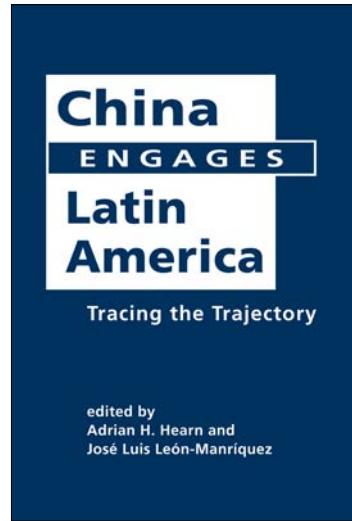


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# China Engages Latin America: Tracing the Trajectory

edited by  
Adrian H. Hearn  
and José Luis León-Manríquez

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# 1

## China and Latin America: A New Era of an Old Exchange

*Adrian H. Hearn and  
José Luis León-Manríquez*

IN APRIL 2009, AHEAD OF THE G20 SUMMIT IN LONDON, Brazilian president Luiz Inácio Lula da Silva declared that the global financial crisis had been caused by “white, blue-eyed” bankers who “looked like they knew everything about economics,” but “have demonstrated they know nothing about economics.”<sup>1</sup> Awkwardly standing next to him, Gordon Brown had already formulated a global recovery plan, with China as its centerpiece. If Chinese consumers were encouraged to spend more, he reasoned, then the world would become less vulnerable to economic instability in the United States. Lula and Brown expressed what is now universally accepted—that the existing system of international trade and investment is deeply flawed, and that China will figure prominently in its reformulation.

Finding support in Beijing, Brown’s plan resonated with China’s long-standing quest for a more multipolar global order. In return for encouraging its citizens to spend, and for spending some of its own \$2.1 trillion in foreign currency reserves, the Chinese government would be rewarded with greater influence in the International Monetary Fund (IMF). By the time the G20 convened again in November 2010, Brown’s plan had been conspicuously overshadowed by an emerging battle between China and the United States to hold down the value of their currencies. The same week, much less conspicuously, the Chinese government was spending lavishly in Latin America, granting Venezuela a \$20 billion credit in return for increased oil exports, and acquiring the Brazilian operations of Spanish oil giant Repsol for \$7.1 billion. These were not isolated investments.

For over a decade, away from cameras and public commentary, China has been advancing its interests in the Western Hemisphere through trade, diplomacy, and South-South cooperation. A long-anticipated official statement on these ventures came in the form of the Chinese government’s 2008 *Policy*

*Paper on Latin America and the Caribbean*, which describes them as the pursuit of a “harmonious world of durable peace and common prosperity.”<sup>2</sup> It does not, however, describe the mechanisms through which Chinese trade, aid, and investment are managed and regulated, nor how these mechanisms may support or conflict with European and North American models.

In search of effective strategies for engaging China, analysts have suggested that Latin American countries would do well to learn from China’s development trajectory and consider the benefits of a more “proactive” state.<sup>3</sup> Present conditions favor this tactic. The global financial crisis has generated an environment in which governments in Latin America and beyond have taken unusually bold steps to get their economies back on track through stimulus packages, tighter regulatory controls, and, in some cases, more active industrial policies. Together these actions could leverage sustainable benefits from China’s long-term demand for resources if state intervention is carefully directed toward human capital advancement, economic diversification, and coordination with Chinese enterprises, whose overseas investments often dovetail with the infrastructure and development agendas of foreign governments.

Large state-owned enterprises, primarily in the commodity sector, have spearheaded China’s Latin American operations, integrating commercial goals with infrastructure on an unprecedented scale. As in their African and Asian operations, these firms have drawn criticism for their allegedly secretive dealings with host-country governments and their lack of transparency in relation to environmental impact and labor conditions.<sup>4</sup> Their attempts to open local markets to Chinese consumer goods, and efforts to control resource extraction operations through vertically integrated ownership of mining and logistical facilities, have led to comparisons with previous foreign colonial activities in the region.<sup>5</sup>

The role of the state in coordinating Sino–Latin American collaboration, particularly under the rubric of South–South cooperation, raises political and security questions that are at least as controversial as China’s economic projection into the region. Briefs from the American Foreign Policy Institute, the Jamestown Foundation, and the Center for Hemispheric Policy warn that China’s governmental relations with Venezuela and other left-leaning countries in the region are undermining the transparency and human rights agendas promoted by the United States.<sup>6</sup> Going a step further, several US military publications focus on the need for conflict readiness: “The United States,” writes one strategist, “is at a defining crossroads in counterbalancing China’s inroads into Latin America.”<sup>7</sup>

Most observers perceive China’s inroads into Latin America in a less threatening, though equally ambitious light. Beyond its commercial agenda, Sino–Latin American South–South cooperation extends into state-operated programs in education, science, culture, media, and arts, together advancing what Joshua Kurlantzick calls China’s “charm offensive.”<sup>8</sup> Francisco Haro Navejas

(in this volume) describes this integration of overlapping pursuits in more neutral terms, noting that China has leveraged a combination trade, aid, and social connections with overseas Chinese communities to prosecute its diplomatic battle with Taiwan through a strategy of “multidimensional politics.”

It is an undeniable fact that China has emerged as an essential actor in the international relations of Latin America, filling the vacuum left by the United States during the administration of George W. Bush (2000–2008) and (to a somewhat lesser extent) Barack Obama (2008–). Washington’s concern with the global “war against terrorism,” military actions in Afghanistan and Iraq, the nuclearization of North Korea and Iran, and the need to rebuild the strained Atlantic Alliance have together relegated Latin America to the status of low priority. While China’s growing presence in the region does not appear to follow a political strategy aimed at superseding or replacing the United States, it is clear that sooner or later Mao Zedong’s footsteps in James Monroe’s backyard will pose substantial challenges to US interests.

The chapters that follow explore the multiple motivations driving the establishment of new Sino–Latin American linkages, the exchanges that constitute them, the local reactions they have generated, and US perceptions of their impact in its sphere of influence. The recent intensification of Sino–Latin American relations is the book’s main theme, but it also examines how these relations have developed over decades, with different rhythms, modalities, and motivations. Because China’s relations with Latin America have developed so rapidly over the past decade, those researching the topic—including the authors in this volume—face the challenge of establishing the parameters of an essentially new field of inquiry. The task of integrating existing analytic models with empirical data on historically unprecedented forms of economic, political, and social engagement has produced several noteworthy results.

Laying a foundation for the study of contemporary Sino–Latin American interaction is a 2006 report published by the Inter-American Dialogue, *China’s Relations with Latin America: Shared Gains, Asymmetrical Hopes*, produced under the supervision of Jorge I. Domínguez.<sup>9</sup> Among the report’s achievements is its juxtaposition of ideological and pragmatic considerations as foundations for consensus across the Pacific. The historical prevalence of the latter, argue the authors, is evident in China’s willingness to trade with Castro’s Cuba, Allende’s Chile, and Chávez’s Venezuela, but also the stridently anti-Communist military regimes of Brazil, Argentina, and Chile under Pinochet. The study finds further evidence that political and economic factors are relatively detached in Latin American voting coincidence with China in the UN General Assembly, which does not seem to be influenced by the health of bilateral trade ties.

Building on the Inter-American Dialogue report is a 2007 analysis by the Woodrow Wilson International Center for Scholars, *Enter the Dragon?*, whose contributors map out three primary concerns: the significance of these relations

for Latin America's economic development, their capacity to advance China's diplomatic isolation of Taiwan, and their security implications for the United States.<sup>10</sup> To the editors' credit, the sixty-nine-page report avoids definitive conclusions and focuses instead on raising questions that set the tone for future analysis. One of the report's editors, Riordan Roett, has since collaborated with Guadalupe Paz of the Johns Hopkins School of Advanced International Studies (SAIS) to compile *China's Expansion into the Western Hemisphere*, a volume that probes some of the more contentious findings of the initial Wilson Center project. One of the volume's achievements is its inclusion of diverging views, illustrated in the tension between one contributor's praise for the economic benefits that China represents for Latin America and another's suggestion that this praise amounts to an "official Chinese government view."<sup>11</sup> Such disputes provide a useful basis for further investigation, as do the volume's other unresolved conundrums, such as the need to identify appropriate forms of state support to Latin American industries, to discern the ways in which Chinese activities in the region compare to previous foreign colonial projects, and to evaluate the sincerity of Chinese promises to invest and create more favorable bilateral terms of trade.

The first full-length monograph to appear on twenty-first-century Sino–Latin American relations is *China in Latin America: The Whats and Wherefores*, by R. Evan Ellis.<sup>12</sup> With commendable precision, Ellis examines the interplay of economic and strategic factors underpinning China's engagement with the countries of Central America and the Caribbean, the Andean region, and the Southern Cone. Hailing from the Center for Hemispheric Defense Studies, Ellis's eye is trained on the security implications of Sino–Latin American relations for the United States and the shifting balance of geopolitical power intrinsic to China's rise. While there is a considerable body of strategic studies literature on the significance of China's growing international reach for prevailing security arrangements in the Western Hemisphere (some of it cited above), Ellis's book is the first to apply this perspective in such depth. It presents one possible disciplinary orientation to China–Latin America relations, one that will surely continue to animate the work of intelligence consultants and policy advisers for years to come.

If there is a "dominant" disciplinary perspective within the emerging field of China–Latin America relations, it is that of economics. In addition to the periodic reports of the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IDB), and the Organization for Economic Cooperation and Development (OECD), many of which are cited in the chapters that follow, three full-length books on the topic have been published since 2008. The World Bank's *China's and India's Challenge to Latin America* explores the simultaneous opportunity and threat posed by the emerging giants to the region.<sup>13</sup> To fuel their rapid development, both countries have substantially increased their demand for Latin American raw

materials, creating opportunities for innovation in resource-sector management and enabling most of the region to confront the global financial crisis with relative confidence. The disadvantage, the book concludes, is that this trade is unbalanced: the higher comparative value of consumer goods bought in return from China has produced trade deficits across the region, displaced local manufacturers in domestic and foreign markets, and provoked a moderate rise in unemployment.

The seven case studies that comprise *Latin America Facing China*, edited by Alex E. Fernández Jilberto and Barbara Hogenboom, reach similar conclusions. The book details how Sino–Latin American trade became unbalanced in the years leading up to the global financial crisis, so that the collapse of commodity prices in 2008 provoked deep anxiety from increasingly dependent regional exporters. The editors conclude that the flow of trade in the early twenty-first century has brought about more meticulous state management of economic affairs on both sides of the Pacific, in turn fomenting a “paradigmatic convergence between China and the leftist governments in Latin America.”<sup>14</sup>

As the global financial crisis progressed into 2010 and resource prices began to recover, economists identified a less obvious, but potentially more serious danger to Latin American economies. This is the concern of the aptly titled book *The Dragon in the Room*.<sup>15</sup> Coauthors Kevin P. Gallagher and Roberto Porzecanski describe how the Chinese government since the 1980s has overseen an incremental strategy of industrialization to achieve increasingly sophisticated manufactured exports. Latin American development, by contrast, has followed the market principles of the Washington Consensus to prioritize quick revenues from resource exports. The veiled complication facing the region, argue the authors, is that its future ability to climb up the value-added ladder will be frustrated both by China’s prior ascent and by economic pressure to climb back down and remain focused on producing raw materials.

Taking stock of Latin America’s growing focus on primary exports, a second report published by the Woodrow Wilson Center for International Scholars examines the consequences of China’s “laser like focus on economic benefit.”<sup>16</sup> Following up on *Enter the Dragon?* is the 2011 report entitled *China, Latin America, and the United States: The New Triangle*, which presents the reflections of nine participants in a 2010 Wilson Center conference. The contributors deal mainly with trade and investment issues, such as the need to attract Chinese finance to sectors other than commodities, and the outlook for Latin American oil exports to China. The contribution of Lima-based political scientist Cynthia Sanborn deviates somewhat from this focus through its discussion of several pressing but underresearched concerns, including environmental impact, corporate governance, and community relations.<sup>17</sup>

Each of the above publications has contributed to the early formation of China–Latin America relations as a field of study, and together they provide a strong foundation for the field’s evolution. The challenge they portend is to



expand the conceptual boundaries of the emerging discipline to accommodate the knowledge and experience of a broader range of scholars, observers, and activists. To address this challenge we assembled a diverse team of contributors. From the book's initial conceptualization in 2006 through its updating and conceptual revision in 2011, our goal as editors was to present a profile of Sino–Latin American relations that builds on previous studies while foregrounding fresh disciplinary approaches to the topic. Convoking specialists in anthropology, history, political science, economics, and international relations, we invited each author to focus on local knowledge. How, we asked, are cultural values, ideologies, domestic histories, and ethnic allegiances influencing the trajectory of broader political and economic developments? This line of inquiry has, we believe, produced unique contributions that furnish holistic, locally grounded analyses of China's contemporary engagement with Latin America. While the book updates the economic data of previous studies to trace Latin America's trajectory through the global financial crisis, we have endeavored to frame these developments in social and historical context.

### **The Early Trajectory of China's Engagement with Latin America**

Relations between China and Latin America are anything but new. In the sixteenth century, the Manila Galleon, or *Nao de China*, established regular commercial ties with Asia for the Spanish Empire. By 1565, Spanish sailors had discovered ocean streams and favorable winds for trans-Pacific shipping, leading to the establishment of regular routes between the Philippines and the Viceroyalty of New Spain (Mexico). The journey from the Asian archipelago to the port of Acapulco took six months, but the Acapulco–Manila trip, with a stop in Guam, took only three. At first, the Spanish Crown allowed only one trip per year for one or two 300-ton-capacity galleons, but commencing in the seventeenth century two trips were authorized, with ships carrying up to a thousand tons each.

Trade between China and New Spain was not direct, as the name *Nao de China* might suggest. Given its intrinsic magnitude and vision of itself as the center of the universe, or “Middle Kingdom” (*Zhong Guo*), the Chinese Empire did not put too much emphasis on foreign economic relations. Shrewd Chinese traders carried their goods in small boats to the Philippines, where they found their way onto the galleons bound for Acapulco. On the other side of the Pacific, the Spanish galleons consolidated shipments of silver from the Mexican highlands and other colonial ports, such as Callao (today Peru). This pattern of triangular trade between China, the Philippines, and the Americas persisted for some 250 years.

From Asia, Spanish colonies in the Americas received silk, porcelain, medicines, and high-quality furniture. In return, much of the silver amassed in New Spain was sent to East Asia, where it was in high demand. As Oskar Spate has noted, “The extraordinary luck of the Spanish Philippines was to be at the point of contact between two monetary systems, a world of dear silver and a world of cheap silver.”<sup>18</sup> South American silver also made its way to Europe, but up to 40 percent of this was reexported to East and Southeast Asia, chiefly the Chinese Empire.<sup>19</sup> The silver peso therefore circulated not only in the Philippines and the enormous Chinese territory, but also throughout Asia, Europe, and the Americas, becoming the first global currency. For its intrinsic quality as a precious metal, but also for its political and economic relevance to the world’s superpower of the time, the silver coins from New Spain served as a functional equivalent of the US dollar today.

After the independence of Latin American countries in the 1820s, their relations with China and East Asia lost relevance for three reasons. First, none of the new Latin American republics was strong enough fill the vacuum left by the Spanish Empire in the Pacific Rim. Second, Latin American countries were very concerned about securing their own viability and sovereignty, and became focused on European great-power politics. Third, the Qing Dynasty (1644–1911) was advancing the territorial expansion of China in East and Central Asia, hence its interest in Latin America and other regions outside Asia was marginal at best.

In the second half of the nineteenth century, China underwent a protracted period of political and socioeconomic decomposition that would precipitate the demise of its millenary empire. Even as the expansionist project of the Qing Dynasty showed its structural limitations, the population kept on growing, skyrocketing between 1812 and 1850 from 361 to 430 million people. The combination of decreasing availability of arable lands, demographic saturation, and an economy under stress ultimately compromised China’s sociopolitical integrity.<sup>20</sup> Foreign interventions and territorial concessions to European powers became the order of the day, especially after the First Opium War and the ensuing Treaty of Nanking, signed with Great Britain in 1842.

A gloomy economic predicament forced the subjects of the Heaven Empire to look for survival elsewhere. By 1847, advanced migratory networks had begun transferring Chinese workers from Fujian and Shantou to the Peruvian mines and the Cuban sugar plantations. Chinese migration to the Americas reached new heights in the 1860s, largely because of demand for labor in the United States for the construction of the first transcontinental railway line and the expansion of gold mines in northern California. Diminishing returns from gold, though, bred discrimination against Chinese immigrants, prompting many to look for new opportunities in Latin America. These individuals and the communities they established went on to play a critical role in the

economic development of the region, prompting the initiation of diplomatic relations between Beijing and Latin America. Between the 1870s and the 1900s, the decaying Qing Dynasty established official relationships with Brazil, Cuba, Mexico, Panama, and Peru, the Latin American countries with the highest contingents of Chinese migrant workers.

China became interested in establishing diplomatic links outside its traditional East Asian sphere in part because of pressure from European powers. Its attempts at political modernization, however, did not bear fruit in comparison to those of Japan in the last third of the nineteenth century. By the beginning of the twentieth century, Japan had become a world power, while the Chinese Empire had veered ever closer to the brink of collapse. The last Chinese emperor, Pu-Yi, resigned in 1912, and Nationalist forces led by Sun Yat-sen immediately established a republican system. Political turmoil, social unrest, and further foreign intrusion would become the hallmarks of Chinese history in the first half of the twentieth century. In the midst of this structural chaos, China underwent a protracted period of civil war between Nationalists and Communists, leaving scant room for new initiatives in the international arena.

### **China, Latin America, and the Cold War: From the Third World to Renewed Diplomacy**

After the expulsion of Japanese invaders from mainland China in 1945, the civil war continued. In 1949 Communist forces vanquished their Nationalist enemies, who despite being displaced to Taiwan, retained international recognition as China's sole representative. Latin American countries were reluctant to recognize Beijing because, between the 1950s and 1970s, their governments were predominantly conservative, military, anti-Communist, and pro-Washington. The only exception was Cuba. After Fidel Castro's guerrillas seized power in 1959, Havana developed close links with the socialist bloc, including China. Thus, Cuba became the first Latin American country to reset diplomatic relations with China, on September 28, 1960. Cooperation between Havana and Beijing was interrupted by the Sino-Soviet split in the 1960s, during which Cuba sided with the USSR. Ties with China were not formally broken, but bilateral engagement assumed a low profile.

Even in the highly polarized atmosphere of the Cold War, and despite jealous US surveillance of international financial and trade transactions, Sino-Latin American relations did not completely cease. Mexico opened discrete channels to promote basic trade with mainland China, and left-wing groups inspired by Mao mushroomed all over the region. Beijing actively promoted the formation of Maoist factions in the Communist parties of Bolivia, Brazil, Colombia, Peru, and others.<sup>21</sup> In the 1980s, the quest for a Chinese

style peasant revolution and “people’s war” emerged as one of the discursive pillars of the Peruvian guerrilla movement Sendero Luminoso (Shining Path). The Sendero’s leader, Abimael Guzmán, had been the main promoter of the Maoist Red Faction, or *Bandera Roja* (Red Flag), within the Peruvian Communist Party in 1963. The Sendero’s hard-line political views soon superseded those of China, which by the 1980s was advancing steadily along the road of economic reform.

China’s involvement in Latin American politics during the Cold War stemmed from its government’s aspiration to transform what it viewed as an unfair international system. Beijing’s foreign policy doctrine was based largely on the theory of the three worlds. This conceptualized the two superpowers, the United States and the Soviet Union, as members of the first world; the developed capitalist countries like Japan, Canada, and those in Europe as the second world; and the wide range of developing countries in Africa, Asia, and Latin America, as the third world. According to this view, China belonged to the third world, and its foreign policy should reflect sympathy toward fellow members. Notwithstanding Chinese support for Maoist movements in Latin America, none of these was able to undertake a successful revolution.

In the early 1970s, US rapprochement with China breathed new life into Beijing’s regional ambitions. Although Washington did not establish relations with Beijing until 1979, the Nixon administration (1969–1974) undertook a discreet but protracted campaign of bilateral dialogue, providing Brazil, Chile, Mexico, and other Latin American countries with justification to open embassies in Beijing in the first half of the 1970s. Their initial focus was political and cultural rather than economic, and China responded by shelving its attempt to spread socialist revolution in Latin America in favor of developing new intergovernmental links. A priority for China was to build alliances for coordinated action in the United Nations on issues relevant to developing countries, which it managed to do with Chile under Salvador Allende and Mexico under Luis Echeverría. In August 1973, Beijing signed Protocol 2 of the Treaty of Tlatelolco, which bans the production, storage, and transportation of nuclear weapons in Latin America, and in the 1980s China supported Latin American attempts to achieve a negotiated settlement to the Central American conflict under the Contadora Group. In turn, Mexico and the bulk of South American countries supported Beijing’s “One China” policy.

### **Sino–Latin American Relations Today: Emerging Trends of a Diplomatic Great Leap Forward**

The 1990s witnessed radical changes in the international system. The end of the Cold War in 1989–1990 and the demise of the Soviet bloc fostered more

pragmatic, less ideologically conditioned approaches to international relations. From the 1970s onward, most Latin American countries embraced neoliberalism, and from 1978, China began experimenting with marketization. Accordingly, by the 1990s, the emphasis of Sino–Latin American engagement had undergone quite a remarkable shift from political to economic affairs. Adapting itself to changes in the international system, China implemented a series of new policies of foreign trade that looked to maximize profits over the long term within the prevailing international system. On this basis, Beijing’s diplomatic strategy has come to emphasize three elements: the peaceful rise of China as a regional and world power, the concept of a multipolar world, and the vision of international organizations as a primary instrument of foreign policy.

Since 1990, China has undertaken a serious effort to send its exports to markets beyond East Asia, and these exports are becoming increasingly sophisticated. Medium- and high-tech products, including electronics, automobiles, and ships, now represent 53 percent of Chinese exports to Latin America. This trend poses a formidable challenge to Latin American economies, which have experienced strong pressure to downgrade the sophistication of their exports as Chinese demand for raw materials grows. Public opinion across the region exhibits growing concern about both the wisdom of reliance on commodity exports as a basis for development and about the capacity of local businesses to compete with China.

Energy resources, raw materials, and foodstuffs have become acute bottlenecks for the continuity of China’s economic growth in the twenty-first century. Owing to its huge territory, massive population, and current developmental predicament, China demands large quantities of commodities that are produced by South American countries. As León-Manríquez notes in Chapter 9, China has become the main consumer of raw materials worldwide, buying 40 percent of cement, 31 percent of coal, 30 percent of iron, 27 percent of steel, 25 percent of aluminum, and 20 percent of copper sold on world markets. China is the second-largest consumer of fossil fuels after the United States, and as long as 97 percent of its economy remains propelled by carbon and petroleum, China’s quest for oil will inevitably expand beyond the Middle East, Russia, Africa, and the Caspian Sea basin, into Latin America. The region’s trans-Pacific oil exports are currently modest, but China’s recent \$20 billion loan to Venezuela and \$7.1 billion investment in Brazil, noted above, indicate strong potential for expansion.

The worldwide “commodity boom,” driven largely by Chinese demand starting in 2003, inflated the international price of oil, copper, pig iron, soy, fish flour, and many other commodities. Most South American countries were blessed by this trend: Argentina, Brazil, Uruguay, and Paraguay acquired considerable sums of hard currency by exporting soy complex (soy beans and soy oil); Chile and Peru benefited from higher copper prices; and Ecuador and

Venezuela obtained fine returns from petroleum exports to China. These conditions created an atmosphere of high expectations for the future of economic relations, symbolized by China's establishment of free trade agreements with Chile (2006) and Peru (2009). The global financial crisis that gripped the world in late 2008 precipitated a significant fall in international commodity prices, but China's appetite for oil, raw materials, and food has nevertheless remained a central factor in South America's foreign trade.

During the first decade of the 2000s, bilateral trade grew so swiftly that China became either the second- or third-largest trading partner for most Latin American countries, and the region's main Asian partner. Meanwhile, Latin America has become China's fifth-largest trading partner after the European Union, the United States, Japan, and South Korea; and if current patterns persist, it will displace South Korea within two to three years. Although the value of trade has surged, as Table 1.1 shows, six out of ten selected Latin American countries (seven including Cuba, whose recent data remain undisclosed) reported trade deficits with China in 2009. Statistics reported by China (Table 1.2) indicate that these deficits were substantially more modest than reported by Latin America, and in two cases (Argentina and Venezuela) nonexistent.

According to the Chinese government, Sino-Latin American trade skyrocketed from US\$10 billion in 2000 to a precrisis peak of over \$143 billion in 2008.<sup>22</sup> As noted above, the trend underlying this trade is the exchange of Latin American raw materials for Chinese consumer goods, and consequent anxiety from manufacturers about their capacity to compete with Chinese imports. While commodity exports have earned Latin America fast cash, some economists argue that the neglect of more labor-intensive and value-adding sectors is pushing the region into a "raw materials corner."<sup>23</sup> As one prominent study puts it, China is "taking away the ladder" from underneath Latin American efforts to climb value-added manufacturing chains.<sup>24</sup> More immediately, the slide in commodity prices brought on by the global financial crisis has exposed the danger of relying on resource exports to China as a stable basis for national growth, and the importance of building linkages between resource-exporting sectors and a broader base of economic and human capital development. More assertive leadership from Latin American governments through such initiatives as public-private alliances for industrial upgrading in manufacturing, tourism, and education would provide a basis for achieving these outcomes.

Labor disputes in the Caribbean and Central America, despair among Latin American manufacturers, and anxieties about overdependence on natural resource exports reveal that there is nothing inherently harmonious about the region's contemporary relations with China. These problems are systemic components of China's rise, and therefore have no simple solutions. As the chapters in this volume illustrate, what is needed is a clearer understanding of how local disputes are both conditioned by, and capable of influencing, macroeconomic

**Table 1.1 China's Imports, Exports, and Balance of Trade (millions of dollars) with Selected Latin American Countries as Reported by the Latter, 2000–2009**

Reporter Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina										
Export	796.9	1,122.6	1,092.4	2,478.4	2,630.4	3,154.3	3,475.9	5,166.6	6,355.0	3,668.3
Import	1,156.7	1,066.3	330.2	720.8	1,401.0	1,528.6	3,121.7	5,093.0	7,103.9	5,384.1
Balance of Trade	-359.8	56.3	762.1	1,757.7	1,229.5	1,625.7	354.1	73.7	-748.9	-1,715.8
Bolivia										
Export	5.5	5.1	7.7	11.5	23.5	19.7	35.5	56.0	129.4	130.6
Import	57.8	86.3	85.3	84.6	107.5	136.0	192.0	267.1	415.4	371.2
Balance of Trade	-52.3	-81.2	-77.6	-73.0	-84.0	-116.3	-156.5	-211.2	-286.0	-240.6
Brazil										
Export	1,085.1	1,901.7	2,520.3	4,532.5	5,439.3	6,832.3	8,397.7	10,741.3	16,395.8	20,182.0
Import	1,222.1	1,328.4	1,534.0	2,147.8	3,710.5	5,354.5	7,989.3	12,617.8	20,039.9	15,911.1
Balance of Trade	-137.0	573.3	966.3	2,384.7	1,728.8	1,477.8	408.4	-1,876.5	-3,644.1	4,270.9
Colombia										
Export	29.4	19.9	27.8	82.2	137.5	236.7	452.4	784.7	442.9	949.6
Import	353.7	473.7	532.4	683.0	1,233.7	1,590.9	2,153.8	3,254.3	4,465.5	3,657.8
Balance of Trade	-324.3	-453.8	-504.6	-600.8	-1,096.2	-1,354.2	-1,701.4	-2,469.6	-4,022.6	-2,708.2
Cuba										
Export	80.5	70.8	74.6	77.3	80.1	113.0	22.8	No data	No data	No data
Import	444.3	610.1	517.6	504.7	589.9	926.1	1,362.2	No data	No data	No data
Balance of Trade	-363.8	-539.3	-442.9	-427.3	-509.7	-813.1	-1,339.4	No data	No data	No data
Chile										
Export	901.8	1,064.7	1,224.5	1,895.2	3,278.0	4,780.1	5,140.0	10,202.8	9,275.1	12,486.2
Import	949.4	1,013.0	1,101.3	1,211.7	1,745.7	2,424.1	3,357.8	4,746.3	6,648.0	4,996.7
Balance of Trade	-47.7	51.8	123.2	683.5	1,532.3	2,356.1	1,782.2	5,456.5	2,627.1	7,489.5
Mexico										
Export	310.1	384.8	653.6	974.1	473.5	1,135.4	1,687.8	1,893.3	2,042.7	2,206.4
Import	2,755.3	3,987.7	6,176.8	9,297.3	14,002.5	17,258.2	23,880.6	29,173.4	34,007.6	31,917.5
Balance of Trade	-2,445.2	-3,602.9	-5,523.1	-8,323.2	-13,529.0	-16,122.8	-22,192.8	-27,280.1	-31,964.9	-29,711.1
Peru										
Export	442.7	426.3	597.6	677.0	1,244.7	1,860.9	2,268.7	3,034.7	3,735.0	4,078.0
Import	288.8	353.6	463.4	640.0	768.1	1,057.9	1,583.7	4,069.1	4,069.1	3,268.4
Balance of Trade	153.9	72.7	134.2	37.0	476.6	802.9	685.0	2,568.0	-334.2	809.6
Uruguay										
Export	91.2	102.8	103.6	95.7	113.1	119.6	159.5	163.4	171.5	234.0
Import	112.2	121.5	75.3	86.0	172.7	242.3	350.9	540.2	908.3	819.1
Balance of Trade	-21.0	-18.7	28.3	9.7	-59.6	-122.7	-191.4	-376.7	-736.8	-585.1
Venezuela										
Export	34.1	101.5	91.1	165.3	254.8	215.6	119.3	No data	270.3	304.0
Import	184.8	335.7	224.8	176.0	424.9	808.4	1,652.4	2,076.3	4,514.9	3,977.9
Balance of Trade	-150.8	-234.3	-133.7	-10.7	-170.2	-592.8	-1,533.1	-2,076.3	-4,244.7	-3,673.9

Sources: WITS, United Nations Commodity Trade Statistics Database (Comtrade), 2010. Statistics compiled by Beatriz Adriana García and Alejandro Pérez.

Note: China is partner in trade.

**Table 1.2 China's Imports, Exports, and Balance of Trade (millions of dollars) with Selected Latin American Countries as Reported by China, 2000–2009**

Partner Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Argentina	610.3	573.6	185.4	446.9	852.3	1,324.4	2,003.9	3,581.1	5,054.7	3,482.8
Export	930.0	1,281.0	1,239.5	2,729.1	3,254.9	3,799.2	3,700.2	6,334.2	9,361.3	4,306.0
Balance of Trade	-319.7	-707.5	-1,054.1	-2,282.1	-2,402.6	-2,474.8	-1,696.3	-2,753.1	-4,306.7	-823.2
Bolivia	4.7	7.6	9.2	11.8	21.6	50.5	57.4	96.5	178.5	129.7
Export	12.2	9.5	12.1	6.9	29.5	31.1	46.5	56.4	150.6	125.5
Balance of Trade	-7.5	-2.0	-2.9	5.0	-8.0	19.5	10.9	40.2	27.9	4.2
Brazil	1,223.5	1,350.9	1,466.4	2,143.3	3,674.0	4,827.2	7,380.0	11,398.4	18,806.3	14,117.5
Export	1,621.4	2,347.2	3,003.0	5,822.3	8,658.7	9,992.5	12,909.5	18,342.1	29,863.4	28,281.0
Balance of Trade	-397.9	-996.3	-1,536.6	-3,679.0	-4,984.7	-5,165.3	-5,529.5	-6,943.7	-11,057.1	-14,163.5
Colombia	156.0	205.3	287.3	398.2	629.0	930.1	1,495.2	2,270.6	2,987.8	2,391.6
Export	32.2	26.9	29.1	60.5	175.5	205.2	263.8	1,095.8	1,125.4	974.8
Balance of Trade	123.8	178.3	258.1	337.7	453.5	724.9	1,231.4	1,174.8	1,862.4	1,416.8
Cuba	232.7	331.4	296.2	236.3	327.5	635.7	1,262.0	1,170.4	1,353.9	972.2
Export	81.1	114.0	115.7	120.5	194.9	237.0	528.3	1,115.5	903.1	574.4
Balance of Trade	151.6	217.4	180.5	115.8	132.5	398.8	733.7	54.9	450.8	397.7
Chile	783.5	814.8	998.1	1,283.4	1,688.4	2,149.5	3,108.6	4,432.2	6,186.8	4,928.4
Export	1,338.5	1,303.5	1,567.1	2,248.2	3,666.4	4,991.5	5,735.9	10,280.4	11,172.8	12,790.5
Balance of Trade	-555.0	-488.7	-569.0	-964.7	-1,978.0	-2,842.1	-2,627.2	-5,848.2	-4,986.1	-7,862.1
Mexico	1,335.2	1,789.7	2,863.1	3,267.0	4,972.8	5,536.0	8,822.8	11,717.6	13,866.4	12,298.7
Export	488.3	761.3	1,115.0	1,676.7	2,139.8	2,225.2	2,607.1	3,265.3	3,690.3	3,881.9
Balance of Trade	847.0	1,028.4	1,748.2	1,590.3	2,832.9	3,310.7	6,215.7	8,452.3	10,176.1	8,416.8
Peru	143.4	176.5	246.6	352.3	418.4	608.9	1,007.2	1,683.2	2,774.4	2,098.8
Export	560.3	498.0	731.6	760.0	1,522.9	2,278.0	2,907.8	4,337.9	4,492.1	4,323.9
Balance of Trade	-416.9	-321.5	-485.0	-407.7	-1,104.5	-1,669.1	-1,900.7	-2,654.7	-1,717.8	-2,225.1
Uruguay	243.0	188.9	95.0	127.4	209.6	282.3	402.4	626.0	1,027.7	819.6
Export	101.3	95.5	78.1	75.7	110.3	173.3	270.0	341.8	624.0	733.8
Balance of Trade	141.7	93.4	16.9	51.7	99.2	109.0	132.4	284.2	403.7	85.8
Venezuela	256.5	442.6	332.7	199.2	595.5	907.8	1,698.0	2,792.4	3,365.4	2,809.7
Export	94.8	145.8	145.0	542.2	737.9	1,234.1	2,638.0	3,052.9	6,567.1	4,340.9
Balance of Trade	161.7	296.8	187.7	-342.9	-142.4	-326.3	-940.0	-260.5	-3,201.6	-1,531.2

Sources: WITS, Comtrade, 2010. Statistics compiled by Beatriz Adriana García and Alejandro Pérez.

Note: China is reporter of trade figures.



decisions. The volume explores China-Latin America engagement through case studies from across the region. Part 1, “Grand Strategies and Local Responses,” deals with issues of broad regional relevance, while Part 2, “Country Studies,” probes specific political, cultural, and economic issues stemming from China’s engagement with Mexico, Chile, Cuba, Central America and the Caribbean, Venezuela, Brazil, and Argentina. Below we present a brief overview of the chapters.

### **The Key Findings at a Glance**

Part 1 begins with Ariel Armony’s analysis of “convergences” and “divergences” between China and Latin America. The chapter examines how Sino–Latin American relations at the global, hemispheric, and domestic levels are influenced by distinct models of development, elite and nonelite attitudes, and domestic rules and institutions. Armony notes the appeal of a nascent “Beijing Consensus” to Latin American countries in search of a new dynamic both in the international system and in their own approaches to development. A key component of this search is to strengthen the capacities of domestic institutions, in part by preventing the spread of informal practices and corruption at the local level. Drawing on his earlier groundbreaking work on civic participation and democratization, Armony writes that one of the less auspicious convergences between China and Latin America is a preexisting tendency on both sides of the Pacific toward informal economic and political practices.<sup>25</sup> There is a real danger that informal mechanisms that prioritize personalistic ties above systemic procedures could mutually reinforce each other as Sino–Latin American relations deepen, and thereby pose a serious challenge to the rule of law. To grasp the significance and likely outcomes of these developments, Armony proposes the concept of “GPS capital,” a form of acquired knowledge that enables individuals to navigate distinct but overlapping informal worlds. This conceptual innovation represents an important step in the development of a more nuanced, sociologically informed approach to the study of China–Latin American relations.

In Chapter 3, Jiang Shixue identifies ten key areas of concern to the Chinese government. These span the impact of the global financial crisis to the persisting lack of understanding among Chinese and Latin American people about each other. As former deputy director of the Institute of Latin American Studies at the Chinese Academy of Social Sciences (CASS), Jiang presents valuable insights into the priorities and conceptual orientation of the Chinese leadership. Chinese officials are acutely conscious of Latin America’s colonial history and wish to develop modes of trans-Pacific exchange that distinguish themselves from earlier European and US extractive approaches. Pointing to the economic windfall produced for Latin America by its sales of natural

resources to China, Jiang writes that China's goals in the region have little in common with colonialism and rather reflect a dynamic process of South-South cooperation.

While resource exports have provided an important source of revenue for Latin American economies, those countries that rely excessively on primary sectors run the risk of driving up exchange rates and inducing a long-term decline in the viability of value-adding industries. Javier Santiso and Rolando Avendano have followed this phenomenon closely for the Organization for Economic Cooperation and Development (OECD). In Chapter 4, they argue that the prospect of contracting "Dutch disease" should prompt serious efforts from Latin American countries to augment and diversify their exports to China in sectors such as agribusiness, processed food, and water. Case studies of Latin American companies that have either successfully grasped new opportunities generated by China or staked out and defended their commercial territory reveal several "common denominators of success," including value chain integration, the identification of high value-adding niches, and specialization in sectors requiring quick turnaround and customization.

Scrutinizing the potential "resource curse" afflicting Latin America, in Chapter 5 Enrique Dussel Peters analyzes the region's current trajectory of trade with China, and argues that the private sector has so far been unable to articulate a unified position on the sustainability or desirability of this trajectory. While the quantity and value of Chinese manufactured exports could conceivably double in a relatively short time, the same is not true of Latin America's natural resource exports. Any such attempt to increase commodity production would introduce deeply problematic ecological and social consequences. The private sector, Dussel argues, has been divided in its approach to China: on the one hand, importers and retailers have profited enormously from the growing availability of inexpensive Chinese consumer goods; on the other hand, manufacturers are being practically put out of business. This polarization of commercial interests has inhibited the formation of a coherent position from the private sector, with the result that bilateral working groups and committees remain overly governmental, official, and "diplomatic." Genuinely sustainable solutions, he writes, will require more proactive and coordinated strategies from Latin American public and private sectors.

Chinese and Latin American leaders are sensitive to the reactions that their deepening relationships may provoke from the United States. In Chapter 6, Cynthia A. Watson of the National War College in Washington, D.C., offers an assessment of the Obama administration's goals in Latin America in the context of China's growing influence and the domestic factors that will influence the president's agenda. Noting that Washington has attempted to maintain Latin America as a continent of disparate states in the US sphere of influence for nearly two centuries, Watson suggests that economic initiatives such as the Free Trade Area of the Americas (FTAA) and the Central America Free Trade

Agreement (CAFTA) constitute ongoing efforts to shore up US economic and political influence in the region. Skeptical of this agenda, Brazil, Venezuela, and China harbor a shared desire to steer the international economic system away from US dominance, though Brazil's emphasis on technical and economic exchange as a means for doing so is clearly more appealing to China than Venezuela's outright antagonism toward Washington. Watson argues that the US president's capacity to cooperate with China on regional and global issues will be limited by factors such as the predominance of the Middle East in US foreign policy; the expansion of China's civilian and military ties with Venezuela and Cuba; sensitivity in Congress about China's record on religious freedoms, human rights, and trade unions; the Taiwan issue; and intensifying nationalism in both the United States and China in response to the global financial crisis.

Media reports in the United States have often adopted an alarmist tone, particularly regarding China's deepening cooperation with Venezuela and Cuba. Expanding on his recent testimony before the House Committee on Foreign Affairs, Daniel Erikson of the Inter-American Dialogue (now of the Department of State) argues, in Chapter 7, that US observers should be wary of falling into undue cynicism and should focus instead on emerging opportunities for cooperation with China. Collaboration in initiatives of mutual concern, such as the widening of the Panama Canal and the expansion of markets in Cuba, may create valuable opportunities for engaging China as a cooperative and responsible stakeholder in regional affairs. Chinese aid and investment in the region, however, does not follow conventional international standards of governance and transparency, posing a challenge to the Obama administration as it seeks to find common ground and articulate a coherent position.

The country studies presented in Part 2 commence with an analysis of Chinese business connections in Mexico. In Chapter 8, anthropologists Adrian H. Hearn and Alan Smart team up with Roberto Hernández Hernández of the University of Guadalajara to explore how Chinese communities in Mexicali and Tijuana have attempted to establish commercial "bridges" to mainland China. Because these bridges have so far functioned primarily to facilitate the import of Chinese manufactured goods into Mexico, they have been strongly criticized in newspaper and Internet reports for amplifying competition for domestic manufacturers and contributing to Mexico's enormous trade deficit with China. To the dismay of the Chinese consul general and local Chinese leaders, criticism is also expressed more explicitly through the vandalism and robbery of Chinese businesses. Chinese communities in Mexico are no strangers to racial discrimination; an anti-Chinese movement in the early twentieth century expelled thousands of Chinese immigrants from Mexico for allegedly unfair business practices. One hundred years later, Chinese immigrants and descendants have once again turned to ethnic associations for protection, though in many cases this has reinforced local perceptions of their

“self-segregation.” Personal loyalties, or *guanxi* networks, play an important role in the maintenance of trans-Pacific business connections, as well as in the internal mutual aid functions of the Chinese associations of Mexicali and Tijuana. The authors argue that a pressing challenge now facing Chinese communities in Mexico is to expand these networks to attract much-needed Chinese investment and accommodate Mexican exports to China.

Local responses to China vary across Latin America, reflecting not only the diversity of local cultures and priorities, but also how the region has pursued two diverging trajectories of development. Drawing on his work as a policy consultant for Asia-Pacific governments, José Luis León-Manríquez argues in Chapter 9 that a comparative assessment of economic policy and diplomacy in Chile and Mexico clarifies the nature of these trajectories. Trajectory A, typical of South America and epitomized by Chile, exhibits a tendency toward short-term macroeconomic growth based on the export of commodities. Trajectory B, characteristic of Mexico and Central America, is typified by intense competition with China in manufacturing sectors and the consequent growth of trade deficits. Particularly striking, argues León-Manríquez, is the evidence that “the competitive edge gained by South America through the export of commodities to China may be reaching its limits,” with the consequence that Trajectory A may in many cases be deteriorating into Trajectory B.

Economic goals are rarely devoid of political purpose, much less in the case of Cuba. In Chapter 10, Mao Xianglin, a former envoy to Cuba for the Chinese Communist Party; Carlos Alzugaray Treto of the University of Havana; Liu Weiguang of the Chinese Academy of Social Sciences (CASS); and anthropologist Adrian H. Hearn examine the macro- and micro-level implications of Sino-Cuban collaboration. Considering the differences between the Cuban and Chinese economies, it is striking that officials from both countries emphasize the concept of socialism when describing themselves, each other, and the character of their relationship. The chapter examines recent initiatives in trade, science, education, and medicine that have developed in ways that would be unlikely through conventional market approaches. Technology transfer in the transport sector, long-term student exchange programs, and the coordination of state-led investment in Havana’s Chinatown suggest an attempt to define a viable model of socialism capable of integrating into global markets and generating concrete economic returns. To the extent that engagement with China develops Cuba’s oil sector and promotes economic liberalization, it may also create opportunities for trilateral cooperation with the United States.

While diplomatic fraternity with China can be safely assumed in the Cuban case, the Caribbean and Central America represent an ongoing challenge for Beijing. Political scientist Francisco Haro Navejas describes, in Chapter 11, China’s attempt to isolate Taiwan in the subregion and simultaneously restructure its political and economic architecture. “Beijing,” writes

Haro Navejas, “has set about achieving nothing less than the genesis of a new regional order, built on functioning institutions and rules,” with the China-Caribbean Joint Business Council as the cornerstone. Nowhere in the world is there a larger concentration of countries that recognize Taiwan, and the intense diplomatic battle is evident in massive aid packages from both countries, which have financed the construction of government buildings, sports stadiums, and public infrastructure. Resident Chinese communities, both historic and newly arrived, have augmented Beijing’s influence in the area through their political connections and knowledge of local markets. The massive infrastructure projects of recent years have brought a new wave of Chinese immigrants, whose tireless labor has produced both rapid results and local resentment as national workforces are displaced. Together with its ongoing diplomatic conflict with Taiwan, the implementation of more locally acceptable forms of collaboration constitutes a key challenge for China’s multi-dimensional agenda in the Caribbean and Central America.

The consolidation of stronger bilateral diplomatic ties is an important policy objective for China in Latin America, but Venezuela presents Chinese officials with a unique test. President Hugo Chávez is the region’s most outspoken critic of Washington, and with his country’s abundance of oil, he can afford to be. In Chapter 12, Gonzalo Sebastián Paz of George Washington University describes the diverse cooperative programs currently under way between Venezuela and China. These include the construction of refineries in China to process Venezuela’s unusually dense oil; joint production of the “Simón Bolívar” satellite, in part to broadcast Telesur (Venezuela’s equivalent of CNN); and investments in Venezuela’s cellular phone market that have permitted Chinese companies to practically control the sector. Referring to the broad scope of these programs, Chávez has declared that Sino-Venezuelan cooperation extends “from under the ground to the stratosphere.” Nevertheless, the Chinese government is clearly reluctant to allow cooperation with Venezuela to compromise its relationship with the United States. This, writes Paz, is evident in Beijing’s silence on its sale of military jets to Venezuela, and in the fact that Hu Jintao has never conducted an official visit to Caracas.

The commercial scale and continued potential of Chinese initiatives in most of Latin America are dwarfed by those under development with Brazil. In Chapter 13, economist Rodrigo Maciel and foreign affairs analyst Dani Nedal contend that despite the rapid growth of trade and investment between the two countries, their interactions have been fraught with tensions, unrealistic expectations, and disappointments. The authors suggest that Sino-Brazilian relations are best understood by disaggregating their multilateral and bilateral dimensions. Doing so reveals deep divides between the Brazilian Ministries of Finance and Foreign Affairs, evident in the prior’s criticism of China at the 2010 G20 summit and hostile local reactions to Chinese investment narrowly targeted at Brazilian resource sectors in 2009 and 2010. The supposed “strate-

gic partnership” between the two countries, write Maciel and Nedal, has been “consumed almost without reflection,” a tendency their chapter confronts in sobering detail.

The need to diversify beyond primary-product exports through the development of manufacturing sectors has become a topic of dispute across Latin America, but the dispute is particularly intense in Argentina, where soy products account for over 50 percent of exports to China. In Chapter 14, Argentine sinologist Jorge Eduardo Malena analyzes the local dynamics of this dispute in the context of Sino-Argentine economic, demographic, and military relations since 1970. Argentina has long supplied China with wheat, maize, and other raw materials, but the recent ascendance of soy exports has led the Sociedad Rural Argentina (Argentine Rural Society) to argue that the short-term economic gains of large-scale soy cultivation are outweighed by irreversible soil degradation. On the other hand, the Confederaciones Rurales Argentinas (Argentine Rural Confederations), representing soy producers, asserts that the simple rotation of soy with cereal crops will avert environmental damage. Adding to the tension, manufacturers (like their counterparts throughout Latin America) argue that their government should give greater priority to value-adding sectors through economic assistance and more assertive protection against Chinese imports. While the aftereffects of the global financial crisis may bring manufacturers some respite, it is likely that Argentina will continue to rely on soy exports, for as Malena points out, “China’s huge population must still eat.”

Illuminating its approach to broader global integration, China’s conduct in Latin America has intensified rather than diminished through the economic crisis, marked by more vigorous forms of state and nonstate cooperation both within and beyond commodity sectors. With greater capacity for coordinated, long-term planning than probably any other country, China’s global influence is set to deepen. As China becomes a more active and assertive global player, it is crucial that the international community develop ways to integrate Chinese business practices into multilateral regimes of governance and accountability and to simultaneously adapt these regimes to the changing geopolitical landscape. The emergence of China is a momentous development not simply because of its impact on the world, but because it challenges the world to engage China in constructive dialogue and elicit new forms of mutual respect, compromise, and cooperation. The chapters that follow aspire to build knowledge that will help meet this challenge.

## Notes

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14. Fernández Jilberto and Hogenboom, *Latin America Facing China*, 191.
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17. In the same vein as Sanborn, which appears in *ibid.*, a pioneering comparison of local reactions to Chinese extractive initiatives in South America and Africa is presented by Ruben Gonzalez-Vicente, "China's Engagement in South America and Africa's Extractive Sectors."
18. Spate, *Spanish Lake*, 161.
19. O'Brien, "The Economics of European Expansion Overseas," 37.
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21. C. Johnson, *Communist China and Latin America, 1959–1967*, chapters 6–8.
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