

### The Coming Struggle for the Spine of Latin America

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Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

**Empfohlene Zitierung / Suggested Citation:**

Evan Ellis, R. (2017). The Coming Struggle for the Spine of Latin America. *IndraStra Global*, 3, 1-4. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-50998-5>

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## FEATURED | The Coming Struggle for the Spine of Latin America

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By Dr. R. Evan Ellis



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**Abstract:** This essay analyzes the multiple, simultaneous challenges and electoral processes currently affecting the situation and political-economic orientation of nations comprising the Pacific Rim, or spine, of Latin America. It examines the likely collapse of the trans-pacific partnership, the uncertain future of the Pacific Alliance, upcoming presidential elections in the next two years in Chile, Ecuador, Colombia, and Mexico, and another phenomenon, to conclude that the combination of these factors produces the possibility for significant change in the political and economic orientation of the region in the coming two years. It argues that such change, in combination with initiatives by the People's Republic of China toward the region, could impact the commercial regime that links Asia and the Western Hemisphere, and indirectly, the security of the United States and the Region. The article recommends that decision makers in the U.S. and the region give more attention to the transformative potential of these dynamics in the short to medium term, and work to preserve the neo-liberal, democratic, pro-US orientation of these countries that are key to the future of the region.

**Key Words:** TRANS NAFTA, Pacific, China-Latin America Alliance

**Introduction:** In March 2017, in the shadow of the withdrawal of the United States from the trans-Pacific Partnership (TPP) member countries of the agreement, along with the people's Republic of China (PRC) and South Korea, met in Santiago Chile to discuss the future of the trade regime which will dominate in the Pacific. In a manner similar to the strategic message presented by Chinese President Xi Jinping at the APEC Summit in November 2016, the intention of the PRC in Santiago towards the members of the TPP in Latin America was clear: take advantage of disorientation arising from the political change in the United States, to advance an alternative concept of trans-Pacific trade without the United States, and more advantageous to the PRC.

The main fight of the twentieth century in Latin America was of a politico-military nature, defined by an axis across the Atlantic between the United States and the Soviet Union. On the other hand, the struggle that defines the region of the 21st century is

more politico-economic in nature, defined by an axis across the Pacific, between the United States and the PRC.

To understand the strategic framework of Latin America in the 21st century in this way, the most important aspect is not the size of the business, political, or military relationship with the PRC, versus the U.S., but rather the structure of the commercial interactions and associated political orientation that defines the relationship. It can be said that countries of the coast Pacific Latin America define geographical backbone of the continent, and with the importance of transpacific relations in the 21st century, it is also their economic and political backbone. At this time, the backbone of the region is in a process of uncertainty and transition, whose result will define the nature of the trade regime that prevails in the trans-Pacific and the political orientation of the continent. But, despite its historical importance, this moment of transition has received little attention by analysts and decision makers in the continent.

A few years ago, although the economic relationship between the countries of the Pacific with the PRC remained many, its orientation towards trans-pacific trade was dominated by a clearly neo-liberal ideology, focusing on free markets with transparency, efficiency, and the importance of contracts and the rule of law above private arrangements between leaders. Such values were reflected in the "Alliance of the Pacific," which incorporated key countries of the "backbone": Mexico, Colombia, Peru, and Chile, Costa Rica and Panama, as contenders. The neo-liberal consensus represented by the partnership was reinforced by the incorporation of three of its members in the equally neoliberal TPP. The latter contemplated to manage the Transpacific trade according to rules that ensured transparency, the sanctity of contracts, and intellectual property protection complemented a neoliberal model of trade between its members with similar principles for trade with Asia.

In the course of the last year, the two motors of this neoliberal multilateral integration of the spine of the content, and of that spine with Asia, unexpectedly have stalled, even while the political future of almost all of the countries of the backbone are in doubt.

With regard to the multilateral structure of the orientation of the Backbone in the region towards the Pacific in recent years, the Alliance of Pacific, at the time the most promising multilateral integration project in the region, has lost its momentum regarding the strengthening of its structures, to include the stagnation of progress in integrating Costa Rica and Panama as full members, and in recent summits, has focused more on developing relations with other blocs in the region, such as Mercosur, rather than deepening its own integration. In the same way, the withdrawal of the United States from the TPP not only has cast doubt on the future of that organization, but it also has deeply hurt the Alliance of the Pacific, although the death of the Alliance has not yet been announced.

In addition to uncertainty about multilateralism that prevails in the backbone, never before all its countries have been subject to such radical political changes within such a short period.

Starting in the South, Chile is in a crisis of middle-income development, made worse by low commodity prices, its main economic driver and principal export of its economy. Broad disenchantment with the poor performance of the second (and more left-leaning) Government of Michelle Bachelet, could contribute to the return of a regime more Center-right in the presidential election of November 2017, which, in turn, could help the region return to its path toward a more neoliberal business model with Asia.

In Peru, the President Pedro Pablo Kuczynski, elected in June 2016, was educated in the United States, and has a disposition toward classic economic principles of the "Chicago School", yet in his first year, has had many domestic problems in his country, and with the loss of the TPP, has shown an initial orientation to move closer to the, the main economic partner of Peru, its largest mining investor, and the main engine of the economy.

In Ecuador, where leftist President Rafael Correa has been an impediment to consolidating a "neo-liberal consensus" in the backbone countries, Correa's handpicked successor, Lenin Moreno, is running neck-and-neck with opposition candidate Gustavo Larrea in the second round of a presidential race that that could determine the future of the country.

In Colombia, President Juan Manuel Santos is currently in a critical stage for implementing a peace agreement with the armed forces revolutionaries of Colombia (FARC), with many possibilities that the fragile peace will disintegrate in a wave of crime and violence even worse than before, transforming Colombia from a model to a source of instability in the region, and impacting the results of presidential elections in May 2018.

In Central America, five of the six countries in the region diplomatically recognize Taiwan, not the PRC, as China's legitimate Government. The collapse of the diplomatic truce that, from 2008, has prevented the PRC from accepting changes in the diplomatic positions of the countries that recognize Taiwan, could unleash a "diplomatic war" in the region. It would be a war that Taiwan would lose very quickly, setting in motion a transformation which, within a few months, could result in a region that recognizes the PRC and is more open to accepting large projects with it, to include the delayed inter-oceanic Canal in Nicaragua. In Africa, the acceptance by the PRC in March 2016 of the diplomatic recognition of Gambia, and the diplomatic

change by São Tomé and Príncipe in December 2016 indicates that the truce that has kept the diplomatic status quo in Central America and the Caribbean since 2008 may be breaking down.

In Mexico, the country that since signing the North American Free Trade Agreement (NAFTA) has been increasingly more economically integrated with the United States (as well as in security cooperation), is now besieged on three sides. On the one hand, protectionism by the new government in the United States, and its possible withdraw from the NAFTA, puts the country's economic future in question. On the other hand, the possible collapse of the TPP (in which Mexico is a partner), and the (unrecognized) stagnation of the Pacific Alliance, requires Mexico to re-think its approach to interacting economically with Asia. On the third side, the rhetoric and policies of the Government of Donald Trump toward Mexico feed current populist politicians and anti-Americanism in the country, including the MORENA movement of Andres Manuel Lopez Obrador, the likely candidate in presidential elections of November 2018.

If such challenges were nothing, Mexico also faces an increase in violence by groups of drug traffickers at the end of the presidential term of President Enrique Peña Nieto. On the one hand, the traditional cartels have fragmented, with 40 or more gangs and factions now collaborating and competing for power and illegal business in the country, making the strategic landscape of the much less predictable, particularly in states such as Guerrero or Mexico Stat. On the other hand, the Jalisco New Generation cartel, with aggressive leadership and good ties for the supply of precursor chemicals from Asia, is now cooperating with the remnants of organizations like Beltrán Leyva, Arellano Felix and Carillo Fuentes to attack the most wealthy cartel of Mexico, the Sinaloa organization, now weakened by the extradition of its boss, "El Chapo" Guzman, to the United States.

The combination of such economic incentives, internal challenges, and political changes time - with the PRC Government, could push Mexico on a course that is less stable, less oriented toward the free market, more receptive to particularistic projects from China, and less willing to cooperate with the United States. on security issues. This combination, if it occurred, would create significant challenges on the southern border of the United States, which could force the country to rethink fundamentally, the projection of its power in other parts of the world.

Possible changes, detailed in previous sections, can also be impacted by various other dynamics happening in the region outside the backbone countries. These include the destabilization of Venezuela, or the political crisis in Brazil, including cases associated with the Odebrecht bribery scandal.

Also, the evolution of policy in the United States and the initiatives in the region by the PRC, China, India, and Iran, among other actors, it will have an impact on guiding the region's dynamic, that cannot be dismissed.

In its entirety, the sources of significant change both within in the multilateral institutions and individual countries of the region's backbone mean that, in the next two years, the panorama of the region could fundamentally change, with a range of possibilities, from a region facing the West and the market to one much more leftist and more dependent on the PRC. In a reinforcing feedback cycle, the orientation of the backbone governments, through their position on the Pacific Ocean, will have an important role in the determination of the trade regime prevailing between Asia and the countries of Latin America. Such developments, in turn, will have an economic and political impact on the path of those countries.

This brief analysis, at the very least, should give pause to those in the U.S. and the other countries of the region who are prematurely celebrating the erosion of the "pink tide" of populist socialism in the region. This analysis emphasizes that the real situation is fragile, and could produce a very different regional panorama within two years.

For the United States and the region, the extent of possible change in the backbone of Latin America in the short and medium term serves as a wake-up call, to closely follow from a holistic perspective, the electoral processes and other challenges faced by those countries in the coming years. It is a vital national interest for the United States and the region, that the countries of the backbone of Latin America remain neoliberal and democratic, with a friendly orientation towards the United States. It is an interest of all of the countries in Latin America, and also in Asia, that the commercial regime prevailing across the Pacific includes the U.S., and is framed by the principles of transparency, free trade, respect for law and property.

There is no region of the world in which conditions more directly impact the prosperity and security of the United States than the Western hemisphere. If the United States allows the collapse of neoliberalism in the countries comprising the backbone of the Americas, there is no wall sufficiently high to protect the nation from the consequences.

#### **About the Author:**

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