

New strategies drive new alliances in Latin America?



Por Ingo Plöger
President of CEAL Brazilian Chapter
Article Latin Trade | July 25, 2022

The world scenario has changed dramatically in the last few months. What used to be firm and solid long term strategies have now turned into revised plans in terms of their priorities and purposes. The U.S., spearheading a safeshoring or friendshoring bias, seeking understandings with the TPP allies, in the Middle East, surprisingly turns offensively to Latin America seeking to get back lost spaces. The European Union, in the face of the proximity of the Ukraine war, is attempting to resolve energy and supply impacts, restoring partnerships that will lead it to less dependence on Russia. The more enigmatic China, even though it officially supports Russia, *ma non tropo*, is striking technological and supply alliances with trade partners that do not leave it more vulnerable. India, on its part, in its great dependence on Russian energy and war technology, in contrast to China, is trying to remain neutral to a possible extent, pursuing its interests in an exhaustive way, similar to South Africa. In this new geopolitical balance, Latin America finds itself compelled to be an ally and an adversary at the same time.

The American offensive is perhaps the most evident at the moment. Joe Biden, made his trip to Japan, Australia and other TPP allies these past weeks, with the already known purpose of isolating China technologically and commercially in the long term, through regulatory convergence and coherence of its members in harmonized standards, norms and processes. Shortly after the trip to the TPP partner countries, he invited the Latin American countries to the Summit, where he encouraged U.S. companies to invest in the region. Even though Mexico did not attend the event, it is bound by the TPP and USMCA agreements to such an extent that it remains bound to the North American dynamics.

What is new is that Joe Biden gave relevance to other countries, such as Mercosur and others that were not included in these agreements. Even before heading towards the Middle East, where he tried to strike more lasting alliances, even among declared adversaries, the stance of the USA became relevant *vis-à-vis* its global role. In the last WTO meeting in June, during the MC 12 ministerial meeting, the U.S. stance, along with Latin America — contrary to the stance of India, supported by the European Union — of freeing heavily subsidized government food stocks in the world market stood out. It is an outstanding Latin American and U.S. stance in the leadership of a free market economy,

followed by Latin America almost unanimously. Because of Brazilian diplomatic efforts, India has achieved its purpose, limited to exclusively targeting countries declared in situation of nutritional emergency. The U.S. role in the matter of food security is twice as relevant given that, even before the war in Ukraine, Latin America had already positioned itself unanimously in the Food Security Summit in September 2021, called by the UN.

The European Union, which has remained distant from the Latin American and U.S. stances, launched, by the end of 2021, its Green Deal program as its contribution to the climate challenges.

What seemed to be an “internal” European Union program, given the results of the elections in several European countries, now has become a mantra for the EU’s foreign policy.

Unrealistic for other regions of the world, and even more so for Latin America with a tropical climate, the EU, with a temperate climate, is distancing itself dogmatically from strategic partners. What could favor the EU in its search for solutions for food security and energy security, in the short and long term, the EU itself dismisses these advantages to remain balanced with regard to China and India, where it defends major interests.

This attitude observed not only in the WTO, but in recent resolutions in the area of food and biofuels or biomass, leads the European citizen to a much greater than necessary burden of energy and food prices. It is interesting to note that, contrary to politics, European companies are announcing investments in Latin America in terms of near- and shoring. While U.S. companies are announcing the closure of their activities in Russia, selling their establishments, abandoning this market for political reasons, a good number of European companies are postponing closure decisions, keeping the “back door open.” It is evident that this is noticed and recorded. Equally asymmetric is the continuous supply of semiconductors of Huawei technology while others of other origin are in the waiting line; China is moving forward with its technology in third markets, hoarding quotas, while others are losing out because they are unable to supply “in time.”

This new configuration of world strategies leads regions, states and companies to define new alliances. Latin America, although with increasingly socialist or social-democratic governments, is leaning towards U.S. pragmatism, while still serving Asian clients and receiving technology on time. The U.S. has understood this dynamic and is seeking, in its

offensive, to secure positions of influence, while Europe remains distant in its “Green Castle.” In Latin America, the perception of the comparative advantages of its ESG is increasingly relevant and appropriate for the business process. The multilatinas, in turn, when they are capitalized, they seek to buy cheaper assets this season, since both European and U.S. cheap money has dried up.

The new alliances will be given by the new trade and investments in sustainability realities. While the U.S. and China advance, the Europeans retreat, and, in the new reality, Latin Americans try to strengthen themselves on their playing field that they know better than anyone else.

These are the new times for Latin America.