# Foreword

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IT IS AN HONOR AND A PLEASURE TO CONTRIBUTE THIS FOREWORD to *China Engages Latin America: Tracing the Trajectory*. Adrian H. Hearn and José Luis León-Manríquez have assembled a stellar cast of contributors, truly the world's leading experts on the subject. This book is both comprehensive and up-to-date, adding an important new volume to the small but budding literature on the subject.[1]

As the editors note in Chapter 1, there is growing debate in Latin America and in the United States concerning the scope, depth, strategies, and tactics of the People's Republic of China's growing presence in the region. As they point out, some of these assessments are alarmist, while most are more sanguine. The judgments in this volume are both balanced and judicious, and the chapters that follow also provide a firm foundation for further analysis. Readers will be rewarded. In the remainder of this foreword, I seek to contextualize the growing China–Latin America relationship.

China's approach to the region must be seen as a *part* of Beijing's broader global strategy and foreign policy. The PRC is emerging fully onto the world stage in a largely positive fashion. It now has both interests and presence in parts of the world completely new to China, such as Latin America, and it has substantially deepened its traditional ties with Africa, as well as transformed its regional diplomacy in Asia. While these developments have inevitably strained some aspects of China's relations with the United States, Russia, and the European Union, Beijing has effectively managed its relations with the major world powers.

China's global engagement can be measured along at least four dimensions: diplomatic, cultural, security, and commercial. In Latin America and the Caribbean, diplomatic and commercial aims dominate. In Asia, military and security concerns are prominent, producing an emphasis on strategic diplomacy and efforts to develop culturally appropriate modes of "soft power." In the Middle East, Central Asia, and Africa, China's insatiable hunger for raw materials and energy supplies has pushed commercial exchange squarely into the foreground. In these regions China's foreign policy is to a large extent a function of its economic needs, while multilateral diplomacy and soft power play secondary—though important—roles. In Europe and the United States, China's presence is largely diplomatic and commercial, though in the latter context security also enters the equation. Thus, while China's emergence as a global actor can be characterized along these four dimensions, the actual mix of diplomatic, commercial, cultural, and security concerns varies by region. Let us take a look at each of these elements in the Latin American case.

## Diplomacy

This category includes both China's bilateral and multilateral regional diplomacy. It must be noted that Latin America and the Caribbean still represent an area of diplomatic competition with Taiwan. Twelve of the twenty-three nation-states in the world that maintain official recognition of Taiwan lie in the region. An unofficial "truce" between Beijing and Taipei has improved relations across the Taiwan Strait over the past couple of years, but diplomatic competition remains an essential element of Beijing's regional strategy.

Latin America also holds geopolitical relevance for Beijing. The region represents an opportunity for China to demonstrate its expressed solidarity with developing countries and to foster a more multipolar world. Brazil is a key actor for Beijing in both respects. Meanwhile, Latin American countries are increasingly trying to pursue "omnidirectional" foreign policies of their own, reaching out to Europe and Asia, as well as each other, while trying to reduce dependence on North America. China fits neatly into these strategies, advancing what both sides have called "South-South cooperation."

China has forged a variety of diplomatic "partnerships" (no fewer than eight different types) with the countries of the region, and this set of designations provides a framework to develop bilateral ties. While Brasilia's ties with Beijing are very strong—perhaps the strongest in all of Latin America—China has managed to build sound relations with most other regional states. Bilateral cooperation is particularly strong with Argentina, Chile, Peru, Venezuela, Mexico, and Cuba. The rise to power of leftist governments in Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, Nicaragua, and Venezuela in recent years has helped strengthen Beijing's bilateral ties to the region, and China has come to command greater respect and attention in each nation's foreign policy. High-level bilateral diplomacy is surprisingly active, if not always reported in the international media. In the decade 1997–2007, more than eighty Latin American heads of state and government leaders visited China, while China's president visited the region four times, followed by a steady stream of politburo-level leaders.

In addition to state-to-state diplomacy, the Chinese Communist Party's (CCP) international department is also extremely—albeit quietly—active in exchanges with a wide range of political parties across Latin America and the Caribbean, including in countries that diplomatically recognize Taiwan. The CCP now has working relations with more than eighty political parties in almost all of the region's thirty-three countries. This ties China not only to ruling parties, but perhaps more important to opposition parties and politicians in waiting, so that when they come to power Beijing is already familiar with them (and vice versa). Party-to-party exchanges also provide Beijing a good mechanism for collecting intelligence, an aim it pursues in a similar fashion, though to a lesser extent, through parliamentary interchanges with a number of Latin American countries.

China is active in a range of multilateral organizations in Latin America. It is a full member of the Caribbean Development Bank (since 1997), has been a permanent observer since 2004 of the Organization of American States (OAS), and in 2008 became a full member of the Inter-American Development Bank. It has held seventeen rounds of dialogue with the Rio Group since 1990, has established a mechanism for interaction with Mercosur (Mercado Común del Sur) common market group, and has actively engaged with the Caribbean Community and Latin American Conference. China is a full member of the Asia-Pacific Economic Cooperation group (APEC), and Beijing has initiated a series of separate forums with the region, including the China–Latin America Forum, the China-Caribbean Economic and Trade Cooperation Forum, the China–Latin America Common Market Dialogue, the China–Andean Community Consultation Forum, and the China–Latin America Business Summit. These mechanisms have allowed China to become extensively linked to the region through multilateral channels.

Thus, both bilaterally and multilaterally, China has built strong diplomatic and political ties throughout Latin America and the Caribbean. This is a good thing for all concerned. In my view, the United States need not fear China's thrust into the region, as Latin America is in any case no longer an exclusive domain of US influence. As noted above, Latin America is diversifying its external linkages, and China's move into the region is just one part of its ascension to the global stage.

## Culture

The cultural dimension of China's presence in Latin America has become a subject of increasing interest around the world as "soft power" gains prominence in international relations and as China's own soft power and normative appeal attracts attention.

Public opinion polls show that China's image is generally positive among Latin Americans. The 2010 BBC/Globescan survey of twenty-eight nations worldwide revealed that 57 percent of Central Americans viewed China positively, 55 percent of Chileans, 52 percent of Brazilians, but only 32 percent of Mexicans.[2] The 2008 Pew Global Attitudes Poll found that the public of Chile, Venezuela, Peru, Brazil, Bolivia, Mexico, and Argentina had more favorable than unfavorable views of China.[3] The highest ranking was Chile (61 percent) while the lowest were Mexico and Argentina (where the balance of opinion was even). In both the Argentine and Mexican cases, this reflects a sharp drop over the past two years, largely attributable to frictions in their economic relations with China.

With group tourism accords signed between China and nineteen countries, Chinese tourists are beginning to flow into the region in large numbers. Immigration is also growing: there are now 30,000 ethnic Chinese living in Argentina, and large numbers in Peru. Furthermore, 100 pairs of sister province and city relationships between Chinese and Latin American localities have begun to produce a growing variety of transpacific exchanges.

China's attempts to increase cultural exchanges in the region have rapidly intensified. The Chinese Ministry of Education has established six "Confucius Institutes" across the region (out of 282 worldwide), and the ministry provides 100 university scholarships for Latin American students every year. Numerous government-to-government cultural exchange accords have been settled, and an increasing number and variety of universities are beginning to sign their own memorandums of understanding.

While Latin American interest in studying the Chinese language is growing, my impression is that there is an extremely low level of understanding among the region's people and governments about China. Only two comprehensive university programs (addressing not just language but all aspects of Chinese studies) exist in the region (National Autonomous University of Mexico and Salvador University in Buenos Aires). Compared to Beijing's community of Latin America experts in think tanks, universities, and government, there is a pressing need for expertise on China in Latin America. There is a high-quality Chinese-language journal titled *Latin American Studies*, published by the Institute of Latin American Studies (ILAS) and the Latin American Studies Association of the Chinese Academy of Social Sciences (CASS), both of which have been in existence for almost fifty years. There is no similar institute, journal, or even a pan-regional association of Chinese studies in Latin America.

Knowledge of Chinese is also lacking in the region. When Latin American leaders meet their Chinese counterparts, the Chinese government usually has to provide the interpreters, while China's ambassadors and diplomats in the region are usually fluent in Spanish and Portuguese. One finds few Latin American diplomats in their Beijing embassies able to speak and read Chinese; indeed, only a handful of Latin American academic China specialists, including several of this book's contributors, understand standard, contemporary Chinese. I was told on my visit to Itamarichy (Brazil's Foreign Ministry) in 2008 that there is not a single fluent Chinese speaker or a cohort of China specialists in the entire Brazilian Foreign Service and that there is not even a China department in Itamarichy. Furthermore, Brazil's intelligence services have no China division, there are only eight Brazilian diplomats working in the Brazilian Embassy in Beijing (only a couple of whom speak Chinese), no Brazilian university has a comprehensive Chinese studies program, and only one Brazilian newspaper (*O Estado de São Paulo*) has a bureau in China.

Why is this important? Because if Latin American governments do not invest in building up a generation of people knowledgeable about China—not just speaking Chinese but knowing how China functions as a society, government, economy, and military—then Latin American societies, governments, intelligence services, law enforcement agencies, militaries, business communities, universities, and civil societies will be severely handicapped in dealing with China. Chinese waves have just begun to wash ashore in Latin America, but over the next decade or two they will become a tsunami. Latin America therefore needs to be prepared to understand China in all its dimensions. To achieve this requires the implementation of a ten-to-twenty-year plan to train Latin American students in Chinese studies, including through study in the United States, Europe, and China, who will then return to their native countries to take up professorial posts and initiate university programs to train subsequent generations of students with China expertise.

## Military and Security Affairs

China's military-security presence in the Latin American region is not large, but it is growing. One reason it is not large is that Beijing is very careful not to antagonize the United States, especially in a sphere as sensitive as military expansion. Beijing is acutely aware that there are already concerns in Washington regarding China's growing presence in the region and has therefore developed programs of military cooperation that conform to conventional protocols.

One particularly active sphere of cooperation is the exchange of military professionals, in some cases at very high levels. Four members of China's Central Military Commission have visited the region over the past two years alone—more than any other region of the world—while a steady stream of Latin American defense ministers and service chiefs visits Beijing annually. China trains Latin American officers in its staff academies, and recent reports indicate that Brazil has reached a joint agreement to train Chinese navy personnel on board the *São Paulo*, Brazil's Clemenceau-class aircraft carrier.

Chinese arms sales to, and imports from, the region are also growing. China's relatively small sales of weaponry and military equipment to Latin America consist of approximately $150 million per year of helicopters, artillery, armored personnel carriers, vehicles, antiship missiles, and light assault weapons. In turn, China buys antitank and antiair missiles, as well as avionics from Brazil. Sino-Brazilian aerospace cooperation is especially active, and some of it is military related. With China under weapons embargos from the United States and European Union, and Russian military sales to China declining since 2007, Brazil may become a greater source of supply for the People's Liberation Army.

Among China's less conventional military pursuits in the region are its contribution to the multinational UN peacekeeping forces in Haiti and its reported use of former Soviet military intelligence communications facilities in Cuba. There has been a lot of speculation about the latter, but details remain obscure. China's military-security footprint in Latin America is therefore not large, but it is gradually growing.

## Commerce

Trade is the most important dimension of China's presence in Latin America, and the chapters in this volume provide detailed and up-to-date analysis. Three factors stand out: the aggregate value, the growth rate, and the composition of commercial flows. According to Chinese customs statistics, total trade with the region grew from $50 billion in 2005 to $141.9 billion in 2008, and it is in balance (China imported $71.3 billion and exported $70.6 billion). This is a dramatic increase of more than eleven times since 2000, making China the top trading partner of several Latin American nations. What's more, the growth rate seems to be accelerating, surging more than 40 percent from 2007 to 2008. Brazil dominates regional trade with China, accounting for almost 40 percent of the total. Brazil is China's largest export market in Latin America, but it only ranks as China's twentieth largest trading partner worldwide; indeed, while Sino–Latin American trade has grown dramatically in recent years, it still only accounts for about 4 percent of China's total foreign trade.

Although the aggregate value of Sino–Latin American trade is growing, its composition remains heavily concentrated and undiversified. It is dominated by Chinese purchases of raw materials and agricultural commodities; fully 70 percent of Brazil's exports to China are in iron ore and soybeans. In 2008, China imported from Latin America $16.8 billion in iron ore; $7.4 billion in copper ore; $5.8 billion in refined copper; $9.4 billion in crude and refined oil; and lesser (but still significant) amounts of aluminum, nickel, lead ores, zinc, manganese, and molybdenum. China's purchases of oil (refined and unrefined) from the region are also growing: Venezuelan president Hugo Chávez promised in Beijing in April 2009 to quintuple his country's daily deliveries from 200,000 to 1 million barrels per day. Brazil's deliveries had grown to 200,000 barrels per day by 2010. China's voracious appetite for these raw materials has contributed to their high price on global markets, providing significant revenue for Argentina, Brazil, Chile, and Peru. Today China consumes about 40 percent of the world's coal, 25 percent of nickel, 25 percent of iron ore, 20 percent of copper ore, and 14 percent of aluminum. It is the largest and second-largest importer of iron ore and copper in the world, respectively.

Chinese buyers now also look across the Pacific for large quantities of agricultural products, fish, and wine. China's 1.3 billion people consume some 40 percent of global soybean imports, and soybeans and soy oil are the second-largest category of China's imports from Latin America ($15.3 billion in 2008). Brazil alone provides China with 45 percent of its soybean imports, while Argentina supplies about 30 percent. China takes 90 percent of Argentina's global soy exports, as well as significant quantities of its meats and leather goods. About 80 percent of China's imported fishmeal comes from Peru and Chile, while 80 percent of its sugar comes from Cuba.

In return, Latin American countries purchase a range of electronics (largely cell phones and computers) and manufactured goods. Among the latter, Chinese textiles, footwear, and other low-end consumer products have hit Latin American economies hard, particularly Mexico and Argentina. There is also evidence that China is dumping these goods on Latin American markets, taking advantage of the "Market Economy Status" accords Beijing has managed to sign with fifteen Latin American countries. Many Latin American countries signed these accords unwittingly, informed by Chinese diplomats that they were a "normal" feature of bilateral economic relationships, though in reality they have given China an abnormal level of exemption from countervailing dumping duties. As a result, Mexico and Argentina have had to institute unilateral safeguards against the flood of Chinese goods. Fully 50 percent of all Argentine antidumping and countertrade measures were directed against China in 2007, a figure that rose to 90 percent in 2008.

China is gradually beginning to move up the technological ladder in its regional trade, carving out niches in Latin American markets for autos, motorcycles, aircrafts, aircraft parts, electronics, information and communications equipment, and agro-, bio-, and nanotechnologies. With the exception of Mexico and Central America (and to an extent Argentina), Latin America's economies are therefore complementary rather than directly competitive with China's. China has nevertheless displaced much of Latin America's traditional export market share in the United States, which declined on average 9.3 percent annually from 2001 to 2006. To facilitate trade, China has signed bilateral free trade agreements (FTAs) with Chile and Peru, and it is negotiating one with Costa Rica. Creative trade financing has also played a role: Beijing recently struck a $10 billion arrangement with Buenos Aires that permits Argentina reliable access to Chinese currency to pay for its imports from China. The deal resembles those previously struck by Beijing with South Korea, Indonesia, and Belarus.

Chinese direct investment in the region is also increasing, although it is still less than $500 million per year, excluding financial deposits in Bermuda and the Grand Cayman Islands. Figures on Chinese foreign direct investment (FDI) are scarce, but its total stock in the region at the end of 2007 is estimated to have totaled just over $1 billion. The main recipient countries (accounting for about 75 percent) have been Argentina, Brazil, Mexico, Peru, and Venezuela. Chinese multinational companies such as Baosteel, Huawei, Lenovo, Haier, Sinopec, CNOOC, Minmetals, and Chinalco are now operating throughout the region. Huawei has done particularly well in Latin America, generating $1 billion of sales in the region in 2008.

To facilitate exports to China, many of these companies and their Chinese subcontractors have built infrastructure such as roads, rail lines, refineries, and ports: aid that comes with "no strings attached." Reliable data are not available, but direct aid projects are estimated to total about $600 million per year, although extended lines of credit bring the total considerably higher. China recently doubled its "development fund" with Venezuela to $12 billion, extended a $1 billion loan to Ecuador, and agreed to provide credit lines of $10 billion to Brazil's Petrobas and $800 million to the Brazilian Development Bank. These figures indicate the amount of money Beijing is beginning to throw around Latin America.

China's economic footprint in the Latin American region is already large, and it is growing extremely rapidly. The future shape of this footprint will depend on the answers to several questions:

- Will Sino–Latin American trade continue to be characterized by the same composition, or will it become more diversified?
- Will the value of trade remain roughly in balance, or will China begin running up huge surpluses as it does everywhere else in the world?
- Will there be a backlash in Latin American countries against China's attempts to buy into strategic commodity sectors, as has recently occurred with the Rio Tinto–Chinalco deal in Australia, and to a lesser extent in Africa?
- Will there be a popular backlash against Chinese manufacturing goods flooding Latin American markets, as has already occurred in Mexico and Argentina?
- Will Latin American companies—other than those in raw materials—be able to penetrate the Chinese domestic market?

## Looking Ahead

The above overview indicates the scale and depth of China's rapidly expanding presence in Latin America. I will close by observing that, in my view, Latin America—at both national as well as multinational levels—lacks both an overall strategy and the domestic expertise to cope effectively with China's growing influence. My own discussions with Latin American officials, scholars, and businesspeople between 2008 and 2010 indicate that the region is proceeding in a reactive and ad hoc way with China. In my conversations with Latin American foreign ministry officials, I have often asked, "What is your strategy for dealing with China?" In response I received looks of bewilderment. Strategy? What strategy?

To be fair, President Lula da Silva's official visit to China in May 2009 did begin to evince the rudiments of a strategy on Brazil's part, and President Hu Jintao's reciprocal visit to Brazil in April 2010 resulted in the promulgation of the "Action Plan 2020." The establishment of a bilateral joint commission to draw up and implement this plan is a good beginning, but this development is very recent and is limited to Brazil and primarily the trade sector. By contrast, China certainly has a strategy for Latin America—operating at all four levels outlined above—and it is being implemented meticulously. Beijing has both regional and country-specific plans, and many ministries in Beijing and provincial governments have their own variations of these.

What is Latin America's strategy for managing relations with China? This needs to be thought through, and a strategic plan needs to be developed. A crucial part of any such strategy, indeed the beginning point, is to recognize the deficit in expertise on China in Latin American countries and to make a substantial and sustained investment into building up such capacity. This is the responsibility not only of governments, but also of companies and private sector nongovernmental organizations (NGOs). Industry and government will be direct beneficiaries of this capacity and should therefore consider endowing Chinese studies programs in universities and establishing centers in NGOs (like the Brazil-China Business Council) and think tanks like the Brazilian Center for International Relations (CEBRI) in Rio de Janeiro. It is an investment that will pay handsome dividends in the long term.

Without a strategic plan for dealing with China, Latin American nations will neither be able to compete nor cooperate effectively with China. An integral part of any such plan is the establishment of national task forces comprised of government, academic, commercial, media, and nongovernmental actors. These task forces could research and write reports that might serve as the basis of tailored bilateral national action plans. These could then be discussed multilaterally among regional governments, perhaps stimulating other nations to develop their own and perhaps—just perhaps—developing a region-wide mechanism for building cooperation with China in the future.

The prospects that China's relations with Latin America and the Caribbean will continue to expand are evident. China's footprint across the region is broadening and deepening. The question nevertheless remains: is Latin America adequately prepared to manage its expanding relationship with China?

## Notes

1. See, for example, Ellis, *China in Latin America*; Roett and Paz, *China's Expansion into the Western Hemisphere*; Devlin, Estevadeordal, and Rodríguez-Clare, *The Emergence of China*.

2. BBC World Service, "Global Views of United States Improve While Other Countries Decline," April 18, 2010, http://news.bbc.co.uk/2/shared/bsp/hi/pdfs/160410bbcwspoll.pdf.

3. Andrew Kohut, "How the World Sees China," Pew Global Attitudes Project, December 11, 2007.