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Introduction and cautions

The United States took longer to realize that a weak State does not generate a strong market. They needed the brutal financial crisis of 2008 to wake up.¹

With this striking headline Luiz Carlos Bresser Pereira began his opinion editorial published in mid-June 2011 in the solidly respectable and centrist Brazilian newspaper O Folha de São Paulo. Bresser Pereira was commenting on a news story supplied by the newspaper’s Washington correspondent, suggesting that President Barack Obama intended to ‘create a bank similar to the BNDES [Brazilian Economic and Social Development Bank]’ in order to finance transportation, energy and sanitation projects in the United States. Bresser Pereira continued:

[Would the United States] be turning to the infamous developmentalism, after having flown for many years the flag for neoliberalism, after having preached privatization, liberalization and general deregulation, in the name of an allegedly higher rationality justified by mathematical economic models?²

Bresser Pereira then cites economic data showing a lagging US economy. Even though it is natural for an advanced country like the United States to have a lower growth rate than developing countries, he goes on to argue that the United States ‘is finally acknowledging the high price it is currently paying for having adopted the neoliberal credo’.³

Whatever the status of the US government’s thinking on the proposal for a new development bank, the opinion editorial’s reference to the severe economic and financial crisis in the United States, the pricking of illusions about the natural superiority of US-set models for economic management, and its triumphant display of data—comparing low levels of GDP growth and other indicators in

² Ibid.
³ Ibid.
the United States with India, China and Brazil—deserve some careful reflection. Was the article simply an example of Brazilian triumphalism at a time when the Latin American giant’s political, diplomatic and—above all—economic importance was finally being accepted internationally? Or was Bresser Pereira expressing an understandable satisfaction with the growing acknowledgment, even among orthodox analysts, that, as the Council on Hemispheric Affairs (COHA) suggested in a recent memorandum: 4

For the most part Latin America has managed to fend off the brunt of the world economic downturn by avoiding the West’s prescriptions—featuring canned formulas and impositions by international financial institutions and the developed world that were so popular during the nineties. By all accounts, Latin American countries, even before the global crisis set in, took a realist, home-grown perspective about how to maintain sustainable growth and avoid the financial contagion which later spread to other regions of the developed world.

Were there lessons to be learned from the recent experience of not only Brazil but also other Latin American countries; lessons that might have relevance not just for other developing countries, but also for the advanced world, including Australia? 5

This introductory chapter sets out to do two things: to identify the major shifts in the politics and political economy of the Latin American region in the last 15 years by examining the changed political landscape; and secondly, to sketch possible future scenarios and landscapes over the next decade. In conclusion, the chapter will briefly identify opportunities and challenges for Australian actors—government and non-government—arising from these scenarios.

Some familiar cautions concerning Latin America are necessary. The Latin American region is complex and multifaceted, with a number of key blocs that have been traditionally identified in the following way: Mexico and Central America; the Caribbean (an Anglophone and Spanish-speaking area with several French-speaking island states as well); the Andean region (Venezuela, Ecuador, Colombia, Bolivia and Peru); Southern Cone (Chile, Argentina, Uruguay, Paraguay); and Brazil, the unique linguistic and historical development and sheer size of which deserves a category of its own. But these familiar subunits are not homogeneous themselves: in recent years, Colombia and Peru have

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clearly followed a different political and economic pathway from those of its Andean neighbours Ecuador, Bolivia and Venezuela, although the election of the Ollanta Humala government in Peru in early June 2011 did modify some aspects of that country’s trajectory. Further south, in the Southern Cone bloc, the experience and interests of the two smaller nations, Paraguay and Uruguay, are often in sharp conflict with the larger and richer Chile and Argentina, and especially Brazil. And so on. In spite of the ever-more-frequent celebrations and endorsements of growing Latin American unity, the region remains an extraordinarily complex area about which generalisations are unwise.

It is also the case that, especially in the political and international relations arenas, the element of novelty and surprise has become steadily more pronounced in the Americas. The rules of the political and economic game have been redefined in many areas, and there is little doubt that this will continue over the rest of the new decade. Old certainties and traditions have been challenged; new kinds of socio-political actors and forces have emerged—an increasingly assertive Indian population is one—and the ways in which Latin American states interact with each other, with the United States—the traditional hegemon in the Americas—and with the rest of the world, have also undergone significant changes. When it comes to governments making choices and developing policies and strategies, we are increasingly seeing unexpected outcomes. While continuities in the sphere of economic policy are much clearer, the political game is changing rapidly and outcomes are increasingly unpredictable. All of this makes Latin America a fascinating laboratory for observers interested in tracking political, economic and social change, albeit a laboratory that defies simplistic assessments and projections based on crude ideological assumptions of the political Right and Left.

Latin America has long been the originator of novel political, economic and socio-cultural projects and frameworks; one thinks here of the rise of the structuralist economic analysis pioneered by the teams led by Raúl Prebisch at the Economic Commission for Latin America, or ECLA in the late 1940s and early 1950s, and the subsequent development of dependency theory among Latin American social scientists; the military developmentalism associated with authoritarian military regimes in Chile, Argentina, Brazil and Peru in the 1960s, 1970s and 1980s, and the role played by Latin America, most especially Brazil, in incubating the development of the World Social Forum over the past decade, a movement that has spread from the Americas to influence social and political action more widely in Africa and Asia.6

If history has anything to teach us we should expect the Latin American region to continue this innovative role over the next decade, and to continue to surprise even the best-informed observers and stakeholders. Taking bets on the future is always a dangerous project, especially for this author, who was trained as a historian, albeit a historian very much concerned with modern and contemporary history. But it may very well be that the momentous political, economic and cultural shifts that have occurred within the past 15 years in Latin America could once again generate momentum for a new model of development, or at least a new set of imaginaries and sensitivities that blend competing ways of practising politics and economics inherited from the past to forge a new synthesis that comes close to the developmentalism spoken of by Luiz Carlos Bresser Pereira in the opening paragraphs of this chapter.

Finally, the rapid increase in the pace of Latin America’s insertion into global political, economic and diplomatic circuits must direct our attention to the international arena where uncertainty and surprises have also accelerated in the last five years. The obvious development here is the enormously destabilising impact of the Global Financial Crisis (GFC) of 2008–10; the sovereign debt crises in Europe of 2010–13; and the emergence of several Asian nations—China in particular but India and Vietnam are also important players—as major economic and political stakeholders.

Making predictions about the future direction of politics and economics in Latin America is, therefore, all the more dangerous these days. Nevertheless, despite the often substantial national and regional differences visible in developments unfolding in political and economic spheres of the last decade, one of the arguments of this chapter is that it is possible to detect some clear trends and to identify ways in which these may develop over the next decade.

One of the most striking trends is the emergence throughout the region of a flexible and non-ideological commitment to economic management. After several decades of rigid adherence to the tenets of neoliberal economics throughout the late 1970s, 1980s and 1990s, most Latin American countries have abandoned religious devotion to the market—most particularly the market dogmatism so common in the 1980s and 1990s—and embraced policies that stress the importance of state intervention in infrastructure, e.g., technology, energy, transport; education, finance, labour-management relations; and the general relationships between public and private spheres, in a way that orthodox neoliberal theory could not grasp. Whatever the radical flourishes of official discourse—such as the Venezuelan references terms of trade and his espousal of import substitution industrialisation (ISI) warrant substantial modification in light of the mixed experiences with ISI and the striking improvement in terms of trade for many third-world countries in recent years, his work has once again attracted attention from scholars and practitioners in regard to the failures of doctrinaire neoliberalism and the discrediting of much orthodox prescription as a consequence of the global financial crisis of 2007–10.
to ‘a new socialism’ and a ‘socialism of the 21st century’—the governments of the so-called Pink Tide, now the largest bloc in Latin America, have certainly not broken with many key elements of the neoliberal package. Nonetheless, they have increasingly insisted on the importance of granting a bigger role for state engineering. The neo-structuralists, who have dominated economic policy-making in these countries in recent years, argue that states must fashion institutions that promote policy stability, adaptability, and coherence and coordination of markets. The institutions must be of high quality and embody ‘public regardedness’ rather than personalistic clientelism.7

Another important trend visible in the last decade is what the US-based Brookings Institute has termed ‘a common desire for Latin America’s autonomy from its northern neighbors, manifested in the sudden proliferation of regional organisations such as the Union of South American Nations (UNASUR) which emerged in mid-2008, and the Latin American and Caribbean Community of States’.8 As the Brookings Institute argued further, ‘the Organization of American States (OAS), which for decades has been the main guarantor of choice of the Inter-American Democratic Charter, is facing a challenge to its legitimacy and continuation as the premier diplomatic forum of the western hemisphere’.9

Similarly, the Uruguayan Foreign Minister, Luis Amagro recently described UNASUR as ‘the most important political convergence instrument at the continental level’, a reference to the organisation’s efforts in promoting peace, stability and democratic governance in Latin America.10

The newest regional forum to emerge in the Americas is the Community of Latin American and Caribbean States (CELAC), founded in December 2011 and made up of the 33 Latin American and Caribbean states. CELAC has created a parallel organisation to the traditional and until recently US-dominated Organization of American States and neither the United States nor Canada is a member of the new body. Although CELAC was founded with the active and enthusiastic support of the late Venezuelan president, Hugo Chávez, the organisation has now become the main regional mechanism for political dialogue among Latin American

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9 Ibid.
10 MercoPress, ‘UNASUR Secretary General officially takes office May 9 in Guyana’, 30 April 2011.
nations and marks a clear break with Washington’s Latin American stance. This was made particularly clear by CELAC’s strong criticism of US policy towards Cuba. In January 2014 CELAC held its summit meeting in Havana, Cuba with the meeting coinciding, perhaps intentionally, with the 50th anniversary of the breaking of diplomatic relations with Cuba by most Latin American states.

How far and how quickly these new regional forums and continental organisations develop, and whether hard results emerge from the often overblown rhetoric that has surrounded the launching of some of these initiatives—such as the Bank of the South and other ideas launched by the late President Hugo Chávez—is something that we cannot yet assess. However, tracking and assessing these new initiatives and learning to work with them is one of the major challenges facing many of the non-Latin American states—Australia is one—that have been accustomed to the more predictable outcomes and behaviours associated with older and more familiar multilateral forums and organisations. The simplistic judgments that developments excluding the United States are unhelpful and anti-American will not be productive and run the risk of seriously underestimating the real and symbolic content of the new order emerging in Latin America.

The changing contours of Latin America 1998–2013

The broad outline of trends in politics and economics is fairly clear. The 1980s saw the end of the right-wing military dictatorships in Chile, Argentina, Uruguay and Brazil, and the re-emergence of pluralist, more inclusive and more democratic politics. However, such democratic pluralism is tainted by what analysts have termed a significant ‘democratic deficit’ associated with incomplete removal of some institutional practices and structures created during the dictatorial past, and a less-than-ideal grappling with continuing high levels of poverty and social exclusion. While politics became unquestionably more inclusive in the 1980s and early 1990s, there was substantial continuity in the broad economic strategies followed by civilian governments of all stripes. The era of neoliberalism continued and the so-called Washington Consensus that underpinned the neoliberal vision was not fundamentally disturbed; almost everywhere, the same policy mix prevailed—an emphasis on outward trade-

11 The Bank of the South (Banco del Sur) was launched under Venezuelan sponsorship in 2009 as an explicit challenge to the dominance of traditional bodies such as the World Bank, the International Monetary Fund and the Inter-American Development Bank, and the beginnings of what its proponents have termed ‘the New Regional Financial Architecture’ in Latin America. Its founding members were Ecuador, Bolivia, Paraguay, Uruguay, Venezuela, Argentina, and Brazil. The Bank initiated operations in 2013 with an initial capital of seven billion US dollars.
led growth; the liberalisation of trading barriers; privatisation; macroeconomic equilibrium privileged over everything else—although the weighting of individual prescriptions was altered. The only significant shift in the socio-economic sphere in these two decades was a modest, but regionally uneven shift towards the adoption of policies promoting social and educational investment and welfare.12

In the latter phase of this period there were important developments in regional economic integration—most spectacularly with the launching of Mercosur (founded in 1991 by Argentina, Brazil, Uruguay and Paraguay and with Bolivia, Peru, Ecuador, Chile, Colombia and Venezuela having associated member status), and of NAFTA (launched in January 1994 by the United States, Canada and Mexico). While NAFTA is an example of a classic Free Trade Area (FTA), Mercosur has been launched as a Customs Union and, especially in its pre-foundational phase, the organisation had an explicit goal of consolidating pluralist and democratic governance and minimising threats of the return of military regimes. Its ambitious goals have also included commitments to the development of inclusive national and regional governance and, with less success so far, to the promotion of a deep regional culture of belonging, sometimes referred to as conciencia mercosureña. These regional economic integration projects have not displaced bilateral free trade agreements such as the one between Chile and the United States. However, there has been a distinct shift from favouring regional agreements over US-driven initiatives—such as the Free Trade Area of the Americas (FTAA), which never saw the light of day—to criticism within important Latin American circles, weak support within the US Congress and, above all, opposition by Brazil. The spectacular failure of the FTAA by the end of 2003 was an indication of the real limits to US hegemony in Latin America.

Political outcomes during the 1980s and 1990s were modestly positive—with no significant challenge to the democratising and pluralising effect—although there were problems: for example, brief, and fortunately unsuccessful, military challenges to the new civilian government in Argentina in the 1980s, while the transition to civilian rule in Chile took longer than anywhere else. But, in the economic sphere the result was the famous ‘Lost Decade’ of the 1980s, lasting in some areas until the early 1990s: an outcome that has led some analysts to talk of the ‘Long Lost Decade.’ For the 20 years between 1980 and 2000, the economies of Latin America grew by only 11 per cent in per capita terms. This was the worst 20-year growth performance in over a century. As a point of comparison, Latin America experienced a per capita GDP growth of 80 per cent during the two decades between 1960 and 1980. The most basic measure of human wellbeing,

income per person, fell dramatically, by 3.1 per cent in the peak phase of the lost ‘long decade’ (1980–90). The era of import substitution industrialisation (ISI) between 1950 and 1970 may have produced some unwelcome outcomes, but its record on growth rates was without question more impressive than the record of fundamentalist neoliberalism during the following 25 years.

A reaction against the politics and economics of ideologically rigid neoliberalism set in all over the region from the mid-1990s onwards. The depth of this reaction and the nature of the political outcomes it elicited were regionally very uneven, but some of the main trends can be identified. Between 1995 and 2014, in country after country, new political constellations emerged—most noticeably at the level of national government, but of course with different timetables and different flavours. A series of centrist, centre-left and left wing governments emerged in virtually all the countries of the region. Prominent exceptions included Mexico, where the conservative Party of National Action (PAN) ruled until 2013 under presidents Vicente Fox and Felipe Calderón following the historic defeat in 2000 of the centrist Institutional Revolutionary Party (PRI), which had governed Mexico in various guises since 1929. But even here volatility and unpredictability have been striking; Mexico’s centre-left PRD party emerged in second place in the 2006 elections—although it has been wracked by division ever since—and it has won and maintained power over Mexico City since 1999, since the capital city regained its political independence. The return to power of the PRI after the July 2012 elections marked a return to the political centre, although many of the initial policies introduced by the new PRI, led by President Enrique Peña Nieto, are close to traditional platforms of the nominally more conservative PAN.

The other exceptions are Colombia, although at the regional level—especially in Bogotá, the capital city—left-of-centre coalitions have won power on several occasions, most recently in October 2011; and, to a lesser degree, Peru, although even here the centre-left was growing in strength in the years after 2007, leading to the victory of Ollanta Humala in June 2011. By the middle of 2011 around 70 per cent of the population of Latin America lived under governments that either want to modify elements of the Washington Consensus substantially or—and this is the case for only a few of these new governments, namely Venezuela, Bolivia and Ecuador—make a sharp break with this set of prescriptions.

In reality, the Pink Tide phenomenon embraced an immense variety of strategies and styles. There was no single model being propounded. However, some common features can be identified. The Pink Tide governments were all,

13 Mark Weisbrot and David Rosnick, Another Lost Decade? Latin America’s Growth Failure Continues into the 21st Century, Washington DC: CEPR, 13 November 2003. Recent developments have not supported the overall pessimism about future growth prospects in Latin America expressed in this important paper. However, its analysis of past policies and their outcomes is impressive and difficult to refute.
without exception, the result of electoral politics. This is an obvious point but one that warrants some reflection. The fact that, with no exception, the Pink Tide governments have come into office through the ballot box—and in some cases have reaffirmed their legitimacy in numerous electoral and referendum events—means that the shift we have been witnessing has enjoyed much more legitimacy than many left of centre governments in the past. It also means that the leftward shifts have been able to mount political and economic policies that mostly involve occasional breaks with US preferences without bringing about significant and permanent ruptures with Washington, even in the cases of the more radical transitions such as those that have occurred in Venezuela, Bolivia and Ecuador.

The electoral path has also raised a series of challenges for parties and coalitions committed to transformational or emancipatory politics. The coin has two sides. Legitimacy conferred through elections has its advantages; it certainly has involved a radical break with the Latin American Left’s traditional suspicions of electoral politics. But, necessarily, it also means that the emancipatory politics that come to prominence in a well-institutionalised capitalist state have had to cope with the resistance of sectors within existing state structures that ‘act to constrain, dilute, institutionalize and co-opt mass struggles, to reproduce the old order.’14 Most importantly, it is crucial to understand that electoral victories can be overturned in future contests. Thus in Chile—ruled by a series of centre-left coalitions of the Concertación since the end of the Pinochet dictatorship—the Conservative candidate Sebastián Piñera won the presidential election in January 2010, defeating the Concertación’s Eduardo Frei (however, the centre-left returned to power in early 2014 under Michelle Bachelet). Further to the north, in Peru, the domination of politics by parties and candidates of the right and centre-right came to an end with the victory in the middle of 2011 of Ollanta Humala. In Venezuela, the era of massive electoral victories by chavista parties has come to an end, judging by the surprisingly slim majority achieved by the governing party and its presidential candidate, Nicolás Maduro, in the April 2013 elections.

In most cases the political forces and leading personalities who have been successful in recent Latin American politics have come from non-traditional political backgrounds. Hugo Chávez in Venezuela came from outside the traditionally alternating COPEI and Acción Democrática parties and had no links of any kind to the large array of Venezuelan parties of the left. The political party Movement to Socialism (MAS), founded by Evo Morales in Bolivia and which helped propel him to power in December 2005, was created less than a year before the electoral victory. Rafael Correa in Ecuador, an economist and Christian radical, ran in the 2006 elections on the ticket of the National Alliance,

14 William I. Robinson, Transformative Possibilities in Latin America, p. 11.
an ad-hoc grouping of small left-wing parties, disaffected members of traditional centrist organisations and some social movement representatives. The two main Ecuadorian indigenous movements, CONAIE (Ecuadorian Confederation of Indigenous Nations) and Pachakutik, refused to join Correa’s winning ticket. Correa was re-elected in 2013. Fernando Lugo, elected president of Paraguay in 2008 and removed from power in 2012, was a former Catholic bishop with a history of activism on behalf of the rural poor but with almost no history of involvement in institutional politics. In Brazil, Luiz Ignacio da Silva, or Lula, was elected president twice on the platform of the Workers Party (PT). While the PT was not a recent creation—it was founded in 1980—it’s style and modus operandi marked a sharp break with the traditions of the older political parties formed before and during the lengthy period of military rule in that country. This growing tendency for political leadership and political actors to emerge from unexpected quarters makes careful tracking and observation of the Latin American region, free from the policy and partisan constraints that limit much official analysis, a particularly important task in the years to come: a task that requires support for the establishment of what Latin American universities, NGOs and analysts call an observatorio.

In other cases where the new politicians at the national level in Latin America have come from older traditions of radical politics, their institutional underpinnings have all undergone major transformations in the last decade and a half. This is the case with Argentina’s Peronist party, the base of the two Kirchner presidents of Argentina—where Cristina Kirchner won re-election in late 2011—and of the Sandinista National Liberation Front (FSLN) in Nicaragua, whose candidate Daniel Ortega was successful in the presidential elections of late 2006 and November 2011. In El Salvador a brutal civil war had been waged in the 1980s, pitting the FMLN (Farabundo Martí National Liberation Front) against a series of military and military-dominated governments of the right and centre right. After the armed conflict concluded in 1991, the FMLN suffered a number of major splits and moved to adjust its style and moderate its program to gain greater electoral support. The former guerrilla fighters and activists and their political allies who won power in 2009 with Mauricio Funes as the presidential candidate of the FMLN had moved a considerable distance from the positions the FMLN had articulated two decades earlier. The emergence of Ollanta Humala, a former Peruvian army officer, as an electorally successful standard bearer for the Left, is one more example of a figure whose mass support and commitments to social policies favouring the poor were forged almost entirely outside the action of traditional radical and left-wing political parties.

But outside the sphere of struggles over control of the national government, important changes were also being registered in other political spaces, including the growing prominence of municipal and regional political arenas as locales for
non-traditional forces. One thinks here of the emergence of Bogotá and Mexico City in the last few decades as centres of oppositional politics—with the Party of the Democratic Revolution (PRD) maintaining its control over Mexico City over the past 17 years, while various leftist figures, most recently Gustavo Petro, have won power in Bogotá. Another trend has been the virtual disappearance of the option of armed struggle in Latin America, with the exception of Colombia and an increasingly more isolated and marginalised Zapatista (EZLN) movement in southern Mexico.

In the economic sphere continuities still prevailed over ruptures. Neoliberalism certainly entered into a major crisis after the lost decade. As an intellectual discourse with an almost religious dimension, neoliberalism became increasingly discredited as a set of inflexible policy recipes with disappointing outcomes. But, certainly at a national level, the Pink Tide did not bring a major overall shift in economic policy. Statism has been widely discredited, although public sector expansion has been noticeable in certain sectors, for example, in petroleum and gas. The emphasis on export-led development remains dominant. Even in countries with left-wing governments—Venezuela and Bolivia—in spite of sometimes overblown rhetoric by national leaders, capitalist social and economic relations have not been fundamentally challenged.

There have, however, been some extremely important changes registered in the politico-economic arena that are easily masked by an excessive concentration on national electoral politics and the role of traditional parties; an overly narrow focus on the politics of nation states; and a neglect of international political economy.

One particularly remarkable development has been the growing importance in Latin America of involvement by non-traditional state actors—China and Russia in particular, and to a lesser extent India. This is, of course, a regional manifestation of the rise of the BRIC nations (Brazil, Russia, India and China). A push for diversification of their international trade and investment partners by Latin American countries has coincided with a thirst in Asia for raw materials—not just petroleum as is often argued, but also for iron ore, soybeans and other commodities.

The increased importance of these new actors can be seen in both the trade and investment sectors. In 2010, for example, China became Brazil’s main export destination displacing the United States to second position. The scale of the transformation in what is admittedly a particularly dramatic case, given the size and potential of Latin America’s largest economy, is breathtaking. Brazil’s imports from China in 2012 reached $75 billion, an increase from $1.2 billion in 2000. Brazilian exports to China grew from $1 billion to $41.2 billion in 2012.
Elsewhere in Latin America, China has also emerged as a major market and source of investment. The interest in diversifying foreign trade by developing closer links with the People’s Republic of China straddles governments of all political colours. In Colombia, for example, one of the countries closely tied politically and militarily to the United States, the country’s current president, Juan Manuel Santos, expressed in an interview with the UK *Financial Times* the range of motivations behind his country’s interest in promoting closer relations with China by referring to Asia as ‘the new engine of growth for the world economy’: a familiar refrain. But as the respected Washington analyst Larry Birns noted in commenting on Santos’ declarations:

> close ties with the Asian giant are encouraged, in Colombia’s case not only by Colombia’s status as a rising world power, but also by China’s use of soft power…a foreign policy formulation based upon the creation of sustainable trade markets rather than direct physical control of nations…a form of relief for countries that have grown tired of the United States’ continual use of hard power in which Washington projects its military strength in order for it to control outcomes in the Western Hemisphere.15

Birns concluded with an assessment that might be applied equally to other Latin American states regardless of their political colouring: ‘Although Santos assured interviewers that Colombia still regards the United States as a strategic partner despite its new relationship with China it is clear that the exclusive one up, one down relationship America [sic] once had, almost by right with Latin America, is steadily unravelling.’16

This development should not, as some analysts have argued, necessarily be seen as signifying the emergence of an adversarial political relationship between recipient countries, BRIC nations, and the United States. The driving force here is mostly an increased level of trade and investment competition, although such competition can, and often in the past has created fears of loss of US dominance. A flavour of this concern can be gained from a report by the normally balanced and cautious US consultancy firm Price Waterhouse Coopers, which predicted that:

> in 2020, the G7 (the United States, Japan, France, Germany, the UK, Italy, and Canada) will have an economic weight equal to that of the emerging nations, recently christened the E7: China, India, Brazil, Russia, Mexico, Indonesia, and Turkey. In 2010, the difference in favor of the G7 is about 35% (in 2000 it was 70%). This margin of advantage will have


16 Ibid.
evaporated in less than a decade. By 2030, China will have overtaken the United States and be first place in terms of economic power. The United States will be closely followed by India, Japan, and Brazil.¹⁷

The changing constellation of international political and economic power as it affects Latin America can also be viewed in other arenas. In the last decade the importance of south-south regional diplomacy—involving Latin American states and the BRIC nations plus South Africa—has grown considerably. Some analysts have argued that the development of horizontal ties binding Latin American states to other nations in the Global South is a further manifestation, along with the growing influence and self-confidence of the BRIC nations in Latin America, of the enhanced bargaining capacity of the Latin American bloc in a global system in which old certainties, the dominance of US, and to a lesser degree European hegemony politically and economically, were no longer obvious and rock solid. Put very simply, over the past decade there has been more room for manoeuvre for Latin American states, especially the larger countries, e.g., Brazil, Mexico, Argentina, all the more so given the desperate search by developed and developing nations to secure reliable energy supplies.

During the same period some Latin American states and regional forums have exhibited greater boldness and self-confidence in the international arena. Latin American states are no longer—if they ever were—predictable and automatic supporters of the stances taken by successive US administrations. This growing independence or flexing of muscles has been exhibited in a series of events over the last decade. The Brazil–Turkey initiative on Iran—known as the ‘swap deal’—in May 2010 is one example, although here Brazilian domestic criticism of Lula’s initiative, the extremely negative response of the United States, and subsequent UN Security Council actions taken against Iran exposed the limits of Brazilian power.¹⁸ Other conjunctures in which Latin American states adopted policies that in some way challenged traditional US policies would include the role played by Brazil in the Copenhagen climate talks in 2009; the almost unanimous refusal by Latin American nations to support Washington’s position on the Honduran coup in the summer of 2009; and the Obama administration’s attempts to reinsert Honduras into the Inter-American system after the elections of November of that year, which brought to power a government whose legitimacy was challenged by many nations in Latin America.

Other manifestations of this increasingly unpredictable and dynamic international relations landscape include the growing tendency for Latin American states to operate outside traditional forums such as the Organization

¹⁸ For a summary of an interesting discussion of the Brazil–Turkey Nuclear Initiative held at the Wilson Center (Washington DC) in February 2011 involving Brazilian, Turkish and US academics, see http://www.wilsoncenter.org/index.cfm?fuseaction=events.event_summary&event_id=650768.
of American States (OAS), an organisation that for most of its history they have been reluctant to challenge. And the OAS itself has in recent years increasingly refused to play by the old rules, as was shown in its role during a serious border dispute between Ecuador and Colombia in 2008. Following a Colombian raid into Ecuador a regional war seemed to be a possible outcome. Although the Bush administration resolutely supported the Uribe government’s stance, in this case the support for the Correa government’s protests shown by the Rio Group of Latin American countries and later ratified by the 18 March meeting of the OAS summit in Washington against strong opposition of the United States, revealed once more the very real limits to US power in the new Latin America.

Mention has already been made of the emergence of new forums and networks of cooperation in Latin America, which do not include the United States; examples already discussed include UNASUR, CELAC and the Bank of the South. There have been many other forums designed to promote Latin American hemispheric cooperation and development including the nations of Venezuela, Nicaragua, Bolivia, Ecuador and Cuba, which are members of the Bolivarian Alliance, or ALBA (Alianza Bolivariana para los Pueblos de Nuestra América). The South American Defense Council is another new project, holding its first meeting in 2009; although Colombia initially refused to participate in the project because of its close military ties with the United States, it did in the end agree to join the Council.

It should be noted that many of these new initiatives were initially very fragile. They had difficulties in securing financial support from governments and, as one observer noted, ‘they have remained to a large extent as meetings and gatherings of heads of state and ministers of foreign affairs. So the only institution with enough capacity, not only to convene the entire region but also to implement and execute, is the OAS’. Nevertheless, by early 2014 UNASUR and CELAC, at least, had consolidated their position and influence.

Latin America’s performance in the Global Financial Crisis of 2008–10 and in the boom of rising commodity prices visible up to early 2012 has also contributed to the growing self-confidence of many Latin American states. Latin America certainly did not escape completely unscathed. This is particularly the case with Mexico, with its high dependence on the US economy. But in global terms the impact of the crisis on Latin America was less than might have been expected. Once again, the Brazilian experience is worth noting here. Brazil’s GDP growth was 5.1 per cent in 2008, with only a small decline in 2009. By early 2010 the growth rate was once again impressive: two per cent in January 2010.

Even though growth rates fell in 2012 and 2013, Brazil’s fiscal and monetary discipline—much praised by orthodox observers—plus newly discovered oil reserves have certainly contributed to this favourable outcome.

Some of the most ambitious future economic projects involve continental economic and political cooperation. One much-touted project would involve the building of a South American multi-modal container handling system that would enable goods to be transported from the Pacific coast of South America via railways and highways over or through the Andes and into the Amazon Basin, and down to Manaus in Brazil.

This discussion of recent trends in Latin America has thus far concentrated almost entirely on national, state-level politics and national and international political economy. However, the rapid and often dramatic changes in landscapes in Latin America are also the product of developments in other spheres: in civil society; in the battle of ideas; and in struggles over the definition of national, regional and hemispheric identities. The transformations in Latin America, then, are much wider and deeper than electoral events suggest. Not everything that is important unfolds in presidential palaces or legislatures; the different social actors at the heart of social change in the region, and their often novel ways of conducting politics and economics and envisioning alternative ways of transforming everyday life have shifted debate, undermined old certainties and wounded, sometimes fatally, conventional narratives and prescriptions.

Space limitations make a discussion of these topics very difficult, but a couple of developments warrant attention here because they may offer opportunities for a deeper and more productive engagement by Australians on a variety of levels with Latin American actors.

One important development, the significance of which has not been registered sufficiently outside the academy, is the emergence and acknowledgement of what one might call ‘Indianism’ and questions of indigenous identity in countries with a significant indigenous population. This has been especially visible in the Andean area comprising Peru, Ecuador, and Bolivia in particular, although its echoes have also been heard in parts of Mexico, Guatemala and Chile. Given the historic exclusion of the Indian masses from the benefits of economic growth and political power, the emergence of indigenous issues at the centre of political, social and cultural debate is an enormously significant development. The Indianist upsurge is closely linked to the emergence of new social movements and actors all over the Americas, especially notable in the aftermath of the 1992 Columbus Quincentenary celebrations and protests. These new actors have almost without exception—even in the case of the Chiapas-based Zapatista Army of National Liberation (EZLN) in southern Mexico—practised a politics which has eschewed armed struggle even while it often emphasises innovative forms of direct action and mass mobilisation. The strongest manifestations of
this new Indianism, in contrast with much writing and expectation, have been urban and working-class rather than rural and peasant, although both rural and urban movements have been important. The most powerful insurrections in recent Bolivian history with an Indianist but also class content were rooted in El Alto, an informal proletarian and indigenous city on the outskirts of the capital La Paz. Most Mapuches in Chile today, for example, are urban, and large groups of both permanent and transitory indigenous people from Mexico and Central America now live in major urban centres throughout the south-eastern and western United States, as well as in scattered towns and cities in the Midwest and Carolinas in the United States.

In several countries, most particularly Bolivia and Ecuador, the Indianist resurgence has also detonated another fascinating and crucially important political phenomenon: the attempt to refashion the constitutional basis of state legitimacy is no less than an attempt to create a new foundational narrative for nation states. One dimension of this process has been the efforts to write new constitutions that would guarantee indigenous representation in congress and recognise rights to communal property and a degree of autonomy for indigenous peoples. The new social movements that make claims on behalf of indigenous peoples have become important players in Ecuador and Bolivia, sometimes supporting the programs of the so-called Pink Tide governments, but in other cases maintaining a firm independence from political parties and formal legislative processes that has made life enormously complicated for national and regional governments in these countries. In Ecuador, for example, the powerful Confederation of Indigenous Nationalities of Ecuador (CONAIE) has been a thorn in the side of President Rafael Correa, accusing his nominally pro-Indian government of betraying the cause.20

Australian observers would not be surprised to learn that an important element in the programs of the new Indianist organisations has been the demand for greater Indian control over decisions on how the environment is to be handled, especially in regions where national and transnational capital have been engaged in exploiting rich mineral and forestry resources. The battle of ideas and political-economic practices around land rights, autonomy, mining, forestry, and other forms of development spurred by an ever-greater demand for resources, has led to bitter struggles and often bloody outcomes in many regions. None of

these concerns are foreign to Australia’s experience, and there could be fruitful opportunities for the exchange of ideas, histories and experiences between NGOs, governments and academics from the two regions.

Looking to the future

The Pink Tide may weaken in the immediate future, at least in terms of national political rule. There was an electoral shift to the right in Chile, although the centre-left Concertación’s Michelle Bachelet returned to power in early 2014. In Venezuela, while the 2012 presidential elections returned the Chávez government with a substantial majority, the death of Hugo Chávez and the slim majority won by his anointed successor Nicolás Maduro in presidential elections in April 2013 are signs of a weakening of popular support for key parts of the Bolivarian project. On the other hand, the shock emergence of a serious Green presidential candidate in Colombia in 2010 and the sharp break with the hardline stance of President Uribe visible in the government of the successful candidate Juan Manuel Santos; the defeat of the conservative PAN in Mexico’s presidential elections in mid-2012; as well as the continuing electoral successes in 2010 of the PT in Brazil, where the party won office again under Dilma Rousseff, are all evidence of the ongoing volatility and unpredictability of politics in the new Latin America.

In any case, the shift towards greater economic, political and diplomatic autonomy, and the challenges to inherited orthodoxies in Latin America are independent of the ideological make-up of national governments. The tendencies outlined in the first part of this chapter are likely to continue over the next decade. The United States will continue to be by far the most important external economic and political player in the region, but the trends, which have seen a growing European and especially Asian involvement, will continue. The obsessive focus on the United States as a player, common among both left- and right-wing analysts, will increasingly be seen to obscure rather than clarify Latin American developments and our understanding of them. The ideologically driven use of terms such as ‘populism’ to excoriate policies in Latin America will also be unhelpful.

If commodity prices remain steady—and the upward trend began to reverse in 2012 and 2013—then Latin America’s economic growth will continue to be modestly satisfactory. After a slow down in 2009, Latin America’s economic growth in 2010 reached 5.9 per cent and while growth fell to three per cent in 2011, rebounding a little to 3.5 per cent in 2012, the region’s overall performance is still impressive compared to the performance of the European and US economies. The price of petroleum is especially significant here—most
obviously for Mexico, Venezuela and Ecuador. However, a double dip in the global economy would have a serious dampening impact given that recent economic growth has been overly dependent on international trade. Still, current projections by orthodox analysts have Latin America following the Asian region in terms of economic growth over the US economy and that of its even more troubled EU partners.

The significance of Brazil’s emerging profile on the world stage cannot be underestimated: it is the single most important geopolitical and economic development in Latin America. Australia should be monitoring this development very closely, as it may have implications for increasing the weight of our diplomatic presence in Brazil, and accelerating plans for improving the currently woeful level of air communications with Brazil.

Over the next ten years we are unlikely to see a return to overt military intervention in politics of the kind that we witnessed in the 1960s, 1970s and early 1980s. Civilian rule and electorally legitimated regime transitions are likely to continue. However, there are some warning signs and a number of possible flash points. The military intervention in the ousting of the Honduran Zelaya government in 2009 was deeply worrying, and the decision by the United States to revive its Fourth Fleet in the Caribbean is not a welcome sign. The Colombian–Venezuelan and Colombian–Ecuadorian borders may still be the sites of inter-state conflicts and these may exacerbate conflict throughout the entire region. The sheer scale of petroleum reserves now claimed by Venezuela and Brazil necessarily will force oil and energy-rich states to step up their capacity to defend their resource-rich territories, and this could be the source of inter-state tensions.

What opportunities might the trends discussed in this chapter offer Australian actors who are engaged or interested in engaging with Latin America?

We need to put much more energy into observing, tracking and analysing ongoing developments in Latin America. Government ministries and agencies, including Austrade, DFAT, the Australian Federal Police, and a variety of intelligence agencies, currently shoulder the burden here. The Council on Australia–Latin America Relations (COALAR) has promoted and supported important research on the Australia–Latin America relationship, and this has increased the gathering of data and analysis, most notably on the export of Australian education resources in vocational and technical education, the teaching of English as a second language, and the provision of university education.

University-based scholars have also made an important contribution. But while there have been some positive developments on the university front—the growth of interest in Latin America in Sydney-based universities; the emergence of the
Australian National Centre for Latin American Studies (ANCLAS) at ANU; and the impressive growth of Spanish language teaching throughout the university sector—teaching and research on Latin America outside the language, literature and cultural studies arenas has stagnated and even moved backwards in recent years. Social science specialists committed to Latin America have retired and not been replaced; Latin American Studies programs in several universities have disappeared or been drastically reduced at Flinders University and at La Trobe University; and there are very few dedicated Latin American specialists working in key disciplines such as Politics and International Relations—the ANU is an exception here—while there is not a single university economist whose full-time teaching and research commitments are focused on Latin America. Latin America-focused Sociology, Anthropology and History are also barely represented in the academy, a sad reversal of earlier strengths.

The thinness of the dedicated Latin Americanist social science presence in Australian universities seriously reduces Australia’s capacity to engage with Latin American reality, to track ongoing developments and identify and pursue opportunities for fruitful cooperation. As if this was not serious enough, the commitment to Portuguese in the 1970s has reverted to the almost total absence of Portuguese language training in Australian universities at a time when Brazil’s political, economic and diplomatic importance has increased; this is a serious anomaly and a major handicap in Australia’s ability to study and profit from the Brazilian juggernaut’s emergence as a world actor. One modest but potentially effective way of addressing this deficit in universities would be the establishment of what Latin Americans call an ‘observatory’, the role of which would be to gather data, undertake analyses of unfolding conjunctures, and disseminate this information via printed and electronic/web-based means. Observatories that monitor and analyse developments in their respective areas have emerged, especially since the second half of the 1990s, in a variety of national and multinational institutions such as Mercosur, the European Union, UNESCO, government departments, unions, NGOs, municipal and regional governments. Observatories have focused on both narrowly defined topics—developments in mass media and human rights—and broader issues such as the development of public policy and the tracking of economic, trade and immigration data on a regional scale.²¹ An Australia-based and university-supported Latin American observatory would be able to assemble a group of scholars involved in monitoring developments, collecting data and providing evaluation on ongoing issues. The results of this work would be disseminated online as well as through the holding of regular regional and topical updates

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that might inform and hopefully help shape policy in public and private sectors. Some of the developments mentioned in this chapter warrant particularly close attention from any social science observatory.

The ‘Latinisation’ of the United States is one of the most dramatic events of the post-WWII period. The Spanish-speaking community has now eclipsed African-Americans as the largest ethnic minority. In 2010, the Hispanic population of the United States reached 50.5 million, 16.3 per cent of the total population, of which the largest component by far comprised Mexican-Americans (31 million). And it is increasingly the case that the growth of Spanish-speakers is now being fuelled more by births than by immigration, both legal and undocumented. There are enormous implications flowing from this for the US economy; such domestic political pressures partly shape and constrain foreign policy choices, and these should be of interest to governments, investors and traders in Australia. But this phenomenon also has the potential to transfer the global character of US society and identity as well as reshape the relationship between the US and Latin America. 22 Today, more than ever, a focus on Latin America that excludes an examination of the spectacular growth of the Latin American population of the US would seriously handicap the work of policy analysis and decision-making.

Another topic of great significance is the emergence of indigenous issues and an enhanced sense of indigenous identity as well as greater indigenous activism and claims-making in Latin America. This is likely to continue growing and should provide a bridge to actors and stakeholders in Australia whose experiences and concerns—relating to development and to community involvement in environmental policy-making—parallel those of Latin American indigenous actors.

Other chapters in this book address some of the more familiar items that have long been on the agenda of those advocating closer relations between Australia and Latin America. In the education area, exports are likely to increase, although at a slow rate due to exchange rate problems caused by the rise of the Australian dollar (a tendency that was reversed in late 2013), and growing competition from countries such as the United States and the United Kingdom, which are experiencing cuts to government budget expenditure on higher education.

The challenges posed by the state of Australia’s communications with Latin America have been an ever-present concern in discussions of Australia–Latin America relations since the 1980s. While air links with Chile and Argentina have

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improved substantially in the last decade, there are still no direct air services to Brazil and the termination of Qantas flights to Argentina in 2012 and Aerolíneas Argentinas flights in mid 2014 were deeply disappointing.

The scale of Australia’s diplomatic representation in Latin America is also still modest. Although the re-establishment of an embassy in Peru was a welcome move, the number of embassies in Latin America remains the same as it did 30 years ago. This is a growing embarrassment when one takes into account the impressive growth in Latin American diplomatic representation in Australia at ambassadorial level. Most urgently, since Australia is a middle-level power, its relationship with Latin America necessarily involves it in dealing with at least three other middle-level powers—Mexico, Brazil and Argentina—and our diplomatic presence in, and overall engagement with these countries should be greatly strengthened. This is particularly urgent in the case of Brazil; as this chapter has argued in several places, there is a disturbing lack of fit between Brazil’s current and likely future political, economic and diplomatic strength and Australia’s insufficiently robust engagement with the Latin American giant.

References


