

LATIN AMERICA AND THE INDO PACIFIC

In the last few years, Latin America has redirected its attention towards the Asia-Pacific region. Trade opportunities and investments have prompted governments to establish links between the two shores of the Pacific. Additionally, Asia-Pacific serves as an alternative partner for political cooperation, which can help enhance the autonomy of Latin America. However, this relationship has its downturns. The structure of the relationship between the two regions does not foster long-term economic development in Latin America.

Asia-Pacific as a key partner for Latin America

During the Cold War, Latin America and the Asia-Pacific region had limited interactions because of their geographical distance and a foreign policy that gave priority to the United States. In 2003, the [signing](#) of the Free Trade Agreement (FTA) between Chile and South Korea, which was the first of its kind between an Asian and a Latin American country, marked a significant turning point. Since then, the **Asia-Pacific region has become a key partner for Latin America**. Asian nations [accounted](#) for 9% of the region's total trade in 2000; by 2018, this figure had reached 26%. The surge has been primarily caused by the rise of China, which has become the [main](#) trading partner for several South American countries, such as Brazil and Peru.

Moreover, the **failure of traditional allies to provide concrete opportunities for trade and cooperation** has encouraged Latin American countries to search for alternatives. A case in point is the recent [failure](#) of the EU-Mercosur deal, after 20 years of negotiations, which would have established the greatest free trade area in the world. During the Mercosur Summit of December 2023, Santiago Peña, the rotating President of the organization, [affirmed](#) that the members are already “looking to another direction” and pointed towards the agreement with Singapore.

Latin American countries have understood the strategic relevance of the Asia-Pacific and they are actively working on establishing new connections between the two shores of the Pacific. In 2016, when the newly elected President of the United States, Donald Trump, withdrew from the Trans-Pacific Partnership, a trade agreement aimed at forming a free trade area in the Pacific, **Chile and Japan intervened to save the deal** by reuniting all the other signatories to [convene](#) a new text. The new Comprehensive and Progressive Trans-Pacific Partnership was signed by all parties in 2018 and came into force later that year. This development has led some [observers](#) to speak about a “**Latin America's Pivot to Asia**”. From here, two questions arise: **What leads Latin America to seek stronger relations with Asia? What are the downsides of this partnership?**

The potential of Latin America-Asia relations

Latin American governments are attracted by the **possibilities for trade offered by Asia**. The economies on both sides of the Pacific are [complementary](#) since Latin America exports mostly raw materials that Asian countries require for their manufacturing industry. For this reason, **an increasing number of FTAs have been signed**: while twenty years ago the two shores of the Pacific counted only one trade agreement, [there](#) are today 26.

Besides trade opportunities, Latin American governments see **Asia-Pacific countries as potential investors**. While the US and the EU continue to be the primary sources of foreign direct investment (FDI), Asia-Pacific's presence is growing. **China is the largest Asian investor in Latin America**, accounting for 9% of the total FDI [inflows](#) in the region. Twenty-one Latin American countries have [adhered](#) to the Belt and Road Initiative, which has funded key critical infrastructure projects, such as the recent port of [Chancay](#) in Peru, the largest port on the Pacific coast of Latin America. **Japan**, through the new partnership "Juntos", launched by former President Shinzo Abe, has increased its investments in Latin America and is now one of the top 10 investors in the region, [contributing](#) 4% of the total FDI inflows. **South Korea**, since 2008, has channeled **\$1.7 billion annually** towards Latin America for [projects](#) related to the industrial sector. Other Asian countries play a smaller role, but they follow a similar pattern. For example, trade with [ASEAN](#) countries increased from \$9.3 billion in 2000 to \$78.7 billion in 2018.

From a political point of view, the increasing links with Asia serve as a strategic choice to cope with the ["growing irrelevance"](#) experienced by Latin America over the last years. By establishing commercial and diplomatic ties with countries that were previously not on the Latin America's foreign policy radar, the region might be able **to enhance its global presence and strengthen its autonomy**.

During the Covid pandemic, for example, in response to the initial [hesitancy](#) from traditional allies to send vaccines to Latin America, the governments of the region **relied on the extensive network of relationships built over the years to secure vaccine supplies**. In fact, in [2021](#), while 63% of the vaccine orders were placed for Western vaccines, 24% were for Chinese vaccines, and 13% were for Russian vaccines. The plurality of sources shows how Latin America is broadening its margin for maneuver and no longer depends only on traditional allies.

The other side of the coin

Despite the benefits shown above, some aspects of this relationship could compromise the future development of Latin American countries. Some [analysts](#) claim that trade asymmetry does not encourage long-term growth. While the growing demand for raw

materials in Asia has been beneficial for Latin American nations, it has also [led](#) to a “**re-primarisation**” of their economies, increasing their fragility because of the [dependency](#) on the volatile international prices of raw materials.

This problem has mostly affected South American economies, which depend heavily on the primary sector. In 2022, primary products [accounted](#) for 83% of the total exports of South American countries. This phenomenon is causing a greater problem for some economies, that is “**de-industrialization**”. Brazil is a case in point because the manufacturing sector [accounted](#) for 34% of GDP in the 1980s, while in 2020 it was only 11%. According to some [scholars](#), **one of the contributing factors to this situation is China’s expanding presence in Brazil**. The influx of cheaper manufactured imports from Chinese factories has displaced the domestic Brazilian industry. Additionally, international competition has shifted the demand away from Brazilian manufactured products towards the more affordable Chinese products.

Latin American governments perceive the decline of the industrial sector as a negative factor for their economies, since traditional economic thinking in Latin America has considered [industrialization](#) as a crucial step towards development. However, in the last decade, some authors, such as [Marcos Lisboa and Samuel Pessoa](#), have argued that this phenomenon may not be as harmful as many believe, since there are other factors, such as the service sector, which play a more significant role for development.

Moreover, although Asia represents an alternative investment source, some [critics](#) have pointed out that the majority of these investments are being **directed towards the extractive sector, resulting in socio-environmental damage**. For instance, when examining Chinese investments in Latin America, it can be [found](#) that, despite a decrease in the last decade, the mining sector has still attracted 25% of total investments between 2018 and 2023. Most of the initiatives financed by Chinese companies show **little regard for environmental legislation**. A recent [report](#) presented by the International Service for Human Rights analyzed 14 projects in different Latin American countries led by Chinese companies and found out that “all the projects are located in fragile ecosystems and have generated a significant environmental impact”. In addition, out of the 14 projects, 7 have infringed upon workers’ rights and 10 have also violated the rights of indigenous communities.

Conclusion

The advancements registered over the past years seem to indicate that Latin America is prioritizing establishing relations with Asia. Governments are attracted by the economic opportunities offered by Asian countries. Moreover, countries such as China represent an

alternative to traditional allies, the US and Europe, for cooperation. Nonetheless, the ties between Asia and Latin America are based on an asymmetry that could prevent Latin America from reaching its main objective, that is, development, by condemning the region to be an exporter of raw materials. So, Asia represents a tremendous opportunity for Latin America to reverse its “growing irrelevance”, but doing so will require a **recalibration of its relationship with Asian countries to avoid falling into a cycle of dependency.**