
UNIT 17 LATIN AMERICA AND THE DEVELOPING COUNTRIES

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17.1 INTRODUCTION

At a time when Latin American countries are trying to include themselves in the international economic and political stage, it is useful to look back to a few decades, when the region was prominent in the Third World movement. A place in the developing world provided Latin America with an alternative to the superpower camps, though most of the states in the region did, at one point or the other, side with the two camps.

A shared historical and colonial history provided the basis for the Third World solidarity that Latin America was part of. It is impossible to pinpoint with a degree of certainty the continuities in Latin American foreign policies with respect to the Third World. This is, in fact, true for the entire developing world. Third World countries have had a history of adopting different foreign and economic policies at various points of time, based on a number of variables such as regime, ideology, international and regional politics.

Latin America has been prominent in the Third World movements ever since the decolonisation of Asia and Africa during the 1940s. But the identity of Latin America was never subsumed under the Third World banner.

17.2 LATIN AMERICA AND THIRD WORLD MOVEMENTS

Developing countries realised quite early that taking side with one or the other superpower was not necessarily the best strategy for development, economic and political. The two most prominent Third World movements were the Non-Aligned Movement (NAM) and the New International Economic Order (NIEO).

The Non-Aligned Movement came up as a response to the intense Cold War rivalry that forced states to take sides with one or the other superpower. Third World states concluded that this route of involvement in the Cold War was too detrimental to their interests.

In the initial years of NAM, no Latin American states were involved. The early conferences (Bandung, 1955; Belgrade, 1961) laid the basis for this movement. After 1961, the Latin American states began to be admitted, and eventually 16 of them would join as full members, with a few others as observers.

But the chances of any influential role that could have been played by the Latin American region as a whole were dashed, in large part, due to the disagreement in NAM over the role that the communist bloc would play. With Cuba assuming presidency of the movement in 1979, it was unclear as to how NAM could claim to be neutral to the superpower rivalry. The presence of a staunch Soviet ally at the helm of affairs did nothing to enhance the credibility of the organisation.

On the global stage, NAM was unable to play a significant role, and by the end of the Cold War, NAM had more or less lost whatever relevance it had.

Since the 1990s, other regional organisations have come up that involved Latin America and those, which represented the regional countries' concerns. The first would be Mercosur, which covers most countries of the region. The Andean Pact is also significant, though it involves fewer countries of Latin America. Latin America is connected to the Asia-Pacific region through the Asia Pacific Economic Cooperation (APEC) and the Forum for East Asia-Latin America Cooperation (FEALAC). These organisations are less political than NAM and are based mainly on economic and commercial matters though FEALAC aims to cover political and cultural issues also.

In terms of ideology, one approach that was able to generate interest in the developing world was the dependency theory of the 1960s, which tried to explain the continued underdevelopment of the Third World countries. For these theorists the peripheral countries were locked in a relationship of structural inequality with the core countries. The economic growth that had come about was distorted and seen as a pale reflection of the core. The Latin American theorists such as Andre Gunder Frank, Fernando Cardoso, as well as the Egyptian theorist Samir Amin were prominent in this field.

Just as NAM had been formed as a response to the superpower struggle, the NIEO came up as a response to the need to reform the global trade and development agenda in line with the needs of the Third World countries. Latin American involvement in the NIEO was more than in NAM. Though the G-77 countries officially formed NIEO in 1974 at the United Nations, its antecedents lie in the first United Nations Conference on Trade and Development in 1961, under the leadership of Raul Prebisch of Argentina.

The NIEO gave rise to the North-South concept; the idea being that most of the rich countries were in the northern hemisphere, while the poor countries were in the south.

The G-77, which was influential in advocating the NIEO, was successful in creating UN bodies like the Special United Nations Fund for Economic Development (SUNFED), the UN Capital Development Fund (UNCDF) and the International Development Association (IDA). The group also organised a series of special UN conferences on issues it regarded as crucial to the development of the south such as the environment, women, technology transfer, rural development, population, disarmament, and food. Latin American nations were prominent in this as a bloc.

However, nothing concrete came out of the NIEO. The North never really conceded its demands. By the late 1970s and early 1980s, economic growth had slowed down further in the developing countries. The Mexican debt crisis of 1982 was but one example of this. In such a situation, the bargaining power of the NIEO countries was reduced even further. The main agenda for countries like Mexico was now to somehow lessen the burden of debt.

By the late 1980s, many countries of Latin America drastically changed their domestic economic policies. This was spearheaded by Argentina and Brazil. Reforms opened up the economies to foreign investment and privatisation was introduced. The change was signified by the new Brazilian president Fernando Cardoso, who became a free market advocate from being a dependency theorist.

The state-centred NIEO was now quite irrelevant, though its basic ideals and objectives do remain the same to this day. For many of the countries of the Third World, including Latin America, one crucial element for economic growth is an access to the markets of the developed countries. So far, it just seems that markets in North America and the EU have become a little more protectionist. This has been one of the biggest issues on the table during the Uruguay Round of trade talks and the ongoing Doha Round. Latin America and much of the developing world rely on agricultural and other primary products as their main source of foreign exchange. Till the time this problem is not addressed, suspicion about the motives of developing countries will continue.

A more direct method adopted by the Third World, including Latin America, was that of commodity agreements. A lot of these countries that produce primary products decided to form cartels in order to control the market for their exports, to get the optimum returns.

The Organisation of Petroleum Exporting Countries (OPEC) has been one of the most successful of these groupings. The 1970s was their heyday, when they were able to control prices of oil, by fluctuating production. Venezuela and Ecuador have been participants in the OPEC, though Ecuador dropped out in 1990.

In the 1970s, the rise in oil prices sent huge amounts of 'petro-dollars' to the OPEC countries. But disagreement between OPEC members and the oil-glut that came about in the 1980s reduced the effectiveness of the organisation.

Venezuela remains a member of OPEC, and in recent years, the Chavez regime there has caused considerable instability in the oil market stemming from the domestic political upheavals there.

An earlier commodity agreement was the International Coffee Agreement that came into being in 1961. The participants in this were mainly Latin American and African countries. They were able to control coffee prices to a certain extent, helped by cooperation from consumer states.

Even though the agreement expired in 1974, the need to regulate coffee production and prices remained and the producers in Latin America did try to do so. They were aided in part, in the early 1970s, by oil profits donated by Venezuela.

There were other such cartels also which saw the participation by the Latin American states. These included the Intergovernmental Council of Copper Exporting Countries (CIPIC), the Organisation of Iron Ore Exporting Countries (IOEC), and the International Organisation of Banana Exporters (IOBE). Maintaining successful cartels is very difficult, which is why most of them failed. It is difficult for the producers to withhold sufficient quantities of the produce, while expecting consumer demand and choice remains the same. Internal bickering has also been a problem always.

Latin American states thus have had their share of participation in organisations and movements in the Third World, but their success rate in this has not been too high. Internal problems and

international political and economic issues were a big hurdle for these cartels. For Latin American countries these cartels were never a major tool for economic growth, and did not involve any fundamental policy changes.

17.3 LATIN AMERICA AND INDIA

After decades of interaction through organisations such as NAM and NIEO, Latin America's ties with India have developed quite rapidly in the last ten years. This period coincided with the launch of economic reforms in India and in many countries of Latin America.

Economic policy changes in India in the early 1990s paved the way for foreign direct investment into the country and an emphasis on increasing the competitiveness of Indian exports. After decades of following foreign economic policy with a distinct bias toward state control, Indian foreign policy acquired a commercial and trade focus. For Latin America also, Asia, and especially India is potentially a huge market.

The Indian government launched the *Focus: LAC* programme to increase exports to the region. In 1990-91, the Indian exports amounted to \$124.40 million while in 2002-03 they had increased to \$424.85 million. However, in spite of this high growth rate, the share of India in the total Latin American imports remained less than 3 per cent.

At the same time, imports from Latin America to India have also increased considerably, from \$349.26 million in 1991-92 to \$989.73 million in 2001-2002.

The Indian government has focused in four main countries of the Latin American region—Brazil, Mexico, Argentina, and Chile. This is a calculated move due to the influence that these economies command in the region. Brazil and Argentina are the two pillars of Mercosur, which is the main Latin American regional association. Mexico is the only Latin American country in NAFTA, while Chile is likely to join it at some point in the future. Chile's associate member status in Mercosur and the fact that it is one of the more open economies in the region, also count for a lot.

India's exports to these regions consist mainly of textiles, engineering products, and chemical products. It is interesting that the best-known Indian export—information technology has not caught on in Latin America. Perhaps as Latin America's economy stabilises, prospects for India expanding into the IT sector here would be quite high. For Latin America also, this would mean a much-needed diversification in trade, which is currently dominated by the United States.

But there is room for some friction also. India and Latin America are competitors in the European fruit market, and as of now, agricultural setbacks have forced India to take a back seat here.

Nevertheless, these developments show that there is a healthy growth in the Indo-Latin American economic ties.

17.4 SUMMARY

Historically Latin America's involvement in the Third World politics has been an attempt to end isolation and gain prominence on the global stage. The relative weakness of the developing world

contributed to their failure to achieve their objectives. Ideologically also, the developing world has been at odds with the West till about a decade ago, when things started to change.

The neoliberal economic model under the auspices of globalisation is winning more and more adherents despite the numerous financial crises in recent periods. Latin America also is moving towards this economic approach. The inward-looking economic model followed by so many was hardly conducive to economic ties. The chances of economic cooperation between Latin America and the rest of the developing world are greater than ever now.

While Latin America has played a prominent role in the Third World movements ever since the decolonisation of Asia and Africa, its identity was never subsumed by the movements—namely, the Non-Aligned Movement and the New International Economic Order. Latin America joined NAM after 1961 but NAM was unable to play a significant global role. It was in Latin America that the dependency theory of the 1960s was prominently debated explaining the continuing underdevelopment of the Third World countries.

Latin America was much more involved in the NIEO than in NAM. NIEO gave rise to the North-South concept. However, nothing concrete came out of the NIEO as the North never really conceded the demands of the South. By the late 1980s, many countries of Latin America drastically changed their domestic economic policies opening up their economies to foreign investment. Another method adopted by the Third World countries was forming commodity cartels—oil or coffee—but they have not been too successful. Links with India have increased since the last decade with the Indian government focusing on four major Latin American countries—Brazil, Mexico, Argentina and Chile. With the developing countries moving towards a more neo-liberal economic model, there is greater scope for cooperation between these countries.

17.5 EXERCISES

1. What was the thrust of the NIEO? How far was it successful?
2. How successful have the commodity cartels formed by Latin American countries been and why?
3. How have India and Latin America responded to each other in recent years?