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The Transitional World Order: Implications for Latin America and the Caribbean

Evan Ellis | March 29, 2022



Image: Chinese President Xi Jinping meets with Venezuelan President Nicolás Maduro in Caracas. Source: Edwin Montilva / Reuters.

Russia's invasion of Ukraine—indirectly underwritten by the People's Republic of China (PRC) and with the Western response hampered by the threat of nuclear war—highlights a world transitioning away from the institutional, economic, and ideological order that has prevailed since the end of World War II. The transition will have significant and grave implications, and its dynamics are likely to be uneven, with the U.S. and democratic, market-oriented states likely to be some of the most adversely affected.

“World order,” if “order” is an artificial and imprecise yet useful label to understand a block of time in the complex interaction between states and other actors as their relative power shifts, and in the context of competing ideas about political, economic, and other forms of organization that come

to dominate in different parts of the globe at different moments. Although the “world order” is thus constantly in transition, it is possible to identify when an alternative fundamentally challenges the dominant cluster of states, ideas, and institutions. The transition currently underway from the “liberal world order,” which has substantially prevailed since World War II, is a product of the rise of China and its largely inadvertent empowerment of a disparate group of other challengers with interests in seeing the weakening of the legacy international system. That shift has far-reaching implications that liberal nations can navigate but cannot easily “stop.”

The currently ebbing liberal order had two defining moments: first, the Allied victory in World War II facilitated the establishment of the current array of global economic and political institutions, such as the United Nations, the International Monetary Fund (IMF), and the World Bank which created the framework for the contemporary world’s economic and informational interdependence. Second, the U.S. “victory” in the Cold War replaced the main competing political-economic construct with a temporary, if imperfect, consensus, accelerating the process of “globalization” that flowered as a product of the information technology revolution which occurred concurrently.

The Transitional World Order

The economic and informational interdependence that flowered following the end of the Cold War period also helped stimulate resistance to the prevailing order. Examples include leftist, populist movements that fed on the inability of the prevailing order to solve endemic corruption and inequality, as well as Islamic extremism and other radical responses to the increased visibility of cosmopolitan and secular values in the increasingly hyperconnected world. At the same time, for frustrated populations and excluded groups of all types, that connectivity provided vehicles for

sharing their disillusionment and coordinating responses, both politically and violently. However, in this disparate array of responses to an imperfect liberal order, the PRC became the “game-changer.”

Unlike the Soviet Union during the Cold War, even as PRC economic, military, and institutional power expanded, it did not deliberately promote an alternative system of economic and political organization and values to challenge the liberal order or its chief geopolitical rival, the United States. Rather, China’s remarkable growth, economic modernization, technological base, and military led it to engage with and economically underwrite a range of illiberal actors, even as it continued to engage with the more traditional states of the liberal order. It was thus China’s resources, provided in pursuit of its own benefit, without consideration for the “rules” of the prevailing liberal order, that helped to create the conditions in which mid-level powers such as Russia, also helped by the possession of nuclear weapons, could act in aggressive ways that fundamentally undermine liberal world order norms of territorial integrity and the rule of law.

The Challenge to the Legacy Liberal Order

While Russia’s invasion of Ukraine exposed and accelerated the fracturing of the legacy world order, it is only one particularly grave manifestation of a broader, more destructive dynamic. At the core of the emerging alternate order is a mutually beneficial interaction between an increasingly wealthy

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and powerful PRC, working to restructure global economic and political relations to its own benefit, and a disparate grouping of other actors indirectly empowered in part by Chinese resources. Those actors each have very different interests and objectives, but all benefit to some degree from the weakening of the legacy order, its associated institutions, cooperation, transparency, and rule of law.

The PRC and the diverse group of actors with which it shares a symbiotic relationship, empowered by and benefitting the PRC, may be termed the “*illiberal counter-order*.”

The challenge presented by the “illiberal counter-order” is very different from that posed during the Cold War by the Soviet Union. The latter attempted to impose a single alternative world system based on the singular political-economic organizing principle of Communism. Although the PRC generally welcomes others embracing its statist authoritarian development example, it strategically orients its principle objectives toward the continuity, security, and wealth of the Communist-Party-led Chinese state. To that end, the PRC demands its partners’ silence—and ideally their support—with respect to PRC actions toward its population and China’s near abroad. Such demands include silence about or support regarding PRC exertion of political and informational control over its population, its suppression of democracy and violation of its international commitments regarding Hong Kong, its internment of more than two million Uighur Muslims in Xinjiang, its claim over Taiwan, and its assertion of maritime claims in the South and East China Seas. In the economic sphere, the PRC expects favorable treatment of its companies and nationals. The PRC also expects compliance with the terms of agreements with its government and companies—even when those agreements have been secured through asymmetrical bargaining on terms highly disadvantageous to the partner nation—and regardless of whether such agreements provided the hoped-for benefits to the partner.

In the PRC's Faustian bargain, China is generally indifferent regarding its counterpart's political system, whether its partner mistreats its people, and whether it violates its own laws, constitution, and commitment to others, so long as the partner does not criticize or work against the PRC in the previously mentioned areas of China's core interests, and so long as its partner respects the interests of and commitments to Chinese companies. In exchange, the PRC is willing to make its considerable resources available.

In Latin America, Chinese money has played a key role in supporting the economic viability of populist regimes such as Venezuela under Hugo Chavez, Ecuador under Rafael Correa, Bolivia under Evo Morales, and Argentina under the Peronists; as each sought to consolidate power, change constitutions and legal structures to their benefit, decrease cooperation with Western governments and institutions, and move against the free press and private sector. In turn, as these populist regimes consolidated power, they provided benefits to China through access to resources, often through non-transparent state-to-state deals on terms highly favoring to the PRC, with lucrative side deals for elites connected to the populist regimes.

The PRC has thus contributed to the survival of illiberal populist regimes as they consolidated power by providing them with resources for their economies, as well as the opportunity for "corruption" money to pay off regime supporters through the deals. In addition, the PRC also sold these aligned regimes security equipment, such as the armored vehicles used by the Maduro regime to repress protesters and exclude the democratically elected Congress from the National Assembly in 2020. It also supplied the digital capability to control populations, such as the Fatherland Identity Card system provided by ZTE to the Venezuelan regime. The Maduro regime requires the card for voting, receiving scarce government-supplied food rations, and vaccines. Other examples include Chinese-style

surveillance state capabilities such as [ECU-911 in Ecuador](#), [BOL-110 in Bolivia](#), and support provided to the Venezuelan government by CEIEC for [spying on the democratic opposition](#). In Cuba, Chinese digital support included systems [provided by Huawei](#) to the Cuban telecommunications firm ETECSA, used [to help cut off and isolate those protesting](#) against the regime in July 2021.

In evaluating the wisdom and sustainability of PRC behavior, some Western analysts mistakenly apply conventional metrics for evaluating risk, believing that the demonstrated lack of reliability and economic unsustainability of the actions of illiberal regimes make PRC commitments of resources to them [imprudent](#). Such analyses, however, overlook the ability of the PRC to leverage a combination of legal mechanisms and the dependence of partner regimes on the PRC as the “supporter of last resort” to ensure the repayment of Chinese debt. Indeed, of the [more than USD \\$62 billion](#) lent by the PRC to Venezuela, the Maduro regime was obliged to repay [all but \\$19 billion](#) to the Chinese, even as it defaulted on virtually all of its other obligations.

While the PRC may not seek to promote taking power by subversion, as the Soviet Union did during the Cold War, the proliferation of illiberal regimes strategically benefits China in multiple ways. On one hand, such regimes generally provide resources to and conduct transactions with PRC-based companies on terms highly beneficial to China. This dynamic reflects the favorable political orientation of these regimes toward the PRC, their willingness to do “state-to-state” deals, and their lack of other alternatives as their policies lead them to sanctions or otherwise exclusion from the private financing and multinational investment institutions of the liberal order. The favorable terms secured by the PRC with illiberal regimes also reflect the decreasing transparency of these regimes before domestic and international oversight, as well as the shakeup and politicization of their institutions as new populist governments consolidate power, impeding

their ability to negotiate effectively with the PRC and its companies. As noted previously, the PRC further benefits from expanded opportunities to sell its products to these regimes, including its military and other security equipment, as well as surveillance and control architectures. Indeed, the authoritarian nature of partner regimes often makes them willing to sell services that are far more invasive to the privacy of their citizens than what China can sell to democratic governments who are more sensitive to the privacy rights of their citizens.

One of the greatest indirect strategic benefits to the PRC of illiberal regimes is that their partner countries' pursuit of anti-liberal interests, whether ideological, criminal, religious, or otherwise motivated, weakens and distracts China's principal Western rivals such as the U.S. and the European Union. At the same time, China continues to benefit from doing business with those same rivals. The PRC can thus claim plausible independence from the actions of the illiberal partners it funds and empowers.

In Latin America, authoritarian regimes are consolidating their power in Venezuela, Nicaragua, and Cuba. Elsewhere in the region, an unprecedented number of governments have come to power with varying degrees of troubling authoritarian tendencies, including the Peronist government of Alberto and Cristina Fernández in Argentina, the MAS government of Luis Arce in Bolivia, and the Morena government of Andrés Manuel López Obrador (AMLO) in Mexico. In Honduras, the leftist populist government of Xiomara Castro has initially adopted a relatively democratic posture—including a professed disposition to fight against corruption—yet a maneuver within the Libre party to defect from the President-elect's wishes and impose an alternate speaker in the new Congress suggests the risks posed by internal anti-democratic elements within the movement. Similarly, the left-of-center government coalition of Gabriel Boric in Chile, which includes a key role for the Chilean

Communist Party, has shown itself as democratic, yet some of the more radical concepts posed by the Constituent Assembly currently drafting a new Chilean constitution, coupled with the potential of self-inflicted economic and fiscal crises, highlight the risks from such the emergent political configurations in the region.

The probable victory of former M-19 guerilla Gustavo Petro in Colombia's May elections, and the likely victory of Luis Ignacio Lula da Silva (Lula) in Brazil's October elections, similarly pose additional opportunities for anti-democratic elements aligned with both to move those key South American countries toward participating in the illiberal counter-order.

In El Salvador, the rightist populist regime of Nayib Bukele has also increasingly taken controversial actions in protecting and advancing its power, including occupying the National Assembly with the armed forces in February 2020, and firing the Attorney General and five supreme court justices who represented a perceived threat to his rule, while becoming increasingly reliant on Chinese resources to financially compensate for his defiance of Western institutions.

In Latin America, as elsewhere, the economic and fiscal stresses of the COVID-19 pandemic, and more recently, the adverse effects of Russia's Ukraine invasion on the global economy, compound longstanding popular frustrations with corruption and poor government performance. These concurrent developments, in turn, proliferate opportunities for the election of more populist governments who are open to leveraging Chinese resources to maintain the viability of their regimes as they consolidate power. Thus, the economic stresses of COVID-19 and Russia's invasion of Ukraine, coupled with Chinese money, is a reinforcing loop that threatens to expand the illiberal counter-order further.

Dysfunctional Dynamics and Contagion

The dynamics of the emerging illiberal counter-order are arguably destabilizing and dangerous for all states, democratic or otherwise, due to the economic, informational, and other interdependencies in the international system. Specifically, the elimination of transparency and accountability by illiberal regimes to their populations; the associated self-exclusion by these regimes from cooperating with Western oversight, law enforcement, and technical institutions; and the tendency in illiberal governments to replace professionals with political loyalists collectively propels illiberal regimes toward economically self-destructive populist policies, corruption, and criminality with severe adverse effects on neighbors and business partners. In Venezuela, for example, the consolidation of power by Chavistas correlated with the gradual collapse of the Venezuelan petroleum industry (even before the imposition of significant U.S. sanctions beginning in 2020) and the growth of powerful criminal structures within the country. These structures include Venezuela's military-affiliated "Cartel of the Suns" narcotrafficking organization, the growth of illegal mining in the Orinoco river basin, and the generalized spread of "pranes" or prison gangs, and other organizations such as the "sindicatos," making the greater Caracas areas one of the most insecure areas in Latin America. Such poorly governed spaces, created opportunities for, and gave shelter to, criminal and terrorist groups in neighboring Colombia, such as criminally-focused dissidents from the FARC and the ELN, among others.

In short, while Chinese money may help illiberal regimes consolidate power and continue their rule, it inadvertently also breeds economic dysfunction and criminality in those countries. Moreover, the associated criminal patterns social stresses also affect the "infected" country's neighbors through commerce, refugee flows, and other interactions.

Because of the nature of the contest between the decaying liberal system and the illiberal counter-order, the incidence of conflicts like Ukraine are

likely to grow, as well as other system-stressing events like migration and criminality. Such challenges will help to spread the illiberal counter-order in the coming years. Other stresses, including further pandemics and the effects of climate change which, although not caused by China and the illiberal counter-order, are also likely to compound the spread. Such socioeconomic pressures, in turn, will further increase pressures on weakly performing democratic systems to polarize and embrace populist solutions.

The Nuclear Dimension and the Use of Military Force

Despite the proliferation of conflict, the proliferation of nuclear weapons—and concerns about nuclear war—will likely prevent states of the residual liberal order from responding with force to aggression by regimes of the illiberal counter-order in all but the most exceptional circumstances. As seen by [Western restraint against Russian aggression in Ukraine](#), now and future attempts to [reduce the risk of escalation](#) to a nuclear conflict will impede formulating coalitions to respond to actions by aggressor states militarily.

At the same time, the success of Russia's nuclear weapons in preventing NATO from responding to its invasion of Ukraine with force, combined with the role of the PRC as an alternative partner for sanctioned illiberal regimes, may encourage other illiberal states to employ the threat of military force as a viable tool for pursuing their strategic objectives, presuming they believe they can employ their military more effectively than Russia has.

The demonstrated contribution of Russia's nuclear weapons is that Western restraint will likely also encourage illiberal regimes to obtain or retain nuclear weapons as a tool that [prevents coalitions of liberal states](#)

from responding militarily as predatory illiberal regimes use force to pursue their objectives against weaker actors.

In short, the demonstration effect of Russia's invasion of Ukraine, even though substantially unsuccessful, may increase the proclivity of illiberal states to employ or acquire nuclear weapons, giving new life to the importance of arms and alliances as necessary tools to resist the advances of neighbors.

Decoupling of the Global Order

A key strategic byproduct of the rise of the “illiberal counter-order” is likely to be an accelerated “decoupling” between states associated with the liberal order and illiberal counter-order. Much of this decoupling is self-imposed, with populist regimes using ideological justifications to withdraw from participation in supposedly oppressive Western financial institutions such as the IMF or World Bank, restrict law enforcement cooperation with institutions such as the U.S. Drug Enforcement Agency, or impede financial cooperation and oversight through institutions such as the Financial Action Task Force and Egmont Group of Financial Intelligence Units.

In practical terms, such exclusion is often self-serving, protecting increasingly corrupt regimes from the oversight or reach of such entities. At the same time, however, liberal governments also drive decoupling, as they apply financial and other sanctions against illiberal regimes for their violations of rules and commitments—illustrated by Western sanctions against Venezuela, Iran, and most recently, against Russia, to include the suspension of key Russian banks from the SWIFT currency clearing system. Such actions, in turn, stimulate the construction of separate parallel structures outside the liberal order. Russia's partial exclusion from SWIFT, for example, not only has obligated it to work with the

Chinese and others to establish alternative interbank clearing mechanisms, but also leads China and other actors to recognize demonstrated vulnerabilities and diversify away from the mechanisms of the liberal order, in anticipation of the day when they too could be subject to sanctions.

The "defensive" impulses of both liberal governments and regimes of the illiberal counter-order also drive decoupling. For example, in digital technologies, as liberal Western states increasingly see the PRC and others as adversaries, they expand the exclusion of Chinese vendors such as Huawei, Hikivision, and others from digital architectures in areas such as telecommunications, data centers, smart cities, and e-commerce.

At the same time, illiberal regimes are similarly constructing barriers and tools to control their own digital architectures to monitor communications within their population that could challenge the regime, including by filtering external news and social media content.

The result of such actions, whether self-exclusion or reactionary steps, is the accelerated, multidimensional "decoupling" between the residual liberal order and the emerging illiberal counter-order. Even while the illiberal counter-order will continue as highly heterogeneous in ideological and other terms, decoupling will create the illusion of two semi-coherent competing blocks.

In the political domain, the world will increasingly become divided into three, not two, overlapping groupings:

1. Core states of the legacy liberal order, such as the United States, the European Union, Japan, and regimes that adhere to principles with concepts of democracy, free markets, transparency, and rule of law.
2. Core states of the illiberal counter-order, including China as the principal economic engine and a diverse array of states of different

sizes, ideologies, and modes of economic or criminal organization empowered by it, from Russia to Iran to Venezuela and North Korea.

3. States of the “grey zone,” which continue to participate to varying degrees in the political, economic, and legal institutions of the liberal international order while also wishing to secure benefits from Chinese engagement. For this reason, and for different reasons of principle and calculations of interest, states in this third group may refuse to condemn and may engage with the PRC and other states of the illiberal counter-order to varying degrees.

Conclusions

The war in Ukraine highlights the profound shift in global security dynamics that has been underway for some time. It is partially a product of the reinforcing effects of an increasingly powerful China that pursues its own economic and strategic interests and empowers a diverse group of illiberal actors. The new dynamic is very different from the competing ideological-political-military blocks that characterized the Cold War and is arguably not the product of conscious design by the PRC or any single one of the actors empowered by engaging with it. The results of this dynamic, nonetheless, are transformational. They are likely to weaken the functionality of the political and economic institutions that have underpinned the global order since the end of World War II. As seen in this work, they are also likely to lead to increased violence and even a renewed race to acquire conventional and nuclear arms in a world that is less prosperous, less secure, and more divided.

The good news is that such a future is not inevitable. Nonetheless, there are no ready-made policy remedies for this challenge. Rather, political and economic leaders and other strategic planners must assess the risks and plan for the possible new reality.

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