CHAPTER 12
Latin America in the Czech Foreign Policy

THE RETURN TO A GROWING TRADE

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**Executive Summary:** Latin America is a distant region. Its political affairs do not play a really important role in the Czech foreign policy in general. The Czech interest in the region is primarily economic, as a number of countries in the region are already quite developed or on the way to becoming developed. The economic ties with Latin America are growing steadily, as is the volume of trade between the Czech Republic and countries in the region. Generally the Czech Republic pursues a rather neutral foreign policy towards Latin American countries, and the events there are unlikely to become subjects of politicization in the Czech Republic or to polarize the Czech political scene. Otherwise, on the part of the Czech Republic, an economically more proactive policy toward Latin America could be identified in 2017, with a growing perception of Latin America as an attractive region for both trade and investments.

**BACKGROUND AND POLITICAL CONTEXT**

From the Czech point of view, Latin America is a faraway region over the Atlantic Ocean that was never really much in the viewfinder of the Czech foreign policy. An exception was the Czech critical position towards the human rights situation in Cuba, but even that is a past event. At the same time if we look around the globe, Latin America is a region that is historically and culturally close to Europe and, as such, also to the Czech Republic, as noted in the Concept of the Czech Republic’s Foreign Policy from July 2015.

The Czech foreign policy goals in Latin America are mostly economic, as Latin America is the most developed part of the developing world, with some of its countries, such as Chile and Uruguay, already being developed ones. This priority of economy over politics is also reflected in the Concept of Foreign Policy. Although the ex-
ports to Latin America so far form only a small portion of the overall Czech exports, the Czech economic presence in the region is steadily increasing from a long-term perspective, especially in Mexico, which accounts for half of the overall Czech trade in the region, and there are more and more Czech companies that are trying to enter the region.

In the previous volumes of this book series the region was characterised by both low politicisation and polarisation in regard to it on the part of the Czech Republic. Both of these arguments are based on the fact that generally Latin American happenings do not resonate on the Czech political scene much, if at all. Nor do they really touch the Czech public. However, as for economic diplomacy the activities of the Czech Republic in the region have been growing in recent years, with more business missions following representatives of the Czech ministries there. This reflects the attractiveness of the region for Czech industry and also the confidence that Latin America can play a larger role in Czech trade than it currently plays.

The main relevant trend in 2017 was a return to faster economic growth in the region, including the growth in Brazil, a giant economy that was in recession for more than two years. As for politics, the level of democracy was decreasing a bit in a number of countries in the region, according to the Economist Intelligence Unit’s Democracy Index, with Venezuela falling under the category of autocratic regimes due to the actions taken by the government of Nicolás Maduro.

AGENDA AND EVENTS

Mutual Meetings of Czech and Latin American Politicians

The year 2017 was the last year of the first five-year term of the Czech President Miloš Zeman. As such, it was supposed to be the year of Zeman’s long planned trip to Latin America. The trip was to cover three countries – Colombia, Costa Rica and Mexico, according to the information that the President’s Office provided in January 2017. Although the trip was almost a done deal, in the end President Zeman did not fly to Latin America. A partial reason for why he did not visit the Latin American countries was the fact that he decided to run in the 2018 presidential elections for a second term. Mr. Zeman won the elections in January 2018, but his visit to Latin America during his second term remains a bit unlikely, as the trip has been repeatedly postponed for several years already.

There was supposed to be an EU-CELAC bi-regional summit in October 2017, where the Czech Prime Minister would meet with his counterparts from Latin American countries. However, in 2017 the summit was called off, as a number of Latin American countries asked to postpone the meeting to spring 2018. The reason was the internal division of Latin American states on the political problems in Venezuela, more specifically on the installment of the Constituent Assembly, a puppet parliament of the Venezuelan president Nicolás Maduro. Eleven Latin American states and Canada signed the Lima Declaration condemning “the rupture of Venezuela’s demo-
While some others, such as Cuba or Nicaragua, maintain their support of Maduro’s regime.

In February 2017, the Minister of Health of the Czech Republic Miloslav Ludvík became the first Czech minister in twenty-one years to visit Cuba. His visit was a sign of overall better relations between the Czech Republic and the island. Mr. Ludvík was accompanied by representatives of the Czech healthcare business, including, for example, the company Linet, which is interested in reconstructing Cuban hospitals with deliveries of hospital beds.

After more than 20 years with no ministerial visit to Cuba there were three in 2017, as the February visit of Minister Ludvík was followed by a visit of the Minister of Agriculture Marián Jurečka in March and an October visit of the Minister of Industry and Trade Jiří Havlíček. Minister Jurečka went to Cuba during its largest agricultural fair FIAGROP 2017. One of his main goals was to follow up on the very strong position of the Czech Republic as a large provider of agricultural machinery to Cuba in the socialist times. Furthermore, Minister Havlíček went to Havana during another fair – in this case FIHAV, one of the largest multi-sector fairs in Latin America and the Caribbean. He was accompanied by the head of the Confederation of Industry of the Czech Republic Jiří Hanáček and a group of twenty representatives of Czech companies. The Minister said that there were “already existing contacts there and that Czech companies have a good reputation from the past, which creates a good capital for a further development of Czech-Cuban economic relations”.

In May 2017, the Minister of Security of the Argentinean Republic Patricia Bullrich visited the Czech Republic. She met with representatives of the Ministry of Interior of the Czech Republic. The main topic of the talks was internal security and organised crime, including anti-drug policies.

In 2017, there was also one high level parliamentary delegation to a Latin American country – the trip of the President of the Senate Milan Štěch to Chile in January 2017. Mr. Štěch was accompanied by a group of senators, business people and other types of colleagues and met with, for example, the President of the Chilean National Congress Ricardo Lagos and the Chilean Minister of Foreign Affairs Henrique Muñoz. There were also three business forums held during the trip to boost the mutual economic relations.

Furthermore, there was one high-level visit from Latin America to the Czech Republic – the delegation of the President of the Argentinean Congress Emilio Monzó. Mr. Monzó met with the Speaker of the Chamber of Deputies Jan Hamáček and they discussed several issues, including the Czech compatriots in Argentina, as there is a large community of Czech origin there, concentrated mostly in the Chaco region. Another topic was the expected Argentinean seat in the OECD, as the Czech Republic welcomes the interest of Argentina in becoming an OECD member. Mr. Monzó also spoke of the necessity to accelerate the negotiations of the EU-MERCOSUR free trade area.

As for parliamentary committee delegations there were two in 2017. In June 2017, there was a delegation led by the Deputy-Chairman of the Committee on Foreign Af-
fairs of the Chamber of Deputies Pavel Šrámek to Argentina. The group met with representatives of the Argentinean Ministry of Foreign Affairs, and visited the Czech House in Buenos Aires and the Argentinean Chamber of Commerce. Then in December 2017 a delegation of the Committee on National Economy, Agriculture and Transport of the Czech Senate visited two countries – Colombia and Costa Rica. In Colombia the delegation visited the Ministry of Foreign Affairs, the Ministry of Industry and Trade, the Ministry of Agriculture and the Ministry of Transport, and then took part in the opening of the Czech pavilion in the Expodefensa fair in Bogotá. In Costa Rica the delegation had meetings with representatives of the Ministry of Foreign Affairs, the Legislative Assembly and the Industrial Chamber.

Apart from the above-mentioned contacts there was a number of trips to the region of Latin America at the level of Deputy Ministers. These included, for example, the visit of the Deputy Minister of Defence Tomáš Kuchta to the LAAD military fair in Rio de Janeiro in April. There is already a successful co-operation between the Czech company Aero Vodochody and the Brazilian company Embraer on the production of CZK 390 military transport aircraft, and the Czech Republic is seeking opportunities for further co-operation in the military field. A second Ministry of Defence trip to Latin America was the visit of the Deputy Minister Jakub Landovský to Mexico and Colombia in June, where he discussed a possible military and technological co-operation and was accompanied by representatives of Czech companies. The Deputy Minister of Environment Vladimír Mana went to Latin America twice in 2017. In June, he visited Peru, where he discussed topics of water management, natural disaster prevention and waste management, topics in which the Czech Republic has a strong expertise; a number of Czech subjects also already have experiences with Peru itself in these areas. Then in November, he led a technological mission to Chile composed of Czech scientists and business people. The aim of the mission was a technical-scientific co-operation in the mining industry area.

**Czech-Cuban Relations: Finally Solving the Debt Problem?**

In the last few years, the Czech Republic was less concerned with the human rights problems on the island and basically followed the more open EU foreign policy in regard to Cuba. This warming of relations between Cuba and the European Union culminated in the signing of the EU-Cuba Political Dialogue and Co-operation Agreement on 12 December 2016. The Agreement was ratified in the Czech Republic during 2017 and the Czech Minister of Foreign Affairs Lubomír Zaorálek commented that the Cuban side might perceive the Czech ratification positively and that the ratification could lead to better relations between the Czech Republic and Cuba. However, the Czech MEP Pavel Telička, himself highly critical of the agreement, noted that he never heard from Minister Zaorálek what the actual official policy towards Cuba was and that he could witness a recent departure of the Czech foreign policy from the human rights-line that was formerly present in it. But apart from this statement the ratification process did not attract much attention on the Czech political scene, showing that Cuban human rights issues currently do not resonate among Czechs in the same way they used to.
With human rights not being a top priority in the relations towards Cuba, currently two outstanding issues in the relations are the Cuban debt to the Czech Republic and the above-mentioned possible economic co-operation. According to the Annual Report on the State and Development of Foreign Debt for 2017, Cuba is by far the Czech Republic’s biggest debtor, with a debt of more than CZK 7 billion. The talks about possible solutions to the Cuban debt were restarted in 2015 and are still ongoing. In December 2016 the Cuban side proposed to pay off a part of the debt in rum and then followed this with an offer to repay the debt in medicaments, particularly with Heberprot-P, which is used in the treatment of patients with diabetes. These proposals were rejected by the Czech side, and in 2017 there were two more rounds of negotiations regarding this matter.

During the 2017 talks the situation has moved forward as Cuba agreed to repay the principal of the debt that was incurred in euros, while the interests on the principal would be repaid in goods. What remains problematic is the part of the debt in convertible rubles (XTR), as in regard to it, Cuba did not agree to any payments, nor did it agree with the possibility of establishing a Czech-Cuban fund that would contribute to the development of Czech-Cuban relations, as was proposed by the Czech side.

The Czech Republic and the Impact of the Crisis in Venezuela
The Czech position towards Venezuela’s deep political crisis is mostly shaped within the framework of the Common Foreign and Security Policy of the European Union. Because of this, the most important steps in regard to it were taken in November 2017, when the Foreign Affairs Council adopted sanctions towards the country, thus following the US’s lead, as it put even tougher sanctions into practice against Venezuela in August 2017. The Council heavily criticised the country’s non-transparent and irregular gubernatorial elections held in October and agreed on sanctions against it, including an arms embargo plus targeted sanctions on the top government officials responsible for the violations of human rights and disrespect for democracy in the country. These targeted sanctions consist of asset freezing and travel bans.

The year 2017 also brought a new issue into the Czech relation to the Venezuelan internal crisis – a possible relocation of Venezuelan nationals of Czech origin into the Czech Republic. There are around five hundred people of Czech origin in Venezuela, with the vast majority of them residing in the Venezuelan capital city Caracas. Czechs started coming to Venezuela in the 1930s and kept on moving there until recently. Thus currently the Czech diaspora contains several generations of Czech emigrants, whose mutual relations are fostered by the existence of the Venezuelan-Czech Association that was established in the 1990s.

As both the economic and the political crisis in Venezuela already lasted a long time and tend to deepen rather than moving toward a solution, many of the Czech Venezuelans started to think about using the relocation program provided by the Czech Republic. In the second half of 2017 a few of the Czech Venezuelans approached the Czech Ministry of Foreign Affairs through the Czech embassy in Havana, as the Czech embassy in Caracas was closed in 2011. For the purpose of helping the compatriots the Czech government planned to use a special resettlement program that was estab-
The Czech Republic and Its Economic Relations with Latin America

Latin America officially receives around one percent of the overall Czech exports, and even though this number is probably significantly higher in reality as a large part of the Czech exports reaches Latin America through other European countries, it still remains a rather marginal market for Czech foreign trade. But in a long-term perspective the trade with Latin America is growing steadily, and it reached an all time high in 2017 with a total turnaround of USD 3.071 million. The balance of trade between the Czech Republic and Latin America is marginally positive, with a USD 7 million surplus in 2017.

The Czech exports to Latin America increased by approximately 10% between 2016 and 2017. The main reasons for this growth were the overall very good economic conditions in the Czech Republic and the recovery of the Latin American states, whose growth began to strengthen after the quite poor results in 2016. The biggest share of the Czech exports to the region is constituted by automobiles and automotive parts, subcontracts for large energetic projects and machinery.

Mexico is by far the largest trade partner of the Czech Republic in Latin America. More than half of the overall Czech exports to Latin America go to Mexico, and its position within the Czech trade with Latin America is still strengthening. Automobiles and automotive parts are particularly strong products in the trade, as they constitute around one half of the overall Czech exports to the country. Therefore the Czech Republic is currently following the steps of the US government under President Donald Trump towards the North American Free Trade Area (NAFTA), as a part of the Czech exports to Mexico actually ends up on the US market. President Trump is a heavy critic of NAFTA and he actually forced other countries to start a re-negotiation process in regard to it in 2017.

The impact of President’s Trump’s push on NAFTA could be also seen in the re-negotiation process of the FTA deal between the European Union and Mexico, which would also have an effect on the Czech trade with Mexico. With the original deal signed in 1996, the re-negotiation process started in 2016 and was accelerated after the election of Donald Trump in the United States and his threats to withdraw from NAFTA. Even though the new deal was not finished in 2017, it was very close to being finalised and a political agreement on it could be expected to be reached in early 2018. The new deal goes significantly further in trade liberalisation than the current one, as it includes the abolishment of virtually all tariffs, opens doors for bids on government contracts abroad and covers labor and environmental standards. The Czech Republic is highly supportive of the renegotiation as Mexico is its prominent partner in the region, as stated above.

Moreover, the Czech government is a strong supporter of a free trade area between the EU and MERCOSUR, but the outcome of the talks is dependent on finding an agreement between the EU countries, as the trade policy belongs to EU com-
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petences. MERCOSUR is a political-economic integration project in South America that currently consists of Argentina, Brazil, Paraguay and Uruguay, as the membership of Venezuela was suspended in late 2016 with the activation of the democratic clause. The trade talks between the EU and MERCOSUR started in 1999; they continued until they were frozen in 2004, and then they restarted in 2009. Since then the blocks were unable to find a common accord on some of the topics, with agriculture being the most problematic part of the deal.

Although there were some positive signs in the talks in 2017, the deal was not concluded by the end of the year. The main remaining issue is the quota on beef and ethanol coming from MERCOSUR to the EU. The EU offer for limit of beef from MERCOSUR was 70,000 tonnes in late 2017, which was considered inadequate by the MERCOSUR countries as the corresponding offer in 2004 was significantly higher – 100,000 tonnes. The main problem on the European side is the positions of Ireland and France, both of whom are pushing for more restrictive quotas on agricultural products. Their position is shared by Belgium, Romania and Slovenia.

The fact that the agreement was not finished is certainly a disappointment, as in 2017 the overall political setting was the best in years. Both Argentina and Brazil have relatively pro-market governments (led by Mauricio Macri and Michel Temer, respectively). Their attitude would thus differ from the two countries’ previous governments, which were rather protective. Reflecting on this the EU trade chief Cecilia Malmström said, after the EU trade ministers met in Brussels in November 2017, that there was “a window of opportunity which doesn’t go far beyond [the] New Year”, thus pointing to the fact that in Brazil there would be presidential elections in the second half of 2018 that could change the momentum again.

The most prospective part of Latin America in terms of mutual trade is currently the Pacific Alliance. The four states that form this integrated group – Mexico, Colombia, Peru and Chile – had significantly faster growth than the MERCOSUR countries in the previous years. Although their economy slowed down in 2017 and the growth of their GDP by 2% was the slowest in the last eight years, according to projections they should return to a stronger growth in 2018. The two groups’ different economic dynamics, together with the much easier access to the Pacific Alliance markets and the difficult and protectionist nature of the Brazilian market, leads to much different developments in the Czech Republic’s mutual trade with the Pacific Alliance, and its trade with MERCOSUR. While the trade turnaround with the Pacific Alliance countries grew steadily over the last years, the turnaround with the MERCOSUR countries fell since 2011, and only in 2017 did it start to recover, as seen in Graph 1.

One other reason for the rapid increase of the trade with the Pacific Alliance countries is the functioning of the Czech-Pacific Alliance Chamber of Commerce. This organisation, established in 2016, has so far been quite active in providing information on the region and co-operating with Czech governmental bodies on the promotion of the Pacific Alliance countries as good trade partners.
IDENTIFICATION AND CHARACTERISTICS OF KEY ACTORS

The most important Czech actor in relation to Latin America is the Ministry of Foreign Affairs. Inside the Ministry the responsible department for Latin America is the Americas Department with the Latin American Unit within it. There are currently seven Czech embassies in the region – in Argentina, Brazil, Chile, Colombia, Cuba, Mexico and Peru. In previous years there were certain changes as regards the Czech representation in the region – e.g. the reestablishment of the embassy in Colombia and the sending of Ambassador Vladimír Eisenbruck to Cuba in September 2016, where he was the first Czech ambassador in 27 years. No such structural changes happened in 2017, and there was no changing of the ambassadors in the embassies in the region either.
As for economic diplomacy in regard to Latin America, the Ministry of Foreign Affairs works in co-operation with the Ministry of Industry and Trade – with the Americas Unit within the Foreign Trade Section being the most important player in the Ministry in this respect. The offices of CzechTrade that are present in the largest Latin American markets also play an important role for the exports of Czech companies.

Joint commercial chambers also play an important role in the trade relations between Czech and Latin American business. There are a number of them in the region – for example, the Czech-Brazilian, Czech-Argentinean and Czech-Cuban joint commercial chambers. Currently the most active one is the Czech-Pacific Alliance Chamber of Commerce, which has only been established in 2016 but already participated in quite a few events.

Speaking about the politics involved, the European Union plays an important role in Czech stances towards “problematic” Latin American countries. Formerly it had an impact on the Czech position towards Cuba; currently it serves as a platform where the member states are forging their common position toward the collapse of Venezuelan democracy.

**MEDIA AND PUBLIC SPACE**

Latin America is usually not covered much in the Czech media, as the region is distant and rather on the edge of the interest of the Czech public. Nevertheless, in the last few years there has been a rather constant coverage of the Venezuelan internal crisis. Venezuela did make it to the headlines in 2017 as the crisis escalated with a total erosion of democratic values under President Nicolás Maduro’s autocratic rule. According to the Economist Intelligence Unit’s Democracy Index, the democracy rating of the country fell from 5.00 in 2015 to 3.89 in 2017, with only Cuba performing worse in regard to democracy in Latin America.48

The Czech media covered both the political and the economic problems in Venezuela. In terms of politics, the Czech media referred on the establishment of the Constituent Assembly, a body created by Maduro to transfer competences from the regular parliament to an institution that he would be controlling.50 As for Venezuela’s economic problems, the Czech media covered the worsening situation of the inflation in the country, as well as the debt problems and the problems of the oil sector.53

Another Latin American topic that resonates in the Czech media is a long-term one – the continuation of the political crisis in Brazil, which is strongly connected to the overall high level of corruption there. The Czech media reported on the problems of the Brazilian president Michel Temer, who was accused of corruption and could thus have been the second Brazilian president in a row to be impeached.54 Brazilian lawmakers rejected the corruption case in a Congress vote, however, thus enabling Mr. Temer to continue ruling the country.55
CONCLUSION AND RECOMMENDATIONS

Latin America is unlikely to become an important region for Czech foreign policy. None of the political problems in the region really resonate in the Czech politics, as the region is quite distant. Regarding political issues the position of the region in the Czech foreign policy did not change much, and not even the deep political crisis accompanied by an erosion of democratic institutions and values in Venezuela attracted much attention from the Czech politicians or the Czech public. This explains why the events happening in the Latin American region do not have the ability to polarise the Czech political scene: they are perceived as insignificant for the country. The Czech Republic would thus pick a rather neutral foreign policy in regard to the region.

The Czech interest in the region is thus truly mostly economic. From a trade point of view the region is certainly interesting and the turnaround of the total trade increased again after a certain drop in 2016, with 2017 being historically the most successful year in this respect. The prospects of further growth of the mutual trade are good at the moment, as it seems that the region has recovered from its slower growth, and most of it countries will likely grow more in 2018, including Brazil, which finally recovered from the economic crisis. As regards the economic foreign policy, we could evaluate it as slightly proactive with a growing perception of the region as attractive for trade and investments.

The current trends show that the Czech Republic should concentrate more on the trade with the Pacific Alliance countries. The economic dynamics of these countries are good and they are generally more open to business and easier to do business in than some other Latin American countries. At the same time the Czech Republic should maintain its position of support for the EU-MERCOSUR free trade area, as this FTA could actually bring a new impetus to the rather stagnating trade between the Czech Republic and the MERCOSUR countries.

Endnotes

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34 Information provided by the Deputy of Minister of Foreign Affairs Mr. Martin Tlapa during an Ibero-American conference in Prague in April 2018.

35 Internal data provided by the Ministry of Industry and Trade.

36 Ibid.


