

Revista Brasileira de Estratégia e Relações Internacionais  
Brazilian Journal of Strategy & International Relations

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STRAL

THE CRISIS TRANSFORMS THE INTERNATIONAL SYSTEM:  
EMERGING SOUTHERN CONNECTIONS

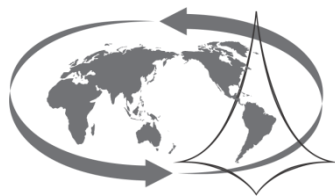


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# AUSTRAL

**Revista Brasileira de Estratégia e Relações Internacionais**

**Brazilian Journal of Strategy & International Relations**



**The Crisis Transforms the International System:**

**Emerging Southern Connections**

**Porto Alegre, n.1, v.1 | Jan/Jun. 2012**



**PPGEEI-UFRGS**  
Programa de Pós-Graduação em  
Estudos Estratégicos Internacionais



**UNIVERSIDADE FEDERAL  
DO RIO GRANDE DO SUL**



**NERINT**

Núcleo Brasileiro de Estratégia e Relações Internacionais

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## ABOUT THE JOURNAL

**AUSTRAL: Brazilian Journal of Strategy & International Relations** is an essentially academic vehicle, linked to the International Strategic Studies Doctoral Program (PPGEEI) of the Faculty of Economics (FCE) of the Universidade Federal do Rio Grande do Sul (UFRGS) and to the Brazilian Center for International Relations and Strategic Studies (NERINT) – a research center of the Latin American Institute for Advanced Studies (ILEA/UFRGS). Its pluralist focus aims to contribute to the debate on the international political and economic order from the perspective of the developing countries.

The journal publishes original articles and book reviews in English, Portuguese or Spanish about themes that lie in the vast area of Strategy and International Relations, with special interest in issues related to developing countries and the South-South relations, their security issues, the economic, political and diplomatic development of emerging nations and their relations with the traditional powers. The journal's target audience consists of researchers, specialists and postgraduate students of International Relations.

The journal will try, through its publication policy, to ensure that each volume has at least one author from each of the great southern continents (Asia, Latin America, Africa), in order to stimulate the debate and the diffusion of the knowledge produced in these regions. All of the contributions will be subjected to a scientific review.

## SOBRE A REVISTA

**AUSTRAL: Revista Brasileira de Estratégia e Relações Internacionais** é um veículo essencialmente acadêmico, ligado ao Programa de Pós-Graduação em Estudos Estratégicos Internacionais da Faculdade de Ciências Econômicas da Universidade Federal do Rio Grande do Sul/UFRGS e ao Núcleo Brasileiro de Estratégia e Relações Internacionais – NERINT, Centro de pesquisa do Instituto Latino-Americano de Estudos Avançados da UFRGS. O enfoque pluralista está vinculado à contribuição para o debate sobre a transição da ordem política e econômica internacional, a partir de uma perspectiva dos países em desenvolvimento.

A revista publica artigos e resenhas inéditos nos idiomas inglês, espanhol e português cuja temática se situe na área das relações internacionais, com ênfase na política internacional dos países em desenvolvimento e que tenham como foco principal as Relações Sul-Sul, as questões de segurança, o desenvolvimento econômico, político e diplomático das nações emergentes e suas relações com as potências tradicionais. Tem como público alvo pesquisadores, especialistas e pós-graduandos da área de Relações Internacionais.

A Revista Austral procurará, na sua política de publicação, que cada número conste de, ao menos, um autor de cada grande continente austral (Ásia, América Latina, África) com vistas a estimular o debate e a articulação de conhecimento produzido nestas regiões. Todas as contribuições são submetidas à avaliação científica.

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Universidade Federal do Rio Grande do Sul - Faculdade de Ciências Econômicas

Programa de Pós-Graduação em Estudos Estratégicos Internacionais

Av. João Pessoa, 52 sala 33A - CEP 90040-000 - Centro - Porto Alegre/RS - Brasil

Phone: +55 51 3308.3963 Fax: +55 51 3308.3963 Email: [austral@ufrgs.br](mailto:austral@ufrgs.br)

[www.seer.ufrgs.br/Austral](http://www.seer.ufrgs.br/Austral)

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*The opinions expressed in the articles published in this journal are of exclusive responsibility of their authors.*

# PRESENTATION

*Celso Amorim*<sup>1</sup>

*Austral: Brazilian Journal of Strategy & International Relations* has arrived at a good time. In a multipolar world whose contours are being outlined at a sometimes disconcerting pace, it's necessary to keep up with the reflection on the international reality. Redefining premises, updating parameters and reviewing judgments – all of that is the order of the day. Traditional thinking on International Relations is an open field to this work. If the past decade has come to an end with the questioning of a set of propositions about the global economy, the decade that is beginning may witness innovation on ways of thinking about international politics.

Classic concepts must be reformulated in order to explain phenomena of unprecedented type and reach. Without detriment to the commitment with descriptive objectivity, the normative quality of the narratives on the functioning of the international reality will be under permanent scrutiny. Peace and war, dialogue and force, persuasion and influence, among others, compose the constellation of ideas in which this both theoretical and practical debate will take place. And will be necessary to take part in it from one's own perspective. The timely choice of the name of this Journal, *Austral*, confirms its identification with that purpose.

One's own, but not univocal perspective. The plurality of ideas and concepts, a sign of solid reflection, is the best starting point to think, through our perspective, about the world order.

With its democracy already consolidated and its economy growing, Brazil has known how to affirm an independent point of view on the global order in the beginning of the 21<sup>th</sup> century. In terms of foreign policy, we showed that solidarity can reinforce the national interest and that the South can have a constructive and essential role on conformation of the multipolar order.

That didn't happen softly and without contestation. As every paradigm break, the rupture with pre-conceived ideas has caused controversy and generated critics, some less justified than others. Nowadays however even those who criticized several of the adopted positions have to recognize Brazil's unprecedented position in

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<sup>1</sup> Defense Minister and former Minister of Foreign Relations of Brazil (austral@ufrgs.br)

the international scenario. And the role of foreign policy in that rise has been highlighted by analysts all over the world.

Actions such as the ones Brazil adopted in the negotiations of the FTAA and the WTO, the impetus given to South-American integration, the approximation with Africa, the training of groups such as the BRICS and IBSA, as well as the fearless position on topics as the Middle East and the search for a peaceful solution to the question of Iran's nuclear program, turned our country into a respected actor, whose participation on the issue is increasingly requested.

The return of the defense topic to the national agenda in the last few years underpins this position. I usually say that a peaceful country is not a synonym of a defenseless country. With the National Defense Strategy, Brazil accepted the demanding and irreplaceable task of providing its own means of defense. By strengthening them, Brazil not only reduces its vulnerabilities in the face of potential threats in an increasingly unstable international scenario, but also contributes to the reinforcement of organic multipolarity, which must be the base of a safest and fairer world governance.

By approaching strategic and security topics, *Austral* will contribute to further develop reflection on these and others issues of great value to foreign policy, defense and Brazil's development.

Let the debate begin!

\* This article was translated by Gabriela Perin and revised by Isadora Loreto da Silveira.



## EDITOR'S NOTE

*Paulo Fagundes Visentini<sup>1</sup>*

Brazil's foreign policy has achieved since the beginning of the 21st century, a truly global presence, which exceeded both qualitatively and quantitatively the major advances of the Independent Foreign Policy (1961-64) and the noteworthy moments of the military regime (1964-85), such as the Responsible Pragmatism and the Universalism. Quantitatively, Brazilian diplomacy has made itself present, in traditional regions and partners, in small African, Asian and Arab nations, in the former Soviet republics and even in the distant islands of the Pacific Ocean. The critical role played by the Ministry of Foreign Affairs (*Itamaraty*) and other governmental agencies in this process must be highlighted.

From the qualitative point of view, such presence has gained remarkable political, economic and programmatic intensity with the "active, assertive and propositional" participation in important international *fora* and multilateral organizations. Among them the creation of the IBSA Dialogue Forum (India, Brazil and South Africa) and of the Commercial G-20, the participation in the BRICS, in the Financial G-20, as well as in the World Trade Organization (WTO) and the United Nations (UN). This diplomatic breakthrough was accompanied by global expansion and by the growth of Brazilian economy, which exceeded the GDP of several OECD countries.

Brazil received the status of Strategic Partner from the European Union and has created the same bond with emerging powers like China, India, South Africa and other important nations. South-American integration, with Mercosur and UNASUR, advanced steadily, and even with extra-regional initiatives such as the Africa-South America Summit and the South America-Arab Countries Summit . South-South cooperation was another axis of Brazilian diplomacy, with strong presence in Africa (continent to which Lula, then President, made 11 trips, visiting 29 nations) and Asia. By the way, the projection and world prestige of former President Luiz Inacio "Lula" da Silva, during his two terms, represents an unprecedented element in Brazilian diplomacy.

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<sup>1</sup> PhD. Coordinator of the International Strategic Studies Doctoral Program and International Relations professor at Universidade Federal do Rio Grande do Sul, (UFRGS), Brazil. (paulovi@ufrgs.br)

Even though such advances have been addressed abroad and in several national scientific journals, we still lacked a bilingual (Portuguese or Spanish and English) vehicle, focused exclusively on the analysis of such performance. At the same time, an instrument was needed to put us in direct contact with other think-tanks in developing countries, with which we have established high level contacts in recent years. Finally, with the academics and institutions in the North that think critically about the intense transformations that the world system is undergoing.

Thus, since the creation of NERINT (Brazilian Centre of Strategy and International Relations), in 1999, the research team planned the creation of a scientific journal to disclose their researches and views and to establish a dialogue with scholars from other nations and within the Brazilian diplomatic corps. Hence, contacts were made over the years in the country and abroad. This journal should reflect the perspective of the developing world, the "South", and now this old dream becomes reality, born of a long, careful and thoughtful preparation.

In this perspective, we are presenting to the Brazilian and foreign audience AUSTRAL, *Brazilian Journal of Strategy and International Relations*, an initiative of the International Strategic Studies Doctoral Program (PPGEEI) and the Brazilian Center for International Relations and Strategic Studies (NERINT) of the Latin American Institute for Advanced Studies (ILEA), from the Federal University of Rio Grande do Sul (UFRGS) in Porto Alegre. Austral means South in Portuguese, Spanish and English. The Journal has biannual frequency, is available in electronic ([www.ufrgs.br/austral](http://www.ufrgs.br/austral)) and printed format and is an offshoot of another successful initiative, the bimonthly Journal *Conjuntura Austral* ([www.ufrgs.br/ConjunturaAustral](http://www.ufrgs.br/ConjunturaAustral)).

It is an essentially academic publication dedicated to international political and economic topics, with emphasis on developing countries' diplomacy, which usually receive limited or ethnocentric attention from major international journals. The main focus of the publication are South-South relations, security issues, economic, political and diplomatic development in emerging nations and their relations with the traditional powers in a context of crisis and transition of the international order. The Editorial Board includes reputed academics from all continents, specialized in different subjects, and the Journal is open to contributions from all those who wish to join this analysis effort of Brazilian foreign policy and of the transformation of the international system.

We appreciate the support from IPEA and from the Government of the State of Rio Grande do Sul and its International Office for the publication of the two

initial editions of the new Journal. We would like to thank the professors Marco Cepik, the Deputy Editor, and André Reis da Silva, for the technical support in the project, as well as the entire team who worked on the editing and translation, in particular from the tireless academic of International Relations Guilherme Ziebell de Oliveira.

Paulo Fagundes Visentini  
Editor

\*This article was translated by Gabriela Perin and revised by Isadora Loreto da Silveira

# THE FUTURE OF MERCOSUR

*Samuel Pinheiro Guimarães<sup>1</sup>*

The analysis of Mercosur's situation, of its objectives and of the strategies to achieve them is of particular relevance as the twentieth anniversary of the signing of the Treaty of Asuncion, on March 26 in 1991, is celebrated at a time of extraordinary crisis and global economic and political transformation.

In 1991, neo-liberal thinking was hegemonic, in a very optimistic economic scenario. It was the New World Order, announced by President G. H. Bush, the era of globalization, of the end of borders, of the end of History and of unlimited progress for all states and individuals. It was the unipolar, peaceful and prosperous world.

Neo-liberal thinking, associated to the Washington Consensus and driven by the policies of developed countries in international negotiations and organizations and in their bilateral relations with Latin American states, would reflect, as a result of these external pressures and even for conviction of ruling elites, in domestic economical and social policies, of the four states of Mercosur.

Despite the obvious differences between the situations in which states and societies were at that time and the degree of radicalism with which they were implemented, these policies had as a main goal reducing the state to its minimum, through privatization, deregulation and openness to foreign goods and capital programs, often adopted unilaterally, without negotiations, as "voluntary contribution" to the progress of globalization.

In 1991 the international political situation was marked by the disintegration of the Soviet Union, by the end of the socialist regimes in Eastern Europe, by the discredit of socialism as a political and economic system, by the (voluntary or 'stimulated') expansion of democratic regimes, by the apparent end of regional conflicts, the 'resurrection' of the United Nations, and finally by the hegemony of the United States.

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<sup>1</sup> High General Representative of the Mercosur (austral@ufrgs.br)

In 2012 the world economy is characterized by the widening of the gap between developed and underdeveloped countries, by the expansion of globalization and of mega multinational corporations but, on the other hand, it goes through its deepest crisis since 1929, which resulted in from a tendency to overproduction, to the excessive extension of credit, and finally from a huge speculative movement, triggered by banks, investment funds, brokers and auditors, allowed by globalization and profound deregulation profound of national and international financial systems. The crisis erupted in the United States and spread out to the financial systems of other developed countries, while the capacity to maintain some positive growth of the global economy was indistinctively assigned to the emerging countries., without distinction, the ability to maintain some positive growth in the global economy. While the developed Western countries are plunged into their crises, which already affect European unity, China emerges as the second largest economic power in the world.

In 2012, the international political- military landscape is characterized by the unwinding of wars in Islamic countries, with the expansion of NATO powers far beyond its their area of competence; by the fight against an enemy diffuse enemy, terrorism; by, the unforeseen outbreak, unforeseen, of popular movements against Arab dictatorships have which were traditionally supported, and sometimes even financed by the Western powers; by the intervention of Western powers, under the pretext of humanitarian issues, in the internal affairs of weaker states; by the resurgence of xenophobia and racism, especially in Europe, with reflections on South-American immigrants; by the increasing sophistication and automation of the military forces of major powers and by their efforts to disarm, even in conventional terms, the weaker and already disarmed states.

This political-military scenery scenario is being increasingly being transformed by the geographic expansion of the political presence, and, in the future, military's Chinese presence, from its growing economic influence, as largest economy, largest exporting and importing power, second largest international investment destination, largest holder of foreign reserves and largest investor in U.S. Treasury bonds and its growing scientific and technological capacity. Despite all the difficulties and challenges, Chinese economical and political trajectory tends to suffer no radical changes due to the characteristics of its collegiate political system and to the gradual rise of the Communist Party members to positions of high responsibility in the Political Bureau of the Central Committee.

The emergence of China as the largest economic power in the world, and possibly soon, the second most powerful political and military one, have

extraordinary consequences to South America, but particularly so for the member states of Mercosur.

Especially for Mercosur, as certain South American governments have made the decision of great importance to their countries and to South America's political and economic future to initially insert themselves into the US economic system, by signing broad economic agreements, improperly called 'free trade agreements', and then to the world economy, through the negotiation of actual free trade agreements with the European Union and many other countries, including China.

Those South American countries have chosen a policy of unrestricted inclusion in the global economy and given up the possibility of using various instruments to promote development, particularly important in the case of developing countries with significant populations, with a high degree of urbanization and with large social and economic disparities. And, therefore, abdicated a more intense participation in a South American process of regional integration for the impossibility to participate in a regional customs union and in regional industrial policies that allow the strengthening of productive companies in their territories. Thus, the rhetoric that is present in all academic and political meetings on the aspiration, the possibility and the benefits of a future South American integration should be seen in the light of this current reality.

The impact of China on the economy of Mercosur countries, which is already large, will become extraordinary.

Chinese economy has been growing at an average rate of 10% per year over the past thirty years, challenging the expert's recurring negative forecasts. Its modern economy is made up of 300 million individuals, with a growing deficit of food for a population that improves and diversifies its eating habits, not enough arable land and water for irrigation on a large scale (although there is the possibility of desalination of seawater and development of appropriate agricultural technologies to their inhospitable regions), with a voracious demand and a significant minerals deficit and with a growing energy deficit, despite the ambitious expansion programs of its electro-nuclear and wind systems. The gradual incorporation of over one billion Chinese people, today in rural regions and dedicating to low-productivity activities, to the modern sector of the economy will make China the world's largest market, superior to the American and European markets combined.

Although China's demand for minerals, food and energy can be supplied by other regions, especially Africa, South America and the Mercosur countries are under

special conditions to meet that demand, as indeed has been doing with its soybeans and iron ore exports of soybeans and iron ore, among other products.

Chinese demand for minerals, oil and agricultural products contributes significantly, to the increase in world prices of those products, to an inflationary impulse in all countries, tofor the generation of large foreign currencyexchange earnings in the Mercosur countries, and the resulting appreciation of their national currencies, simultaneously affected by the simultaneous influx of excess of money offered by the United States, through its policy of ‘monetary easing’.On the other hand, China, which initially was a huge platform for production and export of mega multinational corporations, started, through its commercial, industrial and technology transfer policies, to create and develop its Chinese capital companies, able to participate in the world market in various sectors, with products varying from the most simple to the most complex, with highly competitive production costs and export prices.Thus, China’s own situation and its development strategy will profoundly affect in the deepest way affect the development prospects of each Mercosur country, their commercial, industrial and technology policies, guided by WTO rules, negotiated and adopted in a different international context will be put into question, and the very future of Mercosur as an economic development, productive transformation and social development regional scheme.

On the one hand, Chinese demand for commodities and on the other hand, its supply of industrial products at low prices in the face of the orthodox economic policy orthodoxy of certain countries (focusing on an excessive concern with fighting inflation and maintaining fiscal balance) its low technological dynamism may lead, if firm and permanent industrial policies of adding value to primary products with strong demand are not formulated and implemented, to a specialization in primary production export and to the Chinese conquest of industrial product markets of Mercosur’s partners and all the other countries in South America.

This situation would tend to aggravate with the overcoming of the economic crisis in the highly industrialized countries, which caused a temporary reduction of its demand for primary goods. With the resumption of its industrial growth and income, those countries will exert an even stronger additional pressure on the bigger commodity markets, both agricultural and mineral, with high possibility of deepening the process of regressive specialization process of countries in South America and especially Mercosur, which includes the two largest industrial economies in the region.

In societies increasingly urbanized societies with populations and expressive populations, under the permanent impact of aggressive advertising to stimulate consumption, this regressive specialization would lead to an insufficient supply of industrial jobs in these societies insufficient to meet the growing demand resulting from population growth and the need to absorb underemployed and disqualified stocks of labor. The social effects of insufficient generation of urban jobs would be extremely serious.

This scenario wouldll profoundly affect the prospects and possibilities for of deeper integration between the states of Mercosur states to the extent that this integration depends on the growing ties between their economies (and consequent political linksattachment) which what is only possible through the exchange of industrial products as for, in the agricultural sector, in addition to the lower range of typical products which is characteristic of this sector, the productions of the four countries are largely competitors. Their economies would gradually or even rapidly become increasingly isolated from one another and the process of deeper integration would be definitely shaken and reduced to cooperation efforts in important sectors, yet limited.

### **The challenge of asymmetries**

The asymmetries between the member states of Mercosur, which are remarkable in territory and population, being the first aspect unchangeable and the second one slowly transforming, but which have nevertheless great economic importance, have been growing rapidly in terms of degree of productive diversification, technological dynamism and size of their productive parks.

The dynamics of these asymmetries, left at the mercy of market forces in a customs union and in a free trade area, in the absence of corrective schemes, lead to an increasingly different degree of development and therefore the friction, the frustrations and the permanent threats to the cohesion of Mercosur, with all the consequences to the capacity of the larger states but especially the smaller ones, of defending and promoting their interests in an increasingly characterized, despite the crisis, by the expansion of large regional arrangements in the Americas, Europe and Asia international environment.

Reducing disparities is essential so that the economies and societies can benefit equally from the integration process. The asymmetries that, in concrete terms, correspond to large physical and social infrastructure, workforce training and



companies' size differences, do not allow private investments to be distributed in a more harmonious manner within the common area, and allow the generation and the quality of jobs to be uneven and, therefore, the income generation and welfare in different societies to be inequitable.

Other integration schemes, such as the European Union, from their origins in 1958, were concerned with the existence and the effects of different levels of development among the participant states and with the need to promote a more accelerated development in the most backward countries to make opportunities more balanced within the common economic space. They resorted to various programs, primarily for the transfer of resources in order to level the economy of the states that were joining the European Union and which were at different stages of development. The process of reunification of the two Germanys was and is an example of great transfer of resources that reached up to trillions of dollars with the goal of leveling two economies and societies that integrate.

Due to the neoliberal doctrine and its implicit objectives that guided the creation of Mercosur, it was initially thought and said that the asymmetrical dimensions of the states would not affect the development of each one of them and that simple automatic commercial integration, without appropriately taking these asymmetries into account, would allow each of them to benefit equally or in similar way of the integration process.

Twenty years after the Treaty of Asuncion there is a widespread acceptance of all the governments of the importance and consequences of all kinds of asymmetries between the states and of the need to face them with effective programs, whose amount of so far allocated resources are absolutely insufficient to the dimension of the task.

Some simple statements can be made about the possibility of success in addressing the challenge of reducing asymmetries, essential for the cohesion and economic and political future of the Mercosur:

a. without the generous understanding (and, incidentally, of the economic and political interest) of the larger states, which should be reflected in their financial contributions to various programs, especially for FOCEM (Fund for Structural Convergence of Mercosur) the importance of asymmetries can keep on being emphasized but they will not be reduced;

b. without building energy and transport infrastructure in the smaller states asymmetries will not be reduced and;

c. no program or community policy in any of the several areas of integration will move forward without the creation of asymmetric funding financial instruments to those programs and policies.

### **The geographical expansion of Mercosur**

In an international scenario characterized by the expansion of large strengthened country blocs, despite the euro crisis, Mercosur's capacity to defend and promote the interests of its member states depends on its economic and political empowerment.

From the economic and social perspective the strengthening of Mercosur will result of the productive development of each of the four national economies, of their physical and commercial integration, of the significant reduction in disparities in each one of the societies, of their technological dynamism, of the reduction of external vulnerabilities of each of its members.

From the political perspective, the strengthening of Mercosur as a bloc depends on an ever-closer coordination of its members and on the number of sovereign states that compose it, states that, for that reason, are interested in coordinating their actions as members of a bloc in international negotiations and *fora* and in the face of crises and third states' initiatives, especially those of more powerful states.

Mercosur's geographic expansion means the adhesion of new members. Because of decisions they have made in the past, there are states that cannot integrate Mercosur. Those states have signed free trade agreements with other states or blocs, such as the EU, and, therefore, apply zero tariff to imports from those states or blocs and, thus, could not adopt and apply Mercosur's common external tariff.

Mercosur's geographic expansion began with Venezuela's adhesion process. The full participation of Venezuela in Mercosur is of great political and economical importance, given the country's wealth in mineral and energy resources and its decision to develop its industrial economy. Its entry now depends only on the

Paraguayan Senate's decision, having already been approved by Argentina, Brazil, Uruguay and Venezuela.

Apart from Venezuela, Bolivia, Ecuador, Suriname and Guyana could, in principle, join the Mercosur. The possibility of entry of extra-regional states, that is to say, countries from outside South America in the Mercosur is reduced.

It is in the best interests of the member states of Mercosur to create the best possible conditions to the possible entry of Bolivia, Ecuador, Suriname and Guyana as full members in Mercosur and to strengthen relations with all other South American countries, that, by the way, already are associate states, so that in future if they wish to join the Mercosur, this entry will be easier and more effective politically and economically.

### **Mercosur as a mechanism for regional development**

At the time of the creation of Mercosur, the governments of Presidents Menem, Collor, Rodrigues and Lacalle had the conviction that the implementation of the policies advocated by the Washington Consensus, i.e., deregulation, privatization, openness to foreign capital and removal of trade barriers, would be sufficient to promote economic and social development.

Mercosur was created in 1991 to be a trade liberalization project, as a step in a 'virtuous' process of elimination of trade barriers and full insertion into the international economy, and not to be an organization for the promotion of economic development of the States individually or as a bloc.

The implementation of the Treaty of Asuncion, by failing to adequately consider the differences between countries and the economic and political impact of economic dislocations caused by the reduction of tariffs, led to all sorts of 'provisional' schemes, such as the automotive agreement and the exceptions to the common external tariff, periodically renewed, for capital and information technology goods, and the agreements, often informal, of trade organization in certain business sectors.

The transformation of Mercosur from a customs union and free trade area to an imperfect scheme of balanced and harmonious regional development of the four states, which means the elimination of asymmetries and the gradual construction of 'common' legislation would require:

- a) the forceful recognition of the asymmetries, whose reality would be verifiable by the constitution of asymmetrical common funds, with adequate resources in every area of integration to finance projects, including that of gradual legislation harmonization;
- b) the assurance of conditions to allow industrial development promotion policies in each state;
- c) the signing of agreements in relevant industrial sectors, similar to the automotive agreement;
- d) the creation of mechanisms that prevent national ‘markets disruption’ and at the same time avoid trade diversion in favor of non-member countries of Mercosur;
- e) the access of national capital enterprises, located in the four states, to national financing organs of any of the four Mercosur states;
- f) the four states legislation harmonization in all areas of integration.

The international economic crisis, the development strategy and policies implemented by China, the programs implemented by industrialized countries to tackle the crisis and the real actual ‘suspension’ of the rules included in the various WTO agreements ‘negotiated’ at the time of the hegemony of neo-liberal thinking create a favorable environment to the adoption of this list of measures.

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**ABSTRACT**

This work analyzes the situation of Mercosur, of its objectives and of the strategies to achieve them in the context of the celebration of twenty years of the signing, on March 26, 1991, of the Treaty of Asuncion and also of a full-blown crisis and of profound global political and economical transformation.

**KEYWORDS**

Mercosur; International Economic Crisis, Political Change.

# THE BRAZIL OF LULA: A GLOBAL AND AFFIRMATIVE DIPLOMACY (2003-2010)

*Paulo Fagundes Visentini<sup>1</sup>*

Brazil is the fifth country in the world in terms of population and territorial surface and became the tenth economy during the Military Regime (1964-1985), after declining during the opening of the neoliberal globalization and the ending of the Cold War. During the government of Luis Inácio “Lula” da Silva (2003-2010), however, Brazil won remarkable importance worldwide in politics and economy, reaching the eighth position. Brazilian diplomacy reached a global position and the economy become dynamic and established bonds in all continents. How this was possible?

## **The bases of Lula’s government and its Foreign Policy**

The crushed victory of a center-left candidate to the presidency, Luiz Inácio “Lula” da Silva, happened in a peaceful way, on the contrary of the catastrophic speculations and showing the existence of certain continuity lines. The new government, the first headed by a working class person in 500 years, was supported by an extensive support board, including the syndical bases of the Worker’s Party, segments of the middle class punished by the economic model, sectors of the Army Forces, the State and nationalist politicians, besides businessman interested in a strong home market. This base encouraged the adoption of measures capable of reducing the huge social deficit, caused by the neo-liberal era, by creating jobs, reducing the level of crime and violence and reinforcing the mass manufacturing economy.

Many expected an international behavior based on ideological vision and an unprepared president. But what has been seen was a diplomacy gifted of tactical-strategic sense, of long range vision and a president with charismatic worldwide. As we saw, although the actual course of Brazilian foreign policy began in the second

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<sup>1</sup> PhD. Coordinator of the International Strategic Studies Doctoral Program and International Relations professor at Universidade Federal do Rio Grande do Sul, (UFRGS), Brazil. (paulovi@ufrgs.br)

government of Fernando Henrique Cardoso, there weren't significant changes at that moment. The ex-president didn't have the will and also the political base to make a change that could overcome a shy critical speech and a limited inflection. Lula's inauguration changed this situation and Brazilian foreign policy became developed and protagonist, overcoming expectations.

The ambassador Celso Amorim returns to lead the Ministry of External Relations and, meaningfully, the ambassador Samuel Guimarães became General Secretary, caring an essential role, always induced by foreign interests, elements of previews management and press sectors connected to both. To fulfill the new strategy, the international relations on Lula's government had three dimensions: an economic diplomacy, another political and a social program. The first dimension is realistic, the second is resistance and affirmation and the third is propositional. It has been a mature project for over a decade, and not some proactive policy, because it demonstrates the correlation of forces in Brazil and worldwide.

In relation to the first aspect, is necessary to keep open the trading channels with First World Countries, getting resources (investment and technology), negotiating the external debt and identifying that the government intends to keep the international commitments without any sharp break or change of macroeconomic model. However, this "caudatary" dimension of the world order is compensated by the strength of the negotiation position together with the multilateral financial institutions and some internal adjustments to reinforce the operational capacity of the State and the home market.

The political diplomacy, on the other hand, represents a reaffirmation field of national interests and a real leading role on international relations, with real intention of developing an active and affirmative diplomacy, ending a phase of stagnation and emptiness. Lula's government gave back to Itamaraty the strategic position that it previously occupied in formulation and execution of Brazil's external policy. Besides, Itamaraty had a wide rerouting with: adoption of non quotas affirmative policies, extension of the number of diplomats, opening of new embassies in Africa and Asia and more openness of the diplomacy to civil society and the academy.

Finally, the internal project of Lula's government also has a significant international impact as its social proposals relate to the agenda that tries to correct the distortions created by a focused globalization only on trade and free investments. The campaign for combating starvation represents the symbolic

element which signals the construction of an alternative socio-economic model, responding to the neo-liberal globalization crisis.

Measures such as revalorization of the home market and the capacity of internal savings, the mass manufacturing economy and the combat of internal factors that undermine a more qualified international action (such as social inequality, unemployment, crime, administrative disorder and fiscal chaos) are evidences of the construction of this project. Social, energetic, urban, land and productive policies represent a political will of this kind. Parallel to this, the president's charisma seen to be summarized in his franc and simple figure the characteristics that the world admires in Brazil. It allowed Lula to develop an intense international agenda as spokesman of this project.

Brazil acts with optimism and political will, creating constantly facts in international area. Previously the country demonstrated a low self-esteem, because the governs of Collor and Cardoso saw Brazil as a belated country in relation to the rich nations. Now, on the contrary, Brazil considers itself protagonist of equivalent level, with bargaining power and owner of a project that can also contributes to insert the social agenda in globalization. Instead of empty speeches and practice obedience, the country has proposed measures and ensuring the ones that are right at your fingertip. Yes, because there was a room for manoeuvre, still limited that could but wasn't used in 1990. The emphasis on FHC's era was reversed, which implies a significant inflection in terms of foreign policy.

In practical terms, Brazilian government supplanted the passivity of the previous one and searched for alliances outside the hemisphere, as a way of amplify its power of influence in international scope from the active and programmatic stance. The highest priority of the agenda consists on the reconstruction of Mercosur and the South American integration, building a space for a shared Brazilian leadership. Besides, solidarity with Africa is also central, because it associates ethics principles and national interest. The intention of deepen the relation (and establish a strategic partnership) with emerging powers such as China, India, Russia and South Africa, among others, beside the establishment of a strategic association with European Union and the appreciation of the international institutions (especially the UN), besides the economic advantages, show the intention of contribute to the establishment of an multipolar international system. The international relation principle of democratization is explicitly invoked.

All these initiatives point to the attempt the creating a balance in relation to all that remains been, because of globalization, the main dimension of international insertion: relation with the great powers (especially the USA) and as international



capital. It began the construction of a bigger space to bargain and a global alternative, with Brazil giving a contribution in proportional with its international weight. In practice, it meant that Itamaraty, instead of concentrating on the attempt of cooperation with countries more developed than Brazil with big but saturated markets, searched spaces that weren't occupied, developing high profile diplomacy. With these credentials, Brazilian president opened the United Nations General Assembly in New York, event with record in participation of leaders in 2003.

### **Mercosur, IIRSA and UNASUR: the South American integration**

One of the first actions was in Venezuela, when Brazil sent help to the next door country that was dealing with an overall strike of almost two months sustain by the opposition against the govern of Hugo Chávez. Besides, Brazil also proposed the creation of The Friends of Venezuela Group, in support of the OEA mediation (included Brazil, USA, Chile, Mexico, Portugal and Spain). The Brazilian proposal has generated critiques by the opposition of that country and certain unease by USA. Washington was surprised by Brazilian diplomacy agility and tried to assume the initiative as a way of minimize the emergent South American leadership. Over time, relations between Brazil and the Bush govern became extremely cooperatives (to Brazilian opposition's dismay), especially with the advent of a new left government in South America.

It's necessary to emphasizes that Brazil has strong and friendly relations with Venezuela, no matter which government is in power in both countries. Deals about the boundary control, economic complementation and integration of transport and energy networks were established between Caracas and Brasília already in 1994, during Itamar Franco and Rafael Caldera govern (Protocol La Guzmanía). By this mean, the Brazilian help didn't represent any kind of "left solidarity" or intrusion in the internal affairs of another country, as the Venezuelan opposition argued. For Brazil, didn't matter the political or economical chaos in its boundaries (already happens in relation to the conflict in Colombia), with a collapse of the Venezuelan economy or a civil war, that might happen. Much less the break in the constitutional rules and the deposition of an elected, which has already been avoid successfully in more than one opportunity by Mercosur in relation to Paraguay.

Analyzing the South American integration and also the Mercosur one as main priority, it's offered to neighbors a needed partnership to recover economy growth, a

sine qua non condition to turn interaction more than just virtual and to open a possibility for a strategic action in global plan that reverses the raising marginalisation in the area. Just the regional integration can ensure governability and progress to all South America and also be an essential instrument in FTAA (Free Trade Area of the Americas) negotiations.

This new reality allowed reinforce the policy introduced by the South American countries to develop physic infrastructure (transport, communication and energy), as a form of restarting the integration progress. Lula's Brazil, by his turn, gives strategic importance to the initiative, deepening qualitatively the policy used by FHC in his last govern. Hence, Brazilian Development Bank already began the funding of works to physical South American integration and the chairperson Marco Aurélio Garcia reveled that govern intended duplicate the resources to the program, such as seeking support to the Inter-American Development Bank and others financiers institutions.

President Kirchner, in his turn revealed the Argentinean will of changing the economic policy that the country developed in 1990, leaving neoliberalism and searching a model based on public investments and combating poverty. In international plan, he revealed the intention of closer cooperation with Brazil, redeem Mercosur and contribute actively to South American integration. It's interesting that the new argentine government evolved from Menem's carnal relation with the U.S. to an equidistant attitude, giving motives to make the White House think about the emergence of an autonomous pole Brazil-Argentina.

In this way, it's observed the return of South America in diplomatic leading role and the integration process, with a parallel affirmation of internal agendas of economic and social development. The current South American diplomatic performance not only refers to the regional plan, but a performance focuses worldwide. In short, Peru's association to Mercosur, the campaign for support the Andean countries in association to the Andean Community of Nations to Mercosur and the material advance of measures towards integration of South American countries' physical infrastructure have generated a new spirit in the area. New governs assumed the power with international positions similar to the Brazilian diplomacy, others changed their agendas, converging with Itamaraty's agenda. Even Colombia, with the Brazilian proposal of mediate the release of hostages held by FARC, starts looking at Brazil with different eyes, and only Chile persecutes acts away from his neighbors.

South American integration involves three levels: Mercosur, IIRSA and CASA/UNASUL. Mercosur represents the commercial and investment level, already

directed. Despite the critical of some leaders, usually aimed at the internal public, the bloc has made progress in areas such as education, politics and scientific-technological. Were established Regional Productive Chains and The Program for the Competitive Substitution of Imports, whose objective is promote exports of the others members of Mercosur to Brazil, as to balance trade. Besides, all countries of CAN and Chile are already associated members of Mercosur, despite some of them signed free trade agreements with the U.S.

IIRSA, Initiative for the Integration of the Regional Infrastructure of South America represents a functional way of integration, focused on infrastructure of transports, communication and energy. It matters all countries and some external actors such as China, European Union, Japan and even The United States. It allows create employment and overcome the Fiscal Responsibility Law (having not budget international funds), which limits the political of internal development of each State. IIRSA develops several projects, besides the construction of oil platforms and pipelines, overcoming exploration of ideological dimension.

Finally, the South American Community of Nations (CASA in Portuguese), created in December 2004 and further in April 2007 transforming in the Union of South American Nations (UNASUR), which represents a forum to develop the political conscience of integration (including Guiana and Suriname). It developed, equally, a locus where a high level dialogue between member States occurred and lots of differences and outline are solved. It's particularly useless with the advent of left-wing in the area; if Brazil, Argentina, Uruguay and Chile represent highly institutionalized models, Venezuela, Bolivia and Ecuador are trying to format their political systems, which implies constant dialogue. We must admit that Brazilian diplomacy has been successful dealing with nationalization of Bolivian gas, Venezuelan crisis and the confront between Colombia and Ecuador in 2008, the last one in framework of OEA. Outside South America, the more relevant actions has been the cooperation with Cuba and the peacekeeping mission in Haiti.

### **Strategic partnership and South-South Cooperation: ideology or pragmatism?**

At global level, Brazil has been trying to act like a member of BRICs (the giants Brazil, Russia, India, China and after South Africa, classified by Goldman-Sachs consultancy), providing content to the strategic partnership and promoting South-South Cooperation. Accused by the opposition of ideological initiative based on the experience of the Movement of Non-Aligned Countries in 1970, the actions are

focus in common points, without the creation of an anti-hegemonic or anti-OCDE front.

The first step was the constitution of IBAS<sup>2</sup> or G-3, The India-Brazil-South Africa Trilateral Cooperation Forum, a South African initiative, not supported by FHC. The Foreign Ministers Celso Amorim, Yashwant Sinhá and Nkosazana Dlamini-Zuma announced that G-3 would seek to promote trilateral cooperation, mutual commercial liberalization and unification and strengthening of positions in multilateral fora. Negotiations will involve Mercosur, Southern African Customs Union and possibly, South Asian Association for Regional Cooperation (SAARC). The three countries expressed, equally, the desire of approaching Russia and China turning in G-5 (if that occurs, the Group would host almost half of the total world population and a considerable amount of total production, which may influence significantly the multilateral negotiations. Creation of G-3 was an important initiative, when the South countries need to act in order to protect their interests and to change important subjects of the current global agenda. It is a contribution for construction of a multipolar world system, without hegemonies and led by multilateral organizations.

Others initiatives were highlighted such as Lula's visits to the Arab countries and approximation with Africa, continent that the president visited eight times in six years of govern. As a result, regular Meetings of South America-Arab Countries were held and was signed the cooperation Mercosur-Gulf Cooperation Council deal (May 2005) and the Africa-South America Summit Reunions (ASA).

Lula's visit were important not only to Brazil-South Africa relations (11 visits, 29 countries, 17 new embassies), but, mainly, for the establishment of an institutionalized association between Mercosur and Southern Africa Customs Union (SACU), the integration area centered by South Africa on the southern part of the continent. In Africa, Brazil became a new important actor, on the side of China e India. Relations with the countries of Medium Orient were increased not only on trade, but equally in diplomatic terms, because Brazil was invited to mediate the crisis between Iran and Palestine.

It is about taking the existents gaps on the international system, deepened after the September 11 attacks taking over spaces that were extremely important to amplify the exports of goods and services expanding the action of Brazilian companies and international influence of the country. The active solidarity is also important, such as the projects in social and health area, besides the joint approach

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<sup>2</sup> Disponível em: <<http://www.forumibsa.org>>. Acesso em maio 2009.

in international organisms, through coalitions of variable geometry like the Commercial G-20. President Lula achieved the feat of overcome FHC in number of external travels, although different geography and personal style. Lula came to be seen as a fresh new, speaking Portuguese, with his spontaneous style and campaigns against poverty that caused so many disapproval in our middle class, gave him an enormous prestige worldwide.

Relations with China finally reached the strategic partnership level and cooperation with Russia and, in bilateral level, with India and South Africa are developing in this direction. Not only on business and investment plan there is progress, but also in actions center on multilateral plan (despite some punctual divergences) and in joint science and high technology (aerospace, atomic energy, military) projects. The campaign for obtain a permanent seat on the United Nations Security Council, is based on these alliances, the up grade on Brazil's international position and the proposal of associate it to a reform that could give more power to the General Assembly and the Economic and Social Council (ECOSOC).

#### **A new focus to North-South relations**

In political-diplomatic field, Lula's government began when was about to emerge the American invasion of Iraq. Brazil's position was strong, denying support any action without the UN inspectors finished their jobs and the Organization gave its green light. The attitude was extremely welcomed by the members of the Axis for Peace (France, Germany and Russia) pointing out the new autonomy of Itamaraty's diplomacy. The participation in World Social Forum in Porto Alegre and days after in World Economic Forum in Davos, Switzerland increased Lula's prestige, except by the left parties. Similarly, the condemnation of terrorism was accompanied by the rejection of the War on Terrorism agenda and time made sense to Brazilian attitude.

An additional example of the continuously mobilization power of Brazilian diplomacy was the structuring of G-20, where Brazil acted efficiently on the WTO meeting in Cancun. Cordial but contesting, Brazilian diplomacy establishing links with developing countries affected by protectionism and agricultural subsidies from the First World Countries. The G-22 surprised the rich countries and gave voice to the South American unhappiness, closing the ending of the spectacular meeting. There far, the tendency is that the South American constellation and some other powerful countries (not exactly a "bloc") will help to moderate the North American

attitude in international relations, helping simultaneously in construction of a multipolar world governed by the United Nations system.

Added, all these events had impact in the relations between Brazil and US and certainly, in FTAA's negotiation. Nowadays FTAA's negotiations are blocked, despite affirming that it was inevitable. Bush's manifestation that would not be willing to remove the gigantic agricultural subsidies for American agriculture and protectionism for products such as steel, as well unilateral measures designed to defend American economy, represent an answer not much likely to large multilateral agreements of commercial liberalization. Subsidies, non-tariff barriers, patents, government procurement and others items would be send to the WTO and Bush would have an abbreviation to show to the U.S. electorate. In FTAA's reunion in Port of Spain the USA made this position very clear. To Mercosur countries and Brazil in particularly, these matters were essentials in the same way that some matters of FTAA are not important, which makes it harder.

Equally, the process were hampered by others structural matters of North American hegemony, as the costs of their decisions referent to the War on Iraq and Afghanistan. With that, the White House aware of the growing difficulties on FTAA's negotiations, would have to count on Brazil's support, because without it, FTAA won't be implemented, since the U.S. has access to others countries' economies, which are in a smaller dimension compared to the Brazilian one. Ironically, putting negotiation in right foundations made sounds that the initiative of frozen FTAA came from the American, neutralizing possible reactions by the Brazilian opposition. Negotiations with FTAA are suspended.

Lula's govern started to negotiate strongly, looking for defending Brazilian economic interests. As global trader, the country intends to maintain their relation with several areas worldwide, focusing on Mercosur and South American integration. After reversing American expectations that the govern had left policies, Lula become admired in Washington. It's necessary to observe that Brazil's diplomacy went against some positions of the hegemonic power and emphasized your autonomy, create a reasonable room for manoeuvre. This way, called attention to all socio-economic and infrastructure works demands with neighbors.

Diplomacy presents itself as the most successful field on the current govern, with the country recovering of an action with great intensity and planetary reach, worthy of fifth more populous and extensive nation and tenth economy in the world. This leading paper with the Third World and the diversification of bonds with the First World give to the country a certain differential to intensive the campaign for obtain a permanent seat on the United Nations Security Council, as a permanent

member. Ironically, today Brazil has a better dialogue with Washington and a more respected diplomacy, with bargaining power. The economical crisis and the military-diplomatic damage in the U.S. on the ending of eight years of Bush govern constitutes interesting points to think about.

### **Balance and perspectives**

New oil fields made Brazil became self-sufficient and projects such as ethanol and uranium enrichment points to advances, but the political front continuous to be fragile, with great polarization, including against foreign policy. The govern tries to keep a low profile and, many times does not react in a proper manner. The reason why foreign policy is the most used front in Lula's government is explained by the fact that it is directed by Itamaraty (and supported by part of it), which recovered its space and has the support of segments inside the State, worried about the national matter, such as the Brazilian Development Bank and the Army Forces.

The president was reelected, in second round, with 58 million of votes (61%) and the second mandate has, like was promised, giving a bigger attention to the project of development and the social plan. A new oil field made the country self-sufficient and projects with ethanol and uranium enrichment point to advances, but the political front continuous to be fragile, with big polarization, including against the foreign policy.

The field of science and technology is ecisive, and the countries that don't focus its development in aerospace sectors, nuclear, defense, informatics and biotechnology will be in sideshow. It's necessary promote social inclusion (creating a new paradigm, which turns work and techno-scientific revolution, environmental balance and democratic governability. But his task can't be held exclusively at home but global, including the social, environmental and democratic matters in globalization agenda, therefore it's necessary a foreign policy meeting the challenges.

During the last decade, Brazil catalogued its political and economic position worldwide, and this tendency was maintained even with the international financial crisis, which affects OCDE countries since 2008. In the same line, the quality of life for Brazilians continuous to improve significantly. That's why the candidate indicated by Lula to the presidency, Dilma Rousseff which govern began in January 2011 despite some style adjustment, she is keeping the main aspects of Lula's diplomacy. Brazil's participation on Financial G-20 and BRICs represent not only

some aspects to deal with the growing imbalance between the economic order (increasingly multipolar) and the military-political order (which remains dominated by the remainder superpower, the U.S.).

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## **ABSTRACT**

During Lula's government (2003-2010) Brazil experienced significant social and economical improves, but especially developed an “active and affirmative” diplomacy of global span, which assured autonomy and international prestige. Beneath Brazil’s coordination the South American integration had moved on. The country established strategic partnerships with China, Russia, India and South Africa, which, added to the advance of the south-south cooperation, changed the course of global multilateral negotiation. When it is about to choose the heiress, Lula’s diplomatic legacy must deepen, contributing to a worldwide reform.

## **KEYWORDS**

Lula’s government; Brazilian foreign policy; Brazil’s diplomacy.

# RUSSIA TURNING ON LATIN AMERICA

*Yuri Paniev*<sup>1</sup>

Aromatic coffee, ripe bananas, fancy orchids, fiery samba, soap operas – this is kind of standard Russian associations, which arise when Latin America is mentioned. And although the peak of cooperation between the Soviet Union and the "flaming continent" was left behind in the 1970's, the modern Russia is catching up. As a result the Latin American direction has become, perhaps, the most spectacular component of Moscow's international activities in recent years.

Billions of dollars in contracts, joint projects in various spheres, state-of-the-art technologies – this is what brings together Russia and Latin American states today. Russia has diplomatic relations with all of the 33 countries in the region, with 18 of them it has agreements based on new cooperative principles – nothing of the kind has ever existed before. Some analysts predict a new "golden age" for Russia - Latin American cooperation.

According to Vladimir Davydov, the director of the Institute of Latin America and corresponding member of the RAS, the unprecedented intensity of Russia-Latin American dialogue is due to the fact that Russia's leaders have realized the strategic importance of Latin America. "For years the initiative was coming from Latin America, the Latin Americans were coming, breaking through with their exports, seeking to raise the level of political contacts. Moscow was reacting... without real inspiration", noted Davydov. "Fortunately, the situation has changed drastically"<sup>2</sup>.

Nowadays Russia has the concept of its foreign policy, approved on July 12, 2008, which directly reflects Moscow's desire to build up political and economic cooperation with the countries of Latin America and the Caribbean, expand cooperation with them in the international organizations, promote exports in the region of high-tech industrial products, carry out joint projects in energy,

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<sup>1</sup> One of the great experts on Latin America, Russian Academy of Sciences (RAS). (austral@ufrgs.br)

<sup>2</sup> "Gazeta", M., 21-23.11.2008

infrastructure, high technologies, including those that make part of the plans, developed by the regional integration associations<sup>3</sup>.

Talking about factors conducive to the rapprochement of Russia with Latin America, Russia's foreign minister Sergey Lavrov noted the similarity of views on key international problems. "With Latin American partners we step forward as natural allies on such issues as the need to ensure the supremacy of international law, the strengthening of multilateral mechanisms for the solution of international problems, UN's central role, the search of collective answers to challenges of the modern world", - stressed Lavrov. "We also have common approach regarding the reform of the world financial architecture"<sup>4</sup>.

In addition, the mutual approach takes place due to a number of similar features in social and political development in the recent past and the present time. This important factor should be considered when analyzing the entire complex of bilateral relations.

During 2000-2011 presidents of Russia visited the Latin American region six times, foreign ministers - more than ten times. In turn, just in 2009 our country was visited by the presidents of Bolivia, Brazil, Venezuela, Cuba, Chile and Ecuador. Meetings at the level of prime ministers and heads of diplomatic departments take place on a regular basis, as well as contacts with Latin American leaders in the course of different international forums. During this period more than 200 joint documents covering various aspects of cooperation were signed. Michelle Bachelet, the ex-president of Chile, who visited Moscow twice, even suggested the idea of turning Chile into kind of a platform to enhance Russia's cooperation with Latin America<sup>5</sup>.

Special mention should be made of Brazil, with which Russia has developed partnership within the framework of BRICS coalition, which also comprises China, India and South Africa. These are the so-called second-tier giants accounting for 25% of world GDP, 30% of the Earth's territory, and 45% of the world population<sup>6</sup>. These countries are closely cooperating at the international venues, including the recently established G-20, which is steadily supplanting the once omnipotent G-8. There is a lot of sense in BRICS definition made by Vadim Lukov, Russian negotiator and special envoy. He termed BRICS as the "reformers' alliance", having

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<sup>3</sup> The Concept of Foreign Policy of the Russian Federation. – <http://www.mid.ru/ns-osndoc.nsf/>

<sup>4</sup> "Latin America", M., 2009, № 2

<sup>5</sup> "President", M., 16-22.09.2010

<sup>6</sup> "International Life", M., 2011, № 6

in mind their common focus on the reorganization of key international and primarily financial institutions<sup>7</sup>.

It is important that currently Russia is developing constructive relations not just with the individual countries of Latin America. It has also established stable contacts with regional political associations, including the "Rio Group", the Organization of American States, the Latin American integration system. These structures have Russian observers, who produce recommendations regarding methods and ways of intensifying this cooperation.

Russia's Policy in Latin America has become by far more intense. Among new important developments here is the growth of private business activity, which is considering the region not only as a source for imported goods - primarily food products, but also a sizable market for Russian industrial goods, including high-tech, as well as promising area for investment. After all, Latin America comprises rather huge and solvent market amounting to half a billion of consumers. A good example of such developments can be the creation of the fourth generation mobile communications network in Nicaragua by a Russian company "Yota", which in terms of quality left behind the services of other competitors.

The business interest in Latin America is being boosted by positive developments in the economy of a number of countries, the acceleration of GDP growth and the volume of external trade, as well as the prominent role of these states in WTO and other influential international organizations. Most Latin American countries have been able to withstand the shock of the global economic crisis of 2008-2009 by adopting effective anti-crisis programs and thereby confirming their increased economic and financial stability. It is equally important that Latin American businessmen have been actively accessing our market establishing customer and partnership relations in Russia. As a result the "Latin American accent" in the Russian foreign trade and foreign economic relations is becoming increasingly more distinct.

The accumulated experience of business cooperation testifies that the economies of Russia and the majority of Latin America states complement each other: the Latin Americans require Russian exports and vice versa. This, undoubtedly, is a positive macroeconomic situation which has developed quite naturally. However, while being implemented these favorable preconditions are still experiencing a lot of difficulties. No wonder that almost all the documents on the

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<sup>7</sup> "Independent Newspaper", M., 5.03.2012

results of the visits of any level include the provision that the current level of Russian-Latin American economic ties is still out of keeping with the potential.

Such claim has every reason to exist. Firstly, Russian business in most Latin American countries is still poorly known, and the business image of Russian enterprises often leaves much to be desired. The most important channel in marketing commercial proposals and investment projects for the leading Russian companies remains within the framework of top-level official visits to the region. This was the case, for example, during the trip of Vladimir Putin to Mexico, Brazil and Chile in 2004 and Dmitry Medvedev's visit to Peru, Brazil, Venezuela and Cuba in 2008. Secondly, Russian entrepreneurs face tough competition from the Western, and recently from the Chinese companies. Both of these actively resort to their governments in case of difficulties and use every type of resources to establish relationships with local authorities and media in order to secure the most favored treatment. Thirdly, the structure of Russian exports to Latin America tend to become more primitive than before. For quite a while the basis of Russian supplies to the region is formed by goods attributable to the group of semi-finished products including fertilizers, rolled steel, paper and cardboard products. In certain categories of hi-tech products Brazil and Mexico have left Russia far behind. It is hard to believe, but just 20 years ago the situation was completely different: out of 25,3 thousand cars imported by Brazil 23,1 thousand were made by Russian VAZ manufacturer<sup>8</sup>.

Finally, the system of mutual settlements, investment and scientific and technical cooperation remain vulnerable even though the high-tech industry is exactly what can become a locomotive of successful partnership. In this respect both Moscow, and Latin American capitals set their hopes upon the so-called technological alliance. In case of Brazil, for example, such alliance is most likely to reveal itself in aerospace industry. The more so, because as far back as in 2006 the parties signed an agreement on mutual protection of technologies in the area of space exploration and use of outer space for peaceful purposes. The Brazilians are interested in using our technology to produce liquid fuel for their launch vehicles. It is less explosive hazardous than the dry fuel and will allow to avoid the tragedy which occurred at the Brazilian Alcantara launch area in 2003, when 21 people were killed.

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<sup>8</sup> "Moscow News", M., 22-28.12.2006

Russia's trade with Latin American countries (in mln USD)

Country	1992	2000	2008	2010
<i>Whole region</i>	1330,3	5669,7	15935,0	12260,0
Argentina	150,5	122,9	1975,9	1124,1
Brazil	146,8	645,9	6711,2	5874,5
Chile	22,4	19,5	364,7	356,6
Cuba	832,1	385,2	265,1	276,0
Ecuador	14,9	185,2	935,7	974,1
Mexico	19,0	156,7	1230,9	768,8
Peru	19,2	35,7	327,6	328,0
Venezuela	22,1	67,7	957,8	165,3

**Source:** Federal Customs Service of the Russian Federation. Customs foreign trade statistics for the respective years.

As seen from the chart it is Brazil which holds the first place in Russia's trade turnover with the Latin American countries. If in the cold-war period the motivation of the Soviet leadership to develop relations with Latin America had a distinctly ideological tint, and the leading trade and economic partner in the region, which has never distinguished itself by high economic indicators, was Cuba, these days, when pragmatic approach has replaced ideology, the main partner is Brazil, rightfully considered to be the "regional superpower".

Brazilian ex-president Fernando Enrique Cardoso used to emphasize that Brazil is sort of 'tropical Russia' and that these two countries have a lot in common. And the similarity not only applies to parameters such as the size of the territory and population, but to main macroeconomic indicators as well. Russia and Brazil occupy similar positions in the international division of labor acting as importers of advanced technologies and capital. There is also a coincidence of goals in the foreign policy, which include the formation of a new polycentric international system and the deepening of integration processes on the regional level.

June 22, 2000 will surely become a landmark in the history of Russian-Brazilian economic relations. Firstly, because on that day a long-awaited meeting of the Russian-Brazilian high-level commission on cooperation took place in Moscow (at that time we had commissions of such a rank only with Ukraine, Italy, France and the US). Secondly, important documents were signed, which regulate the relations between the two countries until present. Thirdly, in the Russian capital the representatives of business circles of both countries met together at a business-seminar of unprecedented scale. All this gave reason for the president of the

Brazilian-Russian chamber of industry, trade and tourism Gilberto Ramos to say: "After a long period of courting our countries, finally, have formalized relations and celebrated a wedding" <sup>9</sup>.

As a result, in ten years the turnover increased by more than 6 times and according to the Brazilian ministry of development, industry and foreign trade exceeded 6 billion USD in 2010. However, the Russian share in the overall trade turnover of the South American giant still accounts for only 2,2 %<sup>10</sup>. Despite the huge potential in trade, the product range remains quite narrow. Currently Russian deliveries to the Brazilian market are limited to raw materials and goods with low degree of processing: fertilizers and nickel.

As for Brazilian exports to Russia, its structure is very different from exports to developed countries, which have become major consumers of the Brazilian industrial production. Modernization in Brazil is still occurring at a much faster pace than in Russia. The country has achieved leadership in a number of areas, above all, in production of alternative fuel. Today Brazil is the world's #3 aircraft exporter, a serious player in the field of genetics and deep-sea drilling technologies. Brazil is able to develop its oil fields on the continental shelf on its own and within a few years will become the largest exporter of hydrocarbons.

In the meantime for Russia, Brazil remains as an old fashioned supplier of coffee, sugar, soy, frozen chicken and meat, which account for more than 90% of total imports. And moreover, the Brazilian manufacturers are facing the problem of massive falsifications of instant coffee in Russia as well as periodic prohibitions on imports of beef and pork due to veterinary and other reasons. In a country where according to statistics there is a cow per each of the 190 million inhabitants, the meat theme became a serious political issue, damaging Russian-Brazilian relations. Brazil is one of the leading meat suppliers to Russia and according to the Institute of agromarketing in 2010 its share accounted for 35% of Russian pork imports (215 thousand tons), 45% of beef (269 thousand tons), and 19% of poultry (121 thousand tons)<sup>11</sup>.

In order to give new impulse to cooperation, Moscow and Brasilia are in the process of developing payment mechanisms based on national currencies. In the foreseeable future Russia and Brazil plan to abandon the US dollar as a universal

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<sup>9</sup> "Time MN", M., 23.06.2000

<sup>10</sup> Ministerio do Desenvolvimento, Indústria y Comercio Exterior. Intercambio comercial brasileiro con Russia. Brasilia. Doc. RT\_102, 10/01/2011

<sup>11</sup> On meat imports prohibition from 89 Brazilian producers to RF starting from June 15, 2011. - <http://www.agronews.ru/newshow.php?NId=66514>



means of settling their transactions. Brazil has been successful in adopting this approach to Argentina: both countries switched to their respective currencies as a means of payment in bilateral trade within the framework of MERCOSUR association.

2010 marked a 125-year anniversary of Russia-Argentine diplomatic relations. Therefore, the visit of President Dmitry Medvedev to Argentina in April of 2010 - the first ever trip of top Russian official to this country - had symbolic significance, as was noted in the joint statement after the talks. Most important, however, was the "material content" of the visit. Negotiations with President Cristina Fernandez de Kirchner and documents signed in Buenos Aires afterwards put on record a wide range of existing relationships and identified the most promising areas for future cooperation. In particular, the package of agreements provides for<sup>12</sup>:

- cooperation in the area of peaceful use of atomic energy, including possible cooperation with "Rosatom" regarding the construction of "Atucha III" nuclear power plant;
- agreement between the Federal Space Agency ("Roskosmos") and the National Commission on Space Activities (CONAE) on cooperation in use and development of Global Navigation Satellite System - GLONASS;
- joint action on behalf of Saturn Scientific and Production Association and the Government of the Province of Buenos Aires for the modernization of "July 9 Thermal Power Plant";
- participation of Russian Railways JSC in modernization of the Argentine railway network;
- participation of "All-Russia Research Institute of Geology Overseas" in the field of geological studies of hydrocarbons and minerals in Argentina;
- intent to cooperate in the field of forestry.

In addition to that a memorandum on cooperation between business organizations of the two countries was signed and President Medvedev attended the

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<sup>12</sup> Documents signed as a result of Russia-Argentina talks, April 15, 2010. – [http://news.kremlin.ru/ref\\_notes/522/print](http://news.kremlin.ru/ref_notes/522/print)

business meeting of representatives of leading Russian and Argentine companies and banks delivering the keynote address. "We came close to practical implementation of projects in high-tech fields including nuclear, space, energy and transport infrastructure. Here on our side you have the heads of major Russian companies, public and private. We already have had success stories cooperating in the energy area. Today, a quarter of Argentina's power is being generated by Russian turbines"<sup>13</sup>.

Diplomatic circles also paid attention to Medvedev's words underlining that "Russia has returned to South America" making it "quite vigorously" and is now actively developing relations with Latin American partners. "It is evident that Russia's position in relation to Latin America has changed", Medvedev said. "We believe that here live our friends, people who are close to us, and we would like to cooperate with them more closely"<sup>14</sup>.

Russia offered its technologies to Argentina not only in the energy sector, where there already is experience of cooperation but also in such areas as railway transport (almost half of the country's railroads are not operational), the research of Antarctica, where Russian icebreakers and helicopters are in demand, space exploration, and peaceful use of nuclear energy. According to Medvedev, the arrival of "Rosatom" in the Argentinean market will entail multi-billion dollar investments targeting the construction of respective power generating units as well as infrastructural development. Such projects create the so-called multiplier effect, that is, make it possible to develop related sub-industries, new manufacturing facilities and jobs.

The fact that cooperation with Russia helps to reduce unemployment - a painful problem for Latin America - was quite convincing in case of Venezuela. The arrival of Russian state and private corporations, such as "GazpromNeft", "Rosneft", "LUKoil", "Surgutneftegas", TNK-BP contributed to creating thousands of new jobs in the country. Russian energy majors, which together with the Venezuelan state company "Petroleos de Venezuela" have formed the National Oil Consortium (PNC) are getting ready to extract "black gold" at Junin-6 field in the oil-rich area of Orinoco's delta (the estimated crude resources amount to 53 bln. barrels). The development of this rich field will take about 40 years and require total

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<sup>13</sup> "Pagina 12", Buenos Aires, 15.04.2010

<sup>14</sup> "Russian Newspaper", M., 16.04.2010

investment of 20 bln. dollars<sup>15</sup>. Just for getting access to "Carabobo-2" oilfield, as was agreed in October 2011, "Rosneft" committed 1 bln. dollars<sup>16</sup>.

The main feature of the Russia-Venezuela cooperation is that it is developing under the umbrella of a president Chavez-led, ideologically pronounced "Bolivarian project", which aims to build socialism of the XXI century in one country. Hence, Venezuela's drive to put its cooperation with Moscow into the context of anti-US discourse, which sometimes strains the Russian government and, in practice, certainly creates new geopolitical environment in the Caribbean.

During the years of his presidency, Chavez visited Russia nine times. While welcoming the Venezuelan leader in 2001, Putin said: "The cooperation with Venezuela is a fundamental element of Russia's relations with Latin America"<sup>17</sup>. At that point political dialogue between the two countries began to take shape along with the main areas of economic cooperation: oil and gas, chemicals and petrochemicals, joint development of natural resources, and military cooperation. Over the years both sides have accomplished tangible results in all these areas, turning Venezuela into Russia's privileged partner in the region.

Venezuela has become number two buyer of Russian military equipment in the world after India. According to the Center for Analysis of Global Arms Trade the cost of Russian arms and military equipment purchased by Caracas is estimated at \$ 4.4 billion. It includes 24 Su-30MK2V fighter jets, 100,000 AK-103 submachine guns, more than 40 multi-functional Mi-17V-5 helicopters, 10 Mi-35M2 attack helicopters, 3 Mi-26T2 heavy transport helicopter, 5,000 SVD sniper rifles, 12 "Tor-M1" air-defense missile systems, ZU-23-2 anti-aircraft gun, a batch of "Igla-S" portable anti-aircraft missiles. According to ANV news agency in August 2011 Venezuela received another batch ZU-23 anti-aircraft guns, portable mortars and armored vehicles. According to Venezuelan Defense Minister Carlos Mata Figueroa "we need these weapons to be able to defend our country"<sup>18</sup>.

Judging by the results of negotiations, in which Russian Deputy Prime Minister Igor Sechin participated in October 2011 in Caracas, Venezuela will receive another 4 bln. dollar loan from Russia to modernize its armed forces. According to Chavez "it will be 2 billion next year and 2 billion in 2013". "We can do it today because we are free, - said the Venezuelan leader. – "We could not have done this

<sup>15</sup> "Vedomosti", M., 2.02.2010

<sup>16</sup> "Commersant", M., 8.10.2011

<sup>17</sup> "Bolivarian Project and Prospects for Russia-Venezuela Partnership", M., 2005, c. 40.

<sup>18</sup> "Independent Newspaper", M., 19.08.2011

before, because we were dominated by Yankees, the World Bank and the entire imperial economy and financial structure"<sup>19</sup>.

Freedom from the West Caracas sees in transferring its financial reserves from the U.S. and Europe to its own central bank, as well as to countries such as Russia, Brazil and China. It is assumed that these funds will serve as a guarantee for loans which Venezuela needs. According to various estimates, up to 6 billion dollars could flow from Venezuela to Russia, more than half of which is kept in Switzerland while the remainder is kept in U.S., British and French banks. According to the Central Bank of Venezuela, its foreign exchange reserves amount to 29.9 bln. dollars, 18.3 billion of which are in gold<sup>20</sup>. In Venezuela they are convinced that in the foreseeable future these reserves will increase significantly since country's leadership decided to nationalize gold exploration and mining.

Talking about the present-day Russia's key partners in Latin America, one cannot forget about yesterday's closest ally and friend - Cuba. In the post-Soviet period of Russian-Cuban cooperation, which for 30 years played the role of support structure in political and economic strategy of the Soviet Union in Latin America (during 1960-1990 in Cuba the Soviet Union built more than 1,000 facilities, 100 of them being large industrial enterprises), has decreased dramatically in all spheres.

In 1991 Moscow informed Havana that it was recalling all seven thousand of its technical personnel in one month, freezing all the construction projects, and refusing every support in both civil and military spheres. The evacuation took place in front of astonished and disoriented Cubans exactly the way the American experts were fleeing the country before the arrival of Che Guevara's rebel army at Havana. As a result, all the activity was stopped at the most important industrial projects including Jose Marti metallurgical plant, "Las Camariocas" nickel plant, the "Havana" TPP, in the construction of which huge expenses were made. Just to build the Jaragua nuclear power plant the Soviet Union spent about 1.2 bln. dollars<sup>21</sup>.

The last Russia's major "surrender" in Cuba occurred in 2003, when the radio-electronic surveillance center in Lourdes, which allowed Russian specialists to eavesdrop telephone calls and emails across the United States, was shut down. In fact, it could be said that Russia rejected Cuba and left it to its devices. But the Cubans, despite the expectations of those who oppose the regime of Fidel Castro

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<sup>19</sup> "El Universal", Caracas, 7.10.2011

<sup>20</sup> "The Financial Times", London, 17.08.2011

<sup>21</sup> "Latin America in Current World Politics", M., 2009. c. 524

have survived without giving up ideological principles and their persistence in building socialism.

The new geopolitical situation in the world and the changes in Latin American politics have prompted Moscow to seek ways to restore Russian-Cuban relations. The first attempt to revive cooperation was made in September of 2006 during the visit of then Russian Prime Minister Mikhail Fradkov to Cuba, which settled the issue of Cuba's debt to Russia amounting to 166 mln. dollars and lodged a loan for the purchase of Russian equipment and spare parts amounting to 355 mln. dollars<sup>22</sup>.

President Medvedev's visit to Havana in November 2008 marked the beginning of a new stage in Russian-Cuban relations. Recalling that in Soviet times the relations with Cuba were "quite powerful" Medvedev said: "Now it is time to restore them"<sup>23</sup>.

In 2009 the Chairman of the State Council and the Council of Ministers of Cuba Raul Castro came to Moscow. During the visit a memorandum on the principles of cooperation was signed, which has laid the foundation for revitalization of bilateral cooperation. The agreements included joint actions to create a fair and polycentric world order, implementation of a number of major projects, primarily in the area of energy, transport, civil aviation, biopharmaceuticals and high-tech.

It seems that the long pause in Russian-Cuban relations is over. But it is also obvious that the new level of cooperation will require constant efforts on both sides. Moreover, our companies will have to retake what was once carelessly abandoned by Russia without bothering to count the losses. Oil explored by Soviet specialists on the shelf, in which considerable resources were invested, is now produced by Canadians, French and Malaysians. As a result, "GazpromNeft", for example, had no other option but to sign an agreement with Malaysian company "Petronas", according to which it received a 30 percent share in the joint offshore exploration and production in Cuba's sector of the Gulf of Mexico. Proven oil reserves in this area are small and amount to 260 mln. tons. However, the total reserves are much larger: "Cubapetroleo" estimates the reserves to be as high as 2.7 bln. tons, the U.S. Geological Survey - 1.2 bln tons of oil and 21 trillion cubic meters of gas <sup>24</sup>.

A unique situation has come into being in Russia's relations with Ecuador: a direct container route linking Guayaquil and St. Petersburg was opened. There are

<sup>22</sup> "Vremya Novosti", M., 29.09.2006

<sup>23</sup> "Russian Newspaper", M., 27.11.2008

<sup>24</sup> "Expert", M., 2010, № 46

ongoing investment projects in agriculture and food industry. Banana producers of Ecuador have the opportunity to develop production using investments from Russia. Investments are also made to develop production facilities for banana's processing and packaging.

It should also be pointed out that in Latin American countries students have maintained an interest in studying in Russia, though not on a scale typical for the Soviet era. Currently just hundreds of students are interested to come to study different specialties in Russia. There are certain difficulties associated with covering travel expenses and getting decent scholarship. However, these complex issues can be resolved. The graduates from Russian universities have created their own associations in various countries of Latin America, making a considerable contribution to the development of bilateral cooperation identifying approaches to new areas.

The new Russian policy in Latin America spurred waves of polar opinions and comments in the region and beyond. Many Western observers believe that the revitalization of Moscow's policy in the region is a geopolitical course designed to recuperate the great power status directed against the United States while the arms sales to Venezuela is contributing to escalation of arms race in the region. Some also reason that Russia's activity in Latin America is just a balanced response to the expansion of the West in the CIS.

Indeed, while promoting cooperation with Latin America Russia is guided by geopolitical considerations. My country, however, is not unique when looking for ways to expand its presence in the world using the growing trade and economic opportunities and demands. This also applies to military cooperation and not just with Venezuela, but also with such countries as Argentina, Bolivia, Brazil, Peru and Chile, with which corresponding agreements were signed during 2004-2009. As a major producer and exporter of weapons, Russia, naturally, is looking for new markets for its products including those in Latin America. All the allegations that it is contributing to arms race do not stand up to criticism. Here is just one eloquent fact: the regional leader in military spending is Colombia (4% of GDP), while Venezuela spends no more than 1.3% of its GDP<sup>25</sup>. However, arms to Colombia are not coming from Russian, they come from the United States and France, both, incidentally, being the leading exporters the Latin American arms market. Up to this point Russia has only managed to get to the third place in Latin America.

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<sup>25</sup> "Nueva Sociedad", Buenos Aires, 2010, N 226, p. 9

Nonetheless, Russia's political reasoning might be totally different. Latin American countries have been consistently increasing their economic potential, their role in world affairs is steadily enhancing. The examples are not far to seek: Mexico and Chile have joined the Organization for Economic Cooperation and Development (OECD), a grouping of the most developed nations, while Argentina, Brazil and Mexico are now part of G20. In fact we are witnessing how another center in the multi-polar world is emerging, and this is something impossible to ignore. Moreover, Russia and Latin American countries claim a more significant role in global economic and financial regulation. Only joint efforts and constructive interaction with other ascending states will help to achieve this goal. Here is what President Medvedev said describing the geopolitical importance of Latin America: "To certain extent we are just at the beginning of a robust, full-scale and mutually beneficial relationship with partners in Latin America. There is no reason to be scrupulous and afraid of competition. We should just jump into fray"<sup>26</sup>. By "fray" he obviously meant competition - the United States are traditionally present in the region, same as Western Europe, and recently China. The emergence of Russia in Latin America is just a new geopolitical reality, the evidence of its global interests.

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<sup>26</sup> "Independent Newspaper", M., 1.12.2008

**ABSTRACT**

This paper describes the current relations of Russia with main Latin American countries: Brazil, Argentina, Venezuela and Cuba in the commercial, economical and military scope. The author calls the attention to the real intentions of Russia's approximation policy with the continent: would the geopolitics partners be allies in recuperate the Russian status of directed power against the United States, or just a smart play due to the emergence of new powers in this multi-polar world?

**KEYWORDS**

Russia; Latin America; Strategic partnerships; Multipolar-world;



# REORDERING INTERNATIONAL AFFAIRS: THE *FORUM ON CHINA-AFRICA COOPERATION*

*Mamoudou Gazibo and Olivier Mbabia*<sup>1</sup>

The emergence of China became clear during the 2000's, which were characterized by the unilateralism of the American superpower under George W. Bush's administration. Those circumstances essentially explain the types of strategy used by China to avoid isolation and defend its interests<sup>2</sup>. This is particularly the case for multilateralism, once regarded with suspicion, which China ended up adopting to the point of making it an essential element of its "grand diplomatic strategy" considering it has a vocation to be reassured, especially at regional level<sup>3</sup>.

China has therefore engaged itself in a series of privileged partnerships with regional groups such as the European Union, the Shanghai Cooperation Organization, ASEAN and many other international and regional organizations<sup>4</sup>. The creation of the Forum on China-Africa Cooperation (FOCAC) in 2000 ought to be placed in that context.

FOCAC can be understood as an imperfect multilateral undertaking knowing that bilateral relations are at the core of the relations between China and African countries both within and outside the institution. Under these conditions, is the need for China to counterbalance U.S. unilateralism sufficient to adequately explain the creation of FOCAC? Is it an organization modeled on other organizations such as the Commonwealth or the International Organization of the Francophonie? Are African countries real actors in this institution or do they revolve around China as it defines its norms and principles for its own benefit?

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<sup>1</sup> Mamoudou Gazibo is a Political Science professor at the Université de Montréal, Canada. Olivier Mbabia is an associate researcher at the Chair in Contemporary Chinese Studies at the Institut Catholique de Paris, France. (austral@gmail.com)

<sup>2</sup> Melvin Gurtov et Peter Van Ness (dir.), *Confronting the Bush Doctrine. Critical Views from South East Asia*, Londres, Routledge, 2005.

<sup>3</sup> Avery Goldstein, "The Diplomatic Face of China's Grand Strategy : A Rising Power's Emerging Choice", *The China Quarterly*, vol. 168, 2001, p. 842-844.

<sup>4</sup> Guogang Wu and Helen Lansdowne, *China Turns to Multilateralism: Foreign Policy and Regional Security*, London, Routledge, 2008.

In this paper, we pursue two objectives. First, we show how the FOCAC participates in China's strategy of building alliances allowing it to better resist U.S. unilateralism and the risks of being contained by its Western rivals in general<sup>5</sup>. Next, we show that, as an institution, FOCAC is a true place of socialization, that is to say, construction and dissemination of standards, practices and behaviors by and between participants and that, far from being a mere instrument manipulated by China, it is both a framework and a tool to shared impacts.

At first, we will briefly sketch the constructivist theoretical and conceptual framework that underlies our argument by using the concepts of soft balancing and socialization. In the next section we will recall the context of the creation of FOCAC, highlighting its institutional features as well as their impact on Sino-African relations. We do not aim to evaluate the adequacy of this institutional tool in relation to stated objectives, but to examine the capacity of this group to influence certain aspects of international politics, forging a shared identity and promoting common practices and interests. We will finally see that, despite the paradoxical characteristics of the institution which remains heavily unbalanced in favor of China, it offers its participants, including African actors often wrongly perceived as victims, a platform that allows the access to both material and symbolic resources that traditional institutional frameworks of cooperation would not confer them.

### **Soft balancing and socialization: FOCAC from a constructivist perspective**

The preeminence of American power since the end of the bipolar era has been exhaustively discussed. In order to know how other states react to this fact, some observers have evoked the adoption of "strategies of opposition" while others spoke of "strategies of accommodation"<sup>6</sup>. In this case, FOCAC can be considered as a multilateral group aiming not only to balance American primacy but also to build an identity and shared interests among its members.

Multilateralism can be broadly understood as an institutionalized collective action by a specific set of independent States. However, it is more operational to focus on the institutional dimension of multilateralism, which refers to any action between three or more States "on the basis of generalized principles of conduct"

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<sup>5</sup> Mamoudou Gazibo et Roromme Chantal, *Un nouvel ordre mondial made in China ?*, Montréal, Presses de l'Université de Montréal, 2011.

<sup>6</sup> Read Stephen M. Walt, *Taming American Power: The Global Response to US primacy*, New York, Norton, 2005.

(non-discrimination, indivisibility and reciprocity)<sup>7</sup>. It is then necessary to add a normative dimension that turns this institutional form into a structure capable of creating and promoting common norms<sup>8</sup>.

Contrary to the neoliberal institutionalist approach that advocates the importance of the influence of institutions on State behavior, constructivists argue that the institutions take part in the formation of identities and interests. In this vein, understandings and representations that social agents have of the world are “widely shared”<sup>9</sup>. Indeed, the cognitive patterns that guide the practices of an agent are intersubjective and producers of norms, rules and institutions. For constructivists, those norms and rules are constitutive forces rather than simply regulating ones, that is to say that they make behaviors possible by intervening in the constitution of identities and interests of agents.<sup>10</sup> Institutions are thus fundamentally cognitive entities that do not exist apart from the actors' ideas.

Moreover, the concept of soft balancing helps to explain how China is based, in its international strategy, on *fora* such as FOCAC, the Forum on China-Latin America Cooperation, and the Forum of Sino-Arab Cooperation. Soft balancing is generally defined as any action taken by a weak State to gain influence upon a stronger one. Others limit the concept to the coordinated efforts between less influential countries and to the actions in response to security threats from the hegemonic power<sup>11</sup>. According to TV Paul, the term refers to a “non-defensive coalition building to neutralize a (...) potentially threatening power.”<sup>12</sup> This author indicates that far from posing a military challenge, soft balancing is an instrument through which middle powers are capable of defying the superpower as for the legitimacy of its policies<sup>13</sup>. Soft balancing, which often takes the form of the use of diplomacy, international institutions, international law, and economic pressures, does not generally inhibit or counteract the superpower, but makes its task harder and heightens the political or financial costs related to it. FOCAC can from this

<sup>7</sup> John Ruggie, “Multilateralism: the Anatomy of an Institutional Form”, in J. G. Ruggie (dir.) *Multilateralism Matters: the Theory and Praxis of an International Form*, New York, Columbia University Press, 1993, p. 11.

<sup>8</sup> According to Marie-Claude Smouts, Building “common sense” is one of one of multilateralism’s functions. Marie-Claude Smouts, *Les Organisations internationales*, 1995, Paris, Armand Colin, p. 29.

<sup>9</sup> Alex Macleod, Evelyne Dufault and F. Guillaume Dufour (dir.), *Relations internationales. Théories et concepts*, Montréal, Athéna éditions, 200 (2<sup>nd</sup> edition), p. 32-34.

<sup>10</sup> *Ibid.*

<sup>11</sup> For the debate on soft balancing, see the 4 related articles at “International Security”, vol. 30, n° 1, Summer 2005.

<sup>12</sup> T.V. Paul, “Introduction: The Enduring Axioms of Balance of Power Theory and Their Contemporary Relevance,” in *Balance of Power. Theory and Practice in the 21st Century*, ed. T.V. Paul et al. (dir.), Stanford, Stanford University Press, 2004, p. 14.

<sup>13</sup> *Ibid.*, p. 59

point of view be understood not only as a regulating multilateral organization but also as a norms and interests producing one.

### **The institutionalization of the Forum on China-Africa Cooperation and its structuring effects on Sino-African relations**

The Forum on Sino-African cooperation<sup>14</sup> is, officially, a platform for collective consultation and dialogue between China and the "African friendly countries". It is presented as a structure of "equal cooperation between countries that have suffered the ravages of colonialism" and wants to be a part of the continuing spirit of Bandung, of the Non-Aligned Movement. Along these lines, the Forum meets to "fight together Western hegemony and dominance" and establish "a new world order".<sup>15</sup>

Three aspects are worth noting here: the gradual institutionalization of FOCAC, the structuring effect of the institution on Sino-African economic relations and the emergence, through it, of common political issues.

#### **FOCAC's institutionalization process**

FOCAC was launched under President Jiang Zemin on the occasion of the first ministerial conference held in Beijing in October 2000. It gathered 44 African countries, international and regional organizations as well as private sector representatives. This first initiative was attended by the Secretary General of the former Organization of African Unity (OAU) and by heads of state of Algeria, Togo, Tanzania and Zambia.

The Forum's political directorate is defined by the ministerial conference held on a triennial basis alternately in China and in an African country. The first conference approved in October 2000 the founding document entitled "Programme for China-Africa Cooperation in Economic and Social Development", followed by three successive Action Plans (Addis Ababa, Beijing and Sharm el-Sheikh).

After Beijing in 2000, the second ministerial conference was held in Addis Ababa, Ethiopia in December 2003. Along with the prime ministers Wen Jiabao of

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<sup>14</sup> This information is available at FOCAC's website, <<http://www.focac.org/>>

<sup>15</sup> « Le nouvel ordre chinois en Afrique », *La Libre Belgique*, April 26, 2006.

the PRC and Meles Zenawi of Ethiopia, six heads of State, three vice-presidents, two prime ministers, a president of the Senate, the president of the Commission of the African Union (Alpha Omar Konaré) and the representative of the UN Secretary-General took part in the conference.

From that summit on, we witness a real institutionalization of the Forum. At the Third Ministerial Conference, FOCAC became a summit of the highest level. The Chinese president received 48 African heads of State and Government in Beijing in November 2006. In November 2009, Chinese and African elites met in Egypt on the occasion of the FOCAC's Fourth Ministerial Conference, while the fifth conference will be held during the fall of 2012 in China.

FOCAC has a monitoring mechanism that was created during ministerial consultations between Chinese and Africans held in Zambia in 2001. Put into force in April 2002, the monitoring mechanism is based on meetings between the Chinese Follow-up Committee and African officials. The Chinese monitoring Committee of the Forum, whose secretariat is located in the Africa department of the Chinese Ministry of Foreign Affairs, is chaired by the vice-ministers of Foreign Affairs and Trade.

Ministerial conferences are the occasion to announce the decisions adopted during the discussions. These announcements take the form of declarations and Action Plans<sup>16</sup> that recall the principles of Sino-African partnership, review FOCAC's achievements and provide guidance of programmatic nature to cooperation between the parties within the three years that follow each Forum.

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<sup>16</sup> Go to FOCAC's website to have access to these documents, <<http://www.focac.org/>>.

**Main measures announced by the 2003, 2006 and 2009 Action Plans**

<p>Addis Abeba Action Plan (2004-2006)</p>	<ul style="list-style-type: none"> <li>- To strengthen cooperation in the exploration of human resources and to provide multi-sector training to 10,000 Africans;</li> <li>- To implement the zero tariff on imports of certain products from least developed African countries;</li> <li>- To expand cooperation in tourism by granting approved destination status to Ethiopia, Kenya, Tanzania, Zambia, Mauritius, Seychelles, Zimbabwe and Tunisia;</li> <li>- To multiply exchanges between the peoples by organizing the Beijing China-African Youth Festival in 2004.</li> </ul>
<p>Beijing Action Plan (2007-2009)</p>	<ul style="list-style-type: none"> <li>- To double the assistance to Africa between 2006 and 2009;</li> <li>- To provide US\$ 5 billion in preferential credit;</li> <li>- To establish a US\$ 5 billion development fund to encourage Chinese investment in Africa;</li> <li>- To cancel heavily indebted and least developed countries' debts;</li> <li>- To remove customs taxes from 440 products of least developed African countries; - To create three to five free trade and economic cooperation areas;</li> <li>- To complete the training of 15,000 African professionals in the following three years, to double the number of university scholarships awarded to African students;</li> <li>- To send 100 agronomists and to open 10 agricultural techniques centers;</li> <li>- To build 300 hospitals, to award US\$ 30 million to the fight against malaria;</li> <li>- To send 300 young volunteers, to build 300 schools.</li> </ul>

<p>Sharm el-Sheikh Action Plan (2010-2012)</p>	<ul style="list-style-type: none"> <li>- To establish Sino-African partnerships to fight climate change by achieving 100 clean energy projects (solar, biogas, small hydropower plants);</li> <li>- To implement 100 joint scientific research pilot projects and to receive 100 postdoctoral students in China;</li> <li>- To provide US\$ 10 billion in preferential credit, of which US\$ 1 billion will serve to help small and medium enterprises in Africa;</li> <li>- To award the zero tariff treatment to 95% of the products from least developed countries, 60% by the end of 2010;</li> <li>- To bring up to 20 the number of pilot farms, to send 50 agricultural technical missions and to train 2,000 African agricultural technicians;</li> <li>- To provide material for the anti-malaria centers and to train 3,000 nurses and doctors for Africa;</li> <li>- To build 50 schools, to train 1,500 principals and teachers and to bring up to 5,500 the number of Chinese government scholarships.</li> </ul>
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Source : Authors' compilation of the Action Plans of Addis Ababa in 2003, Beijing in 2006 and Sharm el-Sheikh in 2009.

### **FOCAC and the restructuring of Sino-African economic relations**

FOCAC restructures relations between China and Africa from two main angles. Firstly, it produces an effect of coordination in Chinese interventions in Africa and, secondly, it literally boosts the level of cooperation between Africa and China.

FOCAC allows China to better coordinate the actions of its various actors in Africa. Indeed, the increase in Chinese strategic interests in Africa since the second half of the 1990's has turned crucial the question of "the orchestration" of African affairs into the order of the day. Three main actors play a role in relations with the continent: the central and provincial governments, multinational corporations and their representatives and, finally, individual actors, whether private entrepreneurs

or workers. These actors with diverse rationalities (national government's image and international reputation, local priority for the Chinese provinces and regions, Chinese businessmen adventurism and entrepreneurship) are a real challenge to the practice of politics in the continent. In this logic, FOCAC is, above all, an organizational response to the multiplication of interests and to the multitude of players that take part in the definition and implementation of Chinese policy in Africa.

FOCAC then allows an increase both in quantity and quality of wide-ranging interactions between Chinese and Africans, in such a way that one can talk, in certain aspects - and in the case of some African countries - about the *reOrientation* of their international relations.

One surely cannot attribute the expansion of economical and commercial exchanges, the diplomatic renewal and the rapid establishment of Chinese communities in Africa and African in China solely to the decisions taken within FOCAC's framework. Admittedly, however, this institution acts as the catalyst for these developments. Indeed, measures such as the removal of tariffs, the sending of volunteers, the simplification of consular procedures or the provision of grants are now made within FOCAC (see table above). For example, together with FOCAC II, the first Conference of Chinese and African Entrepreneurs was held, at the end of which 21 agreements were signed for a total of US\$ 1 billion.<sup>17</sup>

Commercially, the measures taken in Addis Ababa in 2003 and Beijing in 2006 favored the increase of trade volume between China and Africa, which rose from US\$ 10 billion in 2000 to US\$ 124 billion in 2010<sup>18</sup>. Also, six economic cooperation zones are under construction, some 1,600 Chinese companies have established themselves in Africa where Chinese direct investments reached US\$ 7.8 billion.

In addition to the vitalization of economic and commercial interests, FOCAC also offers a platform to promote human interaction. We can note a deepening of the cultural and social cooperation between China and Africa (increased number of scholarships from the Chinese government to African students whose presence in the Chinese academic institutions is increasingly important). As an illustration, four of the eight measures announced at the fourth FOCAC conference are directly associated with education and training of professionals. Moreover, cultural

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<sup>17</sup> "First Conference of Chinese and African Entrepreneurs", available at <<http://www.focac.org/fra/ltada/dejbjzjhy/INFO2/t163432.htm>>».

<sup>18</sup> « *Chine-Afrique : un immense potentiel de coopération économique* », *Xinhua*, 27 January 2012



exchanges are increasing by the sending of young Chinese volunteers to Africa as well as the hosting of African artists in cultural events in China. Also, since the opening of the first Confucius Institute in Nairobi, Kenya in December 2005, several others followed.<sup>19</sup>

There is a debate about the sustainability of Chinese engagement in Africa. Some depict it as subordinated to specific interests such as oil or isolation of Taiwan, and think it will be reduced as the objectives are achieved. However, all indications are that the path taken by Sino-African relations since the establishment of FOCAC is placed in the long term. Indeed, the pivot function held by the Forum in exchanges between China and Africa seems to expand gradually. Sole diplomatic mechanism dedicated to promoting dialogue between China and Africa, FOCAC “facilitates the development of a common political and economic agenda required for the establishment of a mutually beneficial South-South cooperation. As an instrument for strengthening Sino-African cooperation, FOCAC is a structure to develop a common agenda in a deeply globalized international system. FOCAC deliberations brought Chinese and African leaders closer and carved a shared vision in terms of policy coordination, increased commercial interaction and common prosperity.”<sup>20</sup>

Moreover, this institutionalization is visible in the fact that beyond bilateral relations with African countries and multilateral relations with the continent, China is also developing cooperation with regional or subregional organizations. It cooperates closely with the New Partnership for Africa's Development (NEPAD), it supports the African Union (AU) in playing an active role in regional and international affairs. The construction of AU new headquarters in Addis Ababa is undoubtedly one of the most symbolic of the increasing attention that the Chinese leaders attach to African regional bodies. In fact, China has launched an annual strategic dialogue with the African Union Commission in 2008<sup>21</sup> and an economic and trade forum with the Economic Community of West African States (ECOWAS). Previously, China had appointed representatives to the AU, the Southern African Development Community (SADC), ECOWAS and the Common Market for Eastern and Southern Africa (COMESA). In addition, Beijing has modestly contributed financially to the mission of the African Union in Sudan (Darfur)<sup>22</sup> and Somalia.

<sup>19</sup> Confucius Institute Online, <<http://www.confuciusinstitute.net/>>

<sup>20</sup> Garth Shelton et Farhana Paruk, *The Forum on China-Africa Cooperation: A Strategic Opportunity*, Johannesburg, Institute for Security Studies, 2008, p. 2.

<sup>21</sup> People's Republic of China Ministry of Foreign Affairs, “China-AU Strategic Dialogue Officially Launched” 27 November 2008.

<sup>22</sup> He Wenping, “China's unceasing efforts to solve Darfur issue”, *China Daily*, 3 January 2008.

This increasingly dense structuration of Sino-African relations results in the increase of common interests to both parties on many levels.

### **From FOCAC's economic aspects to common projects and political interests**

From its inception, FOCAC was presented as an institution to facilitate the cooperation of members in international affairs. As stated in the Beijing Declaration of 2000, the parties engage in the strengthening of the UN role and in the active promotion of the UN and international financial institutions reforms in order to obtain adequate representation of developing countries, Africans in particular. From this perspective, the institution appears to be an instrument to counter unilateralism by creating relationships between States that diametrically break off with the Cold War system<sup>23</sup>.

With the recent upheavals in the international arena (affirmation of emerging powers and economic hardship in the West), People's Republic of China publicly aims to contribute to a redefinition of the international system. Its objectives seem to converge around the promotion of South-South cooperation<sup>24</sup> that would lead to a world constituted of several power poles. From this perspective, the African participation within the United Nations (nearly a third of the member States) and, consequently, its potential votes in the General Assembly make the continent an actor on which China can rely. Africa, for its part, could also seek support from Beijing on international issues, even within the UN framework.

Officially, one of the objectives of Chinese diplomacy is to build close ties in the South to oppose a unilateral global domination. The multilateral grouping which constitutes FOCAC allows the legitimization of a common front against any global hegemony temptation by renewing the rhetoric of struggle against colonialism and for the emancipation of the peoples of the past. In Addis Ababa in 2003, Premier

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<sup>23</sup> Zheng Bijian, "China's Peaceful Rise to Great Power Status", *Foreign Affairs*, vol. 84, n° 5, September/October 2005, p. 18-24.

<sup>24</sup> In this context, South-South cooperation can be defined as the promotion of economic interactions among developing countries at bilateral, regional and global levels in order to achieve collective self-sufficiency. Considered in this context, cooperation is a process that involves trade and investment growth coupled with technology transfer, and an adequate political and economical cooperation through policy synchronization. See Chris Alden, "Southern Africa in South-South Relations", in Philip Nel, Patrick McGowan (eds.), *Power, Wealth and Global Order*, Rondebosch, University of Cape Town Press, 1999.

Wen Jiabao recalled that “hegemony continues on its way”<sup>25</sup>, hence the need to oppose it by combining efforts. Indeed, “because of its self-perceived position in the international system, China has constructed a fairly consistent foreign policy aimed at preventing or limiting the development of ‘hegemony’, whilst at the time trying to carve out space for itself as its economy continues to grow.”<sup>26</sup>

Beyond the strengthening of bilateral and regional cooperation mechanisms with African States, China also favors the strengthening of cooperation and consultation between China and Africa in multilateral *fora* such as the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD), to coordinate their views and strengthen the bargaining power of developing countries as a group in the definition of the multilateral economic and commercial system and of the rules related to it. Thus, Beijing argues that China and Africa together could help establish a fair and reasonable new economic order<sup>27</sup>.

Admittedly, as Chinese researcher He Wenping said, China, in its progression to become a pole that counts in the international system “will also need the political and moral support of Africa”.<sup>28</sup> But the rhetoric in favor of a more just world receives a positive response in Africa because it corresponds to African objectives.

China is indeed committed, in partnership with Africa through FOCAC, to help improve the position of developing countries in the international arena. Hence their claim for the democratization of international relations and more equality in both political and economical decision-making bodies, including the WTO and the UN. Assiduous observer of institutional mechanisms and workings of the UN, China is now ready to press for institutional reform of the organization for the benefit of the entrance to African countries. From the perspective of the reform of the UN Security Council, for example, China openly supports the admission of African countries in the Security Council. All African countries came together around a proposal, supported by Beijing, which requires two permanent seats with veto power and two additional non-permanent seats for Africa. In this regard, the release of the Beijing Declaration in FOCAC III - adopted jointly - clearly states that: “We call for reform of the UN and other multilateral international institutions to better serve all

<sup>25</sup> Wen Jiabao’s speech at FOCAC II Opening Ceremony, Addis Abeba, 15 December 2003. «L’hégémonisme poursuit son chemin».

<sup>26</sup> Ian Taylor, *China and Africa: Engagement and Compromise*, London, Routledge, 2006, p. 1.

<sup>27</sup> Garth Shelton, “China, Africa and South Africa Advancing South-South Co-operation” in Atilio Boron, Gladys Lechini, *Politics and Social Movements in an Hegemonic World: Lessons from Africa, Asia and Latin America*, Buenos Aires, Clacso, 2005, p. 347-383.

<sup>28</sup> He Wenping, “The Balancing Act of China’s Africa Policy”, *China Security*, Vol. 3, n° 3, 2007, p. 23-40.

members of the international community. Such reform should aim at increasing the role of the UN, at fully developing the functions of the General Assembly and at paying greater attention to the development issue. Priority should be given to increase the representation and full participation of African countries within the UN Security Council and other UN organs.”<sup>29</sup>

We can see that FOCAC has become a real institution. It provides a new framework for Sino-African relations, which have made considerable progress in both economical and political spheres on the basis of common interests. This intensification of relations is not only material. It also leads more and more to a change of vision of the actors involved in it.

### **FOCAC, place of socialization and promotion of norms**

Consideration should be given to the FOCAC's socialization function, in the sense of the constructivist approach according to which an institution produces ways of doing and thinking and their internalization within a group. It produces a *habitus*, that is to say, a deeply embedded set of rules that guide sustainable practices, tastes, choices and aspirations of actors that, however, interpret, and also influence, the norms that guide them<sup>30</sup>.

#### *FOCAC and the building up of a shared identity*

The mechanisms to construct such an identity are manifested by the constant invocation of a common past and, above all, by China's self-identification with the Third World, in which Africa takes part. The mobilized vocabulary, most of which converges around targeted expressions such as « common interests », « mutual needs », « mutual trust », illustrates the desire to create an identity linkage.

First, there is a constant reminder of the "common past" from which we aspire to legitimize a common destiny. Having lived in the past under Western domination, FOCAC is the place to recall (by hiding the difficulties encountered in some countries) that China and Africa have always shown each other sympathy and support in the struggle for national liberation and have forged themselves a "deep

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<sup>29</sup> Beijing Declaration, FOCAC Summit, Beijing, November 2006.

<sup>30</sup> The *habitus* is understood as in Pierre Bourdieu's work. See Dominique Bolliet and Jean-Pierre Schmitt, *La socialisation*, Rosny-sous-Bois, Bréal, 2008, 2<sup>nd</sup> edition, p. 21.

friendship". Here, the Chinese leaders insist on the revolutionary militancy and on Third World solidarity from 1950 to 1970, and call for the advent of a "bright future". During his address at the launch of the FOCAC in Beijing, President Jiang Zemin said: "During the 20th century, (...) the Chinese and African peoples have fought unflinchingly and advanced in successive waves to conquer the independence and national freedom and to achieve peace and development. (...) After breaking the yoke of colonial rule for many centuries, African peoples have won national liberation and became independent of their states (...). The Chinese people, in turn, overthrew the three big mountains: imperialism, feudalism and bureaucratic capitalism, and proclaimed the People's Republic of China, which he is the master. 31"

History is used to justify current interactions. Chinese discourses unanimously agree to trace the origin of contacts with Africa in a distant past. As recalled by President Hu Jintao at FOCAC III in Beijing: « Despite the geographical distance, the Sino-African friendship is rooted in the depth of the ages and continues to deepen over the years<sup>32</sup> ». That is why when one talks about relations with Africa, reference is always made to a historical context.

Beijing insists on History for various reasons : to emphasize the seniority and continuity of that relationship; to bring attention to a common past and shared values (colonialism, racism, Third-worldism, anti-hegemonism) ; to reconcile its status as a great power on the making with its Third World identity. To this end, Chinese prime-minister, Wen Jiabao, stated the following during his address at the opening ceremony of the Fourth FOCAC Ministerial Conference in Sharm el-Sheik : « I would like to stress that neither Chinese presence in Africa nor the support African countries give to China have begun today. Already in the 1950s and 1960s, China and Africa fought side by side the the struggle against imperialism, colonialism, and hegemonism, and advanced hand in hand on the arduous path of national economy recovery<sup>33</sup> ».

<sup>31</sup> « Pour une coopération sino-africaine plus solidaire à l'approche d'un siècle nouveau », President Jiang Zemin's address at the FOCAC I opening ceremony, Beijing, October 10th 2000. "Au cours du 20e siècle, (...) les peuples chinois et africains ont lutté sans fléchir et avancé par vagues successives à la conquête de l'indépendance et de la liberté nationale et pour réaliser la paix et le développement. (...) Après avoir brisé le joug de la domination coloniale plusieurs fois séculaire, les peuples africains ont conquis la libération nationale et accédé à l'indépendance de leurs États (...). Le peuple chinois, de son côté, a renversé les trois grandes montagnes: l'impérialisme, le féodalisme et le capitalisme bureaucratique, et il a proclamé la République populaire de Chine, dont il est le maître".

<sup>32</sup> "Malgré l'éloignement géographique, l'amitié sino-africaine plonge ses racines dans la profondeur des âges et ne cesse de s'approfondir au fil des ans".

<sup>33</sup> Wen Jiabao's address at the opening ceremony of FOCAC IV, Charm el-Cheikh, November 8th 2009. "Je voudrais souligner ici que ni la présence chinoise en Afrique, ni le soutien des pays africains à la Chine ne datent d'aujourd'hui. Déjà, dans les années 50 et 60 du siècle dernier, la Chine et l'Afrique ont combattu côte à côte dans la lutte contre l'impérialisme, le colonialisme et

Beyond that, the Chinese leadership always tends to introduce China to its FOCAC partners by emphasizing its nature as a developing country, "China is the largest developing country in the world while the African continent includes, for its part, the largest number of developing countries"<sup>34</sup>. Such an identity has a highly political connotation, as it should be remembered that it is less on economic factors than political ones that China presents itself as a Third World country. The latter is in fact understood as the world of oppressed and subdued peoples under the domination of the imperialist states<sup>35</sup>. This identity choice is made despite the fact that China, given its economic strength and its political assets (permanent member of the United Nations Security Council, nuclear power), resembles more the great powers from the North which influence international affairs. This option is nevertheless facilitated by the fact that it is difficult to place China on only one category since it is as much a Third World country as an influential world power. Moreover, unlike many northern countries, it co-produces with African countries, on some essential matters to them, rules with which they can identify themselves.

#### *FOCAC as a forum for the promotion of standards*

China has developed a vision of international relations which grants a clear preference for the respect of its partners' sovereignty and the primacy of economic development. Such priorities are diametrically opposed to the primacy of individual freedom and the importance accorded to political reform as promoted by the Western countries. An analysis of important FOCAC documents (Declarations/statements and Plans of action) reveals that within the institution, parties engage in establishing and working on the implementation of certain customs and normative practices such as the sacralization of the state sovereignty principle and the reform of the international economic system.

First of all, sovereignty as a principle has become one of the cardinal points sustained by Chinese governments since the founding of the PRC. It is apparent in discursive and diplomatic practices that China has regularly and assiduously invoked sovereignty as the basis of contemporary international relations and the

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l'hégémonisme, et avancé la main dans la main sur le chemin ardu de redressement de l'économie nationale."

<sup>34</sup> Speech made by President Jiang Zemin on the opening ceremony of FOCAC I, Beijing, October 10th 2000. "La Chine est le plus grand pays en développement du monde tandis que le continent africain regroupe, pour sa part, le plus grand nombre de pays en développement."

<sup>35</sup> François Joyaux, *La tentation impériale. Politique extérieure de la Chine depuis 1949*, Paris, Imprimerie nationale, 1994, p. 329.

cornerstone of international law<sup>36</sup>. The corollary is that the principle of inviolability of state sovereignty is a distinctive feature of the Chinese conception of international law. The concept of sovereignty and, in particular, the doctrine of "the inviolability of sovereignty" are developed as a "defensive weapon" against interference in internal affairs<sup>37</sup>. This traditional and rigid doctrine on the principle of sovereignty is recalled on FOCAC speeches and documents. To that matter, on the launching of FOCAC in 2000, President Jiang Zemin stated that « from the History of the last century, we can conclude the following : the people of China and Africa are strongly attached to their national independence<sup>38</sup> ».

One of the major explanations for this understanding is the need to isolate Taiwan given the difficulties to bring it back into China. It follows the "One China policy", which restricts diplomatic relations to states that recognize solely the People's Republic of China. FOCAC African members are praised because in their statements they support the project on "the noble cause of Chinese peaceful reunification".

This is a standard fully shared in Africa. To that matter, it is possible to recall that the principles of sovereignty and inviolability of colonial borders are central to African interstate relations. Those rules were not only the founding principles of the Organization of African Unity (OAU) in the 1960s, but they largely explain the survival of African states that are weak, multiethnic and randomly shaped by former colonial powers<sup>39</sup>.

Secondly, the Chinese and the Africans demand a reform of the international economic order. Chinese leaders publicly engage on the promotion of a « fair and rational multilateral trade order » and on increasing the right to an opinion and decision power for the developing countries over international financial affairs. According to the Beijing Declaration from 2006 : « (...) Ministers are unanimous to estimate that given the current unfair and inequitable international order, China and African countries should strive to influence the establishment of a new

<sup>36</sup> Wang Tieya, « International Law in China », 221 Collected Courses of *The Hague Academy of International Law*, n° 2, 1991, p. 288.

<sup>37</sup> Jerome Cohen and Hungdah Chiu, *People's China and International Law: a Documentary Study*, Princeton, Princeton University Press, 1974, p. 117-118; Shan Wenhua, « Redefining the Chinese concept of sovereignty » in Wang Gungwu et Zheng Yongnian (dir.), *China and the New International Order*, London, Routledge, 2008., p. 53-80.

<sup>38</sup> "de l'histoire du siècle passé, nous pouvons tirer la conclusion suivante: les peuples de Chine et d'Afrique sont farouchement attachés à leur indépendance nationale".

<sup>39</sup> Robert H. Jackson and Carl G. Rosberg «Why Africa's Weak States Persist: The Empirical and the Juridical in Statehood», *World Politics*, Vol. 35, No. 1 (Oct., 1982), pp. 1-24.

international order which responds to their needs and interests<sup>40</sup>». In the beginning of the 1980s, China already campaigned against the deteriorating terms of trade, that is to find a balance on international trade between the prices of raw materials and manufactured products imported by Africans. Accordingly, the Chinese prioritize economic development over political reform. Political centralization has created a stable environment without which it is impossible to sustain economic reform<sup>41</sup>. African countries which, partly under pressure from Western powers, have been engaged in since the beginning of the 1990s on political reform with mixed results, can only be sensitive to such a concept. Within FOCAC, the Chinese message attached to this principle is well accepted in Africa : « We highlight that the world's diversity must be accepted and preserved, that all countries in the world , big or small, rich or poor, strong or weak, must address each other with esteem, treat each other equally and live under peace and friendship and that different civilizations and development paths must inspire one another, progressing under interaction and coexisting in harmony<sup>42</sup> ».

As such, FOCAC has become an institution which renews in many aspects the international relations of the parties involved. Does this mean this institution affects the member parties, is affected by them or produces equal results for China and Africa?

### **FOCAC : asymmetric multilateralism?**

Despite the building up of a common identity and shared norms, FOCAC, similarly to other international organizations, is strongly instrumentalized. Instrumentalization as discussed here must be considered both with regards to the most powerful member of FOCAC – China –, as well as for the *a priori* less influential African countries. In such terms, what one observes is an imbalance or asymmetry.

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<sup>40</sup> Preamble from the Programme for Sino-African cooperation on economic and social development, Beijing, October 2000. “(...) Les ministres sont unanimes à estimer que compte tenu de l'actuel ordre international injuste et inéquitable, la Chine et les pays africains doivent s'attacher à influencer sur l'établissement d'un nouvel ordre international qui réponde à leurs besoins et intérêts”

<sup>41</sup> Zhiming Chen, « La voie chinoise de développement », *Études internationales*, vol. XLI, n° 4, 2010, p. 455-483.

<sup>42</sup> Beijing Summit Declaration on China-Africa Cooperation, November 16th, 2006. “Nous soulignons que la diversité du monde doit être respectée et préservée, que tous les pays du monde, grands ou petits, riches ou pauvres, puissants ou faibles, doivent se témoigner mutuellement de l'estime, se traiter d'égal à égal et vivre dans la paix et l'amitié et que les différentes civilisations et les divers modes de développement doivent s'inspirer les uns des autres, progresser en interaction et coexister dans l'harmonie”



The hierarchical structure of this institution allows China to defend African causes and at the same time pursue its own interests, be them material or symbolic. This grouping also allows small African states to exist on the international scene by compensating their lack of power and « in spite of limited resources, even if symbolically, to project themselves outside their geographic area<sup>43</sup>». This space works for them as a resonance box which amplifies their demands (respect for sovereignty, increased representation on international financial institutions, etc.). Moreover, in a context where aid and traditional assistance have become rare, China poses within FOCAC as a largely appreciated alternative by African political authorities. Highly significant is the favorable welcoming of Chinese « largesse » and of its capacity to fulfill current and future engagements. That is the meaning of Denis Sassou Nguesso's words, Congolese president (Brazzaville) and then Chairman of the African Union : « *Comme a leur habitude, les autorités chinoises on tenu parole* ». <sup>44</sup>

Given the disparity between the Chinese leader and African countries, some people generally perceive FOCAC as an instrument to serve the new Chinese economic policy in Africa. Elaborating on the Peking meeting, an author stated the following : « It is effectively China that invited its new commercial partners to stay for a few days in Beijing » <sup>45</sup>. To some extent, one cannot refute the existence of several forms of asymetry within the forum. Put in another way, one can effectively notice that interactions are often presented and perceived as China-Africa directed as opposed to Africa-China, even if Africa represents an important asset and provides great resources to China's growth.

Nonetheless, it is China, through its economic and financial capacity, that invests in Africa more than the African countries invest in China. Furthermore, it is the latter that makes promises and performs countless works throughout the continent. In fact, while China is both powerful and determined to pursue its interests, African countries seem to move in unorderedly fashion , without a clear vision of the opportunities African collective action could bring in such an institution. Despite some initiatives by the African Union in the sense, Africans still lack a structured mechanism and they seem, until now at least, to be leaving the command of operations on China's hands.

<sup>43</sup> Bertrand Badie, « Le défi de la puissance » in Bertrand Badie et Guillaume Devin (dir.), *Le multilatéralisme: nouvelles formes de l'action internationale*, Paris, La Découverte, 2007, p. 215-232. « malgré des ressources fort limitées, de sortir, ne serait-ce que symboliquement, de leur zone géographique propre »

<sup>44</sup> « Main basse sur l'Afrique », *Marchés Tropicaux & Méditerranéens*, 10 novembre 2006.

<sup>45</sup> Antoine Kernén, « Les stratégies chinoises en Afrique : du pétrole aux bassines en plastiques », *Politique africaine*, n° 105, mars 2007, p. 163-180. « Et c'est effectivement la Chine qui a invité ses nouveaux partenaires commerciaux à venir passer quelques jours à Pékin ».

The heterogeneity of African states, which are each at different stages of development, poses as a difficulty to assume command of operations. The situation is not the same whether a country is economically sound or not. South Africa, for example, has fewer difficulties to influence the Chinese agenda since it possesses viable infrastructures and institutions which are able to monitor the behavior of foreign investors<sup>46</sup>. For less economically advanced countries, such an operation is much harder and, by not being able to influence the agenda with China, there is a risk elites will profit from the benefits of FOCAC to consolidate their authority at the expense of their countries' social and economic development. That is the core of concerns over the transparency and governance of the funds allocated by FOCAC. In certain cases, joining the institution may only benefit punctual financial incomes, without a real impact on economic diversification and on living standards.

The exclusion from the Forum of Sino-African Cooperation of African countries which still recognize the Republic of China (Taiwan) also illustrates to the existing imbalance in favor of China within FOCAC. Given the fact that the « One China Policy » is a *sine qua non* condition to official cooperation with China, the only African states absent from the forum are those which entertain relations with Taipei (Burkina Faso, Gambia, Sao Tome e Principe, and Swaziland). From this perspective, China's actions are particularly ambiguous since the sovereignty of friendly African states could exceptionally be bent when it comes to solving an internal dispute : the Taiwan issue.

The same analysis can be made regarding Chinese self-identification with the Third World. Fundamentally, for China it means balancing its Third World identity with its progress towards becoming an influential world power. China, indeed, always fought against isolation and it seeks to maintain one « Chinese » specificity while trying to complete its integration into the international community. Chinese foreign policy continues, nowadays especially, to be motivated by national interests rather than ideology. And its self-identification with the Third World contributes towards fundamental objectives that have not been changed with the renewal of various management teams: to preserve national security and to foster recognition of China's place and role in the world<sup>47</sup>. Indeed, since the founding of the RPC in 1949, Beijing's political rethoric has prioritized relations with Asia, Africa, and Latin America, in other words, the Third World. Actually, China constantly used its relations with the Third World, in this case Africa, to improve its position

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<sup>46</sup> Sanusha Naidu, « The Forum on China-Africa Cooperation: What does the future hold? », *China Report*, vol. 43, n° 3, 2007, p. 283-296.

<sup>47</sup> Craig Harris et Robert Worden, *China and the Third World*, London & Sydney, Groom Helm Ltd, 1986, p. 1-13.

vis-à-vis the United States and the Soviet Union before the latter's desintegration. Mao's Three Worlds theory, as well as the opposition to American hegemony after the Cold War, aim at creating coalitions which work to limit the influence of the superpower. Officially, nevertheless, the will to be a part of the Third World mobilised within FOCAC also seeks to reassure African leaders that, in spite of its emergence to the level of a world power, China will remain faithful to the interests of developing countries. To that matter, there is a foreign policy dilemma that constanly invoques history as a solution<sup>48</sup>.

Also, with regards to the reform of financial and political international institutions, one can have reservations concerning oficial Chinese declarations. Does the PRC really seek to oppose the exclusive great powers club that relies more and more on a « complicity diplomacy<sup>49</sup> » given the fact that China itself is a member of that club? Chinese scholar Wang Jisi highlights it would be unreasonable for Beijing to directly question the international order and the institutions favoured by the Western world, and that, in fact, such a questioning is unlikely<sup>50</sup>. As a permanent member of the United Nations Security Council with a veto power, China's interests in some perspectives are also as conservative as those of Western countries. In what concerns the UN reform, it is likely that China has no interest to see Japan join the Security Council out of fear that will damage its own prominence on the Asian scene. Some observers believe the new African allies could help China prevent the entrance of the Japanese rival into the Security Council<sup>51</sup>. This demonstrates FOCAC's instrumentalization possibilities to serve China's international battles.

## Conclusion

African reception of the Sino-African Cooperation Forum has generally been positive, even if, for various reasons, countries expressed reservations, especially South Africa which, through former President Thabo Mbeki, continued to warn against potential imbalances in Sino-African cooperation. We have seen that, to a certain extent, FOCAC is an institution – unbalanced – with a multilateral character which assures socialization by creating linkages, shared practices by its members but

<sup>48</sup> Chris Alden et Ana Cristina Alves, (2008), « History and Identity in the Construction of China's Africa Policy », *Review of African political economy*, vol. 35, n° 115, March, p. 43-58.

<sup>49</sup> Bertrand Badie, *La diplomatie de connivence. Les dérives oligarchiques du système international*, Paris, La Découverte, 2011. « diplomatie de connivence »

<sup>50</sup> Wang Jisi, « Searching for Stability with America », *Foreign Affairs*, vol. 84, n° 5, Sept/Oct. 2005, p. 39-48.

<sup>51</sup> Voir William Leday, « Dimensions politiques du partenariat stratégique Chine-Afrique », *Défense nationale et sécurité collective*, janvier 2007, p. 95-102.

also promoting shared interests and standards, namely sovereignty, the primacy of economic development, and the principles of fairness and equality in international fora.

Such an understanding seems to be unanimous among African members of FOCAC. To that matter, at the end of FOCAC III, Algerian President Abdelaziz Bouteflika emphasized this convergent points of view under the following terms : « China and Africa can indeed build a new sort of partnership, mutually beneficial and one that does not endure the consequences of colonial history and of those, damaging ones, induced by a paternalist development aid<sup>52</sup> ».

Seeking to compensate imbalances (agenda, One China Policy, etc) which are indisputedly in favor of the Chinese leadership within FOCAC, African countries should also be closely involved in the administration and coordination of the follow-up of FOCAC decisions. One can, in fact, deplore the timidity of African engagement: there exists no African follow-up committee on the regional level. This reinforces the tendency to use bilateral negotiations within and outside FOCAC. Such a trend towards bilateralism – which China paradoxically appreciates – may work in favor of clientelist practices by some leaders.

What appears to be « *multilatéralisme d'apprentissage* » could prove to be a particularly effective weapon to deal as a group with other extra-continental partners, as well as within other multilateral fora. The African Union seems to have understood the urgency of the situation since it adopted one of the recommendations made by a especially commissioned team to reflect upon which actions to take regarding emerging countries. The team concluded that Africa should develop a clear strategy in order to avoid the build up of a second colonization and it should effectively use its natural resources to accelerate the continent's industrialization process<sup>53</sup>.

Certainly, far from being based solely on the idealist sharing of values and common interests, FOCAC is a project marked by the usage of *soft power*<sup>54</sup>, that is

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<sup>52</sup> « La Chine et l'Afrique peuvent, en effet, tabler sur un partenariat de type nouveau, mutuellement avantageux et qui n'a pas à pâtir des conséquences de l'histoire coloniale et de celles, dommageables, induites par une aide au développement paternaliste. » Statement by Algerian President Abdelaziz Bouteflika in the occasion of the China-Africa Summit, available at <<http://www.el-mouradia.dz/>>, November 2006.

<sup>53</sup> « African Countries Draft Plan for Relations with 'Emerging Powers' Like China, India and Brazil », *World Politics Review*, 23 octobre 2006, disponible à <<http://www.worldpoliticsreview.com/articlePrint.aspx?ID=279>>

<sup>54</sup> Joseph Nye, *Soft Power. The Means to Success in World Politics*, New York: Public Affairs, 2004., p. 5-11.

to say, usage of economic and persuasive power as well as the offer of political and diplomatic support by China to influence the choices of African countries. Nonetheless, this institution also poses as a multilateral group used by its members to multiply their power: it is a relay of the claims made by small African states and of the international prestige of a rising power like China. Even if, twelve years after its launching, FOCAC's long term perspectives are unclear – one must always rely on triennial programmes made by China -, it is certain, nevertheless, that this institution serves its members as well as its members benefit from it.

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**ABSTRACT**

China's rise became evident at the turn of the century in a context of American unilateralism under the command of George W. Bush. This context explains, to a large extent, Chinese strategies to avoid isolation and defend its interests. As such, China has chosen to act through multilateralism, previously viewed with suspicion, but now sought as an essential element to its diplomatic strategy, especially at the regional level.

In this context, FOCAC can be understood as an imperfect multilateral undertaking knowing that bilateral relations are at the core of the relations between China and African countries both within and outside the institution. Is FOCAC an organization similar to the Commonwealth or the International Organization of La Francophonie? Are African countries true actors in this institution or do they orbit around China while it defines the rules and principles to be enacted and profits from them alone?

Given all that was stated above, this paper has two main objectives. First, we seek to demonstrate in which ways FOCAC is part of an alliance building strategy to allow China to better resist American unilateralism and the risks of being stopped by its Western rivals. Then, we will show that, as an institution, FOCAC is a place of socialization, that is, a place where standards, practices and patterns of behavior are set and disseminated. As such, far from being a mere instrument manipulated by China, it is both a framework and a tool with shared impacts. In order to achieve both our goals, at first we will outline the theoretical and conceptual background to guide our work – constructivist theory – resorting to the concepts of soft balancing and socialization. After that, a thorough explanation of FOCAC's history will be presented, highlighting institutional characteristics and their impact on China-Africa relations.

**KEYWORDS**

Multilateralism; International Institutions; FOCAC; *Soft balancing*; Socialization; Asymmetric relations.



# THE JACOB ZUMA GOVERNMENT'S FOREIGN POLICY: ASSOCIATION OR DISSOCIATION?

*Chris Landsberg<sup>1</sup>*

## **Introduction**

As South Africa approaches the third year anniversary of the Jacob Zuma-led government, it is an opportune time to map some of its policy trajectories. In this policy essay, I shall unpack the foreign policy and strategic objectives of the administration, with assessment of its dominant diplomatic priorities. Former President, Thabo Mbeki, had a clearly articulated and highly ambitious foreign policy narrative from which the incoming Jacob Zuma claimed his would diverge. However, when the new president finally did manage to cobble together a foreign policy, it actually borrowed heavily from Mbeki's own. More significantly, the policies as written on paper have yet to bear any resemblance to the ones being implemented. This, coupled with ructions and accusations of weaknesses of leadership in the current administration, implies an element of confusion, the roots of which can be traced back to the transfer of power between the two leaders. In this sense, South Africa's foreign policy during the past three years or so could be said to have been Polokwani-sed, a reference to the tensions between former President Thabo Mbeki and his successor Jacob Zuma, and the implications of this fraternal squabble on policy in general, foreign policy in particular.

## **The foreign policy agenda of the Zuma government**

Huge expectations greeted the current South African government at the ANC's 52<sup>nd</sup> National Conference in Polokwane in 2007, at least from supporters of the faction that wrested control of the party from Thabo Mbeki and handed it to Jacob Zuma. Many of the expectations have revolved around the idea that the democratic coup would constitute not just a shift in personalities but in actual policies (Landsberg, 2011, p. 246)).

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<sup>1</sup>Professor of the Department of Politics from the University of Johannesburg. (austral@ufrgs.br)

Mbeki had pursued a four-pronged approach of strategic goals in which he sought to combine foreign and domestic policies (Landsberg, 2006: p.256). The so-called 'African Agenda'; South-South co-operation; North-South dialogue; and socio-economic and politico-security all incorporated the country's post-apartheid move to combining domestic growth with the replacement of international isolation by continental and overseas links, and notions of global governance (Landsberg, 2006, p.257).

It was against this background that the August 2009 *Medium-term Strategic Framework to Guide Government's Programme for the Electoral mandate Period 2009-2014* was announced, signalling that the Zuma administration would champion its foreign policy under the broad rubric of "Pursuing African Advancement and Enhanced Co-operation". The government erected a number of pillars, remarkably similar to those of Mbeki, namely

- (1) closing the gap between domestic and foreign policy, or the national interests;
- (2) Promoting Southern African Development Community (SADC) integration;
- (3) prioritization of the African continent through "African advancement";
- (4) strengthening of South-South relations;
- (5) improving strategic relations with the North;
- (6) strengthening political and economic relations; and
- (7) participating in the global system of governance.

The cement intended to hold together the edifice which these pillars were supposed to hold up was commonly voiced as 'national interest,' but it soon became apparent that the foundations themselves might not be able to carry the weight. Of major concern to critical observers soon became whether these foreign policy goals represented a marked shift in, or merely a reinforcement of, those pursued by Mbeki, and why there had been so many variations and divergences in their implementation. If Zuma wished to diverge from Mbeki's agenda, why did he adopt it in the first place? Alternatively, was he perhaps caught between the enthusiastic reformers who put him into power and the actual powers responsible for putting policy into practice?

## From Foreign Affairs to International Relations and Co-operation

In one of the first moves announced by Minister Nkoana-Mashabane, in line with the resolution adopted by the ANC at Polokwane, was that the name of the department responsible for the management and co-ordination of the Republic's diplomacy and foreign policy would change from the Department of Foreign Affairs (DFA) to the Department of International Relations and Co-operation (DIRCO). The idea behind this was to signal the Zuma government's intention to introduce a new style and approach to the conduct of foreign affairs. The emphasis was now upon collaboration, and a non-hegemonic attitude that eschewed so-called 'soft-balancing', wherein the bullying tactics of successive apartheid governments had supposedly been replaced by deals with foreign powers aimed at mutual recognition of each other's self-interest.

In her first public address as new Minister, Nkoana-Mashabane spelt out the rationale behind the change of name, stating it had been intended to "reflect the new focus that our government wishes to place on partnerships and co-operation for development". In an address to DIRCO Heads of Missions Conference in August 2009, she expanded on this motivation when she asserted that it "was largely motivated by international trends which require states to put emphasis on co-operation over competition, and collaboration over confrontation". The minister went further to reason that "the globalised nature of the world necessitates that states continue to forge ways of co-operating better with each other" (Nkoana-Mashabane, 2009a).

A further motivation behind the change in the name of the department was to help close the gap between domestic and foreign affairs and to help demystify the latter by bringing them closer to the public. In the words of the Minister, "one of the important areas of our work will be to make South Africans aware of the work that the Department is doing. In this regard we plan to enhance our public diplomacy initiatives and increase the level of our engagement with South Africans on foreign policy matters," and to gain the support of the people, she asserted, "our work needs to be known and understood by South Africans from all walks of life". This would require "more clarity and focus on the role of the Department in meeting our domestic priorities through international partnerships and co-operation" (Nkoana-Mashabane, 2009b). The Minister was implicitly recognising that there was a need for the government to become better in devising strategies that would help to close the domestic-foreign policy divide. At the very least, there was an expectation

that government would communicate more effectively the rationales underscoring foreign policy to domestic audiences.

During her *Outreach Programme* at the University of Limpopo in October 2009, the Minister articulated a view of the national interest that challenged the realist notion of power and domination, preferring a notion that would involve co-operation and partnership, and acknowledge its complexity. This all-purpose adhesive, 'national interest,' comprised the country's "goals and ambitions; they are about the state's survival, extending to its pursuit of wealth, economic growth and power". DIRCO attached great currency to soft balancing, with foreign and domestic policies closely connected:

We do not believe that the international system is characterised by anarchy and that states have to hide behind the cover of their sovereignty and focus narrowly on the pursuit of their national interest. In South Africa's scheme of the national interests, states can work together around a common global agenda and shared values for a better world. (Nkoana-Mashabane, 2009c)

However, if this rhetoric was intended to signal a fundamental shift in policy by the new administration, it would have to go further than a name change. Examined closely, both the Mandela and Mbeki presidencies had long denounced hegemonic approaches to international affairs in favour of public avowals of cooperation and partnership-building. On the African continent in particular, the 'new South Africa' had consistently adopted a posture of partnership, not least in a bid to reassure its neighbours about its good intentions, and announcing that it sought to be a peaceful and reliable partner, no longer bent on pursuing its own interest at their expense.

### **Establishing a South African Development Agency**

So, apart from the name change, what else was new? Another idea communicated by the new Zuma-led government was the establishment of a South African Development Partnership Agency (SADPA), with the aim of promoting developmental partnerships. According to Minister Nkoana-Mashabane (2009c), the new government intended to bring together the work of several departments into one more practical unit. The view emanating from Pretoria-Tshwane was one of 'cooperation', 'coordination' and 'coherence'. In August 2009, the Minister confirmed that SADPA was operational, and would "contribute to capacity and institutional building, as well as support socio-economic and human resource

development” (Nkoana-Mashabane, 2009c). However, while the idea of SADPA was touted as bringing order to previous chaos, it was not a new one. The first concrete example of translating such a vision into a programme of action had been by the Mbeki administration to make South Africa a virtual donor country, willing to put substantial resources at the disposal of the ‘African Renaissance.’ This was also intended to counter Western hegemony on the continent, and signal to continental partners that neo-colonial relationships were to be challenged. In 2000, just one year into Mbeki’s presidency, South Africa established the African Renaissance and International Co-operation Fund (ARF, 2000, Act 51, section 2), effectively making it an African donor country, able to influence continental politics in direct ways, and reversing the former Economic Co-operation Loan Fund (Act 68 of 1968), used by the apartheid state to lure reluctant African states into cooperating with it. In terms of structure, the ARF was under the control of the Director-General of Foreign Affairs. Funds for projects were disbursed after the approval of the Director General or the Minister of Foreign Affairs (DFA, 2008).

The DFA could also tap into its own resources and claim back such resources after approval had been sought from the Minister of Finance. Loans or other financial assistance were granted in accordance with an agreement entered into with the country in question and the South African Minister of Foreign Affairs. Assistance granted was subject to terms and conditions agreed upon by the recipient country and the Minister, and in all cases in consultation with the Minister of Finance (DFA, 2008). An Advisory Committee was established to manage the Fund, and given the task of making recommendations to the Minister and the Minister of Finance on the disbursement of funds through loans and other financial assistance.

This ARF effectively propelled South Africa in the direction of challenging the hegemony of the established donors. Its aim was “to promote co-operation between the Republic of South Africa and other countries by granting loans and/or granting of other financial assistance in respect of development projects in other countries”. The fund set out to promote in a “proactive way” six areas and priority line items (DFA, 2008):

- (1) Co-operation between the Republic of South Africa and other countries, in particular African countries
- (2) Promotion of democracy and good governance
- (3) Prevention and resolution of conflict
- (4) Socio-economic development and integration
- (5) Humanitarian assistance
- (6) Human resource development

By 2007, the ARF had built up a strong track-record in multi-lateral and bi-lateral funding in Africa. At that juncture, government recognised the need to develop a policy framework for development assistance for the Republic and the stage was set for becoming a fully-fledged donor that would compete with and challenge established donors in Africa. The DFA and Treasury had taken the lead by 2005 in working on a strategy for transforming the ARF into the more coherent Development Assistance Fund and Programme for South Africa, while a detailed cabinet memorandum was prepared to spell out the principles (DFA, 2008). South Africa participated in the so-called 'Paris Club process', which focused attention on aid flow, critical reform of outdated and ineffective aid policies and management that favoured budget support as opposed to tied aid. A global assessment of progress was made on issues such as achieving the indicators of the Paris Declaration. So serious had the Mbeki government been about playing at the strategic level on funding that it explored the idea of doubling aid to Africa by 2010, and allocated no less than 0,7% of its annual income to aid by 2015.

The 2007 strategy document on becoming a donor state suggested that it would consider both multilateral and bilateral funding, and conceded that the latter would require extensive infrastructure in order to ensure effectiveness. However, South Africa needed to work on beefing up this infrastructure, and it would have to learn from the UK's Department of International Development (DfID), Germany's GTZ, America's United States Agency for International Development (USAID), Canada's Canadian International Development Agency (CIDA), the Scandinavian donors and others. If successful as a donor country it would then be in a position to influence the OECD and the Paris Club, to ensure that aid became better aligned with the national development agendas of developing countries, while at the same time campaigning for less conditional aid. It also gave South Africa a voice to push for greater levels of aid to be allocated to the continent and other developing countries and emerging economies.

The question of how far this policy was continued by Zuma and how far it was replaced by a new one is closely related to growing concern over the government's commitment to realizing the goal of establishing its agency amid a global economic recession, as well as meeting pressing socio-economic challenges at home. As well as a major service delivery crisis, the ANC government is under attack from its traditional support base, the trades unions, and is currently locking horns with the media as it tries to muzzle freedom of speech in a vain attempt to prevent disclosure of criticism of the president and the widespread corruption that has permeated every level of government and the civil service.

As Mbeki's vision of an African Renaissance appears to be falling by the wayside, because of the desire by the new ruling elite to distance themselves from the former head of state, the government has shown little sign of making its agency operational. If and when it does so, it is doubtful that it will be able to continue to pursue the broad goals of the ARF, i.e., promotion of democracy and good governance; prevention and resolution of conflict; socio-economic development and integration; humanitarian assistance; and human resource development. More likely, it will have to refine and rationalize these goals to something less ambitious, perhaps a niche area of democratic state-building. In addition, there are institutional policy challenges such as where to situate the agency, whether as part of DIRCO, in the Treasury, or as a separate entity on its own. Whichever route government decides on, one thing is clear, there will need to be a high degree of cooperation between DIRCO and a host of other departments, especially the Presidency, Treasury, DTI, DPSA and others. Of more concern is whether the government is truly committed to realizing the ambitious goal of setting aside 0,7% of GDP to go towards aid, when its own a people are manifesting growing unrest at what is widely perceived, rightly or wrongly, as shambolic governance.

### **Pursuing African Advancement**

A key dimension of the Zuma government's foreign policy, as was the case with Mbeki, has been that of "continued prioritization of the African continent", pursued under two broad thematic areas: continental and improving political and economic integration, and the South African Development Community (SADC). However, behind the rhetoric of change, there is once more a note of familiarity. Strategies parading under the label of "African advancement" betray a policy that borrows heavily from the Mbeki government's notion of the "African Agenda", as explicitly stated by Nkoana-Mashabane when she announced that "the consolidation of the African Agenda remains central to our foreign policy objectives" and that the new government "will continue to work towards achieving a vision of Africa which is united, peaceful and prosperous" (Nkoana-Mashabane, 2009c).

Speculation has also been rife as to the future of NEPAD under the scattergun approach to foreign policy of the Zuma policymakers. It came as news when the government recently began to state in the open that it remained committed to NEPAD, having been silent on this issue for most of its first three years and running the risk, as a lead state in the formation of NEPAD, of distancing itself for domestic political rather than sound foreign policy reasons. In practice there remains much uncertainty about the future of this programme. In committing

itself, grudgingly, to NEPAD, and to improving the regional climate for growth and development, as well as placing the development requirements of the continent on the global agenda, it is signifying that it will continue to use Mbeki's vehicles, the G8-Africa Action Plan, and the African Partnership Forum. However, it will not follow its predecessor in heralding this, or indeed any policy direction, as being in the national interest, and NEPAD remains the main frame of reference for intra-African relations and Africa's partnership with international partners, such as the EU-Africa Strategic Partnership, Forum for Africa-China Partnership (FOCAC), the G8, New Africa-Asia Strategic Partnership (NAASP), and the Organisation for Economic Co-operation and Development (OECD) (Nkoana-Mshabane, 2009c). Widely perceived as little more than 'talking shops', it is difficult to see how Zuma could convince his domestic audience of the benefits of continued membership of these groups, even if he himself knew.

Such fears are also reflected in the government's relationship with the African Peer Review Mechanism (APRM), the implementation of which it initially supported. There are now serious doubts about this governance instrument's future, and almost a year after Chris Stals stepped down as South African representative on the Panel of Eminent persons, only in early 2012 have we been informed that ANC Chairperson, Baleka Mbete, will replace Stals, a good five years after he stepped down from the position. This does not show good leadership, added to which are questions around the future of the mechanism at home and the implementation of the action plan. The tensions between government and civil society over the domestic APRM process and structures are well documented, but the tensions and problems persist, with both sides having some answering to do about how they propose to restore the creditability of the instrument.

The Mbeki government repeatedly emphasised the need to strengthen the African Union (AU) and its institutions, and within the context of the Grand Africa debate about the AU government, its stance was in favour not of Gaddafi's United States of Africa (USAf), but a Union of African States. Again, there was an opportunity for the Zuma government to move beyond the cautious deliberations of his predecessor and embrace a federal vision for the continent. However, once more, his avowed commitment to supporting the old paradigm of building a Union of African states and continuing to work for the strengthening of the AU and its confederal institutions placed him firmly in the footsteps of the man his coup d'état had overthrown: "South Africa will continue to advocate for a gradual and incremental approach, focusing on the regional organisations, as building blocks towards the Union Government, South Africa's approach continues to be premised on the understanding "that the African Union is a union of independent and



sovereign states”, and that the actions of the AU Agency “are contingent on the mandate of member states” (Nkoana-Mashabane, 2009c). It is hardly surprising, in the light of such intellectually bankrupt dogma, that the critical problems facing the continent and country can find any swift and long-term solutions.

In characteristic fashion, substituting rhetoric for substantive policy, stated policy heralded that it would, through continental and regional issues, work towards the entrenchment of democracy and respect for human rights on the African continent (Nkoana-Mashabane, 2009c). Suffice it to point out here that the balance between a human rights and justice versus a peace, security and development approach has been a difficult one for this country to achieve during the course of the past fifteen years.

There is already much expectation in the local and international media that the Zuma government will pursue pro-human rights foreign policy, but does it stand up to close scrutiny? Presentation of these expectations, let alone their implementation, will have to be carefully managed, lest the foreign policy become just another piece of shallow international human rights discourse.

In line with his neo-functionalist approach, Mbeki’s foreign policy strategies comprised strengthening the African Union (AU) and its institutions as an essential part to bolstering Africa’s unity and development. Zuma’s Government promised to continue to contribute to the organs of the AU, namely financial institutions such as the African Central Bank, the African Monetary Fund and the African Investment Bank, as well as the African Court of Justice and the African Court of Human and People’s Rights. As hosts of the Pan-African Parliament, South Africa deemed itself to have “a special responsibility to ensure that this organ of the AU enjoys legitimacy and effectively discharges its mandate” (Nkoana-Mashabane, 2009c). Policies stressed the need to ensure the necessary resources and political support to realize these goals, but as with promises of sustained and equitable economic growth on the African continent, this again shows, as the Minister of International Relations has betrayed on numerous occasions, that the developmental approach to foreign policy is in fact similar to the stance adopted by the Mbeki administration.

### **The Zuma government’s approach to conflict resolution in Africa**

The new Zuma administration steered clear of using the evocative and controversial idea of “quiet diplomacy” as a means to promote conflict resolution in Africa. Distancing itself from this controversial concept was an attempt to show a

break between itself and the Mbeki administration, yet apart from ditching the term “quiet”, in practice the conflict resolution posture adopted by Zuma was similar to that adopted by the Mbeki administration. In his first year, Zuma was already showing a preference for non-confrontational, and accommodative, mediated solutions to conflict and deadly wars in Africa.

The Mbeki government had been an activist in the area of peace diplomacy, and post-conflict reconstruction and development. The new government has vowed to contribute to the promotion of peace, security and stability, by among others, sustaining involvement in peacekeeping operations in Africa. It went on to say that South Africa would assist in the reconstruction and development of the African continent, especially in post-conflict countries such as the DRC, Sudan, Burundi, Western Sahara and Zimbabwe. But how and where would the focus lie?

Here there may be evidence of a break with policy between the two presidents. Starting with the bilateral questions, in particular Zuma's choice of first state visit to Angola in August 2009, he was accompanied by 11 Cabinet ministers, senior government officials, and the largest business delegation to accompany a head of state on a state visit since 1994. Zuma was determined to restore solidarity with Angola, a country with whom relations had been severely strained during the Mbeki years. Angola did not like South Africa's hegemonic status in the region, and Angolan President Dos Santos never responded positively to Mbeki's overtures for closer relations. For the almost decade of his rule, Mbeki failed in his bid to secure a state visit to South Africa by his Angolan counterpart. In 2007, the so-called Browse Mole Intelligence Report was leaked by the Republic's organized crime-fighting agency, the 'Scorpions,' containing serious claims against the Angolan President and accusing him of having backed a plot to unseat Mbeki by providing financial and political backing for the campaign by the ANC Deputy-President Jacob Zuma to replace him as head of state (*Mail&Guardian Online*, 2009). The intelligence report suggested that Angola was unhappy with the pre-eminent role Mbeki had come to play in African diplomacy, and that the Angolans favoured a strategy in which his role would be curtailed.

Against the backdrop of these charges, and a generally frosty relationship between Luanda and Pretoria-Tshwane, it was not surprising that Zuma chose Angola as his first destination for a state visit after becoming head of state. On a positive note, the idea of elevating South African-Angola ties to a more strategic plan sounded like a welcome move, and there were certainly bilateral benefits to be had economically. On a more curious level, the question arose as to whether the restoration of ties signalled a geo-continental shift in policy away from the likes of

Nigeria, Algeria, Ethiopia, Tanzania and Ghana. If not, it is unclear how South Africa and Angola hoped to achieve the stated goal which arose during the Summit of the two also playing a strategic sub-regional and continental role. Angola would be a curious choice to play this role, and while Luanda itself harbours a desire to be recognized as a regional hegemon, and seeks the status and prestige of the label, it is less clear whether the country has a sub-regional and continental plan, let alone the will to execute it.

Zuma's choice of anointing Angola as the Republic's number one strategic partner in Africa had serious implications for the hitherto strongest bi-lateral African relationship in post-apartheid history. 2009-2012 saw a sharp decline in the relationship between Pretoria and Abuja relations, with the latter feeling abandoned by South Africa and the tensions in the relationship coming to a head during the 2011 NATO war against Libya war. The Libya vote went against seeming key propositions about South Africa's foreign policy, including peaceful settlements of disputes; African solutions for African problems; defending the sovereignty of African states; and defending multilateralism and the centrality of the United Nations (Landsberg & Moore, 2011, p.72). While it was the AU who in 2010 nominated South Africa to return to the UNSC as a non-permanent member from January 2011 to December 2012, scarcely two years after it finished its first stint from January 2007 to December 2008, the Zuma government, together with Nigeria and Gabon, voted for the Libya resolutions in apparent isolation of the AU (Landsberg & Moore, 2011, p.73). South Africa also took the vote without consulting its new BRICS partners (Brazil, Russia, India, China), to the obvious chagrin of some like China and Russia.

Caused in part by the fall-out over Libya, "South Africa and Nigeria, apart from not getting on well", argued Patrick Smith, "will be tied up with their own political ructions" (The Africa Report, February 2012, Editorial). This was an unfortunate development. It should be remembered that between 1999 and 2008, South Africa and Nigeria built one of the strongest strategic partnerships on the African continent as they set out to "facilitate the strengthening of existing co-operation... in peace, security and stability issues" (Quoted in Landsberg, in Adebajo & Mustapha, 2008, p.204). The two countries' bi-lateral and multilateral relationship remained of strategic importance as they both helped to construct the AU and crafted NEPAD. They shaped the AU away from Muammar Gaddafi's United State's of Africa (USAf) plans into the idea of a union of states and under Mbeki and Obasanjo's leadership, the two African pivotal states embarked on a real "concert diplomacy in the interests of African renewal, by trying to take primary

responsibility for managing inter- and extra-African affairs” (Quoted in Landsberg, in Adebajo & Mustapha, 2008, p.204).

Pretoria-Tshwane and Abuja set out to “maintain and increase, if necessary, the existing frequency and regularity of consultations between the two countries of issues of international and regional multilateral concern”. The two regarded their relationship as “...of strategic importance, particularly in the light of the promotion of the development and promotion of NEPAD... as well as the evolution of the mechanisms around the AU” (Landsberg, in Adebajo & Mustapha, 2008, p.204). Since the unsavoury developments of the Libya votes of 2011, there has been a cooling off in the relationship between Nigeria and South Africa, to the point that by the end of 2011 and beginning of 2012 there was a frostiness in the relationship. According to Adekeye Adebajo, South Africa’s “maladroit diplomacy over Cote D’Ivoire and Libya [resulted in] the alienation of its previously close strategic partner, Nigeria” (Adebajo, 9 February 2012). Patrick Matlou from the Africa Institute of South Africa argued that, “what is supposed to be a strategic partnership is increasingly becoming bogged down in differences between the two countries, largely seen through the eyes of how their governments engage”. He reminds us that “there were no celebrations of the bi-national [commission] in 2010 and 2011” and “South Africa and Nigeria are often seen and act as rivals”. There is little doubt that one of the continent’s most strategic and important bi-lateral relations has degenerated into a tense affair in recent years. Nigeria sees itself as the giant, “as bigger, more resourced” and a “long time leader in Africa”, and they believe that they were “the champion of the anti-Apartheid struggle and that South Africa should, in showing gratefulness for the assistance it played in its transformation. South Africa, the expectation goes from Abuja, should “play second fiddle to Nigeria”, which, according to Matlou, South Africa “has through the force of example, clarity of its international relations and policies, and through the leadership role bestowed on her, is often urged to lead even where she is reluctant” (ASIA Focus, Nov/Dec 2011, p.3). Then there is the rivalry for the UN Security Council seat.

There is little doubt that one of the continent’s most strategic and important bi-lateral relations has degenerated into a tense affair in recent years. While during the Mbeki and Obasanjo years there had been tensions, the two leaders made sure that they managed them and preserved a “concert of powers” relationship. Since 2009, however, the relationship has deteriorated to the point that that the two states are hardly on speaking terms. In a recent policy brief, the Centre for Conflict Resolution recommended that “relations between South Africa and Nigeria – the two main regional hegemon in sub-Saharan Africa – should be urgently improved to

provide leadership to rally a united African diplomatic front at the UN and other international diplomatic fora" (CCR, 2012, p.5). Many felt it was imperative that these African pivotal states took the lead in restoring efficiency and effectiveness in the AU and other continental organisations.

While there has been much promise that Zuma would adopt a tougher more confrontational approach towards Mugabe and Zimbabwe, there is less likely to be a change of approach toward Zimbabwe, which apart from an explicit commitment to work towards a free and fair election at the earliest possible date, seems to evoke business as usual (or lack of it) in Tshwane-Pretoria. Zuma has said he would work with all parties in the Zimbabwe unity government, Zanu-Pf, MDC-Tsvangarai, and MDC-Mutambara, to address "potential fault lines" within the inclusive government to resolve their differences and ensure that this government works more effectively (Director-General Ayanda Ntsuluba, 2009). This includes resolving differences over issues such as the Governor of the Central Bank and the Attorney General (Director-General Ayanda Ntsaluba, 2009). However, the government of national unity (GNU) is a fragile one and the three parties involved in the pact are reluctant participants. The GNU is likely to go through many fits and starts, and there is even a chance that there will be an occasional walkout staged by some of the parties, especially the two MDC factions. South Africa said that it would work with Western powers such as the EU and other cooperating partners to re-engage Zimbabwe, but as Mugabe continues his decline into senility and increasingly bizarre outbursts, the pertinent question is who is the more detached from reality, him or Zuma?

As far as the DRC is concerned, the Zuma government continues to use the vehicle created by the Mbeki government to engage the central African country in managing its post-colonial civil conflicts, namely the South African-DRC Bi-National Commission (BNC) (Director-General Ayanda Ntsaluba, 2009). In engaging the DRC, South Africa would focus on examining progress on the implementation of projects and key issues related to post-conflict reconstruction and development, in particular helping the DRC building its capacity within the police and security forces, and building state institutions to govern more effectively. While Mbeki's government had helped to broker a rapprochement between Rwanda and Burundi, Zuma's chose to take up this role and emphasise the need for the two countries to improve the tenuous security situation between them.

Sudan is another country and challenge over which South Africa has invested much political capital in trying to resolve political and security issues. While Mbeki took a personal interest in Sudan and regularly engaged in personal diplomacy, Zuma appears to favour a more backseat approach and delegated consultations around the issue to his Minister of International relations and Co-operation. The

Zuma government adopted a view that unity between North and South remained fragile, and the planned referendum over self-determination for the newly formed South Sudan could unearth more tensions and divisions between North and South, rather than cementing unity and solidarity. The Minister for international relations confirmed that South Africa had “an important contribution to finding a lasting peace in the Sudan as we chair the Ministerial Committee on post-conflict reconstruction in that country” (Nkoana-Mashabane, 2009a). She confirmed that South African troops were an important component of the AU-UN peace-keeping presence in Darfur” and that “former President Thabo Mbeki is leading a High-level Panel of the AU whose work should help us to address the challenges of justice and reconciliation in that country” (Nkoana-Mashabane, 2009a).

One area of policy which the Zuma government made no attempt to disguise its having continued along the Mbeki route was a preference for negotiating inclusive governments on the continent. For instance, it supported the work of former Mozambique President Joaquim Chissano as SADC appointed mediator to try and resolve the crisis in Madagascar, which has been dubbed by SADC and the AU as an example of “unconstitutional change of government” (Nkoana-Mashabane, 2009a). This is a practice that has been rejected by these continental institutions. Determined to reverse the unconstitutional practice and restore rule in Madagascar, Pretoria-Tshwane came out in support of Chissano’s push for an inclusive government that would see Ravalomanana as president, with the figure who ousted him, Rajoelina, as participating in such a government (Nkoana-Mashabane, 2009a). Both would be allowed to stand in a new presidential race after the transitional period.

In reality there were signs of association and dissociation with the Mbeki foreign policy. Whether on paper, or in theory, the Zuma government’s stance towards conflict resolution in Africa was therefore very much in line with the Mbeki administration’s preference for inclusive and negotiated solutions, and showed a remarkable degree of continuity with the previous government’s approach. Again, any talk of change and a break with the Mbeki government’s approach to conflict resolution does not stand up to scrutiny, as in reality the new administration has opted to build on the approach of its predecessor government. Furthermore, there are even signs that the rhetorical pretence of looking for change is in some instances being dropped altogether, as continuity apparently comes to be accepted as the norm. For Zuma, he played expedient politics by allowing some to believe he would change the Mbeki agenda, while knowing full-well there he would mainly stick to such an agenda as he helped to shape much of it during 1999-2005.

## Improving political and economic integration of SADC

It is now pertinent to consider South Africa's planned strategies for improving political and economic integration of SADC, the new government's prioritization of which should be viewed within the context of its regarding regional economic communities (RECs) as the pillar institutions of continental union. As the Minister of International Co-operation put it, policy is "informed by our commitment to contribute towards the transformation and realignment of SADC from a regional organization preoccupied in the main by a political agenda to a Regional Economic Community (REC) that will meet the challenges of globalization" (Nkoana-Mashabane, 2009a).

Just as regional integration and the role of SADC in mitigation, peace and security, and governance featured prominently as a priority, so the new Zuma-led government promised to focus on making a contribution towards political cohesion and strengthening governance and capacity in SADC, including deploying personnel to strategic positions within the Secretariat. It is worth pointing out here that this focus on regional cohesion by the Zuma administration is not new; it has been a vexing question in foreign policy since the end of apartheid, namely the gap between intentions and capacity. The lofty promise by government notwithstanding, South Africa remains one of the most under-represented countries in African and international multilateral forums, with serious implications for its core national interest and foreign policy goals. On one hand, it promises to promote regional integration, including through SADC protocols, aimed at improving security and stability, infrastructure, transport (surface, air, and maritime, public administration and other sectors; the co-ordination of multi-sectoral plans, and harmonizing industrial policies. On the other hand, while it is known that there is a proposed International secondment policy on the table, the status of that policy remains unclear.

The Zuma government has also stated that it will move towards enhanced regional economic integration and address sources of disagreement among members of Southern African Customs Union (SACU) on issues such as trade policy and revenue. The question begged, however, is whether the new administration plans to continue with the Mbeki government's innovative policy paradigm, introduced towards the latter years of the previous administration, namely that of development regional integration. What it does indicate is that it will be moving towards enhanced regional economic integration and addressing sources of disagreement among members of SACU on issues such as trade policy and revenue sharing.

The closest there is to an explicit developmental idea is to be found in government's stated policy towards EPAs, articulated in the 2009 MTSF, wherein the idea was mooted that South Africa would seek to ensure that EPAs have a development agenda and support regional integration. However, there continues to be a major difference amongst SADC states over how to respond to EPAs, with some being apprehensive about embracing this platform and others viewing it as an important trigger for development. Either way, there is a need for SADC common positions over EPAs and other trade instruments. It was therefore understandable when the Minister for International Relations responded by stating that South Africa must "continue to reflect on challenges regarding our interaction with countries in SADC, particularly our varying positions on negotiations around the EPAs with the EU" (Nkoana-Mashabane, 2009a). There is thus a need to analyse the implications of the EPAs on the SADC regional integration programme.

The Zuma government's is also grappling with the issue of putting into operation the Project Preparation Development Fund (PPDF), as the first step towards the SADC Development Fund. This plan coincides with a global financial crisis, and the chances of donors honouring their commitments, or for that matter SADC member states, have been dealt a blow. The questions arise as to whether South Africa will take it upon itself to engage the donor fraternity to ensure that they meet obligations and turn pledges into disbursements. What about the relationship between the SADC Fund and the planned SADPA? What are South Africa's own plans to bolster such a fund? An even more significant question in the context of this paper is whether the Zuma government will prove more effective in executing its stated regional mandate, or whether we are likely to see dithering on the part of government, which would result in weak implementation of stated goals?

### **Strengthening South-South Co-operation**

The third foreign policy pillar of the Zuma administration to consider, according to the 2009 MTSF, is that of "strengthening South-South relations". The first point to note is that there is a high degree of continuity with the Mbeki administration of "consolidating the agenda of the South" through South-South co-operation. The main rationale underscoring the South-South cooperation strategies of the Zuma government would be to "ensure the creation of political, economic and social spheres necessary for the fight against poverty, underdevelopment and marginalization of the South". Again, Minister Nkoana-Mashabane as good as admitted to following Mbeki when she stressed that "South Africa will continue to



build relations based on solidarity and cooperation with regional and sub-regional groups in the South such as the Non-aligned Movement (NAM), Forum for China-Africa Co-operation (FOCAC), Africa-India Forum, G77 plus China, the India-Brazil-South Africa Dialogue Forum, and the New Asia-Africa Strategic Partnership (NAASP) in pursuit of the consolidation of the African Agenda”. The Medium-term Strategic Framework of 2009 stated that the focus of “South-South cooperation” strategies would be on (MTSF, 2009):

1. continue engagement with organizations of the South, such as the Non-aligned Movement (NAM), the G77Plus China, and others.
2. implement and monitor of all India-Brazil-South Africa (IBSA) Tri-lateral Forum Agreements and Actions Plans, as well as ensure that sectoral agreements deliver tangible results that reach and benefit the citizens of all three countries.
3. revitalize the New Africa-Asia Strategic Partnership (NAASP) as a relevant vehicle for South-South co-operation, and strive to ensure that the challenges in implementing the Asian-African projects that were agreed upon at the Asian-African Summit in 2005 are addressed.
4. Engage and support efforts of the African Union and the United Nations to find a lasting solution to conflict situations on the African continent, as well as conflicts elsewhere, including the Israeli-Palestinian conflict.

On the South-South cooperation score, there is a clear ethos of continuity between the emerging policy positions of the Zuma government and those adopted by the Mbeki administration. It should be remembered that the Southern formations which the Zuma government chose to prioritize were the very ones in which the Mbeki government played pivotal roles in revitalizing and strengthening, including IBSA and NAASP, and NAM and the G77 Plus China formation (C. Landsberg, 2010, pp. 227-228). Indeed, the new administration no longer even pretended to deny the strong political and economic ties Mbeki had cultivated with India, Brazil and China, as providing opportunities to diversify its international relations, especially in the political realm.

Even had they wished to fulfil their pledge to break with the past, the administration quickly discovered that, on the South-South front at least, the Mbeki government had refined and consolidated policy to the extent that there was little room for manoeuvrability. It thus had no choice but to opt for continuity and focus on implementation and operationalisation of these policy directions and decisions. What is now needed is to shift the attention in these organizations and programmes to implementation of policy and to ensure that they realize the lofty goals they set

out to achieve. The challenges in this regard should not be underestimated. Jacob Zuma took over the levers of policy at a time when many fellow heads of government and states of Latin America, the Caribbean and Asia were starting to disengage from many of these processes. A huge burden will fall on South Africa's shoulders if they try to rescue and resuscitate these initiatives, and the government faces enormous challenges on the home front, which may compel the President and his Cabinet Ministers to scale down on foreign policy adventurism and focus on domestic priorities. This may mean that initiatives like IBSA and NAASP have to be neglected.

Again, there was continuity between the strategies of the two administrations, but examination of the practice and actual implementation of policy shows little sign that sustaining or securing the survival of these forums remains a key priority of the Zuma government. It is thus the policy-to-implementation gap, prompted by the factionalism within the ruling alliance as well as tensions in government, which we have to look to when it comes to the Zuma government. Suffice to point out that Zuma inherited from his predecessor a well-defined South-South strategy and there would be no need for them to reinvent the wheel; instead, the focus had to be on implementation.

### **Strategic relations with formations of the North**

Engaging the Northern industrialized powers and their associations is the fourth pillar of the new Zuma administration's foreign policy, and in this respect we again see signs of association as well as dissociation with those of Mbeki. The rationale behind a strategy to continue engaging the industrialized powers was advanced by the International Relations and Co-operation Minister when she stated that "countries of the North are undeniably an economic power based of the world and remain essential to the economic well-being of the developing world". Given these economic considerations, South Africa set out to "forge partnerships with these countries within the context of trade, development and co-operation". Engaging the North, policy stated, would furthermore be done to advance South Africa, the continent and the rest of the South's developmental agenda". In the medium term, policy toward the North would see the Zuma government continue pursuing a developmental and investment-oriented approach to engagements with the North, such as the OECD and the G8, as well as continuing to work for the consolidation of the African Agenda through the implementation of relevant NEPAD programmes in all such engagements.

The visit in August 2009 by US Secretary of State Hillary Clinton confirmed South Africa's wish to cement close ties with Washington and strategic economic relations in particular, and it wished to take "full advantage of the US Africa Growth and Opportunity Act (AGOA)", and in this respect it might be said that Zuma was more ambitious than his predecessor, Mbeki. It should be remembered that, during the Mbeki and George W. Bush presidential eras in South Africa and American respectively, the bilateral relationship between the two countries cooled off significantly because of differences over US unilateral conduct globally and the illegal American-led invasion of Iraq in 2003. On the other hand, there was American irritation over South Africa's 'quiet' approaches to the crisis in Zimbabwe. The Zuma government was committed to strengthening itself to rebuild this relationship and to extract maximum economic benefit from the world's remaining super power. The 2011 NATO-led Libya war prompted furious responses from Pretoria-Tshwane, and the relationship with the P-3 of the UN Security Council, France, Britain and the US, deteriorated rapidly.

Reaching out to the EU, on the other hand, has been a continuous process by both Mbeki and Zuma, with both presidents determined to bolster relations with South Africa's leading trading partner, and turn this reality into benefits for itself and for the African continent. South Africa has committed itself to advancing AU-EU relations by taking the 1<sup>st</sup> Africa-EU Action Plan implementation process. The Zuma administration has taken a leaf out of the book of its predecessor, which had learned some tough lessons from the TDCA negotiations with Europe, above all how not to go it alone. So, as government takes up the EU-Africa mental, it has to take on board other Africans and their fears.

Comparing the overall Zuma policy vis-à-vis the North, there is an overall similarity in policy, notably engaging the North, or otherwise, with the aim of extracting commitments for African and Southern developments priorities. Under the mantra of 'national interest,' both leaders have sought to advance the agendas of Africa and the broader development community. Zuma did try to struck a more positive cord with the Americans, but the relationship soured in the aftermath of America and the North Atlantic Treaty Organisation's ((NATO's) abuse of United Nations Security Council resolutions 1970 and 1973 relating to the conflict in Libya in 2011, resolutions both which South Africa voted for. When NATO turned a no-fly zone mandate (res. 1973) into a regime change agenda, it resulted in major damage in the relationship. How successful Zuma will be in having close relations with northern powers while also introducing an element of independence vis-à-vis these powers difficult to ascertain.

## Participation in the Global System of Governance

The fifth pillar of the Zuma government's evolving foreign policy is that of "participating in the global system of governance", remarkably similar to Mbeki administration's "global governance" strategies". In the early part of this treatise, dealing with foreign policy strategies of the Mbeki government, I have made the point that the South African government from 1999 to 2008 essentially followed a transformational and developmental foreign policy. This was especially true in relation to the global governance strategies of the Mbeki government, a diplomacy dimension from which Zuma borrowed diplomacy as he and his government endorsed the notions of transformation and developmentalism in their future foreign policy. Again, the issue here is that, on paper, continuity revealed itself between the new government's foreign policy and that of its predecessor. The discontinuities and dissociations happened in practice.

The Minister of International Relations and Co-operation declared soon after the April 2009 polls:

We believe that the transformation of the international system will not only give Africa a bigger voice, but will put us in a better position to address the developmental plight of our continent. We will continue to work other nations and progressive non-state actors for the reform of the United Nations, including the Bretton Woods Institutions. We cannot achieve our objectives of a better world when the current configurations of the Security Council of the UN is informed by the geo-politics and security concerns of the 1950s when most of Africa was under colonial rule (Nkoana-Mashabane, 2009a).

The transformational aspirations of government as articulated here targeted for reform and transformation both political and global financial institutions. In validating the idea of a developmental foreign policy, the 2009 MTSF stated that in "strategic relations with the North", the Zuma government's "global system of governance" strategies were geared towards ensuring "that the developmental objectives of the developing world are addressed". This objective would be met through six sub-objectives (MTSF, 2009).:

1. Active participation in the global economic reform processes through continued engagement with the international and regional economic and financial institutions, such as multi-lateral development banks, the IMF and the G20.
2. Ensuring that the current momentum within the G20 is maintained and that it does not focus only on efforts to mitigate the global crisis, but also

reaching agreement on governance reforms at the Bretton Woods institutions.

3. Utilizing existing negotiating grouping and alliances to pursue objectives of developing countries.

4. Working with like-minded countries in forging a collective for the transformation of global governance.

5. Playing an active role in the WTO in ensuring the conclusion of the Doha Development round of negotiations and strive towards common objectives with like-minded partners.

6. Continuing active engagement within global governance institutions on political, economic and security matters, including the reform of the United Nations and sustainable development and disarmament.

Here too we did not see much novelty. It will be recalled that the Mbeki government had pursued a two-pronged global governance strategy, one aimed at politico-security questions, the other at socio-economic development. While the Zuma government did not specially distinguish between politico-security and economic and development strategies, it is clear that the emerging global governance strategies emphasized both dimensions in practice. Indeed, Mbeki placed great emphasis on playing a “prominent role in global affairs” and in an “active and purposeful manner [pursuing] its interests at the UN” (DFA, 2005, p.20). For the former head of state, this amounted to unjust use of power by the West and other powers within the annals of the UN and other global governance institutions. Notwithstanding the fall-out over South Africa’s Libya vote, and its loss of face amongst the ranks of the West, BRICS, and Africa, the Zuma government insisted that UN reform remain a key priority. Thus, Minister Nkoana-Mashabane was dedicated to “...ensuring that the UN remains central to addressing global peace and security issues. While we are on the UN Security Council as non-permanent members”, she vowed, “we remained concerned that we are there as second class citizens when we should all be represented on the UN equally”. She stressed to her fellow IBSA members that “...the time is opportune, given our joint representation in the UNSC, to conclusively advance UNSC reform”. Nor did the Minister confine her remarks to the UN and UNSC, also offering advice to other multilateral institutions: “On international trade issues”, opined the Minister, “the conclusion of the WTO’s Doha Development Round has been taking far too long and it is time that we bring this to finality, but certainly not at the cost of achieving a balanced outcome for developing countries” (Nkoana-Mashabane, 8 March 2011). As with Mbeki’s, so Zuma’s government behaved like the spokesperson for the developing South, at least as stated in policy.

The similarities between what the Zuma and Mbeki governments, at least on paper, were palpable, yet it was in practice that we witnessed the divergences. Sharp differences emerged, for example over the two administrations' voting behaviour within the UN. Whereas the Mbeki government adopted consistent positions vis-à-vis such controversial issues as Iran, Zimbabwe, Myanmar and others, and consistently abstained or even voted no, the Zuma government, as stated earlier, has displayed much prevarication in its voting behaviour regarding issues like Libya (resolutions 1970 and 1973) and Syria during 2011 and 2012.

Burned by its experience over the vote concerning Libya, and NATO's selective interpretation of Resolutions 1970 and 1973, the South African representatives in New York opted to abstain on a crucial vote against Syria in October 2011, stating that "we were concerned that the resolution should not be part of a hidden agenda to yet again institute regime change" (Sowetan Live, 6 October 2011). DIRCO spokesperson, Clayson Monyela went further and argued that "...we are concerned that the sponsors of this resolution rejected language that clearly excluded military intervention in the resolution of the Syrian crisis" (Sowetan Live, 6 October 2011).

Apart from these controversial votes in the UNSC, the Zuma administration vowed to continue to work towards attaining the Millennium Development Goals (MDGs), the attainment of which in African countries, according to the 2009 MTSF, South Africa will continue to champion. Here South Africa emphasized a linkage strategy which suggested that "democracy goes hand-in-hand with economic justice and prosperity" and as such it was important to:

ensure that Africa stays the course in its pursuit to meet the MDGs. The tactic the new government set out to employ would be to "work with progressive forces in the world to implore the international community to play a constructive part in complementing our efforts.

While participating in his first G8 Africa session of the G8 Summit in 2009 in Aquila, Italy, Zuma urged G8 countries to commit themselves "to supporting African efforts towards promoting development, good governance and achieving the MDGs". The problem to date has been that stated goals to pursue these global governance strategies, including a promise to ensure that the MDGs do not fall by the wayside, or ensuring that issues of UN reform is not swept under the carpet, has not been met with practical leadership. South Africa has not shown the necessary leadership to forge coalitions with like-minded states so as to ensure that these issues stay on the front-burner; it has not kept the feet of the industrialised powers to the proverbial fire. While South Africa is Africa's only member on the G20, and even on

the G20's development committee, it has not used its influence to ensure that the G20 comes up with a credible development plan that would meet the special needs of Africa or the developing countries. Again, the problem has been lack of action (Landsberg, "Rising powers and the G20, September 2011).

Much has happened since South Africa articulated these goals. The country is now a member of the august Brazil-Russia-India-China-South Africa (BRICS) forum, a proposed economic countervailing block in world affairs. BRICS still has to clarify its agenda, both political and economic, and the economic differences between these powers, most notably inequalities amongst them, could become a source of tension. Indeed, these countries will not just have to address this potential source of conflict between them, but they are also under pressure to ensure that their respective regions benefit from their presence, as opposed to them becoming new sources of exploitation and neo-imperialism in Africa and other developing regions. South Africa is already under pressure to ensure that it represents African interests in a robust and legitimate manner within BRICS. Indeed, the assumption that South Africa's interests are in line with African interests is one that is challenged by many.

We should also remember that two of the BRICS members, China and Russia, are members of the UN Security Council, and the other three are not. This makes for greater divergence instead of converges between the BRIC members, and careful management of the relations is called for.

### **Strengthening political and economic relations**

The emerging foreign policy trajectories of the young Jacob Zuma administration not only focused on multilateral dimensions and institutions but also placed an emphasis on the need to strengthen bi-lateral political and economic relations. Here too it took its cue from the Mbeki government's foreign policy priorities, as it placed major emphasis on economic diplomacy, and strengthening economic relations with as many states as possible. In her address to the Heads of Missions Conference in August 2009, the minister of International Relations reminded heads of missions and diplomats that:

Among our main challenges in the pursuit of our foreign policy objectives is the alignment and co-ordination of South Africa's economic diplomacy across all spheres of government; strengthening economic diplomatic capacity in our Missions; and improving efforts aimed at marketing the brand South Africa and Africa abroad (Nkoana-Mashabane, 2009a).

Stated policy held that South Africa's economic diplomacy strategy would continue to focus on strengthening economic relations with traditional and established economic partners; expanding trade relations with emerging markets in Asia, Latin America, and Eastern Europe; and the promotion of intra-Africa trade so as to enhance economic development on the continent.

The foreign policy dimensions of the 2009 MTSF identified as vital the goal of "strengthening political and economic relations", in particular to strengthen "economic diplomacy", and the foci would be on nine nodal points (MTSF, 2009):

- (1) Promoting and expanding bi-lateral partnerships that are aimed at advancing the economic interests of South Africa through structured mechanisms
- (2) Continuing to focus on the consolidation of economic relations with traditional and establish economic partners
- (3) Expanding trade relations with emerging markets in Asia, the middle east, South America, Eastern Europe, and the promotion of intra-Africa trade to enhance economic development in Africa
- (4) Strengthening people-to-people co-operation through civil society organisations and other like-minded stakeholders
- (5) Ensuring that there is alignment and coordination of South Africa's international engagements amongst and between all spheres of government and between public and private sectors
- (6) Strengthening economic diplomatic capacity in South African missions abroad, by amongst others undertaking effective and intense training for all representatives abroad
- (7) Continuing to engage China to finalise the Partnership for Growth and Development (PGD)
- (8) Improving efforts aimed at marketing South Africa and Africa abroad
- (9) Addressing the weaknesses identified in the communication of South Africa's foreign policy positions, both in the foreign arena and domestically.

This emphasis on economic diplomacy came as no surprise as the new government set out from the onset its new terms to close the domestic-foreign policy divide and to introduce strategies that would make it better possible for DIRCO to make a more effective contribution to help meet the national strategic goals identified by government.



In October 2009, DIRCO released its much anticipated document, a *Conceptual Framework on Identification of Anchor States in the Five Geographical Regions Recognised by the African Union* (DIRCO, October 2009). This was a policy statement in search of “anchor states”, i.e., those states that “...are influential in their own regions due to strong economies, large populations, size of territory, military strength, ability to project a foreign policy, peace, security and stability, and whose collapse would result in “trans-boundary mayhem, but whose prosperity and stability would bolster its region’s economic vitality”. This document subscribed to the idea that “...leading [African] countries must have the capacity to act as catalysts for development, good governance, and peace and security in their respective regions”. “Anchor countries”, continued the policy document, “must use their influence to drive the agenda of development through integration, political cohesion, to entrench peace, security and stability on the continent” (DIRCO, October 2009, p.8).

## CONCLUSION

On paper, there were many similarities and a high degree of association between the broad macro aspects of the Zuma government’s foreign policy and those of Mbeki. In practice however, many deviations and dissociations emerged and the Zuma foreign policy showed many degrees of dispersion and a lack of focus. While the new government said that the ‘national interest’ would be the cement that would hold together its foreign policy, how such interests linked up with other macro frameworks, such as the African advancement, South-South co-operation, North-South dialogue, active participation in the global system of governance, and strengthening political and economic relations, are less clear. There is thus need to dot the i’s and cross the t’s in order to build synergy between various foreign policy strands. The assumption that these different foreign policy strategies necessarily cohere is one that needs challenging. The very idea of South Africa’s national interest needs fleshing out and even turned into a fully-fledged doctrine that would guide the Republic’s foreign policy.

There is an equally serious challenge faced by the Zuma government’s foreign policy, viz., a gap between a stated foreign policy on paper and the actions taken by government in practice. There is thus a policy-to-operations gap that has revealed itself as far as the Zuma government’s foreign policy is concerned. In short, while the Zuma government boasts a clear foreign policy as articulated on paper, in reality there exists a two-pronged gap that needs urgently to be addressed: a gap between the stated national interests and broad foreign policy stratagems; and a gap between

stated foreign and the actions embarked upon by government. In the final analysis, the foreign policy of any country is only as good as its outcome.

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**ABSTRACT**

In an attempt to bring coherence and predictability to South African foreign policy, the government of Jacob Zuma has, since assuming office in May 2009, put emphasis on forging relations with countries and regions, and key international relations issues and concerns. According to policy, the pursuit of the national interest lay at the heart of the Republic's international strategies, with 'national interest' being used as a cement to hold together the edifice of post-Mbeki government's foreign policy. On paper, the government appears to have gone far in articulating this ambitious foreign policy, however a number of questions arise. Have these policies been put into practice and if so do they follow the stated agenda or are there serious deviations? Has there been association with Mbeki's policies on paper and dissociation from such policies in practice?

How do the various tenets of foreign policy relate to the epicentre of the national interest and to one another? Do they represent a marked shift from the previous Mbeki government's African Agenda' or are they a mere copy? This paper seeks to answer these questions, in particular investigating whether a gap has developed between articulated, or stated, policy and how it was pursued in practice, through implementation.

**KEY-WORDS**

South Africa; Jacob Zuma; Foreign Policy;

# SOUTH-SOUTH COOPERATION AND THE CHANGING ROLE OF THE GULF STATES

*Kristian Coates Ulrichsen*<sup>1</sup>

This article assesses the role of the Gulf Cooperation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) in the framework of South-South Cooperation. It charts the different phases of engagement between the Gulf States and other developing countries, and the shifting dynamics that underpinned them.

These phrases demonstrated profound changes that reflected policymaking calibrations in response to domestic, regional and international catalysts. When read together, the internal and external forces that press upon the GCC States shape the analytical perspective of this article. Further, these internal and external pressures shaped the Gulf States' contributions to South-South Cooperation, and framed the intra-regional and international realignments within which GCC engagements took place.

The opening section examines the deeply entrenched historical dynamics that initially limited the Gulf States' relationships with the Global South. These entrenched dynamics included the conservative leanings of their post-traditional systems of government and the Gulf States' enmeshment in Western spheres of influence, politically and militarily. These shaped the international politics of the Gulf States and insulated their politics from many forces that swept the developing world during the 1950s and 1960s.

This period, nevertheless, witnessed the countervailing beginnings of transnational interconnections that bound the Gulf States to other developing nations, initially through the provision of overseas development assistance and the patronage of international Islamic organisations. In the 1980s and 1990s, these growing cross-border links became intermeshed with highly accelerated globalizing processes. Contemporaneously, the end of the Cold War facilitated normalization with China and post-communist states that transitioned to market economies.

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<sup>1</sup> Kuwait Research Fellow, London School of Economics and Political Science. (austral@ufrgs.br)

A second section assesses the rise of the GCC States as significant global actors of the 2000s and measures the structural factors that caused their rise. This rise not only deepened and broadened the GCC States' role in South-South frameworks, but, occurred amidst changing dynamics that rebalanced power relations across the world, and that positioned the Gulf States to be pivotal players in the shifting global order. Newly empowered coalitions of emerging economies challenged and reframed the political and economic architecture of global governance. The worldwide financial and economic crisis that reached an initial peak in 2008-2009 boosted these trends, and led to significant realignments in financial and energy governance.

Recent patterns of cooperation provide a clear indication of the new value that GCC policymakers and their ruling elites vest in the Global South. These recent patterns, which still complement existing political and security relationships with the United States and European countries, are typical of the multi-layered approach to foreign policymaking in the Gulf States that seeks to balance domestic considerations with regional and international ones.<sup>2</sup> Gulf States' responses to the outbreak of the Arab Spring reflect both challenges and opportunities as Saudi Arabia attempts to deploy its financial largesse to minimize the destabilizing impact of regional transitions, while Qatar seized the chance to boost its credentials as a responsible international actor in rallying Arab support for the multi-national intervention in Libya..

Analytically, the third section, which moves from the diachronic to the thematic, addresses the practical applications of Gulf States' interaction in South-South frameworks. These practical applications include changing patterns in trade and investment flows, modifying provisions for developmental assistance to, and diplomatic mediation in, conflict-affected environments, and a recasting of international relations and global governance in a world where power is increasingly refracted through multiple nodes of influence.

Collectively, these changes reveal a quantitative and qualitative strengthening of networks that bind the Gulf States to the Global South, and that operate bilaterally at the, national- and multilateral-institutional levels. These changing patterns hold important implications for unprecedented shifts in the current global order. A concluding section will explore the probable trajectories of Gulf-South ties as they impact a multi-polar, international environment.

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<sup>2</sup> Gerd Nonneman, "Determinants and Patterns of Saudi Foreign Policy: 'Omnibalancing' and 'Relative Autonomy' in Multiple Environments," in *Saudi Arabia in the Balance: Political Economy, Society, Foreign Affairs*, eds. Paul Aarts and Gerd Nonneman. (London: Hurst & Co., 2005), 315.

### 1. *Limitations of engagement, 1945-1991*

Social and commercial links between the Gulf and the wider world extend back into late-antiquity and into the pre-Islamic era. A dense network of transoceanic ties connected the peoples of the Gulf to the broader Indian Ocean region. Local shipbuilders and sailors constructed and navigated the dhows and booms that sailed each year from the Gulf to the Indian sub-continent and along the coastline of east Africa. Powerful trends in migration and acculturation augmented these maritime flows and gave them a particularly social dimension.<sup>3</sup> Exchange, trade, and settlement formed a web of interconnections that tied the trade and peoples of the region into broader, overlapping communities.<sup>4</sup>

This intermix of peoples and cultures influenced the development of states and societies in the Gulf. This geographical history belies any notion of the region as peripheral to world history in the pre-oil era, or to define the region solely by its possession of some of the planet's largest energy reserves. Nevertheless, the integration of the Arabian Peninsula sheikhdoms into the British-protected system between 1835 and 1916 powerfully influenced the region's subsequent political development.<sup>5</sup> It enmeshed the proto-state entities into an inward-oriented, sub-regional unit in which British 'protection' was extended in return for exclusive political and economic relations.<sup>6</sup>

British protection and the attached legions of troops elevated and formalized the niches of the ruling families in each sheikhdom. This external protection also gave the peninsula's ruling elite a considerable stake in maintaining a conservative status-quo.<sup>7</sup> In Saudi Arabia, a web of political and military ties with the United States provided similar shelter for the Al-Saud ruling family after 1945, while in Oman, British influence, which was informal yet pervasive, maintained a determined grip over the regime of Sultan bin Taimur (ruled 1932-70).<sup>8</sup>

<sup>3</sup> Lawrence Potter, *The Persian Gulf in History* (New York: Palgrave Macmillan, 2009), 10-11.

<sup>4</sup> Thomas Metcalf, *Imperial Connections: India in the Indian Ocean Arena* (Berkeley: University of California Press, 2007), 9.

<sup>5</sup> Following the signing of a General Treaty in 1820 and a Maritime Truce in 1835, the British Empire concluded individual treaties with the Trucial States (later the United Arab Emirates) in 1835, Bahrain in 1861, Kuwait in 1899 and again in 1914, and Qatar in 1916.

<sup>6</sup> James Onley and Suleyman Khalaf. "Shaikhly Authority in the Pre-oil Gulf: An Historical-Anthropological Study," *History and Anthropology* 17 (2006): 202-4.

<sup>7</sup> Lisa Anderson, "Absolutism and the Resilience of Monarchy in the Middle East," *Political Science Quarterly* 106 (1991): 9.

<sup>8</sup> Marc Valeri, *Oman: Politics and Society in the Qaboos State*. (London: Hurst & Co., 2009), 64-6.

Although not monolithic, and capable of including politically progressive individuals, such as Abdullah al-Tariki<sup>9</sup> (the ‘Red Sheikh’) in Saudi Arabia, Gulf States’ regimes developed a reputation for political caution that contrasted sharply with popular and radical movements of national liberation elsewhere in the developing world. Pragmatic pursuance of survival strategies enabled them to manage the transformational socio-economic impact of oil revenues on their polities. This defied prevailing opinion among political scientists, such as Karl Deutsch and Samuel Huntington, who predicted their imminent demise in the 1950s and 1960s. The theory of the ‘Sheikh’s Dilemma’ argued that most remaining traditional monarchies would collapse under the pressures for political reform and modernising forces that would overwhelm ‘weak’ traditional polities.<sup>10</sup>

Internal and external considerations reinforced a conservative political stance that distinguished the Gulf States from the majority of post-colonial states in other regions of the world. The divergence in world-views became clear during the Marxist-supported rebellion in the Omani province of Dhofar from 1965-75. Officials from the People’s Democratic Republic of Yemen, which supported the Popular Front for the Liberation of Oman and the Arabian Gulf, portrayed the campaign as a “war of liberation against foreign occupation” from the “puppets of colonialism in Oman” and its “client Government,” supported by British political and military assistance.<sup>11</sup>

Oman eventually defeated the rebellion in Dhofar, but with high levels of British political and military assistance that extended well beyond the British withdrawal from the Gulf in 1971. The campaign visibly demonstrated the extent of the Gulf States’ divergence from political trajectories dominant in the developing world at a time, when officials in Saudi Arabia not only led the way in vocal anti-communist pronouncements, but encouraged the formation of conservative Islamic organizations to counter left-wing or secular oppositional alternatives.<sup>12</sup>

Moreover, this dependency complicated and delayed the emergence of tangible links with major emerging economies, such as China, which actively

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<sup>9</sup> Director General of Petroleum and Mineral Affairs (1954-60) and Minister of Petroleum and Mineral Resources (1960-62).

<sup>10</sup> Christopher Davidson, *The United Arab Emirates: A Study in Survival* (London: Lynne Rienner, 2005), 66.

<sup>11</sup> Letter from the Permanent Representative of the People’s Democratic Republic of Yemen to the Secretary-General of the United Nations, 26 November 1973. London: The National Archives, file FCO 8/2037.

<sup>12</sup> Fred Halliday, *The Middle East in International Relations: Power, Politics and Ideology* (Cambridge: Cambridge University Press, 2005), 122-3.



supported Dhofar's anti-imperialist, revolutionary movement.<sup>13</sup> When Kuwait established diplomatic relations with China in 1971, it went against the flow of Gulf diplomacy. Elsewhere in the Gulf, the normalization of ties did not occur until after Deng Xiaoping issued a 1978 announcement that China would moderate her policies. Oman established relations with China in 1978, the United Arab Emirates in 1984, Qatar in 1988, Bahrain in 1989, and Saudi Arabia in 1990.<sup>14</sup>

Nevertheless, the 1960s and 1970s witnessed the initial links between the Gulf States and other countries and regions in the Global South. These occurred first in Kuwait and Saudi Arabia, which had very different underpinning. Kuwait's early establishment of diplomatic relations with China mirrored its exchange of diplomatic representatives with the Soviet Union in 1963. Both decisions considerably predated similar moves by the other Gulf States and reflected Kuwait's balance of superpower relations during the Cold War.<sup>15</sup>

A similar internationalist approach marked the beginning of Kuwait's policy of overseas development assistance, as the Kuwait Fund for Arab Economic Development (KFAED) was formed in December 1961 - just six months after independence.. A combination of political, economic, and military factors lay behind its creation. These factors included a feeling of responsibility among Kuwaiti policymakers that a portion of their new-found oil wealth should be redistributed to poorer Arab communities through the provision of social, educational, medical and other essential services.<sup>16</sup> It also institutionalised early examples of pan-Arab assistance, predating both Kuwaiti independence and the creation of KFAED, when Kuwait financed the dredging of Dubai Creek between 1958 and 1960, after an appeal from the ruler of Dubai to his wealthier northern counterpart.<sup>17</sup>

Building on the Kuwaiti example, the government of Abu Dhabi founded the Abu Dhabi Fund for Arab Economic Development (now the Abu Dhabi Fund for Development, ADFD) in 1971, while the Saudi Fund for Development formed in 1974. These three government agencies were followed by the creation of multilateral aid agencies in the mid-1970s. Kuwait was instrumental in the formation of the Arab Fund for Economic and Social Development (AFESD) in 1974, and Abu Dhabi

<sup>13</sup> Steve Yetiv and Chunlong Yu, "China, Global Energy and the Middle East," *Middle East Journal* 61 (2007): 201.

<sup>14</sup> Christopher Davidson, "Persian Gulf-Pacific Asia Links in the 21<sup>st</sup> Century: A Marriage of Convenience?" *LSE Kuwait Programme Working Paper* 7 (2010), 5.

<sup>15</sup> Until the mid-1980s, Kuwait was the only Gulf State that maintained a working political, financial and military relationship with the USSR.

<sup>16</sup> Abdul-Reda Assiri, *Kuwait's Foreign Policy: City-State in World Politics* (Boulder: Westview Press, 1990), 26.

<sup>17</sup> Christopher Davidson, *Dubai: The Vulnerability of Success* (London: Hurst & Co., 2008), 86.

established the Arab Monetary Fund in 1975. Also in 1975, the Islamic Development Bank (IsDB) formed in Jeddah as a multilateral development finance institution that promoted Islamic finance. In 1980, Saudi Prince Talal bin Abdul Aziz, who recommended the formation of the Arab Gulf Programme for the United Nations Development Organisation (AGFUND), became its president.

This array of bilateral and multilateral assistance channels meant that aid contributions from Gulf States far exceeded those of developed countries: between 1974 and 1979, during a period of sustained high oil prices, contributions from Kuwait, Qatar, Saudi Arabia and the United Arab Emirates totalled between six to eight percent of their respective gross national incomes, as compared to one-third of one percent for OECD DAC (Development Assistance Committee) countries.<sup>18</sup>

These funds' initial focus on Arab and Islamic countries broadened to providing assistance to the developing world generally. Thus, the Arab Bank for Economic Development in Africa (BADEA), founded in Khartoum in 1974, covered countries that were members of the Organisation for African Union, but not of the Arab League. Similar to AFESD, it moved beyond the Arab world to finance projects elsewhere; in 2006, BADEA and AFESD co-financed a 264.5 km railway in Namibia.<sup>19</sup>

The second major instance of Gulf States' interaction with the Global South during this period occurred as inflows of oil revenues into Saudi Arabia facilitated the creation of international Islamic institutions and networks. These extended Saudi Arabia's 'soft power' trans-nationally and nourished the creation of the Muslim World League (1962), the Organisation of the Islamic Conference (1972), the World Assembly of Muslim Youth (1972) and the International Islamic Relief Organisation (1975).<sup>20</sup> Ironically, these outreach programs reinforced the conservative bulwark that separated the Gulf States from the prevalent political and ideational cross-currents of that period. King Faisal bin Abdul Aziz created these outreach programs to counter the influence of both pan-Arab nationalism and communism.<sup>21</sup>

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<sup>18</sup> Sultan Barakat and Steve Zyck. "Gulf State Assistance to Conflict-Affected Environments." *LSE Kuwait Programme Working Paper 10* (2010), 7-11.

<sup>19</sup> *Ibid.*, 11.

<sup>20</sup> Roger Hardy, "Ambivalent Ally: Saudi Arabia and the 'War on Terror'," In *Kingdom without Borders: Saudi Arabia's Political, Religious and Media Frontiers*, ed. Madawi Al-Rasheed. (London: Hurst & Co., 2008), 101.

<sup>21</sup> Morten Valbjorn and Andre Bank, "Signs of a New Arab Cold War: The 2006 Lebanon War and the Sunni-Shi'i Divide," *Middle East Report* 242 (2007): 7-8.

Alongside the institutionalized bodies listed above, whether in the Saudi state or via more private endeavours, investment in the international charitable networks and social welfare organisations, mosques, theological schools and NGOs, shifted political Islam's frame of reference from its roots at a state-level to the trans-national realm. This Islamist turn took place primarily during the reign of King Faisal (1964-1975). It differed from the pan-Arab articulation of Saudi outreach during the rule of Faisal's predecessor, Saud (1953-1964). Arguably, the investments in charitable networks also prefigured the forms of global civil society more commonly associated with the Western-centric concepts of globalisation in the 1990s and 2000s.<sup>22</sup>

The dispersal of Saudi-sponsored Islam became an important vehicle for reinforcing and projecting the Kingdom's legitimacy in Islamic communities across the world. It underlined how trans-nationalism was perceived to be as much a political strategy as a religious obligation, and how trans-nationalism intended to co-opt and channel potentially dissident strands of Islam toward acquiescence of the al-Saud's much desired recognition as guardian of Islam's holiest places.<sup>23</sup>

Gulf States also participated in embryonic coalitions of developing countries. As one of only two independent states in the Gulf at the time – Oman being the other - Saudi Arabia attended the Asia-Africa Conference at Bandung in 1955. All six subsequently joined the Non-Aligned Movement (NAM) when they gained independence in the years after its 1961 creation. However, Saudi Arabia's priorities shifted toward pan-Islamic engagement following Faisal's accession in 1964 and the creation of the Organization of the Islamic Conference in 1972

Saudi Arabia and Kuwait were among the founding members of the Group of 77, a coalition of developing countries at the United Nations, that Bahrain, Oman, Qatar and the UAE have since joined. Involvement in these loose groupings of developing countries provided some structure to Gulf interactions with the Global South in the pre-1991 period, even though bilateral relations with important countries, including China, as mentioned above, began to warm only in the 1980s.<sup>24</sup>

## *2. The internationalization of the Gulf and deepening South-South cooperation*

<sup>22</sup> Marc Lynch, "Globalization and Arab Security," in *Globalization and National Security*, ed. Jonathan Kirshner. (New York: Routledge, 2006), 191-2.

<sup>23</sup> In 1986, King Fahd (reigned 1982-2005) became the first King of Saudi Arabia to adopt the title of 'Custodian of the Two Holy Mosques.'

<sup>24</sup> Personal interview, London, May 2010.

The 1991 Gulf War marked a watershed in the Gulf States' international posture. Kuwait's liberation by a multinational coalition of thirty-four nations occurred at a moment of profound change in the international system. It coincided with the end of the Cold War and the acceleration of global political change.<sup>25</sup>

Globalization deepened and broadened the links between the Gulf States and the international system. It expanded these joint concerns well beyond the hydrocarbons sector. Energy remained important to rapidly-emerging economies, such as India and China, which, in 1993, became net importers of oil products.<sup>26</sup> These oil considerations were now augmented by new geopolitical and geo-economic alignments that gathered pace in the 2000s, as sustained high oil prices between 2002 and 2008 – and the presence of the resource itself - cast the Gulf States as leading global players.

Although the roots of the Gulf States' enhanced international profile are complex and multifaceted, a process of generational change among ruling elites in the late-1990s and early-2000s interacted with a period of rapid capital accumulation from the second oil price boom. Moreover, a combination of their hydrocarbon reserves and financial resources, and the critical decisions as how to utilize them, saw the GCC States develop into the centre of geo-economic gravity in West Asia.<sup>27</sup>

Thickened ties with South and East Asia, Africa, and later with South American countries, simultaneously internationalized the Gulf and realigned it within the global order. Resurgent South-South links fit into this pattern of repositioning the Gulf States through new bilateral and multilateral agreements, partnerships and initiatives, and through the possibilities afforded by the accrual of higher hydrocarbon revenues.

The Gulf States' political and security relationships with the West survived the stress placed on them in the aftermath of the September 11, 2001 terrorist attacks in the United States. These relationships remain integral to the region's stability and security. Yet, the internationalization of the Gulf subtly reshaped its international relations. This reshaping combined GCC policymakers' increasingly global outlook with a convergence of hitherto-discordant political and ideological trends in much of the Global South. Thus, India's ties with the Gulf have *re*-emerged

<sup>25</sup> See, for example, David Held and Anthony McGrew, with David Goldblatt and Jonathan Perraton, *Global Transformations* (Cambridge: Polity Press, 1999).

<sup>26</sup> Mahmoud Ghafouri, "China's Policy in the Persian Gulf," *Middle East Policy* 16 (2009), 80.

<sup>27</sup> See David Held and Kristian Coates Ulrichsen, eds., *The Transformation of the Gulf: Politics, Economics and the Global Order* (London: Routledge, 2011).

since the 1990s, centred on, but not limited to, the more than 4.5 million Indian expatriates in the GCC.<sup>28</sup> A series of high-level bilateral visits progressively widened the range of links to cover the security, defence, economic and energy arenas.

Following a deep freeze that began during the premiership of Indira Gandhi and continued into the 1990s, ties unthawed after Indian Foreign Minister Jaswant Singh's 2001 visit to Saudi Arabia and King Abdullah bin Abdul Aziz's 2006 return visit to India. These links culminated in the February 2010 upgrade of the bilateral relationship into a Strategic Partnership, with promises of "a new era based on economic engagement and emerging opportunities."<sup>29</sup>

Bilateral relationships played, and continue to play, an important role in the GCC States' international relations. Nevertheless, the proliferation of regional and global institutions and the formation of new layers of governance open up new avenues and channels for South-South Cooperation. At the same time, the global financial and economic crisis and the chaotic military interventions in Iraq and Afghanistan exposed the failings of the Washington Consensus and US-led security doctrine. These weaknesses in the two major policy packages that set the global agenda through the 1990s and 2000s provided an opportunity to partially reassess the nature and forms of regional and global governance.<sup>30</sup> Saudi Arabia's position within the G20 and on the board of the International Monetary Fund (IMF) visibly represented the emerging realignments of non-Western emerging powers in reshaping the architecture of international governance.

Finance Minister Ibrahim Abdulaziz Al-Assaf joined his counterparts from Brazil, Russia, India and China, when he advocated that developing countries in the IMF be vested with increased voting powers at the expense of "over-represented" developed states.<sup>31</sup> In 2011, Al-Assaf again raised the issue with Christine Lagarde as she sought the support of emerging economies in her (successful) campaign to succeed Dominique Strauss-Kahn as IMF head.<sup>32</sup>

Officials in the Gulf began to outline their visions of the global rebalancing. During the height of the financial crisis, Kuwait organized and hosted the January

<sup>28</sup> John Willoughby, "Ambivalent Anxieties of the South Asian-Gulf Arab Labour Exchange," in *Globalization and the Gulf*, eds. John Fox, Nada Mourtada-Sabbah and Mohammed Al-Mutawa (London: Routledge, 2006), 228.

<sup>29</sup> Personal interviews, Abu Dhabi (October 2009) and London (May 2010).

<sup>30</sup> David Held. "Global Challenges: Accountability and Effectiveness." *Open Democracy* 17 January 2008.

<sup>31</sup> "Saudi Says IMF Reforms Should Not Be at its Expense." *The Peninsula* 5 September 2009.

<sup>32</sup> "Saudi Arabia to Seek Greater Role in IMF," *Gulf Daily News* 12 June 2011.,

2009 Arab Economic, Social and Development Summit.<sup>33</sup> Later in 2009, the Qatari Prime Minister and Minister of Foreign Affairs, Sheikh Hamad bin Jasim bin Jabr Al-Thani, called for reshaping “the organizational frameworks of the dominant political system” as to reflect the emergence of a multi-polar order in which “the West was not the sole player in the world.”<sup>34</sup>

In the run-up to the second meeting of the G20 in London in April 2009 the contours of a loose new alignment of emerging economies converged around calls to redress a representational imbalance in the international financial architecture. Al Assaf made it clear that the Kingdom advocated an increase in the shares and voting powers in international financial institutions.<sup>35</sup> In parallel, moves toward emerging coalitions of ‘middle powers’ took a step forward in June 2009 with the creation of the BRIC Forum in Yekaterinburg in Russia. This new annual summit of the four leading emerging economies (which subsequently met in Brasilia in 2010 and Sanya in China – with South African participation - in 2011) created a platform intended to counter-balance perceived US leadership in the global system.<sup>36</sup> Ahead of the third G20 meeting in Pittsburgh in September 2009, Al Assaf joined with the BRIC’s in supporting a proposal to increase emerging economies’ representation in the IMF that would more accurately reflect their weight in the global economy.<sup>37</sup>

GCC officials also participated fully in the triennial summit of the Non-Aligned Movement in July 2009 over how to restructure global governance and to embed developing country participation into decision-making processes. The summit called for reforming international institutions that, in the words of Indian Prime Minister Manmohan Singh, “continue to be based on charters written more than sixty years ago, though the world has changed greatly since then.”<sup>38</sup> Kuwaiti officials also used the occasion to announce donations of \$500 million to a fund supporting small and medium development projects in emerging economies, and \$300 million to a fund combating poverty in Africa.<sup>39</sup>

These emerging contours acquired a multilateral dimension with the 2009 decision to locate the newly-created International Renewable Energy Agency (IRENA) in Abu Dhabi. Similarly, Qatar’s role in hosting and transforming the Gas

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<sup>33</sup> “Arab Summit in Kuwait to Discuss Gaza Reconstruction.” Arab News 19 January 2009.

<sup>34</sup> “Qatari PM Stresses Rule of Law to Face Challenges.” Gulf Times 31 May 2009.

<sup>35</sup> *Saudi Gazette*, 15 March 2009.

<sup>36</sup> *Russia Today*, 15 June 2009.

<sup>37</sup> *The Peninsula*, 5 September 2009.

<sup>38</sup> “NAM Leaders Call for ‘New Economic Order.’” Oman Daily Observer, 16 July 2009.

<sup>39</sup> “Developing Countries Concerned Over Economic Crisis: Kuwait.” Kuwait News Agency 13 July 2009.

Exporting Countries' Forum into an intergovernmental organization that comprised the world's leading (and non-Western) gas producers is another instance of the Gulf States' greater role in regional and non regional, international governance.<sup>40</sup>

The critical importance of energy-related issues in driving and deepening multilateral relationships between the GCC states and other blocs of emerging economies became evident during the first GCC-Association of Southeast Asian Nations (ASEAN) ministerial meeting in June 2009. Officials discussed plans to transition toward building a trade bloc, in accordance with the ASEAN states' energy security requirements as balanced by the GCC states' food security requirements. ASEAN General Secretary Suring Pitsuan presciently noted that, "You have what we don't have, and we have in plenty of what you don't have, so we need each other."<sup>41</sup>

Nevertheless, GCC states' agro-investments in Asia and Africa expose them to allegations of 'agro-imperialism' and neo-colonialist 'land-grabbing.' After the first delivery of a cargo of rice from a Saudi-financed farm in Ethiopia in 2009, an article in the Financial Times pointed out that crop failures had left 11 million Ethiopians dependent on the World Food Programme for sustenance. Other media coverage focused on the lack of international regulations or legal safeguards to protect local farmers, and accused Saudi Arabia and the UAE of "a frantic rush to gobble up farmland all around the world."<sup>42</sup>

The overall picture is more nuanced and has been recognised as such by the UN Food and Agriculture Organization. While recognising the "complex and controversial economic, political, institutional, legal and ethical issues," it also noted that Gulf States were investing in agricultural development and productivity gains. This is the narrative that Gulf initiatives such as the King Abdullah Initiative for Saudi Investment Abroad and the Qatar National Food Security Programme prioritize. However the potential for blowback became evident as the post-Mubarak government in Egypt froze a major agricultural deal that the ousted regime had reached with Saudi Arabia's Kingdom Holdings.<sup>43</sup>

Hence, the emerging coalitions between the Gulf States and other major emerging economies injects new dynamics into the international system. However, these new alignments differ significantly from earlier models of South-South Cooperation such as the New International Economic Order in the 1970s. This set of

<sup>40</sup> "Doha gears up to host Gas Exporting Countries' Forum." *The Peninsula* 29 June 2009.

<sup>41</sup> "Gulf States and ASEAN Eye New Trade Bloc Based on Food, Oil." *The Peninsula* 1 July 2009.

<sup>42</sup> Thomas Lippman, "Saudi Arabia's Quest for 'Food Security'," *Middle East Policy* 17 (2010): 92-3.

<sup>43</sup> "Egypt Freezes Saudi Arabian Farm Land Deal," *The National* 12 April 2011.

proposals from developing countries sought to revise the Bretton Woods economic system by collectively promoting their interests on issues such as improving their terms of trade and reducing developed-country tariffs.<sup>44</sup>

Different motivations guide the Gulf States in their current engagement with the international system. Rather than trying to change the structure of the global economy, they are instead attempting to maximize their own influence within it. Led by Saudi Arabia's position on the G20, they have formed coalitions of convenience with other major emerging economies to argue for a shift in representation. Thus, Chinese President Hu Jintao visited Saudi Arabia in February 2009 and pledged to work together "with a view to reforming the global financial institutions."<sup>45</sup> Yet it also raises the possibility that developing countries may begin to view the Gulf States as less of a counter-balance in the international system, and more of an exploitative power in its own right.

### *3. Modalities of Gulf States - South-South cooperation*

This interlinking of food and energy security reflected a series of policy decisions taken in GCC states to outsource the production of food through strategic agro-investments. In January 2009, the King Abdullah Initiative for Saudi Agricultural Investment Abroad established an investment fund of SR 3 billion (roughly \$800 million) to support investment by private sector Saudi Arabian companies in agricultural projects abroad. In February, the Hail Agricultural Development Company announced a two-year investment of \$45.3 million to develop 9,000 hectares of farmland in Sudan. Another Saudi company (Star Agricultural Development Company) invested in the cultivation of rice and other crops on 1.2 million acres in Ethiopia.<sup>46</sup> In Qatar, the Hassad Food Company launched, in July 2008, a \$1 billion subsidiary of the Qatar Investment Authority. In 2009, it reached a \$500 million agreement to grow wheat and rice in Sudan, and in 2010 continued finalising the purchase of a sugar manufacturing plant in Brazil. This purchase was notable, because it was capable of meeting Qatar's entire demand for raw and refined sugar.<sup>47</sup>

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<sup>44</sup> Robert Cox, "Ideologies and the New International Economic Order: Reflections on Some Recent Literature," *International Organization* 33 (1979): 260-3.

<sup>45</sup> "China to Boost Relations with GCC: President Hu," *Arab News*, 12 February 2009.

<sup>46</sup> Lippman, "Saudi Arabia's Quest,," 92.

<sup>47</sup> "In Bid for Food Security, Qatar Grows Seeds Globally." *The National* 2 September 2010.



The example of agro-investments in Asia, Africa, and elsewhere demonstrates how specific modalities of cooperation reshape the international relations of the GCC states, especially with emerging partners. The same trend is observable in the investment strategies of GCC-based sovereign wealth funds. Significant shifts in investment strategies over the past decade diversified flows of money from over-representation in North American and European markets toward greater investment in emerging economies. This diversification responded, in part, to the events of September 11<sup>th</sup>, 2001 and fears of a political backlash, such as the US Congress blocking Dubai Ports World from taking control of American ports in 2006. This shift also reflected the increasing attractiveness of emerging markets, particularly in China, India, Malaysia, Hong Kong, Taiwan, and Singapore.

The Abu Dhabi Investment Authority and the Qatar Investment Authority led the way in searching for investment opportunities in emerging markets. Greater flows of foreign direct investment into other countries in the Middle East and North Africa (MENA) region boosted regional capital markets and created new synergies between Gulf investors (particularly in Islamic financial institutions) and local businesses.<sup>48</sup> In 2010, the Asia-Pacific region attracted the largest proportion of direct investments made by Sovereign Wealth Funds at 60% of the total. The Qatar Investment Authority, for example, invested \$6 billion in the Agricultural Bank of China.<sup>49</sup>

Investment flows augmented existing transfers through remittances and developmental assistance from oil-rich to resource-poor states. In addition to the Gulf States' historical provision of overseas development assistance (ODA) to the Arab and Islamic world (as described in the first section of this article), more recent assistance focused on projects tied directly into South-South Cooperation, and on projects providing humanitarian aid to fragile states.

The Kuwaiti and Saudi Funds, which were the most global in focus, financed projects in Europe, Latin America, and to poorer countries in sub-Saharan Africa and south-east Asia. The Arab Bank for Development in Africa (BADEA), the Arab Fund for Economic and Social Development (AFESD) and the Islamic Development Bank (IsDB) proactively extended support to projects fostering regional economic integration and South-South Cooperation. Thus, BADEA financed road projects to promote trade between Burkina Faso, Chad, Sierra Leone, Rwanda and Cameroon in 2007, while AFESD partnered with the Islamic Development Bank to support

<sup>48</sup> Gawdat Bahgat, "Sovereign Wealth Funds: Dangers and Opportunities," *International Affairs* 84 (2008): 1195-8.

<sup>49</sup> "Investing at Home," *The Gulf Business News and Analysis*, August 2011, pp.14-5.

regional integration in Africa through the Trans-Sahara and Trans-Sahel roadways.<sup>50</sup>

Major recipients of Gulf ODA to conflict-affected areas, between 2000 and 2007, included Pakistan, Afghanistan, Iraq, Sudan, Eritrea, Mauritania, Niger and the Solomon Islands.<sup>51</sup> GCC states also led in pledging assistance to Yemen at the November 2006 London donors' conference of, even though 'capacity constraints' restricted the actual distribution to only 7% of the \$4 billion Gulf States pledge.<sup>52</sup>

Notwithstanding, the GCC States assumed positions of leadership in the renewed international commitment to Yemen in 2010, both within the Friends of Yemen Forum and by organizing the high-level Riyadh meeting of regional and international donors in February 2010. Moreover, the GCC ODA pledges to Yemen dwarfed those of Western donors, as Saudi Arabia pledged \$1.25 billion in 2009 compared to an American figure of \$63 million.<sup>53</sup>

Assistance to fragile and conflict-affected states intermeshes with Qatar's high-profile involvement in conflict mediation. Boosted by its early success in bringing about the Doha Agreement that ended an eighteen-month political stalemate between competing factions in Lebanon in 2008, Qatar has since hosted diplomatic mediation between the Sudanese government and the Darfur Justice and Equality Movement in 2009, and between the Yemeni government and leaders of the Houthi rebellion in 2010, and offered to broker negotiations between the government of the Philippines and the Moro Islamic Liberation Front in 2008-9.<sup>54</sup>

Other mechanisms that facilitate the Gulf States' involvement in South-South Cooperation, include the expansion of hitherto-predominantly bilateral issues into incipient multilateral administrative and regulatory frameworks. A notable example of this occurred in the implementation of the Abu Dhabi Dialogue on Contractual Labour for Cooperation between Countries of Origin and Destination in Asia.

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<sup>50</sup> "Arab Development Assistance: Four Decades of Cooperation." Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank, July 2010.

<sup>51</sup> Habiba Hamid, "Overseas Development Assistance from the UAE: Structuring Donor Relations in the Context of the Arab League's Fragile States," *Dubai School of Government Working Paper 09-03* (2009): 4.

<sup>52</sup> "Gulf States Key to Resolving Yemen's Ills." Agence France-Presse 29 January 2010.

<sup>53</sup> Ginny Hill, "What is Happening in Yemen?" *Survival* 52.(2010): 2-3.

<sup>54</sup> "Yemen Opens Talks with Shia Rebels on Peace Deal in Doha." Agence France-Presse 25 August 2010; "The Philippines: Running in Place in Mindanao." International Crisis Group Policy Briefing 88, 16 February 2009.

This official dialogue brought together the eleven Colombo Process labour-exporting countries (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam), with nine labour-importing countries (Bahrain, Kuwait, Malaysia, Oman, Qatar, Saudi Arabia, Singapore, United Arab Emirates and Yemen). Organised and hosted by the UAE in January 2008, it constituted a landmark in regional cooperation, based on the mutual interests of labour-originating and destination countries.<sup>55</sup> It gave particular focus to development, information-sharing, capacity-building and inter-state cooperation.<sup>56</sup> It also demonstrated how existing examples of South-South Cooperation, in this instance the Colombo Process, can be knitted into larger, inter-regional and cross-sector frameworks of cooperation and dialogue.

#### *4. Conclusion*

The rapid recent emergence of the GCC states into positions of international leadership represents a moment of great opportunity for South-South Cooperation. In part, this is based on common economic and commercial interests. While considerations of energy security are nothing new, the scale and multiple dimensions of recently-announced initiatives are innovative.

These innovations include substantial joint venture agreements between Kuwait and China (symbolised by the creation of the Kuwait-China Investment Company in 2005). Such innovations also include agreements between Saudi Aramco and Sinopec, to construct oil refineries and petrochemical plants in China. Significantly, these commercial links, which diversified beyond their hydrocarbons base, are branching off into dynamic, mutual interdependencies with trade partners throughout Africa and (particularly) Asia.<sup>57</sup>

Even though South Korea is not a member of the Global South, an August 2010 energy swap, between the Korean National Oil Corporation and the Abu Dhabi National Oil Company, necessitated a joint venture for the exploration oil and gas, for the construction of a Korean oil storage, and for construction of a stockpiling facility in Abu Dhabi. The growth and evolution of a simple agreement

<sup>55</sup> Information on the Abu Dhabi Dialogue can be found on the website of the International Labour Organization, [http://www.ilo.org/sapfl/News/lang--en/WCMS\\_090660/index.htm](http://www.ilo.org/sapfl/News/lang--en/WCMS_090660/index.htm) (accessed 14 March 2012).

<sup>56</sup> Ibid: 'Abu Dhabi Dialogue on Contractual Labour for Cooperation between Countries of Origin and Destination in Asia,' [http://www.ilo.org/sapfl/News/lang--en/WCMS\\_090660/index.htm](http://www.ilo.org/sapfl/News/lang--en/WCMS_090660/index.htm) (accessed 14 March 2012).

<sup>57</sup> Davidson, "Persian Gulf-Pacific Asia," 5, 17.

into massive, bilateral project indicates how economic relations could deepen into strategic, even politically intimate, interdependencies with other countries.<sup>58</sup>

Other likely avenues for fruitful South-South Cooperation relative to the GCC States include the energy/food security nexus described above, and collaboration on civil nuclear energy programmes, and research into renewable forms of energy. Indeed, the bilateral, 2009 ‘123 Agreement’ for peaceful nuclear cooperation that the UAE reached with the United States constitutes an archetypal model..

This archetypal model serves as an example that addresses the needs of nuclear supplying states and potential recipients, after which countries otherwise seeking a civil nuclear energy capability could shape their strategies.<sup>59</sup> As the GCC states assume global leadership in renewable and nuclear energy research (epitomized by Saudi Arabia’s announcement of the King Abdullah City for Nuclear and Renewable Energy in Riyadh), cooperative research and development links on energy issues may generate significant momentum in future South-South Cooperation frameworks.

The global rebalancing as described in this chapter, holds profound implications for the future of South-South Cooperation and for the Gulf States within it. Among other things, this rebalancing opens up alternative models of economic development and carves out pathways for engagements with layers of global governance and international institutions. Policy-makers in the GCC States have shown particular enthusiasm for the ‘developmental state’ model favoured in East Asia. This features a pragmatic mix of state guidance and private initiative, and Singapore is frequently cited as a model to follow.<sup>60</sup>

Yet the new pressures generated by the 2011 Arab Spring raised the possibility of diverging future trajectories of Gulf States’ engagement in South-South Cooperation. On the one hand, Saudi Arabia emerged as a leading status quo bulwark attempting to safeguard its basic regional and security interests. While it supported the replacement of leaders that had lost their legitimacy or moral

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<sup>58</sup> “South Korea, UAE to Cooperate on Energy Exploration, Stockpiling of Oil.” Bloomberg 2 August 2010.

<sup>59</sup> Bryan Early, “Strategies for Acquiring Foreign Nuclear Assistance in the Middle East: Lessons from the United Arab Emirates,” *Dubai School of Government Working Paper 09-11* (2009): 4.

<sup>60</sup> Martin Hvidt, “The Dubai Model: An Outline of Key Development-Process Elements in Dubai,” *International Journal of Middle East Studies* 41 (2009): 399.

authority in Libya and Yemen, elsewhere it intervened to crush pro-democracy protests in Bahrain and lavished financial assistance toward Egypt and Jordan.<sup>61</sup>

Saudi Arabia also spearheaded a surprise GCC announcement that it would offer forms of membership to Jordan and Morocco. Together with the deployment of the GCC Peninsula Shield Force to restore stability in Bahrain, the move was interpreted by some as revealing the GCC States' 'true colours' as a club of beleaguered monarchs coming together.<sup>62</sup> This more negative interpretation also encompasses scepticism about the Gulf States' 'agro-investments.' They raise the possibility that the GCC States' global engagement is motivated by state-centric ambitions to maximize their position in the changing global order rather than any normative attachment to the group of developing countries to which they formerly belonged.

By contrast, Qatar and the UAE were actively involved in rallying Arab support for the multi-national intervention into Libya in March 2011. In addition to providing air support to the operation, the two countries hosted multilateral summit meetings of the Libya Contact Group. Qatar also extended practical assistance to the opposition National Transitional Council by providing financial assistance and helping it market and sell oil on international markets.<sup>63</sup> In this more optimistic scenario, the Gulf States become more active and responsible global actors and utilize their leverage for the benefit of developing countries more broadly. Qatar's range of investments, diplomatic mediation and growing profile suggests this might be plausible at an individual-country level. It is, however, doubtful that specific Qatari motives are representative of the GCC as a whole.

This power realignment therefore holds significant consequences for the continued evolution of multilateral decision-making, in a matrix of systemic shifts in the post-World War Two international architecture. By 2020, the maturation of a genuinely multi-polar international system will provide multiple openings for coalitions of emerging powers to maximize influence and connections. The GCC States will play a significant role in this global rebalancing in both positive and negative ways, as evidenced by differing responses to the Arab Spring.

Hence it is likely that future Gulf States' participation in South-South Cooperation will be far from seamless. Aggressive competition for access to farmland

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<sup>61</sup> F. Gregory Gause, "Is Saudi Arabia Really Counter-Revolutionary?" *Foreign Policy* 9 August 2011.

<sup>62</sup> Mohammed Ayoob, "The GCC Shows its True Colors," *Foreign Policy* 16 March 2011.

<sup>63</sup> "Qatar Takes a Bold Diplomatic Risk in Supporting Benghazi's Transitional Government," Gulf States Newsletter 8 April 2011.

in Africa and Asia, for example, carries the seeds of potential tension with other countries seeking strategic agro-investments, such as China, or if commodity prices continue to rise and leave local populations lacking secure or affordable access to basic foodstuffs.<sup>64</sup> This shift thus holds the danger of a host of societal backlashes, if terms of engagement are judged inequitable to local cultivators in the producer nation.

Regardless of whether it turns out to be positive or negative, the overall trajectory of Gulf States' participation in South-South Cooperation is decidedly upward, as links multiply into thickening interdependencies. With the gradual dissolution of the largely-stagnant pre-1991 relationship, a broader pattern emerges, in which the Gulf States project greater global influence in a world, and in which power is more diffuse and refracted than ever before.

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<sup>64</sup> "Is There Such a Thing as Agro-Imperialism?" New York Times 16 November 2009.

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## **ABSTRACT**

This article assesses the role of the Gulf Cooperation Council (GCC) states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) in the framework of South-South Cooperation. It charts the different phases of engagement between the Gulf States and other developing countries, and the shifting dynamics that underpinned them.

These phrases demonstrated profound changes that reflected policymaking calibrations in response to domestic, regional and international catalysts. When read together, the internal and external forces that press upon the GCC States shape the analytical perspective of this article. Further, these internal and external pressures shaped the Gulf States' contributions to South-South Cooperation, and framed the intra-regional and international realignments within which GCC engagements took place.

## **KEYWORDS**

Gulf States; South-South Cooperation; Gulf Cooperation Council.

# THE FINANCIAL CRISIS AND THE DOLLAR HEGEMONY

*Marcelo Milan<sup>1</sup>*

## **Introduction**

The 70's brought several changes to the world economy. Besides the oil price shocks, which caused a strong economic disorganization, the abandonment of the dollar-gold standard created an even higher destabilizing potential (Block, 1977). During this period, given the size and importance of the U.S. economy, the dollar became the key currency of the non-official new monetary standard that followed the decline of Bretton Woods' arrangements, becoming a global store of value and a source of financial markets' international liquidity (Morgan, 2009). The adoption of the flexible dollar standard gave the United States the power to determine the terms of economic performance in the global economy, mainly through variations in capital flows (Serrano, 2003). Commercial and financial transactions have a reference in the U.S. dollar, which has implications for the very maintenance of the hegemonic position of the U.S. Fiori (1999) shows the complex relationships between state rivalry, currency and wealth. Following along the same line, Vasudevan (2009b) argues that the floating dollar standard represents the reversal of a central aspect of imperialism, inasmuch as hegemony is exercised by capital absorption, instead of capital exports. Despite the expected reactions inside the competition and inter-capitalist rivalry system, such as the creation of the Euro in 1999, and many obstacles faced by the U.S. economy and the dollar, their respective positions within the world hierarchy remained solid, at least until the outbreak of the financial crisis in 2007.

This paper discusses in which ways this crisis represents a turning point that accelerates the pre-existing antagonistic trends regarding the dollar's role as an international reserve. The growing literature about the subject points to the existence of two perspectives: those which argue in defense of the maintenance of U.S. hegemony and the current status of the dollar, and those which point to a decline in hegemony and the emergence of potential substitutes or challengers for the next years. The article analyses these questions without intending to exhaust them.

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<sup>1</sup> DECON-UFRGS e PPGEEI-UFRGS. (milan.econ@gmail.com)

After this introduction, the rise and hegemony of the U.S. dollar in the world economy are considered. After that, the impact of the financial crisis on the functioning of global financial and monetary markets is discussed. The next section discusses the possibility of disruptions in this hegemonic standard and the potential decline of the dollar's role. Then some considerations are made regarding the impacts of the dollar's destiny on developing countries. The final part concludes, emphasizing the aspects that point to a slow decline of U.S. hegemony in the world economy and to the growing contestation of the flexible dollar standard.

### **Rise, resilience and hegemony of the U.S. dollar**

Fred Block (1977) discusses the evolution of the international monetary system emphasizing the relationship among the national states, with a polarization between Europe, especially Great Britain, and the United States. Between the end of the XIX<sup>th</sup> century and beginning of the XX<sup>th</sup> century, the gold- standard created a relatively stable international monetary order. This order was replaced by the gold-dollar standard following the Bretton Woods agreement in the post-World War II period, marking the end of the British hegemony and the rise of the U.S. world hegemony. By the 1970s this order was destroyed by the growing U.S. external deficits, opening up a period of consolidation of US dominance. The dollar converted itself into the international reserve currency, conferring a large advantage and a source of power to the U.S. economy.

On the other hand, the transition of a fixed but adjustable exchange rate regime to a fluctuating exchange rate regime turned the currency markets and the international credit markets more volatile. The financial markets' answer followed, with the creation of derivative instruments, whose transactions take place mostly in U.S. dollars. At the same time, the growing importance of markets and financial instruments under U.S. control translated into a mismatch between the real and the financial economy, contributing to an increase in speculation on a global scale and enhancing financial fragility (Le Monde Diplomatique, 2011, Sweezy, 1987). For example, there was a rapid increase in derivative instruments in comparison with the world gross domestic product, especially in the 1980s. This and other innovations contributed to increase global financial vulnerability and fragility, with repercussions on the dollar's role as world reference of value and liquidity given that the dollar represents a safe haven during instability periods.

Morgan (2009) discusses several reasons for the resilience of the American dollar as an international reserve despite frequent turbulences in financial markets. This robustness can be explained, among other causes, by the capacity of this currency to mitigate the several types of risk which the global economy faces, besides the role performed by U.S. multinational corporations in using dollar in its global transactions. Periods of crisis are followed by capital flows to the dollar and other investments denominated in the U.S. currency. The search for international liquidity in dollars, in turn, requires dollars to flow out of the US in the form of current account deficits with the rest of the world. And the advantage of emitting the international reserve currency allows the US to keep chronic imbalances in the balance of payments. At the same time, this mechanism illustrates a new financial dimension of imperialism. The classic authors that developed this concept gave emphasis to capital exports as an instrument of expansion for the imperialist countries. Vasudevan (2009b) points to a recent reversion of this tendency, especially by the US need to finance its internal and external deficits. Morgan (op. cit.) also discusses the advantages of this system to the US, as first shown by Serrano, such as the capacity of determining a country's debts interest rates, the possibility of depreciating foreign debts by means of reducing the dollar's value compared to other currencies, and fluctuations in commodities prices, which are set in dollars. Therefore, other countries would have an incentive on maintaining the dollar at a high value, and the more trade and investments took place in dollars, the greater the pressure of buying dollars and avoiding the depreciation of the American currency would be, in a vicious circle that would weaken US' adversaries and strengthen its position (Hudson, 2010).

Obviously, the monetary and financial aspects are not the only ones to sustain the U.S. dominance. Visentini (2004) discusses the recent proposal of the Free Trade Area of the Americas (ALCA) as one of the US instruments of domination mechanisms. Teixeira (1999) describes the role of military conflicts, both internal (Civil War) and external (World Wars I and II), as part of the progressive process of construction and consolidation of U.S. hegemony, mainly through the mobilization of the enormous productive potentials of the country. However, the monetary and financial aspects seem to play a more central role for U.S. power. Thereby, in an argument similar to Fiori's (1999), Hudson (2003) emphasizes the monetary imperialism as one of the foundations for U.S. domination. The author considers the international institutions, especially the International Monetary Fund, as instruments of the dollar's hegemony. For example, loans denominated in this currency reflect the US' privileged position on the management and governance of this institution. But the U.S. monetary imperialism, according to the author, does not take place, in the post-war period, just as a dollar-standard, centered on

currency, but as a securities-standard of the U.S. treasury, focusing on the budget deficits caused by military expenditures. Tavares and Melin (1997) argue along the same line when proposing the concept of a financial dollar as different from the monetary dollar. According to Hudson, between 1964 and 1968, the US financed wars with resources of other countries. They induced bankruptcies in other states between 1968 and 1970, and caused monetary crises from 1970 to 1972, partially due to the growing current accounts deficits. In the new century, the old strategy of benign neglect, where the hegemonic power imposes the costs of adjusting to its own imbalances to other countries, was adopted again. The deficits tend to depreciate the dollar and damage world exports to the US. About 60% of international reserves are kept in dollars or assets (bought, sold, and paid) in dollars. Countries with dollars then recycle them by buying US Treasury Bonds, reinforcing the vicious circle.

This pattern suggests a reduced sensibility of the role of the dollar to big disturbances in the international monetary and financial order, mainly because of mechanisms that self-reinforce and feedback. This resilience, however, may have been changed by the intensity of this current crisis, discussed in the next section.

### **The financial crisis and the role of dollar**

The financial crisis of large proportions that began in 2007, and its repercussions in several markets, is comparable only to the Great Depression of the 30's (Allen and Moessner, 2011 and Moessner and Allen, 2010). Due to the functioning mechanisms of the flexible dollar standard, and the transition of the monetary dollar to the financial dollar, the currency and derivatives markets are strongly connected. Baba and Packer (2009) and Baba and Shim (2011) suggest the financial crisis created turbulences and displacements on the currency swap market, an intrinsically fragile and volatile derivative markets, able to quickly transmit imbalances to traded assets on spot markets. The deepening of the economic crisis was avoided by cooperation between central banks, using swaps or transferences, with the United States Federal Reserve accepting payment flows in Euro and other currencies and other central banks receiving payments in dollars (Allen and Moessner, 2010). The use of these instruments by central banks again reinforces and legitimates the functioning mechanisms of deregulated and instable financial markets, strengthening the dollar's role in world economy.

Even if the current crisis has significant differences with the event that defined capitalism in the 20th century, and some adjustments have been made by

central banks and governments, which temporarily avoided a similar collapse, there is some pressure on the currency and financial global market. The main role played by the dollar in the global financial markets became clear again during the financial crisis in 2007. McGuire and Von Peter (2009) discuss the scarcity of dollars at the international banking market, showing the enormous dependency of financial markets and of the global economy on U.S. dollars. On the other hand, financial transactions have great sensibility to changes in the value of the U.S. currency, which may challenge the dollar's hegemonic role. In other words, since the dollar is the main source of liquidity of these markets, the lack of this currency may lead to a full rupture on the functioning of these markets. But the very maintenance of this asymmetry reinforces the problems that led to the crises, and its resolution may radically change the dollar's role on the world economy.

Maybe even more important, the financial crisis has shattered both neoliberalism as an ideological regime informing national economic policies and the world financial system that was sustained and expanded based on the adoption of these measures. Any attempts to keep the U.S. hegemony sustained by this ideology and by the global operation of large U.S. – and to a lower scale, European – financial institutions will face great difficulties. Especially due to the fact that countries from the capitalist periphery today have conditions to operate with relative autonomy from the center. But in which sense the financial crisis represents a transition to a world order where the dollar and the U.S. economy would play a different, or a less important role?

### **Continuity and rupture of U.S. hegemony**

Tavares (1997) and Tavares and Melin (1997) discuss the resumption and reaffirmation of U.S. hegemony. The authors do not focus on the US' political and economic power, even though the strong dollar diplomacy has played an important role in the 1980's, focusing instead on the country's capacity to shape political and economic options in other countries. For instance, the neoliberal policies, imposed as the only policy option, created the conditions necessary to avoid the German and Japanese challenges and the rise of a polycentric world. They also allowed the creation of a new international division of labor based on the internationalization of U.S. capital. However, the authors do not consider China's rise and the destabilizing potential of those arrangements, especially regarding the possibility of challenges to the dollar's role due to the harshness of the of 2007 crisis.

It has been argued that the financial imbalances reflect structural problems in the U.S. economy (Morgan, *op. cit.* and Vasuvedan, 2009a). In this sense, the crisis simply accelerates the decline and does not represent a cyclical imbalance decoupled from the deep structural problems on the U.S. economy, such as growing debt, external and internal deficits, inequality, and loss of its manufacturing base, which lead to the vicious circle mentioned above. If the crisis reflects asymmetries among countries because of the way the world economy is structured, its solution, whatever it might be, does not essentially change the asymmetric structural economic and financial relationships among nations and the single world power. Particularly regarding the dollar, when the world economic system collapses the international reserve currency is questioned because of this asymmetry between creditors and debtors (The Economic Times, 2012). This raises a question about the possible existence of some independency between the monetary standard and the dollar's role in the international economy, on the one hand, and U.S. economic power on the other hand. It would be important, by means of an exercise of financial history, to compare the decline of the pound sterling in world markets with the decline of English economic hegemony. Whatever the speed of decline might be, if it is a possibility, the changes on the world economic structure must necessarily conduct to a transformation on the dollar's role.

Since Tavares' and Melin's studies advanced the discussion until the mid-1990, it would be important to understand how the crisis might represent an imbalance that does not put at risk the U.S. hegemony and the dollar's role. Here the reference is Fiori's study (2008). He argues that the collapse of U.S. power is a myth. The US dominates and controls the global economy, monetary regime, financial system, technology, communications, and has military power. According to Fiori, the world system finds itself in continuous expansion in terms of incorporating new national states in the power kernel, intensifying the imperialist competition among the US, China and Russia, but creating interdependencies that unify the countries on the dominant center of the world economy. Fiori considers the role of China and postulates the possible fusion between Chinese and U.S. finance capital. There is even a possibility of creating regional powers centered on India, Brazil, Iran and South Africa. Fiori rejects the existence of hegemonic cycles, where a State replaces another in the irradiation of capitalist dynamism. The world-system expands continuously, generating episodes of crisis, war, economic slowdown, but also stability, peace and growth. Crisis, like war, is managed by the successful expansion of the hegemonic power, with the incorporation of new economic world powers.

If 'collapse' is defined as an abrupt crisis, indeed the end of the U.S. hegemony would be unlikely. However, a slower and gradual decline could be a possibility. The central power may be challenged, reducing the hegemony, but keeping the position in the hard core of global economy, that declines slowly. The control of the economy, politics, and military force also characterizes other countries' hegemonies in other periods, for example England in the 20th century, Spain and Portugal in the 17th century. And all these empires lost strength and were replaced by a new power. In the same way, World War II reduced German and Japanese power, and intensified that of the US and their allies, without giving back to England and the pound sterling the privilege of world hegemony. There was not a balanced expansion of the power center, and Europe's growth and recovery happened in a way subordinated to the US, especially via the Marshall Plan. The publication date of Fiori's studies suggests that the full effects of the crisis and its impacts had not yet been felt. The crisis in this case may also reinforce the growing dynamism of Chinese economy. The fusion of national capitals discussed by Fiori could only happen under U.S. leadership, given the explicit veto to Chinese acquisition of US' strategic assets. China would hardly accept a subordinated position, as the US finds itself weakened and China has surplus resources. The fusion of Asian capitals and the creation of an Eastern financial conglomerate, which could support the economic expansion of China and the Four Asian Tigers without depending on the American veto, would be more likely. Fiori's perspective is wide and does not focus on the specific role of the dollar. It is perhaps implicit that the maintenance of U.S. dominance, even if transformed by interstate competition, must be reflected on the maintenance of the dollar as the international reserve currency.

Stephen Cohen and Brad DeLong (2009) raise doubts about the validity of the skepticism regarding the loss of supremacy by the U.S. They argue, as Teixeira (op. cit.), that the Second World War was instrumental in accomplishing U.S. goals. The U.S. government tried to weaken Great Britain's role and only after that entered the conflict and supplied aid to the allies. By the end of the conflict, the US had the money and Great Britain did not. The loans made by the U.S. to rebuild Europe had to be repaid in dollars. The U.S. money helped to solidify a neoliberal doctrine as the U.S. model, subtly influencing the behavior of other nations and reducing the necessity of using military force. The cultural domination was funded with the economic strength and the control of the international currency. Nowadays the situation is reversed, and other countries have the money, which will lead to the end of the American influence, as it existed before the crisis.

According to the authors, in the current situation the U.S. still maintains a relatively privileged position from an economic, financial, technological, commercial



and military point of view. But the situation of financial hardship will continue because of high public and private debt. Foreign investors keep buying new assets in the US, but the debt securities are held by Asian governments, especially sovereign wealth funds: China with US\$ 2.5 trillions, Japan with US\$ 1 trillion and Taiwan, Hong Kong, Singapore and South Korea with US\$ 700 billion. The assets considered strategic, such as natural, energetic and mineral resources remain blocked to investors from other countries, especially China. These reserves in assets tied to the dollar could alter the balance of power in Asia's favor. However, the authors note that each significant alteration in the exchange rate will affect the value of the assets and also the trade balance among countries, creating an interdependency. In the same way, neoliberalism became discredited and there is more space for industrial policy of the type followed by Asian countries.

Morgan (2009) discusses the vulnerabilities associated with the flexible dollar standard due to the US' economic structure and to the relationships between the US and China. Added to the financial instability derived from the U.S. economy itself, more unequal and more productive, with the difference being paid in the form of debt, these vulnerabilities tend to contribute to a confidence crisis and to the dollar's power loss. Morgan notes the American dollar has seen a long period of depreciation. The growing U.S. debt is seen by Morgan as a source of vulnerability, besides the increasing dependency on imports and on China as a source of funds. China has the second largest holding of U.S. public debt bonds, and the largest stock of dollars as international reserve. There are conflicts about commercial relations, geo-strategic problems about energetic sources, the Yuan's depreciated exchange rate and questions over China's own economic and social stability. The possibility of channeling funds for the development of a robust financial market in Asia has not been discarded, according to the author.

Thus, Cohen and Delong's and Morgan's arguments point to a change on the U.S. hegemony and on the dollar's role in the world economy. Following a different view, Teixeira (op. cit.), writing before the crisis, argued that a possible weakening of the US does not necessarily lead to the formation of a new international order or a new hegemonic cyclical center, but instead to instability and crisis. The author considers the possibility of a fourth stage in the resumption of hegemony, as the hike in interest rates by the end of the 70's extended the American dominance due to the appreciation of the dollar and the financial imbalances it caused to the other developed countries. However, Teixeira recognizes that the imbalances of the 60's and 70's weakened the country's foreign position and that there was only a temporary strengthening in the 80's and 90's.

Giovanni Arrighi (1999) advances another argument that explains the decline of the dollar and of the U.S. economy. In his interpretation, history suggests the existence of systemic cycles of accumulation, where national states take a leadership role in conducting the global economy from a hegemonic center. The cycle has an ascending stage characterized by the expansion of production and a declining stage where finances become dominant. The cycle explains the succession of hegemonic powers in the global economy: Netherlands, Great Britain, US and Asia. In other words, the decline of the U.S. hegemonic cycle, after a period of productive expansion, would go through a financial crisis at the same time as a new center arises in an ascending stage of material expansion of its production. China's rise as a dynamic center of the global economy and the challenges to the U.S. dominance after the 2007 crisis strengthened Arrighi's arguments, even if history does not have a pattern of regular and linear repetition as precise as the one suggested by his interpretation. And the recent Chinese pressure to substitute the dollar as an international reserve is another aspect to be considered.

### **The impacts on the countries of the South**

The empirical evidence about production and trade patterns suggests that the dynamic center of the world economy seems to be moving increasingly towards Asia, despite the relative Japanese economic stagnation. The economies of the countries of the South are still more dynamic, highlighting the relative stagnation of advanced countries, even if financial instability in the center has had real repercussions in the periphery. For example, the Brazilian economy shrunk in 2009 and the rhythm of growth in the periphery as a whole has diminished. However, from a geo-strategic point of view, Fiori (2008) argues that the crisis will intensify competition between Brazil and the US in South America. Another factor that suggests a relative weakening of the American position is the growing rejection, by many peripheral countries, of the adjustment programs of the IMF and the World Bank.<sup>2</sup>

An additional change happened to global capital flows. According to Vasudevan (2009a), there were three waves of private capital flows to developing countries: in the 1960's with the growing of the Euromarkets and the recycling of petrodollars, until the debt crisis in 1980. The second one happened under the neoliberal reforms of liberalization and deregulation in the 1990's, until the Asian crisis in 1997-98, and the third one took place on the period that began in 2002. On the first two waves, capital flows were compatible with net capital outflows from the

<sup>2</sup> But unlike what happened in the immediate post-War with respect to debtor countries, primarily peripheral, a similar adjustment, with contraction and austerity, was not required of the US.

US, maintaining international liquidity, but exporting fragilities and crises to the periphery (95 crises in total), at the same time that the dollar's hegemonic role was preserved when the crisis imposed the dollar as a safe haven. In the last wave there was the recycling of trade surpluses from the peripheral countries, helping to create the speculative bubble and the mortgage crisis in the US. The crisis changed the direction of flows and completed the third wave. In this regard, Herrmann and Mihaljek (2010) showed a reduction of the flow of bank loans to less developed countries during the international financial crisis.

The evidences suggest that the conflict with China will redefine the post-crisis world economic order and the role of the dollar as an instrument of U.S. hegemony. The main challenge for the dollar's hegemony comes from China, followed by Russia (NYT, 2009). The opposition is justified due to the fragility of international monetary arrangements and the possibility of a substantial depreciation of the dollar caused by the US' large external deficits. The president of the Chinese central bank defends the creation of a new international reserve currency. The country defends the adoption of special drawing rights (SDR) managed by the International Monetary Fund. There is already a discussion on the possibility of the Yuan replacing the dollar (The Economic Times, 2012). The reason presented is that on the current configuration the system presents several fragilities and a tendency towards imbalance, creating systemic risks. Indeed, the quantity of financial crisis of various types has accelerated in the last decades. On the other hand, the problem with IMF's management is that this institution is not necessarily neutral, but a reflex of the structure and hierarchy of the world's largest economic and military power, according to Hudson (op. cit.). Negotiations to create the fund reflected the American rise and the British decline in world economy. Reforming the governance of international institutions in the sense of adding more participation and representation of less developed countries would be a necessary step for the reduction of U.S. influence and China having a more important role.

The adjustment of the global economy has challenges that reflect the current power hierarchy. Rescuing Keynes' original idea that both creditor countries and debtor countries should adjust, with creditor countries reducing foreign dependency and turning inwards and debtor countries reducing debt, demands a balance of political and economic power that does not currently exist. However, inasmuch as these institutions are spaces of conflict and contestation, the financial crisis may facilitate the process of reform and strengthening of multilateralism beyond rhetoric. Similarly, special drawing rights are calculated based on the value of the U.S. dollar, the euro, the pound sterling and the yen, i.e. they reflect the value of currencies from countries in the center of power. A possible dollar drain would have strong

implications to financing the U.S. economy, both for the public and private sectors, and any measure implemented in this sense will be an additional component in the acceleration of the decline of the hegemonic power. (The Guardian, 2010). In the same way, the recycling of the dollars bought by China in the US assets market might have contributed to the speculative bubble, following a pattern experienced by other recent crises (Vasudevan, 2009a). Hence, the crisis also reflects the Chinese expansion, leading to doubts about Fiori's argument that the crisis is fully managed by the hegemonic power.

This suggests that the global economy cannot relinquish the U.S. deficits, but it cannot also adjust without bigger problems, since the adjustment would require a reduction of Chinese surpluses, which, from an accounting point of view, requires deficits in other parts of the world, paving the way for the so-called "renewed Bretton Woods" agreement. Protectionist measures may be an answer, in the same way as the Smoot-Hawley law raised tariffs to defend the American domestic production in the beginning of the Great Depression in the 1930's. And even the appreciation of the Chinese currency would not have a very a strong impact on the U.S. economy, given the industrial decline produced by three decades of neoliberalism. Still, according to Hudson (2010) the appreciation of the Yuan does not solve the problem of the high debt of the main economies, especially the US, which is at the origin of the other countries' monetary fragility. The same is true for the structural problems of the U.S. economy, derived from financing military expenditures and capital outflows due to the low domestic remuneration in normal times. Besides, argues Hudson, the Chinese trade balance would only respond to massive dollar depreciations. Other answers include extending Chinese domestic credit, with the risk of creating speculative bubbles, buying foreign assets abroad, which faces nationalist restrictions, or buying foreign assets from China. Hudson defends the last option as a defense against possible protectionist strategies and the prohibitions of Chinese acquisitions of assets considered strategic in US. But Hudson also argues that accumulation of reserves in China results not only from trade surpluses, but also from speculative inflows to appreciate the Yuan and devalue assets in foreign currency, with the difference being pocketed by the speculators. Again, financial predominance reinforces the centrality of the dollar, but in a dialectical way and with signs of growing dissatisfaction with the *status quo*.

The journal *The Economic Times* (2012) reports the existence of inertia in the maintenance of the dollar due to the massive use of this currency as an instrument for international transactions or even as a unit of account used in international contracts. This inertia would prevent replacing the US currency in the short-term. As an answer, a currency war followed the rapid cooperation during the most severe

period of crisis (Financial Times, 2010). The currency war was the answer, until that moment, to solve the problems derived from the crisis and the imbalances generated by the power asymmetry on the global economy. Central banks of the US, Japan and Great Britain adopt measures of quantitative easing, with monetary expansions that depreciate national currencies. These measures do not face the structural problems and keep the main conundrum: the power asymmetry that keeps the dollar as international reserve by imbalances and growing financial crises, but that at the same time suggest a gradual weakening of the dollar's power inasmuch as imbalances disrupt the U.S. economy and a new dynamic center is strengthened in Asia.

### Conclusion

The possible decline of the dollar, slow and gradual, because of the loss of dynamism by the U.S. economy and several financial imbalances derived from it, inform on a slow reconfiguration of world's economic structure. The rise of China and the dynamism of some peripheral economies, together with the decline of U.S. power point in the direction of multilateralism in economic relations and changes in the structure of global governance. The possible existence of systemic cycles of accumulation suggests that eventually dynamic centers of the global economy will be replaced, after a cycle where the financial crisis plays a role on the loss of hegemony of the dominant power. The current financial crisis, even though reinforcing the dollar's role as an international reserve, may represent a turning point, accelerating the transition to a systemic cycle of Asian hegemony, where the ascending cycle of material production happens in an accelerated manner. The dollar seems to be challenged again, and the challenge is based on a strong material expansion that reflects a rapid accumulation of financial power, until the moment resting on the dominant currency. There are evidences that, in fact, there is a loss of influence and a gradual process of reduction of U.S. power, simultaneously with the rise of China. These two aspects, based on a severe financial crisis, suggest a structural change on the global economy. As the financial rupture accelerates the transition, but still does not represent an economic crisis of larger proportions such as the Great Depression, but instead with a succession of crises on several degrees of severity, the loss of hegemony happens in a slow and gradual way. This allows raising doubts about the loss of the U.S. hegemony in the short and medium terms, but settling more and more the doubts about its occurrence in the long run.

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**ABSTRACT**

This paper discusses the US dollar hegemony in the world economy. The discussion is carried out in three steps. First, the paper analyses the evolution of the US dollar in the world economy, emphasizing its resilience in the context of frequent financial crises. Second, the work discusses and compares the perspectives that trust the US dollar's continuing role as an international reserve to those that assume a likely decline of both the dollar and the US economy after the 2007 financial crash. Finally, the article seeks to raise a few potential consequences of the continuing hegemony or declining of the dollar for the peripheral countries.

**KEYWORDS**

US dollar; Hegemony; Crisis; Periphery;

## PARTNERS

### NERINT

The Brazilian Center for Strategy and International Relations (NERINT) was the first center dedicated exclusively to the study and research in international relations in Southern Brazil. It was established in 1999 at the Latin American Institute for Advanced Studies (ILEA), within the Federal University of Rio Grande do Sul (UFRGS), Porto Alegre (known for hosting the World Social Forum), Brazil. Its main goal has always been the study of main transformations within the post-Cold War international system through an innovative and argumentative perspective. Also, NERINT has always sought ways to contribute to the discussion of a renewed national project for Brazil through the understanding of the available strategic options to consolidate an autonomous international presence for the country from the perspective of the developing world.

Brazil's choice of an "active, affirmative, and proactive diplomacy" at the beginning of the 21<sup>st</sup> century has converged with projections and studies put forward over numerous seminars and publications organized by NERINT (2 collections amounting to 24 published volumes). Exploratory studies on the new areas of active engagement by developing countries have proven themselves correct and have met remarkable development over the years. Over the years, cooperation with States, business, academic, and social institutions has been intensified. Similar developments have also been made through direct contact with centers in Latin American, African, and Asian centers, not to mention the growing interactions with previous partners from Europe and North America.

Among the positive outcomes that are a direct consequence of this new reality are the implementation of an undergraduate degree on International Relations (2004) and a graduate level program, the International Strategic Studies Doctoral Program (2010); and the launching of two journals – the bimonthly *Conjuntura Austral* and the biannual and bilingual *Austral: Brazilian Journal of Strategy & International Relations*. Thus, besides ongoing research on developing countries, NERINT is also the birthplace of undergraduate and graduate programs, not to mention its intense editorial activities.

## PPGEEI

The International Strategic Studies Doctoral Program (PPGEEI) started in 2010/2011, offering a Masters and a Doctorate degrees both supported by qualified professors and researchers with international experience. It is the result of several developments on research and education at the Federal University of Rio Grande do Sul (UFRGS) and its roots can be traced to the Brazilian Center of Strategy and International Relations (NERINT), a center established in 1999 which conducts research, seminars, and edits two journals. Other main partners are the Center for Studies on Technology, Industry, and Labor (NETIT/FCE) and the Center for International Government Studies (CEGOV), located at the Latin American Institute for Advanced Studies (ILEA/UFRGS). In 2004, an undergraduate degree in International Relations was created at the Faculty of Economics/UFRGS; in 2005 came the Center for Studies on Brazil-South Africa (CESUL), recently renamed as Brazilian Centre for African Studies (2012). All those actions together enabled the rise of an independent line of thinking propped by specialized bibliography.

The research tradition that gave rise to PPGEEI was based on a prospective analysis of the trends of the 1990s. The remarkable expansion of Brazilian diplomacy and economics from the beginning of the century confirmed the perspective adopted, which allowed the intense cooperation with the diplomatic and international economic organizations in Brazil. The course is already a reference in the strategic analysis of the integration of emerging powers in international and South-South relations.

The Program's vision emphasizes strategic, theoretical and applied methods, always relying on rigorous scientific and academic principles to do so. For this reason, it has been approached by students from all over Brazil and several other countries and it has established partnerships in all continents. Thus, the Graduate Program in International Strategic Studies is a program focused on understanding the rapid changes within the international system. Alongside NERINT, it publishes two journals: *Conjuntura Austral* (bimonthly) and *Austral: Brazilian Journal of Strategy & International Relations* (biannual and bilingual).

PPGEEI has three research lines:

### **International Political Economy**

It focuses on the international insertion of the Brazilian economy and other major developing countries in South America, Asia and Africa; discusses the characteristics and effects of globalization; and develops comparative and sector

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studies concerned with the effects of the internationalization of companies and productive sectors. Special attention is paid to international financial crises and its effects in Brazil and other countries of the South.

### **Foreign Policy and Regional Integration**

It emphasizes the analysis of the process of formation, implementation and evaluation of foreign policy. It seeks to confront patterns of international integration of strategic countries of South America, Africa and Asia, considering institutional patterns, trade policy structures of intermediation of interests, and agents of civil society in the South-South axis of contemporary international relations.

### **Technology, State and International Security**

It discusses the leading security issues in the international system from a perspective that takes into account the most powerful states at the global level, but which introduces in a systematic way the problem of the regional balances of power, the South-South axis, the existence of regional security complexes and the impact of information technology in the Digital Age.

## **BRAZILIAN CENTRE FOR AFRICAN STUDIES (CEBRAFRICA)**

The Brazilian Centre for African Studies (CEBRAFRICA) has its origins in Brazil-South Africa Studies Centre (CESUL), a program established in 2005 through an association between the Universidade Federal do Rio Grande do Sul (UFRGS) and Fundação Alexandre de Gusmão (FUNAG), of the Brazilian Ministry of Foreign Affairs. Its research activities are developed within the Brazilian Centre for Strategy and International Relations (NERINT), located in the Latin American Institute for Advanced Studies (ILEA) of UFRGS.

In March 2012, CESUL was expanded into CEBRAFRICA in order to cover the whole of Africa. At the same time, the South Africa series, which published five books, was transformed into the African Series, with new titles on the way. The center's main objectives remain the same as before: to conduct research, to support the development of memoirs, thesis and undergraduate memoirs, to congregate research groups on Africa, to organize seminars, to promote student and professor exchanges with other institutions, to establish research networks and joint projects with African and Africanist institutions, to publish national and translated works on the field, and to expand the specialized library made available by FUNAG.

The numerous research themes seek to increased knowledge of the African continent and its relations to Brazil on the following topics: International Relations, Organizations and Integration, Security and Defense, Political Systems, History, Geography, Economic Development, Social Structures and their Transformations, and Schools of Thought. CEBRAFRICA counts among its partners renowned institutions from Brazil, Argentina, Cuba, Mexico, Canada, South Africa, Angola, Mozambique, Senegal, Cape Verde, Egypt, Nigeria, Morocco, Portugal, United Kingdom, Netherlands, Sweden, Russia, India, and China. Current researches focus on "Brazilian, Chinese, and Indian Presence in Africa", "Africa in South-South Cooperation", "African Conflicts", "Integration and Development in Africa", "African Relations with Great Powers", and "Inter-African Relations).

# SUBMISSION STANDARDS

1. AUSTRAL: Brazilian Journal of Strategy & International Relations publishes articles and book reviews;
2. The journal is divided in two sections: Articles (*Artigos*) and Book Review (*Resenhas*);
3. The research articles must contain a maximum of 50 thousand characters (including spaces and footnotes) Use only the standard format; the book reviews must contain a maximum of 4,5 thousand characters (spaces and footnotes included);
4. The footnotes should be strictly of a substantive and complementary nature;
5. The bibliography must follow the rules of the Chicago system (Author, date), specifying the used literature at the end of the text;
6. Contributions must be original and unpublished and can be submitted in Portuguese, English or Spanish;
7. All authors must fill out the Submission Form;
8. Contributions must contain the full name of the author, their titles, institutional affiliation (the full name of the institution) and an email address for contact;
9. Publications of undergraduate students are accepted, as long as in partnership with an advisor professor, which will appear as the main author of the work;
10. Book reviews must contain the complete data and the ISBN of the analyzed work;
11. Contributions must be accompanied of: 3 keywords in Portuguese or Spanish and 3 keywords in English; Title in English and in Portuguese or Spanish; Abstract in English and in Portuguese or Spanish, both with up to 50 words.
12. Submissions must be made by the journal website: [www.seer.ufrgs.br/Austral](http://www.seer.ufrgs.br/Austral)

## SUBMISSION PREPARATION CHECKLIST

As part of the submission process, authors are required to check off their submission's compliance with all of the following items, and submissions may be returned to authors that do not adhere to these guidelines.

1. Contributions must be original, and shall not have been submitted for publication in another journal; otherwise, it must be justified in “Comments to the Editor”.
2. Submitted files must be in Microsoft Word, OpenOffice or RTF (as long as their size is up to 2MB) format.
3. URLs must be informed in the references when necessary.
4. The text must be single-spaced; Times New Roman typeface 12 pt must be used for the body of the text; italic is to be used instead of underline (except in URL addresses); Figures and Tables must be embedded in the text.
5. The text must follow *patterns of style* and *bibliographical* requirements described in Author Guidelines, in the section “About the Journal”.
6. The identification of authorship of the work must be removed from the file and the Properties option in Word, thus ensuring the confidentiality criteria of the journal, if it is to be subjected to peer review (i.e. articles), accordingly with available instructions in Ensuring Blind Peer Review.