



# GLOBAL GEOPOLITICAL DYNAMICS AND THE FUTURE OF DEMOCRACY IN LATIN AMERICA

"Global Geopolitical Dynamics and the Future of Democracy in Latin America" is a project of *Plataforma Democrática*, a consortium of the Fernando Henrique Cardoso Institute and the Edelstein Center for Social Research with 33 affiliated institutions from 11 Latin American countries.

*Plataforma Democrática* is an initiative devoted to strengthening Latin American democratic institutions and culture by fostering pluralistic debate on the social and political transformations of the region and the world.

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## EXPERT CONTRIBUTIONS\*

“América Latina en la política exterior de los EE.UU.: políticas, prioridades e intereses cambiantes”

**Abraham Lowenthal**

“De las cenizas de la ideología: sistema regional, fronteras y conflictos interestatales en América Latina”

**Antonio Mitre**

“Relaciones peligrosas: Estado y guerra en América Latina” **Antonio Mitre**

“La política exterior de la Venezuela bolivariana” **Carlos Romero**

“Las relaciones entre la Unión Europea y América Latina en el siglo XXI: entre el voluntarismo y la realidad”

**Carlos Malamud**

“Agua y tierra en América Latina: estrategias globales y políticas” **John Wilkinson**

“El surgimiento asiático y América Latina: implicancias económicas actuales y perspectivas”

**Pedro da Motta Veiga y Sandra Rios**

“Tradición e innovación en la política exterior brasileña” **Maria Regina Soares**

“Regímenes regulatorios, inversiones, comercio y recursos minerales en América del Sur” **Gustavo Lagos**

“Economía política del petróleo y gas natural en Sudamérica” **Francisco Monaldi**

\* The papers are available at <http://www.plataformademocratica.org>.

# EXECUTIVE SUMMARY

Following the fall of the Berlin Wall and the demise of the Communist alternative, democratic regimes emerged in virtually every country in the region with the exception of Cuba. National dynamics paralleled the triumph of liberal capitalist democracy worldwide spearheaded by the United States, along with the apparent retreat of geopolitical alternatives.

Historically, models for exercising power that directly conflict with liberal democracy and the market economy were only possible when fissures occurred in the international political system brought on by the rise of new power centers based on alternative ideologies. This was true of the emergence of the Soviet Union and Nazi Fascism and later the Cuban Revolution (which was, in turn, buttressed by the Soviet Union). In this context, revolutionary groups were able to glimpse the possibility of a radical break with the United States by aligning themselves with the Soviet bloc, while on occasion, local elites and authoritarian governments went so far as to flirt with Nazi Fascism.

For much of the 20th century, the United States served as the linchpin of regional governance (and disgovernance) either by setting the course for the economic order or due to its military capacity to confront countries or political organizations that opposed its liberal capitalist system. It is common knowledge that international integration, first under British and later U.S. hegemony, never entailed a commitment to democracy on the part of local Latin American elites. Moreover, apprehensive about the “communist threat,” the United States frequently lent its support to dictatorships, most of them military. These dictatorships, however, never managed to consolidate ideological projects as alternatives to liberal democracy and the market economy, as to do so would have entailed direct confrontation with the hegemonic power that sustained them.

In the latter half of the 20th century, Latin American analytical frameworks for understanding the international system—whether from the “left” or from the “right”—were essentially bipolar in their unconditional support for, or outright opposition to, the United States, although levels of adherence to the Soviet Union might vary among

leftists parties and movements. This perspective is no longer relevant insofar as the contemporary regional order is increasingly informed by the role of local actors and potential alliances with emergent powers.

The new context is not nearly as straightforward as the capitalism-communism bipolarity of the 20th century. Today's potential alliances are varied in their geometry in a context of waning U.S. power, the emergence of new poles of economic power (especially China) and the partial emergence—or resurgence—of non-NATO sources of military supplies (especially Russia).

Significantly, new non-State actors have emerged in the current context, many of which operate at the level of transnational networks and are able to exercise considerable influence on the dynamics of democratic institutions and inter-State relations. While narco-guerrillas and narco-trafficking are the most obvious, and negative, example of this, they are certainly not the only ones. In less charged arenas, social movements focused on the environment and the rights of originary peoples coordinate intra- and inter-regionally and establish ties of cooperation/conflict with regional governments. In short, the bipolarity of the past has been replaced by the potential for geometrically variable alliances backed by different—and not necessarily western—sources of support, at the same time that many new actors on the scene are not operating in the framework of relations between nation-states.

We are living in a world in which the United States has ceded some of its relative influence in the world economy and China—orbited by the east Asian economy—has emerged as a formidable economic power of the future and one with a voracious appetite for securing its supply of natural resources and exporting an ever-widening array of manufactured goods. China's quest for natural resources has reverberated in Africa, a region heretofore subject exclusively to European and U.S. influences. China's burgeoning investments on the African continent are mainly accomplished through bilateral government relations, which frequently end up fortifying non-democratic

regimes. China has penetrated Latin America in a different way: up to now, the impact of China's activities on the Latin American continent have been largely through trade, with the attendant increases in the value and volume of commodities exports and positive effects on fiscal and external accounts. Growing competition in the industrial sector, which began with the light industries, is increasingly focused on more capital intensive sectors and technology. At the same time, China has begun to step up its direct investments in the region and this is creating tensions around land ownership and the use of natural resources.

On a tangential note, Iran has emerged as a pole of reference in the Islamic world, now without the regional brakes that Iraq once represented. Iran has deliberately challenged North American hegemony mainly through its actions in the Middle East, but also on the international plane. In Latin America, for example, it has found ideological affinities and established close ties of cooperation with some countries, including in the nuclear realm. Finally, despite having lost some of its ideological capital and military might, Russia is still a player that does not bow to "Western" logic notwithstanding its recent rapprochement with the United States.

The new international landscape does not, however, explain the emergence of nationalist-statist political projects in Latin American countries whose main source of fiscal income is derived from natural resources. These projects are instead attributable to essentially internal causes and they are associated in each local context with different categories of elites: military in Venezuela, indigenous movements in Bolivia, and former revolutionary militants in Nicaragua. The new international landscape has, however, contributed to their viability. Access to Chinese investments, for example, or to Russian military aid, creates a platform based on which the development of alternatives to the market economy and liberal capitalist model is plausible. Beyond their regional impact, these projects are also capable of projecting their influence on the international plane, albeit in a limited fashion, as Venezuela has demonstrated under the leadership of Hugo Chávez. It is therefore not immaterial to examine whether or not a national-statist project has an "internationalist" vocation and the resources to "export" its model and spread its influence. Indeed, alternative models to capitalism and liberal democracy have a powerful influence on most of the main "anti-globalization social movements" which, in turn, are frequently associated with, or supported by, the aforementioned governments.

The effects of the new global landscape are not confined to channeling ideological and financial support to radical State-sponsored political and economic restructuring projects. Even in countries with more solid economic and political institutions, the new global panorama reinforces historical proclivities towards a sort of “crony capitalism” that is to varying degrees personalistic or based on corporatist ties (mainly trade union or military). This brand of capitalism may, in fact, be internationally competitive based on a partnership between a controlling State with financial resources at its disposal and large private corporations, both buttressed by the commodities boom and privileged ties with political-bureaucratic elites. This model can be problematic in terms of the compatibility between the control, transparency and autonomy of branches of government and the autonomy of civil society.

The last five years of the 20th century featured a trend towards consolidation of the liberal democracies in the region accompanied by the incorporation of new actors in the political arena. This set the stage for—and partially explains—the emergence of governments of a different stripe, a trend that was reinforced in no small measure by the financial crises that swept the countries of the region in the final years of the 1990’s. While the “new globalization” marked by the rise of China and the relative decline of the United States has paved the way for a Latin American economic resurgence as reflected in improved social indicators, it in no way ensures the future of democracy and peace in the region. To the contrary. The region is exhibiting trends toward authoritarian regimes and/or the concentration of political and economic power that could well compromise the substance—while preserving the trappings—of democratic institutions.

This panorama calls for a Latin American thought which, despite national differences, contributes to the identification of a project in which democracy is situated at the heart of development strategies and international projections. The 20th century was essentially one of peace among Latin American countries. And this was not due to any intervention by the United States, but rather to the capacity of the region’s countries to resolve conflicts among themselves by building a legal and political tradition of respect for sovereignty and for the principle of nonintervention in internal political matters. As it stands now, there is no guarantee that this tradition will endure.

# INTRODUCTION

The current international panorama is defined by the decline of U.S. power, the rise of new powers, especially China, and the strategic role that natural resources play in Latin America's insertion into international markets. As a region, Latin America, or at least South America, has begun to mirror the new international context.

Political dynamics in Latin American countries are not, and never have been, merely a byproduct of changes in the world system and/or of the designs and interests of extra-regional powers. For the purposes of this discussion—the future of democracy in the region—therefore, potential alternative models of economic and geopolitical insertion in the international system must be understood as resources that are creatively appropriated by domestic political and social actors and translated into governmental platforms that further the interests and ideologies of specific groups based on the particular characteristics of the countries, or groups of countries, in the region.

What follows are several hypotheses about global and regional geopolitical dynamics and the challenges they pose for the consolidation of democracy in the region. The text was developed based on a series of essays written by experts in the subject matter. It was then discussed at a meeting with a group of Latin American public intellectuals\*. Several invitees who were unable to attend the meeting sent in written comments. Given the range of positions and emphases conveyed, the comments received have been included in a box at the end of each section. The outcomes of the discussion indicate that despite potential differences in political visions and interpretations, there is ample space to pursue a dialogue conducive to a pluralistic Latin American reflection on the challenges facing the region in a changing international system.

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*\* The final version of the work is the responsibility of the authors. No affirmation of the text should be attributed to individual members of the working group. We are grateful for the participation and comments of Hildegard Stausberg, International Policy Chief of Die Welt newspaper, and Peter Fischer-Bollin, representative of the Konrad Adenauer Foundation in Brazil, which provided support for this project.*



# THE DECLINE OF UNITED STATES HEGEMONY

The unipolar world that seemed to be emerging in the 1990s with the collapse of the Soviet Union—characterized by an international order subject to United States hegemony and premised on market economies and neoliberal democracies—has lost momentum. In its stead, we are entering a complex transition period in which U.S. influence in the world economy is on the decline, along with its ability to impose a global political order in its own image and interests. The costs and complications associated with the invasion of Iraq, the enormous challenges of pacifying Afghanistan and the Pakistani border, and the financial crisis that began in 2008, to mention just a few of the problems faced by the Obama administration, have diminished the attractiveness of the U.S. world view and diluted the latter's ability to impose its global strategic aims.

This is not to say that we are heading, at least in the short term, towards a world in which power is shared and administered by a group of relatively equal countries. What is at issue in this historic period is the transition towards a negotiated North American hegemony. Unless we are to believe that a military and economic power comparable to the United States could emerge in the near future—or else an international political order with military capacity available to it as necessary, organized through consensus by an international power such as the United Nations—then the challenge lies in transitioning from U.S. hegemony to a U.S. hegemony shared with regional powers.

United States hegemony has historically been two-pronged. It served its own economic and political interests, which often led it to support civilian or military coups in the name of protecting democracy from the supposed or real threat of communism. At the same time, throughout the latter half of the 20th century it ensured a world order that spurred impressive growth in Europe, Japan and Southeast Asia and, with more fluctuations (brought on mainly by the countries themselves), in Latin America. In other words, global governance revolved around a

tacit agreement that acknowledged the leadership role of the United States—which paid the highest cost in terms of military expenses as well as the symbolic wear and tear of being regarded as the world police—, while the rest of the capitalist countries took advantage of that very order in what could be referred to as a free ride. The most obvious examples of this were Europe and Japan, which used the U.S. military shield in confronting the Soviet Union and U.S. trade liberalization policies to expand their own international business ventures. (The privatizations in Latin America—which were criticized as a U.S. imposition, despite the predominant role played by European companies—were perhaps the most notable recent example of this.)

The current phase of negotiated hegemony is unlikely to produce a comparatively stable international regulatory framework. Newly emerging powers (and Russia) regard the waning power of the U.S. as an opportunity to expand their international projections. Whether through the pursuit of an ideologically charged agenda, as Hugo Chávez and Iran are doing, or pursuant to a strategy to maximize domestic trade and strategic interests, which is the case of China and to a certain extent the Lula administration, there is nothing to indicate a willingness to share in the costs of a geopolitical regulation as opposed to U.S. leadership. To the contrary, while there is no shortage of discourse about a multipolar world that should be regulated by transparent international institutions, the prevailing practice reflects sovereigntist policies aimed at optimizing national interests and makes no reference whatsoever to the principles that the international system should uphold.

The new international reality is moving in the direction of a regionalization of conflicts with various ramifications for the international system. While the international conflicts and situations of internal polarization of the 20th century were rooted in local contexts and dynamics, they were also permeated—and empowered or repressed—by the Cold War and the capacity of the United States and the Soviet Union to impose their will in their respective spheres of influence. With the end of the Cold War and the erosion of U.S. dominance, regional hegemonic struggles have become increasingly relevant and potentially destabilizing to the international order, especially when they are linked to global paramilitary and ideological networks.

We are treading on extremely complex and unstable ground that is difficult to calibrate in the sense that movement is required on two fronts: from within the United States and from the emergent actors on the international stage. On the one hand, the U.S. would have to be willing to negotiate its agenda with other countries. While the

Obama administration is trying to promote this new foreign policy approach, it faces powerful domestic opposition from sectors preferring to cling to the old model. Similarly, the success of this approach is contingent in part on the willingness of the former “free riders” and emergent countries to share in the costs of maintaining the international order, whether in economic, military or symbolic terms.

## COMMENTS

**Following a trend that has been observed since the 1980s, the foreign policy of most Latin American countries vis-à-vis the United States has become increasingly independent, even within the OAS.**

**Has the creation in the past decade of regional organizations that exclude the United States and tend to weaken the OAS been positive for the region, or should the role of the OAS and dialogue with the United States be strengthened?**

**The United States does not have a policy for Latin America. It has policies to deal with countries based on specific perceptions in a given moment and their relative importance for the United States. The plan for a hemispheric free trade area is dead and buried. It has been replaced by free trade agreements, some of which have been blocked by Congress. Issues relating to immigration and drugs take up a lot of space in this fragmented panorama and could potentially contaminate relations between the U.S. and the region. The possible North American reaction to growing Chinese investment in the region remains a question mark.**

# EMERGENT ACTORS AND LATIN AMERICA

Newly emerging regional powers generally view the United States' waning influence as an opportunity to reinforce their own plans to project their power on the international stage. But this does not mean there is an actual willingness to share in the task of international governance with the United States, in what has become an extremely diversified panorama. Difficulties in reaching broad international consensus (particularly within the United Nations Security Council) have left the United States in the position of having to act unilaterally (relying on specific, short-term alliances) or confine its actions to extreme situations in which its "non-negotiable" interests are at stake.

## CHINA

In countries, including China, that are striving to convert their economic influence into strategic power—which was not the case with Europe or Japan—the policy is to continue to transfer the cost of maintaining global governance to the United States as they continue to build their economic, and their geostrategic, might, by negotiating with all sides without political preconditions of any sort. In other words, China's international strategy is to secure its supply lines of natural resources and export markets, without promoting a discourse on universal values or a political ideology.

While China is interested in maintaining the international order—which ensures its continued growth—it welcomes the international debilitation of the United States since it is perhaps the only country that potentially could assume the latter's hegemonic role in the international system. In the short term, China is interested in maintaining its accelerated growth levels, while ensuring that the international order is preserved at the least cost to it. To this end, its policy has been to keep its distance or to assume a "low intensity" commitment to efforts to address geopolitical tensions or promote international regulation in environmental matters and certain commercial areas, particularly where its own economic and trade interests are concerned.

China's role in Latin America has become the subject of debate in recent years. On one side, some analyses hold that China's ascent is favorable to Latin American interests because it promotes economic growth by increasing the value of its commodities, while reducing the region's dependence on U.S. markets. These analysts argue that China is not interested in subverting the political order of the countries in the region with which it has allied itself in international negotiations. Obviously, however, the virtuous effects of China's policies vary between countries rich in natural resources and those that are not. The latter, particularly Mexico and most Central American countries, have suffered from having to compete with Chinese labor and from the "invasion" of its industrial products.

The most critical take on the economic and political dimensions of China's influence holds that while Latin American countries certainly benefited from rising commodity prices, the rapid growth in imports of Chinese manufactures spurred by the vast supply of low-priced goods has been detrimental to growing number of industrial sectors. According to this argument, deindustrialization processes threaten to relegate Latin American economies as mere suppliers of raw materials in the international division of labor. By promoting the concentration of the internationally competitive productive structure in a few natural resource and capital intensive sectors where the State is actively involved, stepped up trade with China could end up concentrating power in certain cliques inside government agencies and private oligopolies or monopolies. These groups eventually would acquire a disproportionate degree of influence in the political arena sapping the terrain where democratic institutions are founded.

Of course the economic structure of each country—including such factors as the level of diversification or whether the dominant sector is hydrocarbons production or agribusiness—and its institutions and "political culture" determine the way in which the "China effect" translates politically. Generally speaking however, and put in extremely simplistic terms, in the least benign scenario it could be argued that the China

effect could result in the economic specialization of a single, or very few, sectors and products. Given what appears to be a prolonged cycle of surging commodity prices, this ultimately would strengthen the relative power of the State through its capacity to reward or punish private groups by intervening in those sectors and distributing the extraordinary revenues they generate. These resources are even more apt to bolster the government's capacity for social cooptation when deindustrialization results in the further precarization of the formal sector of the economy.

Those espousing this less benign scenario also point out that China does not have the same interests as Latin American countries in terms of international regulation, either because of differences in their economic structures or in their respective aspirations for international power. According to some authors, China is not completely neutral when it comes to the region's political regimes and it values governments such as Cuba and Venezuela as a means of weakening the United States.

As Motta Veiga and Polónia Rios have shown, for example, very few countries—albeit central ones: Brazil, Peru, Chile and Argentina—benefited from the Chinese demand for commodities. In contrast to their exports, however, Latin American imports of Chinese products occurred at relatively similar levels across the board in the region. (Here, Paraguay stands out for its “redistribution” to neighboring countries in the form of contraband.) In this context, it was the countries with less diversified industrial structures that succumbed to the flood of Chinese products.

The difficulty of confronting China as a power that is pursuing extremely aggressive development policies driven by the export of industrialized products leads to situations that, beyond purely economic matters, jeopardize the survival of cultural traditions. This was the case, for example, of Peruvian handicrafts being substituted by cheap Chinese imitations. Were this to have been done by the United States, we would surely have witnessed a flurry of lawsuits.

We will come back to this issue later on. But it is important to point out from the outset that from the standpoint of our analysis—which focuses on the intersections between the opportunities created by changes in the international system and internal dynamics—, and even accepting the hypothesis of a “benevolent” Chinese influence on the region's economies, the question remains as to the potentially destabilizing influence of an international economic power that is not committed to democracy. This is the case because local elites can use emergent international powers as a support base for pursuing government projects of an authoritarian nature as we

discuss in more depth later on. We also must not overlook that the intensified use of natural resources has given rise to intense political and social conflicts that have pitted governments and corporations against environmental and indigenous movements, as frequently observed in Peru and Ecuador. The fact that the former has a “neoliberal” government, while the latter has a “national people’s” government, is proof that we are in the presence of a vector of structural conflict.

## COMMENTS

**China’s role should be examined not only in terms of its direct influence in the region, but also as the inspiration for a statist centralizing development model. (Washington Consensus vs. Peking Consensus).**

**China represents both an opportunity and a threat. It depends on each country’s capacity to deal with this new reality in the sense of making the most of the opportunities while minimizing the threats. It is an unprecedented context, particularly given the role of state owned enterprises and the scale of China’s impact. Governments will require a shared vision—which they usually do not have—if they are to confront this impact and they must promote ties of public-private sector cooperation.**

**China’s influence (direct and indirect) varies from country to country based on the availability of natural resources, the complexity of the economy, whether or not there is a free trade agreement, and so forth. Close monitoring is needed rather than hasty generalizations.**

**Up to now, the impact of Chinese growth has been felt through foreign trade. A new stage is beginning with increased direct Chinese investment in the region. Much of this investment is channeled through State-owned enterprises operating under Chinese government guidelines in the framework of a national development strategy. What are the potential political impacts of this new stage of Chinese involvement in the region? What types of associations with local elites will emerge? How will the relationship with civil societies develop in areas such as the environment and labor laws?**

## OTHER ACTORS

It is important at least to touch on other international actors relevant to the alternative strategies for international political insertion adopted by different Latin American countries. Russia's situation differs from China's in that it is trying to recover some part of the power of the former Soviet Union in its search for recognition and a more active role in international affairs. It is limited in its investment and trade potential with Latin America and its main strength is as an arms supplier in the region.

India, which has to contend with China's growing power as well as the conflict with Pakistan, is inclined to strengthen its alliance with the United States, setting itself up as a key strategic ally in the Asian region. India's economic interests in Latin America are limited, although its level of trade and investment in the region is growing. The Middle East's affects Latin America only tangentially due to the former influence in the world economy. Iran plays some role, notwithstanding its minimal economic relevance in Latin America, as the standard-bearer of the anti-U.S. cause and its diplomatic activism in the region. Due to its political isolation—even in the mainly Sunni Islamic world—it is available as a potential ally for certain Latin American political-ideological groups, even if only in international forums. Iranian diplomacy is reflected mostly in the hundreds of cooperation agreements it has signed mainly with Venezuela and other ALBA countries, although it remains to be seen whether it has the capacity to follow through on them.

While less relevant, Middle Eastern conflicts could potentially be imported to Latin America as a byproduct of the actions taken by Latin American political leaders in pursuit of their ideological agendas or of acts to "internationalize" the conflict, such as the 1994 attack on the AMIA in Buenos Aires, in which the Argentine justice system found that the Iranian government and Hezbollah had been involved.

Finally, Latin America is certainly not insignificant from the European standpoint. In addition to its position in foreign trade, it is also one of the main targets of European direct investment and a source of enrichment and expansion for several major European corporations. At the same time, however, the European Union continues to be incapable of carving out an autonomous strategic role for itself in the international order, as even its plans to create its own military force have failed to take off. In our region, its influence is expressed economically and as "soft power" (such as through international cooperation or cultural influence).



## COMMENTS

**The text was criticized as having downplayed Europe's role in Latin America. Beyond its increasingly influential economic relations with the region due to the growth in European direct investments since the 1990s in key areas such as the financial and infrastructure sectors, Europe continues to be an important political and cultural reference point for Latin America. For a number of social sectors it is a more important source of political-intellectual and ideological resources than the United States and certainly Asia.**

**The European Union provided an important framework (as a political reference point and in terms of practical support) for projects to create regional markets in Latin America. To what extent will the current crisis in the European Union affect the integrationist inclination of the countries in the region?**

**Should South-South alliances be considered in function of specific objectives or do they represent an alternative to the vision of Latin America as a pillar of the "western world?"**

# LATIN AMERICA: CRISIS OF REGIONAL INTEGRATION

The vertiginous accumulation of centuries of largely unsuccessful regional integration initiatives is an indication of how relevant the issue is for Latin American governments, if only at the level of political thought. These efforts, however, have always come up against invisible and largely indeterminate barriers, some of them associated with factors that transcend transitory political or economic circumstances. These include the precarious physical infrastructure in the region and the enormous costs associated with overcoming a geography that spans the Amazon Jungle and the Andes mountain range. Other factors relate to asymmetries in the size and diversity of the productive sector—as is the case with Brazil, for example—which determines the interests of different countries as well as their ability to insert themselves into the international economy.

These factors surface and are contemporized in function of changing governments and national economic dynamics as well as geopolitical and international economic developments. The twists and turns taken by regional integration efforts cannot be attributed to any one factor. If the new regional structures today might seem inclined to exclude the United States, we should recall that in the 1990s, Brazil was promoting MERCOSUR as an alternative to the FTAA promoted by the United States and as a way to boost its own bargaining power in international forums. Similarly, the crisis in MERCOSUR was provoked by the financial crises of the 1990s that led to different forms of protectionism, rather than by any ideological shift in the governments in power at the time. More recently, rising commodity prices associated with the China effect eroded the relative importance of inter-regional trade. At the same time, the relative importance of intra-regional trade has declined in recent years among the main MERCOSUR countries, and Brazil in particular.

In this new millennium, even the emergence of several countries with leftist leaning governments—which has produced a certain unity of discourse and a more nationalistic rhetoric—has failed to strengthen regional integration processes. This

can be attributed in part to significant variations in the anti-American policies of the ALBA group, which seeks to distance itself from market capitalism, and a Southern Cone anxious to attract foreign capital.

The priority accorded to bilateral agreements with countries outside the region (such as Colombia's and Peru's agreements with the United States that turned the Andean Common Market into a figurehead), the political priority, spearheaded by Chávez, of creating an ideological bloc—ALBA—, and Argentina's bid for industrialization through import substitution have all served to undermine proposals for regional economic integration. Brazil's situation also creates ambiguities that are not conducive to regional integration. Given its level of economic influence relative to its neighbors, it is interested in ensuring regional stability and establishing mechanisms for consensus-building [*concertación*] as long as they do not require delegating any aspects of its sovereignty. Opportunities to commit greater financial resources to promote integration and productive complementarity between the region's economies conflict with the myriad demands it faces on the domestic front and its lack of confidence in the political and juridical stability of some of its neighbors. In short, while the region's governments continue to regard regional integration as a winning public relations discourse, it is not an issue that is reflected in practice in the processes underway in Latin America.

Changes in the international system and the increasing globalization of national economies have had an unanticipated impact on the internal dynamics in Latin America. New factors are producing tensions and complicating relations among the countries of the region. They include growing intra-regional investment particularly (but not limited to) Chilean investments in Peru and Brazilian investments in several countries; the ecological impacts of natural resource exploitation in border regions that affect neighboring countries; energy interdependence; intra-regional migration; the expansion of the agricultural frontier up to (or across) the borders of neighboring

countries; drugs and weapons trafficking between the countries; and guerrilla or paramilitary groups outside of State control operating beyond the borders of their own countries.

All of these factors add up to a situation in which the age-old problem of conflicts with “foreign” interests now frequently refers to problems among countries in the region rather than with the countries of the North. MERCOSUR was tarnished by its inability to mediate the Argentina – Uruguay conflict over pulp mills. Moreover, Venezuela’s entry into that regional body promises to exacerbate frictions. The electoral campaigns in Paraguay and Bolivia were colored by demands that neighboring countries raise the prices of energy exports, and many of the nationalizations of the past decade where of properties owned by Latin American neighbors.

Meanwhile, international geopolitical changes (in trade flows, investments and new political-ideological trends); the role of new actors (China in particular, but also Russia, India, and Iran); and the State use of revenues derived from natural resources, have created a more complicated horizon of alliances. There is now more space for ideological discourses and political practices that call into question the liberal democracy that appeared to consolidating its foothold in the region back in the 1990s.

In order to understand the new context, it is necessary to disengage from—or put in parentheses—some aspects of the traditional rhetoric about Latin American integration as a panacea for all of the region’s problems. It is important to recognize that regional integration—understood as an intentional effort to create an economic, political, and/or security-related space in which national states cede some of their sovereignty over decisions that are taken jointly through new institutions with a supranational mandate—is extremely difficult to accomplish.

The increase in intra-regional trade flows and investments in recent decades can be attributed to a series of dynamics in which the internationalization of companies leads to different forms of economic interdependence, which can expand the space for regional economics, exacerbate tensions among countries, or both. The most ambitious regional integration plans announced at the start of the decade in the energy and transportation sectors mostly remained on paper or, in the case of energy integration, were replaced by domestic policies that prioritized internal energy sources or the international market in a bid to retain more national autonomy.

The difficulty in making progress in economic integration was compensated in part by the formation of regional political organizations—at either the Latin American or South American levels—that exclude the United States. As Antonio Mitre shows in his essay, the region began to distance itself from the United States several decades ago. The actual capacity of these organizations to maintain an equilibrium capable of doing without the United States and to sideline the Organization of American States has yet to be demonstrated. In any event, consultative bodies for conflict and security situations is an area in which the region has an extremely positive history, and one that does not affect the sovereign interests of the countries.

Finally, as we examine this new landscape of conflictivity in the region, we must not overlook struggles over the use and possession of natural resources. These struggles have taken on new dimensions with the involvement of national and international NGOs and indigenous groups with a discourse and practices that often disregard issues of national sovereignty.

## COMMENTS

**It is important to clarify what is understood by integration, given that it is a multidimensional phenomenon. In the 1990s, the focus was mainly on the creation of subregional blocs under the political leadership of governments. The rationale for integration was mainly economic: national states should create an expanded market governed by a stable regulatory framework that would be attractive to private investment from within and outside the region. This type of integration was strained by two negotiation processes that envisaged something much broader: the FTAA and an agreement with the European Union. At the time, China was still a “side show.” The current panorama is entirely different: the FTAA failed, MERCOSUR retreated, the Andean Community of Nations broke down, Chávez launched an alternative integration process, and trade with Asia increased dramatically. Even as it lost economic momentum, Latin American integration in general, and in South America in particular, gained ground politically: it is now not only a centerpiece of the foreign policy of many governments in the region, it has become a part of their political identity.**

**The focus on regional integration is not ephemeral, despite relative declines in intraregional economic flows. The political focus on integration is increasingly linked to security, the management and interdependence of natural resources in border areas, migration, etc. In these areas, the domestic policies of countries become intertwined with their foreign policies and become even more important in the political (and electoral) process than strictly economic issues.**

**Latin American integration represents a “utopia” that should not be abandoned despite the real difficulties involved. In order to ensure that it does not remain merely at the level of intentions, it would be useful to distinguish between different types of integration processes (cultural, educational, economic, infrastructure, energy, environmental, public security and borders, and conflict and crisis resolution) rather than place too much emphasis on creating inclusive spaces for regional integration based on excessive political arbitrariness.**

**The integrationist discourse cannot cover up the challenges posed by narco-trafficking, narco-guerrillas, and international crime that permeate the region’s borders and raise specific issues for a security and border control agenda.**

**What are the real possibilities for economic integration when so many of the region’s governments are pursuing nationalistic and protectionist policies despite their integrationist rhetoric?**

**Multilateral treaties would offer the best defense against the major powers and Latin America should work together to strengthen them.**

# NATURAL RESOURCES AND POLITICAL REGIMES

Socio-political dynamics in Latin America have always been associated with international geopolitical realities. While processes within each country obviously must first be understood in the context of national realities, the viability of government models in the region has always been contingent on the economic and political opportunities offered by the international system. What is more, some degree of ideological affiliation with an international power center has always been present in the construction of political systems.

Throughout its history, Latin America's natural resources have played a key role in social and political organization, regardless of whether they are controlled by local oligarchs, foreign capital or the State. They have also been critical to the region's competitiveness in the international division of labor. The extraordinary income derived from the use of natural resources, especially during cycles of soaring commodity prices has made them—whether through statization or appropriation via tax collection as has been, and still is, the case with agroexports—a cornerstone of processes to establish nationalized, statizing (and sometimes, but not necessarily, authoritarian) political regimes, which have used them to carry out their distributive policies.

Natural resources traditionally have been the main export and until recently, one of the principal sources of government fiscal revenues. This is still the case in several countries. Natural resources have even continued to play an important role in the export patterns of countries such as Argentina and Brazil and Mexico, which have undergone significant industrialization processes and expanded their fiscal base.

At the same time that we are experiencing a new cycle of spiraling commodity prices, natural resources have taken on a strategic and far-reaching role in the global economic order, a product of a new vision about the environment and the natural world's limits when it comes to satisfying the demands of the world economy. Even

traditionally marketed products such as those of agricultural origin are increasingly regarded as containing goods that never used to be quantified (such as sun and especially water). Latin America as a whole (albeit with significant differences from country to country) has emerged as one of the world's main reservoirs of water resources, as Wilkinson shows.

Over the past decade, rising prices for goods derived from natural riches have enabled many countries in the region to surmount their foreign debt problems. They have also generated extraordinary fiscal income for the State and have become a keystone for the economic growth of national economies. At the same time, most countries lost ground in terms of exports of manufactured goods, while their own domestic markets were flooded with imports, mainly from China, which caused certain industrial sectors to go under.

The role of natural resources poses a two-fold challenge to several countries of the region: they must confront what can be serious trends towards "Dutch disease" in the area of economic development and towards what we will refer to as "statizing distributive syndrome" at the political level. In the first instance, foreign exchange surpluses resulting from the export of a single, or only a few products, causes the national currency to appreciate and discourages domestic production of tradables. This problem, which cuts across the entire region, is exacerbated when associated with governments that use the income derived from natural resources to pursue statizing policies accompanied by a polarizing internal and external rhetoric that divides society and alienates private investment. While the economic aspects of "rentist messianism" are hard to miss, its path is less tangible in political terms, particularly if anti-U.S. rhetoric and alliances with new global actors make it possible to secure investments and an alternative avenue for insertion into the international system.



## COMMENTS

Perhaps no other issue today poses as great a challenge to foreign policy and Latin American integration as natural resource management. This is not totally new to the region, since varying degrees of State involvement in this field and its distribution of the income generated have played a key role in the political history of the continent. But what we are witnessing is not simply a return to the past. In the new international panorama, natural resources management has become a vehicle in the quest for new forms of international economic and political insertion. It is an issue that mobilizes new social stakeholders such as social movements and internal and foreign government organizations (at the regional and international levels) because of the association with environmental issues. Management of the Amazon biome is particularly significant as it has become a pivotal issue in the framework of negotiations over climate change mitigation and adaptation policies.

National control over natural resources is a legitimate concern requiring solutions that safeguard national interests. The challenge is to ensure that those solutions are not ideologized by confusing national interests with statizing responses and/or irresponsible distributionism, and that income is used to benefit national development projects sustained by sufficient human resources and a solid economic footing.

The development of new models of democratic control over natural resources should be based on a vision that takes into account the environment and a commitment to future generations.

# VECTORS OF CONFLICT

It is necessary to identify the potential vectors of conflict in the region. The first potential vector of internal confrontation in Latin America is conflicts of interest over the exploitation of natural resources, the occupation of border areas or investments or actions by companies from other countries in or outside the region (such as the tendency to restrict land purchases by foreign investors in particular, and not only in border areas). All of these conflicts can be arbitrated by third countries (as Brazil did in the border conflict between Ecuador and Peru; by regional institutions (as MERCOSUR failed to do in the pulp mill case); or by international courts (with the attendant loss of regional self-regulatory capacity). The potential for conflict should be anticipated to the extent possible so as to reach agreements that could diffuse it.

The second vector of conflictivity are governments that legitimize themselves through a discourse that militarizes politics by turning the internal opposition or foreign governments with opposing ideological orientations into enemies that do not merit respect and should be destroyed if possible. The ideologization of foreign policy is used to justify interventions in the internal affairs of other countries and the import of extra-regional conflicts and must be condemned as intolerable. It is profoundly anti-democratic inasmuch as it fails to respect the sovereign choices of the citizenry of each country and destabilizes and divides the region.

The third vector of conflict is weapons and drugs trafficking and contraband and the impact of criminal and paramilitary groups (narco-paramilitaries and narco-guerrillas, which are often linked) that do not recognize borders. This is a difficult area of cooperation as it affects national sovereignty and requires cooperation between security systems that are not always trustworthy.

Latin America could also be destabilized by the import of foreign conflicts into the region. Each country must pursue its own interests and maintain diplomatic, trade and/or military relations with whichever countries they choose, but should ensure that those relations are not associated with extra-regional conflicts.

Latin America was perhaps the region with the lowest number of wars and victims of international conflicts in the 20th century. In recent decades it has made significant progress towards the consolidation of democracy. Pragmatic analysis and monitoring of the international situation and its impact on the countries in the region are imperative in order to ensure that this continues to be the case and to support the continued consolidation of democracy.

## COMMENTS

The polarization in Latin America between governments advocating institutional continuity and those—particularly the Chávez government, but also the administrations of Evo Morales in Bolivia and Rafael Correa in Ecuador—in favor of remaking the State and democracy has triggered tensions that radiate across the region. Rather than confining their political actions to the realm of their own countries, certain leaders, Chávez in particular, have taken as their frame of reference supranational identities such as the *Patria Grande* of Simón Bolívar or the identity of pre-Colombian peoples. Regional tensions have been further exacerbated by the anti-U.S. discourse and alliances with countries outside of the region promoted by those same leaders, again, mainly Chávez. Nonetheless, while these countries push the limits of conventional relations with the United States and foreign corporations, they do not appear to be inclined to make a radical break from them. The American government appears to have understood this, at least since George W. Bush's second term.

While China and Russia are interested in natural resources and in purchases of war materiel by “Bolivarian” countries, there is nothing to indicate that they would be willing to confront the United States within its sphere of influence. Iran is a more minor player in the region and its influence up to now has been more rhetorical than practical.

The “world's giants,” with the United States at the helm, want stability in the region. Stability means reinforcing democratic institutions in each country and at the regional level, particularly in light of Brazil's role. What is not entirely clear is how Brazil should exercise its “natural” leadership in the region. The current administration attempted to rein in Chávez's leadership without confronting him. This was clear from the episodes involving the Caracas-Buenos Aires gas pipeline, the Southern Bank and the UNASUR Defense Council. It supported Chávez's entry into MERCOSUR, however, which ultimately could weaken the latter rather than contain the former. Another source of controversy, particularly in terms of internal opposition, is the Lula administration's attitude towards Cuba and towards the authoritarian tendencies of the Chávez government.











































