Latin America-Middle East Ties in the New Global South


Over the past several years, posters of a gray Chinese terracotta warrior have caught the eyes of travelers in international airports. Hung on walls alongside moving walkways, the posters advertise the London-based bank HSBC and feature photographs ironically labeled with a sentence starting, “In the future.” The campaign was designed to portray HSBC at the cutting edge of banking and commerce worldwide. In one particular poster everything about the image was similar to the famous terracotta warrior statues except for one detail: instead of boots the warrior wore bright yellow and green flip-flops. Over the photo was the line, “In the future, South-South trade will be norm not novelty.” Below the photograph, four sentences elaborated on the idea: “Direct trade between fast growing nations is reshaping the world economy. HSBC is one of the leading banks for trade settlement between China and Latin America. There’s a new world emerging. Be part of it.” It may not have been the creators’ intention, but the poster unwittingly captures an increasingly salient feature of South-South relations: In the Chinese-Latin American trade relationship, the photo implies, the Chinese contribute the mighty warrior and the Latin Americans make the flip-flops.
Many of the essays in this historic *NACLA*-MERIP collaboration examine the evolving nature of Latin America-Middle East relations with respect to changing North-South political and economic relations. But what is also noteworthy is the way South-South relations themselves have evolved. In the 1950s, intellectuals from Latin America and the Middle East, including structuralists and *dependentistas* like the Argentine Raul Prebisch and Egyptian Samir Amin, formulated their advocacy for South-South relations as a response to unequal North-South development. They and others challenged mainstream economic theory, which maintained that free trade benefitted both rich and poor countries, demonstrating instead that global exchanges were fundamentally unequal and that free trade works to benefit the industrialized global North to the detriment of the largely agrarian global South. Today, many scholars of both regions are sounding the alarm on South-South relations. As the image of the mighty Chinese warrior suggests, despite the possibilities for an alternative source of finance, trade and technology transfer, the risk of unequal development and de-industrialization between nations of the South looms.

**The Rise and Fall of Third Worldism**

Increasing economic ties and industrial development among and within nations of the global South were cornerstones of the Third World movement that was launched at the 1955 Bandung Conference in Indonesia. The conference marked the first time in modern history that representatives from liberated African and Asian nations gathered to deliberate over global affairs and chart a path of collective solidarity. Bandung did not just concern itself with issues within the global South. Their calls for disarmament and peaceful co-existence insisted that the global South had a moral imperative to shape global affairs, particularly to counter what they saw as the nuclear recklessness of the two “Big Powers,” the United States and the Soviet Union.

Two decades later, on May 1, 1974, the United Nations General Assembly adopted Resolution 3202 calling for a New International Economic Order (NIEO), an initiative of the G-77, the legendary South voting bloc in the General Assembly. It was the zenith of the Third World movement, offering perhaps the most ambitious call for restructuring the global economy ever adopted by the UN General Assembly. The resolution offered a critique of neo-colonialism,
apartheid and domination by the global North, as well as significant demands around industrialization, technology transfer and global finance. The NIEO resolution included a special section advocating a code of conduct for transnational corporations, with the aim of preventing “interference in the internal affairs of the countries where they operate and their collaboration with racist regimes and colonial administrations.” In addition, it also supported the goals of facilitating technology transfer, developing local skills and regulating the repatriation of profits.

In Latin America, the NIEO constituted more than a program of political and economic innovation; more and more, it grew into a matter of life and death. By 1973, only five Western Hemisphere nations had signed on to the Non-Aligned Movement from which the NIEO proposals had emerged. But these nations—Cuba, Chile, Jamaica, Peru and Trinidad and Tobago—had come both to the Non-Aligned Movement and to the NIEO in the midst of socialist transformations at home, from revolutionary change to gradual reform. As such they, as indeed the rest of the region, became the front lines in a misnamed Cold War that saw one country after another in the global South descend into brutal dictatorship or armed conflict. Efforts to promote social and economic rights had been met with intense opposition domestically and by the United States especially, which saw in every effort to advance alternatives to liberal capitalism, however tepid, a communist inroad in need of violent quashing. The bloody, US-sponsored 1973 overthrow of socialist Salvador Allende in Chile, followed by even more brutal covert and overt interventions in the Americas and the Caribbean over the next two decades, aimed above all to forestall any attempt at economic reform that strayed from the purview of US economic control in the region.

Thus Ernesto “Che” Guevara’s imperative to create “two, three, many Vietnams” was matched in practice by a concerted policy of military, financial, medical and other aid in the 1960s and 1970s from Cuba’s revolutionary government to anti-colonial movements in Africa—from the Congo to Angola to the African National Congress, among others. Guevara aimed to project a vision and a project of South-South unity and cooperation that fused political and economic independence along socialist lines. In turn, Cuba’s global outreach drew from
over a century of attempts in Latin America—stretching back to the independence struggles of the early nineteenth century—to generate regional integration independent of an increasingly imperial United States. Most such efforts had failed, from Simón Bolívar’s *Gran Colombia* in 1830 to Guevara’s ill-fated Bolivia expedition in 1967, which aimed to spark continental revolution in South America. Nevertheless, each failure gave rise to new attempts at integration and South-South cooperation. A sense of urgency was carried over from one generation to the next of Latin Americans long sidelined from projects of social justice, welfare or development. Moreover, as rural sectors flocked to cities throughout the continent, they unleashed an urban explosion that transformed the region and opened new opportunities for reform and revolution.

These changes were not limited to Latin America but included most of the global South in the 1970s, heralding new efforts at South-South cooperation aimed more directly at economic development above and beyond armed revolution. In 1960, a newly liberal democratic Venezuela, while fully aligned with the United States in a Cold War context, sought to leverage its oil wealth more autonomously from the North American and British interests that had dominated the industry since its founding in the 1910s. Instead, it partnered with other nations to form the Organization of Oil Producing Countries (OPEC). Though largely toothless through the 1960s, the 1973 oil embargo revealed the organization to be a global geopolitical player of major weight. The embargo also rained petrodollars onto Venezuela in unprecedented quantities and ushered in a period of dramatic domestic investment, spending and growth in heavy and light industry, infrastructure and technology. The newfound wealth would catapult the country into what its leaders thought was first-world status and allowed it to project itself as a source of leadership and economic aid to other Latin American nations. Indeed, buoyed by the leverage that the 1973 oil shock seemed to offer the global South, the UN’s NIEO resolution asserted that “irreversible changes in the relationship of forces in the world necessitate the active, full and equal participation of the developing countries.”

Within less than a decade, however, Venezuela and the global South more broadly would learn that these forces were far from irreversible. The NIEO
evoked a vicious reaction in both policy and mainstream academic circles in the
global North and was considered dead on arrival by US officials. The United
States then immediately worked to undermine the power of the G-77,
eventually launching the G-7 as a forum to discuss economic policy far away
from the obstreperous democracy of the General Assembly. At the same time,
a dynamic of revenue windfall coupled with readily available credit generated a
paradox of plenty throughout the global South, as political scientist and Latin
Americanist Terry Lynn Karl has famously remarked. Debt contracts among oil
dependent nations dramatically outpaced current and projected revenues in
the middle of an oil boom, leaving them dangerously exposed in times of oil
price busts. By 1982, Mexico, awash in both petrodollars and massive loans
contracted in the 1970s, defaulted on its debt when oil prices collapsed in 1981.
The global crisis that followed effectively put the final nail in the coffin of the
Third World movement. It also gave nations of the global North free rein to
dismantle Southern industrialization and begin to negotiate the parameters of
what would become the World Trade Organization (WTO) in 1986, the exact
antithesis of the NIEO.

Not Your Grandmother’s Third Worldism

Yet the death of the Third World movement did not spell the end of South-
South economic cooperation. On the contrary, the past 30 years has seen a
boon in South-South economic relations that never materialized in the golden
years of the Third World era. From the post-World War II decades of the 1950s
until the late 1980s, South-South trade represented roughly 5 to 10 percent of
all global trade. However, from 1990 to 2000 this number increased from
10 percent to 16 percent. By 2005, it was 20 percent, and by 2013, 31 percent of
all global trade was between or among countries of the South. In 1950, exports
from the South to the rest of the world accounted for approximately 30 percent
of all world trade, and by 2013 that share had risen to 54 percent. Over the
same period, the direction of those exports shifted. By 2013, more than
58 percent of all Southern exports were being shipped to other Southern
countries. Global South-South financial flows have also risen remarkably. The
share of the global South in world foreign direct investment (FDI) inflows, for
example, increased from less than 30 percent in 1970 to over 60 percent in
2013. During this period, the South has also become a major investor in other
countries, increasing its share in global FDI outflows from one third of one percent in 1970 to just below 40 percent in 2013, and more than 60 percent of these flows went to other Southern countries. [1]

Given that old-school South-South advocacy used to come from radical political economists, these developments are being applauded from surprising corners ranging from the Wall Street Journal, which argued that South-South trade can open up a new era of globalization, to the WTO, which in its 2006 flagship report approvingly invoked Prebisch's famous declining terms of trade hypothesis to encourage the rise of South-South trade in industrial products. September 12 every year is now celebrated in the United Nations General Assembly as the Day for South-South Cooperation. The date commemorates the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries, in Buenos Aires on September 12, 1978.

Unlike Prebisch and Amin, however, heterodox economists today are no longer uncritically celebrating the recent wave of South-South relations. There are several major differences between today and that earlier era. First, the Third World movement, whether working through the Non-Aligned Movement, the G-77 bloc or the United Nations Conference on Trade and Development, was built on a radical critique of the global economy as inherently unequal and exploitative for the global South. The post-1990s wave of South-South relations, however, has taken place in an era of neoliberal globalization where many developing countries abandoned their industrial development model (import substitution industrialization) in favor of export-led growth. The Pink Tide of left-wing Latin American governments emerging in the late 1990s spurred the development of South-South initiatives such as ALBA—the Cuban-Venezuelan regional trade agreement—and the Cochabamba Declarations for Latin American Unity that offered critiques of global capitalism. The recent surge in South-South relations is, however, being led by developing countries that have embraced the global economy.

A second major difference between then and now is that a significant push for increasing South-South ties, including South-South trade agreements, emanates from multinational corporations interested in South-South economic
liberalization to solidify global commodity supply chains. In a world of decreasing North-North and North-South tariff barriers, South-South tariffs were one of the last remaining obstacles for universal free trade. Dismantling South-South trade barriers serves both to streamline production processes as well as allow multinational corporations to use certain Southern countries as launching pads to export to their neighbors. This may help explain the surprising embrace of South-South trade by entities such as the WTO, which includes among its main goals lowering trade barriers worldwide.

The third and perhaps most alarming difference is the dramatic level of inequality within the global South, particularly in industrialization and technological development. Most of the rise of South-South trade is captured by a few countries, primarily China and other emerging Asian economies, who account for the lion's share of trade and financial flows. The rest of the global South is lagging further behind. This situation has raised the possibility that economic interactions under the banner of South-South trade can create just as much inequality as traditional North-South trade, particularly when it comes to trade in industrial products.

**Enter the Dragon**

The period from the late 1950s to the late 1970s was far from perfect, but overall it saw significant economic growth and rising productivity levels accompanied by a general rise in human development indicators in health and education and decreasing poverty. The aftermath of the debt crisis and the neoliberal wave, however, had a significant impact on both regions.

In Latin America, the poverty rate rose by 8 percent between 1980 and 1990, real wages declined and income inequality sharpened dramatically as governments cut social spending. Colombian economist Jose Antonio Ocampo has argued that the investment rate fell from its peak of 1975–1980 and never recovered, representing a “lost quarter century” or more and not just a “lost decade.” In the Middle East, Egypt, Tunisia, Sudan, Morocco and Jordan all turned to the World Bank and International Monetary Fund (IMF) in the 1980s, followed by several other countries in the 1990s. The decline in oil prices in the mid-1980s meant that the usual buffer available to primary and secondary oil economies was absent, and average growth rates for the entire region was
near zero. Privatization of state-owned enterprises was a priority during this period to reduce the scope of the “less-efficient” public sector and over 271 state-owned enterprises were privatized across seven countries during this time period. [2]

The Middle Eastern countries did not fully dismantle their welfare states nor their large public sectors, and several North African countries increased their manufactures exports after the signing of trade agreements with the European Union. Still, none of the countries became industrial powerhouses and successes were timid. Likewise, the Pink Tide in Latin America saw left-wing governments that came to power in the late 1990s riding a wave of popular mobilization against neoliberalism. Although governments pursued a range of different policies, many expanded social programs and educational opportunities, re-nationalized previously privatized industries and generally attempted to carve out more autonomy from multinational institutions like the IMF. In some cases, like that of Brazil, these efforts resulted in impressive reductions in poverty and inequality. Nevertheless, none of the Latin American countries seriously re-launched industrial policy or were able to expand their manufacturing base.

The global rise in commodity and oil prices in the mid-2000s was therefore a mixed blessing to both regions. It allowed governments to buffer social demands without seriously addressing imbalances in their economic bases. The meteoric rise of China on a global level, particularly after its entry into the WTO in 2001, intensified relations between the rapidly industrializing country and the rest of the global South. The Third World movement was dominated by the likes of Egypt’s Nasser, Yugoslavia’s Tito and India’s Nehru. At the time of Bandung, China was hoping to get a foothold in Afro-Asian affairs to escape its international isolation by the United States and the Soviet Union. Its level of industrialization lagged significantly behind others such as Brazil and Argentina. Today, the Chinese economy reigns supreme in the global South and the tables have turned significantly.

Despite the possibilities for alternative sources of finance, trade and technology transfer brought about by China’s presence, both regions’ trading patterns with China are now highly unequal. For example, in 2012, 74 percent of Argentine
and 61 percent of Chilean exports to China were of basic unprocessed products or primary commodities. Together with natural resource intensive manufactures (low technology products mainly developed by processing raw materials), primary goods accounted for 92.6 percent of Argentine and 99.5 percent of Chilean exports to China in 2012. Even in the case of more successful industrializing countries such as Brazil, the future looks grim as 92 percent of Brazilian exports to China were of either primary commodities or natural resource intensive manufactures in 2012. Similarly, over 76 percent of China’s imports from the Middle East are in primary products or natural resource intensive manufactures while about 70 percent of its own exports to the region are in relatively sophisticated and high-technology manufactures. China’s rise is not only resulting in unequal trade relations between these regions: its entry into the WTO in fact helped to crowd out Latin American and Middle Eastern industrial exports in third regions due to their higher quality or cheaper prices.

The More Things Change?

Yet, it is difficult to take too seriously the recent warnings by then-US Secretary of State Rex Tillerson about Chinese “imperialism” in Latin America. [3] Not because China’s growing influence in the region ought to stand above scrutiny—certainly the relationship raises serious questions about equity, entrenching an economy based on natural resource extraction, financial transparency and more. Rather, Tillerson’s warnings ring hollow because they betray just how little has changed in international trade and finance. While South-South relations have certainly evolved from the days of Bandung, the Non-Aligned Movement and the NIEO, what has endured is how US hegemony remains the default setting among academic and popular circles in the global North, while alternative international relations are judged against the loftiest ideals. In the same way that scholars and policy makers in the United States and Europe once denounced the “neutralism” of non-alignment as naïve or sinister, today attempts by the global South to diversify their international relations are treated with suspicion or, increasingly, in the rhetoric of President Donald Trump, as an assault on the United States itself.
In regions long mired in webs of Euro-American influence and power, the arrival of a counterweight at least offers an opportunity to balance different interests against each other, hopefully, of course, with the kind of caution born of decades of experience navigating and resisting imperial and neo-imperial designs. After all, China did not create the Bretton Woods monetary system, nor has it (as yet) engineered and mandated ruinous structural adjustment policies by controlling financial institutions of its making, as the liberalizing policies of the so-called “Washington Consensus” did through the World Bank and the IMF. Nor has China proven (as yet) interested in overthrowing governments in Latin America at will, as the United States did when it backed the ouster of Honduran President Manuel Zelaya in 2009, or of Paraguayan President Fernando Lugo in 2012 or of Brazilian President Dilma Rousseff in 2016.

Even accusations against China of “irresponsible” lending to countries like Venezuela or complaints that cash support also comes with World Bank-style strings attached have not stood up to careful scrutiny. The Global Development and Environment Institute (GDAE) at Tufts University [4] found that Chinese lending was tied to the purchases of Chinese equipment, rather than conditioned on changes in governmental policy. The charge that China is buying influence through spendthrift cash infusions also does not stand up to close examination. The same study found that Latin American borrowers in fact generally pay a premium above international rates for Chinese loans. Instead, the availability of Chinese funding means that Latin America can “get more financing for infrastructure and industrial projects to enhance long-term development,” [5] that is, for their own priorities rather than those emanating from the West.

To be sure, allegations of corruption and mismanagement of Chinese funds across the hemisphere raise serious questions about transparency and the rule of law. These grave issues, as well as trade and financial imbalances, reveal structural deficits and long-term governance challenges in the regions themselves more than they indicate newfound imperial ambitions. The global South will need to tackle these issues, and do so quickly, if it is to turn incipient efforts at cooperation into lasting changes in global geopolitics. For now, what
is clear is that the rise of China along with other large Southern countries, and their active role in the WTO and other global forums disrupting the supremacy of the United States, European Union, Canada and Japan, has created significant possibilities for autonomous human development that did not exist in the 1980s and 1990s. More and more, the future of the global South is in its own hands.

Endnotes


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