



Latin America Between a Rock and a Hard Place: A Second Cold War and the Active Non-Alignment Option

Carlos Fortín, Jorge Heine and Carlos Ominami

Emerging Global Governance

The COVID-19 pandemic has brought to the fore the helplessness of a fragmented Latin America, unable to cope with global challenges. Although the virus took time to reach the region, once it arrived, it did so with a vengeance. It triggered a chaotic response, with each country haphazardly acting on its own. Borders were closed overnight, tens of thousands of travelers were left stranded, governments competed for medical equipment, and almost no inter-governmental coordination took place on an issue that, by definition, transcends national borders. In September of 2020, with 8 per cent of the world's population, Latin America had 30 per cent of world's fatalities from the pandemic.

That shouldn't have been the case. A decade ago, there were regional cooperation agreements on health under the Unión de Naciones Suramericanas (UNASUR) and the Mercado Común del Sur (MERCOSUR, which could have helped alleviate the impact of this crisis, the largest that humanity has experienced since World War II, according to United Nations Secretary-General Antonio Guterres.

Although it may last a couple of years, this pandemic will eventually pass. What will not pass is the helplessness of a fragmented region that finds itself in its weakest position in many decades. Far from reducing international tensions, the pandemic has exacerbated geopolitical rivalry. It has also given a strong boost to a Second Cold War, this time between the United States and China. While US authorities talked about the "Chinese virus," and the "Wuhan virus," a Chinese foreign ministry spokesperson suggested that the virus might have been generated by the United States. Washington has expelled numerous Chinese journalists from the United States, an action Beijing has reciprocated. Several bills have been introduced in the United States Senate to restrict trade, investment and scientific research and student flows with China.

What will the impact of a Second Cold War be on Latin America?

Will we see a repeat performance of what happened in the four decades of the first Cold War, in which the lack of regional unity and collective action left it at the mercy of the two superpowers of the time, paying a

very high price for it ? Or is it that, seventy years later, these countries, now presumably more mature and developed, can manage their own affairs without being manipulated by others ? What should they do to achieve this goal?

The purpose of this essay is to answer that question, perhaps the most important facing the region today. The first section below examines what is triggering the Second Cold War; the second outlines why this puts Latin America at a crossroads; the third proposes active non-alignment as the sensible global policy option; and the fourth elaborates on what this would entail, in terms of policy recommendation, and provides some brief concluding thoughts.

A movie we have already seen

During a visit to the United Kingdom in February of 2020, US Secretary of State Mike Pompeo remarked that "the Chinese Communist Party is the central threat of our time." The phrase, uttered only a few weeks after the United States signed an agreement with China that seemed to signal a truce in the trade war they have waged since 2018, reflects the extent to which tensions between Washington and Beijing are no longer just about trade. They have moved from trade to foreign investment, technology, and cyber and espionage, as the United States ordered the closing of the Chinese consulate in Houston in July of 2020, which was reciprocated by China ordering the closure of the US consulate in Chengdu.

This downhill course in US-China links is not just due to President Trump's idiosyncrasies or personal preferences. If there is one aspect of US foreign policy that garners bipartisan support, it is China. Democratic Party leaders, such as Senator Elizabeth

Warren and Senate Minority Leader Chuck Schumer, favor an even tougher policy toward China. Those who believe that the election of a Democrat to the presidency in the November election would bring about a drastic change in US-Chinese relations are wrong. According to a Pew Research survey, the perception of China in U.S. public opinion has deteriorated in recent years. While in 2017, 47 per cent had a unfavorable opinion of China and 44 per cent an favourable one, in 2020, these figures had changed to 73 per cent and 22 percent respectively. Focus groups consulted by Democratic candidates report anti-China positions are popular. A Harris poll in early April 2020 showed that 66 per cent of Republicans and 38 per cent of Democrats are in favor of Trump adopting an even tougher policy against China on trade.

On the other hand, the increased concentration of power held by President Xi Jinping in China, the nationalist positions taken by China under his leadership, and China's more assertive foreign policy in recent years makes it difficult for the Chinese government to accommodate Washington's growing demands. The more personalized leadership style of Xi Jinping (in contrast to the collective leadership exercised by Jiang Zemin (1992-2002) and Hu Jintao (2002-2012)), means he cannot ignore the very same nationalist embers he has stoked.

We are at the dawn of a Second Cold War, this time not between the United States and the Soviet Union, but between the United States and the People's Republic of China. In this new version, the year 2020 is the equivalent of 1950.

That said, there are at least two differences between the current situation and the one seventy years ago. On the one hand, China's

economy is much larger than the Soviet economy ever was. In fact, China's economy is already larger than the US economy in terms of purchasing power parity. Projections indicate that it will be larger than the US economy in nominal terms by about 2030. On the other hand, in a globalized world, both economies are much more imbricated than the American and Soviet economies ever were. In 2018, bilateral trade exceeded US\$700 billion, and mutual investments in both countries are also very significant, in the hundreds of billions of dollars. Apple, the world's most valuable company, with a market capitalization of US\$2 trillion, manufactures much of its flagship product, the *iPhone*, in China.

In technology, China has made great strides. Although the United States holds the lead in many areas of high-tech, including the production of chips, China is at the forefront of telecommunications with 5G technology, leading Washington to an international campaign to ban its deployment by Huawei, a Chinese company. In its approach to global trade governance, the Trump administration has taken a protectionist and isolationist stance, hand in hand with the application of unilateral trade sanctions and embargoes, to the detriment of the liberal international order it once championed. This has left China in the curious position of defender of global economic multilateralism and rules-based resolution of differences between nations.

One proposal on the table in the United States has been the “decoupling” of the two economies. This means discouraging and reducing trade, investment and even the flows of people between the two countries (which in January 2020 reached 10,000 people daily). But conditions have worsened as China's leaders have concluded that China

has relied too much on U.S. investment and technology. The Chinese leadership is putting more emphasis on developing China's own scientific and technological capacities, as well as on indigenous innovation, and seeking to reduce reliance on the United States and Western suppliers amid more “hostile external world conditions.” They are also calling for boosting growth based on domestic consumption, more than on exports, long the engine of the Chinese economy.

Latin America at a crossroads

This is the international scenario that confronts Latin America at the start of this new decade. From 2010-2019, the region's growth did not exceed an average of 1.9% per annum, the worst of any region in the world (Africa achieved 4.4 per cent growth during the same period). This performance in Latin America was even lower than that of the so-called “lost decade” of the 1980s. In 2019 it grew a mere 0.8. Given the impact of the pandemic, projections for 2020 are of a negative growth of 9 per cent, the worst performance of any developing region.

From a broader global perspective, the most significant fact regarding the region's international political economy in the new century, has been the increased presence of China. Today, China is South America's leading trading partner, having displaced the United States and the EU. Trade between China and Latin America grew rapidly, from \$10 billion in 2000 to \$310 billion in 2018. Something similar can be said about Chinese investments in the region since 2010, and the financial flows from Chinese banks, which in some years have been higher than those of the World Bank, IMF, the Inter-American Development Bank and the Corporation of

Andean Development (CAF) combined. For Argentina, Brazil, Chile, Peru, and Uruguay, China is its number one trading partner, and for most other South American countries, it is number two.

Since 2017, three Latin American countries (Panama, Dominican Republic, and El Salvador) have broken diplomatic ties with Taiwan and established diplomatic relations with the People's Republic of China. Nineteen countries in the region have signed Memoranda de Understanding on the Belt and Road Initiative, China's flagship foreign policy project under Xi Jinping. Eight South American countries have joined the Beijing-based Asian Investment and Infrastructure Bank (AIIB) -- although only Ecuador and Uruguay have fulfilled the requirements to become full members.

But conditions have changed under the Trump presidency. Although the Chinese presence in the region was tolerated by Washington during President Obama's administration, this has changed under the Trump administration. Visits by the US Secretary of State and the Secretary of Defense to various countries in the region to denounce the Chinese presence are now the rule. Washington's message is that the traditional position of Latin American foreign ministries, of wanting to have good relations both with the United States and China, is unacceptable, and that the time has come to choose between Washington and Beijing. For Washington, Latin America must align itself with its positions, restrict trade with China, and not accept any further Chinese investment. China, for its part, has increased its charm offensive in the region, with initiatives such as the China-Community of Latin American and Caribbean States (CELAC) Ministerial Forum, and an ambitious program

of "mask diplomacy" activities in the wake of the COVID-19 pandemic.

This puts the region between a rock and a hard place. The relationship with the United States, part of the Western Hemisphere and the world's hegemon, is of long-standing and reflected in close ties along many dimensions. If there is one thing these countries *cannot* do, it is to break up with Washington. At the same time, relations with China, while much more recent, and focused mainly on economics, have become crucial to the region's foreign trade, its economies, its infrastructure and energy sector development. A quarter of the agricultural products that China imports come from four Southern Cone countries (Argentina, Brazil, Chile and Uruguay). China is the largest investor in the mining sector in Peru and the largest buyer of copper, iron, oil and soybeans in South America. The region's boom between 2003-2013, during the commodities super-cycle was largely due to Chinese demand. Breaking up with Beijing is also a no-no.

What is to be done?

Active Non-Alignment as *the* Option

In the 1950s, at the beginning of the First Cold War, countries in Africa, Asia and Latin America faced a similar dilemma. Stuck then with a choice between Washington and Moscow, some opted for a "third way." A total of 29 heads of state from Asia and Africa met at the Bandung conference in 1955, in Indonesia, under the leadership of President Sukarno of Indonesia, Jawaharlal Nehru of India, China's Prime Minister Zhou Enlai, and Gamal Abdel Nasser of Egypt. This meeting led to the founding of the Non-Aligned Movement (NAM), as formally announced at its First Summit in Belgrade.

The NAM led to subsequent related entities, such as the Group of 77 in the United Nations, which is still active today, albeit with a lower profile. An English sociologist, Peter Worsley, taking a page from the role played by the so-called Third Estate in the French Revolution, would later baptize these countries as the “Third World”, with the First being that of developed countries, and the Second that of the socialist camp.

NAM did not have the same regional-wide buy-in in Latin America as it did in Africa and Asia, though there were exceptions. Cuba was the one country in the region present at the Belgrade Summit. It also hosted the 1979 and 2006 summits. Chile joined in 1971, but was suspended after the *coup d'etat* in 1973, and it resumed its membership in 1991. In Argentina, which joined in 1973, Juan Domingo Perón saw it as providing a benchmark for Argentine foreign policy, alluding to the traditional Peronist "third position". However, in 1991, during the government of Juan Carlos Menem, Argentina withdrew from the Movement. Colombia, in turn, chaired it from 1995-1998. Venezuela hosted the NAM summit in 2012. Brazil and Mexico have had an ambivalent attitude toward NAM, and participated as observers, but never joined as full members. As of 2020, 14 Latin American and 13 Caribbean countries are members of NAM, which now has 117 member countries. However, the three largest countries in the region, Argentina, Brazil and Mexico, are not members of NAM.

The NAM has received its fair share of criticism. According to the skeptics, non-alignment was merely a thinly veiled disguise for countries like Nehru's India and Castro's Cuba, that were allegedly nothing but Soviet fellow travelers. For other critics, often from

the North or the advanced Western nations, the diplomacy of the *cahier des doléances* practiced by the NAM and related entities, with proposals such as the New International Economic Order (NOEI) in the 1970s, demanding massive transfers of resources from North to South, were futile exercises that showed little understanding of how the world economy works.

Yet, there is little doubt that for more than three decades, the non-aligned movement was seen by its proponents as an alternative to automatic subordination, whether to Washington or Moscow, and provided a valuable platform for developing countries to represent their own interests. It played a key role in pressing for the decolonization agenda in Africa, Asia, and the Caribbean. It allowed for the creation of differing international coalitions of various kinds, as well as for a rationale for meeting for countries on three very different continents. Its basic principles, the “ten principles of Bandung”, including support for the independence and autonomy of developing countries, the United Nations, defending the principle of non-intervention and the peaceful resolution of disputes, remain current, even if their economic demands no longer do.

At a time when a new Cold War is beginning, when Latin American regionalism is going through a deep crisis, and when the region's ministries of foreign affairs have no answers on how to deal with this geopolitical dilemma, a policy of active non-alignment should be considered.

Do not get us wrong. This is not a question of resurrecting anachronistic foreign policy approaches. On the contrary, we are proposing an up-to-date alternative, attuned to the imperatives of the new century. The

key notion is to maximize the benefits for the region's integration into international trade, investment and financing flows, but also to preserve policy space and policy instruments that allow the countries of the region to define and implement their own national development models. In turn, such an approach should also help to build a democratic and inclusive international governance arrangements that combine global interdependence and national and regional autonomy.

An agenda for active non-alignment

In these terms, rather than trying to simply "make do" with existing international arrangements, Latin American countries should realize the depth of the current crisis, the degree to which the region risks being marginalized, and embrace a new approach to their international relations. This should include the following:

1) Strengthening regionalism. Right now, Latin America could hardly be more fragmented. Unasur has ceased to exist. Mercosur is at its weakest moment in many years. The newly created Prosur is little more than a WhatsApp group. In times of major change in the international order, this is a problem. To paraphrase Henry Kissinger, "If I want to talk to Latin America, what number should I dial? ", does not have an obvious answer. The great danger is that individual Latin American countries may seek ways, on their own, to deepen their integration with the main centers of the world economy. The result may well be a subordinate integration of some countries to the main world centers, and permanently reproduce *ad aeternum* the current primary-export model. This would go hand in hand with deepening regional

disintegration and a concomitant reduction in the ability to influence global affairs.

CELAC, whose *pro tempore* presidency has been taken over by Mexico, in a commendable effort to rescue it from oblivion, is the most inclusive of these entities. In January 2020, Mexico presented an ambitious work plan for the year at a meeting attended by 29 countries. It includes 14 projects, including aerospace and aeronautical cooperation, natural resource risk management, sustainable ocean management, and an anti-corruption program. Mexico also called for the resumption of joint initiatives in international organizations, as well as to strengthen contacts with extra-regional partners, such as the European Union, China, India, Russia, Turkey and South Korea.

However, CELAC's balance sheet over its first decade is modest, and any effort in this direction must include all fronts, including Mercosur and the Pacific Alliance, and a possible convergence between the two.

The *de minimis* approach to regional entities, with no budget and no permanent secretariat, has been a failure, and should be reconsidered. The notion, already part of conventional wisdom, that 33 countries, with a total population of 650 million people, are unable to pay for any sort of regional body is no longer credible.

2) Reorienting foreign policies: Despite considerable changes in the global economy, and the fact that South-South trade and investment flows now make up about half of such global flows, Latin American foreign ministries still seem trapped in a time warp. The bulk of its budgetary, human and

administrative resources are allocated to its traditional partners of yesteryear, i.e. North America and Western Europe. Asia and Africa remain as an afterthought. A foreign policy that gives priority to current realities is long overdue.

3) Grasping that there are new international financial institutions. Few things better reflect the power of inertia and the capture of the region's ministries of finance by the World Bank and the IMF, than the fact that of eight prospective members from the region in the Asian Investment and Infrastructure Bank (AIIB), five years after committing to join, only three have passed the required national legislation, and only two have paid their dues and are now full members: Ecuador and Uruguay. The amounts involved are nominal so it is not a matter of resources. Refusing to be part of these new entities, despite the many opportunities they offer, reflects an anachronistic mindset, one fixed on the world as it was in 1945, rather than in 2020. Something similar could be said of the capitulation of a majority of the countries of the region in the face of pressure from the United States, to elect, in September of 2020, for the first time since its inception in 1959 a U.S. citizen to the presidency of the Inter-American Development Bank. This broke a long-standing, albeit unwritten, agreement that the head of the Bank would always be a Latin American. It is part of the current White House's effort to exert full control over the Bank to better harness its resources to keep China and other extra-regional powers out of the Western Hemisphere.

4) Keeping an equal distance from both Superpowers in fueling geopolitical and geoeconomic rivalry. The Middle East peace

plan announced by President Trump in early 2020, designed to support the re-election of PM Benjamin Netanyahu of Israel, was profusely praised in statements from the ministries of foreign affairs of both Brazil and Chile-- although the plan contradicts long-standing policies followed by both countries towards the Israeli-Palestinian conflict. The fact that both countries lay claim to traditions of independent and relatively consistent foreign policies, and that by undertaking such rash actions they merely diminished their own standing and credibility, only aggravates the problem.

Something similar can be said in relation to Chinese policy on foreign investment and international cooperation issues. In December 2017, at the WTO, in Geneva, China signed a Joint Ministerial Declaration calling for "initiating structured discussions to develop a multilateral framework on investment facilitation". China thus abandoned its traditional opposition to the inclusion of investment among WTO disciplines. The reality is that it is very difficult to separate the issue of investment facilitation from issues of investor access to the domestic market and investment protection. A possible facilitation agreement could impair the ability of host nation-states to select foreign investors and investment and could open the door to indiscriminate liberalization of FDI flows and the penetration of foreign capital into developing economies. An active non-alignment approach should reiterate the opposition to establishing international obligations that deprive nation-States of the ability to select and impose obligations on foreign investors.

In turn, China has also been reluctant to accept recipient requests to apply global aid

effectiveness measures to China's aid, including agreeing to external third-party evaluation, in other words to make its aid subject to independent international review. An active non-alignment approach should underscore the importance of all aid-givers abiding to a universal and transparent development cooperation mechanism, such as the United Nations Forum on Cooperation for Development, to assess the effects of international development cooperation.

To conclude, the first Cold War had dire consequences for Latin America, some of which reverberate to this day. Guatemala in 1954, Dominican Republic in 1965, Chile in 1973, Granada in 1983 and Panama in 1989, are just some of the most visible examples. Cuba continues to pay a high price.

There is no reason to think that the Second Cold War would not have similar consequences. The difference is that, this time, the economic stakes are much higher, given the size of the Chinese economy and its considerable presence in the region, a very

different situation from that of the Soviet Union in its days. This is not a question of ideology. Conservative governments have as much to lose as progressives or centrists. The challenge lies in how to convey this message and how the region perceives the global challenge it now faces.

Carlos Fortín is an Emeritus Fellow at the Institute of Development Studies (IDS), University of Sussex. He is a former UNCTAD Assistant Secretary General, and a former Director of Research at the South Commission in Geneva.

Jorge Heine is a Research Professor at the Frederick S. Pardee School of Global Studies, Boston University. He has served as Chile's ambassador of Chile to China, to India and to South Africa, and as a Cabinet minister.

Carlos Ominami is Director of the Chile 21 Foundation. He has served as Chile's minister of Economic Affairs, and as a Senator in the Chilean Congress (1993-2009).