

Latin American elites respond to trade war with desperate “roadmap” for regional trade bloc

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On July 20 to 24, the Pacific Alliance, a trade bloc between Mexico, Chile, Colombia and Peru, discussed joining or signing a bilateral treaty with the Southern Common Market or Mercosur, which includes Brazil, Argentina, Uruguay, Paraguay, and Venezuela (suspended).

Together, the two trade blocs produce about 88 percent of Latin American GDP and receive 86 percent of foreign investment. Diplomatic representatives from Argentina and Paraguay, the Brazilian president, Michel Temer, and the Uruguayan and Mercosur president, Tabaré Vázquez, were all present at the heavily militarized summit in Puerto Vallarta, Mexico.

At the summit, Vázquez told the press that he and Enrique Peña Nieto, the Mexican and Pacific Alliance president, will “deepen” the efforts to follow a “roadmap” for economic integration. However, such vague calls, the absence of any concrete steps and the desperate appeals for “more pragmatism than voluntarism” reflected expectations among the leaders themselves that such appeals for “continental solidarity” will fall flat.

The joint declaration itself indicates that, facing “a challenging international scenario,” a joint trade bloc would not be a “magic wand.” A study published in May by the Inter-American Development Bank (IADB) notes that a full Latin American and Caribbean Free Trade Agreement for the entire region would only increase intra-regional trade 3.5 percent.

After half a decade of falling Latin American exports, the escalating trade-war measures between the major global economies are in fact only accentuating the rabid competition between Latin American ruling elites for financial and productive investments and trade with North America, Europe and Asia, as well as within Latin America itself.

Despite retaliatory tariffs leveled by Mexico in June against the US, Mexican and regional elites have responded to commercial threats by the Trump administration with subservient pleas and a deeper economic and military realignment with Washington. Where this is not strictly the case—namely, in Venezuela—Washington is escalating its sanctions and intrigues to accelerate the government’s

downfall.

Meanwhile, attacks against workers’ living standards to attract investments face growing mass protests and strikes across Latin America and the Caribbean—the most unequal region of the world. Boiling class tensions can only exacerbate the bitter tussle between Latin American capitalists.

As a result of such contradictions, all Pan-Latin-Americanist, Pan-Arab, Pan-African projects within bourgeois nationalist frameworks since World War II, including the Bolivarian “revolution” led by late Hugo Chávez, reached devastating dead ends, in spite of much more favorable international conditions than today.

The Pacific Alliance has also embarked on commercial negotiations with Canada, New Zealand, Australia and Singapore. Mexico and Chile are negotiating a renovation of their respective Free Trade Agreements with the European Union (EU), while another “roadmap for dialogue” on trade was agreed to by the EU and the Pacific Alliance one week before the Puerto Vallarta summit.

The previous Friday, Argentine President Mauricio Macri and Brazilian President Michel Temer both announced an “agenda” of discussions this month hoping to resolve issues among Mercosur members to reach a trade deal with the EU after more than 20 years of unsuccessful negotiations. Also, Argentina’s ambassador to China announced last April that a free trade agreement between China and Mercosur could materialize as early as next year.

At a January summit in Chile between China and the Community of Latin American and Caribbean States (CELAC), Chinese Foreign Minister Wang Yi invited countries in the region to participate in its “One Belt, One Road” initiative, a \$1 trillion investment program to build closer economic links between China, the rest of Eurasia and Africa.

In response to these developments, Trump’s most recent National Security strategy warned against Chinese efforts to “pull the region into its orbit through state-led investment and loans,” making clear that severing these growing economic ties constitutes a “national-security” front against China, described by the document as a “revisionist power.”

Some analysts suggest Latin America could gain a greater “market share” as a result of the protectionist “America First” agenda. However, they play down or outright ignore the essential aim of these measures—countering any challenge to the military and economic hegemony of US imperialism by bullying Beijing into halting its digital technological developments as well as curtailing its growing economic ties worldwide.

“The US is forcing countries in the region to choose between the US and China,” commented Margaret Myers, Latin America director of the Inter-American Dialogue think tank in Washington, to the *South China Morning Post* in April.

While numbers vary significantly across Latin America, the US continues to receive the largest share of Latin American exports, 46 percent—compared to 9 percent for China. Exports to China have increased 16 times since 2001, displacing Europe as the second most important trade partner of Latin America and growing at the expense of the US share, which was 56 percent in 2001. China has also become the main trade partner of countries like Brazil, Chile, and Peru.

The US is also the top investor by country (28 percent) of Foreign Direct Investment (FDI) to Latin America and the Caribbean. At the same time, regional investors have profited tremendously from Wall Street’s stock-market boom in the aftermath of the 2008 financial crisis.

According to a recent study by the UN Economic Commission for Latin America and the Caribbean (ECLAC), Chinese FDI in the region, a fraction of that from the US, has stagnated since 2010 and is expected to fall in the short term. Enormous debt levels in China and trade-war measures are undermining Chinese demand and investments further.

While China is not a major source of investment for the region, Latin American governments have become increasingly dependent on Chinese credits for infrastructure and energy projects and are currently taking more loans from China than from all other major development banks combined.

It’s noteworthy, however, that total European investments in the region have increased recently and add up to 37 percent of the total, particularly from Spain and Germany and in the auto and telecommunication sectors. Amid a breakdown of the US-led post-war relations across the Atlantic and an aggressive militarization by European powers to reassert their global interests, there is little doubt that current trade talks with Latin American countries are testing the waters to carve out spheres of influence for the different European imperialist nations.

At the beginning of the year, a few months before becoming Trump’s National Security Advisor, John Bolton wrote an op-ed for *The Hill* calling for Latin America and Africa to be “top U.S. foreign policy priorities” in 2018 to face “great power competition for natural resources and political influence.”

What does this mean in practice? The post-war boom allowed the Kennedy administration to temporarily counter regional social upheavals and growing Soviet influence in Latin

America through the Alliance for Prosperity, the largest aid program since the Marshall Plan in Europe.

In contrast, facing a much more advanced crisis of US and global capitalism today, Washington is responding to a decline in the dominance of US imperialism over the region—considering China and Russia its main rivals—almost exclusively by intensifying its military presence across the hemisphere.

The *2017-2027 Theater Strategy* document published by the US Southern Command last year calls for the consolidation of its sphere of “allies and partners” in Latin America through the building of what amounts to a US-led total army, involving Latin American militaries, police and intelligence agencies, academia, the private sector and “civil society.” Its goal is to both manage “internal security threats and crises and contribute to regional and international security efforts”—i.e., internal repression and global warfare.

Ecuador exemplifies how advanced and aggressive these efforts are. After a slew of official US military visits, openly designed to “re-establish the partnership with the Ecuadorian military,” President Lenín Moreno told *El Pais* last week, “We must refresh our relations and come closer together in a better way with countries with which we have greater commercial relations,” referring to the US.

Alluding to the concrete and interlacing policies accompanying this shift—sweeping attacks on living standards and democratic rights—he condemned the minor “expansion of public spending” by his predecessor, Rafael Correa, and commented on negotiations with British authorities over the expulsion of Julian Assange, editor and founder of WikiLeaks, from Quito’s embassy in London.



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