

Latin American diplomacy

Friends of opportunity

China, rather than Russia, is the new partner that matters

FOR those who think a new cold war has broken out, this week seemed to provide some evidence. The *Peter the Great*, a nuclear-powered cruiser, and two other Russian warships, arrived in the Caribbean to exercise with the Venezuelan navy. Onshore, Russia's president, Dmitry Medvedev, met Venezuela's Hugo Chavez as part of a Latin American tour. In Peru, he attended the APEC summit, a get-together of leaders from 21 Asian and Pacific countries. Like Mr Medvedev, China's Hu Jintao (pictured above with Peru's president, Alan Garcia) also used the Lima meeting as a pretext for a Latin American tour, which in his case took in Costa Rica and Cuba. Last year another visitor from far-flung parts, Iran's Mahmoud Ahmadinejad, turned up in Latin America.

To some in the United States, this flurry of outside interest in a region that they considered their "backyard" is threatening. They see it is a sign that under President George Bush America has lost influence in the region. In fact, Latin America's international ties have long been more diverse than caricature allows, but they are becoming even more so as the world changes. For some South American countries, Europe has always been at least as important as a trade and investment partner as the United States. Trade with Japan and the Middle East grew in the 1970s,

while the Soviet Union sold arms to Peru as well as sustaining communist Cuba.

It is Mr Chavez's search for allies in his rhetorical and political battle against the "empire", as he likes to call the United States, that pricked the interest of Russia and Iran. For Russia, its Caribbean naval jaunt is a symbolic riposte to America's plan to place missile batteries in Poland and to its dispatch of naval vessels to distribute aid in Georgia after Russia's incursion in August. The same goes for its recent revival of ties with Cuba.

But Mr Medvedev's main purpose in Latin America is business. Mr Chavez has already bought arms worth \$4.4 billion from Russia—including a Kalashnikov factory due to start producing 50,000 rifles a year in 2010. Russia was reported this month to have signed a contract to sell Venezuela portable air-defence missiles. That would alarm Colombian officials, who will fear their onward unofficial sale to the FARC guerrillas. Russian oil, gas and mining companies have signed deals to invest in Venezuela. Mr Chavez would like the Russians to build a nuclear power station.

Mr Medvedev arrived in Caracas from Brasilia. Brazil is close to signing an arms deal with France, which has agreed to pass on jet-fighter technology. But it may buy Russian helicopters, and sees scope for collaboration with Russia on civilian nuclear

Also in this section

42 Venezuela's regional elections

44 Argentina's pensions nationalisation

44 Ecuador's threat to default

technology and aerospace. Mr Medvedev said in Rio de Janeiro that he hoped trade between the two countries would soon double from last year's \$5 billion. Russian companies are interested in extracting Brazilian oil too. After initially embracing Mr Chavez as an ally, Brazil's government has recently sought quietly to neutralise his influence. By inviting Mr Medvedev Brazil's message to Russia is: "if you want to have a significant relationship in South America, have it with us," says Paulo Sotero, a Brazil specialist at the Woodrow Wilson Center, a think-tank in Washington, DC.

The motive for Iran's recent interest in Latin America seems to be a desire to add to its small stock of diplomatic friends around the world, and to score propaganda points against the United States. Mr Chavez has signed no fewer than 200 co-operation agreements with Iran. Venezuelan officials say that Iran has invested more than \$7 billion in their country—in plants to assemble cars, tractors, farm machinery and bicycles, as well as oil—and that bilateral trade has reached \$4.6 billion. But these figures may be exaggerated. Last year *Ultimas Noticias*, a pro-government newspaper, reported big delays on some Iranian investments and rake-offs by local officials involved in them.

In Mr Chavez's wake, socialist presidents in Bolivia, Ecuador and Nicaragua have also developed ties with Iran. Mr Ahmadinejad promised investments of \$11 billion in developing Bolivia's gas, and \$350m to build a port in Nicaragua. But there is little sign of either investment materialising. Brazil's foreign minister, Celso Amorim, recently visited Tehran and delivered a letter from President Luiz Inácio Lula da Silva inviting Mr Ahmadinejad to visit. Since Iran is the subject of United Nations

> sanctions, and Brazil has been actively, if fruitlessly, pursuing a permanent seat at the UN, this raised eyebrows in Brazil. Mr Amorim's visit was "inexplicable" and "gratuitous", according to Luiz Felipe Lampraia, a former foreign minister.

The intercontinental ambitions of Iran, Russia and Venezuela have all been puffed up by oil, and so are vulnerable to the steep fall in its price. The lasting change for Latin America is its burgeoning ties with China. At the APEC summit, Mr Bush's last trip abroad, it was Mr Hu who was the centre of attention. Mr Garcia treated him to a parade around Lima's colonial centre before they announced that they had wrapped up a free-trade agreement between their two countries. That matches a similar accord China concluded with Chile in 2005.

China's total two-way trade with Latin America has shot up from just \$12.2 billion in 2000 to \$102 billion last year. Though Chinese investment—mainly in mining and oil—has grown more slowly, it is now picking up. Last month China became a member of the Inter-American Development Bank. But China has also disappointed some Latin Americans. Some Brazilians complain that Brazil sells raw materials to China while buying manufactures from it. Brazil is frustrated that neither China nor Russia has helped its Security Council bid.

All Latin American countries are naturally keen to diversify their economic relations, and some seek wider political ties. But Europe (\$250 billion last year) and the United States (\$560 billion) remain Latin America's biggest trade partners. And the foreign leader that most Latin American politicians will be keenest to see over the coming year is Barack Obama.

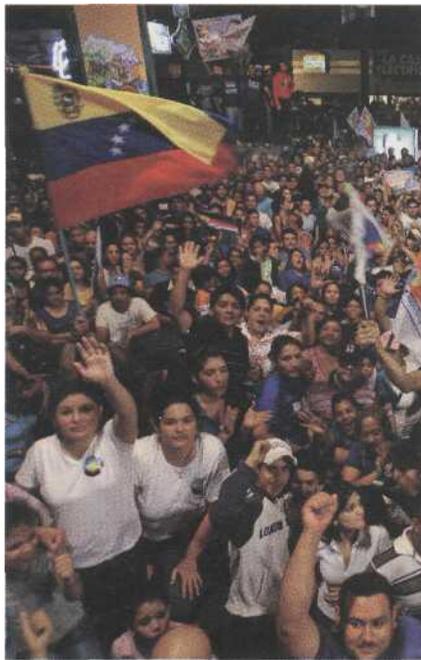
Venezuela's regional elections

Checked, but not halted

Some satisfaction for Hugo Chavez but more for his opponents

RARELY can a round of regional elections have been presented in such an apocalyptic fashion. Hugo Chavez, Venezuela's president, told his followers during the campaign that if the opposition won the capital, Caracas, and the populous states around it in the poll on November 23rd, then 2009 would be "a year of war" with his foes seeking to overthrow him. In the event that is more or less what the opposition achieved. But the victors immediately offered to work with the government.

Overall, the results allowed Mr Chavez, Latin America's most controversial leader, to present the election as a triumph for his United Socialist Party of Venezuela



No socialism for them

(PSUV). Pointing out that 17 of the 22 states, and most municipalities, had remained in government hands, he proclaimed that "the path towards the construction of Bolivarian socialism" had been ratified. But many of the psuv victories were in sparsely populated rural areas. The opposition won where it mattered most. It prevailed in the three most populous states—Zulia, Miranda and Carabobo—together with metropolitan Caracas and four of the capital's fivedistricts.

Mr Chavez had gone to extraordinary lengths to weaken the opposition's chances. The government disqualified the opposition's most popular candidates for Caracas and Miranda. It spent vast amounts of public money on propaganda for the PSUV. Mr Chavez made crude threats of retribution, saying that he "might end up having to bring out the tanks" if the opposition won Carabobo.

But this bluster seemed to backfire. In 2004, when local and regional elections were last held, the opposition was battered by a bruising failure to unseat the president in a mid-term recall referendum. Having called (without evidence) that result a fraud, the opposition gave its supporters little incentive to vote in the regional ballot, and it won only in Zulia and the small state of Nueva Esparta. Now it has returned in style to the heart of the country.

In doing so, it has trounced two of Mr Chavez's senior lieutenants and proved that it is capable of defeating the "revolution" even in poor urban barrios. The victory of Carlos Ocariz, of the centre-right Justice First party, in the sprawling slums of eastern Caracas, is particularly painful for a government that claims to be fighting a class war on behalf of the poor. By favour-

ing the opposition, urban voters showed that they were worried by the rampant crime, inflation and poor administration that are starting to eclipse generous oil-financed social programmes as the hallmarks of Mr Chavez's rule.

Even so, the result was hardly an unalloyed triumph for the opposition. Though more united than in the past, it improved only slightly on the two-fifths share of the vote that has been its ceiling over the past decade, winning 42%. It was the emergence of dissidents in the *chavista* camp that helped to cut the president's habitual vote of some 60% by around seven percentage points. Mr Chavez remains Venezuela's most popular politician. But having deliberately turned the vote into a polarising plebiscite on his rule, resulting in a record turnout for a regional election of 65%, the president has more cause for concern at the result than his opponents.

A year ago Mr Chavez's attempt to introduce a new "socialist" constitution that would have allowed indefinite presidential re-election was narrowly defeated in a referendum. This week he said he would not personally seek again to remove the constitutional bar on more than two terms. This will force him to leave power in January 2013. "What I can't avoid," he added disingenuously, "is someone else doing it." But his chances of success in any repeat of the constitutional referendum look weaker in the light of the election result. Opinion polls suggest re-election is unpopular even among some *chavistas*.

For now Mr Chavez retains a firm grip on political power. He has no substantial challengers within his party. But he is no longer the invincible vote-winner he once was. Dissenters within the ranks of the revolution—"traitors", he calls them—challenged his candidates in several states. His own brother, Adan, had a tough time winning the family's home state of Barinas, where a dissident candidate, Julio Cesar Reyes, is refusing to accept the result. The dissidents include members of two small left-wing parties which refused to dissolve themselves into the PSUV when Mr Cha-

