heft in the region.

Second, Latin American countries are (or, better, continue to be) at a crossroads in terms of political institutions, as they grapple with the benefits and costs of democracy, and are constantly tempted by autocratic setbacks or, to the very least, democratic retrenchment. The past few years have shown how hard it can be to preserve democracy in one of the regions that has been most prone to regime change since the Second World War, apart from Sub-Saharan Africa. In 2019, as unrest in Venezuela continued, protests against austerity and political corruption swept through South America, involving Argentina, Peru, Ecuador, Chile, Bolivia, and Colombia. The violent ousting of Bolivia's then-President Evo Morales in November, following elections that according to the Organization of American States were "clearly manipulated", shows how hard it can be to preserve and bolster democratic institutions in the region.

Third, Latin America is at a crossroads economically. Much has changed since the end of the Cold War, but some things have remained the same. The LAC region today counts a number of countries whose rising economic status has been formally acknowledged. Three of them, Argentina, Brazil, and Mexico, are members of the G20, with Chile also a permanent guest of the summit. Brazil itself is the world's ninth biggest economy, vying with Italy for eighth place. Moreover, despite persistent inequalities in income and wealth, many citizens are now much richer than they were in the recent past. Three decades after the end of the Cold War, Mexicans are now on average 34% richer in real terms, Brazilians 38%, and Argentines 61%. Such rapid

improvements have taken place despite recurrent economic crises. After its 2001 default, Argentina remains constantly on the brink. Brazil experienced a prolonged recession between 2014 and 2016, followed by stagnation. Finally, Mexico's growth is pretty steady, but Trump's blunt tactics in trade renegotiations and the current oil price crash pose a challenge to a country marred by violence and disappointing structural reforms.

In the face of all these changes, this Report asks two related questions. First, how are the United States, the EU, and China adapting their foreign policies to the old and new realities of the LAC region? Second, how are some of the main countries in the region (namely Brazil, Mexico, and Venezuela) responding, or contributing to determine such a constantly shifting scenario?

There is no doubt that Trump's election came with the expectation of a different US approach to the Latin American region. This is why in the first chapter Loris Zanatta asks: what has really changed over the past four years? How did Trump's arrival affect the US stance towards Latin America? Or, to put it more bluntly: does the Trump administration actually have a specific foreign policy towards Latin America? During the election campaign, Trump railed against Latino migrants, pledged to build a wall along the border, and envisaged trade renegotiations with many countries. Four years on, it seems that the impression that the US President only has a short-term strategy *vis-à-vis* Latin America is well founded. This short-termism has had a profound impact on how each Latin American country has tried to cope with a neighbouring superpower that has become less and less predictable.

While the US appear to have decided to devote only a limited amount of time towards the region, Europe appears to be playing the long game. As Gian Luca Gardini argues, at the start of 2019 EU-Latin America relations appeared to have reached a stalemate. But, by the end of the year, prospects for a re-launch were surprisingly – and paradoxically – more promising. Brexit, the large influx of Venezuelan asylum seekers reaching Europe,

the wave of protests that shook the entire region, and the need to counterbalance Trump's rhetoric have spurred a number of new initiatives. The new European Commission has signalled a renewed willingness to engage with LAC countries, especially on trade and public diplomacy, while Germany has even announced a new policy towards the region as a whole. Barring the unexpected (and still uncertain, but surely profound) impact of the ongoing global pandemic, EU-Latin America relations appear set for a further deepening – albeit always in the shadow of the two “giants”, the US and China.

Turning to Beijing, Mario Esteban and Ugo Armanini show how China-Latin America trade and investment ties have skyrocketed since the early 2000s. China-LAC relations have been mainly economic, as the 2015-2019 China-LAC Cooperation Plan has targeted US\$500 billion in bilateral trade and US\$250 billion in bilateral foreign direct investment by 2025. But the cooperation has grown more political over time, as evidenced by the 10 strategic partnerships that China has signed with LAC countries (including Brazil, Mexico, Argentina and Chile), and more recently by the enlargement of the Belt and Road Initiative (BRI). Ultimately, China's relations with several Latin American countries appear to have entered a new stage, as Beijing's engagement has become multidimensional (economic, political, institutional, and even military), with global and regional implications, opportunities and risks. It remains to be seen whether long-term concerns about increasing dependence on China's credit lines, as well as Beijing's reassessment of the sustainability of its own outreach, will lead to a strengthening or loosening of China-LAC ties in the near future.

Turning to regional players, Brazil is certainly going through a period of political and economic transformation. The election of Jair Bolsonaro in 2018 is still having ripple effects on the country, Guilherme Casarões argues, as the former army captain and lawmaker never hid a nostalgic admiration for the region's past military dictatorships, summarised in the slogan:

“Brazil above everything, God above everyone”. However, time has shown that Bolsonaro’s image is not quite that of the leader of a junta: according to Casarões, he is more of a traditional conservative, engaged in a crusade to bring God, the nation, and the (traditional) family back into the political mainstream. Bolsonaro’s foreign policy envisions a world of strong and sovereign nations as opposed to one marked by multiculturalism and open borders. This puts Brazil starkly apart from many other Latin American countries and should make it a natural ally of the United States under Trump. Moreover, Bolsonaro’s election has put Brazil’s stance towards China on more unbalanced terms, as many of the president’s advisers warned of China’s threat to “buy Brazil”, even as the country has benefited from billions of dollars in trade and investment beforehand. However, Bolsonaro has been forced to revise his foreign policy stance due to Trump’s trade war, which threatened competitors and allies alike, and pushed the Brazilian president to rapidly rebuild ties with Beijing.

In the next chapter, Antonella Mori explains that Venezuela is going through a deep economic, political, and humanitarian crisis. At the domestic level, the political-institutional clash has intensified, and so has the confrontation between supporters and opponents of Nicolás Maduro and his rival Juan Guaidó, which have pushed millions of Venezuelans to leave their country. The internal political clash between supporters of Mr. Maduro and Mr. Guaidó is mirrored at the international level by two opposing sides: the United States, Canada, and the EU are backing Mr. Guaidó and calling for new elections, while Russia, China, and Cuba stand behind Mr. Maduro, criticising external interference in Venezuela’s affairs. This ideological and geopolitical opposition stands as a stark example of what could happen in the future, should Latin America become one of the major playgrounds in the US-China (and US-Russia) confrontation.

Finally, Rafael Velázquez Flores argues that Mexico’s foreign policy has often been neglected by scholars, due to its continuity under the dominant party system that characterised

the country between 1930 and 2000. However, in 2018, the election of president Obrador put Mexico under the spotlight. The president's foreign policy has been marked by a mixture of continuity and change, adopting a pragmatic and prudent approach. In spite of this, the country's foreign policy stance has been thrown into disarray by the unpredictable pattern of conflict and cooperation with Trump's United States. President Trump has forced Mexico into revising its attitude towards the neighbouring superpower, and to negotiate both on trade and on migration from a weaker position. In the end, Obrador was successful in avoiding a breakdown in trade talks, and did not bow to Trump's pressure to pay for part of the wall that is being built at the US-Mexico border. Cooperation prevailed, but Obrador remains under pressure, especially with regards to high and rising flows of irregular migrants from Central America.

Latin America remains in a state of flux. This is due to a balanced mix of foreign pressures towards the region (especially from the two big powers, the US and China) and domestic developments. In this scenario, room for the EU appears somewhat limited, due in part to its developmentalist approach that doesn't allow it to effectively tackle more pressing but also more sensitive issues such as security, democracy, and human rights.

Latin America is indeed at a crossroads. Forced to choose between the US and China, many countries in the region will continue to attempt to juggle between the two partners, rather than taking a specific side. Judging by the past, this course of action might yet prove to be the most sustainable. And in the current multifaceted, unpredictable world, this could be the best outcome that a country might wish to achieve.

Paolo Magri
ISPI Executive Vice President and Director

1. America First: The Death of Pan-Americanism

Loris Zanatta

Does the Trump administration have a policy towards Latin America? Many were asking that question when Trump was elected back in 2016, and everyone is still asking that now, as his presidency draws to a close. During the election campaign he railed against *Latino* migrants, pledged to build a wall along the border, declared war on the free trade agreements with the countries in the region, called for war on terrorism and drug trafficking, threatening anyone unwilling to cooperate, and visited Miami to launch his ritual attacks against Cuba, Venezuela and the ALBA allies. No one was clear as to what overarching vision or perspective held those issues together – except for one aspect: in one way or another, they all satisfied or reassured a segment of the electorate whose vote he was seeking.

All in all, rather than a strategy, Trump's policy towards the region seemed to be an offshoot of his domestic policy and founded on short-, indeed very short-term, interests and objectives. Democracy, development, economic freedom, human rights and multilateralism – the ideals of two hundred years of Pan-Americanism and the pillars of the liberal order built from the ashes of the twentieth-century wars – were conspicuous by their absence. Like obsolete tools, they lay forgotten in the junk room for old and useless things. In a nutshell, everything suggested that Trump cared little or nothing for relations with Latin America. But then, his mantra was “America First”. And America was him.

Four years on, it seems that those first impressions were well-founded, in other words the Trump administration does not have a Latin America policy nor is it particularly bothered to have one. US Secretary of State Mike Pompeo, feeling he had a duty to define it, stated that in Latin America the White House acts with “realism, restraint and respect”. But the remedy was worse than the disease since these principles are so vague, and so fit for all places and all eras, that they cover everything and the opposite of everything – a clear case of all talk and no substance. With the 2020 presidential elections now looming, to Trump, Latin America is still exactly what it was four years ago: a topic to bring up at his convenience if and when it serves the purpose of securing a second term in office – nothing more.

Big Stick

While Trump had no real policy, he at least had some objectives in Latin America. Needless to say, those objectives were useful to boost his popularity at home as well as “American primacy” more generally, and to protect “the American people” from the damage caused to their economic conditions by globalisation and to their “identity” by immigration. The first objective – stopping illegal immigration – was and is still so obsessive and recurrent as to obscure all the others. And since migrants have to cross the long, porous and dangerous border with Mexico to get into the United States, part of that objective is to induce the neighbouring state to do its bit to stop the flow.

This is a longstanding and complex issue, and it takes some daring to pass sententious remarks about it and propose simple solutions to it. Yet this is precisely what Donald Trump attempted to do: the bull charged straight into the China shop, oblivious to any collateral damage as long as he could score immediate successes. He brandished the stick and waved the carrot. He imposed the law of might is right. Why should that be surprising? In a world where there is so much ranting against international “bureaucracies” and the ineffectiveness of

multilateralism, and where “sovereignty” is a fashionable fetish, this is the predictable result: the most powerful lays down the law. We thus saw Trump threatening Mexico with punishing tariffs on its exports to the US and raising the prospect of getting rid of the North American free trade area.

How did it turn out? For Trump, quite well on the whole. He “granted” Mexico membership of a new free trade agreement, a deal of vital importance to his neighbour. It is somewhat worse than the old NAFTA, but not critically so. In exchange, Trump obtained President López Obrador’s pledge to act as his guard not just on the border between their two countries but also, and more importantly, on the one between Mexico and Guatemala, the crossing point for migrant caravans from Central America heading north. This deals a serious blow to the Mexican president’s “progressive reformist” image. But it was a price he had to pay.

Is it a solution? Is it the panacea for such a large-scale problem? This problem, we ought to remember, is intertwined with a series of other major challenges, including violence in the countries along the isthmus, human and drug trafficking and the hopes of many young people for a better future. Obviously the answer to these questions is no. In order to sweeten the pill, the Trump administration launched a “plan” for Central America – it is not the first and it won’t be the last. Will it work? Partly it will and partly it won’t, like the others.

It might be argued that this is not a farsighted policy and that its horizon does not stretch beyond the November 2020 presidential elections. This is true. But there is nothing particularly new about that. Like other American presidents before him, Trump is sceptical about the capacity of the countries in the region for self-governance and their ability to create stable democracies and generate prosperity. It is not his business, he thinks: let them sort it out by themselves, as long as they do not offload their problems on the United States through migration. If they do that, the stick will come down. America First.

À la Carte Democracy

While Trump has inherited unilateralism and pessimism about the democratic virtues of Latin American countries from the Republican tradition, he has absorbed from the neoconservative tradition the evangelical mission and pedagogical drive to teach them to “elect the right man” – at least in words. Trump voices the coarsest, most erratic, bombastic and sterile version of this mix, as well as its least credible expression.

His objective, he claims, was and remains the spread of freedom and democracy across the Western hemisphere. It is hard to disagree with that, in view of the appeals for help coming from inside Venezuela and Nicaragua, and the cry of distress among the diaspora elicited by those countries’ incompetent as well as criminal regimes. And what about Cuba? Has anything changed as a result of Obama’s open hand policy towards Havana? Repression is just as widespread as it was before, economic freedom remains narrow in scope and at the regime’s discretion, and the rule of law is still a pipedream. Meanwhile, Cubans are fleeing and dying as they do so, amid the world’s indifference, while the regime’s agents act as the self-appointed praetorian guard of their “Bolivarian” allies.

Whether driven by the Founding Fathers’ libertarian ideals or by the alluring prospect of winning the Latino vote in Miami, Trump promptly went on the offensive, riding the momentum of the war on populist dictatorships. That is all well and good. But how? And with what effects? With what kind of credibility? The “how” is easy to see: carrot and stick, once again – not a particularly sophisticated strategy but usually effective, nonetheless. The stick takes the form of “sanctions”. These are next generation sanctions, dubbed “smart” sanctions, which are much more targeted than they used to be in that they specifically hit the accounts and interests of corrupt officials while attempting to limit the negative effects on the population. All this, compounded by fiery words and resounding threats: all options are open, including military intervention, ran the

warning delivered to Nicolás Maduro. And what about the carrot? It is also there, although unseen. It is imperative to persuade the mice to leave the sinking ship and to urge collusive military personnel to turn their backs on the regime, perhaps in return for leniency or impunity.

What are the “effects” produced by this strategy? None, to date. The vast protests in Venezuela and Nicaragua have been suppressed with deadly violence, Maduro and Ortega are still in power, and support for Juan Guaidó has not led to the widely expected military uprising. As could easily be foreseen, Trump’s belligerent rhetoric has remained just that. The barking dog did not bite: there are no plans for US military intervention, nor is it in anyone’s interest that there should be one. Meanwhile, however, Trump’s empty warmongering has had the adverse effect of fuelling the “anti-imperialist” narrative of Bolivarian dictatorships, which portray themselves as the victims of US imperialism, handing them on a silver platter exactly what they feed off. It has also weakened the cause of the group of Latin American countries that had led the encirclement Caracas. A masterstroke of incompetence. Driven by what? By his eagerness to please his base and to spearhead a crusade which should be seen to be led by Latin America’s democracies – never by the United States. America First, just for a change.

Let us be clear, there would be no sense in blaming Trump for the authoritarian drive of Latin America’s Bolivarian regimes. It is also too soon to assess whether and to what degree it has been weakened by his pressures. This drive is their own peculiar feature, the result of their history and an offshoot of their particular systems – indeed, at this point, everyone ought to honestly accept the evidence that Latin America’s populist movements are left unscathed by aggressive and conciliatory policies alike. Castroism, Chavism, Peronism and the like are not authoritarian because US aggressiveness has made them so. They are an expression of an ancestral hatred of liberalism and capitalism, rooted in the region’s Hispanic and Catholic past, and they usually enjoy vast popularity. They have an enemy and

they want an enemy, and that enemy cannot but be the United States, which has historically been the standard-bearer of liberalism and capitalism. In this respect, the effects of Trump's war of words against Maduro and of Obama's "do nothing policy" towards Castro are just the same: none. Neither will an aggressive policy encourage them to become moderate, nor will a conciliatory policy prompt them to liberalise. "Transition?" Fidel Castro would ask indignantly. Towards what, when we have built "Paradise"?

So, is everything the United States does against authoritarian populism in Latin America pointless and immaterial? Is Trump reaping the handful of dust from Venezuela that so many of his predecessors reaped from Cuba, whether they extended a hand of friendship or shook their fist? Partly. Nevertheless, if Trump's policy was less small-minded than his America First strategy, and if he retained something of the old Pan-American ideals, he might accomplish more and achieve better results. How so?

For the cause of liberal democracy to thrive in the region it has to be propelled by Latin American drivers. For Latin American democracies to prevail over populist movements they need to enjoy prestige, join forces and act independently of the United States – in other words, they need to be the vehicles of a genuine Pan-Latin American democratic mission. What could Trump do to benefit this cause? Firstly, he should not seek to lead crusades and should play a secondary role. Secondly, he should act cooperatively and multilaterally, and encourage the establishment of a large-scale democratic coalition in Latin America. Thirdly, he should project an image of the United States as a democratic and liberal power, with confidence in democracy and freedom. Trump is the very embodiment of the rejection of all three of these conditions. Whether he likes it or not, this makes him the best ally of Bolivarian populists and the worst partner for democratic governments.

God Protect Me from My Friends

The final, broad and necessary objective that the Trump administration set out to achieve in Latin America back in 2016 was to foster development and create prosperity. How? Through free trade and the market, legal security and free enterprise, the fight against corruption and the war on drug trafficking. Words of wisdom. Empty words. Four years on, the situation is bleak: the region's economic growth is sluggish, private investments are low, free trade is faltering, corruption has a corrosive effect on governments, and criminal gangs control vast areas and powerful financial networks.

Once again, blaming this on Trump would be puerile. The "imperialists" who believe in the omnipotence of the United States and in its boundless capacity to push Latin America along the road of progress are in this respect the mirror image of Latin American "anti-imperialists", who are convinced that all their ills – from poverty to violence and from corruption to inequality – is caused by Yankee "exploitation" and "selfishness". Both are pointing the finger at the other, but both of them are off the mark. Two centuries of Latin American history and one century of US plans to "develop" and "democratise" Latin America should have taught both sides that Latin America is the master of its own destiny – for better or, alas, usually for worse – and that each time Washington has ventured to take the lead, the US has ended up "in tow", dragged into spectacular failures and appalling quagmires.

For all that, however, it is patently obvious that Trump has made his own contribution to hindering its progress. Unable to harm his enemies politically, he has proved far more skilful in putting a spanner in the works for his friends economically. In the name of America First, naturally. When he came into office, the countries in the region, or at least a significant number of them, were going through a "cultural revolution". Free trade, the old bugbear of the robust nationalist and protectionist Latin American tradition, had made a breakthrough. The process

started with Chile, Peru, Colombia and Mexico – the members of the Pacific Alliance –, which opened up most to the world and had benefited from this. Then, from 2015, it continued with Argentina, where Mauricio Macri was attempting to break the rigid economic autarchy imposed by the Peronists. Finally it was the turn of Brazil, the old protectionist elephant, which the government Minister Paulo Guedes sought to make slightly more open to the winds of free trade and competition from 2018.

Since free trade is a key feature of US exceptionalism, one might well have expected Washington's approval and cooperation in this respect. From Bill Clinton on, all US presidents negotiated trade deals with various countries in the region. During the golden age of the Washington Consensus, they had even dreamed of ALCA, a vast trade area stretching "from Alaska to Tierra del Fuego". But just as ALCA was scuttled by ALBA and the nationalist reaction led by Hugo Chávez, Latin America's openness to trade is now being dealt blow after blow by Donald Trump. This is further confirmation, if any were needed, that he has much more affinity with the anti-liberalist ideas of his supposed "enemies" than with the timid liberalism of his ill-used "friends".

He spared them nothing. To the rare Latin American admirers of the open society and free economy, it was like hearing the pope cursing, or the Church defending heresy. They expected the US to be their natural ally and staunch supporter but instead they found the most obstinate adversary. To make his position clear, Trump immediately struck his first blow by withdrawing from the Trans Pacific Partnership. Then he dealt his second blow by demanding the renegotiation of NAFTA. Since then, his tune has never changed. Among other things, he announced on Twitter that he would impose tariffs on Argentinian and Brazilian aluminium and attacked Colombian President Iván Duque, his closest and most faithful ally in the region. There are neither friends nor enemies in the world of America First: there are only the "people", Trump's people, and the race for the White House.

The Cost of Hegemony

We might ask whether the fact that the Trump administration has no policy towards Latin America is a good or a bad thing. It might actually be better to have no policy rather than a wrong or a very bad policy. Playing things by ear may expose policymakers to terrible mistakes and catastrophic outcomes but it can also open the way to healthy adjustments and to greater flexibility than a rigid ideological approach would allow. Also, this is not the first time that Latin America ends up at the bottom of the list of US geopolitical interests. Between the end of World War Two and the Cuban revolution, the region was the Cinderella of US global policy. From 2001 to this day, the tune has always been the same: Washington neglects the Western hemisphere, is the persistent grumble one hears across the region. Funny: after spending their lives denouncing US “interference”, how can they now complain about US “indifference”?

Yet to Latin America – or to that large portion of it which, after so much suffering and struggling, and opposing and ranting against the liberal order, has finally adapted and integrated – this is a trauma. Latin America’s diplomatic services are at their wits’ end, they are bewildered and disoriented. And the friendlier they are towards the United States, the greater their disappointment. There is a crank behind the wheel in Washington, the bitterest among them are whispering. Trump’s popularity figures speak for themselves: his approval rating in Latin America is just 16 percent. Considering that in some countries where people still believe that the US will rush to their aid, such as Venezuela, over 30 percent of people approve of him, we can easily infer that elsewhere his popularity comes close to zero. America Last.

It is not that he has no fans, let us be clear about that. He certainly has! A few but passionate small or big aspiring Trumps are springing up throughout the region. Like him, they are keen to impose – to the sound of prayers and jeers – the age-old virtues of “the people”, the enduring interests of “the nation”

and the eternal moral principles of “God”. Bolsonaro is the best-known and most glaring example of this, though not the only one. The worst thing, or the misconstruction, is that they call themselves “liberals”. But while the “enemies” have the enemy they want, i.e. him, the “friends” do not have the friend they want, i.e. the United States. Hence, the most affected by this, rather than Trump, is the liberal civilisation that the US has hitherto embodied, and the ideals of democracy, progress and freedom of the best Pan-American tradition – in short, the ideals of the Wilsonian tradition that the likes of Roosevelt, Kennedy, Carter and Clinton tried to spread across the Western hemisphere, frequently clashing head-on with the stiff resistance of Pan-Latin American nationalism. How do we explain the fact that the United States is repudiating these ideals just when they have taken root in Latin America more than they have ever done in the past? How are we to interpret the fact that the US has given up the quest for liberal hegemony just when liberalism in the Western hemisphere needs it most?

The fact is that hegemony is costly. It entails being prepared to make small, immediate concessions in return for major systemic benefits; accepting a compromise solution in order to gain an ally; and investing in resources in order to avert a threat. The hegemon is willing to make sacrifices for its ideals, and to fight for its friends and against its enemies. Having emerged triumphant from World War Two, empowered by the democratic ideology it sought to spread across the world like a new religion, and with a manufacturing system with endless production and innovation potential, the United States believed it was its duty and its mission to shoulder the political as well as the economic cost of hegemony, with both its privileges and its burdens. This is ultimately what the liberal order was founded on, a liberal order in which in one way or another we are still living. That choice went somewhat against the grain, given America’s history of unilateralism and isolationism. But it reflected the spirit of the age, the sterner stuff its ruling class was made of.

Since then, a lot of water has gone under the bridge. The global balance of power has shifted and the players have multiplied. The cost of hegemony has grown and its popularity has waned, in the United States as across the world. Some US presidents tried to share the hegemony, expand the foundations of the liberal order and take in new-comers, educating them to espouse its rules and embrace its spirit – sometimes successfully, other times less so. But not Trump. Trump is the first US President to give the thumbs down to and turn his back on the order his country founded. He believes that the order whose cost was once worth sustaining has turned against the interests of the “American people”. They, in his view, are the real victims of “liberal globalisation” and of the predatory rise of emerging powers that are undermining their identity and prosperity. And no one can do more to destroy that order, by repudiating its ideological and institutional underpinnings, than the country that founded it. Is this what is happening?

Fatherless but Free?

As the saying goes, not all evil comes to harm. Who knows whether this might apply to Trump? Who can tell whether, as sometimes happens in history, his coming to power might actually trigger a “virtuous genetic mutation” of the original goals; whether, as a reaction, it might actually facilitate Latin American integration; and whether it might open up spaces for a powerful return of Europe in Latin America and of Latin America in Europe? Who can say? To be optimistic, one might think along those lines.

Is it not the case that what restrained Latin America’s confidence in the liberal order was its status as a *Pax Americana*? Is it not the case that Latin American countries have often been divided according to whether they were for or against US leadership? And is it not the case that the accusation of being the “watchdogs” of the US empire and Washington’s “useful idiots” has always been a huge weight hanging over the few,

timid liberal countries of Latin America? Why, then, should we not think that being “fatherless”, in the sense of not being under US hegemony, might be an opportunity rather than a setback? Could the loss of its “father” be a chance for Latin American liberalism to come of age and build the model and choose the allies best suited to it?

Seen in this light, the Trump presidency could be a kind of providential “liberation” for Latin America. It could provide the ideal springboard for forging a new and more influential role for itself in the multipolar world that is emerging, as the United States runs out of steam or stops assuming the burden of leadership. There are some signs of this already. One of them is the swift signing of the free trade agreement between MERCOSUR and the European Union, after years of slow and sterile negotiations. The geopolitical significance of this treaty has escaped no one: while Trump, appealing to America First, is laying the North Atlantic axis to waste, what is to stop the centuries-old axis across the South Atlantic from growing stronger? The free trade treaty is actually just the tip of the iceberg, only the most glamorous event in a thick agenda of exchanges and meetings between Europe and Latin America, which had not sought one another or shown this level of interest in dealing with each other since time immemorial.

The enthusiasm and optimism sometimes goes even further. The new window of opportunity in Latin America opened by Trump’s nationalism applies not only to Europe, an opportunity that would benefit the liberal order as well as integration in Latin America. The involvement of China, which has long been sweeping across the region, would also produce this virtuous effect. Is it not the case that while China is not a liberal power, it has no intention of undermining the pillars of the international order and has always been careful not to cross the red line that would set Washington on high alert? Is it not an advantage for Latin America, for the first time in history, to be able to rely on a great power from outside the Western hemisphere that has the capacity to counterbalance US hegemony? Does it not

give Latin America greater room for manoeuvre? Does it not multiply its opportunities?

Perhaps. But looming behind each of these reasons for optimism is a shadow that casts doubt on it, a caveat that turns it into an empty hope. Take the case of Europe. Can the European Union truly stand as a bastion of the liberal order that Trump is abandoning to its fate? Does it really have the strength, the strategic vision, the political will and the unity required to fill the gap left by America's "retreat"? It would be great, for anyone who believes it, but the hope is unfounded. That is partly because Latin America remains a remote and exotic horizon for most European countries – the bulk of Europe, the one with a German tradition, has very different international priorities that it regards with greater interest or concern than Latin America. And part of the reason is that the Old Continent, no less than the United States, is going through a serious crisis of rejection of the liberal order, both domestically and internationally. The idea that Europe can pick up the baton dropped by the United States in Latin America is merely a pipedream, as yet. The test-bed will be the course of the free trade treaty as it makes its way through the EU member states' national parliaments for ratification. More than a triumphant march, it promises to be a path of trials and tribulations, judging from the first rejections that have already come in.

One might argue that China faces none of the issues that are weighing Europe down in Latin America. True. Who can deny that China is currently at the centre of the Western hemisphere's political and economic life? Who can doubt that it will be increasingly so, and that it is China's natural destiny to fill the spaces left unattended by Trump? That is all well and good: it is a tangible reality, and these are sensible prophecies. But the question is whether China's influence will foster Latin America's development, whether it will benefit regional integration, whether it will strengthen or erode the liberal order in the region and whether or not democracy will benefit from it. I am not so sure that it will.

Latin China

When Trump indulges in navel-gazing and plays things by ear, when he bangs his fist on the table and changes course from one day to the next, the Chinese have a feast. Unlike the United States, China seems to be prepared to pay the cost of hegemony – hence its influence in Latin America keeps growing. So, Pompeo complains about it? So, he rants against the “yellow tide” and pressures his allies to resist it? So, a new anti-Chinese “consensus” is developing in Washington? They only have themselves to blame, people say south of the Rio Grande. That is also what the Democratic candidates in the race for the White House think: our retreat from Latin America, they argue in unison, our failure to defend “American values”, have paved the way for China’s advance in the Western hemisphere.

What is China doing that the US is not doing but which Latin American countries would like it to do? To begin with, it invests and lends money. From 2000 to 2017, Chinese companies invested some US\$109 billion in Latin America, and Chinese banks lent the region a further US\$147 billion. In no time at all, Beijing has become the region’s second largest trading partner, and the largest trading partner for many key states. This is obviously a not gravy train. Unlike Western capital, Chinese capital is not tied to minimum requirements in terms of environmental or labour standards. It is backed by the state, and the Chinese state, driven primarily by a political strategy, is not as concerned as the private investor about the solvency of the country it invests in. Those who celebrate the inflow of so much new capital at the beginning often end up complaining that they are hamstrung by debt and have lost their sovereignty later. One just has to look at Venezuela, whose huge debt to China has forced it to sell off to it significant portions of its resources, and ultimately its future. Many have just one word to describe this: Neocolonialism. But the substance remains the same: greedy for investments and hungry for capital, Latin American countries are queuing up in front of

Chinese embassies, which in turn splash money around, invite and court their hosts, donate public works and pay bribes. In a region where the end of the boom in the price of raw materials has left many victims on the ground, this is manna from heaven. No one can resist the Chinese lure, not even Bolsonaro, who lashed out against China during his election campaign. But it didn't take him long to change his mind and grab a piece of the Chinese cake.

But besides money, infrastructure and raw materials, there is also something else that China has set its mind on. Chinese influence is not made of business alone. It has been even less so since Xi Jinping launched his "new long-term strategy", which is more assertive and more ambitious than the previous one. No one believes in the myth of a non-political and non-ideological China anymore. Like all powers, China too has its legitimate political preferences and objectives. What are they exactly? We merely have to observe its actions in the region. It courts everyone but has a weak spot for illiberal regimes and Bolivarian populist leaders – because they resemble China, they fight the "Yankees" and they, more than anyone else, welcome China with open arms. The fact is that Venezuela and Cuba are its favourite clients and love draws them together over and beyond filthy lucre.

All this is enough for the United States to conclude that a serious challenge to its hegemony in the hemisphere is underway, and for Washington to toughen its stance towards Beijing. In the short-term, it is neither obvious nor likely that this will lead to any major tensions, since the State Department is more eager to condemn Chinese "expansionism" than the White House is to check it through stronger engagement in the region. That is because China treads carefully and avoids stepping on too many toes; it talks a great deal about economics but is far more prudent when it comes to political and military matters. But there is another, more solid reason, encapsulated by the remark of one Latin American leader who said "Please don't ask us to choose between the United States and China, you wouldn't like our answer".

And herein lies the real point: it lies in what Latin American countries, their governments and their public opinions believe, expect, desire and fear. Whatever Trump does or does not do, whatever Europe may or may not do, and whatever China will surely do, everything will be filtered through local history, through the dynamics of Latin America and the logic – often unfamiliar to external players – that drives them. This is what we need to focus on to assess the regional effects of these global transformations, to envision what may be the fate of the liberal order in Latin America and to consider what the prospects for Latin American democracy and integration might be.

Divided at Birth

What do Latin American countries want? What do they expect from the global system as a “Latin American community”? At first glance, they all seem to seek the same thing, namely the *Patria Grande*, or Great Fatherland, Latin American unity; they all seem to share the goal of having prosperous economies and solid democracies. But not only is this easier said than done; not only are there historical tensions and competitions and a diversity of interests cutting through the region. The challenge is far greater than that: there has never been a consensus – there is not one now and there are no signs that there will be one in the future – on what the Great Fatherland that they all call for should be or what form it should take, and even less on how to achieve development or on the meaning of democracy.

On the one hand, put simply, there is the liberal tradition. The Great Fatherland envisaged by this tradition is founded on the principles of the liberal order: multilateralism, representative democracy and free trade. Should it be achieved, this integration process would involve adherence to common rules and institutions while respecting the political and ideological pluralism of the member states, provided they fulfil the requirements of democracy. It would not matter very much whether the individual states were run by socialist, conservative,

liberal or Catholic governments, since the liberal project is underpinned by institutions, not ideology. As such, it is not necessarily incompatible with US Pan-Americanism, nor does it imply a biased hostility towards Washington. This kind of united Latin America would be stronger *vis-à-vis* the United States but would not be its enemy.

On the other hand, there is its great, eternal enemy: Pan-Latin Americanism, a nationalist and populist tradition hostile to Pan-Americanism and its values. Its idea of the Great Fatherland is the antithesis of the liberal one. The major Latin American populist movements have all cherished this ideal and passed the mission to build it down the generations; and all their descendants are still calling for it. Rather than an integration project, theirs is an idea of fusion, and while integration takes place between different players and is underpinned by institutions, fusion takes place between like players held together by a shared ideology. Hence the necessary condition for such a fusion is the emergence of “national and popular” governments – “revolution” in every single country, whether in the ballot box or the streets and squares. Its premise is unanimity rather than pluralism.

The Pan-Latin American myth is grounded in a visceral and absolute anti-Americanism, no matter who is in the White House and regardless of Washington’s aims and proposals. Latin American populists are locked in a struggle against the United States not for what America is, i.e. the hegemon, but what it stands for, i.e. liberal civilisation. What unites us, Pan-Latin American populists used to say and still say today, are “language, culture and religion” – in a nutshell, their Hispanic past. And just as the historical enemy of Hispanic Christianity was “Anglo-Saxon Protestantism”, which eroded and subdued it, the heirs of this Protestant tradition are their present-day enemies: liberalism and capitalism. It is not surprising that the principles of liberal democracy are foreign to their idea of “democracy”, or that they are ill-disposed towards multi-party systems, the separation of powers and individual rights. It is

even less surprising that they despise and fight the ethics of capitalism, pointing their finger at its inherent “sins”, which the Hispanics have always ascribed to the “Anglo-Saxons” and see themselves as being immune from: selfishness, materialism and individualism.

So, just as within each country this tradition claims to embody the pure “people” constantly fighting against the corrupt “oligarchy”, in the Western hemisphere it seeks to build the Great Fatherland upon the ashes of the empire of the United States and its allies. As Latin American populist leaders frequently put it, it is a case of “proletarian” nations pitted against “plutocratic” nations. Needless to say there can be no possible synthesis between liberal integration and populist fusion: it is either one or the other. The Latin American political dynamics revolves around this cleavage, and any change of government tips the balance from one side to the other.

Americas First

All this, in conclusion, takes us back where we started from, namely to the effects of Trump’s “retreat” in Latin America. China, the major beneficiary of this, is not merely an economic challenge for the United States but also an ideological thorn in the side. China’s very nature obviously makes it so, but even more critical in this respect is the fact that Beijing is a powerful source of support for Latin America’s populist movements, the age-old enemies of the liberal order in the region. To them, China is a natural ally, the vehicle of a vast global coalition against Western liberalism that they can link up with. After all, does China not embody a political regime and a development model that are very opposite of the liberal and capitalist ones? Is it not what they are also pursuing? Its mix of communism and Confucianism reminds them of the Christian socialism that they idealise and feed on, and of the vehement anti-liberalism that they preach and practice. In the Western hemisphere this is and will continue to be the greatest challenge facing the United

States; it is China's strongest tool to help them gain power; and, finally, it is the greatest and most imminent danger threatening Latin America's fragile liberalism.

If these are the issues at stake, and if this is how matters stand, then the effects of Trump abandoning Pan-American principles seem a great deal more serious, more far-reaching and more enduring than he and his fans imagine. The effects of his mandate on Latin America prove that the liberal cause still needs strong and credible US leadership, a leadership that is proud of its values, namely democracy, free trade, multilateralism and individual rights. Today more than ever before, Latin America's democrats need the United States to stand by their side, and they need the United States to be prepared to pay at least some of the costs of hegemony and to forge a vast coalition with their allies in the region. This is not the way Trump thinks, but there will be no America First without Americas First.

2. Europe and Germany on the Relaunch of EU-LAC Relations

Gian Luca Gardini

At the beginning of 2019, EU-Latin America and Caribbean (LAC) relations, although cordial as always, seemed to have reached a stalemate. Three significant topics on the bi-regional agenda were at a standstill. Firstly, no interregional political dialogue between the two regions had taken place since 2015, highlighting all the shortcomings of a traditional mechanism of EU diplomacy: region-to-region political summits. Secondly, EU diplomatic efforts to facilitate a resolution of the Venezuelan crisis had lost momentum, and European unity in crucial foreign policy matters seemed once again to be a chimera, with the EU losing ground as a credible international broker. Thirdly, negotiations for a trade agreement between the European Union and the Southern Common Market (Mercosur), the trading bloc formed by Argentina, Brazil, Paraguay and Uruguay (Venezuela is currently suspended from the organisation), were not making substantial progress and the risk of yet another blow after twenty years of unsuccessful talks was a likely outcome.

In addition to these specific difficulties, the international context was not particularly propitious either. On the European side, the European Union and its model of regional governance are actually losing attractiveness in Latin America, and perhaps beyond. Brexit showed that centrifugal forces do exist in Europe and that the European integration effort, so cherished

and admired in Latin America too, is increasingly criticised and unable to tackle key problems. For instance, the immigration issue and the tragedy of life losses in the Mediterranean Sea have found wide resonance in the Latin American media and have revealed Europe's inability to find common responses. The low growth rates and slow recovery from the 2008 economic crisis characterising a large portion of the EU members, and in particular the Eurozone, call into question Brussels' ability to address topical common challenges effectively.

At the same time, on the Latin American side, a number of issues have made relations with the EU less smooth than in the past. The Venezuelan crisis turned into such a divisive issue that it split Latin America into two camps on virtually every point of the regional agenda. This divide resulted in new and contested regional initiatives, such as the Lima Group or Prosur¹, the paralysis of other regional schemes and initiatives, such as ALBA, Unasur and Celac², and the practical impossibility to reach regional consensus or to speak with one voice internationally. This contributed to the calling off of any bi-regional summit with the EU. The expectations for the 2019 round of South American elections, including Venezuela, Bolivia, Argentina and Uruguay, also made the regional political scenario quite uncertain and thus scarcely suitable for unity or major initiatives, also considering the end of the left-leaning

¹ The Lima Group was created in 2017 and brings together a number of Latin American countries and Canada to broker a peaceful resolution of the crisis in Venezuela. The Forum for the Progress and Development of South America, Prosur, is a proposal launched in 2019 by Presidents Piñera of Chile and Duque of Colombia to create a South American political bloc replacing the left-leaning Union of South American Nations (Unasur).

² The Bolivarian Alternative for the Americas, ALBA, is a regional integration scheme launched in 2004 by President Chavez of Venezuela and Castro of Cuba to promote an endogenous model of development as an alternative to projects based on free trade. The Community of Latin American and Caribbean States (Celac) is a political organisation launched in 2011 by all 33 countries in Latin America and the Caribbean to have the continent to speak with one voice with the major global partners, including the EU.

political cycle that had characterised the region between 2003 and 2015.

By the end of 2019, in spite of and contrary to this unpropitious scenario, the prospects for a relaunch of EU-LAC relations are surprisingly – and perhaps paradoxically – promising. The effects of Brexit have thus far been quite limited in the EU and have had no tangible impact on Latin America. As a result of the flux of immigrants and refugees fleeing the Venezuelan disaster, other Latin American countries have learned the hard way how difficult it is to coordinate responses regionally or to find a region-wide solution to the question of immigration³. Economic difficulties in Brazil, Argentina and Venezuela have also made it hard to find any easy or effective answers. This has somehow tempered disappointment in Latin America with the EU's own difficulties in managing key regional issues.

Most of all, a set of new initiatives coming from Europe will potentially be a game changer. Firstly, at the EU level, the new strategy for Latin America and the Caribbean announced by the European Commission, the agreement for a trade deal with Mercosur, and the newly elected European Commission all seem to indicate an upgrade of Latin America in the EU's external agenda. Secondly, and perhaps more importantly, Latin America seems to have found a new fundamentally important ally in Europe. Germany has announced a new policy towards Latin America and the Caribbean, which makes LAC a strategic ally globally. Berlin is committed to implementing this policy bilaterally as well as via Brussels.

Moreover, an additional unexpected factor may contribute to relaunching EU-LAC relations. The wave of protests that have been shaking Latin America since October 2019, from Chile and Colombia to Ecuador and Bolivia, places issues such as equality, quality of democracy, the rule of law, the fight against corruption, constitutional reforms, the environment

³ M. Botto, "El papel del multilateralismo en la crisis migratoria venezolana", Conference "¿Qué está pasando en América Latina? Una mirada desde afuera", Universidad andina Simón Bolívar, Quito, 27-29 November 2019.

and respect for human rights at the core of the Latin American public debate and political agenda. These are all topics on which the EU is particularly keen, and they are central tenets of the EU's own identity and external agenda. This match, we would argue, may facilitate a bi-regional rapprochement and broad cooperation. There is a window of opportunity to strengthen EU-LAC relations and back common values and a common vision of the international milieu globally. The first section of this chapter addresses the issue of Brexit and its possible repercussions on Latin America. The second section discusses the 2019 EU initiatives towards LAC. The third section analyses the new German policy towards LAC. The concluding section wraps up the main arguments, thus making a case for closer EU-LAC relations.

BREXIT and Its Limited Consequences for Latin America and the Caribbean

The consequences of Brexit for Latin America will be negligible. Somehow, counterintuitively, Brexit might even bring benefits to LAC. Both the EU and the United Kingdom will be eager to boost their international position and conclude new trade and other deals to compensate for the membership loss. LAC may be a target for this new international campaign and may be able to gain advantages from it. This may already be a possible interpretation of the EU-Mercosur political and trade agreements reached in 2018 and 2019, respectively, almost twenty years after the beginning of the negotiations. The EU was keen to regain momentum internationally and re-establish its attractiveness as a global partner. The UK, for its part, has already started its own diplomatic campaign in Latin America. Several initiatives, such as the British Parliament's inquiry into UK-Pacific Alliance prospects, demonstrate London's increased attention towards LAC.

The most negative impact of Brexit for the EU, but not necessarily for Latin America, is the ideational one. This is the

first time that the EU integration process has suffered such a blow, and instead of deepening or enlarging, it is actually shrinking. However, as General De Gaulle of France famously argued, the UK may be more detrimental than beneficial to European integration⁴. In this case, the shrinking membership may even result in further deepening of integration or in greater cohesion and policy convergence at the European level. If this were the case, the EU's power of attraction would not be particularly damaged. In any case, the appeal of regionalism – the promotion of which is a cornerstone of the EU's global policy – is already on the decline in Latin America for internal reasons. The lack of truly shared interests and policy convergence in Latin America has already hampered most regional projects, such as ALBA, Unasur and Celac. Mercosur and the Andean Community⁵ are also struggling. Actually, members often advocate a dilution rather than a strengthening of their regional commitments. The ideational ripple effect of Brexit in Latin America is thus rather limited, as the crisis of regionalism in this area is essentially the result of domestic or at best regional dynamics. The ideational impact of Brexit should not be overestimated.

A different question has to do with the potential uncertainty of the Brexit process and the economic instability that this may generate in the medium and long term in Europe and beyond. The results of the December 2019 general elections in the UK, with the clear victory of pro-Brexit conservative leader Boris Johnson, should speed up the Brexit deal and make the separation effective in early 2020. While this may be deplorable in principle, it should at least prevent economic instability on the European markets and a possible contagion effect elsewhere. But even if one wanted to assume a pessimistic post-deal scenario, while economic instability in Europe might affect especially

⁴ C. Schweiger, "The Reluctant European: Britain and European Integration Since 1945", in C. Schweiger, *Britain, Germany and the Future of the European Union. New Perspectives in German Studies*, London, Palgrave Macmillan, 2007, pp. 14-42.

⁵ The Andean Community is a political and trading bloc created in 1969 and currently composed of Bolivia, Colombia, Ecuador and Peru.

those Latin American countries that have a free trade agreement in place with the EU, this effect would be rather limited.

Free trade agreements are in place between the EU and Peru, Colombia, Central America, Mexico and Chile. To date, very few of these countries have taken significant advantage of the agreements. For these countries and also for others, such as Brazil and the Mercosur members, the EU is and will remain an important trade destination. Currently the EU represents almost 20% of Brazil's foreign trade, 15% of Argentina's and 18% of Colombia's but, for instance, only 11% of Mexico's. Brexit will not affect the situation more than other factors, such as the economic growth in Asia that has made China the top trading partner for Brazil, Peru, Chile and Uruguay, according to the WTO. The UK accounts for no more than one tenth of the total Latin American trade with the EU. This share may continue also outside the EU framework. Trade-wise, no major consequences are foreseeable for Latin America.

The uncertainty generated by Brexit may have a larger impact on investments, and indirectly on foreign debt and to a limited extent on trade too. International investors prefer stability and fear uncertainty. This may have an indirect repercussion on Latin America. If the solidity and reliability of the European financial system were questioned, international investors might decide to get rid of their stocks denominated in Euros and buy US dollars instead, thus increasing the value of the US currency. LAC exports overall may become more competitive, but imports would in turn become more expensive. The overall trade result might be positive nonetheless, but foreign debt would be negatively affected. On the one hand, the cost of debt repayment denominated in US dollars would increase. On the other, a rise of the dollar would cause a hike in interest rates, thus making access to financial resources on the international markets more difficult and costly for LAC.

Considering Latin American history, the debt issue is perhaps what raises most concern. The following mechanism would be generated: the increased demand for US dollars, due to the flight

from the euro, would increase the value of the dollar, thus raising the amount of capital available for investments in US dollars. These could be made in the US (where there is at present a strong economic recovery accompanied by policies favourable to capital and investments pushed by the Trump administration), in Asia (where there are still relatively high growth rates), or in the Middle East (where risks are high but so are returns). To be able to compete with these destinations, LAC would inevitably have to offer higher interest rates. The attraction of investment would result in higher debt, not only due to the higher value of the dollar but also the higher interest rates. The good news is that this has not happened since the Brexit referendum in 2016, and with a Brexit deal now within sight, it seems even more unlikely to happen.

If one considers the UK side, there is no reason for concern in Latin America. The continent's exports to the UK represent about 0.65% of the total exports from the region. Figures are slightly higher for Colombia (2.5%) and Brazil (1.7%). The British business magazine *LatAm Investor* has suggested that the UK may be opening up to new trade deals with Brazil, Mexico and Argentina⁶. Brexit could in fact generate benefits for LAC, as British companies may look for new suppliers. Currently 73% of all UK agricultural imports come from the EU, so Brexit may favour LAC producers to replace those in the EU. Yet, enthusiasm on the Latin American side has to be tempered. This optimistic scenario depends on two critical conditions: a) the type of exit that the UK will finally conclude with the EU, that is, with or without a deal on trade barriers and customs; b) the capacity of LAC producers to adapt to and quickly meet the higher food production standards that will likely exist in the UK also after Brexit.

Two more issues deserve attention: British investments in LAC and LAC citizens in the UK. British investments in Latin America are more significant than trade. If the British pound lost

⁶ *How Will Brexit Impact Latin America?*, *LatAm Investor*, 6 October 2016.

value because of Brexit, then British investments in the region may decrease, but only in the short term. In the medium and long run, the search for new opportunities may prevail. Finally, Latin American citizens living in the UK have nothing to fear. They will only be affected if they hold an EU passport. For the others, nothing will change. For EU citizens, too, an agreed solution is very likely. Overall, Brexit may end up affecting primarily the image of the UK. Latin America has always admired the EU's achievements and the perception of the country that jeopardises them may not benefit.

Brexit is no doubt a blow to the European integration process. However, it is also an opportunity to rethink regionalism, not only in Europe. Perhaps an important lesson for both European and LAC regionalism is that the greatest accomplishment lies in rising again after you fall rather than in never falling. What seems to be lacking in integration processes is the citizens' sense of belonging to and ownership of them. They do not generate empathy. European public opinion does not reject European integration per se, but increasingly for the way in which it has been conducted and turned into integration between banks and bankers rather than peoples. What is being missed is the ultimate meaning of regionalism, which is not and must not be an end in itself but an instrument for the interests and wellbeing of the participating communities. Why integrate and for what purpose? To achieve the inclusive economic and social development of our societies. Without both the economic and social components together, and without inclusion and the equitable and fair distribution of costs and benefits, there is neither integration nor cohesion, be it at the local, national or regional level.

Integration, cooperation and even just the regional coordination of public policies may greatly help to achieve the goals of a society but are not a replacement for them. Regional integration is one among many options in foreign policy and international insertion. Overcoming the shortcomings of the current model of regionalism, both in Europe and LAC, can help achieve the ultimate goals of our societies. First of all, this

implies a frank discussion and consensus on what these goals are. Maybe the most important legacy of Brexit for EU-LAC relations is yet to come and depends on whether and how the EU will recover from the Brexit fallout. A steady recovery with a strong EU-coordinated response to the current challenges of European societies, emphasising European values and pursuing inherently European ultimate goals, has the potential to reactivate the bi-regional relations and spread the shared preference for cooperative multilateralism globally. For all these reasons, Brexit has the paradoxical potential to lead to stronger EU-LAC relations.

New EU Initiatives and Circumstances

The year 2019 could be a decisive one for the relaunch of EU-Latin America and Caribbean relations. A new set of major circumstances and key initiatives at the EU level have the potential to be a game changer. In April 2019, after ten years of silence, the European Commission issued a new communication on the European Union, Latin America and the Caribbean aimed at designing the pillars of a new EU approach towards the region. In June of the same year, the European Union and Mercosur reached agreement on a trade deal. Finally, at the end of the year a new Commission, on paper more favourable to Latin America, took office. All this creates a number of opportunities to upgrade and strengthen the bi-regional relationship. However, each of these opportunities comes with its own challenges and limitations, and it is up to the two parties involved to display the political will to grasp the momentum.

The Commission's Joint Communication to the European Parliament and the Council on EU-LAC relations is entitled "Joining forces for a common future"⁷. Rarely have EU

⁷ European Commission, "*Joint Communication to the European Parliament and the Council – European Union, Latin America and the Caribbean: joining forces for a common*

documents shown such consistency between the title – and the slogan associated with it – and the content. The argument made is very compelling: the European Union and LAC share common values and interests, beyond rhetoric, and a stronger partnership is vital to the preservation of such values and the defence of such interests in the face of challenges at the global level. The opening statement of the document, which is a reference to the 2016 EU global strategy on foreign and security policy⁸, is an additional indication of the strategic value of the Joint Communication. Three key aspects stand out.

The first is a call for the re-politicisation of their relations. This of course does not mean to advocate a partisan or confrontational approach to the issue, but on the contrary a genuine return to the political nature of the relationship. While trade and other technical matters are important, and this is fully acknowledged in principle and in the diplomatic practice throughout the document, the strategic value of the Commission's reflection is a central tenet of the document. The Commission analyses the unprecedented level of integration, not only economic, between the two regions. It also identifies key challenges to EU and LAC interests, such as the increasing presence of China internationally, the evolving position of the United States and the pressing need to adapt to digitalisation, preserve the environment and guarantee social justice as well as democratic institutions. The Commission calls for a renewed and ambitious commitment by the EU and Latin America to working together to preserve multilateralism and a rules-based global order.

The second important aspect is the policy orientation of the document and its call for action. The Joint Communication is not just a list of principles, values or challenges, but a well-thought-out and innovative reflection on how to translate all this in practice. An interesting point is the combination

future", April 2019.

⁸ European Commission, "*A global strategy for the European Union's Foreign and Security Policy. Strategy*", June 2016.

of traditional instruments and innovative and tailor-made solutions. This opens the way to going beyond the established summit system of political dialogues. It invites states on the two shores of the Atlantic, as well as the EU institutions, who want closer cooperation, to experiment with new formats. In a partial revision of its recent development aid policy, the Commission also places emphasis on cooperation with the more advanced developing countries in Latin America as an amplifier of the EU's efforts. It also accepts the need to simplify its cooperation tools while making them more flexible and responsive to the needs of the receiving partners.

The third major element is the emphasis on societal issues and the role of civil society. The EU proposes an engagement with LAC governments and regional organisations as well as civil society at large, think tanks, local authorities, the business sector, cultural organisations, representatives of academia and the youth. The focus on the concerns of the citizens, accountability and transparency as drivers of EU cooperation is perfectly echoed by the demands of street protests in many Latin American countries. The agenda, values and approach of the EU make it the ideal partner to work together with Latin American institutions to meet the social and political aspirations emerging from the mass demonstrations in several Latin American countries in the closing months of 2019. Europe and the EU are international points of reference for democratic, social and living standards. This is why Latin American citizens, not only the poor but increasingly the expanding middle class as well as the elites, have taken to the streets. This is a perfect time to boost the bi-regional partnership through the four pillars proposed by the Joint Communication: prosperity, democracy, resilience and effective global governance.

The political agreement reached in June 2019 on a trade deal between the European Union and Mercosur is another potential game changer in bi-regional relations. After twenty years of negotiations, the EU could be the first major trade partner of Mercosur to have a free trade area in place with the

South American bloc, a fact that former Commission President Jean-Claude Juncker defined as “historical”⁹. This would create a free trade area of around 780 million consumers. Most of all, the agreement addresses in a fundamental way the link between trade and the strategic issues discussed above. The agreement reaffirms the commitment of both parties to rules-based international trade at a time of increasing protectionism and impending trade wars. It also includes important clauses on labour and environmental protection, committing the signatories to the implementation of the Paris Agreement on climate change. The sticky issue of agriculture, which had long delayed the agreement, has substantially been addressed, with a good dose of pragmatism and with the satisfaction of both parties: most agricultural and dairy products will enter the respective markets free of customs duties but subject to quotas.

Nonetheless, this rosy picture has to be tempered. There is no signed agreement yet. What the parties agreed upon in June 2019 is a political approval in principle. Both parties will now go through a legal check of the agreed content to reach the final version of the Association Agreement, which includes a political and cooperation section as well as a trade section. Only then will the formal text be signed and presented to the European Parliament and the EU member states for approval. This is before the ratification process even starts. Here is where obstacles could most likely arise.

On both sides, there are resistance fronts. In Europe, France, Ireland and Poland have already expressed their reservations about the willingness of the counterpart to meet environmental targets and the possible repercussions on the European agricultural sector. The recent personal clashes between Presidents Macron of France and Bolsonaro of Brazil have not improved the atmosphere. On the Mercosur side, the Bolsonaro administration may be more favourable to concluding a free

⁹ European Commission, “*La UE y el MERCOSUR llegan a un acuerdo en materia de comercio*”, Press Release, 28 June 2019.

trade agreement with the United States first. This adds to Bolsonaro's threat to exit Mercosur and his economy minister's scepticism about Mercosur's usefulness for Brazil's development and international strategy. In Argentina, the mild resistance of the business sector accompanied the statements by newly elected President Alberto Fernandez against the agreement and his willingness to renegotiate it. In spite of a later back-paddle by Fernandez, who has now fully acknowledged the agreement on trade, and Bolsonaro's signs of openness, the road to implementation will be at least tortuous and may last an additional couple of years. Still, this is a positive development after a long stalemate.

The third and final promising step is the formation of the new European Commission, which took office in early 2020. The appointment of Ursula von der Leyen of Germany as President and Josep Borrell of Spain as High Representative for European Foreign and Security Policy, the equivalent of a foreign minister, are positive signals for Latin America. Von der Leyen is very close to German Chancellor Angela Merkel, and the German government has recently relaunched its Latin America policy very strongly, making a serious commitment to the continent. These steps will be discussed at length in the next section. Echoes of this favourable German position should reach Brussels, and von der Leyen is likely to back it. Borrell is a very experienced politician, who has already served as foreign minister of Spain, a country that has always had a strong interest and a leading role in Latin America. Borrell himself is considered a friend of Latin America.

This all sounds good, but there are also reservations. Von der Leyen's debut as President has been plagued with several problems that culminated in the delay of both her team's confirmation and the whole Commission's inauguration. It may take time to regain the lost political capital and the support of the European Parliament. At his confirmation speech before the European Parliament, Borrell listed his geographical priorities for the EU's external projection in addition to relations with

the US, China and Russia, the big players. Latin America was as usual last, following the Balkans, Ukraine, the EU neighbourhood area, Africa and Asia. In spite of these challenges, the Joint Communication, the agreement on the EU-Mercosur trade deal and the composition of the new Commission are all positive news for the future of EU-LAC relations.

A New Champion for Latin America: Germany's New Policy Towards LAC

Perhaps the most significant advance of the last few years for the future of EU-LAC relations is the shift in policy and vision adopted by Germany in May 2019. Berlin has identified Latin America as a key partner for its international strategy. This gives the bi-regional relations two big assets. Firstly, the partnership now enjoys the full support of the EU's single most powerful political and economic player. This means that their relations may now count on a credible and reliable leader, recognised at both the European and international levels. Secondly, when Germany pursues an objective, it generally achieves it. This means that the ability and willingness to implement an ambitious bi-regional agenda may be greatly enhanced. This would contribute to overcoming the gap between ambition and results that has often weakened the bi-regional political dialogue in the past.

Germany's policy shift towards Latin America is the result of a broader revision of German foreign policy and Berlin's international posture. From several sides there have been calls for a more assertive role for Germany in Europe and internationally¹⁰. The reasons for Germany's traditional reticence to take bold positions at the international level are coming under increasing criticism. History certainly plays a central role, and Germans feel uncomfortable about leading

¹⁰ J. Smith, "*German foreign policy is stuck in neutral*", *War on the Rocks*, 18 February 2019.

overtly because of their past. Wariness of German assertiveness also characterises some small and large European states. The German national character and decision-making style are also important. Decision-making processes are generally consensual and tend to avoid open confrontation. Also and consequently, the preferred leadership style in the country is quiet leadership, rooted in consensus building and persuasion. The result has long been a sensation of undue silence or inadequate response. However, Germany is not inactive. It just moves quietly. Moreover, when it does so, the outcome is generally noticeable.

The calls for a more proactive role have not gone unanswered. A rethinking of the country's international role and vital interests has taken place. The assumptions that had driven Berlin's foreign policy from the fall of the Wall up to a few years ago – that is, a policy convergence towards open markets and liberal democracy at the global level and the absence of any real challenges or threats to Germany's national interests – have been shaken¹¹. Russia's annexation of Crimea in 2014 was the turning point. This resulted in Berlin's determined reaction, including its lead in the adoption of EU sanctions against Moscow. The 2015 refugee crisis, the bold emergence of China – Germany's largest trading partner but also one far from consistent with the post-Cold War expectations of Berlin and the West – and the election of President Trump in the US, shook Germany's reading of the world as a global community and prompted a serious reassessment of the international milieu and the country's role within it. This is still an ongoing process, and Berlin's new Latin America strategy may well be a preview of further results to come.

In May 2019 Foreign Minister Heiko Maas called for a major Latin America-Caribbean conference in Berlin. Twenty-four foreign ministers from LAC attended. On the occasion, Minister Maas presented Germany's new vision, with tangible initiatives, for

¹¹ T. Beggar, "The world according to Germany: Reassessing 1989", *The Washington Quarterly*, vol. 41, no. 4, 2018, pp. 53-63.

LAC¹². Minister Maas insisted on how geography shapes identity and perceptions, but promptly added that geography is not everything and that we are not prisoners of it. Today, digitalisation has reduced distances, hashtags can trigger global debates, flows of goods and data have increased interconnectedness and people are more mobile than ever. In today's global "cosmopolis"¹³, the concept of *neighbours* is no longer solely determined by distance but increasingly by connectedness, openness to learn from each other and sharing values and interests. Germany believes that LAC and Europe can be *neighbours* in the world of the twenty-first century. Both regions are strongly democratic, closely connected in cultural terms and committed to international rules, human rights, economic openness and fair social and environmental standards. This *neighbourhood* has to be read as a natural strategic alliance to preserve those values and international rules that have greatly benefited both Germany and Latin America in the post-Cold War era.

The picture of the current global scenario and its challenges for Germany outlined by Maas was surprisingly direct in diplomatic terms and strongly consistent with the one depicted in the European Commission's Joint Communication. The German Foreign Minister plainly stated that Germany needs allies in the current uncertainty and explicitly mentioned those players that undermine, or may undermine, international certainty. China uses its economic might offensively to exercise political pressure, including in Europe and Latin America. Russia uses military force to present political outcomes as a *fait accompli*. Finally, the United States, a cornerstone of the existing liberal order and an established key ally of Germany's, has become a factor of unpredictability, as the withdrawal from the Paris Climate Agreement and the protectionist trade policy demonstrate.

¹² H. Maas, *Opening speech by Foreign Minister Heiko Maas at the Latin America-Caribbean Conference*, German Ministry of Foreign Affairs, 28 May 2019.

¹³ T. Garton Ash, *Free Speech: Ten Principles for a Connected World*, Yale, Yale University Press, 2016.

In this framework, Germany feels unprecedentedly exposed and shaken. Quoting the famous Colombian writer Gabriel Garcia Marquez, a beloved author in Latin America and internationally, Minister Maas used the metaphor of “the solitude of Latin America”, that sensation of marginalisation and powerlessness in a world where the strong prevail over the weak. Maas empathised with Latin America and suggested that the feeling of solitude is shared by Europe in the current global scenario. He acknowledged that neither Europe nor Latin America are superpowers. The decisive question for both regions is whether they want to be subjects or objects of global policy. If one wants to be heard, one needs allies. Out of this set of realisations – Minister Maas explicitly remarked – Germany decided to place Latin America and the Caribbean higher up on its own foreign policy agenda and that of the European Union. This is a very significant shift in Germany’s conception of itself and the world compared to the post-Cold War years and up to now. Latin America is a strategic and necessary partner for this vision. Concrete implementation is already underway.

Germany has recently undertaken tangible initiatives in several sectors and forums. In 2019 it identified over 80 concrete projects in Latin America ranging from migration to scientific cooperation and multilateralism. In the field of environmental protection, Germany and the Dominican Republic cooperated to put climate change and security on the UN Security Council agenda. Berlin is helping Costa Rica to launch green e-mobility projects. In the field of good governance and the rule of law, Germany agreed to cooperate closely with Mexico against forced disappearances, and to contribute substantially to the fight against impunity and corruption in Guatemala and Honduras. Germany has taken a proactive role in the peace process in Colombia via both the ad hoc UN Trust Fund and its own German-Colombian Peace Institute (Capaz). Following the recent wave of protests in Chile, the Chilean and German governments are in talks to see how and where Germany could contribute to improving the situation in the country, namely with regard to a new constitution. On

the economic front, the Association of German Chambers of Commerce expects German exports to LAC to increase by 5% in 2019, investments are on the rise, and German businesses are expected to employ over 600,000 people in the region. Germany is not necessarily a benefactor, but it perceives its renewed engagement with LAC as an essential tool to advance its interests and preferences internationally.

German concrete action also perfectly coincides with the pillars of the European Commission's Joint Communication: prosperity, democracy, resilience and global governance. As in the Joint Communication, strong emphasis is placed on stimulating and supporting civil society, a cornerstone of both European and German identity and international projection. In 2019 Germany launched a network of Latin American women, Unidas. The Goethe Institute, the main instrument of German cultural diplomacy, is expected to intensify its activities in Latin America and to broaden its agenda. The German Academic Exchange Service (DAAD) has recently launched new programmes in Ecuador and Paraguay. Cultural diplomacy, broadly understood, and the reinforcement and spread of shared values are at the centre of German action in Latin America. Moreover, this is done with a respectful attitude. In the words of Minister Maas, Germany is prepared to play a role "where help is wanted"¹⁴.

Finally, Germany is explicitly committed to upgrading LAC's position in the EU agenda. The consistency between Germany's vision and action on the one hand, and the EU's analysis and principles on the other, is remarkable. One can hardly think that this is accidental. It is more likely that there is a link between the German input and the EU Joint Communication. Germany is "100 percent behind the efforts of the European Commission"¹⁵. Prime Minister Angela Merkel, for instance, was among the seven European heads of state and governments

¹⁴ H. Maas (2019).

¹⁵ Ibid.

who signed an official letter of support for the European Commission to conclude the trade deal with Mercosur. During negotiations, the German government actively worked with other EU member states within the Council and bilaterally with Mercosur members in order to bring the talks to a positive conclusion. Berlin is now committed to facilitating the ratification process. For Germany, bilateral and EU channels are complementary. This is not an “either-or” question, it is a “both-and” approach¹⁶. With German support, EU-LAC relations have an additional strong advocate.

Conclusion

At the end of 2019, conditions for the relaunch of EU-LAC relations seem particularly favourable. Brexit has not substantially damaged the power of ideational and diplomatic attraction of the European Union in Latin America. New developments in Europe suggest a likely upgrading of LAC in the EU’s external agenda. The content and spirit of the Commission’s Joint Communication on Latin America and the Caribbean, the political agreement on a trade deal with Mercosur and the composition of the new European Commission are all positive signals in this direction. Most of all, Latin America can now count on a powerful new sponsor in Europe. Germany has revisited its foreign policy towards the region and decided to place Latin America higher up on its external agenda. This is part of a broader reconfiguration of Germany’s role in the world. Berlin considers LAC a key strategic ally in its efforts to preserve the liberal international order based on open economies, free trade and respect for democracy, human rights and the rule of law.

¹⁶ German Foreign Ministry, Written interview with the author, 16 December 2018 via email, 2019.

The case for a renewed EU-LAC partnership is strong. This is certainly about the preservation and spread of common values and interests, yet it goes beyond that and involves a broader vision of the international community and how to govern it. There are several countries in Latin America, Africa and Asia that would welcome a third, middle way of international governance as an alternative to the US-China duopoly. The current US model is based on double standards, unilateralism and self-interest. The Chinese approach largely rests on unfair competition, illiberal governance and the use of economic might to force political outcomes. A European approach, shared and supported by Latin America, enshrined in a fair, rules-based multilateral system could gain many followers. Ultimately, it could result in more equitable and more prosperous societies. The EU is not perfect, but we should cherish it nonetheless. It is by all means preferable to a pre-EU scenario or to a US- or China-dominated world. The 2020 US elections and the 2020 German semester of EU presidency may well be defining moments for both EU-LAC and international relations overall.

3. China's Engagement in Latin America: Prospects Still Short of Expectations?

Mario Esteban, Ugo Armanini

Economic development in the People's Republic of China's (PRC or China) is one of the major international processes of the XXI century. It has fostered China's engagement in many sectors worldwide, reaching countries in Latin America and the Caribbean (LAC) together with a positive diversification of the region's foreign relations¹. China-LAC relations have been mainly economic and in rapid expansion, as spelled out in the China-LAC Cooperation Plan's targets to reach US\$500 billion in bilateral trade and US\$250 billion in bilateral stock of Foreign Direct Investment (FDI) by 2025². Their significance is also reflected in the several strategic partnerships established with 10 LAC countries, including Brazil, Mexico, Argentina, and Chile³, the institutionalisation of the China-CELAC⁴ Forum, and more recently by the enlargement of the Belt and Road Initiative (BRI). In November 2017, Panama became the first LAC country to officially endorse the BRI, and China now sees the region as a "natural extension" of and an "important participant" in the Maritime Silk Road⁵.

¹ M. Esteban, *China en América Latina: repercusiones para España*, Elcano Royal Institute, 2015, p. 11.

² China-CELAC Forum, *Cooperation Plan (2015-2019)*, 23 January 2015.

³ Y. Li and X. Zhu, *The 2030 Agenda for Sustainable Development and China's Belt and Road Initiative in Latin America and the Caribbean. Sustainability*, 11, 2019.

⁴ Community of Latin American and Caribbean States.

⁵ M. Myers, "China's Belt and Road Initiative: What Role for Latin America?",

LAC integration within the initiative is only a new stage of China's multidimensional – economic, political, institutional and military – engagement in the region with global and regional implications, opportunities and risks. Long-term concerns about dependence and reprimarisation of Latin American economies now fall in a new context of diversification of China's financial engagement, while China-LAC relations face other uncertainties amid United States-China geopolitical tensions and LAC political cycles.

Economic Relations

The bulk of China-LAC relations are still mainly economic. They encompass trade, increasingly diversified investments, as well as financing mainly aimed at infrastructure and energy projects, reflecting the three pillars of the “1+3+6” China-CELAC cooperation framework.

Trade

China has become a major partner of LAC countries, having displaced the European Union as the region's second trade partner and catching up with the US in South America. From 2000 to 2015, China's share in LAC exports and imports rose from 1% to 10%, and from 2% to 18%, respectively⁶. Despite a drop from 2013 to 2016, LAC-China trade has since recovered with an average 16% growth rate making it likely to reach the US\$500 billion trade target by 2023-24⁷. China has

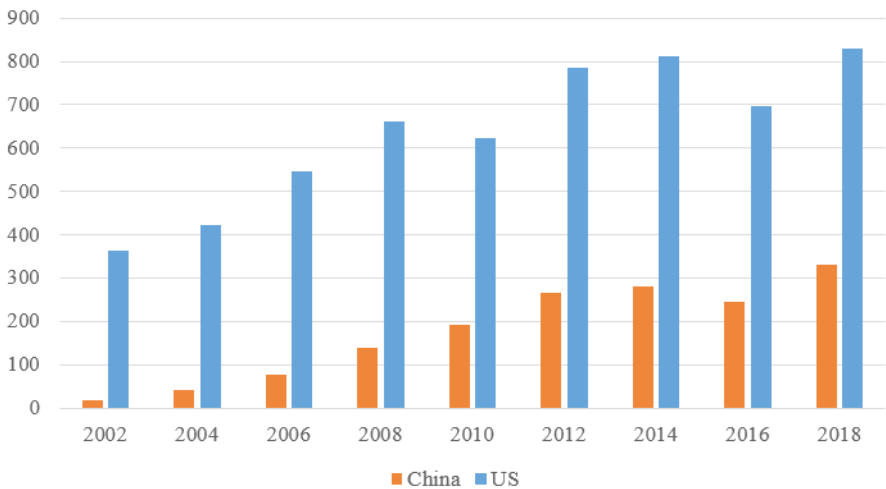
Journal of Latin American Geography, vol. 7, no. 2, 2018, pp. 239-243, cit. p. 240, doi:10.1353/lag.2018.0037.

⁶ N. Hamaguchi, J. Guo, and K. Chong-Sup (eds.), *Cutting the Distance : Benefits and Tensions from the Recent Active Engagement of China, Japan, and Korea in Latin America*, Singapore, Springer, 2018, p. 12.

⁷ G.C. Prieto, A. Figueredo, and L.L. Rodríguez, “El comercio de China con América Latina: panorama de reprimarización” (“China's trade with Latin America: a repression scenario”), in E. Pastrana Buelvas and H. Gehring (eds.), *La proyección de China en América Latina y el Caribe*, Bogota, Editorial Pontificia

signed three Free Trade Agreements (FTA) with Chile, Peru, and Costa Rica. A feasibility study on an FTA with Colombia is still pending, while negotiations on the China-Panama FTA entered their fifth round in April 2018⁸.

FIG. 3.1 - LAC TRADE IN GOODS WITH CHINA AND THE US, 2002-18, US\$ BILLION

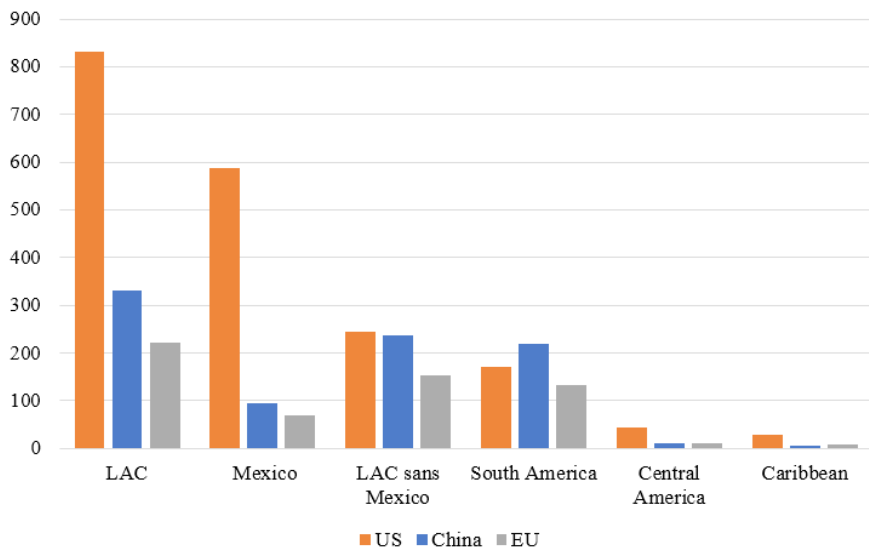


Source: IMF, *Direction of Trade Statistics*, compiled by authors

Universidad Javeriana, Fundación Konrad Adenauer, 2017, pp. 219-266, cit. p. 224.

⁸ K. Koleski and A. Blivas, *China's Engagement with Latin America and the Caribbean*, U.S.-China Economic and Security Review Commission, Washington, 2018, p. 7; Ministry of Commerce, 'The 5th Round Negotiation of China-Panama FTA Held in Beijing, People's Republic of China, 28 April 2019.

FIG. 3.2 - LAC TRADE IN GOODS WITH CHINA, THE US, AND THE EU, TOTAL AND BY SUB-REGIONAL GROUP, 2018, US\$ BILLION



Source: IMF, Direction of Trade Statistics, compiled by authors

Trade between China and LAC has been driven by China's demand for commodities, fostering the region's economic growth, reducing its macroeconomic imbalances and mitigating the impact of the 2008 financial crisis. For China, LAC has become a major supplier of primary goods, and both a promising digital and export market and investment destination. Benefits vary across the region favouring Southern Cone commodities exporters like Brazil, where they partly translate into a positive trade balance and terms of trade, while they prove less certain for Central America and Caribbean countries. Notably, Brazil remains China's main partner and has traditionally been the principal recipient of Chinese foreign direct investment (FDI) in Latin America (see Figure 3.6) while Mexico consensually offers a case of significant competition

with China, especially in the US market⁹ with negative socio-economic consequences including a net loss of 395 thousand jobs from 2000 to 2014¹⁰. However, China-Mexico relations have been improving, supported by China's financial capacities and its likely contribution to the Mexican industrial sector¹¹.

FIG. 3.3 - LAC MAIN TRADE PARTNERS WITH CHINA, 2018, US\$ BILLION AND % OF FOREIGN TRADE

Economy	Bilateral trade		Exports		Imports		Balance of trade	
	Value	Share	Value	Share	Value	Share	Value	
Brazil	100.7	23.3	63.9	26.4	36.8	19.4		27.1
Mexico	96	10.2	7.4	1.6	88.5	18		-81.1
Chile	42.9	28.5	25.3	33.5	17.6	23.4		7.7
Peru	23.5	25.6	13.2	27.7	10.3	23.3		2.9
Argentina	16.3	12.8	4.2	6.8	12.1	18.5		-7.9
Colombia	14.1	15.2	3.6	8.6	10.5	20.8		-6.9
Venezuela	6.5	12.8	5.1	14.5	1.3	8.9		3.8
Ecuador	5.1	11.4	1.5	6.9	3.6	15.6		-2.1
LAC	331.6	15.2	127	11.9	204.6	18.5		-77.6

Source: IMF, *Direction of Trade Statistics*, compiled by authors

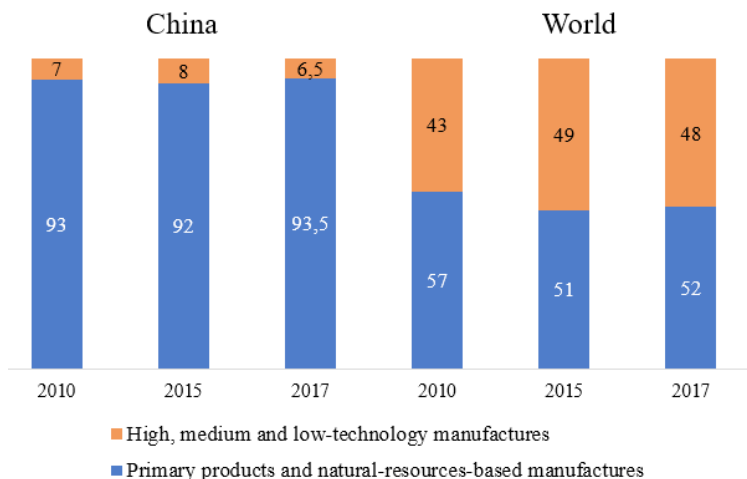
Despite real economic benefits, China-LAC relations suffer from long-term asymmetries. First, while China has become a major export market and supplier for LAC countries, the latter are mainly secondary partners as is the case for top economies like Brazil and Mexico. Second, and more importantly, China-LAC trade presents sectoral asymmetry as the region LAC essentially exports low-value commodities to China, while importing Chinese manufactured goods.

⁹ W. Fei, "Competition for Export Share in American Market Between China and Major Latin American Countries: 2001-2010", in Y. Chai and Y. Yue (eds.), *Sino-Latin American Economic and Trade Relations*, Singapore, Springer, 2019, pp. 165-182, cit. p. 179.

¹⁰ J.M. Salazar-Xirinachs, E. Dussel Peters, and A.C. Armony (eds.), *Efectos de China en la cantidad y calidad del empleo en América Latina: México, Perú, Chile y Brasil*, Lima, Organización internacional del trabajo, 2018, cit. p. 21.

¹¹ M. Esteban (2015), pp. 16-17.

FIG. 3.4 - LAC EXPORTS TO CHINA AND THE WORLD, BY SECTOR, 2010-18, % OF TOTAL



Source: Economic Commission for Latin America and the Caribbean (ECLAC). *International Trade Outlook for Latin America and the Caribbean 2018*. Santiago, Chile, United Nations, 2018d, p. 18-19; ECLAC (2016), p. 26-27; ECLAC, *Latin America and the Caribbean in the World Economy 2011-12: Continuing crisis in the centre and new opportunities for developing economies*, Santiago, Chile, United Nations, 2012, pp. 50; 53, compiled by authors

Since 2010, LAC exports to China have comprised over 90% of commodities or natural resource-based manufactured goods, in stark contrast with the overall structure of LAC foreign trade. From 2005 to 2014, commodities amounted to between 80% to 90% of exports from Argentina, Brazil, Chile, Colombia and Peru to China, and up to 98% in the case of Venezuela. By contrast, China's exports to these countries consisted of 55% to 85% of medium or high technology goods¹², pointing to a crucial regional challenge associated with exports diversification.

Such asymmetries entail several risks for LAC economies. One

¹² N. Hamaguchi, J. Guo, and K. Chong-Sup (2018), pp. 13-14; G.C. Prieto, A. Figueredo, and L.L. Rodríguez (2017), pp. 231-251.

risk is the area's significant dependence on the Chinese economy and vulnerability to external shocks, including a deceleration of Chinese growth that may reverse the macroeconomic and social benefits achieved during the boom period. A similar situation occurred in 2013-15 when volatility of commodity prices led to a slowdown in China-LAC trade and a 23% fall in LAC exports to China¹³. In addition, China's economic transition may affect LAC exports, prompting LAC countries to adapt to a reframed demand for consumer, agricultural, and touristic goods. China's share of LAC total agricultural exports increased from 2% to 14% over the 2000-15 period, surpassing both the EU and the US as main export markets. Countries like Argentina, Brazil, Chile and Uruguay already own major shares in the Chinese market¹⁴. Among others, Brazil already supplies more than half of Chinese soybean imports. Yet, agricultural exports may not be the optimal silver lining as they involve small possibilities of productive transformation for Latin America and the Caribbean. In fact, most of LAC agricultural exports are commodities with low added value while processed goods constitute a limited share of the total¹⁵.

The current structure of China-LAC trade (commodities in exchange for manufactured goods) is indeed crucial since, together with China's economic competition and LAC loss of export competitiveness in manufactured goods, it may have already slowed down or even reversed LAC industrial development, leading to a decrease in the share of LAC manufactured products in global export markets¹⁶. There have been several signs of a renewed *reprimerisation* in the region, affecting countries like Colombia, Peru, Venezuela¹⁷

¹³ K. Koleski and A. Blivas (2018), p. 7.

¹⁴ Economic Commission for Latin America and the Caribbean (ECLAC), *International Trade Outlook for Latin America and the Caribbean 2017*, United Nations, Santiago, Chile, 2017, p. 142.; N. Hamaguchi, J. Guo, and K. Chong-Sup (2018), p. 23; K. Koleski and A. Blivas (2018), p. 22.

¹⁵ ECLAC (2017), p. 134.

¹⁶ W. Fei (2019), p. 178-180; K. Koleski and A. Blivas (2018), p. 10.

¹⁷ G.C. Prieto, A. Figueredo, and L.L. Rodríguez (2017), pp. 253-261.

and Brazil, where the share of manufactured goods in exports declined from 57% to 39%, while the share of raw materials climbed from 26% to 45% over the 2001-10 period¹⁸. Such a situation has engendered socio-economic drawbacks with a labour market favouring low qualified jobs and displacing more qualified ones¹⁹.

While the BRI may not bring about significant changes to the current state of affairs, as China's trade and investments have long been deployed outside the initiative, the same may not hold true for the US-China geopolitical tensions and trade war causing a new set of economic uncertainties. Although trade diversion may create short-term opportunities – favouring LAC goods in the Chinese and US markets – LAC countries, especially commodity-oriented nations of South America, would be affected by financial uncertainties, the induced deceleration of the Chinese and global economy as well as the weakening of the multilateral trade system²⁰. Further, despite China's interest for supply diversification²¹, the US-China deal is expected to unilaterally benefit US agricultural exports possibly at the expense of LAC export potential.

Financial relations

Parallel to trade, China's financial engagement in Latin America and the Caribbean has consolidated and recently evolved towards more diversified investments with a greater involvement in regional infrastructure projects.

¹⁸ M. Esteban (2016).

¹⁹ J.M. Salazar-Xirinachs et al. (2018), p. 26.

²⁰ O. Canuto, “*Latin America Is Not Benefiting from the U.S.-China Trade War*”, *Americas Quarterly*, 2019; M. Myers, R. Barrios, L. Hua, L. Krohn, and C. Parodi, *Will Slower Growth in China Put Latin America at Risk?*, *The Dialogue*, 23 August 2019.

²¹ J.-M. Chaumet, “Le conflit commercial sino-états-unien, une reconfiguration du rapport de forces alimentaire mondial?”, *Revue internationale et stratégique*, vol. 114, no. 2, 2019, pp. 28-40, cit., pp. 36; 38-39, doi:10.3917/ris.114.0028; M. Myers et al., (2019).

Investment

Chinese investments in Latin America and the Caribbean have been a relatively recent phenomenon, which has only gained significance since 2010. To date, China has secured bilateral investment agreements with a dozen of LAC countries. Despite higher growth rates, Chinese FDI stocks are lower than those of the US and the EU²² which remain the leading investors in the region accounting for 70% of total FDI²³, including mergers and acquisitions²⁴. Vice-versa, LAC's FDI into China remain modest, almost 13 times lower than China's FDI into LAC (see Figure 3.5) due to the area's traditional orientation towards regional, American and European markets, geographical distance, cultural differences and LAC limited financial capacities²⁵.

Brazil has by far been the major beneficiary of China's investments in Latin America and the Caribbean even if it has suffered from a global decrease in inward FDI owing to the economic recession and the volatility of commodities prices, while Chile became the major recipient of Chinese FDI in 2018²⁶.

²² W. Grabendorff, "América Latina en la era Trump ¿Una región en disputa entre Estados Unidos y China?", *Nueva Sociedad*, vol. 275, 2018, pp. 47-61, cit. p. 58.

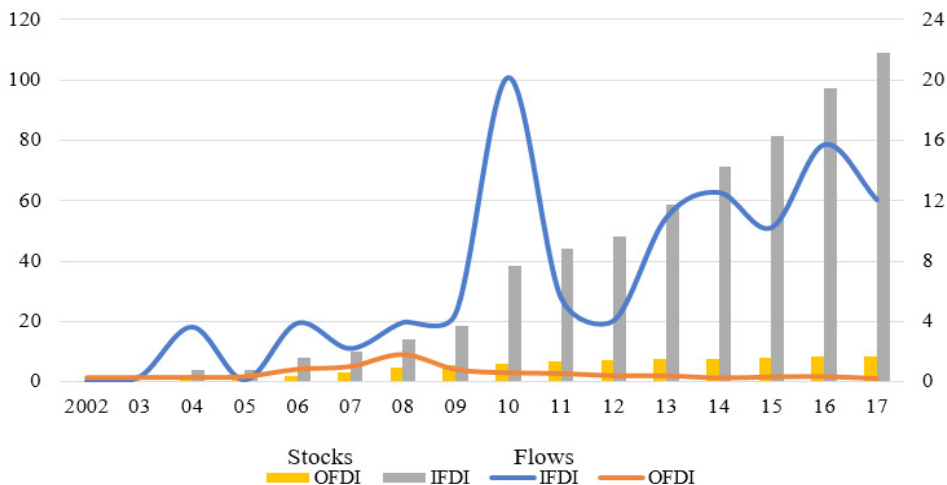
²³ Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean 2018*, United Nations, Santiago, Chile, 2018, p. 39.

²⁴ Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean 2019*, United Nations, Santiago, Chile, 2019, p. 41.

²⁵ M. Esteban (2015), pp. 45-48.

²⁶ E. Dussel Peters, *Monitor of Chinese OFDI in Latin America and the Caribbean 2019*. Mexico, Red ALC-China, 2019, pp. 2; 6.

FIG. 3.5 - LAC FDI FROM AND TO CHINA, 2002-18, US\$ BILLION



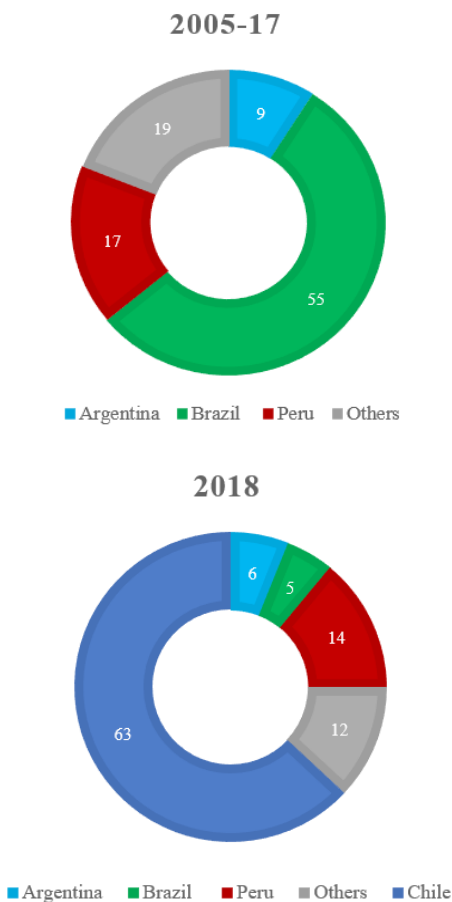
Source: E. Dussel Peters, *Monitor of Chinese OFDI in Latin America and the Caribbean 2019*, Mexico, Red ALC-China, 2019, cit. p. 5; 2018, p. 2; National Bureau of Statistics (2002-18). *China Statistical Yearbook 2002-18*, Beijing, People's Republic of China, compiled by authors²⁷

Until recently, China's FDI was highly concentrated, with 90% aimed at extractive activities during the 2010-2015 period. This raised several issues including competition and the aforementioned risk of reprimarisation, while providing low economic benefits due to negligible added value and limited spill over effects. Although LAC trade with China has a positive impact on growth, the impact of Chinese FDI, on the other hand, seems to have been negligible²⁸.

²⁷ Figures of IFDI "stocks", ie China's FDI stocks in LAC, correspond to cumulative IFDI flows during the period as compiled by E. Dussel Peters. Although not directly comparable, they provide useful estimates to compare orders of magnitude.

²⁸ J. Timini and A. El-Dahrawy Sánchez-Albornoz, *The impact of China on Latin America: trade and foreign direct investment channels*, Bank of Spain, 2019, pp. 4-5.

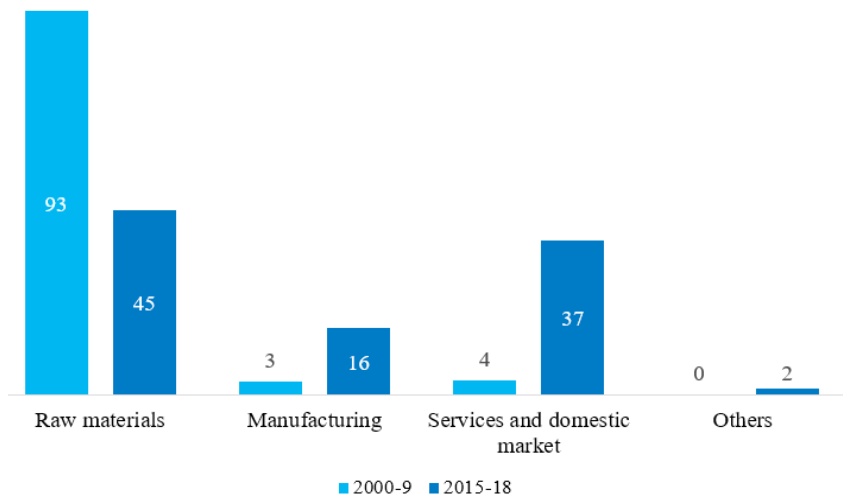
FIG. 3.6 - LAC FDI FLOWS FROM CHINA, 2008-18, % OF TOTAL



Source: E. Dussel Peters (2019), cit. p. 6; ECLAC (2018b), cit. p. 56, compiled by authors

In addition, this pattern of overconcentration goes hand in hand with social and environmental concerns. Notably, Chinese companies in LAC are associated with greenhousegas emissions and water consumption²⁹. Furthermore, this has pushed LAC national regulation to the limit, fostering intra-governmental conflicts between energy and environmental ministries³⁰. However, LAC countries have not been passive and have issued several policy responses encompassing social and environmental measures³¹.

FIG. 3.7 - CHINA'S FDI IN LAC, BY SECTOR, 2000-18, % OF TOTAL



Source: E. Dussel Peters (2019), cit. p. 7. compiled by authors

²⁹ R. Ray, K. Gallagher, A. López and C. Sanborn (eds.), *China and Sustainable Development in Latin America: The Social and Environmental Dimension*, New York, London, Anthem Press, 2017, pp. 7-11.

³⁰ L. Lowe, “La dimensión ambiental de las inversiones directas de China en América Latina y el Caribe”, in E. Pastrana Buelvas and H. Gehring (eds.), *La proyección de China en América Latina y el Caribe*, Bogota, Editorial Pontificia Universidad Javeriana, Fundación Konrad Adenauer, 2017, pp. 339-361, cit. pp. 351-352.

³¹ R. Ray et al. (2017), pp. 12-13.

Natural resources remain a significant target for China's FDI as shown by recent acquisitions in Argentina and Chile accounting for an estimated 45.6% of the global production of lithium³². Yet, the first China-CELAC ministerial summit and the China-Latin American and Caribbean Countries Cooperation Plan (2015-2019) both provided indications of an evolution in China's FDI. Since 2012, Chinese FDI has notably shifted towards the service sector (mainly power generation) that amounted to US\$33.4 billion and more than 50% of the total Chinese FDI from 2012 to 2017³³. Thus, Chinese investments are no longer mainly driven by a search for natural resources. They also aim to directly benefit from LAC domestic markets in terms of transfer of overcapacity, cost reduction, and increased competitiveness, offering economic opportunities at a time when China's domestic economy is slowing down³⁴.

This diversification is reflected by the engagement of Chinese firms in a broad range of sectors including shipping (COSCO), renewable energies (Sinovel), the agricultural sector (China National Cereals, Oils and Foodstuffs Corporation), the financial sector (Bank of China, the Industrial and Commercial Bank of China), and telecommunications, with Huawei and ZTE engaged in the telecommunications networks of at least 24 LAC countries³⁵.

Financing

China's financial relations have progressively evolved from extraction-based investments towards more diversified FDI, but also funding of infrastructure projects, science and technology

³² K. Koleski and A. Blivas (2018), p. 14.

³³ *Ibid.*, p. 13.

³⁴ W. Oosterveld, E. Wilms and K. Kertysova, *The Belt and Road Initiative Looks East. Political Implications of China's Economic Forays in the Caribbean and the South Pacific*. The Hague Centre for Strategic Studies, 2018, p. 19

³⁵ N. Hamaguchi, J. Guo, and K. Chong-Sup (2018), pp. 25-28; K. Koleski and A. Blivas (2018), pp. 14-15.

projects, within the institutional framework of the Belt and Road Initiative.

Since 2005, it is estimated that loans from Chinese policy banks to LAC have amounted to more than US\$141 billion, with flows frequently above the aggregates from traditional multilateral actors like the World Bank and the Inter-American Development Bank³⁶. In addition, China has also provided US\$12 billion in official development assistance, mainly composed of debt relief in favour of Cuba. Chinese loans have mainly targeted the energy (US\$96.9 billion) and infrastructure (US\$25.9 billion) sectors, and provided a welcome source of revenues for countries with limited financing capacities like Argentina, Ecuador and Venezuela. LAC financial needs allowed China to become a significant lender of last resort for several countries in the region, owning up to one third of Ecuador's total public debt and 15% of Venezuela's public external debt³⁷. Loans and project financing have been concentrated in a limited number of countries, mainly Argentina, Bolivia, Brazil, Ecuador, Trinidad and Tobago and Venezuela, gathering three quarters of the projects from 2000 to 2017, and 85% of their total value³⁸. Venezuela benefited from almost half of China's loans to the region, US\$67 billion³⁹, but the country now faces reduced financial support since it is experiencing a severe socio-economic crisis.

Financing has primarily consisted of non-concessional loans provided by the China Development Bank. China's financing meets a non-conditionality principle, but it consists of tied loans which imply a compulsory supply of Chinese goods and services⁴⁰ at the expense of competitive tenders. LAC

³⁶ P. Zhang (2019).

³⁷ K. Koleski and A. Blivas (2018), p. 11-12.

³⁸ J.M. Salazar-Xirinachs et al. (2018), p. 233.

³⁹ A. Bermúdez Liévano, *China's Belt and Road advances in Latin America's Andean region*, *Dialogo Chino*, 18 June 2019.

⁴⁰ S. Wintgens, "*Chine-Amérique latine et Caraïbes : Un défi normatif pour l'Union européenne?*", *Politique Européenne*, vol. 60, 2018, pp. 134-173, p. 159.

progressive integration within the BRI highlights a new step in the institutionalisation of China's engagement in LAC infrastructure and energy projects. This follows a long-term interaction with regional institutions like the Inter-American Development Bank or the Caribbean Development Bank and the creation of specific financing mechanisms including the China-Latin America Cooperation Fund, the China-LAC Industrial Cooperation Investment Fund or the Special Loan Program for China-LAC Infrastructure Project.

China's financing also targets high value-added sectors, as highlighted by its scientific and technological cooperation. Since 2008, China has developed, launched and operated several satellites for Bolivia, Ecuador and Venezuela. It also operates ground stations in Chile and Argentina, which have contributed to China's exploration of the dark side of the moon and the deployment of the Beidou satellite navigation system⁴¹. China has developed joint scientific projects like the Chinese Academy of Sciences' South America Centre for Astronomy (CASSACA) in Chile, recently framed as part of the BRI, and the Joint Laboratory for Space Weather in Brazil⁴².

Apart its environmental and social impact, China's financing raises concerns on the host countries' debt sustainability. Nevertheless, this risk may be limited to small and already highly indebted countries. For the others, Chinese loans appear to be a good alternative⁴³ probably insufficient to trigger systemic debt issues in most Latin American economies. On the other hand, lack of conditionality may jeopardize the sustainability and long-term viability of development projects as well as the achievement of necessary reforms and good governance in LAC countries.

⁴¹ K. Koleski and A. Blivas (2018), pp. 17-18.

⁴² L.O. Chauvin and B. Fraser, "*South America is embracing Beijing's science silk road*", *Nature*, vol. 569, 2019, pp. 177-179, cit. p. 178.

⁴³ A. Bermúdez Liévano (2019); W. Oosterveld, E. Wilms and K. Kertysova (2018), p. 23.

In that respect, Ecuador may prove to be a relevant case study. Non-conditional Chinese loans allowed President Rafael Correa's administration to pursue social⁴⁴ but financially unsustainable policies dependent on extractive activities⁴⁵ and leading to high levels of deficit and public debt while postponing the necessary economic reforms required to compensate the end of the commodities super cycle. Failure to renegotiate "oil-for-loans" deals with China compelled Ecuador to turn to multilateral institutions and undertake economic reforms, throwing it into a major socio-economic crisis⁴⁶.

As for the BRI, it remains unclear whether the initiative would catalyse greater Chinese financing or engagement in LAC infrastructure projects. Besides, economic difficulties and political uncertainty may lower the appeal of major projects for fiscally constrained LAC governments, while China could manage the issue by developing smaller but more predictable infrastructure projects⁴⁷.

⁴⁴ L. Herrera-Vinelli and M. Bonilla, "Ecuador-China Relations: the Growing Effect of Chinese Investment on Ecuadorian Domestic Politics, 2007-2016", *Journal of Chinese Political Science*, 24, 2018, pp. 623-641, doi:10.1007/s11366-018-09588-6.

⁴⁵ R. Aidoo, P. Martin, M. Ye, and D. Quiroga, "Footprints of the Dragon: China's Oil Diplomacy and its Impacts on Sustainable Development Policy in Ecuador and Ghana", *International Development Policy*, vol. 8, no. 1, 2017, doi:10.4000/poldev.2408; Reuters, "*How China took control of Ecuador's oil*", *Financial Post*, 26 November 2013.

⁴⁶ G. Escribano, *Ecuador y los subsidios a los combustibles*, Elcano Royal Institute, 2019; K. Koleski and A. Blivas (2018), p. 27; A. Valencia, "*Ecuador seeks renegotiation of China oil sales, loans*", *Reuters*, 24 October 2017.

⁴⁷ H. Niu, "A strategic analysis of Chinese infrastructure projects in Latin America and the Caribbean", in P. Dussel, A.C. Armony, and S. Cui (eds.), *Building development for a new era : China's infrastructure projects in Latin America and the Caribbean*, University of Pittsburgh, Red Académica de América Latina y el Caribe sobre China., 2018, pp. 180-193, cit. pp. 190-191.

Political Relations

As a corollary, China-LAC relations have also expanded, producing global and regional implications. They encompass military diplomacy, with a rising geostrategic dimension within the geopolitical competition between China and the United States.

Global governance

China and Latin America and the Caribbean have engaged in global cooperation in multilateral fora, including the United Nations (UN) and the G20, promoting similar interests and principles like the concept of differentiated responsibilities between developed and developing countries, and pushing for the reform of traditional international institutions. However, China-LAC, and more specifically China-Brazil cooperation, also falls within renewed frameworks of governance which make more room for emerging economies, including the group of BRICS⁴⁸ or the New Development Bank. The BRI may also provide new mechanisms and platforms for international governance through high-level dialogues. The last Belt and Road Forum for International Cooperation (BRF), held in Beijing in April, gathered thirty high-level LAC officials. To date, 18 of the 33 LAC countries have already joined the initiative (see Figure 3.8). Notably, recent diplomatic shifts from Taiwan to the PRC have led to official participation in the BRI, as the Dominican Republic, El Salvador, and Panama, all endorsed the initiative. On the other hand, the top four LAC economies, Argentina, Brazil, Colombia, and Mexico, which amount for 75% of the region's GDP, have yet to join the initiative.

⁴⁸ Brazil, Russia, India, China, and South Africa.

FIG. 3.8 - THE BRI IN LATIN AMERICA AND THE CARIBBEAN, 2019



Source: A. Bermúdez Liévano, *China's Belt and Road advances in Latin America's Andean region*, *Dialogo Chino*, 18 June 2019.

China and Latin America and the Caribbean have engaged in global cooperation in multilateral fora, including the United Nations (UN) and the G20, promoting similar interests and principles like the concept of differentiated responsibilities between developed and developing countries, and pushing for the reform of traditional international institutions. However, China-LAC, and more specifically China-Brazil cooperation,

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Chinese engagement in Latin American and the Caribbean also has implications at the global level, for instance, by promoting LAC as a global actor through cooperation with the CELAC⁵⁰. It is worth noting that emphasis on the China-CELAC Forum as a platform out of the range of US influence does not entail competition with other regional organisations including the Organization of American States (OAS), or prejudice for multilateral governance, as the CELAC's ordering principles include human rights, democracy, the respect of international law and the achievement of the Millennium Development Goals. Furthermore, China has actively engaged in more "traditional" LAC organizations contributing to multilateral governance. Concerns about China's seemingly specific approach to development cooperation should also be tempered. Despite being non-conditional and tied, China's involvement is committed to both the Millennium Development Goals and the Sustainable Development Goals, and the guiding principles of Chinese international aid partly coincide with the Paris Declaration on Aid Effectiveness. China

⁴⁹ Brazil, Russia, India, China, and South Africa.

⁵⁰ S. Wintgens (2018), p. 144.

would in fact have significant incentives to cooperate with DAC⁵¹ donors, including increased experience in aid evaluation and follow-up mechanisms as well as enhanced capacity to manage the socio-economic impact of projects, increasing both the sustainability of Chinese cooperation and China's image⁵². This points to significant room for cooperation, all the more given LAC's investment gap in infrastructure which amounts to 6% of the region's Growth Domestic Product (GDP)⁵³.

Yet, China-LAC cooperation may not deliver the way LAC countries might hope. Despite an official South-South framework of cooperation, the structure of bilateral exchanges rather echoes patterns and issues traditionally associated with North-South trade. Furthermore, although the development of emerging economies and their cooperation generate structural changes within the international system, deep asymmetries are still at play, mostly in China's favour⁵⁴. Unless a major leap is made in economic development and integration, China's engagement seems rather unlikely to substantially enhance the international role and visibility of LAC countries. Relations with China do not guarantee a significant role in global governance and the current interaction between China and the United States may jeopardize the global system of economic governance. In fact, the US-China trade war highlights the current crisis of the multilateral trading system, fostered by concerns over the Chinese economic model and by US unilateral policies, including tariffs and the blockade

⁵¹ Members of the Development Assistance Committee of the OECD.

⁵² M. Esteban and A. Pérez, "Chinese financing of Latin American development: Competition or complementarity with traditional donors?", in E. Woertz (ed.), *Reconfiguration of the Global South: Africa, Latin America and the Asian Century*, New York, Routledge, 2017, pp. 217-236.

⁵³ Economic Commission for Latin America and the Caribbean (ECLAC), *International Trade Outlook for Latin America and the Caribbean 2019*, Santiago, Chile, United Nations, 2019, p. 159.

⁵⁴ A.E. Abdenur, *Navigating the Ripple Effects: Brazil-China Relations in Light of the Belt and Road Initiative (BRI)*, Vestnik of Saint Petersburg University, International Relations, vol. 12, no. 2, 2019, pp. 153-168., cit. p. 155, doi:10.21638/11701/spbu06.2019.203.

of the World Trade Organization's (WTO) Appellate Body. The latter is threatening the WTO dispute resolution system⁵⁵ to which LAC countries have proved their commitment against China: from 1995 to 2017, top LAC economies accounted for a quarter of the anti-dumping cases against this country⁵⁶.

Geostrategic rationale

For both parties, China-LAC relations provided an opportunity to diversify political and economic relations and partly reduce dependence on traditional partners, notably the United States. This process went hand in hand with the institutionalisation of the bilateral relations, through platforms like the China-CELAC Forum, the China-Caribbean Trade and Economic Cooperation Forum or the China-Caribbean Consultations. China's engagement has proved to be non-confrontational, and partly due to the relative strategic and economic "void" left by the EU and the US in the region. This made it easier for China to emerge as a significant partner for LAC countries, to the point of appearing as a key figure in political processes like the Venezuelan crisis⁵⁷.

US-China geopolitical competition may disrupt this relatively innocuous panorama, as President Donald Trump's Administration has adopted a more suspicious stance towards China. Official declarations and documents, like the 2017 National Security Strategy or the US Southern Command's 2019 posture statement, expressed concerns about China's engagement in LAC especially when it comes to connectivity infrastructure like the Panama Canal⁵⁸ or LAC telecommunications networks⁵⁹. US diplomacy has

⁵⁵ S. Jean, M. Philippe, and A. Sapir, *International trade under attack: What strategy for Europe?*, *Notes du conseil d'analyse économique*, vol. 46, no. 1, 2018, pp. 1-12.

⁵⁶ N. Hamaguchi, J. Guo, and K. Chong-Sup (2018), pp. 15-16.

⁵⁷ A. Bermúdez Liévano (2019).

⁵⁸ Congressional Research Service, *China's Engagement with Latin America and the Caribbean*, Washington, 2019.

⁵⁹ K. Koleski and A. Blivas (2018), p. 15.

also warned that the BRI and China may be pursuing “debt-trap diplomacy”. Yet, the US position does not appear to be echoed in LAC countries. Despite a restatement of the Monroe doctrine, the US have failed to offer a credible alternative to China’s engagement, and President Trump’s foreign policy may indeed have carried a relative isolationism towards Latin America and the Caribbean⁶⁰.

Regardless of the potential truce in the US-China trade war, all the more uncertain since US endorsement of Hong-Kong’s democratic claims, LAC countries should assume that the Sino-American geopolitical competition will be a long-lasting one. Although the implications of such a competition have yet to be seen in the region, LAC has a clear interest in maintaining its economic relations with China, especially because the United States could not compensate China’s market opportunities⁶¹.

Therefore, it is advisable for LAC countries to proactively prevent a zero-sum geopolitical competition from affecting regional development, not least because infrastructure projects offer significant opportunities for multilateral cooperation given LAC’s major financial needs. A shift towards more inclusive, transparent and competitive bidding processes could disconnect infrastructure development from geopolitical positioning between China and the US while addressing BRI shortfalls reflected in an overrepresentation of Chinese state-owned enterprises (SOEs) in BRI projects⁶². Enhancing transparency, competition and maintenance of a level-playing field would not only increase quality governance but also better respond to the interests of LAC debtor countries.

⁶⁰ N. Hamaguchi, J. Guo, and K. Chong-Sup (2018), p. 8.

⁶¹ K. Koleski and A. Blivas (2018), p. 27.

⁶² P. Zhang (2019).

Security and Defence

To date, China's has adopted a low-profile position and engagement in the field of defence and security, but has nevertheless increased its cooperation in these domains which offer efficient economic and diplomatic opportunities. China's 2016 Policy paper on Latin America and the Caribbean focused on cooperation, especially in promoting military exchanges with LAC countries, including visits of high-ranking officials and military training. This document also encompassed non-traditional security fields, as well as trade and technological cooperation⁶³. Security cooperation with LAC countries enables China to establish alternatives to Western security structures; it also offers levers of influence in non-military areas⁶⁴. China's high visibility military diplomacy initiatives include humanitarian missions like the dispatching of the Peace Ark hospital ship in 2011, 2015, and 2018⁶⁵.

"Traditional" military cooperation covers the supply of military equipment, assistance and training. Chinese military exports to the region have significantly increased in volume and sophistication, but they remain at moderate levels with China ranking only fifth behind the US, Russia, France, and Germany. China provides LAC with an affordable alternative to western sources and, more importantly, with a way to bypass western restrictions on arms sales while securing technology transfers⁶⁶. ALBA⁶⁷ countries, mainly Venezuela, have greatly benefited from China's military exports, and China has become Venezuela's largest military provider since 2014, supporting its efforts in modernising military forces and infrastructures⁶⁸.

Although, China's engagement does not seem to pose any direct or immediate threat to US interests, US officials have

⁶³ W. Oosterveld, E. Wilms, and K. Kertysova (2018), p. 39.

⁶⁴ M. Esteban (2015), p. 19.

⁶⁵ K. Koleski and A. Blivas (2018), p. 20.

⁶⁶ M. Esteban (2015), p. 21; K. Koleski and A. Blivas (2018), pp. 20-21; 29; 39-40.

⁶⁷ From Spanish *Alianza Bolivariana para los Pueblos de Nuestra América*, i.e. Bolivarian Alliance for the Peoples of Our America.

⁶⁸ M. Esteban (2015), p. 20; W. Oosterveld, E. Wilms and K. Kertysova (2018), p. 41.

expressed concerns over China's significant access to dual-use fields such as telecommunications networks or space programs which could "facilitate intelligence collection, compromise communication networks, and ultimately constrain [US] ability to work with [its] partners"⁶⁹. Uncertainties still surround several projects like Argentina's US\$50 million Chinese-funded satellite and Patagonia space mission control centre opened in March 2018 and operated by the China Satellite Launch and Tracking Control General department of the People's Liberation Army⁷⁰. US concerns also crystallise around China's engagement in the Panama Canal likely to "create[s] commercial and security vulnerabilities for the United States"⁷¹.

China And LAC Regional Integration

Despite China's preference for bilateral frameworks and the existence of some diplomatic and institutional constraints, like Paraguay's official recognition of Taiwan within Mercosur⁷², China's engagement and its contribution to LAC's economic growth has indirectly benefited regional organisations, which have acknowledged the importance of their economic relations with China, and Asia-Pacific in general. More specifically, China's foreign policy in Latin America also incorporates an increasingly multilateral dimension, building on a long-term engagement with regional organisations and institutions like Mercosur, The Caribbean Community (CARICOM), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank, or the Latin American Parliament (Parlatino). China's

⁶⁹ K. Koleski and A. Blivas (2018), p. 29.

⁷⁰ L.O. Chauvin and B. Fraser (2019), p. 179.

⁷¹ K. Koleski and A. Blivas (2018), pp. 18; 25.

⁷² For the Spanish *Mercado Común del Sur* and Portuguese *Mercado Comum do Sul*, i.e. the Common Market of the South. L. Bizzozero and S. Wintgens, "The politico-normative approach of the EU and China towards Mercosur: a positive-sum game?", *Revista CIDOB d'Afers Internacionals*, vol. 119, 2018, pp. 265-286, cit. pp. 268 and 280, doi:10.24241/rcai.2018.119.1.265.

shift towards infrastructure projects may also help LAC countries address their critical infrastructure deficit which hampers the region's growth and development, by bolstering connectivity, exports capacities and logistic costs reduction, and contributing to regional sustainable development and achievement of the Sustainable Development Goals⁷³.

However, real and perceived regional fragmentation due to productive and political differences is jeopardizing common positioning towards China at the risk of prolonging current shortfalls and imbalances⁷⁴. The recent deployment of the Belt and Road Initiative may entail economic benefits, but also negative effects. Enhanced connectivity, economic production and exchanges, may increase both Chinese goods penetration and competition in LAC markets, as well as competition with other economic regions that are more successful in benefitting from the BRI's potential⁷⁵. Hence, there is an urgent need for strategic thinking to boost infrastructure development and exports competitiveness, including lowering production and improving technological and added value, to overcome the current lack of regional or sub-regional strategies⁷⁶. Such a need is even more significant as the current displacement of the geopolitical and geo-economic centre of gravity toward Asia and "Greater Eurasia" not only erodes the position of the US in the international system, but also affects LAC economies by potentially keeping them in the "periphery"⁷⁷.

Overcoming the challenge of regionalism would greatly depend on LAC political cycles whose convergence have proved to be essential in fostering favourable regional frameworks and

⁷³ Y. Li and X. Zhu (2019).

⁷⁴ E. Tzili Apango, "Antecedentes y proyecciones del Foro China-Celac y su influencia en la dinámica hemisférica", in E. Pastrana Buelvas and H. Gehring (eds.), *La proyección de China en América Latina y el Caribe* Bogotá, Editorial Pontificia Universidad Javeriana, Fundación Konrad Adenauer, 2017, pp. 155-169, cit. pp. 160-162.

⁷⁵ P. Zhang (2019).

⁷⁶ M. Myers (2018).

⁷⁷ A.E. Abdenur (2019), pp. 164-166.

South-South cooperation, and might influence the positioning of LAC countries with respect to China and the US. This issue has been particularly salient in the case of Brazil, especially in the wake of the rapid and recent political changes in the country. Although the transition from the left-wing governments of Luiz Lula Inácio da Silva and Dilma Rousseff to the conservative one of Michel Temer did not entail significant changes regarding Brazil policy towards China and Chinese investments, Jair Bolsonaro's presidential campaign and (re)alignment with US foreign policy casted some doubts on the future of China-Brazil relations. Yet, despite his unprecedented official visit to Taiwan and initial anti-China rhetoric, to date, Brazil's policy towards China has ultimately favoured continuity over change, helped by pragmatism, financial and electorate interests and the moderate stance of several members of the Bolsonaro presidential Administration⁷⁸ as highlighted during reciprocal visits of the heads of state in October and November 2019. Furthermore, China has proven to be a convenient partner amid international criticism against President Bolsonaro's social and environmental policies. China has also provided reliable, and unique, foreign support during the recent auction of the pre-salt oil deposits, with a 20% participation of China National Oil and Gas Exploration and Development Corporation (CNODC) in the Aram block and a combined 10% participation of CNODC and the China National Offshore Oil Corporation (CNOOC) in the Buzios field⁷⁹. Hence, despite US pressure, especially against Huawei's involvement in Brazil telecommunications networks, Brazilian authorities have expressed their will to stay away from US-China disputes⁸⁰.

⁷⁸ Ibid., p. 161; O. Stuenkel, "*In Spite of Bolsonaro, China Quietly Deepens its Influence in Brazil*", *Americas Quarterly*, 12 November 2019.

⁷⁹ M. Parraga, G. Slattery, and M. Nogueira, *Big oil stuns Brazil in back-to-back auction flops*. *Reuters*, 17 November 2019; B. Harris, C. Pulice, and A. Schipani, "*Brazil's blockbuster oil auction falls flat*", *Financial Times*, 6 November 2019.

⁸⁰ "*Bolsonaro says wants no role for Brazil in U.S.-China trade war*", *Reuters*, 14 November 2019.

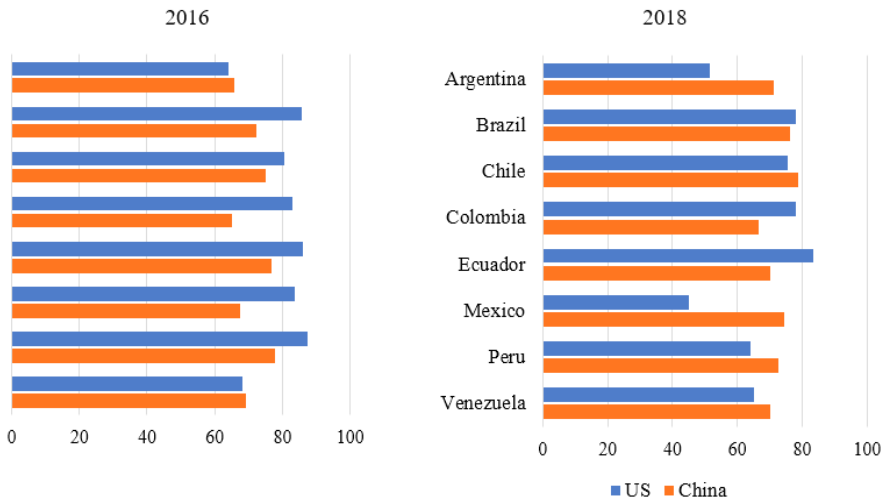
Conclusion: Will China Live Up To Latin American's Expectations?

China's multidimensional engagement in Latin America and the Caribbean has been steadily increasing and has recently started to present welcome features, including a diversification of China's FDI beyond extractive activities and a proven involvement in the region's infrastructures. China's engagement has also fostered the diversification of LAC political, economic and security relations, seemingly contributing to a more pluralistic international order and a moderation of the United States regional hegemony. LAC officials have expressed positive views regarding China's engagement, both at national and regional level. Accordingly, China has been praised as a "benchmark for innovation and development and [as a source of] invest[ment]" by Ecuador's President Lenin Moreno, and, within the CELAC, the BRI has been framed as a significant opportunity for development cooperation⁸¹, diversification, and improvement of the quality of China-LAC trade and financial relations⁸².

⁸¹ Declaración de Santiago de la II Reunión Ministerial del Foro Celac-China: '*Celac-China: trabajando por más desarrollo, innovación y cooperación para nuestros pueblos*', 22 January 2018.

⁸² Economic Commission for Latin America and the Caribbean (ECLAC), *Chinese Belt and Road Initiative is an Opportunity for Inclusive and Sustainable Investments: ECLAC*, 7 December 2018a.

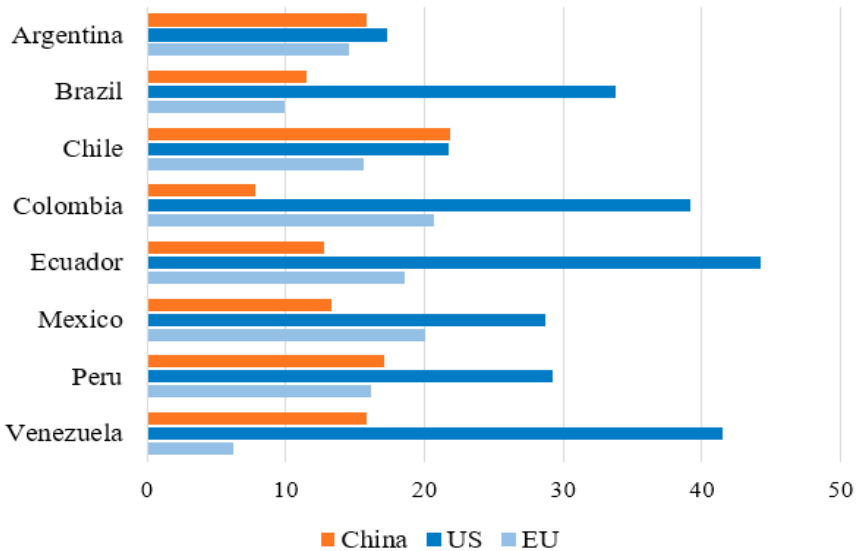
FIG. 3.9 - POSITIVE OPINIONS ON CHINA IN LAC TOP ECONOMIES, 2016-18, % OF RESPONDENTS



Source: *Latinobarómetro*, compiled by authors

LAC authorities see China as a crucial partner for development, echoing globally positive public perceptions of the country. Favourable opinions on China are indeed a majority in LAC's eight major economies (84% of the region's total population) and are growing, except in Ecuador and Peru, in contrast with the deterioration of the image of the US. Yet, challenges persist, including a primarisation of LAC's export structure, patterns of dependency, a certain lack of transparency and relative uncertainties regarding China's financing in the region. High hopes could very well fall short from expectations, especially at a time of deceleration of the Chinese economy and amid the long-term US-China geopolitical competition and political, social and economic uncertainties in the region, ranging from the Venezuelan crisis, to sluggish growth in Brazil and recent civil protest in Bolivia, Chile and Ecuador.

FIG. 3.10 - SHARE OF RESPONDENTS WILLING TO INCREASE ECONOMIC OR INTERNATIONAL RELATIONS WITH CHINA, THE US, AND THE EU, IN LAC TOP ECONOMIES, 2017, % OF TOTAL



Source: *Latinobarómetro*, compiled by authors

Ultimately, Latin American countries bear the responsibility to determine a precise and strategic vision of what to expect from China, as well as how to implement favourable policies to promote long-term, responsible and sustainable economic growth⁸³. To this end, it should be convenient to also strengthen relations with third actors, especially the EU, which has thus far distanced itself from the US-China trade war. Third-country and triangular cooperation should prove particularly useful to ensure higher quality products and services, better social and environmental standards, and increase participation of private actors, while improving economic efficiency. LAC shares EU

⁸³ M. Myers (2018), p. 242.

interests and concerns regarding the protection of an “open, multilateral and rules-based trading system”⁸⁴ challenged by US unilateral policies, China’s statist model of development and any discriminatory agreements the two superpowers may reach.

⁸⁴ ECLAC (2018a).

4. The First Year of the Bolsonaro's Foreign Policy

Guilherme Casarões

When former army captain and lawmaker Jair Bolsonaro was elected President of Brazil, many thought they would watch a rerun of a sad Latin American soap opera from the 1970s, which starred presidents in military uniform and contained scenes of violent suppression of civil liberties¹. While he has never hidden a nostalgic admiration for the military dictatorships of the region, which he often (mistakenly) pictures as an era of orderly societies and economic prosperity, time has shown that Bolsonaro's image is not quite that of the leader of a junta. Despite having many generals in his cabinet, including Vice-President Hamilton Mourão, Bolsonaro is, above all, a culture warrior².

As such, he is engaged in a crusade to bring God, the nation and the (traditional) family back into the political mainstream. More than undertaking liberal reforms or fighting corruption, the centrepiece of Bolsonaro's strategy is to reconstruct Brazilian culture as a mixture of nationalism, religious fundamentalism and an old-fashioned hatred of communism. As his most popular slogan goes, "Brazil above everything, God above everyone".

To this end, Bolsonaro needs to warp the basic rules of the democratic game in Brazil, otherwise known as a secular,

¹ "Jair Bolsonaro, Latin America's Last Menace", *The Economist*, 20 September 2018.

² C. Liyanage, "The Rise of a Culture Warrior: Jair Bolsonaro's far-right revolution", *CARR Blog Series*, 2 December 2019.

peaceful and pluralistic country. In the far-right parlance, Bolsonaro is playing the game of “metapolitics” – which may be broadly defined as an attempt to bring about profound and lasting political transformation by spreading ideas and cultural values across society³.

Foreign Policy as the Centrepiece of Brazil's New Identity

Foreign policy, as much as education and arts, lies at the heart of the metapolitical game. A new Brazilian culture requires projecting a new identity to the world. Brazil's renewed identity, in turn, redefines the fundamental aspects of its international relations, including priorities, allies and enemies.

Bolsonaro's foreign policy envisions a world of strong and sovereign nations as opposed to one marked by multiculturalism and open borders. It places Brazil solidly in the (cultural) West and aspires to join the battle to regenerate its Judeo-Christian foundations; it seeks to forge alliances with other far-right governments in the world, starting with Trump's America, Benjamin Netanyahu's Israel and Viktor Orbán's Hungary; and it has declared war against the spectres of globalism and socialism.

The members of the so-called “anti-globalist” troika are Foreign Minister Ernesto Araújo, Presidential Adviser Filipe Martins and Bolsonaro's son and lawmaker Eduardo Bolsonaro, who is also the chair of the House Foreign Relations Committee. Under the influence of philosopher-turned-guru Olavo de Carvalho⁴, they have been responsible for the most thorough departure from Brazil's diplomatic tradition since the Republic began. From the United Nations to Greenpeace, from Leonardo di Caprio to Greta Thunberg, Bolsonaro's Brazil wishes to break off with any institution, ideology or value that might threaten

³ B. Teitelbaum, “Daniel Friberg and Metapolitics in Action” in M. Sedgwick (ed.), *New Thinkers of the Radical Right*, New York, Oxford University Press, 2019.

⁴ B. Winter, “*Jair Bolsonaro's Guru*”, *Americas Quarterly*, 17 December 2018.

what they claim is the true conservative nature of the Brazilian people.

Oddly enough, this rupture seems to include the wholesale rejection of climate change and basic human rights, dismissed by Bolsonaro's foreign policy team as "globalist" and "leftist" conspiracies. As deforestation rages and indigenous people are killed by illegal loggers, miners and land-grabbers, the international community holds its breath⁵. For one, the government's decision to turn a blind eye to the massive fires in the Amazon rainforest led to some strong international reactions such as claiming that Brazil was "a bigger threat than either Iran or China"⁶ and asking who would "invade Brazil to save the Amazon"⁷.

A Tug of War within the Government

Anti-globalists, in charge of reconstructing Brazil's identity, sit uncomfortably alongside free-market advocates from the administration's economic team. Led by Finance Minister Paulo Guedes, they work closely with Brazil's agribusiness giants, which constitute the country's most profitable sector, and have been struggling to pass liberalising reforms and boost Brazilian exports. The only ideology they care about is unchecked liberalism.

Bolsonaro's free-marketeers know very well that Brazil cannot broker any major free trade agreement – as the one between Mercosur and the European Union – without a clear commitment to human rights and environmental standards. Moreover, they are aware that growing alignment with the United States and Israel might hamper good trade relations with

⁵ A. Pagliarini, "*The Amazon is burning – and it's Bolsonaro's fault*", *Jacobin*, 25 August 2019.

⁶ T. Bellstrom, "Brazil is a bigger threat than either Iran or China", *The New Republic*, 26 July 2019.

⁷ S. Walt, "Who Will Invade Brazil to Save the Amazon?", *Foreign Policy*, 5 August 2019. After the controversy sparked by the article's title, it was later changed to "Who Will Save the Amazon (and How)?".

some of Brazil's most important partners, like China and Arab countries.

The government's top military officials have also been disgusted at the ideological paranoia of anti-globalists. Despite initial attempts by Vice-President Mourão to put foreign policy back on track⁸, Bolsonaro's generals have been downgraded to a secondary status after several clashes with the president's closest aides, including Bolsonaro's sons and Presidential Adviser Filipe Martins. Perhaps the most dramatic episode of this estrangement was the firing of (retired) General Santos Cruz, who served as Bolsonaro's secretary of government, over accusations of him being a traitor and a "globalist"⁹.

There seems to be a lot of wishful thinking as to whether Bolsonaro's military and economic aides would be the "adults in the room"¹⁰ in checking the international affairs team, which is sometimes jokingly referred to as the government's "lunatic fringe"¹¹. To be sure, Guedes and other pragmatic government officials have been trying to advance an ambitious trade and investment agenda with European, Chinese and Arab officials, while the military have temporarily prevented Brazil from openly supporting regime change in Venezuela and moving the Brazilian embassy to Jerusalem. But the fact is that anti-globalism remains as the key driving force of Brazil's new foreign policy, reflected in Bolsonaro's attitudes toward new and old partners, his growing suspicion of multilateralism and his efforts to change South America's regional order.

⁸ "*Não é o caso de comprar brigas que não podemos vencer, diz Hamilton Mourão*" , ("It's not a case of buying fights that we can't win, says Hamilton Mourão"), *Folha de S. Paulo*, 23 November 2018.

⁹ "Bolsonaro fires key moderate who warned of dangers of 'extremism'", *The Guardian*, 13 June 2019.

¹⁰ O. Stuenkel, "*How Bolsonaro's Rivalry with His Vice President Is Shaping Brazilian Politics*", *Americas Quarterly*, 18 April 2019.

¹¹ "*Brazilian diplomats 'disgusted' as Bolsonaro pulverizes foreign policy*", *The Guardian*, 25 June 2019.

The Two Pillars of Bolsonaro's Foreign Policy Design

Deus Vult! Bringing christianity back in

Bolsonaro's conservative, anti-globalist foreign policy has overlapping religious and ideological elements. Sometimes it is presented as a purely Christian endeavour, a view consistent with his recurring claims that Brazil is a "Christian nation" and with the (loose) alliance of Catholic and Evangelical conservatives that backed Bolsonaro's election bid¹². The new president's decision to hand the ministry of Human Rights over to an Evangelical pastor, Damares Alves, was a clear sign that the transformation of Brazil's human rights policies would start at home.

Such changes had to be in line with a renewed diplomatic strategy. Ambassador Ernesto Araújo's willingness to be at the forefront of Brazil's "spiritual rebirth"¹³, which involved "talking about God in public" and forging an unlikely pact with the world's major Christian powers – the US and Russia¹⁴ – are said to have been decisive for his appointment as Foreign Minister. In his inaugural speech, Araújo, a practicing Catholic, said that the hatred of God in Western societies, or "theophobia", was destroying mankind¹⁵.

As a result, two of Bolsonaro's foreign policy goals were to promote Christian values and to protect Christians across the world. These objectives have had a direct impact on Brazil's

¹² C. Osborn, "Bolsonaro's Christian Coalition Remains Precarious", *Foreign Policy*, 1 January 2019.

¹³ E. Araújo, "*Now We Do*", *The New Criterion*, January 2019.

¹⁴ "*Futuro Chanceler Propôs a Bolsonaro Pacto Cristão com EUA e Rússia*" ("Future Chancellor Proposed Bolsonaro Christian Pact with USA and Russia"), *Folha de S. Paulo*, 16 December 2018.

¹⁵ *Discurso do ministro Ernesto Araújo durante cerimônia de Posse no Ministério das Relações Exteriores – Brasília, 2 de janeiro de 2019* (Speech by Minister Ernesto Araújo during the inauguration ceremony at the Ministry of Foreign Affairs - Brasília, 2 January 2019), Ministry of Foreign Affairs – Speeches.

multilateral policies, especially regarding human rights. Departing from Brazilian traditionally progressive positions, the new president chastised non-governmental organizations and humanitarian activists, and reversed its UN vote on reproductive health rights, gender issues and Israeli human rights violations against Palestinians¹⁶.

“Our votes at the UN will be in accordance with the Bible”, declared Bolsonaro at a meeting with evangelical leaders, adding that his decisions would be guided by the verse John 8:32: “Then you will know the truth, and the truth will set you free”¹⁷. The same verse was also quoted in Bolsonaro’s UN speech, as it is in most of his public statements.

The Christian turn of Brazil’s foreign policy has also affected its strategic partnerships. Brazil allied with Poland in negotiations that led to the establishment of the “International Day Commemorating the Victims of Acts of Violence Based on Religion or Belief”¹⁸. A few months later, the Bolsonaro administration wholeheartedly supported the Alliance for Religious Freedom, an initiative spearheaded by President Trump and US Secretary of State Mike Pompeo. It also promoted the event “Rebuilding Communities: ensuring a future for persecuted Christians” together with Hungary. Once again, Araújo blamed the cultural atmosphere in the West, which “does not care about Christianity”, for the persecutions of Christian populations worldwide¹⁹.

¹⁶ J. Chade, “Viés ideológico transforma votos do Brasil na ONU”, *UOL*, 26 September 2019.

¹⁷ “Bolsonaro diz que Brasil passou a votar na ONU seguindo a Bíblia”, *O Globo*, 11 April 2019.

¹⁸ J. Chade, “Governo Bolsonaro denuncia na ONU perseguição contra cristãos” (“Bolsonaro government denounces persecution against Christians at UN”), *UOL*, 7 September 2019.

¹⁹ *Palavras do Ministro Ernesto Araújo no evento “Rebuilding Communities: Ensuring a Future for Persecuted Christians” – Nova York, 27 de setembro de 2019* (Remarks by Minister Ernesto Araújo at the event “Rebuilding Communities: Ensuring a Future for Persecuted Christians” - New York, 27 September 2019), Ministry of Foreign Affairs – Speeches.

Finally, religious beliefs might partly explain Brazil's immediate recognition of Senator Jeanine Añez as the interim President of Bolivia after Evo Morales fled the country under pressure from the armed forces. Amid popular turmoil over allegations of electoral fraud, Añez took office brandishing a giant leather-bound Bible and announcing that "the Bible has returned to the presidential palace", in clear defiance of Morales's attempts to do away with the Christian foundations of Bolivia.

Añez was backed by charismatic far-right politician and civic leader of the wealthy Santa Cruz province, Luis Fernando Camacho. With constant mentions of "the power of God", he rose to prominence as "the Bolivian Bolsonaro" and was one of the key figures behind Morales's ousting²⁰. A few months before the controversial Bolivian elections, the regional Catholic activist held a meeting with Brazilian anti-globalists Araújo and Martins, and a leaked audio of Camacho suggested that he might have received instructions from Brazil on how to organise the opposition against Morales²¹.

Conservatives of the world, unite!

Most of the time, however, Bolsonaro's foreign policy displays an ultraconservative ideology that goes well beyond defending the Christian faith. Perhaps the most visible feature of Bolsonaro's international strategy is teaming up with other conservative leaders around the world. During the presidential campaign, Bolsonaro clearly advocated stronger ties with the United States and Israel, primarily for electoral reasons. After all, he wanted to associate his own image to Donald Trump's, as the nation-loving underdog who ultimately spoke on behalf of the silent majority, and the relationship with Israel seemed critical for Bolsonaro to charm Evangelical voters.

²⁰ "How Bolivia's Evo Morales Was Brought Down With the Help of an Obscure Conservative With a Bible", *Time*, 15 November 2019.

²¹ "Opositor boliviano esteve no Itamaraty e no Planalto" ("Bolivian opponent was at Itamaraty and Planalto"), *Valor Econômico*, 12 November 2019.

As Bolsonaro got elected and formed his foreign policy cabinet, however, it became clear that relations with Washington and Tel Aviv were part of a more sophisticated design, which involved the establishment of a conservative front with other far-right leaders such as Hungary's Viktor Orbán, Poland's Andrzej Duda and Italy's Matteo Salvini.

If Bolsonaro's guru Olavo de Carvalho was the mastermind of the Brazilian anti-globalist thinking, it was former Trump adviser and far-right ideologue Steve Bannon who turned it into a full-fledged international strategy. Their fingerprints are all over Bolsonaro's international alliances, whose main goal is to wage a permanent war against globalist and socialist forces across the planet²².

The best antidote to globalism, so the theory goes, is nationalism. Therefore, another objective of Bolsonaro's international plan is to strengthen the role of nations as opposed to supranational values and institutions. Araújo and other foreign policy makers never hid their fascination for the ultranationalist governments of Israel, Hungary and Poland. "We admire those who fight for their country and those who love themselves as a people [...]. The problem of the world is not xenophobia, but oikophobia – to hate one's own home", philosophised the Foreign Minister as he took office²³.

Bolsonaro's Brazil went as far as to propose, again together with Orbán's Hungary, that the national identity be considered a fundamental human right. "Global or transnational issues cannot serve as pretext to impose policies detrimental to national institutions or that violate national identity", both countries stated in a joint communiqué²⁴.

²² G.R. Tsavkko, "*Bolsonaro and Brazil court the Global Far-Right*", *NACLA*, 21 August 2019.

²³ "Discurso do ministro Ernesto Araújo durante cerimônia de Posse no Ministério das Relações Exteriores" "Speech by Minister Ernesto Araújo during inauguration ceremony at the Ministry of Foreign Affairs", Ministry of Foreign Affairs, 2 January 2019.

²⁴ "*Comunicado Conjunto Brasil-Hungria – Visita Oficial do Ministro dos Negócios Estrangeiros e Comércio Exterior da Hungria, Péter Szijjártó – Brasília, 8 de outubro de 2019*", ("Brazil-Hungary Joint Communiqué - Official Visit of the Hungarian

Religious and nationalist worldviews explain Brazil's unprecedented contempt for multilateralism. The basic claim is that most policies set forth by multilateral institutions are formulated and implemented by a globalist bureaucracy that utterly disregards national interests, values (including religious ones) and particularities. UN-led agendas of multiculturalism and migration would permanently endanger these values.

Bolsonaro's negative attitude towards international organizations was already clear in the presidential race, when he launched one of his most remarkable anti-UN rants: "If I am elected president, I'll leave the UN, which is a useless institution. It is a gathering of communists". The then candidate was furious at a UN Human Rights Committee decision requesting that Brazil take all necessary measures to ensure that his arch-rival Lula could fully exert his political rights – and therefore run for president from prison.

As the campaign progressed and his anti-globalist rhetoric became more consistent, Bolsonaro specified that he would not pull out from the UN, only from its Human Rights Committee, as well as from some international treaties supposedly damaging to Brazilian sovereignty, such as the Paris Agreement and the UN Global Compact for Migration. While pressure from economic groups ensured that Bolsonaro would adhere to the climate deal, he withdrew from the migration pact – which had been signed by the previous administration just a few weeks earlier – as his first foreign policy decision. By so doing, Brazil joined a group of five conservative countries that had rejected the pact from the outset – the US, Israel, the Czech Republic, Hungary and Poland.

Minister for Foreign Affairs and Foreign Trade, Péter Szijjártó - Brasília, 8 October 2019"), Nota 255, Ministry of Foreign Affairs.

Bolsonaro's New Global Friends (and Some Accidental "Frenemies")

A blessed friendship with Israel

Israel's Prime Minister Benjamin Netanyahu was the first nationalist leader Bolsonaro tried to court. As presidential elections approached, Israel became Bolsonaro's strongest link with Evangelical voters, who generally consider support for the Jewish state as part of the Biblical prophecy of the second coming of Christ. Trump's decision to transfer the US embassy to Jerusalem, in December 2017, gave Bolsonaro a tangible foreign policy platform to campaign in Evangelical churches across the country²⁵.

Not only did Bolsonaro's vow to move the Brazilian embassy to Jerusalem resonate strongly with his Evangelical base, but it also provided Netanyahu with a potential diplomatic breakthrough. Almost a year after Trump's announcement, only Guatemala and Paraguay had followed his lead, while other allies like Hungary, Australia and the Czech Republic remained reluctant. Brazil's recognition of Israeli claims over the Holy City could be a game changer for the Prime Minister as he ran for re-election²⁶.

In a clear sign of goodwill, Netanyahu was one of the few foreign leaders to attend the Brazilian president's inauguration, together with Viktor Orbán. The Israeli premier also rushed to send humanitarian aid to the Brazilian state of Minas Gerais following the Brumadinho dam disaster in late January 2019.

But the pinnacle of this blossoming relationship was Bolsonaro's trip to Jerusalem, just one week before Israel's general elections. Both sides were enthusiastic about it. By

²⁵ G. Casarões, "Eleições, política externa e os desafios do novo governo" ("Elections, foreign policy and the challenges of the new government"), *Pensamento Propio*, vol. 24, 2019, pp. 49-50.

²⁶ Y. Trofimov, "Global Positioning Helps Israel's Netanyahu in Election and Beyond", *Focus on Israel*, vol. 19, no. 16, 2019.

choosing Israel for one of his first international presidential trips, the new Brazilian President, whose approval ratings at home were falling, hoped to convey the image of a responsible statesman with a robust foreign policy agenda. Netanyahu, on his part, thought that the Brazilian embassy transfer would be the trump card to secure his stay in power. Bolsonaro even became the first foreign leader to be accompanied by the Israeli Prime Minister on a visit to Jerusalem's Western Wall²⁷.

However, thanks to pressure from the agribusiness and military sectors, which were dismayed at Arab and Islamic threats to boycott Brazilian halal products, Bolsonaro fell short of announcing the embassy move. Instead, he promised to open a trade and investment office in Jerusalem, along the lines of other conservative governments.

While the Brazilian president's decision frustrated Netanyahu, who since then has experienced a long and turbulent period of political indecisiveness, both countries have decided to maintain good relations. At the launching ceremony of Brazil's trade and investment office in Jerusalem, in mid-December 2019, Congressman Eduardo Bolsonaro cited a Biblical verse to reiterate his government's pledge to relocate the embassy, "because we do believe that whoever blesses Israel will be blessed, and whoever curses Israel will be cursed"²⁸.

"The United States and Brazil above all"

No nationalist leader fascinated the Bolsonaro administration more than Donald Trump. Bolsonaro and his closest aides have always looked up to the US President as the man who challenged the political establishment on his path to the presidency. As a presidential hopeful, Bolsonaro enjoyed promoting himself as the "Tropical Trump" and mimicked Trump's electoral tactics, rhetoric and mannerisms²⁹.

²⁷ "Brazil's Bolsonaro Visits Western Wall with Netanyahu", *Haaretz*, 1 April 2019.

²⁸ "Brazil opens trade office in Jerusalem, hailed as harbinger of embassy move", *The Times of Israel*, 15 December 2019.

²⁹ "For Trump, Brazil's President is Like Looking in the Mirror", *The New York Times*,

Foreign Minister Araújo went as far as to hail him as the saviour of Western civilisation. In a controversial article published in late 2017, Araújo, then an unknown diplomat, claimed that Trump's vision of a "world of sovereign and independent nations" was the key to saving the West from its moral decline and to restoring the West's faith in God, the family and the nation³⁰.

It came as no surprise that relations with Trump became the cornerstone of Bolsonaro's foreign policy. As soon as Bolsonaro won the elections, he rushed to announce that his first international presidential trip would be to the US³¹. Therefore, the new president's much-acclaimed trip to Washington, which took place in mid-March 2019, had a deep symbolic function, as Bolsonaro hoped to showcase – primarily to his own political base – the alignment between the two far-right leaders.

Yet, the extreme optimism with which the new Brazilian government sought to establish a special relationship with Washington was in stark contrast with the pragmatism of President Trump, to whom Brazil was not exactly a priority. Knowing that Bolsonaro would go great lengths to nurture this friendship, the US President successfully brokered the use of the Alcantara rocket launch base, over which negotiations had been stalled for almost two decades, and swayed Brazil into forgoing its special status at the World Trade Organization. In exchange, Trump promised to support Brazil's bid to join the Organization of Economic Cooperation and Development (OECD) and to reopen US markets to Brazilian beef³².

19 March 2019.

³⁰ E. Araújo, "Trump e o Ocidente", *Cadernos de Política Exterior*, vol. 3, no. 6, 2017. A fully translated version to English is available at <https://www.centerforsecuritypolicy.org/2019/01/07/brazils-new-foreign-minister-gives-profound-philosophical-base-to-trumpian-populism/>

³¹ In fact, Bolsonaro's first trip abroad as President was to Davos, Switzerland, where he attended the annual World Economic Forum meeting.

³² Office of the Press Secretary, "Joint Statement from President Donald J. Trump and President Jair Bolsonaro", 19 March 2019.

Besides the bilateral give-and-take, the US saw Brazil as an important pawn in the regional geopolitical chessboard. This explains Trump's decision to grant Brazil the status of a major non-NATO ally. Despite this being a primarily symbolic move, it seemed sufficient to ensure Bolsonaro's long-term loyalty. At the end of the state visit, then National Security Advisor John Bolton tweeted: "We're proud to make Brazil a Major Non-NATO Ally, and look forward to working with them on Venezuela, Iran, and China. A great meeting with a strong new strategic partner!"³³.

Bolton's tweet was revealing of what the Trump administration wanted from Brazil: an ally to overthrow the Maduro regime in Venezuela, to bring to an end Iran's activity in the region (especially through Hezbollah, which is considered an Iranian proxy) and to curb China's growing trade and technology presence in Latin America.

Bolsonaro diligently adhered to US policies towards Venezuela and Iran. As for the former, during his trip to Washington, the Brazilian President seconded Trump in asserting that "all options were on the table" for addressing the Venezuelan crisis. While Brazil's military and diplomatic establishment rejected the use of force against Nicolás Maduro, Bolsonaro, his son and Congressman Eduardo³⁴ and some close aides often flirted with the possibility.

Since Bolsonaro did not consider Iran a strategic priority, he thoroughly supported US policies to curb the Islamic Republic's actions. It could even be useful for strengthening ties with Israel while at the same time pleasing Iran's Arab rivals in the Gulf. So, in early February 2019, Foreign Minister Araújo attended the US-led Middle East peace conference in Warsaw, which in practice was a controversial gathering of Trump's allies to exert

³³ John Bolton on Twitter, 19 March 2019, <https://twitter.com/ambjohnbolton/status/1108099037536882688>.

³⁴ "Eduardo Bolsonaro fala sobre força militar na Venezuela e causa polêmica" ("Eduardo Bolsonaro talks about military force in Venezuela and causes controversy"), *Jornal Nacional*, 22 March 2019.

diplomatic pressure to curtail Iran's nuclear ambitions. Brazil was so eager to jump on the US bandwagon that it offered to host the 2020 "anti-Iran" conference³⁵.

On top of this, Eduardo Bolsonaro, who chairs the House Committee on Foreign Relations, suggested that Brazil should start considering Hezbollah, a close Iran ally, as a terrorist organization. Earlier in 2019, under Washington's influence, both Argentina and Paraguay had done the same³⁶. The suggestion caused dismay among Bolsonaro's military and diplomatic aides, who believed confronting Iran could make Brazil a target of international terrorism.

The best friend Chinese money could buy

China, in turn, was a much more delicate issue for Bolsonaro. Not only had China been Brazil's largest trading partner for a decade, with commerce reaching US\$100 billion annually, it was also responsible for Brazil's massive trade surpluses. Brazilian diplomats, military officials and farmers did not hide their anxiety when Bolsonaro, who was already leading the polls in the 2018 presidential race, made repeated attacks on China for trying to "buy Brazil".

Earlier that year, a parliamentary trip to Taiwan had infuriated the Chinese government, which claimed Bolsonaro and his fellow lawmakers had challenged China's sovereignty and territorial integrity. Even though the Xi administration acted very carefully once Bolsonaro got elected, the state-owned newspaper *China Daily* published some editorials painting a bleak picture of the future of Brazil-China relations if the new Brazilian President kept borrowing from Trump's playbook³⁷.

³⁵ "Brasil sediará evento do governo Trump sobre paz no Oriente Médio" ("Brazil to host Trump administration event on Middle East peace"), *Gazeta do Povo*, 13 September 2019.

³⁶ "Paraguay recognizes Hamas, Hezbollah as terror groups, drawing Israeli praise", *The Times of Israel*, 20 August 2019.

³⁷ "China part of the solutions not part of Brazil's problems", *China Daily*, 2 January 2019.

Caught in the tug of war between his foreign policy and economic teams, Bolsonaro remained largely silent about China for his first months in office. But he did not seem to censure his fellow anti-globalist advisers, who kept denouncing the “Chinese threat”. Foreign Minister Araújo for one, in a keynote speech to Brazilian diplomats, declared that Brazil would not “sell its soul” to maintain soybean and iron ore exports, and suggested that the long stagnation of the Brazilian economy was somehow related to the trade partnership with China³⁸.

Conversely, other government officials have struggled to keep a direct line open with the Chinese government. With an eye on shoring up exports to China and other Asian markets, Agriculture Minister Tereza Cristina went twice to Beijing in a matter of months. Vice-President Hamilton Mourão also visited the Chinese capital, with a promise of attracting more investments to Brazil’s technology, communications and infrastructure sectors³⁹.

Such overtures toward China were particularly meaningful as they attempted to reposition Brazil amid growing tensions over the trade war between Washington and Beijing. Since Bolsonaro could well tip the balance in the race for the 5G rollout in Latin America, China began courting the Brazilian president⁴⁰. As fires raged in the Amazon and European leaders started to criticise Bolsonaro over his commitment to the environment, the Chinese ambassador to Brazil went to his defence claiming that the Amazon crisis was “a bit fabricated”⁴¹.

A month later, Bolsonaro went on an official tour of Asia, and the meeting with President Xi was the highlight of the trip.

³⁸ “A novos diplomatas, Araújo diz que país não venderá alma para exportar minério de ferro e soja” (“To new diplomats, Araújo says that the country will not sell souls to export iron and soybeans”), *Folha de S. Paulo*, 11 March 2019.

³⁹ O. Stuenkel, “Can VP Mourão Fix Brazil-China Ties?”, *Americas Quarterly*, 21 May 2019.

⁴⁰ A. García-Herrero, *Bolsonaro's Pilgrimage to Beijing*, Bruegel, 29 October 2019.

⁴¹ “China Keeps Quiet About the Amazon Crisis Despite Its Leverage Over Brazil”, *The News Lens*, 10 November 2019.

In a departure from the Brazilian President's reluctance to build stronger ties with China, Bolsonaro said at a Beijing forum that the two countries "were born to walk together" and that the two governments are "completely aligned in a way that reaches beyond [their] commercial and business relationship"⁴².

Trapped between Washington and Beijing

Brazil's renewed enthusiasm towards China was in sharp contrast with President Trump's string of broken promises. Two weeks before Bolsonaro's trip to Beijing, in a leaked letter from Mike Pompeo to OECD Secretary-General Angel Gurría, the US secretary of state said that Washington only backed the membership bids of Argentina and Romania as part of the group's enlargement efforts⁴³.

Although Trump rushed to dismiss the content as "fake news" and to reaffirm his administration's support for Brazil's candidacy, the letter dealt a blow to Bolsonaro's expectations of a special alliance with Washington. In early November 2019, disappointment again ensued as the US refused to lift the veto imposed on Brazilian fresh beef in 2017⁴⁴.

When Xi Jinping went to Brazil for the 11th Brics Summit, it seemed clear that Bolsonaro had abandoned his adamant pro-US narrative. At a private meeting with other BRICS countries, the Brazilian President apologised for criticising China during the presidential race. Bolsonaro also signed numerous agreements with his Chinese counterpart and said that China was "increasingly a part of the future of Brazil"⁴⁵.

⁴² *Bolsonaro Meets China's Xi in Bid to Balance Ties With U.S.*, Bloomberg, 24 October 2019.

⁴³ *Trump Says He Still Supports Brazil in OECD, Despite Letter*, Bloomberg, 10 October 2019.

⁴⁴ "Agriculture Minister Leaves USA Without Definition on Brazil's Meat Exports", *The Rio Times*, 21 November 2019.

⁴⁵ "Com afagos mútuos, Bolsonaro e Xi Jinping assinam nove atos" ("With mutual strokes, Bolsonaro and Xi Jinping sign nine acts"), *Correio Braziliense*, 13 November 2019.

A few days after the BRICS Summit, Bolsonaro met with the Brazil head of Huawei, the Chinese tech giant spearheading the development of 5G networks⁴⁶. This was in clear defiance of the position adopted by the US, which had imposed sanctions on Huawei and was still trying to pressure Bolsonaro to ban the company from Brazil's 5G spectrum auction⁴⁷.

Moreover, bowing to China and Russia's position on Venezuela and on the ousting of Evo Morales in Bolivia (which took place as the BRICS heads of state gathered in Brasilia), the Brazilian delegation avoided bringing up the subject during the meetings. As a result, no mention of the turmoil in South America was made in the final declaration⁴⁸.

Trump did not hide his disgust at Brazil's change of heart. On 2 December 2019, in a message on Twitter, he accused Brazil and Argentina of manipulating their currencies and hurting American farmers. In response, the US would impose tariffs on steel and aluminium from both countries, a move that shattered previous agreements with them⁴⁹.

Unwilling to admit that the unconditional alignment with Washington was starting to hurt the Brazilian economy, the Bolsonaro administration dismissed Trump's tweet as electoral hot air. Deep down, they knew that the US President would be increasingly difficult to please as impeachment proceedings advanced and elections approached.

The European Union: An uneasy globalist friendship

Out of all of Brazil's strategic partnerships, the relationship with the European Union was the one that raised the greatest

⁴⁶ “Depois de afagar China, Bolsonaro recebe Huawei” (“After stroking China, Bolsonaro accepts Huawei”), *Folha de S. Paulo*, 16 November 2019.

⁴⁷ O. Stuenkel, “In Spite of Bolsonaro, China Quietly Deepens its Influence in Brazil”, *Americas Quarterly*, 12 November 2019.

⁴⁸ Ministério das Relações Exteriores, “11th BRICS Summit – Brasília Declaration”, 14 November 2019.

⁴⁹ “Trump Says U.S. Will Impose Metal Tariffs on Brazil and Argentina”, *The New York Times*, 2 December 2019.

doubts. In clear contrast with his fascination for the United States and Israel, and with his antipathy towards China, Bolsonaro had largely kept silent about his views on the EU. “We know nothing about Brazil’s new government”, said Cecilia Malmstrom, the European Commissioner for Trade, a few days after the elections in Brazil.

Fearing that a Bolsonaro administration would step out of Mercosur, European and South American leaders even rushed to broker the inter-bloc agreement – then in its final stage – before the end of the year, but without success⁵⁰.

Meanwhile, the choice of Ernesto Araújo as Foreign Minister sent a gloomy message to Europeans. In the same 2017 article in which he had praised Trump, Araújo criticised the very existence of the EU as an attempt to “sanitise” the continent’s past, and called Europe “just a bureaucratic concept and a culturally empty space governed by abstract values”⁵¹. Brazil’s growing closeness to conservative leaders who opposed EU policies, such as Hungary’s Orbán and Poland’s Duda, as well as the Bolsonaro administration’s apparent enthusiasm for Brexit, also raised European concerns over the future of the relationship with Brazil.

It soon became clear that Bolsonaro’s anti-globalist foreign policy would strain relations with European leaders. His insistence on abandoning the Paris Agreement, a move that once again seemed to mimic Trump’s playbook, led French President Emmanuel Macron to declare that Brazil could not quit the climate deal if it wanted to go on with the EU-Mercosur talks. It was not personal, since Macron had proposed that France should not sign trade agreements with countries that did not commit to environmental standards well before Bolsonaro got elected.

Still, some members of the new Brazilian administration seemed eager to pick a fight with the French president. In a reference to the outbreak of the *gilets jaunes* protests,

⁵⁰ “União Europeia se nega a ceder para atender Bolsonaro” (“European Union refuses to yield to meet Bolsonaro”), *O Estado de S. Paulo*, 9 November 2018.

⁵¹ E. Araújo (2017), p. 346.

Bolsonaro's international affairs adviser Filipe Martins tweeted: "Before defending the Paris Agreements, how about defending Paris first? Make an agreement with your own people before criticizing the Brazilian government's decisions and interfering disrespectfully with our domestic issues"⁵².

Enemies over environmental concerns

Since Bolsonaro's inauguration, his attitudes towards the environment have been at the heart of disagreements with European leaders. Although the President eventually decided not to quit the Paris Agreement (the announcement was strategically made on the eve of his trip to the World Economic Forum in Davos in January 2019), Brazil's decision to withdraw its offer to preside over the 2019 UN Climate Change Conference with claims of "budget constraints" was seen as troubling news⁵³.

Moreover, Brazil's new Environment Minister Ricardo Salles sparked controversy as he suspended all partnerships and agreements with non-governmental organizations and slashed staff and funding from programmes and agencies such as Ibama, Brazil's environmental monitoring and enforcement agency, upon taking office⁵⁴. A few months in, Germany and Norway decided to halt donations worth US\$70 million to the Amazon Fund, a conservation programme they have supported since 2008, over Salles's attempts to change the fund's rules and prevent NGOs from participating.

An infuriated Bolsonaro went public, suggesting that Europe was not in a position to lecture his administration. "Isn't Norway that country that kills whales up there in the north pole?", questioned the Brazilian president. "Take that money and help [German Chancellor] Angela Merkel reforest Germany"⁵⁵.

⁵² F.G. Martins on Twitter, 3 December 2018, <https://twitter.com/filgmartin/status/1069645597316182016>

⁵³ "Brazil backs out of hosting 2019 UN climate summit", *Climate Change News*, 28 November 2018.

⁵⁴ "Brazil environment chief accused of 'war on NGOs' as partnerships paused", *The Guardian*, 17 January 2019.

⁵⁵ "Norway halts Amazon fund donation in dispute with Brazil", *The Guardian*,

Tensions between Bolsonaro and his European counterparts mounted as the world turned its eyes to the devastating fires ravaging the Amazon forest, many of them started intentionally in order to clear land for farmers. A few weeks before, Bolsonaro had sacked the head of Brazil's National Institute for Space Research over the publication of a report showing that deforestation was rapidly increasing. He had also cancelled a meeting at short notice with French Foreign Minister Jean-Yves Le Drian to get a haircut – which he broadcast live on Facebook. The French Minister had met with some Brazilian NGOs the day before to discuss the Amazon fires.

Macron's response to Bolsonaro's snub came as he prepared to attend the G7 Summit in Biarritz, when he called the fires a "global crisis" that had to be addressed by world leaders. What followed was an embarrassing exchange of personal insults. Bolsonaro accused his French counterpart of having a "colonialist mindset" and told him to stay out of Brazil's domestic affairs. Macron then accused the Brazilian President of lying about his commitment to climate change and threatened to block the EU-Mercosur deal, which had been announced a few weeks earlier. Resorting to well-known tactics of social media populism, Bolsonaro and his close aides began offending Macron and even went as far as to mock the appearance of his wife Brigitte. "I hope that very quickly [Brazilians] will have a president who behaves like one", Macron said at Biarritz⁵⁶.

With the major trade deal on a tightrope, Germany's Angela Merkel tried to appease Brazil. Even before the feud between Bolsonaro and Macron, she had already declared that isolating Brazil would not be the best answer to halt deforestation, while still recognising the "dramatic" nature of the Brazilian environmental situation. At the G7 summit, she offered to mediate further negotiations with the Bolsonaro administration over the Amazon crisis.

16 August 2019.

⁵⁶ "Disputes Over Amazon Gets Personal for Bolsonaro and Macron", *The New York Times*, 26 August 2019.

Merkel's conciliatory gesture did not prevent Bolsonaro from once again attacking Europeans, this time at the UN General Assembly. In his speech, the Brazilian President compared Brazil's use of land for agriculture with France's and Germany's and dismissed criticisms over his Amazon policy as "colonialism". "We [...] condemn the attempts at instrumentalizing the environmental matter or indigenous policies toward external political and economic interests, especially those disguised as good intentions", the Brazilian President said⁵⁷.

Brazil's Regional Puzzle: Dealing with "Socialist" Enemies

Jair Bolsonaro's regional policies are primarily driven by anti-communism, which translates into breaking with everything associated with former President Lula da Silva and his Workers' Party (Partido dos Trabalhadores or PT). In his campaign platform, Bolsonaro pledged to "redirect Brazil's axis of partnerships" in Latin America, placing the emphasis on "bilateral relations and agreements". First of all, it meant that Brazil would move away from former allies like Argentina, Bolivia and especially Cuba and Venezuela, while moving closer to the conservative, pro-US governments of Chile and Colombia.

On a broader regional level, Bolsonaro was willing to do away with the integration mechanisms that had become associated with the PT's foreign policy, notably the Union of South American Nations (União das Nações Sul-Americanas or Unasur), a political bloc launched by Lula and Chávez in 2008.

Bolsonaro and his aides viewed Unasur as nothing but a façade to advance Venezuela's Bolivarian interests in South America, backed by Havana's socialist regime. In April 2018, in response to the bloc's inability to address the escalating political

⁵⁷ Ministry of Foreign Affairs. "Speech by Brazil's President Jair Bolsonaro at the opening of the 74th United Nations General Assembly", 24 September 2019.

and humanitarian crisis in Venezuela, six countries with centre or right-wing governments – Argentina, Brazil, Chile, Colombia, Paraguay and Peru – suspended their participation in Unasur and went on to form the Lima Group, some months later, to pressure Maduro to step down.

In late March 2019, seven presidents, including Bolsonaro, met in Chile's capital Santiago to launch the Forum for the Progress of South America (Foro por el Progreso de América del Sur or Prosur) as a substitute for Unasur, based on flexible mechanisms and a lightweight organizational structure⁵⁸.

Under the guise of defending democracy on the continent, Prosur, which came into force six months after the presidential summit, was a means to isolate Maduro and Bolivia's Evo Morales from the new regional architecture, as well as to dismantle the ambitious political integration structures that existed when there was a prevalence of left-wing governments in South America. It seemed clear that the goal of the Prosur founding members, which were working closely with the United States and the Organization of American States (OAS), was to exert further diplomatic pressure on the Maduro regime.

Venezuela, Cuba and the São Paulo Forum: Bolsonaro's perfect external enemy

Bolsonaro nonetheless decided to take the relationship with Maduro to a new level of hostility. Soon after getting elected, Bolsonaro broke with Brazil's diplomatic tradition and refused to invite two countries alone to his inauguration: Cuba and Venezuela. Moreover, among his first foreign policy actions were recognising Guaidó and providing humanitarian aid to Venezuelans on the border, not to mention the staunch support for Trump's aggressive rhetoric toward the Maduro regime.

This new approach to Venezuela and Cuba was based on what Bolsonaro's government saw as a quasi-conspiratorial plot

⁵⁸ "South America Attempts to Unite, Again - This Time Led by a Resurgent Right", *World Politics Review*, 18 April 2019.

by the São Paulo Forum, or Foro de São Paulo, a conference of Latin American leftist parties and movements. The Forum was established in 1990 at the initiative of Lula and Fidel Castro as a platform to devise collective strategies for the left in Latin America, and came as a response to the end of the Cold War and the rise of neoliberal presidents across the region.

With the triumph of left-wing presidents in the 2000s, some far-right commentators and politicians began seeing the Foro as an all-powerful institution with hegemonic intentions. Unsurprisingly, Olavo de Carvalho was among the first to denounce it as “the greatest criminal plot of all time” as early as 2001. Ever since then, he has almost single-handedly warned of the alleged dangers posed by the “narco-communist” collusion between Lula da Silva, Hugo Chávez and Fidel Castro to Latin American politics⁵⁹.

The permanent association between Venezuela, Cuba and the Foro has served Bolsonaro in two ways. Firstly, by claiming that it was the Foro that guaranteed Maduro’s survival, he took the weight off of China and Russia’s shoulders. That was a strategic move, since admitting that Chinese and Russian geopolitical and economic interests in Venezuela were largely responsible for Maduro’s permanence in power could further damage Brazil’s relationship with two major BRICS countries.

Secondly, and most importantly, by constructing the image of an omnipotent entity, the new President found his perfect external enemy. The spectre of Foro’s socialism was totally identified with Nicolás Maduro, the fiery strongman who sat right across the border, and with the Cuban regime. Maduro’s frequent collusion with Lula’s PT also gave Bolsonaro an excuse to threaten his political adversaries at home.

As a result, since the new Brazilian President came to power, he and his foreign policy team have blamed Maduro and the Foro for spilling oil along Brazil’s north-eastern coastline⁶⁰; for popular

⁵⁹ F. Moura Brasil, “Conheça o Foro de São Paulo, o maior inimigo do Brasil” (“The São Paulo Forum, Brazil’s biggest enemy”), *Véja*, 24 March 2014.

⁶⁰ Jair Bolsonaro on Twitter, 26 October 2019, <https://twitter.com/jairbolsonaro/status/1188120331350937600>

demonstrations and riots that caused turmoil and violence in Chile, Bolivia and Ecuador⁶¹; for supporting armed guerrillas at the Colombian border⁶²; for paving the way for the return of Cristina Kirchner in Argentina; and for radicalising politics in Brazil after Lula was released from prison in early November 2019.

These accusations have been made primarily on social media, mostly without backing evidence, and rapidly formed a narrative that spread among Bolsonaro's supporters⁶³. Some have even made it into official documents issued by Itamaraty and, more recently, by the Lima Group⁶⁴ and the OAS⁶⁵. They also appeared in Bolsonaro's first address to the UN General Assembly, roughly 20 percent of which was spent attacking the PT, Venezuela, Cuba and the São Paulo Forum⁶⁶.

A rough start with Argentina

Although it has been Brazil's most important partner for decades, Argentina did not rank as a foreign policy priority for Bolsonaro. On the night of Bolsonaro's victory, his soon-to-be Finance Minister Paulo Guedes gave an interview in which he bluntly stated to an Argentinian journalist that neither Argentina nor Mercosur would be priorities for the new government, as Brazil "would not be a prisoner of ideological [Bolivarian] relations"⁶⁷.

⁶¹ "Foro de São Paulo tenta desestabilizar Equador, diz Ernesto" ("São Paulo Forum tries to destabilize Ecuador, says Ernesto"), *Folha de S. Paulo*, 12 October 2019.

⁶² "O Foro de São Paulo tem relação com os recentes protestos na América do Sul?" ("Is the São Paulo Forum related to the recent protests in South America?"), *Gazeta do Povo*, 23 October 2019.

⁶³ Ernesto Araújo on Twitter, 7 November 2019, <https://twitter.com/ernestofaraju/status/1192538229024669696>

⁶⁴ "Declaração da XV Reunião de Ministros de Relações Exteriores do Grupo de Lima [Espanhol]" ("Declaration of the XV Meeting of Ministers of Foreign Affairs of the Lima Group"), Nota 191, Ministry of Foreign Affairs, 23 July 2019.

⁶⁵ "OAS Blames Chile Protests on Maduro and Cuba", *Chile Today*, 27 October 2019.

⁶⁶ Ministry of Foreign Affairs, "Speech by Brazil's President Jair Bolsonaro at the opening of the 74th United Nations General Assembly".

⁶⁷ "Future economy minister says Mercosur not a priority for Bolsonaro's Brazil",

Bilateral ties, therefore, seemed to get off to a bad start. Breaking long-standing traditions between the two countries, Macri did not attend Bolsonaro's inauguration, and the new Brazilian President chose Chile for his first presidential trip in the region⁶⁸. When Macri paid a visit to Brazil in January 2019, the press even called it a "reset" after an awkward beginning⁶⁹.

Bolsonaro's animosity toward Argentina and Mercosur was short-lived – and rather puerile. One of the administration's promises in its first 100 days was to remove the Mercosur emblem from the cover of the Brazilian passport and replace it with the seal of the republic, as part of the Foreign Ministry's anti-globalist rhetoric. However, after a few months of neglect, the Bolsonaro administration realised that the South American bloc could be the source of tangible foreign policy advantages, as in the case of the EU-Mercosur Free Trade Agreement.

Things only seemed to get back on track when Bolsonaro went to Buenos Aires in early June 2019, at a time when Brazil and Argentina shared a much more complex set of interests, from energy cooperation to the Venezuelan crisis, but with a focus on economic issues. Both presidents were eager to advance a liberal Mercosur, acting closely with the Pacific Alliance, and supported each other's bids to join the OECD⁷⁰.

With plummeting approval ratings at home, both Macri and Bolsonaro attempted to strengthen bilateral ties in search of a positive agenda, particularly for businesses. That was even more urgent to the Argentinian president, who was running for re-election against a dire economic backdrop, marked by soaring

Mercopress, 30 October 2018.

⁶⁸ "Bolsonaro and Macri Look for Better Ties to Distract From Their Domestic Troubles", *World Politics Review*, 28 June 2019.

⁶⁹ *All Smiles in Brasilia as Macri and Bolsonaro Reset Relationship*, Bloomberg, 16 January 2019.

⁷⁰ Ministry of Foreign Affairs, "Declaração Conjunta Presidencial por ocasião da visita de Estado do Presidente Jair Bolsonaro a Buenos Aires" ("Presidential Joint Declaration on the occasion of the State Visit of President Jair Bolsonaro to Buenos Aires"), 6 June 2019.

inflation and fears of a new default⁷¹. Macri, however, worked tirelessly to get the EU-Mercosur agreement through, which was announced with pomp and circumstance later that month.

But the foreign policy victory did not prevent Macri's defeat by the left-wing Alberto Fernández/Cristina Fernández de Kirchner ticket in the August 2019 primary elections. Fearing that the leftist comeback in Argentina could energise other left-wing leaders across the continent, including Lula (whose political fate was still subject to a Supreme Court ruling), the Bolsonaro administration began actively campaigning against Fernández. The day after Macri's defeat in the primaries, Bolsonaro warned supporters in Brazil's southernmost state, which borders Argentina: "if this leftist scum returns to Argentina, we might have a refugee crisis here, as we had [with Venezuelans] in the state of Roraima"⁷².

In the same week, Finance Minister Guedes threatened to leave Mercosur if Kirchnerism triumphed on the other side of the border. Finally, in an awkward metaphor, Foreign Minister Araújo compared Fernández to a Russian nesting doll: "you open it and out pops Cristina Fernandez, again you open it and out pops Lula, and again, Hugo Chavez"⁷³.

If interfering with elections was absolutely unusual for a historically neutral Brazil, so was challenging electoral results in neighbouring countries. Enraged at a picture of Fernández celebrating his victory with an "L" hand sign that stood for "free Lula", Bolsonaro said he was "concerned and afraid" of Argentina's new president. Adding insult to injury, Araújo tweeted that "evil forces" were celebrating the Argentinian election results, whereas

⁷¹ [Fears of Argentina Default Loom Large as Traders Dump Everything](#), Bloomberg, 12 August 2019.

⁷² ["Bolsonaro diz que volta da 'esquerdalha' na Argentina pode gerar crise de refugiados no Rio Grande do Sul"](#) ("Bolsonaro says return to the 'left' in Argentina may generate refugee crisis in Rio Grande do Sul") *Estado de Minas*, 12 August 2019.

⁷³ ["Alberto Fernández is like a matryoshka doll, you open it and out pops, Cristina, Lula, Chavez..."](#), *Mercopress*, 20 August 2019.

“the forces of democracy” were mourning for Argentina, for Mercosur and for all of South America⁷⁴.

Following the spat with Argentina's president-elect, Bolsonaro did not want to attend Fernández's inauguration, scheduled for early December 2019, nor was he willing to send a senior government representative. That was just the right opportunity for Rodrigo Maia, the speaker of Brazil's House of Representatives, to fill the political vacuum. Maia, who has been acting as an informal Prime Minister to ease Bolsonaro's strained relationship with Congress, has struggled to contain Bolsonaro's authoritarian leanings and to dispel his foreign policy paranoia.

A few days before Fernández took office, Maia met him and, in a gesture of reassurance, told him that the bilateral relationship would remain a priority for Brazil. This made Bolsonaro backtrack at the eleventh hour and send his Vice-President Mourão to the swearing-in of the new Argentinian president⁷⁵. It came as a relief to lawmakers, businesspeople and diplomats, who feared that Bolsonaro's hostility towards Fernández could thwart future agreements with Brazil's top regional ally.

Final Remarks and Policy Recommendations

One year into the Bolsonaro administration, many of the trends observed during the campaign and the period of cabinet formation have taken a much clearer shape. When it comes to foreign policy, three groups struggled for space: the military, free-market liberals and anti-globalists. While the former quickly lost power as Bolsonaro started to see Vice-President Mourão and other cabinet generals as a threat to his own

⁷⁴ Ernesto Araújo on Twitter, 28 October 2019, <https://twitter.com/ernestofaraujo/status/1188864329141104641>

⁷⁵ “Brazil's Bolsonaro Backtracks on Argentine Inauguration”, *The New York Times*, 9 December 2019.

political ambitions⁷⁶, Brazil's international agenda fell into the hands of the powerful conservative ideologues in charge of foreign policy making.

Anti-globalists have been the ones to pick the fights in Bolsonaro's culture wars. So far, they have only made a few (albeit significant) policy concessions to the government's economic team on China, the Arab countries and Argentina, who are among Brazil's largest trading partners. Aside from that, Brazil's entire foreign policy strategy is built upon Christian fundamentalism, nationalism and anti-communism. These values have been laid out in the manifesto of Bolsonaro's newest political party, Alliance for Brazil, and have also inspired many domestic policies pushed forward by the government.

It now seems clear that, in a departure from previous years, Brazil is no longer swinging between the Brics and the OECD. In other words, Bolsonaro's foreign policy does not follow Brazil's decades-old pattern of being closer to the Global South at times and closer to the West at other times, but always keeping a collaborative and pragmatic stance towards global affairs.

Aside from the emerging conservative axis that the Bolsonaro administration has attempted to build, other countries and regions of the world will only matter as long as they can offer any trade or investment benefit. Cooperation in multilateral regimes will also follow the same ideological pattern. Issues that Brazil has traditionally been engaged in, such as climate change, human rights and Security Council reform, have simply been dropped from Bolsonaro's diplomatic concerns.

Brazil's new foreign policy represents a particular challenge to European policymakers. Bolsonaro has demonstrated that he is not afraid to confront his European counterparts, especially when he feels cornered by accusations over his policies on the

⁷⁶ B. Winter, "*It's complicated: inside Bolsonaro's Relationship with Brazil's Military*", *Americas Quarterly*, 17 December 2019.

environment, indigenous peoples and human rights. As the feud with Macron neatly shows, anti-globalists are using a shrewd strategy of bullying world leaders and portraying themselves as the victims to supporters at home. This, incidentally, is one of the sources of Bolsonaro's stable (yet low) popularity.

Yet, the EU-Mercosur trade agreement might still be considered a lifeline to positive relations with Bolsonaro. As Brazil starts to bear a striking resemblance to Orbán's Hungary, key European leaders might use trade as a means to pressure Bolsonaro whenever he seems to be undermining Brazil's democratic institutions and/or cooperation on urgent global issues such as climate change. The natural channel of communication with the Brazilian government is Paulo Guedes and officials in the economic team.

Another means to foster cooperation is through Congress. This is novel to Brazil, as presidents and diplomats have always had the upper hand in foreign policy. However, European policymakers might benefit from the uneasy but intense relationship between Bolsonaro and the Brazilian parliament. Rodrigo Maia, Brazil's unofficial Prime Minister, was successful in convincing the President that he should be more constructive towards Argentina. A few days later, he travelled to Geneva to meet representatives of the World Trade Organization and the UN Human Rights Commission. While it is too early to tell whether this will be an effective approach to relations with Brazil, this is surely a path to explore as Bolsonaro enters the second year of his tenure.

5. The Venezuelan Crisis and Its Geopolitical Dimension

Antonella Mori

Venezuela is going through a deep economic, political and humanitarian crisis. Gross domestic product has fallen by 65 percent since 2014, and is projected to fall still further in 2020. The political-institutional clash has intensified, and so has the confrontation between supporters and opponents of Nicolás Maduro who, in January 2019, started his second presidential term, following elections considered by many to be neither free nor democratic. The opposition claims that Maduro's presidency is void and is calling for new elections, recognising Juan Guaidó as the country's interim leader. The humanitarian crisis has pushed many Venezuelans to leave their country and by the end of 2020 the number of emigrants could reach six million, almost 20% of the population.

Venezuela's problems are rooted in the economic and political choices of several decades, but the policy errors of the last decade alone go a long way to explain the current, dire state of things. Hugo Chávez, who governed the country until his death in 2013, is to blame for missing the opportunity offered by high oil prices over nearly ten years up to 2013 to wean the country off its vast oil reserves and create the conditions for sustainable and lasting development. With the country highly dependent on revenues from oil extraction, the sharp drop in the price of oil in 2014 dealt a tremendous blow to the economy. Nicolás Maduro, Mr Chávez's successor, continued

with the same economic policies despite the low oil prices, thus worsening the already difficult economic situation.

The end of the Maduro government has been anticipated several times. At the time of his first presidential election, in 2013, many expected his government to collapse within a year. Thirteen months later, when protests ravaged the country, his days were thought to be numbered. When the opposition called for the revocatory referendum in 2016 and then again when mass protests broke out in 2017, many believed once more that the end of Mr Maduro was just moments away. The same happened in 2019, when the opposition united to support Juan Guaidó: a large number of foreign countries recognised him as the legitimate caretaker, and the Americans tightened economic sanction against the country, encouraging the belief that a change of government was imminent.

Now, early in 2020, the most likely scenario is that no change will take place in the near future. There are a number of reasons for this: firstly, the external and internal pressures to oust Mr Maduro are fading away, while the government's crackdown on internal dissent is proving effective. Secondly, the expected drop in domestic production in 2020 – the seventh consecutive year of contraction – will not be as large as in 2019, thus giving the government some respite. Third, despite the sanctions imposed by the United States since January 2019, some foreign currency has nevertheless arrived in the country. Friendly countries – primarily Russia – are helping with the export of oil; proceeds from the sale of gold and from probable illicit trafficking in drugs, weapons and minerals also keep flowing in. Furthermore, Maduro, who has a knack at tilting the political playing field in his favour, will probably manage to regain control of the National Assembly at the next legislative elections. Finally, Maduro has shown in recent months that, in order to maintain power, he is willing to change some Chavist policies. In mid-2019, the country abandoned its currency controls and as a result the official exchange rate is now close to the black-market rate. Also, use of the dollar in domestic transactions has been

gradually liberalised. The growing de facto dollarization of the economy has led to less price instability, which in turn has increased the availability of goods. At the end of January 2020, news even circulated that Maduro was considering selling shares in the state oil company, *Petróleos de Venezuela SA (PDVSA)*, to foreign oil companies that already operate in the country, such as the Russian *Rosneft*, the Spanish *Repsol*, and the Italian *Eni*.

The internal political clash between supporters of Maduro and Guaidó is mirrored by two opposing sides at the international level: backing Guaidó and calling for new elections are the United States, Canada, many Latin American and European countries. Russia, China and Cuba stand behind Maduro and criticise external interferences in Venezuela's affairs. While this is an ideological and geopolitical clash, significant economic interests are also at stake. The United States is keen on re-establishing a safe and stable oil supply in the region, on having privileged access to other natural resources in which the country is rich, such as coltan and gold, and on reducing the flow of migrants from Venezuela moving towards its borders. Russia and China, who have lent to and invested heavily in Venezuela in these past, are working to preserve the value of their assets. Partial proof of the ideological nature of the clash between the Chavisti and the opposition comes from how Mexico, Argentina and Bolivia have acted in recent months. Following the election of presidents Andrés Manuel López Obrador and Alberto Fernández, Mexico and Argentina, who had previously sided with the Lima Group against Maduro, have both shifted to a more neutral position. Bolivia, on the other hand, which supported Maduro throughout the presidency of Evo Morales, has now aligned itself with the Lima Group in support of Guaidó.

The Evolution of the Catastrophe

Economic and social collapse

When elected president of Venezuela in 2013, after the death of Hugo Chávez, Nicolás Maduro inherited a country with a deteriorating economic and social situation – a totally new context after almost a decade of major improvement. Between the years 2000 and 2012, Venezuela's gross domestic product grew on average by 4.3% a year and the share of the population living under the poverty line dropped from 44% to 23.9%, although this reduction in the poverty rate came to halt in 2011. In his final years, however, Hugo Chávez introduced heterodox and populist economic policies: high inflation was fought through price controls on many goods while monetary growth was let to run free; a system of multiple fixed exchange rates was put in place, subject to frequent devaluations; and a fast pace of social spending was maintained, compromising public finances. Large oil exports and the consequent strength of the bolivar, the national currency, also contributed to the progressive de-industrialisation of the country, which was importing most goods, even basic staples, since the national agricultural and industrial production could not keep pace with demand. Private companies outside the oil and refinery industries, not very competitive to start with, were further disadvantaged by the poor state of the country's infrastructure and faced an unfavourable business climate: in the *Doing Business 2013* ranking, compiled by the World Bank, Venezuela was in 180th place out of 185 countries, coming last in the whole of Latin America and the Caribbean, even after Haiti.

The last years of Hugo Chávez's government were tough for the economy but his first years were highly successful in the fight against poverty and in the inclusion of marginalised and disadvantaged segments of the population – the poor, women, children and indigenous people. In 1999, almost half of Venezuela's population was living in poverty, about 10 percent more than in the early 1990s; and although Venezuela was still

one of Latin America's countries with the least unequal income distribution, during the 1990s income distribution in Venezuela had become significantly more uneven. Starting in 2003, the Chávez governments promoted social programmes (the misiones) in a number of sectors, including education, health, worker training and the development of micro-enterprises. The misiones pursued precise objectives on a very large scale. For example, four educational initiatives were implemented: the Misión Robinson I intended to eradicate illiteracy, the Misión Robinson II, aimed at completing primary education for all those who knew how to read and write, the Misión Ribas designed to help students to complete their secondary studies and, finally, the Misión Sucre aimed at guaranteeing free university education to all young Venezuelans through the construction of new universities. The success of the fight against poverty and for the inclusion of marginalised sections of the population in the social, economic and political life of the nation is a very important factor in explaining the popular support that Maduro and Chavismo in general still command.

Oil has always cast a long shadow over Venezuela's economy and not surprisingly, given that the country has the largest proven oil reserves in the world. In the past few decades, in particular, economic cycles in Venezuela were closely related to international oil prices: when oil prices ran high, GDP grew rapidly, while low oil prices spelled stagnation or even recession for the country. These booms and busts hindered the development of non-oil industries, disadvantaged also by the foreign exchange rate, which was pushed higher by the influx of dollars from the sale of oil (an example of the so-called "Dutch disease"). When oil prices were high, Venezuela recorded significant revenues from its oil exports, but Chávez did not put aside any of these earnings to cope with periods of low oil prices; rather, the country in these years was an active borrower on the international capital markets. Most of the proceeds were spent on social programmes, with little dedicated to productive investments in the oil or non-oil sectors. For as long as the state failed to commit to

investments in productivity, the difficult business environment also discouraged private investments. Private companies, both domestic and foreign, were also hindered by regulatory instability, high corruption and an industrial policy with a penchant for nationalisations and expropriations.

In 2013, at the beginning of his presidency, Nicolás Maduro, who had defeated the opposition candidate, Henrique Capriles, by a very thin margin, faced a difficult situation, characterised by low economic growth, high inflation – between 20% and 30% per year – and worsening public finances. After just a year of his presidency the situation had become a lot more serious: the economy had gone into recession, inflation had jumped to 60% and the fall in the price of oil had cut deeply into public resources and imports. During this period, public demonstrations against Maduro and his distorting and opaque economic policies started to become frequent. In order to fight inflation, rather than placing checks on monetary growth, Maduro imposed price controls directly in the shops. The exchange rate, for long fixed at unrealistic levels, became further distorted by a new system of multiple exchange rates, all of which were far below that of the national currency on the black market. The management of public finances remained opaque, with a considerable share of the state's revenues and expenditures kept off-budget, and therefore at the government's disposal without institutional checks. The few official macroeconomic statistics issued were not vetted by external bodies like the IMF.

By mid-2014 the price of a barrel of Venezuelan oil had fallen from about US\$100 to about US\$40, bringing about a collapse in export earnings, official reserves and tax revenues. Despite this slump in public revenues, Maduro kept public spending high, financed by the central bank's printing of new money. Monetisation of the large public deficit boosted inflation, which quickly became hyperinflation: consumer price inflation exceeded 400% in 2017 and by 2018 had reached 65,000% (IMF, *World Economic Outlook*, October 2019). The sharp drop in exports and official reserves forced the country

to drastically reduce its imports, with the consequence that even basic food items became scarce. Several sources (NGOs, think-tanks) started reporting cases of malnutrition, especially among children, and inadequate basic health services caused by a scarcity of doctors and medicines.

Nicolás Maduro's government bears full responsibility for this economic meltdown, though this might not have come about if oil prices had not fallen so sharply. The government acted as if it could control economic outcomes by decree. Greedy producers and retailers were blamed for the high inflation, and the price controls adopted as a solution inevitably brought about further distortions and another drop in production. The volatility of the exchange rate was seen as the fault of foreign countries and international speculators: the solution was therefore to adopt a regime with a multiplicity of fixed exchange rates depending on what use was to be made of the foreign currency. By the end of January 2018, for example, there were two official exchange rates: DIPRO, for imports of food and medicine, was fixed at 10 bolivars for 1 US dollar, and DICOM, for currency auctions, at around 3,336 bolivars for 1 US dollar: all the while on the black market it actually took about 235,000 bolivars to buy one single US dollar. The huge difference between the official DIPRO rate and the black-market rate created opportunities for illicit earnings by government officials, who could buy dollars at the official exchange rate set for the import of essential goods and resell them on the black market.

Data on oil production, by far the largest source of both export and fiscal revenues, confirm the sharp decline in economic activity. Venezuela's crude oil production slumped from 2.3 million barrels per day (mbpd) in January 2016 to 1.6 mbpd in January 2018 (US Energy Information Administration data). Back in 2000, oil production was running at 3 mbpd. This 30% decline in oil output in the space of just two years has further reduced the inflow of dollars to the country, slashing essential resources for the imports of goods and public spending. The negative consequences are exacerbated by the lack of even

basic goods and the scarcity of public services like transport, electricity, water and telecommunications. For a long time, Maduro denied the plight of his people and refused international aid. Only after the United States imposed new sanctions on the country in 2019, a move widely criticised internationally, did Maduro finally decide to accept humanitarian aid, arguing that the emergency had been created by the sanctions.

Venezuelan authorities stopped publishing macroeconomic statistics several years ago but the IMF continues to publish its estimates. According to the IMF, GDP contracted by 18% and 35% respectively in 2018 and 2019 (IMF, *World Economic Outlook*, October 2019). Aside from economic data, the flow of people leaving the country points to a humanitarian crisis: according to UNHCR-IOM, in November 2019 the number of Venezuelan migrants in the world has reached 4.6 million; the vast majority of these, approximately 3.8 million, have emigrated to other Latin American and Caribbean countries, especially Colombia and Peru. Those who remain in Venezuela continue to suffer for the lack of basic goods and services, galloping inflation, crime and violence. According to the July 2019 report of the UN High Commissioner for Human Rights, Michelle Bachelet, Venezuelans are experiencing serious violations of human rights, erosion of the rule of law and the dismantling of democratic institutions.

The political-institutional crisis

During the first two years of Nicolás Maduro's presidency, the government and opposition clashed head on. The government repressed dissent, to the point of arresting the opposition leader, Leopoldo López, in 2014, and Antonio Ledezma, mayor of Caracas, in 2015. Some anti-government demonstrations turned extremely violent, and dozens of demonstrators died in clashes with the police and army. President Maduro also claimed to have evidence of an international conspiracy, orchestrated by the United States and Colombia, to organise a coup against him. The threat of a coup served Maduro well, allowing him to

pull together his supporters and diverting their attention from the plight of the economy.

In 2015, in a very tense climate, parliamentary elections were held: they were to be the last free and democratic elections in the country. The opposition, united under the umbrella group *Mesa de la Unidad Democrática*, obtained 65% of the seats, and thus gained control of the National Assembly, Venezuela's parliament. Emboldened by the victory, opposition parties began to collect signatures calling a referendum to revoke the president's mandate the following year. The Venezuelan Constitution indeed provides that in the middle of a presidential term, which lasts six years, a referendum may be called to remove the president. Hugo Chávez faced a revocatory referendum in 2004 and won it; Nicolás Maduro, fearing he would lose, used various stratagems to prevent the vote. Many observers believe this was a turning point in the confrontation between government and opposition: it marked an authoritarian turn, the start of a gradual abandonment of constitutional democracy and the centralisation of power in the hands of the president and his inner circle. The frustration of the opposition boiled over in the following months, with massive anti-Maduro demonstrations taking place almost daily.

Given that the opposition controlled the National Assembly, Maduro first tried to erode its powers, and then side-lined it completely by calling for the creation of a National Constituent Assembly. New presidential elections were due in 2018, and Maduro called for these to be held on 20 May. The opposition along with several foreign countries and international organisations requested postponement, arguing that the vote could not be fair and democratic, given that the main opposition leaders and parties had not been able to stand as candidates and that the vote could not be monitored by a credible international body. Maduro won the elections with a large majority, partly because a large number of dissenting voters decided not to vote at all.

Those who had called for the presidential elections to be delayed, arguing that they would have been neither fair nor

democratic, naturally contested the result: in their view, Maduro's second presidential term, which started on 10 January, 2019, is illegitimate. In early January the opposition therefore elected Juan Guaidó as president of the National Assembly, and later proclaimed him interim president of Venezuela. The Venezuelan Constitution indeed establishes that, in the absence of a president, the president of the National Assembly assumes that role until new presidential elections are held. And so it happens that since 23 January 2019, when Juan Guaidó declared himself interim president in front of the world's press, Venezuela actually has two presidents: Nicolás Maduro, backed by the Chavistas and the military and supported by a handful of foreign countries, including China, Russia and Cuba; and Juan Guaidó, backed by the opposition and recognised as the country's legitimate leader by about fifty other countries including the United States, Canada, some Latin American and the European nations.

It is a weird situation, almost Cold-War-like, in which the position of those who are pro or against Maduro no longer depends on whether the 2018 vote was legitimate or on the responsibilities of the government for the dire state of the country but on their belonging to one camp or the other, the American-led West or the Russia-China-Cuba axis. Those who oppose American foreign policy, and in particular its weaponisation of sanctions, seem to have no doubt that Venezuela's economic crisis is primarily the responsibility of President Trump. Those who watched Hugo Chávez's Bolivarian revolution with hope, lauding what it managed to achieve, insist on defending Maduro, irrespective of his many deficiencies. Meanwhile, those who have been in opposition since Chávez's time tend to resist any compromise with the Chavistas. This antagonistic and polarised approach makes any form of negotiation extremely difficult. We do not know what Hugo Chávez would have done following the drop in oil prices in 2014 or the opposition's victory in the legislative elections of 2015, but it is for everyone to see that Maduro has brought Venezuela's people, its economy and democratic institutions to their knees.

In 2020, Maduro has sent a clear signal that he intends to grab yet more power. On 5 January, the National Assembly appointed Luis Parra as president, replacing Juan Guaidó, in what the latter has called a parliamentary coup. Parra was elected by a total of 81 votes, including the votes of MPs backing Maduro. The MPs supporting Guaidó, who were prevented from entering the National Assembly building, met in the headquarters of the “*El Nacional*” newspaper and ratified Juan Guaidó as president of the National Assembly, with a total of 100 votes. To summarise, Luis Parra has the backing of 81 MPs inside the Assembly’s building, and Mr Guaidó that of 100 MPs outside. Legally, the election of the president of the National Assembly requires a quorum of 84, and Mr Parra fell short of that. Illegality begets illegality, as chaos begets chaos: not only are there now two presidents of the country, but also two presidents of the National Assembly. What seems clear is that Maduro is determined to gain control over the National Assembly.

The Geopolitics of Oil

Venezuela’s oil exports steadily increased in the last few months of 2019. Washington has failed to carry out its threat of killing off the Venezuelan oil industry by extending sanctions to any foreign company that maintains trade relations with PDVSA. Still, many foreign companies, under the threat of such sanctions, have stopped or reduced their oil exports directly from Venezuelan ports, to the point that Russia’s Rosneft has become the largest broker of nation’s oil. To avoid American retaliations, buyers try to hide the Venezuelan origin of the oil through ship-to-ship transfers at sea. Also, PDVSA has given more leeway to its private sector partners in joint ventures, giving them direct management of the export of crude oil. As a result, in December 2019 Venezuelan oil exports returned to 1.1 mbpd, still below pre-sanction levels but showing steady improvement since August 2019, when they dropped to

less than 0.8 mbpd. In the last quarter of 2019, Russia also increased exports of the diluent used to reduce the viscosity of Venezuelan heavy crude oil, making it easier to transport.

The foreign companies that have resumed commercial relations with PDVSA claim to comply with US sanctions because they exchange crude oil for refined products or take crude oil as payment for existing debts – in other words they do not pay cash. This has had a significant impact on PDVSA's cash flow: US refineries, which were previously its most important customers, mainly paid cash. The sanctions of 28 January 2019 prohibit all US companies from having trade relations with Venezuela's oil sector, although the US government has repeatedly renewed licenses allowing Chevron and some other US oil service companies to maintain business relations with PDVSA. This rolling licence extension is based on the argument that the presence of US companies is essential to prevent the complete collapse of the Venezuelan oil sector, and to facilitate the country's recovery once Maduro is finally ousted from power. In fact, if Chevron were to leave its operations in Venezuela, it is thought that Rosneft or another Russian or Chinese company would simply re-activate production in less than two months. US-based companies and citizens cannot trade or sell raw or refined products from Venezuela, and these restrictions have a global impact because transactions cannot be made in US dollars. The commercial arm of Rosneft is selling most of the Venezuelan crude oil available for export on behalf of the government-owned Venezuelan oil company PDVSA. India and China have avoided direct purchases since the US administration tightened sanctions in August 2019.

US sanctions continue to be the main risk factor for Venezuela's oil industry. The United States could still decide to enforce them in a stricter way, for example by going after Rosneft. Without Rosneft's help it would be very difficult for PDVSA to procure diluents, find buyers or charter ships willing to transport Venezuelan oil. Rosneft is clearly sustaining Venezuelan exports and boosting production, although the

Russian company says it does so in compliance with US sanctions.

It is likely that president Trump will direct his attention to Venezuela again in 2020. Venezuela – one of Cuba’s closest allays – is a hot topic for a considerable segment of voters in the key state of Florida. Up to now, Trump’s strategy has been unsuccessful and the Democrats could well focus on this fact in the run-up to the November elections. Trump may also try to portray his Democratic opponent as a “socialist” and use Venezuela’s economic collapse as an example of the fate awaiting America should the Democrats win. All this said, at the moment the US does not seem close to imposing additional sanctions prohibiting all trade in oil with PDVSA along the lines of those imposed on Iranian crude oil.

The governments of China and Venezuela have always maintained direct dialogue, spurred on largely by China’s need for oil and Venezuela’s need for liquidity. On the Chinese side, the key institution is the China Development Bank (CDB) which, from 2007 to 2016, lent Venezuela over US\$55 billion. China, already one of the world’s largest oil importers by the early 2000s, was seeking to expand and diversify its sources of supply and Venezuela, which had the largest estimated oil reserves in the world, was an obvious candidate. Hugo Chávez, who became president in 1999, was equally keen to increase the number of buyers for Venezuela’s oil exports and reduce its large reliance on the United States. China was a good partner in this sense: it had also engaged in major oil projects in the Orinoco basin, and in various projects in the mining sector. China reiterated that its interests were purely economic and commercial: it was seeking reliable sources of primary products at reasonable prices, along with markets for its own products and services in strategically important, high added value sectors like telecommunications, computers, automobiles, heavy equipment, logistic infrastructures, transport, military and aerospace. China has repeatedly stated its support for Venezuela’s efforts to safeguard its sovereignty, independence

and stability, as well as its opposition to foreign interference in the nation's internal affairs. The Chinese government is letting Russia take a more active role in confronting the United States on the issue of the country's leadership, and is striving to appear as a primarily economic partner. However, in a polarised country like Venezuela, it will likely be difficult to interpret China's long-standing financial support for presidents Chávez and Maduro as purely economic.

Future Scenarios

More than a year has passed since Juan Guaidó proclaimed himself interim president of Venezuela. There have been many clashes and a few negotiations between the opposing camps, but not much change: Nicolás Maduro remains the nation's de facto president. The latest negotiations between representatives of Maduro and the opposition, under the leadership of the Norwegian government, failed. Fortunately, at least the International Contact Group (ICG) keeps trying to support a peaceful and democratic solution to the crisis. The ICG, established in January 2019, consists of the European Union and seven of its member states – France, Germany, Italy, the Netherlands, Sweden, Portugal and Spain – the United Kingdom and five Latin American countries – Bolivia, Costa Rica, Ecuador, Panama and Uruguay. Its aim is to arrive at free and fair presidential elections, through a peaceful and democratic process that is “Venezuelan”, i.e. not imposed from the outside. This process requires that full democracy in all its dimensions be restored, from the rule of law to respect for human rights, from the separation of powers to respect for the constitutional mandate of the country's institutions, starting with the democratically elected National Assembly. All this said, it seems unlikely that the 2020 legislative elections will be free and fair. Nicolás Maduro's moves early in the year suggest that his objective is to obtain control of the National Assembly, and to hold new elections soon after, although this means that

they are unlikely to be truly democratic. As in previous years, Maduro will probably manage to manipulate the electoral process so that only weak candidates will appear in the ranks of the opposition while making a strong appeal for the Chavista electorate to go to the polls. He is also likely to insist that the main responsibility for the economic and social crisis lies with the “American imperialists” and their sanctions and that the situation has been improving thanks to the political and economic policies of the past few months. Perhaps it is time for the Venezuelan opposition to reconsider its strategy and enter into discussions with the Chavistas: Guaidó’s attempt to replace Maduro as president seems to have failed mainly because the latter still has the support of the military and much of the population.

6. Mexico's New Foreign Policy: Between Pragmatism and Principism

Rafael Velázquez Flores

In 2018, the beginning of a new presidential administration in Mexico brought great expectations of change and continuity in domestic and foreign policy. This new term is particularly significant for Mexico because, for the first time, the president comes from a leftist political party. Moreover, the chosen candidate, Andrés Manuel Lopez Obrador (AMLO), won the election by an ample margin, obtaining 53% of all votes nationally. No president has received such support in recent times and this gave the president real democratic legitimacy on taking office.

Interest in change and continuity in foreign policy is relatively new for scholars of the Mexican political system. Years ago, no one worried about who was going to win the election because Mexico had a system with one dominant party. From 1930 to 2000, the official party, Partido Revolucionario Institucional (*PRI*), always won the presidential elections, gained all the seats in Congress and held all the state governorships. So, the Mexican political system was characterised by strong presidentialism, with power centralised in the Head of State. This led to no great expectations about radical changes in foreign policy because the system reproduced some degree of continuity in Mexico's foreign relations. Interest in studying such patterns arose in 2000 when the *PRI* lost the presidential election for the first time in almost 70 years. Since then, variations and continuities have occurred.

In this context, the main purpose of this chapter is to analyse Mexico's foreign policy under a leftist administration at the beginning of a six-year term. The key argument is that, in his first year in power, AMLO's foreign policy has had three key characteristics. First, there has been a pattern of change and continuity. His administration has maintained some international policies implemented by past governments and, at the same time, it has transformed others. Secondly, the new administration has adopted a pragmatic approach and, at the same time, has developed a foreign policy based on Mexico's traditional tenets, such as non-intervention, self-determination, peaceful dispute resolution and so on. Thirdly, the first year of the AMLO administration has seen a pattern of conflict and cooperation, particularly with the United States.

This paper is divided into five parts. The first one provides a brief historical background to help understand Mexico's contemporary foreign policy. The second describes the basic elements of the new administration's foreign policy planning. The idea is to identify the key goals. The third part examines Mexico's relations with the United States in the first year of President Andrés Manuel Lopez Obrador. The goal is to find the main patterns for such diplomatic interaction. The next section analyses Mexico's foreign policy towards Latin America, especially Venezuela and Bolivia since they have been controversial for Mexico both domestically and internationally. The last part reviews other regions such as Europe, Africa and Asia, looking particularly at Chinese-Mexican ties. Once AMLO took power, there was a mutual interest to further this bilateral relationship after Donald Trump initiated a trade war in which both countries were involved.

Mexico's Foreign Policy: A Brief Background

After the Mexican Revolution at the beginning of the XX century, the country opted for a nationalistic and defensive foreign policy in response to past external interventions and

loss of territory. The main features of the PRI's foreign relations were close ties to Latin American countries and an opposite approach to the United States because of its "imperialistic" and interventionist policies in Latin America. However, during World War II, Mexico worked closely with Washington to overcome the Nazi threat. Throughout the Cold War, the PRI tried to remain neutral and maintain a nationalistic approach in the midst of the West-East confrontation. The Mexican government also attempted to foster a relatively autonomous position *vis-à-vis* Washington¹. The combination of solidarity with Latin America and independence from the United States was broadly supported domestically. This formula provided the PRI with legitimacy and political control, aspects it needed to consolidate power. In essence, foreign policy was primarily for domestic consumption².

Mexico also participated actively in world organisations, predominantly on peace and cooperation issues. For instance, it proposed the Tlatelolco Treaty in 1967, which prohibits the development of nuclear energy for military purposes in Latin America. In the 1970s, the *PR*I also put forward the Charter of Economic Rights and Duties of States, which was approved by the UN General Assembly in 1974. Mexico also became a leader of the Third World and defended weak states in international fora. In general, these actions gave Mexico global prestige and a positive image in the world arena during the Cold War.

Since the Mexican political system was characterised by strong presidentialism, the Executive branch largely monopolised the foreign policy decision-making process. There was little counterbalance. Congress was practically a rubber-stamping body, approving all foreign policy initiatives from the president. The Constitution allowed this as it provided broad prerogatives

¹ See M. Ojeda, *Alcances y límites de la política exterior de México*, Mexico, El Colegio de México, 1976.

² See R. Keller "A Foreign Policy for Domestic Consumption: Mexico's Lukewarm Defense of Castro, 1959-1969", *Latin American Research Review*, vol. 47, no. 2, 2012, pp. 100-119.

to the Executive and limited the power of the Legislative body. Thus, the president played a key role in the formulation and implementation of Mexico's foreign policy.

At the end of the 80's and beginning of the 90's, Mexico's foreign policy changed significantly. The country went through a severe financial crisis and the government had to establish a different economic development strategy. From a trade protectionist model, Mexico went towards an open market in which free trade and attracting foreign investment were key components. Then, the Mexican government opted for an economic integration process with North America and became a trade partner with the United States and Canada. In this context, Mexico signed the North American Free Trade Agreement (NAFTA) in 1992.

In 2000, for the first time in 70 years, the *PRI* lost the presidential election to a conservative political party, Partido Accion Nacional (*PAN*). The new administration, headed by Vicente Fox, maintained continuity in foreign economic policy, but implemented significant changes in Mexican diplomatic relationships. For instance, the *PAN* sought closer relations with Washington, but Fox was involved in some diplomatic crises with Latin American countries, such as Cuba, Venezuela, Argentina and Bolivia. In 2006, the *PAN* retained power and the new president, Felipe Calderon, largely continued with Fox's foreign policy. The *PRI* regained the presidency in 2012 and, in general terms, there were no significant changes. The Enrique Peña administration tried to maintain a stable relationship with the United States, and was one of the main critics of populist regimes in Latin America, particularly in Venezuela.

Presidential Campaign and Foreign Policy Planning 2018-2019

During the 2018 campaign, foreign policy was not a relevant issue. As a presidential candidate, Andrés Manuel Lopez Obrador paid little attention to external matters, that is, foreign

policy was not his priority. For instance, in a presidential debate on the subject, the candidate stated “the best foreign policy is domestic policy.” With this, AMLO sent a clear message that, in his administration, international relations would not be a public policy priority³. The issue was also not a key topic for the political programme of the party alliance that supported Lopez Obrador. One of the proposals was even Mexico would develop a “non-leading” and “prudent” foreign policy⁴. In other words, the idea was to keep Mexico isolated from key world events. In the same document, the approach was to maintain a foreign policy consistent with a domestic policy that responds to Mexico’s national interest.

In his campaign speeches, AMLO was in favour, among other aspects, of: respecting the human rights of migrants; protecting the environment; establishing a long-term strategy with Latin America; identifying areas of opportunity with Europe; and trade facilitation with Asia, Africa and the Middle East. He also suggested a new approach to the US-Mexican relationship, in which respect and cooperation would prevail. In this context, AMLO openly declared himself in favour of free trade and defended NAFTA against Trump’s criticism. This implied that, at least in the short term, Lopez Obrador had no intention to modify Mexico’s foreign economic policy. So, continuity was foreseeable in this sphere.

The day he won the election, AMLO received congratulations from many different people around the world for his overwhelming victory. Even the president of the United States, Donald Trump, congratulated him on his triumph despite coming from a leftist party. Most Latin American presidents called him to extend a special acknowledgment. As president-elect, AMLO met high-profile representatives from foreign governments, such as Mike Pompeo, the US State Secretary,

³ C. Zissi, “Signals of AMLO’s Future Foreign Policy for Mexico”, Council of the Americas, July 2018.

⁴ R. Velazquez, “La política exterior de México en las campañas electorales a la presidencia de 2018”, *Foreign Affairs Latinoamérica*, May 2018.

and many ambassadors from different countries. These meetings showed there was worldwide interest in Mexico's new leftist administration.

As a result of the election, the new president obtained a "democratic bonus" that provided some "soft power" that could be used for foreign policy objectives. However, It seems that Lopez Obrador was not willing to take advantage of this. For example, he did not make any international visits between the election and his inauguration, as former presidents had often done. The interpretation was that AMLO did not have much interest in global affairs.

In his inauguration speech, Lopez Obrador declared that "in matters of foreign policy we will comply with the constitutional principles of non-intervention, self-determination, the peaceful resolution of conflict and international cooperation." In a message to the presidents of the United States and Canada, AMLO proposed "to go beyond NAFTA and reach an investment agreement between companies and governments of the three nations". With this message, AMLO outlined his first steps in foreign policy. First, his decisions would be based on traditional principles to foster friendly relations with all countries. Secondly, Lopez Obrador agreed with free trade, which implied continuity in foreign economic policy. Several presidents of various countries attended AMLO's inauguration. The presence of several heads of state showed his power to bring people together and the positive image generated by AMLO's unquestionable election victory.

In the National Plan for Development 2019-2024⁵ (*PND* in Spanish), the leftist administration emphasised Mexico's foreign policy tenets, meaning AMLO would conduct foreign relations, in his six-year term, based on the aforesaid principles, which are set out in the Constitution. For the Latin America

⁵ In Mexico, a new administration has to, by law, delineate a National Plan for Development. Policy in the six-year term has to be based on such plan. See Plan Nacional de Desarrollo 2019-2024, https://www.dof.gob.mx/nota_detalle.php?codigo=5565599&fecha=12/07/2019.

region, the president proposed a friendly relationship with each country because of cultural and historic similarities. For North America, the *PND* admitted the United States was the main foreign policy priority for Mexico and that the AMLO government would conduct the relationship with “mutual respect”, “cooperation”, and “negotiated solutions to common problems”. The *PND* also stated the government would defend and protect Mexicans abroad, especially in the United States.

It is evident the new administration's foreign policy planning did entail certain changes, but also a degree of continuity. AMLO promised Mexico's diplomatic ties would be built on traditional principles, but in the economic sphere, it seems his government is more inclined towards a pragmatic approach.

Mexico's Foreign Policy in the First Year of a Leftist Administration

Note has already been made that AMLO was not overly interested in world affairs at the beginning of his term. However, his first year has shown him international events matter for Mexico. In 2019, his government became involved in a few diplomatic crises. Most of these involved the United States, but there were also problems with Venezuela, Bolivia and other countries. These will be explored in greater detail below.

US-Mexican Relations Under the AMLO Administration: Conflict and Cooperation

The US-Mexican relationship is inherently very complicated. Three issues dominate the bilateral agenda: migration, security and trade. Before NAFTA, Mexico adopted a nationalistic foreign policy, which caused tensions with Washington. Migration and security were sources of conflict because the Mexican government did not agree with US immigration policy and tried to avoid US interference in security issues. After the treaty, both countries began cooperating, mainly in the economic

sphere. During the Barack Obama administration, the bilateral relationship moved along with no significant complication. However, when Donald Trump announced he would run for president, he stated he would cancel NAFTA because it was not a “good deal” for the US. Similarly, he claimed Mexican migrants were rapists and drug dealers and proposed building a “wall” along the border to halt illegal migration and illicit drugs. As a result, bilateral relations were thrust into a spiral of conflict.

Since he became president in 2018, Andrés Manuel Lopez Obrador has been very cautious in his approach to Washington⁶. From the beginning, he has stated he would not confront Donald Trump to avoid damaging the bilateral relationship. However, public opinion sees this as AMLO doing little to defend Mexico’s sovereignty against Washington. For example, in early March 2019, Donald Trump declared a national emergency at the border because of immigrants and drug trafficking⁷. His goal was to obtain the necessary funds to build the wall since the US House of Representatives, dominated by Democrats, had denied him the required resources. Public opinion was critical of AMLO because there was no official statement from the president or the Foreign Affairs Ministry (*SRE* in Spanish). AMLO was clearly not willing to confront Trump in an effort to avoid unnecessary conflict. At the end of the same month, Donald Trump claimed AMLO was not doing anything to stop migrants crossing through Mexico to reach the United States and so he threatened to close the border. AMLO’s response was very weak, saying “Trump has a legitimate right to make such statements”⁸.

⁶ G. Weeks, “AMLO’s cautious foreign policy”, *The Global Americans*, February 2019.

⁷ “President Donald J. Trump Stands by His Declaration of a National Emergency on Our Southern Border”, The White House, 15 March 2019.

⁸ “López Obrador calificó de ‘legítimo’ el reclamo de Trump a México por migrantes” (“López Obrador described Trump’s claim to Mexico as “legitimate” for migrants”), *The World News*, 28 March 2019.

Things worsened in May when Trump threatened to impose new trade tariffs on Mexican goods if the AMLO administration failed to halt the Central American caravans crossing through Mexico en route to the United States⁹. AMLO's swift response was to send Marcelo Ebrard, his Foreign Affairs Minister, to negotiate with the Trump administration to avoid more tariffs. Ultimately, both parties reached an agreement. The Mexican government agreed to send the National Guard to control the border and Washington promised to postpone new tariffs on Mexican exports if Central American migration slowed¹⁰. Public opinion was again critical of AMLO for changing his campaign promises since he had guaranteed respect for the human rights of migrants crossing the border.

Security issues were also controversial topics in the bilateral relationship. By the end of 2019, two events had had an impact on both countries. First, the Mexican authorities detained Ovidio Guzman, a son of the famous drug cartel kingpin, "El Chapo Guzman". However, his accomplices took over several streets in the city of Culiacan and shot military and police offices to demand his liberation. Officials released him "to avoid a bloodbath". Later, members of a Mexican-American family were killed near the US border by competing drug gangs. Women and kids were murdered in horrific fashion. These incidents proved the Mexican authorities lacked security control. As a consequence, Donald Trump threatened to tag Mexican drug cartels as "terrorist groups" to help AMLO's government fight them¹¹. Such a measure would have had many implications, such as US military force being used against those cartels. AMLO's government and Mexican society were

⁹ A. Karni, A. Swanson and M.D. Shear, "Trump Says U.S. Will Hit Mexico With 5% Tariffs on All Goods", *The New York Times*, 30 May 2019.

¹⁰ K. Sieff and M.B. Sheridan, "Mexico is sending its new national guard to the Guatemala border. The mission is unclear", *The Washington Post*, 10 June 2019.

¹¹ L. Stack and K. Semple, "Trump Says U.S. Will Designate Drug Cartels in Mexico as Terrorist Groups", *The New York Times*, 26 November 2019.

against such a move¹². Once again, conflict arose in the bilateral relationship.

In November, a top US government official, William Barr, the US Attorney General, travelled to Mexico City to settle matters directly with President Lopez Obrador¹³. These discussions culminated with several agreements and cooperation prevailed. Donald Trump vowed not to tag cartels as terrorists and Mexico guaranteed more collaboration on this front. Those were not the only arrangements. Days later, US authorities announced the detention of Genaro Garcia Luna, a former Secretary of Public Security in the Felipe Calderon administration. He was accused of having links with drug cartels.

Not only was there security cooperation, but also economic cooperation. In December 2019, both governments announced a new version of the United States-Mexico-Canada Agreement (USMCA), which replaces NAFTA¹⁴. The day before AMLO took power in 2018, Mexico, Canada and the United States had signed this trade treaty after months of negotiations. However, democrats in the House did not totally agree with the first version and they did not want to approve it because it would have meant a triumph for Donald Trump. After days of tough negotiations, both governments announced they had reached a new understanding. This second version of USMCA included new rules of origin, stricter regulations to protect the environment, and new labour standards. Cars made in Mexico now need to have 70% of parts sourced in North America. Likewise, the Mexican government has to provide labour benefits for Mexican workers in its automotive industry¹⁵. These new

¹² M.B. Sheridan, "Five reasons Mexico objects to Trump's plan to designate its cartels as terror groups", *The Washington Post*, 27 November 2019.

¹³ K. Sieff, "Barr's meeting in Mexico could be prelude to greater U.S. involvement against drug cartels", *The Washington Post*, 5 December 2019.

¹⁴ E. Cochrane and A. Swanson, "Trump Aides and Democrats Agree on Trade Pact With Mexico and Canada", *The New York Times*, 10 December 2019.

¹⁵ D. Lee, E. Stokols, and P.J. McDonnell, "White House and House Democrats reach accord on updated NAFTA", *Los Angeles Times*, 10 December 2019.

rules were favoured by US workers and so Democrats supported the measures.

This kind of cooperation was not without conflict. The agreement included labour attaches to monitor compliance with labour regulations in Mexican factories. Sectors of Mexican society did not agree with this measure because it was a violation of Mexican sovereignty. Many of Trump's decisions involving Mexico were, admittedly, largely for domestic consumption. In 2019, Donald Trump was extremely focused on re-election and so used Mexico as a scapegoat to woo US voters. Migration, trade and security are key issues for US public opinion. And Trump's approach, it should be noted, is always to threaten first to force a better deal during negotiations.

The pattern of conflict and cooperation is very clear in Mexico's foreign policy towards the United States. When conflict arose, both governments were willing to negotiate and reach satisfactory understandings and to broadly cooperate. Similarly, AMLO has adopted a more pragmatic approach to Washington. His administration has given ground on migration and security issues to secure free trade. Economic indicators, such as GDP growth and foreign investment, are more important in AMLO's view.

Mexico's Foreign Policy Towards Latin America: Change and Continuity

The Latin American-Mexican relationship started well under a leftist administration. AMLO invited several presidents from the region to his inauguration on 1 December 2018. That day, he met with some Central American heads of state and they signed an agreement to establish a Comprehensive Development Plan (PIC in Spanish). The idea was to invest in the subregion to spark economic development and avoid migration. The pact was well received by the leaders. But the big problem was getting the required financial resources. One option was to involve the United States in the project, but that would be difficult. Later,

the SRE announced Mexico had reached an agreement with the Economic Commission for Latin America and the Caribbean (ECLAC) to establish a plan to finance the PIC¹⁶.

The substantive change in Mexico's foreign policy could be seen in the first few days of 2019. First, the Lima Group ignored Maduro's government after it had been re-elected in a rather dubious election in 2018. On that occasion, Mexico's government refrained from supporting the resolution¹⁷. This action was the first time AMLO's foreign policy moved against Venezuela, a step away from the previous administration. In his speech, the Mexican representative said Venezuela was a "priority" for Mexico in its international relations and proposed finding a negotiated solution to the Venezuelan crisis, as originally proposed by the Lima Group. In addition, he said Mexico was committed to non-intervention, cooperation and human rights. It is important, though, not to downplay the radicalising effect on the Lima Group of right-wing governments coming to power in Brazil and Colombia. In response, Mexico proposed a more cautious path to resolve the conflict in Venezuela.

On 10 January, the Organization of America States (OAS) approved a resolution to declare Nicolas Maduro illegitimate¹⁸. Mexico also abstained at that meeting. Later, the regional organisation demanded "new elections" be held in Venezuela. The problem was the AMLO government was ignoring OAS Resolution 1080 and the Inter-American Democratic Charter, which compel American States to defend and promote democracy in the region. AMLO's government preferred to guide Mexico's foreign policy towards the principle of non-intervention, which is included in the Mexican Constitution.

¹⁶ "Foreign Ministers of El Salvador, Guatemala, Honduras and Mexico Presented Comprehensive Development Plan in the Framework of the Conference on the Global Compact for Migration", The Economic Commission for Latin America and the Caribbean (ECLAC), Press Release, 10 December 2018.

¹⁷ "Lima Group abstention marks shift in Mexican foreign policy", The Economist Intelligence Unit, 11 January 2019.

¹⁸ "OAS Permanent Council Agrees 'to not recognize the legitimacy of Nicolas Maduro's new term'", Organization of America States, Press Release, 10 January 2019.

The domestic political situation in Venezuela worsened on 23 January when Juan Guaidó proclaimed himself interim president. In an official statement, the *SRE* stated the government would not “ignore a government with which Mexico has diplomatic relations”¹⁹. This statement was not greeted favourably in all parts of Mexican society, with some seeing AMLO as taking Maduro’s side and Mexico as implicitly supporting an undemocratic dictator who violated human rights.

For Venezuela, AMLO opted for a “principist” foreign policy, marking a significant change from the Enrique Peña administration. It seems this stance reflected AMLO’s lack of interest in foreign affairs. It also seems this policy was mainly for domestic consumption since, in the past, a “principist” foreign policy generated internal consensus and legitimacy. However, the decision increased political polarisation in Mexican society.

A similar situation arose some months later. In Bolivia, Evo Morales resigned the presidency after a dubious election. The Bolivian army and police suggested Morales leave the country. Mexico’s government interpreted this as a *coup d’état* and offered Morales political asylum²⁰. Morales accepted and went to Mexico. Once again, the decision polarised public opinion as many people saw Morales as a dictator who sought re-election to a third term through fraudulent means. The situation worsened when the Mexican embassy housed nine officials from Morales’s Cabinet. The new Bolivian government organised strict surveillance of the embassy and Mexico complained. After an incident involving Spanish bodyguards who went to collect Spanish diplomats from the Mexican embassy, the Bolivian government declared the Mexican Ambassador

¹⁹ “México se apega a sus principios constitucionales y respalda llamado de las Naciones Unidas”, Secretaría de Relaciones Exteriores, Comunicado de Prensa no. 012, 23 January 2019.

²⁰ “Position of the Government of Mexico on Granting Asylum to Evo Morales”, Secretaría de Relaciones Exteriores, Press Release 397, 11 November 2019.

persona non-grata and expelled her from the country²¹. This left AMLO's administration in the midst of a diplomatic crisis with Bolivia.

In the economic realm, the leftist administration has also adopted some continuity in foreign policy. From the beginning, AMLO supported the Pacific Alliance, which is an economic integration process for Mexico, Colombia, Peru and Chile. This mechanism fosters free trade and cooperation in several areas among the four members. It has become one of the most important integrative instruments in the region because it takes a pragmatic approach, the negotiation process moves forward swiftly and it had proven to be effective in recent years. For these reasons, many countries around the world are interested in the Pacific Alliance and have asked to be included in the list of observers.

Traditionally, Mexico has also played an active role in the OAS. However, the new administration has had its differences with the regional organisation, particularly in the cases of Venezuela and Bolivia. AMLO's positions do not necessarily coincide with those of the body and tensions have arisen. For instance, Mexico refused to support an OAS resolution to ignore Nicolas Maduro as the legitimate president of Venezuela. As for Bolivia, the OAS also categorised the presidential election, in which Evo Morales was re-elected, as fraudulent, but Mexico defended him when he was ousted.

Against such a backdrop, the Mexican government has resorted to a more active role in the Community of Latin American and Caribbean States (*CELAC* in Spanish). This multilateral mechanism was created in 2010 and aims at consolidating a multilateral forum to discuss regional and shared interests without the United States and Canada. In 2020, Mexico took over the presidency of CELAC and set a goal to present new initiatives to further economic cooperation and understanding among members.

²¹ "Bolivia says it's expelling Mexican ambassador", *The Washington Post*, 30 December 2019.

In summary, Mexico's foreign policy towards Latin America in the first year of a leftist administration was characterised by three patterns: continuity and change, pragmatism and principism, conflict and cooperation. There was continuity in the foreign economic policy, but there was significant change in the diplomatic sphere, notably the cases of Venezuela and Bolivia. There was also an oscillation between a policy based on traditional tenets and a practical approach. AMLO's foreign stance produced diplomatic conflict (as per the case of Bolivia) but also fostered cooperative ties, such as the Comprehensive Plan of Development with Central America.

Mexico's Relationship with Other Regions: The Search for Economic Diversification

The United States and Latin America are demonstrably the most important relationships for Mexico. Other regions are significant, but they are not a priority for Mexico's foreign policy, especially the new leftist administration. Europe is important because of Mexico's historical links, particularly with Spain. Europe is also economically important as Mexico signed a free trade agreement with the European Union in 2000. Europe is an option for economic diversification, trade and investments. Asia is also an important region to Mexico for the same reasons. When the Mexican government opened up the market to the world in the 1980s, Europe and Asia became strategic zones for Mexico's trade and for the goal of diversification. Both regions are interested in Mexico, especially after NAFTA. They want access to the US market and Mexico is an excellent platform for this.

In Asia, China plays an important role for Mexico. Bilateral trade and Chinese investments in the country have increased significantly in recent years. China has long had an eye on Latin America and, as such, Mexico is an excellent option both because of its huge economy and because it is next to the United States. There were some bilateral problems in the Enrique Peña

period because its government cancelled certain infrastructure projects in which Chinese investors were involved. However, the AMLO administration has tried to reconcile affairs. When Donald Trump threatened to increase trade tariffs for Mexican exports, Mexico's government saw China as a direction for trade.

In the context of the US-Chinese trade war, Mexico benefited slightly with a small increase in international trade. However, USMCA includes a clause preventing Mexico from signing a free trade agreement with a "non-market country"²². This is a direct reference to China. In essence, the US government forced the inclusion of a clause that prevents Mexico and Canada from signing a trade treaty with China. This was within the context of the trade war between China and the US in 2019.

Despite this clause, AMLO's government has tried to build a closer relationship with China. The president did not travel abroad in 2019, but he sent his Foreign Affairs Minister, Marcelo Ebrard, to China to settle matters with the Xi Jinping government²³. The idea is to guarantee more investment and promote free trade between both sides. Mexico has a trade deficit with China and wants to reduce it. As for now, China is very interested in some new infrastructure projects in Mexico in which they could participate, such as a new train route in the Yucatan peninsula and the construction of an oil refinery in Dos Bocas, Veracruz. In early 2002, some Chinese banks revealed they were interested in providing a loan for the refinery plan. Similarly, Chinese car companies announced they are planning to open a plant in Mexico to produce their vehicles. From a geopolitical perspective, China wants to export its Belt and

²² Article 32.10 of USMCA requires to notify three months in advance if USMCA members "intend to begin free trade negotiations with non-market economies". See United States-Mexico-Canada Agreement, Office of the US Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>

²³ "Primer Informe de Labores SRE 2018-2019", Secretaria de Relaciones Exteriores, September 2019.

Road Initiative (BRI) to Mexico and Central America²⁴. Their geographical position, close to the US, makes them a strategic option for China to become a world hegemon.

Looking at other regions, Africa and the Middle East are practically forgotten areas for Mexico's foreign policy. Trade is scarce in those zones and diplomatic ties are scant. Mexico only has six embassies in Africa. Even though AMLO promised friendly relationships with all countries in the world, interaction with those regions was meagre during the first year of his administration.

Turning to the multilateral realm, the leftist government is trying to participate actively in different organisations. In 2019, the *SRE* announced Mexico will seek a non-permanent seat on the UN Security Council for 2021/2022. The proposal somewhat contradicts the non-intervention principle since Mexico, if elected, would become involved in external world events. In early 2020, President Lopez Obrador and the UN Office in Mexico City inaugurated a centre to train Mexican military officials so they can take part in UN Peacekeeping Operations. The bid for the Security Council seat and support for Mexico's involvement in UN operations reflect continuity with the *PAN* and Enrique Peña's foreign policy since they initially proposed them.

As has already been highlighted, AMLO did not travel abroad in 2019. For instance, he did not go to the G20 Meeting in Osaka, Japan. He sent Marcelo Ebrard to represent him. He also refused to be at the UN General Assembly when the 2019 session period was opened in September. These decisions show AMLO is not interested in taking part, directly, in world affairs. He prefers to concentrate on domestic issues and to leave foreign affairs to the *SRE*.

²⁴ The BRI is a key Chinese project adopted in 2013 that aims at constructing global infrastructure development and investments in several countries worldwide. See C. Devonshire-Ellis, "The Belt & Road Initiative in Mexico & Central America", Silk Road Briefing, 27 May 2019.

Conclusion

In the first year of a leftist administration, Mexico's foreign policy has oscillated between change and continuity. In the economic sphere, AMLO defended free trade, as previous administrations had done. He backed USMCA and other integration mechanisms, such as the Pacific Alliance. His government changed Mexico's stance on Venezuela significantly. The Enrique Peña administration was highly critical of Nicolas Maduro and demanded democratic reforms. When AMLO took power, he did not want to meddle in Venezuelan matters when Juan Guaidó was recognised as the new president of Venezuela. AMLO preferred to follow the non-intervention tenet.

AMLO's foreign policy has also oscillated between pragmatism and principism. The decision to stop migrants at the southern border to avoid new US tariffs was a pragmatic decision. In the context of USMCA, accepting labour attaches to monitor Mexican compliance with the new labour regulations was also a practical measure. AMLO's decisions in the Venezuelan and Bolivian cases are based on principism.

By the same token, Mexico's world ties are characterised by cooperation and conflict. In the case of US relations, there were some disputes, mainly on migration, security and trade issues. However, both countries reached settlements to avoid an escalation of these conflicts. Mexican diplomacy was also drawn into a diplomatic crisis with Bolivia when President Jeanine Áñez expelled the Mexican Ambassador in La Paz in early 2020. In other contexts, Mexico has also proposed some cooperation mechanisms, such as the Integration Plan of Cooperation.

In all likelihood, AMLO's foreign policy will follow the same trajectory in the next five years as it did in the first year. Mexico's world stance will combine, at the same time, patterns of change and continuity, pragmatism and principism, and cooperation and conflict. In economic matters, it seems pragmatism will prevail. So, Mexico is likely to build a cooperative relationship

with the United States in the years ahead. AMLO will negotiate, in a cordially fashion, with Mexico's neighbour to secure free trade and investments. With China, AMLO's government will adopt the same approach. China will be an option for Mexico's diversification of its economic ties. More specifically, AMLO's administration will promote Chinese investments in key projects to encourage economic growth and the creation of jobs. Mexico will also look to other regions for this, like Latin America, Europe, Asia Pacific, Africa and the Middle East.

In diplomatic and political issues, it is likely that principles and traditional nationalism will guide Mexico's foreign relations, particularly with Latin America. AMLO needs a nationalistic policy for domestic consumption. A closer relationship with the region will generate internal consensus and legitimacy, which are needed for the next presidential election. AMLO cannot be re-elected, but he will presumably work for MORENA, his political party, to prevail in 2024. As shown above, AMLO's foreign policy has caused social and political polarisation when public opinion has criticised his decisions vis-à-vis the United States, Venezuela and Bolivia.

Friendly relations with Latin America will also secure multilateral cooperation in key areas for contemporary Mexico, such as migration, security and economic prosperity. AMLO's government will have the same goal for other geographical regions. Conflict will be present, especially with the United States in bilateral issues like migration, drug trafficking and trade. But it will be highly probable that both countries will negotiate their differences with mutual respect and cooperation. Trump needs to criticise Mexico to secure his re-election in 2020. If he gets re-elected, there is a good chance bilateral conflict will decrease in his second term since he will no longer need to resort to attacking Mexico to get votes.

AMLO still thinks the best foreign policy is a "good domestic policy". However, the first-year experience will, probably, make him change his mind. He needs to understand that foreign policy is a key instrument for economic, political and social

development. Therefore, he will need to pay more attention to the world and to invest in Mexico's diplomacy. He will need this for a "good domestic policy".

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