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**Research Report**

## Eyes to the West: Latin America and the Caribbean in the sights of Germany and the EU

SWP Comment, No. 35/2023

**Provided in Cooperation with:**

Stiftung Wissenschaft und Politik (SWP), German Institute for International and Security Affairs, Berlin

*Suggested Citation:* Maihold, Günther; Zilla, Claudia (2023) : Eyes to the West: Latin America and the Caribbean in the sights of Germany and the EU, SWP Comment, No. 35/2023, Stiftung Wissenschaft und Politik (SWP), Berlin,  
<https://doi.org/10.18449/2023C35>

This Version is available at:

<https://hdl.handle.net/10419/273520>

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# SWP Comment

NO. 35 JUNE 2023

## Eyes to the West

Latin America and the Caribbean in the sights of Germany and the EU

*Günther Maihold und Claudia Zilla*

Europe is committed to revitalising its relations with Latin America and the Caribbean. This is evidenced by the numerous high-level visits from Germany and the EU to Latin American countries since the beginning of the year. In early June, the European Commission presented a “new agenda” for exchange with the region, and last month the German Bundestag’s SPD parliamentary group released a position paper on the ways and reasons to strengthen the partnership. Slated to take place in July, the upcoming summit between the EU and the Community of Latin American and Caribbean States (CELAC) is expected to give new impetus to bi-regional relations. However, in order for such expressions of interest to be translated into a substantive reboot of the relationship, jointly developed initiatives will be needed. Such endeavours will need to account for and address changes in the triangular relationship between democracy, sustainable development and global governance.

In order for Germany and the EU to revive their relations with Latin America and the Caribbean (LAC), they will need to let go of outdated concepts and discourses — because the conditions of past regional and international frameworks have changed considerably. Germany and the EU need to work together with the countries in the region to develop new initiatives that identify common challenges and areas of cooperation. Three policy areas are particularly suitable for this purpose: the preservation of democracy, sustainable development and global governance.

### Common democratic challenges

Protecting and strengthening democracy is becoming an increasingly urgent task in both LAC and the EU, as states in both regions are faced with increased political polarisation and the rise of populist and anti-democratic tendencies. Technological progress — in the form of artificial intelligence for example — and the disinformation campaigns it facilitates, pose additional challenges that require the development of new democratic regulation and coping strategies. Beyond electoral processes and their results, the very foundations of democracy are increasingly being called into question. Where there are no critical ruptures, democratic procedures are often eroding



gradually, and journalistic and academic freedom is being violated. Poverty, social injustice, corruption, and violence also undermine popular confidence in democracy.

Party loyalty among voters has sharply declined in both regions. Voter preferences are no longer being stabilised by historically entrenched cleavages. Overlapping crises and perceptions of insecurity structure them weakly. As a result, voting behaviour is becoming more volatile — not least because it is often a form of protest. More and more votes are migrating to the fringes of the political spectrum. The electorate seeks solutions to its problems in extreme alternatives beyond the usual options.

## **Reviewing EU strategies**

For a long time, the EU was seen as a champion of democracy, even if it was not free of double standards and democratic deficits at the supranational level. From the EU perspective, democracy was primarily understood as an “effect” that could be achieved outside of the EU through the prospect of EU membership and the adaptation required to become a member. In addition, the EU focused heavily on “change through trade”. However, these approaches are only suitable for neighbouring countries or major trading partners, and other EU mechanisms of democracy promotion remained comparatively weak.

In LAC, an image of the EU as a normative — and finger wagging — force dominates. At the same time, LAC is carefully observing phenomena such as Brexit, the erosion of democracy in Poland and Hungary, the presence of far-right parties in many European parliaments, and the general sense of vulnerability triggered by the Russian invasion of Ukraine. Despite the damage they have inflicted, such phenomena could perhaps also help the EU to develop a greater understanding of the challenges and hopes for democracy in LAC. This insight should not lead to democratic indifference; but the opposite would also be problematic. A foreign policy that divides the world into democracies and autocracies runs the risk

of widening political polarisation from the national to the international level. A consequence of this could be that fragile democracies and hybrid regimes become defensive, close themselves off, and turn away from the democratic path. The focus should not be on global confrontation, but on context-sensitive cooperation.

In recent years, an internationally supported transfer of power in Venezuela failed. This, if nothing else, should be a reason to rethink past (European) formats and interventions that intended to promote democracy. Outside efforts to consolidate the rule of law and democracy abroad have little chance of success if they are not tied to the actions of national actors or diaspora. Approaches that are perceived as unilateral, interventionist, pretentious or preachy are also problematic. Efforts will be more likely to have a favourable outcome if the EU addresses the shared problems of political polarisation and radicalisation and cooperates with LAC in areas based on democratic principles, transparency, participation and (gender) equity. If done in this way, cooperation can be seen as a dialogue that enforces democratic values through coherence, horizontal exchange and broad inclusion.

## **Promoting democratic problem solving**

Approaches to democracy promotion have little chance of success if they focus solely on institutions and democratic processes while neglecting the social contexts in which they are embedded. Cooperation for democracy should focus not only on resilience but also on performance, because the ability of a democracy to survive crises and find its way back to new forms of stability fades when it is faced with chronic unresolved social problems.

Many LAC populations are dissatisfied because their governments are not delivering. This leads to disengagement from politics, social protests and the regular removal of presidents from office (in the countries where elections are competitive). In response, some leaders develop authoritarian tenden-

cies, trying to limit the scope of civil society and the media while persecuting the opposition to secure their own re-election. Citizens' discontent is also reflected in the fact that the general approval of democracy is declining (albeit only slightly) and an expansion of executive power is increasingly tolerated. In large parts of society, the executive branch's expanded scope for action and intervention is linked to the expectation that this will allow for more effective and expedient solutions.

### **Strengthening civil society and state capacity**

Supporting civil society organisations, strengthening rights and protecting a free public sphere are traditional pillars of democracy promotion. Here, the focus is on freedom of expression, academic freedom and a pluralistic press. Yet, a second focus of democracy promotion should be on strengthening state capacity. On the one hand, this helps to fend off special interests, i. e. to prevent state capture or corruption, and on the other hand, it improves citizen-oriented public services.

When core state functions are infiltrated by transnational criminal networks, it undermines the predictable implementation of government programmes and leads to the violation of civil rights. The growing activity of Mexican cartels on European soil shows that illegal economies, whether trading in drugs or other commodities, has also taken root in networks between LAC and Europe.

In addition to police and judicial cooperation, a third area of partnership is emerging in the areas of alternative development, gender-based violence, human trafficking and smuggling. But questions of governance, the legalisation of hitherto informal economic flows, public health and the environmental impact of criminal activities also pose common challenges.

### **Sustainable development**

The direct and indirect effects of the Covid-19 pandemic have largely wiped out the social gains of the past 20 years in LAC. Although economies are now recovering, growth in the region will be less in 2023 than in the previous year. With some exceptions, such as Mexico, which is currently benefiting from the nearshoring effect of US and international capital, foreign direct investment is stagnating at pre-pandemic levels or lower. This is due to regional and global inflationary trends, high interest rates, and great uncertainty about the duration and consequences of the war in Ukraine.

At the same time, the share of private domestic investment in LAC is traditionally low. Governments have limited fiscal space, partly due to public debt, and their economies are heavily dependent on foreign technology. As most LAC countries are middle-income countries, access to concessional financing is limited. In addition, development efforts need to be aligned with climate and environmental imperatives, notably the energy transition and new mobility concepts. Neither growth with redistribution within the framework of an (unchanged) extractivist economic model — i. e. one based on the extraction of raw materials and associated with environmental destruction, dispossession and human displacement — nor a purely conservationist environmental policy that ignores socio-economic issues will meet the requirements of a just transition.

The growing demand for the resources needed for the energy transition (in Europe) must not lead to LAC being once again relegated to the role of a supplier of raw materials while its own populations remain tied to limited and outdated energy sources. It is true that some countries, such as Brazil and Colombia, have a relatively clean energy mix based heavily on hydropower. But this source of energy is not sufficient, partly because of increasingly frequent droughts. Other countries, such as Argentina, Ecuador, Mexico and Venezuela, have been heavily dependent on fossil fuels and still need to

make decisive choices. The expansion of (expensive) solar and wind energy will be an agenda item, as will green hydrogen. In this sense, the EU will need to avoid “green extractivism” that focuses on hydrogen exports to Europe without taking into account the energy transition of LAC itself.

The “green transition” under the EU’s Global Gateway approach and the standards of the European Green Deal must be negotiated with the region, otherwise they will remain a mere European mandate. LAC can guarantee reliable access to a number of strategic raw materials but will expect higher value-added effects in the national and regional framework.

### **Transforming the economy**

The transition to low-carbon economies must not only take into account the different degrees to which different regions are responsible for climate change, but must also aim at a common, cooperative design that matches demand and capacity. The EU can provide the necessary capital and technologies, however, knowledge transfer should be a two-way process: the valuable expertise and experience of local and indigenous communities must be recognised and utilised.

LAC is the second most urbanised region in the world after North America (with 81 per cent of its populations living in urban areas in 2018). Long commutes, overcrowded public transport and traffic are part of everyday life. Many of the cities with the highest homicide rates in the world are also located here. At the same time, more than 70 per cent of LAC’s domestic freight is transported by road, and the share of road transport in trade between countries in the region is increasing. This complex situation calls for new approaches to mobility and urban planning that meet the transport and safety needs of different groups of people. The EU and LAC could work together on this.

### **The EU-Mercosur agreement as a test case**

A litmus test for the new commitment in relations between the two regions will be how the Association Agreement between the EU and the Southern Common Market (Mercosur), that was reached “in principle” in 2019, is handled. Will it be possible to formulate an additional instrument with environmental commitments or to include sanctionable sustainability standards in the text, all without derailing the pending ratification of the agreement and despite resistance in the EU and LAC? The key question is whether the two sides can work together to develop trade sustainability rules for the agreement, and whether they can find ways to meet labour and environmental requirements. There is talk of “splitting” the agreement into free trade rules, many of which could be applied provisionally while the others would need to be agreed upon by member states. Whether this is a viable route/workaround needs to be discussed openly and transparently.

Given China’s growing presence in LAC, some observers argue that the EU and its member states could become more attractive in the region if they lightened their “normative baggage” — which includes democracy promotion and conditionality in development cooperation as well as social and environmental standards in trade and investment. They should therefore look more closely at Beijing’s less conditional offers. However, such an approach is not only problematic from a just-transition perspective, but also impracticable because China operates in LAC under conditions that do not exist for the EU — for example, with regard to state-controlled banks and investments. Instead, European-Latin American cooperation must have its own quality; it should offer space for the discussion of different perspectives, for joint learning processes, for the cooperative development of norms and for appropriate adaptation. The fact that the EU Commission has included in its agenda an open discussion on European legislation, ranging from the

deforestation directive and CO<sub>2</sub> limit compensation to phytosanitary regulations, is a step in the right direction. It would be desirable for this to become the norm for a joint development of standards in the planned “renewed partnership”.

It will be important to involve civil society actors along the way in order to win their support for a green transformation that will entail additional costs. If the transition away from fossil fuels is supported by local dialogue and planning forums, it could also make it easier to combat environmental crime and free up financial resources tied up in it.

## Global governance

The level of intergovernmental cooperation in LAC is currently strikingly low. The role of regional organisations has stagnated. They function neither as relevant frameworks for action nor as forums for dialogue in which presidents of different political orientations could meet. The lowest common denominator achieved within CELAC, for example, does not constitute a fruitful basis from which to develop substantial initiatives.

LAC lacks a broad consensus on the regional and international agenda. The great power rivalry between the US and China, as well as Russia’s war of aggression against Ukraine, make agreement even more difficult. Violations of democratic principles and the rule of law have occurred under both left-wing and conservative governments. And changes in power are often accompanied by major policy shifts, making long-term cooperation difficult.

## Functional orientation of cooperation

In a departure from previous bi-regional strategies, new approaches to EU-LAC cooperation should be set at a lower level. They should focus less structurally on regional organisations and more functionally on issues or sectors that are likely to attract

countries with the will and capacity to cooperate in specific fields.

Beyond this cooperation logic, bi-regional summits such as EU-CELAC can serve to reactivate exchange and mutual interests. The EU’s desire for a multi-faceted and flexible approach, taking into account the diversity of the region, is a step in the right direction. Different perspectives and priorities need to be discussed. The EU should let go of the illusion that the LAC region is always “on its side”. For example, the expectation that Brazil would support its sanctions against Russia (and supply ammunition to Ukraine) shows a lack of equal treatment. This is also evident in the ignorance of Brazil’s claim that it would like to distinguish itself within the alliance between Brazil, Russia, India, China and South Africa (BRICS) as an international mediator.

## Alliance building in the UN framework

In addition to bi-regional summits and increased functional cooperation at the sub-regional level, it seems sensible to intensify a variable, issue-based alliance-building strategy within the UN framework. One example of this is the Equal Rights Coalition (ERC), an intergovernmental organisation with 42-member states and strong civil society participation, whose mission it is to protect LGBTI rights. The ERC is always co-chaired by two member states — Germany and Mexico for the 2022 – 2024 period — and it facilitates intense cooperation among other members from LAC, with Argentina being particularly active (other members from the region are Chile, Costa Rica, Ecuador and Uruguay).

Other starting points for developing common positions in the context of global governance also exist. These include the recent initiative by Bolivia and Colombia to remove the coca leaf and its organic by-products from the list of dangerous substances in the international Single Convention on Narcotic Drugs as well as the German government’s policy of legalising cannabis. The fact that LAC is positioning itself as a stra-

tegic centre of political thought and action should be taken seriously as the region seeks to put a fundamental revision of global drug policy on the agenda.

## Balancing the triangle

It is no coincidence that both Germany and the EU are increasingly orienting their foreign interests westward. The scenario of violence in the East, and with it an increasingly critical reading of relations with China, is prompting both the EU and Germany to diversify their foreign policies diplomatically and materially. In this context, cooperation with LAC will become more substantial. In times of confrontation, political allies are in high demand, as are raw material and energy partnerships that underpin future economic-ecological projects.

However, in order to successfully reactivate their relations with LAC, the EU and Germany will need to change their attitudes and approaches. This should be less a promise than a reality and must involve openly discussing differences, including on the war in Ukraine. However, the fact that a critical reference to the Russian invasion was included in the official development cooperation agreements between Germany and its LAC counterparts is indicative of a relapse into Eurocentric attitudes.

Future cooperation needs to counter such asymmetries while simultaneously striking a balance between democracy, sustainable development and global governance. Ultimately, a systemic perspective that recognises the tensions and interdependencies between these areas is needed. This in turn requires that reductionist ministerial portfolio logic be overcome and integrated into comprehensive regional and country strategies that are developed in dialogue with the LAC countries and their civil societies.

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ISSN (Print) 1861-1761

ISSN (Online) 2747-5107

DOI: 10.18449/2023C35

(English version of  
SWP-Aktuell 38/2023)

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