

# **Latin America's New Geopolitical Position and Its Implications for Europe**

*A Discussion Paper by*

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## 1. Latin America: The Lost Continent?

Latin America bashing is en vogue these days. Some describe Latin America as the "Lost Continent" – so the title of a recent article by Moisés Naim (2006) in the December edition of *Foreign Policy* – or as a loser of globalization and a marginalized continent in international relations (Grabendorff 2007). In this context it is fashionable to refer to the declining partici-

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<sup>1</sup> This paper was prepared for the Informal AMLAT/COLAT Working Group Meeting in Hamburg on 21/22 May 2007. Prof. Dr. Detlef Nolte is Director of the GIGA Institute of Latin American Studies, Dr. Bert Hoffmann is its Deputy Director. Both are political scientists. Website: [www.giga-hamburg.de/ILAS](http://www.giga-hamburg.de/ILAS). Contact: [nolte@giga-hamburg.de](mailto:nolte@giga-hamburg.de), [hoffmann@giga-hamburg.de](mailto:hoffmann@giga-hamburg.de).

pation of Latin America in world trade (merchandise exports) (Naím 2006: 46) – down from 7,6% in 1963 to 5,6% in 2005 (WTO 2006: 28/35). But in the same period US participation in world trade went down from 14,9% to 8,9%, and that of the UK from 7,6% to 3,8% – and nobody would argue that the UK and the United States are the marginalized losers of globalization. Hence, a closer look beyond catchy headlines is necessary; in fact, Latin America's participation in world trade today is significantly higher than in 1990 (4,3%).

Against much mainstream analysis, it is also possible to articulate a more benign view with regard to Latin American development in the last years and the role of Latin America in international politics. Changes in international trade and politics generated new foreign policy options for Latin America in the international system. To mention only a few trends:

- Latin America benefits from the current cycle of the world economy and a growing demand for Latin American commodities, particularly natural resources and agricultural products.
- The resources-hungry Chinese economy has become one of the leading trading partners for many Latin American countries. Between 2000 and 2005, trade between Latin America (without Mexico) and China grew by 37% per annum (!) (WTO 2006: 53)
- From a Latin American perspective the traditional "Atlantic triangle" (LA-EU-USA) is complemented with a "Pacific triangle" (LA-ASIA-USA).
- While the FTAA project seems deadlocked, the United States has been advancing free trade agreements on a sub-regional or bilateral level with most Latin American countries. So in 2004 and 2005 the US directed more exports to Latin America (including Mexico) than to the European Union (WTO 2006: 48).
- The recent Latin America trip of George Bush was not only meant as a show of support for the more U.S. friendly governments of Mexico, Guatemala, Colombia, Chile and Brazil, but also as a continent-wide signal that the U.S. still do care about the region.
- In addition, the United States is forging a new strategic alliance with Brazil as the South American regional power in the bio-energy sector (ethanol) (Nolte/Stolte 2007).
- Some Latin American countries are propagating a remake of the "Third Worldism" of the 1960s and 1970s. As a result strange visitors like the Iranian president are touring the continent, creating new challenges to US hegemony.
- The international financial institutions lost influence in Latin America. The high oil prices make Chávez' Venezuela immune to financial pressures – and moreover they enable it to play an active dollar diplomacy of its own that has increasingly taken on the role of a competing "alternative monetary fund" – for instance buying Argentine bonds which allowed the Buenos Aires government to cancel its debt with the IMF. Similarly, Bolivia and Ecuador, two of the poorest countries of the subcontinent, have been able to

challenge the Washington-based IFI's in a way that in the 1980s would have been deemed suicidal.

- Brazil with the support of most South American countries played an important role in the WTO negotiations as one of the leaders of the G 20 that articulated a common position against the EU and United States.
- Brazil entered into a strategic alliance with regional powers from other world regions like India and South Africa (IBSA Dialogue Forum).
- After more than a decade of declining influence Russia is staging a come back in Latin America and has become one of the major suppliers of weapons to the region.

In sum, Latin America seems to be a kind of Cinderella in the process of conversion from neglect to appreciation. And there is more than one prince courting the bride.

But the changing international environment influences Latin American countries in different ways. As external developments interact with endogenous processes, Latin America has become more heterogeneous and politically more fragmented. The continent speaks with many voices which more often than not are rather dissonant. It has become unclear, who is speaking authoritatively on behalf of Latin America and who are the appropriate interlocutors in Latin America for outside actors. Both, the new international insertion as well as the internal divisions have implications for Europe's foreign policy towards Latin America.

## **2. "Old" Europe and "New" Latin America**

There are many critical questions and topics for discussion with regard to the relations between Europe and Latin America as the end of the first decade of the 21st century is coming closer.

- Is Europe losing influence in Latin America, and is the European position in Latin America reflecting a general power shift in international politics?
- Does Europe have the right interlocutors in Latin America, or should the EU look for new partners and water down traditional ties?
- Should Europe complement the traditional bi-regional approach to Latin America with some triangular talks: EU – Latin America – United States, EU – Latin America – Asia, EU – Latin America – Africa?

In the past, EU-Latin American relations used to be asymmetrical in the sense that there has been more political and economic interest from Latin America towards Europe than vice

versa. But today, at the end of the first decade of the 21<sup>st</sup> century, both, Latin America's interest for the old continent as well as the economic and political importance of Europe for Latin America, seem to have diminished. What are the reasons for this transformation?

- First, the shift in the perception of the importance of Europe is a result of changes in the international insertion and geopolitical position of Latin America.
- Second, it responds to changes within Latin America with regard to the relative power of different countries.
- Third, the drifting apart of Latin America and Europe is a result of diverging world views in national and international politics.

Paraphrasing former U.S. Secretary of Defense Ronald Rumsfeld, from a European perspective we can speak of a "new" and an "old" Latin America; with some irony in the meaning of these words: The liberal democracies that emerged from the transitions of the 1980s as "the only game in town" (Linz/Stepan 1996: 5) now seem "old" whereas the "new" Latin America, most prominently embodied by Hugo Chávez, resuscitates some rather old authoritarian traits and *caudillo* traditions. The "old" Latin America are the leaders and politics that the European politicians have become familiar with in interregional negotiations in the past years. The new Latin America represents political positions and a political style that has become somewhat unfamiliar for contemporary Europe.

The old Latin America was part of the US backyard. Europe was seen as a counterweight to US influence and for some Latin American intellectuals and politicians it loomed as an alternative form of capitalism or market economy. In the days of old Latin America the new elected presidents paid their tribute to this power constellation and made their first official visits to Washington or some European capital. Nowadays they travel as often to Asia as to Europe or Washington. Sometimes Peking is their first stop after the inauguration. At the same time Asian politicians are travelling through Latin America promoting trade and looking for commodities and raw materials. For European political leaders Latin America is located outside of their normal travel routes. So in the last years high level Chinese political delegations have been travelling more frequently through Latin America than the leaders of major European countries.

A decade ago in the 1990's both Latin America and Europe have been in cadence. Latin America went through the high time of the Washington Consensus fostering liberal reforms including free trade and the privatisation of state enterprises. Many European enterprises participated in the privatisation process, for example in telecommunications and public utilities. The EU set off its negotiations on free trade agreements with the Mercosur, Mexico and Chile. The European-Latin American Summit diplomacy got a new impulse and raised

new expectations with the first European-Latin American Summit in Rio de Janeiro in 1999. The process of democratic consolidation seemed to advance in Latin America, when finally in the mid-1990s the former civil war countries in El Salvador and Guatemala concluded their peace accords. In Europe, too, a process of economic reforms started, including the privatisation of state enterprise and social security reforms, with the UK taking the lead. In Eastern Europe the post-communist countries were on their way of economic transformation and democratic consolidation – with many parallels to processes in Latin America. But also for the critics of neoliberal reforms Europe offered some relief. The European brand of capitalism and European economic reforms were perceived as a kind of “third way” by Latin American reformers like Fernando Henrique Cardoso, in Brazil, and Ricardo Lagos, in Chile. Today's more radical fighters against neoliberalism in Latin America, like Hugo Chávez in Venezuela, do not look to Europe and they do not have politically influential interlocutors in Europe. Some of their foreign policies recall the “Thirdworldism” of the 1960s and 1970s, putting Europe in one boat with the United States and looking for cooperation partners in Asia, Africa and the Middle East. The new political populism and economic nationalism in Latin America compromise the interests of European companies which are threatened by nationalization measures in Bolivia or Venezuela.

Fortunately, from a European perspective, Hugo Chávez and his allies represent only a part – the smaller part – of Latin America. The political-ideological division of Latin America was most prominently illustrated last April. On virtually coinciding dates “old” and “new” Latin America met in Santiago de Chile and Barquisimeto (Venezuela), respectively. On April 28 – 29 Venezuelan President Hugo Chávez hosted the 5<sup>th</sup> Summit of the so-called “*Alternativa Bolivariana para las Americas*” (ALBA) which was attended by Evo Morales (Bolivia), Daniel Ortega (Nicaragua) and Cuban Vice-president Carlos Lage, as representatives of ALBA's up to now four member countries. Present as observers were the President of Haiti, René Préval, and the foreign minister of Ecuador, María Fernanda Espinosa. Uruguay, Dominica, and St. Vincent and the Grenadines also sent delegations. Chávez used this forum to criticize the World Bank and the IMF, which he wants to replace with a new Latin American lending bank, the “*Banco del Sur*”, with an initial capital of US\$7bn (LAWR 19 April 2007).<sup>2</sup> During the summit Chávez formalized the withdrawal of the ALBA-members from the In-

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<sup>2</sup> By the end of May the governments of seven Latin American countries – Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela – had joined the initiative to launch the Banco del Sur which will be formally created at the end of June. All member countries will contribute an equal share of capital. Moreover, the Ecuadorian government proposed the creation of regional fund (Fondo del Sur) to assist the macroeconomic stabilization of Latin American countries. Other initiatives aim at the creation of a regional monetary unit to be used as a basis for trade (LAWR 10 May 2007).

ternational Centre for Settlement of Investment Disputes (ICSID), a World Bank Institution (Brazil and Southern Cone Report, May 2007). The summit declarations included strong criticism against free trade and the release of the Anti-Castro activist Luis Posada Carriles from US custody, while they supported the controversial media politics of the Venezuelan government.

Only a few days before, on April 25 and 26, 400 business, government and civil society leaders from 28 countries had attended the World Economic Forum in Santiago de Chile and discussed strategies to achieve sustained growth in Latin America. Two presidents representing the moderate Latin American left, Chile's Michelle Bachelet and Brazil's Lula, closed the meeting (LAWR 3 May 2007). It should be noted that the confrontation between the "old" and the "new" Latin America does not stay on a merely rhetorical level. For instance, the nationalist drive against foreign companies hits also Latin American companies, as for example in the nationalization of the Bolivian gas sector which directly affected the assets of the Brazilian Petrobras leading to strong bilateral tensions (LAWR 17 May 2007).

### **3. Petropolitics and the Changing Power Relations in Latin America**

Latin America passes through a period of shifting alliances, the creation of new strategic networks and the modification of existing cooperation structures. This process reflects changing economic and power resources as well as the election of politicians with new visions on economic and foreign policy.

The story starts with the election of Hugo Chávez in Venezuela at the end of the 1990s. At the beginning of his presidency the idea of a Latin American Bolivarian movement seemed to be quite farfetched and in any case, more rhetoric than real politics. During his second term, however, with high oil revenues and leftist governments in Bolivia, Ecuador and Nicaragua his international ambitions have certainly become a serious challenge. The bad news for Chávez are, that Latin America's economies are recuperating economically since 2004, moderately high growth rates (4-5%) will probably continue in 2007 and 2008 (IMF 2007: 5). The good news for Chávez is that income distribution in Latin America is improving very modestly and poverty rates are still high (CEPAL 2006b).

As the development in the last two years demonstrated, energy has become one of the key currencies in Latin America politics. In a succinct analysis on Latin America's "petropolitics" Chilean political scientist Genaro Arriagada (2006: 1) writes: "*Potential confrontations over oil and gas supplies and transportation networks have become geopolitical flashpoints. ... As new reserves are discovered and old ones exhausted, the balance of power among states evolves.*" This ex-

plains why gas-rich Bolivia, long regarded as just the poorest kid on the block eternally dependent on foreign aid, is now a more important actor in Latin American politics than in the past. In general, oil exports and incomes from oil exports are the favoured instruments of Venezuelan foreign policy. In March, Venezuela surprised the other South American countries with the proposal to create – with Bolivia and Argentina as partners – a regional 'gas producers' Opec', to be called Organización de Países Productores y Exportadores de Gas de Suramérica (Oppegasur) (LAWR 19 April 2007). At the same time, Mexico is suffering from the decline of its oil reserves. This makes it more difficult to compete with Venezuela in Central America and the Caribbean. Brazil is playing the card of bio-diesel and ethanol to counter Venezuelan influence in Latin America (Nolte/Stolte 2007). Brazil, but also Argentina and Chile are increasingly considering the option of nuclear energy to secure their energy supply and to reduce the dependency from energy imports (including from the Latin American neighbour countries). In the medium term, these developments could also bring back the issue of nuclear proliferation back on the political agenda in Latin America.<sup>3</sup>

On the one hand, energy is a dividing element and a power resource in Latin American politics. In a survey of *Latinobarómetro* (2007: 18) last year, three quarters of Latin Americans were anxious that the competition for energy resources could result in more conflicts and even wars between countries. On the other hand, energy resources constitute an important inducement for economic cooperation in a continent, where other economic links were often not strong enough to provide sufficient dynamism for economic integration projects. However, at present the trust of the Latin Americans that the region's energy exporting countries will comply with their commitments to deliver energy to other Latin American countries oscillates between 40% and 47% in the cases of Ecuador, Argentina, Mexico, Bolivia and Venezuela (*Latinobarómetro* 2007). There are interesting variations between the Latin American countries, as Chileans and Brazilians are less trustful in general, and all the more so with regard to Venezuela and Bolivia. In spite of recent conflicts between Latin American countries, the great majority (62%) of those interviewed by *Latinobarómetro* favour common agreements, and only a minority (27%) prefers to go it alone (*Latinobarómetro* 2007).

The first South American Energy Summit (held within the framework of the South American Community of Nations) on the Venezuelan island of Margarita (15 and 16 April) constitutes a good illustration of both of the above mentioned tendencies. In the summit all South American presidents participated, with the exception of Peru, Surinam and Uruguay who were represented by their foreign ministers or vice-presidents. Before the summit, Chávez (and Fidel Castro) had criticised the joint initiative of Brazil and the United States to pro-

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<sup>3</sup> See Vargas Llosa (2006), *Libertad y Desarrollo Temas Públicos* No.812, 23 de marzo 2007; Ouilodran (2007).



mote the production and use of ethanol and other bio-fuels in Latin America and the Caribbean. While Chávez's criticism focused on the danger that the production of bio-fuels (especially from corn) could increase the prizes of foodstuff for the poor – an apprehension shared by not few academics (Runge/Senauer 2007) – his real target seems to have been Brazil's strategy to utilize ethanol as an instrument to counter Venezuelan petropolitics and to find common ground with the US.

Eventually, however, the Venezuelan government had to retract because bio-fuels are an attractive alternative for many Latin American countries – especially those without petroleum or natural gas reserves. So the final declaration of the energy summit included both, the announcement of a more intense cooperation in the petroleum sector as well as the promotion of renewable energies and bio-fuels.<sup>4</sup> The presidents created a South American Energy Council, integrated by the Ministers of Energy of each country, which is to develop a common strategy and action plan to be discussed during the Third South American Community of Nations Heads of State Summit in Cartagena (Colombia) in October 2007.

It should be recalled that the starting point for the European Union's integration project had been the sectoral cooperation in the steel and coal industries. So a more intense cooperation in the energy sector could well be a strong pull factor for South American integration. An interesting by-product of the First South American Energy Summit was the decision – in the framework of the political dialogue between the presidents – to change the name of the South American Community of Nations into Union of South American Nations (UNASAR = Unión de Naciones Suramericanas). The renamed organization will feature a permanent secretariat with a seat in Quito and a political commission or council of delegates. Two years ago Günther Maihold (2004) from the German Institute for International and Security Affairs had asked the question "The South American Community of Nations – a new partner for the EU in Latin America?". Today one should respond: more than ever.

While political leaders may boast about the Union of South American Nations, Latin America in general has become politically and economically more fragmented and divided. Subregional divisions are strong. Mexico and Central America are part of an economic zone encompassing North and Central America, mirrored as much in the regional free trade agreements as in the economic weight of the financial counterpart of the region's massive

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<sup>4</sup> The 37th regular session of the General Assembly of the OAS (June 3 to 5, 2007) approved by acclamation the "Declaration of Panama: Energy for Sustainable Development", in which the representatives of member states declare "their need to recognize the potential of biofuels for diversifying the energy matrix of the Hemisphere. Accordingly, they will join efforts to share experiences gained in the region, with a view to achieving maximum efficiency in the sustainable use of those sources to promote social, technological, agricultural, and productive development." ([www.oas.org/37AG/Docs/eng/AG03599E04.DOC](http://www.oas.org/37AG/Docs/eng/AG03599E04.DOC)).

migration to the USA, the remittances. As a consequence, most countries of the Central American isthmus are strong supporters of US-policies in international relations (the Iraq war provided a very visible example). Mexico's political position to US foreign policy is more independent, while economically NAFTA ties the country even more closely to its northern neighbour. The Central American countries are integrated in a common market and are connected with the US market via DR-CAFTA, the Central American Free Trade Agreement (with its acronym amended to include the Dominican Republic, D.R.). The Caribbean Countries cooperate in the CARICOM, and, in the framework of the Caribbean Basin Initiative, most have privileged access to the US market. South America itself, too is divided into rival integration schemes, the Andean Community and the Mercosur, with overlapping associated memberships, connected only by a rather loosely formulated objective to create a common South American free trade area.

The Latin American countries have negotiated or are negotiating multilateral and bilateral free trade agreements with the United States, the EU or various Asian countries. Mexico, the Central American countries and Chile signed FTAs with the United States. Peru and Colombia are negotiating a FTA with the US. The EU signed association agreements with Mexico and Chile, and perhaps in the future with the Common Central American Market and the Andean Community, while its negotiations with the Mercosur seem to have reached an impasse for the moment. For some Latin American countries the Pacific rim has become at least as important as the partners across the Atlantic. Chile for instance signed free trade agreements with China and South Korea and is negotiating FTAs with India and Japan. In 2005 36% of Chilean exports went to Asia (Europe 25%; NAFTA 23%), of which. China and Japan each accounted for one third (DIRECON)<sup>5</sup>.

But the centrifugal tendencies in Latin America are balanced by a multilayered network of multilateral and bilateral cooperation structures. The traditional economic integration schemes like the Mercosur, the Andean Community or the Central American Common Market are superposed by more politically-minded cooperation projects like the Union of South American States or ALBA. A specialty of ALBA is that it builds bridges between South American, Central America and Caribbean countries. Moreover, Latin American countries have developed special or strategic relations with other states in the region. Chile for instance nourishes a strategic relationship with Mexico – including a bilateral free trade agreement – which started during the governments of Fox and Lagos and which has been continued during the presidencies of Calderón and Bachelet. More recently, Argentina and Venezuela developed a special relationship highlighted by Venezuela's government buying Argentinean bonds. In this context Brazil is seeking to resurrect the ABC partnership with

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<sup>5</sup> [www.direcon.cl/documentos/China2/int\\_comercial\\_chile\\_china\\_090306.pdf](http://www.direcon.cl/documentos/China2/int_comercial_chile_china_090306.pdf).

Argentina and Chile (LAWR, 3 May 2007; Latin America Brazil and Southern Cone Report May 2007). However, at present Argentina seems to be more inclined towards balancing Brazilian influence in South America by means of a closer cooperation with Venezuela. During the presidency of Nestor Kirchner Argentina signed 39 international agreements with Venezuela, more than with any other country (Nueva Mayoria 2007).

From an outside or European perspective this multilayered Latin American network of cooperation has benefits as well as drawbacks. It is more difficult to identify a representative interlocutor in Latin America. But at the same time there are more points of access to influence the dynamics of inter-Latin American politics. It has become more important than ever for the EU to identify the right wheels in the Latin American wheelwork (and it has not become easier).

All in all it has become more complicated than before to identify a Latin American leading power. Mexico is at best a regional power in Central America, its influence in South America is quite limited. Brazil has been eager to keep Mexico out of South American cooperation frameworks, and while Brazil may be the natural regional power in South America its influence in Central America and the Caribbean is limited. And both, Mexico as well as Brazil, have been challenged currently by what had been at best a middle power in Latin American politics, oil-rich Venezuela. The ALBA project promoted by Venezuela's Hugo Chávez transcends the South America – Central America/Caribbean divide and allows Venezuela to exercise influence in South America, Central America and the Caribbean. In the context of the new Latin American power constellation and the changing international insertion of the region other Latin American countries embarked on a balancing strategy such as Argentina (with Venezuela against Brazil) or are opting out of the regional power games (as in the case of Chile) looking for partners outside of the sub-continent.

In the 1990s Brazil has been the natural leader and regional power in South America<sup>6</sup>. The Brazilian government has been the main antagonist of the United States in the FTAA process. The opposition was based on diverging economic and geopolitical interests but not on an ideological confrontation – as now in the Venezuelan case. The Mercosur was conceived as an economic and political integration project and as a platform for the global power projection of Brazil. Brazil's subregional hegemonic ambitions were viewed with suspicion by the US government which has been anxious to undermine the Mercosur. Currently the Brazilian leadership is challenged by Venezuela. Bolivia seems to be lured in the Venezuelan camp. One has to admit that in the past the Brazilian governments very often did not pay attention to the interests of the junior partners in the Mercosur as a benevolent regional power should do. But Brazil is still the most important actor in South America and at least now the

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<sup>6</sup> With regard to the role of Brazil as regional power see Schirm (2005).

United States accept the Brazilian leadership in South America – compared to the Chávez's Venezuela from a US point of view Brazil certainly is the lesser of two evils.

During the government of President Fox, Mexico lost much influence in Latin America. On the one hand, the Mexican president spent a lot of energy and political capital wrangling with leftist or populist Latin American governments over the virtues of a free market economy and free trade in the Americas. Many Latin Americans perceived him as spokesman for US policies. On the other hand, the Brazilian government embarked on a strategy to exclude Mexico from South America as competitor for its regional leadership. The relations between Mexico and Brazil are still strained due to the competing leadership claims of both countries. The last time President Lula and President Calderón had a confrontation during the World Economic Forum in Davos in January 2007.<sup>7</sup>

In Central America the Fox government in June 2001 launched the Plan Puebla Panama (PPP) to strengthen the links between Mexico and the Central American countries and to develop the infrastructure and economies in Mesoamerica. But the plan did not advance very much. At the same time the Central American countries put more emphasis on upgrading their relations with the United States. So most Central American countries were part of the "coalition of the willing" in the war against Iraq. Their main objective has been DR-CAFTA, the free trade agreement with the United States.

But since taking office the Mexican president Felipe Calderón is trying to recuperate a regional leadership role for Mexico, first of all in Central America where the Venezuelan president Chávez is expanding his influence and challenging the Mexican leadership. For that reason Calderón is putting new emphasis on the Plan Puebla Panama (PPP) with the offer to construct a petroleum refinery in Central America (which created induced some conflicts between the Central American countries with regard to the location of the refinery). Hugo Chávez countered this initiative, when the Venezuelan government announced on 16 April that in June, it would start building an oil refinery in Nicaragua with the capacity to satisfy Nicaragua's needs and to export oil to the rest of Central America (LAWR 19 April 2007). In April 2007 the members of the PPP met at a special summit in Campeche to discuss future projects (Nicaragua sent only its vice-president). For the first Colombia participated in such a summit meeting after it had joined the PPP in 2006. Colombia is not the only special partner of Mexico in South America. Mexico and Chile have forged a strategic partnership in 2006 including a free trade agreement. The Chilean president Bachelet visited Mexico in March 2007 to reconfirm the cooperation.

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<sup>7</sup> See „Los presidentes de Brasil y México polemizaron sobre el presente de la región, in: Clarin (Buenos Aires), 27.01.2007; “Lula e presidente mexicano divergen por causa de Chávez”, Folha de Sao Paulo, 27.01.2007.

#### 4. Latin America's "Chinese Decade"

Whereas in the 1990s Japan entered as competitor to European and United States' economic interests in Latin America, in the current decade China advanced its economic position in the region. While still not a peer competitor to the United States and the EU, China is gaining economic leverage in Latin America. There are "shared gains and asymmetric hopes" (Dominguez 2006). Both, China and most Latin American countries, perceive advantages (shared gains) in their trade relations; but as with Europe and the United States, trade relations are asymmetric, because China is much more important for Latin America than Latin America for China. Moreover, feelings with regard to China are mixed in Latin America: for most South American countries the positive aspects are dominant, because their economies and the Chinese economy are complementary; however, for the Central American and the Mexican government China is first and foremost a competitor to their labour-intensive and export-oriented manufacturing industries.

While the exact magnitude of the recent intensification of trade was not predictable, Latin America's economic importance had been for some time on the Chinese radar screens. With some anticipation China started to train experts for Latin America. As a result China developed a long-term strategy to engage with Latin America. There are more Chinese academic writings on Latin America than on the Middle East and Africa. Chinese academics stress that there are no fundamental conflicts of interests or historical animosities between China and Latin American countries. These academics underline the convergence of interests between China and Latin America because of their highly complementary economies. China and Latin America are portrayed as being at similar stages in their political and economic development. Both sides value the diversification in international economic and political relations, both oppose hegemony and power monopolies of a few countries (Dominguez 2006: 21-27).

Since the beginning of the decade China has become a major export market for Latin American raw materials and food stuff, and there is still a significant growth potential. While in 2005 China's participation in Latin American exports was only 3,5 %, its share was much higher in the Mercosur (6,3%) and in some selected South American countries like Argentina (8,3%), Chile (11,1%) and Peru (10,7%). In contrast, in Central America and the Caribbean only Cuba featured major exports to China (10,2%). While South America shows a trade surplus with China, Mexico and Central America maintain growing deficits (ECLAC 2006a). In 2004 Latin America provided more than 60% of Chinese imports of soybean (mainly from Brazil and Argentina), 80% of fishmeal (from Peru and Chile), 25,5 % of copper (from Chile and Peru), 19,9% of iron (Brazil), and 20,6 % of wood and woodpulp (Chile and Brazil)

(ECLAC 2006a: 42). In some cases the high percent of exports to China can produce new dependencies. In 2004 Peru exported 70% of its iron ore and 37% of its copper to China, in the same year Chile exported 27% of its cellulose and 16% of its copper to China (Deutsche Bank Research 2006: 13). In the future, also Latin American oil exports to China could become increasingly important (Jiang 2006). China is not only developing its trade with Latin America but is also investing in the region. At the end of the present decade more than 10 percent of Chinese foreign investments are likely to be directed to Latin America (Deutsche Bank Research 2006: 10).

While Chinese-Latin American relations are – earlier immigration apart – quite young (starting in the 1970s), they have been quite stable over time. They have not been interrupted during military dictatorships in Latin America nor in times of severe human rights violations in China. In most Latin American countries policy towards China is uncontroversial between the government and the opposition, and good relations are supported by the majority of the population.

While China's interests in Latin America are primordial economic, the Chinese government has also political interests in the region. On the one hand, Peking is looking for partners for their vision of a multipolar world order, for which Mexico, Brazil, Argentina and Venezuela have the status of strategic partners. On the other hand, Latin America and the Caribbean are a region, where 12 governments – out of 26 worldwide – still retain formal diplomatic relations with Taiwan (January 2006): Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Nicaragua, Panama, ST. Kitts-Nevis and St. Vincent and the Grenadines (Dominguez 2006: 57). It is a major motivation for Chinese engagement to induce these countries to end their formal recognition of Taiwan.

In the USA, China's growing economic presence in South America is perceived as a security challenge. This is particularly the case with regard to the access to scarce raw materials (first of all oil). In addition, Washington harbors suspicions that some Latin American countries, by playing the Chinese card, could steer a more independent course in their relations with the United States. Cuba and Venezuela are obvious examples, but also Brazil, Argentina and more recently Bolivia and Ecuador see China as a partner for some kind of "soft balancing" against the United States' hegemonial ambitions. Consequently, for some US analysts the Chinese presence in the Western Hemisphere is symptomatic for the erosion of the power and the geopolitical position of the United States in the region. From this perspective, China's presence in Latin America is one more spot in the future competition for global leadership between the United States and China, which could be more or less benign (Mearsheimer 2005; Kugler 2006). While it is open whether we are heading towards a 'Chi-

nese century', for Latin America, as Dominguez (2006: 48) put it, "this first decade of the century surely is the 'Chinese decade'".

## 5. Russia's Comeback in Latin America

The 1990s were a "lost decade" for Russian engagement in Latin America. After the disintegration of the USSR the Russian governments looked inward and severed ties with former allies in the Americas (most drastically affecting Cuba, of course). However, under the presidency of Vladimir Putin, Russia is making a comeback in Latin America (Sánchez 2007a; 2007b; 2007c). Taking advantage of the increased incomes from the export of gas and oil Russia now is buying more commodities from Latin America (meat, frozen fish, grapes). Important trading partners are Peru, Mexico, Chile, Brazil and Uruguay. Russia is interested in revitalizing former ties with Latin America and the Caribbean. In January 2007 the Russian Prime Minister Mikhail Fradkov made a visit to Cuba. There are signs that Russian-Cuban military cooperation could be resumed.

A month before, in Brasilia the Russian foreign minister and the representatives of the Mercosur member states signed a memorandum of understanding to create a political and cooperation dialogue mechanism. Moreover, during his visit to South America the Russian Foreign Minister signed several agreements with the Brazilian government on science, technology, farming, energy, culture and tourism. Brazil seems interested to engage Russia in the construction of a transcontinental gas pipeline. Both governments discussed the prospects for the purchase of Russian military helicopters. Russia is supporting Brazil in its bid for a permanent seat in the UN Security Council.

Russia is also active as an exporter to Latin America, as it has become one of the major weapons suppliers to the region. Weapon sales have increased the Russian foreign currency earnings. Since the 1970s Peru has been a major client of Russian weaponry which since 2005 has been refurbished and partly renewed (helicopters, transport airplanes). And Russia is trying to sell weapons to more Latin American countries like for example Argentina. Venezuela is now perhaps the most important partner of Russia in Latin America. Chávez made a visit to Moscow in 2006. His government has become an important client of Russian weaponry including 100.000 Kalashnikov automatic rifles, anti-aircraft defence missile systems (TOR M1), 53 helicopters and 24 combat jets (Su-30). In addition, Venezuela also intends to buy transport planes and submarines. There are further plans to construct a factory to produce Kalashnikovs in Venezuela. Moreover, Russia and Venezuela cooperate in developing the natural gas resources of the South American country.

## 6. Old and New Patterns of South-South Cooperation

In the 1980s and 1990s Latin America was mostly inward looking; economic crisis first and economic reforms afterwards both absorbed much energy. The same is true with regard to the different integration projects in the Americas. But in the last years most Latin American countries have expanded their relations with other world regions. We mentioned the growing importance of Asia for Latin American trade, where in this decade China surpassed Japan as the most important partner. Chile and Mexico entered the Asia-Pacific Economic Cooperation (APEC) scheme. Other Latin American countries would like to join them, documenting the new outward orientation of Latin America towards the Pacific. On the horizon is looming another Asian giant – India. In 2005 only 0.5% of Latin American exports went to India (ECLAC 2006a: 41). We should expect more potential for interregional trade as the Indian economy further expands.

At the beginning of the 21<sup>st</sup> century, Latin America took an active role in some new forms of South-South cooperation. Under the leadership of Brazil nine Latin American countries cooperated in the so-called “G 20” group to assert their interests in the WTO negotiations. The Brazilian government articulated a special relationship with other regional powers – South Africa on the African continent and India in South Asia (in the so called IBSA forum). In this framework in June 2007, President Lula made an official visit to India, accompanied by a delegation of more than 100 Brazilian businessmen. India and South Africa (as well as Egypt) have signed framework agreements with the Mercosur. Taking the lead, the South American regional power Brazil has activated its Third World policy. In only four years the Brazilian government opened 32 new embassies and consulates in the “South” and enlisted about 400 new diplomats (Gratius 2007: 14). Brazil is particularly active in Africa. During his first three years in government (January 2003 – December 2005) President Lula visited 18 countries in Africa (Cason/Power 2006: 11).

At the same time other Latin American governments rearticulated more traditional patterns of South-South cooperation. Venezuela's foreign policy makes some reference to the Third Worldism of the 1960s and 1970s, forging links with other governments – such as that of Iran – that fundamentally put in question US hegemony in the international order. The Nicaraguan government of Daniel Ortega now seems to copy his Venezuelan friend. In May 2007 he re-established diplomatic relations with North Korea and hosted the assistant foreign minister of this country. In June 2007 he visited Muammar al-Gaddafi in Libya and the Iranian president Ahmadinejad. For the same reason the leaders of so called rogue states are touring Latin America challenging the United States in their own backyard. In January 2007 the Iranian president Ahmadinejad made a trip to Latin America with stops in Venezuela,



Nicaragua and Ecuador. In May 2005 the South American governments and the Arab League organized in Brazil a first rather symbolic South American-Arabian summit meeting which nevertheless sent some shock waves to Washington. One year later, South American and Arabian ministers of economy (or their representatives) met in Quito (April 25 and 26, 2006).

## **7. USA – from Neglect to New Strategic Interests?**

If we have noticed the emergence of new international actors on Latin America's political scene and a certain fall in priority of Latin America for Europe in comparison with other world regions, the much greater change comes from the decline of interest of the USA towards South America. This fall in priority reached an impressive level during the Bush administration. The grand hemispheric projects such as the Free Trade Area of the Americas (FTAA, by its Spanish acronym ALCA) initiated by the Clinton administration in the first half of the 1990s and which by now has virtually disappeared from the international agenda. Similarly, the "Summits of the Americas" begun with much fanfare in Miami in December 1994 to celebrate the hegemony of liberal market-democracy in the hemisphere, with Cuba's Castro appearing as an isolated "dinosaur" of a past epoch, recent meetings such as the Mar del Plata summit in January 2005 have become highly conflictive events in which the USA seem to be having a more uncomfortable role than Cuba.

For one, the North-South division of Latin America has become profoundly entrenched in Washington's policy towards the subcontinent. Mexico is integrated into the North-American Free Trade Area, NAFTA. Central America and the Dominican Republic are similarly, though less closely associated to the U.S. with the CAFTA-DR accords. At the same time, Mexico, the Central American and Caribbean countries account for by far the greatest share of Latin American migration to the United States, and the resulting social and economic transnational ties that have become increasingly important for both sending and receiving countries.

Beyond these economic aspects, the importance of the Afghanistan and Iraq wars for diverting Washington's political attention away from Latin America can hardly be overstated. Mexico had seemed as close as never before to successfully conclude negotiations on a broad migration accord with the U.S. when the terrorist attacks of 9/11 wiped it off the political agenda, and has since led to the dominance of security issues over social or economic concerns.

The political fallout of the Afghanistan and particularly the Iraq war becomes particularly evident in the case of Venezuela. The disruption of Middle East oil supplies greatly increased U.S. dependence on oil from Venezuela, South America's most important oil producer and one of the key sources of U.S. imports. It was this energy dependence that provides the backdrop for the highly incoherent U.S. policy to the Chávez government. While in the Cold War era, Washington dispensed great efforts to prevent any "second Cuba" from consolidating in the hemisphere, including ruthless military dictatorships and massive human rights violations, in the recent past Chávez could consolidate the radical project of his "Bolivarian Revolution" without the U.S., it seems, ever deciding on any coherent strategy to stop it.

Aside from the reinforced dependence on Venezuelan oil, the Iraq war, rather than showing the military muscles of the world's superpower, has increasingly been demonstrating its military weaknesses in the case of armed intervention abroad. As long as U.S. forces are bound up in the Iraq quagmire in the way they are at present, no major new military engagement of U.S. forces is to be expected in South America. While there is no doubt about the U.S.'s military dominance in absolute terms, its capacity of deterrence regarding radical projects in South America has hence been greatly reduced.

Similarly, Washington's financial muscle has eroded. In the 1980s, the need of Latin American countries to resort to the IMF and World Bank for the management of the debt crisis became the key instrument of economic and political discipline across the continent. The acceptance of structural adjustment packages along the lines of the "Washington Consensus" (Williamson 1990) seemed as inevitable as maintaining good relations with the USA. In the first decade of the 21<sup>st</sup> century this has changed. Argentina was able to openly challenge the creditors after the dollarization policy pursued by the Menem government and backed by the IMF led to economic collapse. The high oil prices make Venezuela not only immune to financial pressures but enable it to play an active dollar diplomacy of its own that has increasingly taken on the role of a competing "alternative monetary fund" – for instance buying Argentine bonds which allowed the Buenos Aires government to cancel its debt with the IMF. Similarly, Bolivia and Ecuador, two of the poorest countries of the subcontinent, have been able to challenge the Washington-based IFI's in a way that in the 1980s would have been deemed suicidal.

It seems, however, that the recent extension of the wave of radical projects to Bolivia and Ecuador (plus, though more ambivalently, the comeback of Sandinista leader Ortega in Nicaragua) has sounded alarm bells in Washington. The recent Latin America trip of George Bush was not only meant as a show of support for the more U.S. friendly governments of Mexico, Guatemala, Colombia, Chile and Brazil, but also as a continent-wide signal that the

U.S. still do care about a region over which for a long time it had held a more undisputed hegemony than anywhere else in the world.

With Brazil's President Lula George Bush raised the issue of bio-fuel as the future alternative to oil as one of common strategic interest. This perspective indeed proves attractive for Brazil's agro-industry and large-scale farmers, while critics fear the reduction of food supplies, rising prices and hunger if corn and other crops are being diverted away from human consumption. In addition, it proved divisive for the new camp of left-wing governments; while Fidel Castro and Hugo Chávez bashed the idea as the latest monstrosity of U.S. imperialism, Ecuador's Rafael Correa wholeheartedly endorsed the idea. Nevertheless, as of now, bio-fuel has been more something talked about at a Presidential meeting than a common strategic endeavor between Brazil and the USA; it still is a long way for it to become a fundament for a new strategic partnership that would outweigh the old resources of oil and gas.

While the USA are experiencing an increasing "Latin Americanization" through the continuing migration process, the demographic growth rates of the "Hispanic" population and the persistence of the Spanish language in media and the public, Latin America – at least South America – is de-US-Americanizing. It is likely that the administration following the Bush government will, whoever wins, return to a more active policy towards Latin America; it is unlikely, however, that it can find any quick solution to the above paradox.

## **8. EU Policy towards Latin America**

For Europe, Latin America is a region of profound historical and cultural links due to history of European colonization and migration and the ensuing demographic process, combined with the prevalence of "Occidental values" from the spread of Catholicism (and notably in recent decades, also other Christian denominations) and the Spanish and Portuguese language to the political, social and cultural elites' embrace of the European – and in a broader sense: Western – paradigms of modernity (Whitehead 2005). In a more narrowly political since, the EU received its major push to having special relations with Latin America with the Third Enlargement of 1986 when Spain and Portugal, Latin America's former colonial powers, became members of the Union.

When the EU formally postulated a "bi-regional strategic partnership" with Latin America in Rio de Janeiro in 1999, in addition to these historical and cultural links it postulated "shared principles of international law and values". Indeed, if the EU profiles itself as a civilian world power inherently committed to universal values of political democracy and

multilateralism in international relations, no region of the Third World was better positioned to become the EU's strategic partner.

However, in Latin America's changed political landscape the political common ground had included the commitment to free trade and integration schemes according to the concept of "open regionalism", concepts which, as we noted above, have come under severe fire in the region. Similarly, political democracy is facing severe tests of social and political polarization in a number of countries. But also other elements of the "shared principles of international law and values" seem more ambiguous today than a decade and a half ago. For instance does the common rejection of U.S. unilateralism not automatically translate into a common endorsement of multilateralist arrangements as envisioned by the EU. Calls to defend national sovereignty still run high and in Latin America the opposition to U.S. unilateralism has always been stronger than the endorsement of multilateral schemes if they involve some devolution of power to supra-national authorities. Moreover, Latin America does not "naturally" turn towards the EU but seeks new forms of South-South diplomacy, be it the G-20 scheme or the IBSA (India, Brazil, South Africa) dialogue forum pursued by Brazil's President Lula or the internationalist agenda put forward by Hugo Chávez which counters U.S. hegemony less with multilateralism, but with an international counter-alliance of "anti-imperialist" or "anti-neoliberal" forces, highlighted in the meetings with Iran's President Ahmadinejad or the revival of the Non-Aligned Movement.

At the same time, not only has the Latin American landscape changed, but the European has, too. While in the 1980s, the European Union was prominently engaged in the Central American peace process, EU foreign policy crystallizes much more in South-Eastern Europe, Middle East and Africa than in Latin America. And just as the inclusion of Spain and Portugal once brought the EU closer to Latin America, the recent enlargements towards the East has added new member states with less historic and cultural ties to the region and has, as a consequence, reduced the relative weight of Latin America in the Union.

A specific element in the EU's relations towards Latin America has been its inter-regionalist approach, that is, the EU's prioritization of relations with regional integration schemes rather than individual countries. Most notably the Mercosur, founded in 1991 by Brazil, Argentina, Uruguay and Paraguay and making up two thirds of the EU's economic interests in Latin America, has been seen as the EU's prime "institutional homologue" in the region.

Since its inception, the Mercosur has indeed made significant institutional advances, such as the establishment of a Permanent Committee or of a Dispute Settlement Court. However, in its second decade it got stuck "between rising rhetoric and declining achievement" (Malamud 2005). Free trade negotiations with the EU, once heralded to become the "first ever region-to-region FTA" have stalled and de facto shelved for the time being. In 2007, not only is

the Mercosur's intra-area trade back to its 1997/98 volume, but the integration scheme is in open crisis. Rivalries and trade disputes between Argentina and Brazil have been common, but it has been the conflict over a paper mill planned to be build on the border river between Uruguay and Argentina that most vividly illustrates the profound crisis of the Mercosur and the weaknesses of its institutional setup, as the conflict was not resolved by Mercosur's recently created dispute settlement court but taken to the International Court of Justice in The Hague.

At the same time that Uruguay is threatening to scale down its Mercosur membership to observer status, the Mercosur is also undergoing fundamental change through its own process of enlargement, as Venezuela formally became a full member in July 2006. Given Chávez' tirades against free trade and "neo-liberalism", this inclusion hardly heralds further advances along the lines of "open regionalism". However, the "political Mercosur" is gaining in importance: By bringing together the leaders of the radical and the more moderate camp in South American politics, the Mercosur becomes an essential instrument to limit an escalation of the rivalry and potential conflict inherent in this process. Moreover, as the integration scheme includes a democratic clause it may, some hope, become an instrument set up and led by the Latin American countries themselves to exert pressure on the Venezuelan government to resist authoritarian temptations and to keep within the bounds of political democracy.

The EU should stay in a close dialogue with the Mercosur in the uncertain future it has ahead. However, given the limits and the crisis of the Mercosur it should move from its prime focus on an inter-regionalist approach to a broader approach which – while remaining generally supportive of the integration scheme – at the same time gives greater weight to the national level of bilateral trade arrangements in the style of those presently in place with Mexico and Chile.

Diplomatic habits are difficult to change, which is why so many diplomatic forums survive their original purpose. For instance, the EU continues the biannual ministerial meetings with the Rio group (the XIII took place in Santo Domingo last month), which had been an important diplomatic forum in the 1980s and at the beginning of the 1990s. But what is the real importance of the Rio Group in Latin American politics today?

Similarly, the EU felt the need to add to the "Summit of the Americas" initiated by the US government and the "Iberoamerican Summit", which brings together the Latin American countries with Spain and Portugal, a third forum of its own, the so-called EU-LAC Summits (LAC = Latin America and the Caribbean) to underscore its "bi-regional strategic partnership". The first of these EU-LAC summits was held in 1999, and by now this process is heading towards the fifth summit in Lima in 2008. With the inclusion of the Caribbean states and

the EU's Eastern enlargement these meetings have grown in size to the point that some observer's have referred to them as a "Mini-UN". However, this growth in attendance and the flamboyant rhetoric typical of such meetings has not been accompanied with parallel advances in practical cooperation. Quite to the contrary, the high hopes with which the summits started, particularly regarding the EU-Mercosur relationship, have been disappointed; the latest summit meeting in Vienna in 2006 was marked not by progress in the bi-regional relations but by the intra-Latin American conflicts sparked by the nationalization of Bolivia's gas industry and the sceptical reactions on this from the European business community. The increasing discrepancy between the high-level forum and resounding rhetoric and the meagre results on practical grounds is eroding public acceptance for this type of diplomatic summit strategy. The EU might be well advised to scale down the frequency of these top-level summits and instead to strengthen the in-between process and foster regional or issue-related working groups to bring expectations and results back into some more favourable balance.

### **9. EU's Common Foreign Policy: Cuba as a Test Case?**

In the 1980s, Latin America had been the testing-ground for the EU's "Common Foreign and Security Policy" (CFSP) prior to it being spelled out as such in 1993. In the Central American peace process the EU took on an active role as mediator in what traditionally had been the "backyard" of the USA, precisely because the USA was too much entrenched in the conflict. It is this constellation that also became the leitmotif of the EU engagement towards Cuba after 1989, when with the dissolution of the socialist camp in Eastern Europe the situation seemed ripe for political change on the island.

It was particularly the Spanish government of Felipe González that envisioned becoming the broker for a peaceful and gradual transition from Cuban state-socialism to a social-democratically inspired model of representative democracy while maintaining high social standards. While Spain took the lead in this strategy of "change through dialogue", González could count on the at least tacit support of the EU as a whole. The initiative didn't prosper, as the Castro government saw the timid reforms of the early 1990s not as the beginning of a wider gradual reform but as concessions to harsh external circumstances which were to be reverted when since the mid-1990s the Cuban economy began a slow process of recovery. The country did not become a belated case of the "Third Wave" of democratization but rather Cuban "exceptionalism" (Hoffmann/Whitehead 2007) continued.

As to the EU, policy change towards Cuba came in part as the result of a change in government in Madrid, after the conservative leader José Aznar won the national elections in 1996. In his electoral campaign Aznar had announced a shift away from what he criticized as collaboration with the Castro dictatorship. This political change in the key EU member state regarding Cuba policy coincided with the Cuban government taking a hard-line stance when shooting down two civilian Miami-based air planes as a response to their repeated violations of Cuban air space, killing the four pilots. As a response, U.S. President Bill Clinton signed the Helms-Burton law, tightening the embargo legislation and extending it to third countries. The EU, while rejecting the Helms-Burton law's extraterritorial reach, but pressured to show some muscle of its own, adopted the so-called "Common Position" that addressed the human rights situation on Cuba in stronger terms (Gratius 2003). This "Common Position" became the first of its kind and was heralded to be the prototype of a concrete policy application of the Common Foreign and Security Policy.

While the "Common Position" of the EU from 1996 is still the official framework of the EU, a decade later it hardly reflects a common policy approach to Cuba shared by the member states. For one, the change from the Aznar to the Zapatero government in Spain swung back the pendulum towards a more engagement-oriented approach in what still is the single most important country for EU Cuba policy. At the same time, however, the EU's Eastern enlargement brought in new actors: in the ex-Communist Europe Cuba, with its uninterrupted Communist Party rule, has become a symbolic battleground for past conflicts. Prominent former dissidents, such as Vaclav Havel, adopted a high profile denouncing the human rights abuses and totalitarian nature of the Cuban regime. In demanding that the EU take a much stronger anti-Castro stance, a number of East European governments have become allies for Washington's more rigid positions.

In 2007 this divergence became particularly visible. While the Spanish foreign minister Miguel Ángel Moratinos travelled to Havana to re-start more friendly relations with the government, almost at the same time Eastern European leaders called for a high-profile conference in Berlin to demand "common initiatives" to harden the EU's stance towards the island. In this situation the efforts of the EU Presidency to forge a new consensus on Cuba that would in some way amend the 1996 common position are running up against heavy odds. In what is not an optimal solution for the EU, in this political deadlock the "common position" is likely to remain official EU policy, below this level national policy initiatives will play a key role.

## 10. Why Latin America Matters

For the EU as a global civilian power committed to multilateralism it is essential to have political partners not only in the OECD world but also beyond it. In the Third World, no continent offers better prospects in this regard than Latin America with its nearly two-century old tradition of republican statehood and democratic polities with endogenous roots.

However, Latin American democracy is an achievement that stands on precarious grounds and is currently facing severe challenges. The political democracies established or regained in the 1980s have largely failed to deliver on social progress, have remained in the perception of many elite affairs, suffer from corruption, severe inequalities and as a consequence restrictions on social citizenship as well as from high rates of violence and an often insufficient and partial rule of law. As opinion polls show, public trust in the established institutions and parties is critically eroding. Where moderate or conservative governments are in charge, it is vital for the long-term viability of the democratic project that they address these issues in convincing form.

In a number of cases, such as Venezuela, Bolivia and Ecuador, this erosion of the established elites and institutions has already led to a political break opening the path for projects of radical transformation. While these vehemently promote the social inclusion of the lower classes of society and, particularly in the Andean countries, of the indigenous population that had historically been marginalized, here democracy is put under stress from a different angle, namely from the tendency towards social and political polarization, de-institutionalization, and authoritarian temptations.

In these cases, the principal international antagonism is with the US government and the Washington-based IFIs. This polarization with Washington opens the chance for the EU to act if not as a mediator at least as something we may term the „good West“. To make this a fruitful position it is necessary to develop an active foreign policy, that – while maintaining the EU's general commitment to high standards of democracy – allows to maintain a coherent political dialogue with governments with a less than optimal record on important aspects.

## 11. Proposals

- Because of the fragmentation and differentiation of Latin America and the Caribbean the structure and frequency of the EU-Latin American Summits should be reassessed.
- The European Union should diversify and complement their Latin American interlocutors. As the renamed Union of South American States becomes more institutionalized



the EU should establish a permanent dialogue with this organization. Renewable energy could be one the central topics of this dialogue.

- The EU emphasizes the „historic ties“ with Latin America as the foundation of its special relationship with the region. However, these ties wear off if not filled with new life; cultural and academic exchange programs have a vital role to play in this regard, but also a constructive and pro-active migration policy can help revitalize the historical ties.
- The EU should accept that there are fundamentally diverging world views between Europe and a number of Latin American governments. As a consequence the EU should privilege certain Latin American partners that on the one hand share a common vision on economic policies and international relations and other hand can exercise influence on other Latin American countries. These pivotal countries are Brazil, Chile and Mexico.
- The EU or several EU countries should institutionalize special bilateral or multilateral dialogue forums on specific topics with these pivotal countries.
- The EU should try to influence the other political-ideological more aloof countries by means of the existing Latin American cooperation networks and in coordination with the pivotal partners in the region.

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