

## **Missed Opportunity**

*Argentina not joining BRICS is likely to prove a costly mistake*

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*Published in:*  
China Daily

*Publication date:*  
2024

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

*Citation for published version (APA):*

Li, X., & Steenhagen, P. (2024). Missed Opportunity: Argentina not joining BRICS is likely to prove a costly mistake. *China Daily*, 13.

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GLOBAL VIEWS

LI XING AND PEDRO STEENHAGEN

Missed opportunity

Argentina not joining BRICS is likely to prove a costly mistake

Argentina's newly elected and populist president, self-defined as an "anarcho-capitalist", announced his country would not be joining the BRICS grouping. While the decision was not entirely unexpected within the region, given his clear stance on this during his election campaign, the significant shift in foreign policy between the previous and current administrations remains puzzling to many. But contrary to apocalyptic predictions about BRICS and its enlargement, Argentina's non-participation does not foreshadow difficulties for the expansion of the group.

The BRICS Plus initiative remains strong, with Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates joining as new members, various nations from the Global South expressing interest in joining, and others showing significant interest.

However, it is undeniably a setback for Argentina. Facing significant political, economic and social challenges, including an inflation rate nearing 150 percent and 40 percent of its population living below the poverty line, Argentina has missed a golden opportunity to strengthen relations with established partners and to expand its connections with other markets. The BRICS Plus collectively represents approximately 27 percent of the world's GDP and 47 percent of the world's population. It controls more than 60 percent of global oil and gas reserves and includes the world's largest exporters and importers of petroleum.

The BRICS Plus framework would still welcome Argentina, should it reconsider its position in the future. However, dramatic changes in domestic and foreign policies can have detrimental effects on a country, affecting its society and straining its bilateral and multilateral ties with other nations.

Frequently, countries grapple with finding a balance between overarching state policies that encompass principles, norms and long-term objectives, and more immediate government policies tied to specific areas such as health, education, defense and social justice. While the former has a long-term perspective, the latter is often shaped by short- or medium-term considerations influenced by domestic political factors.

Political representatives across the spectrum — be they leftist, centrist or rightist — should collabo-

rate on a shared vision for the nation. At the very least, they should find common ground on strategic principles, objectives, and policies to guide the country forward. Lacking such consensus allows the nation to be influenced by the agendas of interest groups, which might not always resonate with the broader national interests in the medium or long run. This situation can perpetuate a detrimental cycle within the political landscape and its mechanisms for power distribution.

Argentina has been one of the United States' closest partners in South America since the end of the Cold War. As President Milei's rhetoric and economic plan indicate, his intention is to further strengthen ties with the US. But joining the BRICS Plus grouping would not present any obstacle to this pro-US stance; rather, it might encourage increased attention from the US and Europe toward the region. Brazil, for instance, has had a strong and historical relationship with the US, encompassing political, economic, social, cultural, and even military dimensions. It was a founding member of BRICS and the very first developing country in the world to establish a strategic partnership with China.

Given their geographical proximity to the US, it is inevitable that South American countries such as Brazil and Argentina will seek to cultivate positive ties with the US. Similarly, fostering a positive relationship with Europe is also economically and politically beneficial. However, while maintaining relations with the North is important, it should not come at the expense of the need to forge robust connections with nations from the Global South. Given that the US and the EU have shown limited engagement or even indifference toward South America for several decades, and considering the distant prospects for cohesive South American economic integration, it is a strategic mistake to overlook ties with China in terms of trade, investments, and experience sharing in a number of areas, such as industrial policies.

As Beijing's Belt and Road and Global Development initiatives continue to generate global impact, South America should adapt to the new geopolitical context. By fostering political and economic ties that extend beyond the OECD and by engaging with new entities such as BRICS, the region can uphold its non-aligned or balanced position and effectively navigate the com-

plexities of the 21st century. The political calamity that is taking place in Argentina is tantamount to its economic crisis. Milei's victory in the presidential election, his stance against joining BRICS, and the sweeping changes he intends to introduce highlight a broader issue in South America. Amid serious economic challenges and social-political polarization, party politics, often characterized by personalistic agendas and fueled by narrow ideologies and values, leave real national interests behind.

The current political divide in Argentina and other nations around the globe is not a healthy phenomenon. The "Donald Trump effect" in the US has hit South America hard, particularly Argentina and Brazil, the two predominant economies in the region. While Brazil has moved back toward political stability with the leadership of Luiz Inacio Lula da Silva, the lingering impacts of "bolsonarism" continue to pose challenges and to drive polarizing forces in the country.

Argentina and Brazil should move away from populist and extremist approaches and, instead, focus on creating a new social-political contract. This contract should prioritize pragmatic policies rooted not just in short-term government initiatives, but also in long-term, state-led strategies centered on a sustainable and human development. Furthermore, fostering greater collaboration among themselves, their peoples and other Global South partners, such as China and other BRICS countries, will allow for shared experiences and better strategies to address mutual challenges. Expanding civic unity and involvement, international engagement and the forging or strengthening of partnerships, as opposed to isolationism, can contribute to achieving those goals.

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TONG JIAHANG / FOR CHINA DAILY

JORGE HEINE

Green path partner

Latin America's future lies in the green economy where China can play a key supporting role

As Latin America gears up for 2024, what the new year will bring to the region is a mixed picture. On the one hand, the region's economy continues to underperform, still unable to fully come out of its 2020 downturn, the worst in 120 years, according to the United Nations Economic Commission for Latin America and the Caribbean. Growth in 2023 is expected to be around 2.2 percent, less than the global average of 3.2 percent, and projections for 2024 are not much better. Economists, such as former Colombian finance minister Jose Antonio Ocampo, talk openly about a "second lost decade", very much like the one that took place in the 1980s — only worse, since the growth for 2014-23 averaged 0.9 percent, lower than the average of 1.3 percent in the 1980s.

A region that every 30 years experiences "lost decades", in which much of the previous progress is undone, only to return to the situation ex ante, cannot but produce enormous frustration. This was underlined by a recent report of the Group of Thirty (G30), an influential forum of current and former policymakers and academics, which explores the reasons for Latin America's chronic economic under-performance. That said, there are some hopeful signs of a turnaround. And this is something in which China, already South America's main trading partner, plays a key role, one that should switch into higher gear in 2024.

Latin America's, and particularly South America's, bane is its dependence on exports of commodities and natural resources, with little value added. As the world economy goes through boom-and-bust cycles, commodity producers are particularly exposed to price variations, in a way that industrialized countries are not. Mexico is in many ways the exception that proves the rule, with a thriving automotive and auto parts sector, among other manufacturing activities. Brazil and Argentina also have a (shrinking) industrial sector that has stood them in good stead, but by and large, agriculture, mining and services remain Latin American countries' main productive activities.

Yet the possibility of turning back the clock and reviving industrialization via policies such as the

import substitution strategies of the mid-20th century are non-existent. Latin America is too enmeshed in global economic flows to undertake anything along those lines, which would face unsurmountable obstacles on many fronts. That ship has sailed. So, what is to be done?

What some of the new crop of Latin American leaders, such as Colombian President Gustavo Petro, Brazilian President Luiz Inacio Lula da Silva and Chilean President Gabriel Boric, are betting on is that the region's future lies in the green economy. The region is already the one with the cleanest electricity grid in the world, largely based on hydro, but also now more and more drawing on solar and wind energy sources.

According to some estimates, Chile's Atacama desert, the driest in the world, could provide power to much of South America due to its solar intensity, unmatched anywhere else. China, which is on the cutting edge of both solar and wind energy technologies, and whose companies already have a strong presence in Chile, can do much to make that happen. A key challenge in South America, given its long distances, is power transmission, since long-distance transmission entails not insignificant power losses. China has also developed cutting-edge technology to transmit electricity at long distances, which means it could play a key role both in-country, regional and subregional projects aimed at making this happen. China's State Grid, the world's largest power company, has already a strong presence in Brazil and in Chile, among other countries in the region, laying the ground for such undertakings. Given the intermittent nature of energy sources such as solar and wind, connectivity, which makes it possible to reach areas at peak-demand periods when demand is lower elsewhere, is critical. That is why this technology is so significant for the green economy.

As it happens, South America also has many of the key minerals needed for the transition to e-mobility, another key component of the new economy. Chile and Peru have over 30 percent of the world's copper reserves, and the so-called lithium triangle formed by Argentina, Bolivia and Chile has 53 percent of the world's lithium

reserves. With China producing 70 percent of the world's e-batteries, there is an enormous complementarity here, whose potential remains to be fully leveraged.

A recent report of the Inter-American Dialogue, a Washington DC think tank, entitled New Infrastructure: Emerging Trends in Chinese Foreign Investment in Latin America and the Caribbean, provides abundant evidence of how Chinese investment in the region has been morphing in accordance with the times. It illustrates how Chinese investment in the region, estimated to have reached \$187 billion from 2003 to 2022, has been changing from the initial burst into extractive activities first, to heavy infrastructure later, and now, to "a growing emphasis on innovation, whether in information and communication technology, renewable energy or other emerging industries".

An important part of this has been Chinese investment in the manufacturing of electric vehicles, in which Brazil has taken center stage, with BYD set to make a major investment in the Camacari industrial park in the northeastern state of Bahia, Brazil, and Great Wall Motors another in Sao Paulo state. According to the report, "electric vehicle and battery manufacturing accounted for 42 percent of the total value of Chinese manufacturing investment" in the LAC region from 2018-23.

This is very much in keeping with the transition to the new economy that Latin America so badly needs. By accelerating this process, establishing joint ventures with Latin American companies, deploying its cutting edge technology and moving forward across all fronts of the renewable energy frontier, China could play a key role in giving badly needed, renewed impetus to Latin American development.

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