



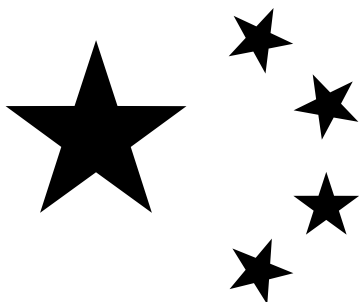
FLACSO

Latin America, the Caribbean and China: Sub-regional strategic scenarios

Adrián Bonilla Soria
Paz Milet García
Editors

CAF BANCO DE DESARROLLO
DE AMÉRICA LATINA





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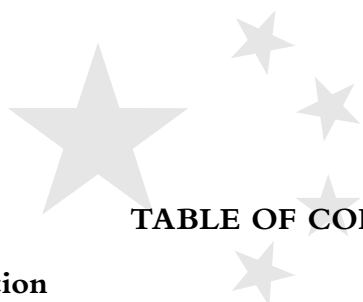


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PRESENTATION

In a span of two and half decades, the emergence of China has become one of the main vectors of the transformation of the world economy. The unprecedented dynamics of economic growth has resulted in increasingly important participation in the areas of global trade, direct investment flows and sources of international financing. The enormous economic, social and demographic changes during that period in the world's most populous country, have created an exceptional demand for food, minerals and energy, which in turn has had major impacts on international prices of basic products.

From the past decade, China looms large in foreign trade in Latin America and the Latin American region has become increasingly important in the commercial relations of the country. Chinese investment in the region have also increased, particularly in the areas of physical infrastructure, exploitation of natural resources and raw materials export platforms. The intensity and the characteristic features of economic Sino- Latin American relations differed markedly across countries, as are different impacts resulting from the penetration of Chinese products in markets that were previously supplied by the Latin American economies.

The texts included in this publication clearly show the absence of a single model of relations between Latin American economies and China, as well as the lack of public policies in the region regarding this country. The economic dynamism of the Asian giant has contributed to the exceptional cycle of high international prices of Latin American exports, which in some cases has brought about a model of exchange of raw materials for manufacturing, similar in some respects to the model of international division of labor established in the century following the Industrial Revolution.

In view of the coming decades, it seems likely that the overall dynamics of international economic relations will depend largely on the dynamism that demonstrate the economies of China and the Asia - Pacific region. From here derives the critical importance for the countries in our region to establish shared strategies and policies regarding our relationship with the markets of Asia. The goal should be to correct asymmetries already evident, and to establish appropriate mechanisms for consultation and cooperation to ensure mutual benefits to all economies involved.

In this context, we should take into account that individual initiatives of Latin American countries are not enough to fully benefit from the different opportunities that China could offer the region, for instance, through participation in international value chains, with consequent impulses for the modernization of the industrial park and strengthening innovation systems. For these objectives, it is essential, among other measures, to attract direct investment into Latin American economies by establishing appropriate policies coordinated at a regional level.

A shared vision of the potential offered by the deepening of relations with China and Southeast Asian economies should be expressed in clear objectives related to sustained productivity growth, improvements in terms of quality of physical infrastructure, transport and logistics, strengthening of institutions, progress in education, and the promotion of technological innovation.

There is no doubt that this book is the result of an effort to analyze the priorities of China in its relationship with Latin American countries, seeking preliminarily to identify characteristics and patterns for some countries and regions of Latin America. To address these and other similar issues, case studies of regional, sub-regional and bilateral scope, which were presented at a seminar held in April 2014 at the headquarters of FLACSO in Mexico, were entrusted. The texts published now set an agenda of academic research, which should also include an analysis of the cultural, political and institutional supports.

In short, this book is a valuable attempt to contribute in the configuration of a long-term agenda for economic relations between Latin America and China. Despite the great progress made in recent years, there is still a long way to go before the full potential of cooperation could be experienced.

*L. Enrique García
Executive President
Development Bank of Latin America*

FOREWORD

This book is the result of the Proyecto Nuevas Dimensiones Sociales e Internacionales de América Latina (New Social and International Dimensions of Latin America Project) carried out by the Latin American Faculty of Social Sciences (FLACSO) in conjunction with the Development Bank of Latin America (CAF). The goal of the project was to respond to the social and economic demands of Latin America and the Caribbean through a two-pillar analysis. The first, called International Relations with China, was dedicated to monitoring the status of relations between Latin America and China. The second, titled Social Policies in the Region, was aimed at creating a state of the art for social policies in Latin America that would provide a qualitative and quantitative description of how Latin American countries respond to social policy beneficiaries. Best practices as well as the accomplishments and limitations of social policies implemented throughout the region were identified, compared and evaluated.

This publication titled “Latin America, the Caribbean and China: Sub-regional Strategic Scenarios” is a collection of the papers presented at the international seminar “Latin America-China Relations in a World in Transition” held in Mexico City on April 8, 2014. The book is divided into three sections. The first contains three regional studies on China-Latin America relations: an analysis from the United States; a comprehensive study from the Latin American viewpoint; and the Chinese perception of growing relations. The second section presents a thorough evaluation of the growing closeness between the “Asian giant” and specific sub-regions, focusing on the Southern Cone, Central America, the Andean Region, CARICOM and the individual cases of Mexico and Brazil. The final section, based on closing comments from the seminar, offers some reflections on the challenges, achievements and future of this bi-regional dynamic.

The FLACSO General Secretariat would like to express its appreciation to CAF for its support, especially to Ana María Sanjuan and her team. We would also like to recognize and thank FLACSO Mexico and Director Francisco Valdés for their support, as well as all of the authors who were essential in making this valuable publication a reality.

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INTRODUCTION

CHINA'S IMPACT ON THE INTERNATIONAL RELATIONS OF LATIN AMERICA AND THE CARIBBEAN

Adrián Bonilla¹

Paz Milet²

Latin America is in the midst of a transitional phase. Several processes are currently underway, part of a dynamic that has not yet been clearly described. It could be a post-liberal period or a post-hegemonic period based on changes in a series of indicators. Chief among these is the importance placed on the political aspect of regional multilateral initiatives that include the whole of Latin America and the Caribbean and the idea that trade integration is a means and not an end; the resurgence of a development agenda; the greater role played by the state; and the increased emphasis on a positive agenda for integration.

Relations with China were built during a historic time in Latin America when the consequences of the end of the Cold War had been clearly left behind. This period ended quite early for the region when the Miami Presidential Summit, held in 1994, proposed a virtually unanimously agreed-upon agenda promoting cooperation with the United States. Ten years later it has practically ceased to exist. Until well into the 19th century, the hemisphere had always been overshadowed by the presence of the United States. However, the political unipolarity of the United States, which had not been challenged or imitated by any other global power in this part of the world, has been gradually vanishing since the 1990s. The fact that 25% of global GDP was, at that time, concentrated in the United States did not impede the formation of alternative poles, both in Western Europe and Asia Pacific. On the other hand, the idea or notion of unipolarity does not necessarily mean hegemony. It is the ability to build regional and global agendas that incorporate U.S. interests as their own.

New priorities in the area of security and the failure of the FTAA in 2005 demonstrate a diminished U.S. presence in Latin America. This created the conditions

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that have allowed other international actors to become active in the region. One of those actors is China, the second largest economy in the world. Since the late 20th century and early 21st century, China has been creating a qualitatively superior relationship with Latin America.

The current international order appears to be moving towards decentralization and even the notion of polarity is becoming more relative. If the concept were still applicable, one could say that a complex multipolar scenario is taking shape, with diverse political and economic power centers that are geographically dispersed. We are observing the advent of a multipolar system in the economic domain, which is not yet reflected in the military arena. However, the presence of various international actors with global reach has an effect on the relevance of current international regimes and even raises questions about the validity of a number of them. The arguments in favor of integration that shaped western state policies for almost six decades have become strained by the diversity and heterogeneity of this new stage of globalization.

China's growing closeness with Latin America is unavoidable, the result of a structural complementarity between the two regions. The Chinese economy has expanded at an extremely rapid pace over the last twenty years. Chinese growth, moreover, explains the global economy's performance. In short, all of the economies in the world benefit when Chinese growth remains strong because China creates the demand and supply of goods that reach across every continent. This growth can only be maintained if it is supported by a large amount of energy sources and agricultural and mineral products that are not found within its own vast territory. Together with Africa and other regions, Latin America produces precisely what the Asian power needs. The relationship between the two regions is more complex than merely its political element and reflects the global scenario and the way in which production is organized at this level of the international system.

Yet, in conventional terms all traditional theories of international relations point to the fact that an economic presence in relations with one or more states inevitably turns into a political presence. The economic relationship generates domestic interests, shapes the way in which a government performs, and sets limits on and creates levels within the scope of the decision-making process. An economic relationship is strategic and invariably involves other dimensions, primarily political, but eventually security and defense as well.

Even though it is true that China's policy in Latin America and the Caribbean very carefully states that it is not interested in changing the current pattern of international relations in the western hemisphere nor the type of governments with which it interacts, there are at least three dimensions that give rise to new strategic scenarios that differ from those that have existed since the end of the Cold War and are altering the international environment for Latin America and the Caribbean:

First, in terms of the global economy, the world was multipolar even before the Berlin Wall fell. At that time, and in spite of the strategic alliance between Europe and the United States, it was clear that European markets were interdependent but relatively autonomous with respect to North American markets. In Asia, furthermore, Japan and the Asian tigers were emerging as important economic poles. The large COMECON trade zone run by the Soviet Union must be included as well. At that time, the notion that regions on the periphery were subordinate and dependent was widespread. The final decade of the 20th century and the first two decades of the 21st century are once again exhibiting a diversified economic state of affairs. Not only are we witnessing China's uncontrollable take-off, which seems to indicate that it will become the largest economy in the world within the first three decades of this century, but it is also apparent that the structural dependency of peripheral regions is fading away with market diversification while, simultaneously, millions of links are fostering interdependence, the result of globalization. China's relations with the economies of Latin America and the Caribbean are altering historic structures that have been in place since the 19th century. Bilateral trade relations between the region and the United States in particular are ceding space to productive markets in Asia.

Second, the western hemisphere has also experienced political changes as a result of global transformations. Latin America and the Caribbean is basically a peaceful area. Based on this trait and due to the fact that it does not pose a threat to any other state in the world, especially the United States, the region has been able to develop its political agenda over the last two decades without being subjected to conditions as it was throughout the 20th century. The relative absence of Washington's weight in the region is expressed in various ways, perhaps best illustrated by the incessant search for autonomous multilateral mechanisms that seek primarily political convergence and association. The region has contributed to this proliferation of international regimes. They exhibit political and ideological diversity and differences in development models, but also display an array of linkages and show

the relative autonomy of countries in the region with respect to international power centers. The idea put forth by the literature on dependency theory, for example, that economic influence leads to automatic political subordination is very difficult to uphold at the present moment. In reality, the countries of Latin America and the Caribbean depend more upon themselves than on international power centers and within this autonomy they are able to find their own strengths and vulnerabilities. China appears as a source of economic influence, but also political influence. It is one of many centers of convergence, not the only one, yet it is unlikely, at least in the foreseeable future, that Latin America and the Caribbean or any of its partners would rebuild the hegemonic order that existed in the past, recreating a pattern of subordination to economic centers (of which there are now many).

Finally, with respect to state and domestic politics, China's presence in a country, and even its presence in a neighboring country, has an impact on how each economy in the region is built as well as on political structures. In many cases it transforms the physical infrastructure (for example, through investments in oil, shipping lanes, ports, highways, hydroelectric plants, etc.). It also creates new business, social and cultural actors who participate in specific political processes and take part in the decision-making process not only in ministries of foreign affairs, but also in ministries that oversee production, monetary policies, etc. This affects the way in which all trade policies are designed and carried out domestically and intra-regionally as well as in border areas and with integration bodies and neighbors. Finally, China's presence brings about significant and permanent changes in the structure of the actors' internal political processes,³ their interests, and the instruments that they use to formulate policy.

The purpose of this book is to provide an in-depth study of China's incursion into the region in order to describe, understand and analyze it. It hopes to answer such questions as: What are China's main priorities in forging ties with Latin America? Does this relationship respond to the processes that are being developed at the global level or does it take on its own characteristics? Can differences be established at the sub-regional level or even within the same sub-region? How is this process linked to the traditional role that the United States has played in Latin America? Does the fact that some countries in the region maintain diplomatic relations with Taiwan influence Sino-Latin American ties?

3 Conflicts within Latin America, from Mexico to Patagonia, for example, reflect the presence of this international actor and the way in which power relations are forged and how states re-shape the decision-making process.

In an attempt to answer these questions, a number of works written from regional, sub-regional and bilateral perspectives were requested. They were presented in April 2014 at a FLACSO-Mexico event. In addition to the precise points made in the different articles, some general points emerged from the conference that allow us to come closer to answering the questions above:

First, China's link with Latin America is part of a larger strategy specifically stated in the White Paper published by China in 2008. It is framed within a much wider plan for China's harmonious development articulated by Hu Hintao which refers to five principles: a win-win international strategy, a pacific rise, respect for diversity, cooperation and coordination to promote multilateralism, and the basic principle of peaceful coexistence. Second, China has made a strategic choice to move from purely trade toward a deeper level of integration. Fundamental themes include cooperation in investment, improvements to physical and social infrastructure, as well as energy. Third, within this strategy China has opted to not become involved in regional issues traditionally important to the United States, in what has been called a soft or benign diplomacy. Nevertheless, this does not rule out the future possibility of China assuming a more hegemonic position within the region. From the Latin American perspective, China is helping the region to gain greater autonomy with respect to the United States.

Fourth, one decisive element in the current Sino-Latin America relationship is the fact that Paraguay and eleven countries in Central America and the Caribbean continue to have diplomatic relations with Taiwan. This poses a challenge to China on how to work with these nations to achieve the One China policy. At the same time, countries in the region must ask the question as to whether they are in a position to bear the costs of maintaining said relations versus becoming closer with China. Fifth, there is a significant overall lack of knowledge within Latin America regarding China. This has resulted, in some cases, in the ineffective evaluation of action plans. Specialized institutions must be established in order to develop concrete proposals for China and to respond to proposals originating from China. Sixth, certain aspects of the Sino-Latin American relationship need to be deepened, for example, cooperation on defense issues.

Seventh, from the Chinese perspective, relations with Latin America ensure the supply of primary resources needed for industrialization and food for their population. In order to bring about an end to such asymmetry, a strategy is needed to

develop industry in Latin America that would strengthen Sino-Latin American complementarity. These variables have been addressed in more detail by various authors in their works.

Regional Papers

Nashira Chávez takes a two-pronged approach in her chapter. First, she looks at the triangular relationship (China-United States-Latin America) and second, she applies the power shift theory. Using these two approaches, she questions both the reach of China's power as well as the impact of Sino-Latin American relations within the hemisphere.

Chávez looks at the current situation in Latin America and suggests that the differences that have emerged over the last few years in the U.S.-Latin America relationship as well as the end of the belief that there was no alternative to the neo-liberal model have left room for China's incursion into the region. China is employing benign diplomacy, although the possibility of China assuming an expansionist nature in the future should not be underestimated. For now, China has chosen to cooperate with the United States and to not become involved in any issue in Latin America that has traditionally been important to the U.S. nor to move forward on any kind of ideological political agenda. China and Latin America share concerns about protecting their sovereignty and promoting development and are both opposed to U.S. unilateralism. Therefore, current circumstances actually present an opportunity to expand extra-hemispheric relations and gain greater autonomy with respect to the United States. According to the author, China has introduced a successful development model to Latin America. China is becoming increasingly important to the region, since it has provided Latin America with negotiating capabilities and loans, even though it is an empty power in military and strategic terms.

Song Xiaoping defines China as a conceptual challenge and states that in order to truly understand this country one must accept the omnipresence of the public sector and give the agricultural sector due consideration. He argues that the correlation of international forces has started to generate significant changes that favor China and other developing countries. Relations between China and Latin America are based on common interests. China's policy toward the region is strategic and global in nature with a strong focus on energy, water and gas. Bilateral relations can be divided into five stages. Currently, they are experiencing unprecedented growth, although problems could arise in the economic-trade area due to differences in manufactur-

ing capacity. Enrique Dussel revives the old debate on reorienting the globalization process and suggests that the problem in relations with China is not reprimarization, but rather the inability of the region to increase technology levels. Due to this situation, China's presence is in fact raising serious questions about the Latin American development model, which fails to create either the foundation or the institutions needed for what China hopes to achieve in the region. Dussel argues that on the whole, there is ignorance regarding the relationship between China and Latin America, which prevents more accurate information from being generated.

Even though the announced CELAC-China forum is promising, nothing has been produced at the regional level that is comparable to the White Paper of 2008 -in which China details its Latin American policy- or the China-Latin America business summits that have been held since 2007.

Sub-regional views

Juan Manuel González and Laneydi Martínez look at the ties between CARICOM and China in their chapter taking into account two essential factors: the small size and level of influence of these countries and the fact that five of them maintain relations with Taiwan. In spite of the fact that the agenda is becoming broader and more diverse and that China has been strengthening ties with those countries with which it does not have diplomatic relations, the authors point to a number of difficulties and negative elements in said relations that must be overcome. Noteworthy among these is the trade deficit, the increased competition faced from Chinese products, the negligible amount of technology transfer, environmental impacts, and China's displacement of traditional actors. Nevertheless, among the positive elements, González and Martínez highlight trade and cooperation, even though these are greatly influenced by relations with Taiwan and the countries' refusal to accept the idea of a One China policy.

Milton Reyes analyzes the relationship between the Andean Community and China, focusing on the challenges faced by this initiative -which happens to be the one with the greatest institutional development in Latin America. According to the author, political and economic disagreements have hindered its ability to speak with one voice. Therefore, the relationship between China and the Andean region has a two-fold dimension: regional and bilateral. From the regional point of view, dialogue is not carried out at the highest level, but there is some degree of understanding. At the bi-regional level, relations are more often defined by the propos-

als put forth by individual countries. This promotes long-term relations because China recognizes the state as its legitimate counterpart. According to the author, the central issue in relations with China is trade and access to natural resources. However, he then analyzes the specific traits of CAN member states. With respect to Colombia and Peru, he argues that these countries look at China from two different viewpoints: a negative one, which considers China to be a threat, and a second –more pragmatic– one, in which sectors within hegemonic social forces immediately identify opportunities to advance their own interests. Countries like Venezuela, Ecuador and Bolivia are pragmatically optimistic about relations with China. Within the realm of what is feasible, they believe that relations are producing the highest possible benefits. Reyes suggests the need to explore new linkages, beginning with China’s concrete interests. For example, security and defense ties could be deepened.

Gutiérrez and Cesarín refer to the generalizations that traditionally affect Sino-Latin American ties and highlight those which look at the region as a whole without delving into specifics. The authors suggest that this relationship falls within the definition of an active multi-radial diplomacy. This comes from the Chinese concept of a “peaceful rise” in the hierarchy of world power. Taking an in-depth look at China’s relationship with the Southern Cone, Gutiérrez and Cesarin argue that ties with Argentina are affected primarily by China’s presence on the United Nations Security Council and the possible support it could lend to the Argentine cause on the Islas Malvinas/Falkland Islands issue. Agriculture and migration are other key factors in the bilateral relationship. China is key in understanding the reorganization of the agro-food sector towards “soyization.” Also noteworthy is Chinese migration to Argentina, which has been taking place for the last 20 years and has become an important matter for this country.

In addition to all of these factors, China has become an alternative source of financing for South America. Chile has a 44 year history of diplomatic relations with China, which can be divided into two phases: from 1970 to 1990, when relations were primarily political in nature, and from 1990 onward, when the economic element entered into play. Relations with China from this moment on formed part of Chile’s strategy of open regionalism. China’s impact on the Chilean economy is so strong that one of the main concerns of current authorities is how to attract investments from this country. Uruguay’s relations with China are connected to the development of its production chains. By and large, since diplomatic relations were

established in 1988, relations have been positive and closely linked with the energy sector. In the Southern Cone, Paraguay is considered an empty box because it has prioritized diplomatic relations with Taiwan.

Vinicio Sandí addresses the difficulties faced by Central America in terms of relations with China, Taiwan and the United States. Countries in the region -with the exception of Costa Rica- maintain relations with Taiwan so the current debate focuses on the costs of preserving said relations in light of the fact that it has become vital for countries in the region to establish economic relations with China. Costa Rica, Panama, Nicaragua and Honduras appear to be the most receptive to this type of opening in relations. In reality, each country has its own specific features and prioritizes different aspects such as politics, trade, cooperation or investment. Given this scenario, the challenge facing China is to increase its presence in cooperation and investment in large scale and high profile projects. This would provide a greater opportunity for the country to play a political and geostrategic role.

Bilateral Viewpoints

Juan José Ramírez and Francisco Haro analyze the Mexico-China bilateral relationship and how China's presence affects Mexico's influence in other areas, specifically North America (the United States) and the three members of the Pacific Alliance. The authors look at the evolution of relations between China and Mexico from economic cooperation to a broader political scope. They then claim that this is a markedly positive relationship for both countries because while Mexico has offered political support to China, the Asian country has in turn, become Mexico's most important trading partner in Asia Pacific. Mexico, in order to decrease its dependence on North America, has decided to progressively substitute imports from the region with those from China. From a political perspective, Ramírez and Haro argue that the return of the PRI favors a growing closeness with China. During the previous administration there was a certain level of tension due to "flirting" with Taiwan. Moreover, the elites today are better positioned and more open. After studying the traditional areas of Mexican influence, the authors contend that China, as a global power, has achieved a greater presence in these sectors. They suggest that China and Mexico are competing for pre-eminence within Central America and the Southern Cone, fighting for markets and political hegemony or, at least, to share it with the United States. Therefore, they argue that Mexico needs to pursue a greater presence in Asia.

Marcos Cordeiro claims that the year 2014 is a milestone for Brazil because it marks forty years of diplomatic relations with China. The author analyzes a relationship that was initially proposed by Brazil for the purpose of achieving greater autonomy with respect to the United States yet today ranks as China's main partnership in Latin America. However, the present relationship is not focused exclusively on bilateral aspects. There is also an interest in joint action to democratize multilateral institutions. The strategic partnership has been raised to the global level and involves the creation of consulting mechanisms on major international issues. This bloc against the status quo has led to some objections. In spite of the close relationship, Cordeiro argues that there is a lack of understanding within Brazil with respect to China and certain business sectors in Brazil are concerned about the trade relationship. Therefore, in terms of relations with China, countries can be divided into two groups. Those that opt for complementarity (Brazil, Chile, Peru, and Costa Rica) and those that are more competitive (Mexico and Argentina). Having identified the situation, the author suggests the need to form a common front.

China's presence in the region is long-term and should be considered historical in scope, in spite of the overwhelming speed it has shown in the last few decades. It is neither fleeting nor casual. Economic complementarity makes a partnership between the economies on both sides of the Pacific indispensable. Latin America and the Caribbean is a region that is still determining how its productive apparatus should participate on the global stage and how its states can eventually form an association to face the future. In any of the foreseeable scenarios, China will be present during this century and those yet to come.

This book, produced by FLACSO and supported by CAF, hopes to identify some of the immediate and possible political implications of the early stages of this growing closeness. We hope that it provides useful insight.

REGIONAL STUDIES

RELATIONS BETWEEN LATIN AMERICA AND THE CARIBBEAN AND CHINA. TRADE AND STRATEGIC RELATIONS IN A WORLD IN TRANSITION

Enrique Dussel Peters⁴

For the past three decades the People's Republic of China - hereinafter referred to as China- has been undergoing major internal socioeconomic transformations and has seen its position in the world economy shift. This period of reforms, which has continued into 2014, is one of the pillars of the growing "re-orientation" of global manufacturing and trade centers and has greatly impacted international politics.

In just over three decades China -with a population approaching 1.4 billion- has become one of the most dynamic economies in the world and has witnessed a sharp decline in poverty and a better quality of life for its people (WB/DRC 2012). China is now the second largest economy in the world and represents a milestone both for its size and its dynamism. The fact that in 2014 China is still implementing socio-economic reforms in many areas, addressing social, economic, political and other issues, is particularly relevant and will be examined below.

China's rapid globalization has not gone unnoticed in Latin America and the Caribbean (LAC). China has significantly increased its presence in the region via international organizations such as the United Nations and regional organizations like the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF). The Community of Latin American and Caribbean States (CELAC), during its most recent meeting in January 2014, established a "CELAC-China Forum" in the Havana Declaration, thus ensuring that China will be an important topic on the agenda for CELAC's next summit meeting.

The relationship between LAC and China is centuries old and has enjoyed a rich exchange in myriad areas such as culture, trade, diplomacy, politics and mutually

⁴ Professor of graduate Economics at the Universidad Nacional Autónoma de México (UNAM), Coordinator at the Center for China-Mexico Studies (Cechimex) at the School of Economics UNAM and of the Red Académica de América Latina y el Caribe sobre China (RED ALC-CHINA). Document written for the Secretary General's Office of the Latin American Faculty of Social Sciences (FLACSO). The views expressed in this document do not represent the views of FLACSO and the author is solely responsible for its content.

beneficial cooperation in the international arena. However, this chapter does not begin with this rich history, but rather with the “qualitatively new” relationship between LAC and China that emerged at the end of the 1990s and more specifically at the beginning of the 21st century. In addition to political and diplomatic relations –the People’s Republic of China was recognized by LAC starting in the 1970s, even though a group of Central American and Caribbean countries have maintained diplomatic relations with Taiwan–, the current LAC–China relationship is marked by China’s recent entry into the globalization process via trade and investment, introducing conditions and elements that are new to Latin America.

This paper is written from a Latin American perspective and is divided into three sections. The first is based on an in–depth review of literature on the subject in order to better understand the current basis for dialogue between LAC and China and includes an examination of bi–regional strategy. Building upon the first section, the second part looks at the main economic characteristics of the LAC–China relationship. The final section includes a brief summary and puts forth a series of proposals for a regional strategy on China.

Political and strategic aspects of the LAC - China bi-regional relationship

Up until 2005, few studies had been produced from within Latin America on LAC–China relations and the bilateral relationship was not clearly understood. The two foremost types of studies (IDB 2005; ECLAC 2004; Dussel Peters 2005/a) reached distinct conclusions:

- Several studies linked to ECLAC (ECLAC 2004; Dussel Peters 2005/b) looked at the overall relationship between Central America and Mexico and China, but emphasized the value chains that were important to those countries, for example the apparel value chain and electronics. These papers concluded that China had already become a very important economic and trade partner for the region and was displacing, on a large–scale, domestic production in national and third party markets, such as the United States. Based on these assumptions, and in contrast to the narrow debate on regional “winners and losers,” proposals were made for LAC and for a long–term relationship with China.

- Then, several studies by the Inter-American Development Bank (IDB 2005; Lora, 2005) claimed that the new economic relationship between China and the LAC created a group of “winning” countries –specifically countries in South America that export raw materials- and “losing” countries, primarily Mexico and Central America. They also predicted that China’s impact on LAC would be minor and that due to China’s financial significance as part of the global economy, this impact would also be indirect (Lora, 2005)⁵. Lately, this outlook has changed significantly (IDB, 2010) and has given way to a broader and more proactive view of China and its impact, building upon the original analysis by Mesquita Moreira (2004) that correctly voiced the enormous challenges China would pose for Latin America, especially in the manufacturing sector.

Since then a growing number of studies have indicated that:

- China’s deep integration into the world economy and its direct trade and economic relations with LAC is quickly⁶ bringing about changes in economic and trade patterns in the region and boosting the potential for “upgrading” –integration in new more technically advanced sectors and higher value-added sectors- and overall development. Several recent studies state that China’s high demand for raw materials from the region –copper and minerals, soy and energy- has created a new group of “winning” businesses –as opposed to countries. However, the manufacturing sector in the region, which has achieved a certain level of growth and development since the 1990s –since 1960 in certain countries like Brazil and Mexico due to import substitution industrialization (ISI)- is playing a smaller role in terms of GDP, employment and trade (Cesarín and Moneta, 2005; Cornejo, 2005; Gallagher and Porzecanski 2008/b, 2010; Jenkins, Dussel Peters and Mesquita Moreira, 2008; Dussel Peters, Hearn and Shaiken, 2013;Gallager, Irwin and Koleski, 2013; Oropeza, 2008; Sargent and Matthews, 2007). The positive effect that China has had on regional exports of raw materials has been vital during the recent global crisis (Barbosa and Guimaraes, 2010; ECLAC 2010/a; Jenkins 2011).

⁵ These studies are also in line with initial estimates by the OECD (Blázquez-Lidoy, Rodríguez and Santiso 2006) that predicted less competition between LAC and China and greater competition between LAC and Eastern Europe.

⁶ Up until the middle of the first decade of the 21st century several studies (Cesarín and Moneta, 2005; Mann, 2005) still did not have the slightest idea that LAC would be such an important provider of primary goods and non value-added foodstuffs for China.

- Although it is important to note that many more empirical studies are needed, initial conclusions (BM/DRC 2012; Dussel Peters 2005/a, 2010/a; Gallagher and Porzecanski 2008/a; Lall and Weiss, 2005; Shafaeddin and Pizarro, 2007) suggest that China has improved its technological capabilities in contrast to LAC, which has not adequately developed this area (Dussel Peters, 2009; OECD, 2010). Yet, the increasing displacement of Latin American manufacturing for domestic and third markets –such as the United States and the European Union– by Chinese manufacturing has been thoroughly studied (Dussel Peters, Hearn and Shaiken, 2013). Other authors (Blázquez-Lidoy et. al., 2006; Jenkins, 2011; Lederman et. al., 2009) argue that there is insufficient evidence to determine what negative effects China has had on LAC exports, while the proximity of the U.S. market has become one of the most important absolute comparative advantages vis à vis China (Sargent and Matthews, 2007). Macroeconomic policies and specifically, exchange rates are powerful mechanisms that also play a role in competition between LAC and China.⁷
- A book by Jenkins and Dussel Peters (2009) provides a detailed analysis of trade strategies, FDI and specific businesses in certain sectors in four key countries (Argentina, Brazil, Chile and Mexico). The work recognizes the important and positive effects China has had in the region –with annual profits between US\$ 23 and US\$ 45 billion just for the period 2002–2006⁸–, but it also highlights the considerable competition from Chinese products in domestic and third markets, especially in the United States and the rest of Latin America and the Caribbean. In several cases, such as soy exported from Argentina to China, there has been a “downgrading” process (López, Ramos and Starobinsky, 2010). As a result, the size and dynamism of trade with China has rekindled an “old” debate (Katz and Dussel Peters, 2002; Moreno-Brid and Ros, 2010) regarding industrialization, the costs and benefits of specializing in agriculture and agro-industry as well as the long-term sustainability of manufacturing and trade processes in Latin America, primarily in Argentina, Brazil and Chile.

7 Alix Partners (2009) shows, for example, how during the 2006–2010 period the exchange rate was the most important factor in comparative manufacturing costs between Brazil, China, India and Mexico. The latter was favored between 2005–2008 in manufacturing and electronic assembly value chains.

8 Jenkins (2011) calculates that for 2007 the impact on export revenues due to the “China effect” was an increase of around \$56 billion or 21% of export totals for the 15 products under consideration.

- Chinese foreign direct investment (FDI) in LAC continues to lag relative to the amount and dynamism of trade, but it has grown significantly even if it has been recognized only recently (IDB 2012:2). Various macroeconomic studies (ECLAC 2011) and disaggregated studies (ECLAC, 2011; Dussel Peters, 2013; Lin, 2013) have noted the importance of China as one of the main sources of FDI in LAC with unique characteristics: a group of “filters” and positive lists – that is to say, only those activities and sectors that have been approved, as compared to “negative” lists that prohibit a number of activities and sectors while those not specifically mentioned are allowed– and among those not specifically mentioned, and thus allowed, is Chinese FDI, both private and public. A second characteristic is that a high percentage of public FDI within total Chinese FDI is made in those sectors promoted by “going global” policies. The previous public sector strategy involved large amounts of Chinese FDI in search of natural resources and, to a lesser degree, integration into related markets (services related to infrastructure, ports, banking, and telecommunications, etc.).
- The debate on China in LAC has been hindered by a lack of knowledge and a preponderance of aggregated and macroeconomic studies that called for limited regional policies as well as by relatively abstract debates about “power and threats” in bilateral trade that prevent detailed regional proposals from being adopted (ECLAC, 2011; Dussel Peters, 2005). There are five interesting initiatives worth mentioning: a) The First China–Mexico Forum, held in March 2006. Participants included public officials, business leaders, academics and experts from Mexico, China, Central America and other LAC countries. (Dussel Peters, 2007), b) various “China – Latin America Business Fora” beginning in 2007 –the latest one was held in 2013 in Costa Rica – that promote a constructive dialogue between business groups from LAC and China (CCPIT, 2010), c) the 2008 document titled “China’s Policy Paper on Latin America and the Caribbean” (MOFA, 2008) which details China’s commitments to the region based on the Five Principles of Peaceful Co–existence, the “spirit of equality and mutual benefit” and “exchanges to learn from each other and jointly promote development and progress.” From this point of view, financial issues, agriculture, industry and infrastructure as well as culture, education, sports, tourism, climate change and others must be priorities in order to have effective cooperation, d) China has signed a series of free trade agreements (FTAs) within the region, specifically with Chile, Costa Rica and Peru and, e) efforts by Agendasia (2012) which has presented 100 proposals following months of work

by dozens of business leaders, public officials and academics in four key areas (economics, politics, education and tourism). Other institutions (SELA, 2010) have also described more exchanges between politicians, members of parliament, joint inter-parliamentary commissions and have stressed the differences between LAC countries with respect to China.

- A recent IDB study (2010) found that Chinese import tariffs for the core Latin American countries are between 12% and 16% -Argentina (15.9%), Brazil (15.3%), Colombia 12% and Mexico (12.1%)- and that the manufacturing and agricultural sectors are subject to the highest rates while tariffs for the mining sector are significantly lower. The same study noted that within China there is an important correlation between the value of manufacturing and transforming a certain good and the tariff imposed, as well as important tariff and non-tariff barriers -for example, sanitary and phytosanitary measures, inconsistencies in customs classifications, etc.- particularly in agricultural and manufacturing sectors. Transportation costs are also an increasingly important factor in relation to the tariffs applied, which are similar in a number of LAC countries. These restrict LAC exports, particularly in the manufacturing and valued added sectors, which is why the majority of trade between LAC and China is inter-industry (Cárdenas and Dussel Peters, 2011; López Arévalo, Rodil Marzábal and Valdéz Gastelum, 2014).
- Institutions such as the Heritage Foundation (Johnson, 2005) have expressed concern about China's growing influence in LAC and the need for the USA to implement more aggressive policies with respect to the region. From the Chinese point of view (Wu, 2009; Wu, 2013), these concerns lack substance and point to the need for a strategic dialogue between LAC, China and the United States on real cooperation through institutions such as the IDB.

Terms and structure of the economic relationship between Latin America and the Caribbean and China⁹

Table 1 shows the vast differences in economic growth between LAC and China. First, between 1980 and 2012 GDP per capita in China grew 9, 9 and 12 times faster than GDP per capita in LAC, Brazil and Mexico, respectively. Therefore, in qualitative terms, the growth rates of LAC and China have been significantly different for three decades. This also creates a “complex” socio-economic framework: while economic growth in LAC and the region’s main countries has been mediocre, China has most definitely been one of the most successful cases –at least in terms of economic growth for a country of its size- in the history of modern capitalism. However, Table 1 also shows that in 2012 GDP per capita in China in absolute terms continued to be 40% lower than the LAC average and even almost 60% less than GDP per capita in countries like Mexico. This gap is closing quickly (it is already greater than GDP per capita in several countries within the region), but on average significant differences remain in terms of quality of life and income levels.

⁹ For an analysis of myriad experiences, visions and studies on the economic and political relationship between LAC and China, see the work done by the Red Académica de América Latina y el Caribe (RED ALC-CHINA) and around 80 articles on various topics in Dussel Peters (2013) and Martínez Cortéz (2013).

Table 1
GDP per capita: selected countries compared with China (constant 2005 US\$)

	Annual Average Growth Rates (AAGR)				Each country with respect to China (China = 1)		
	1980-2012	1990-2000	1990-2010	2000-2012	GDP per capita 2012	AAGR 1980-2012	AAGR 1990-2012
Latin America and Caribbean	1,0	1,5	1,6	2,1	1,40	8,8	6,1
Argentina	0,6	3,3	2,8	3,0	0,00	15,8	3,4
Bolivia	0,6	1,5	1,7	2,3	0,57	15,0	5,6
Brazil	1,0	1,0	1,5	2,2	1,29	9,3	6,5
Chile	3,3	4,7	3,7	2,9	1,99	2,7	2,6
China	8,9	9,3	9,5	8,9	1,00	1,0	1,0
Costa Rica	1,8	2,7	2,6	2,8	1,40	5,0	3,7
El Salvador	--	3,5	2,6	--	0,35	-0,1	3,7
United States	1,6	2,2	1,4	0,7	5,41	5,4	6,9
Guatemala	--	1,7	1,3	--	0,25	--	7,2
Honduras	--	0,8	1,4	--	0,19	--	6,6
Mexico	0,7	1,5	0,9	1,0	1,59	12,2	11,0
Nicaragua	--	1,3	1,3	--	--	-0,1	7,2
OECD	1,7	1,9	1,4	0,9	3,8	5,5	6,3
Panama	--	3,0	3,6	--	0,90	-	2,7
Peru	--	2,2	3,1	--	0,45	--	3,1
Dominican Republic	--	4,2	3,9	--	0,56	--	2,5
European Union	1,6	1,9	1,5	0,9	4,08	5,5	6,3
World	1,7	1,5	1,8	2,2	1,29	5,1	5,4

Source: Adapted from WDI (2014).

Recent analyses (Dussel Peters, 2011/b; Nolan 2004; Zhang, 2011) point to at least four issues that appear to be instrumental in understanding these results and China's slow and coordinated integration into the world economy: i.) a systemic and comprehensive strategy aimed at maintaining consistency among various elements, for example fiscal policy, competitiveness, exchange rates, growth, employment and industrial development- utilizing long-term policies, ever-increasing assessments, competitiveness and market mechanisms (Wu, 2005); ii.) a complex relationship between the public and private sector in which the public sector –defined as the central government as well as provincial, city and municipal governments- retained

substantial control of China's social economy until 2011, either directly (through ownership) or indirectly (by way of incentives and numerous policies and "transitional institutions" (Qian, 2003) (OECD, 2002; Tejada Canobbio, 2009; USITC, 2007), iii.) a great degree of pragmatism and flexibility based on the "engineer" approach –as opposed to the "macroeconomist" approach– in the upper echelons of the decision-making process in order to raise the quality of life for its citizens (Nolan, 2004; Williamson, 2010) and iv.) major efforts to support technological upgrading in China, with long-term science and technology policies and substantial budgets allocated to the public sector (Dussel Peters 2010/a; OMC 2010/b; Rodrick 2006). Even though capital is the main contributor to economic growth in China, the high degree of support for research and development (R&D) by Chinese companies according to their technology level cannot be overemphasized (OECD 2010).

There are five important factors when examining Chinese foreign direct investment (OFDI) and trade with LAC: a.) China's growing presence in LAC trade, b.) China's involvement in LAC exports and imports, c.) the trade balance, d.) the composition of trade between China and LAC and, e.) the technological aspect of trade between the countries.

Table 2 shows China's growing importance to each of the principal LAC economies. Although in 2000 China played a minor role in LAC exports and imports, by 2012 it was considerable: of the 17 LAC countries included in the study, China is one of the top 5 export markets for 7 countries and is an important source of imports for all countries. This explains why China is currently LAC's second largest trading partner.

Table 2
Selected LAC countries: China's rank as trade partner (2000–2012)

	Exports				Imports			
	2000	2009	2011	2012	2000	2009	2011	2012
Argentina	6	3	2	3	4	3	2	2
Bolivia	18	8	8	9	7	6	3	2
Brazil	12	1	1	1	11	2	2	1
Chile	5	1	1	1	4	2	2	2
Colombia	36	5	4	2	15	3	2	2
Costa Rica	26	2	13	8	16	4	2	2
Ecuador	120	6	16	11	129	4	2	2
El Salvador	44	32	38	32	21	6	4	4
Guatemala	44	28	28	29	17	3	3	3
Honduras	52	13	--	--	17	6	--	--
Mexico	25	7	3	4	6	2	2	2
Nicaragua	123	28	19	25	91	6	3	3
Panama	27	14	31	--	22	2	1	--
Paraguay	13	14	23	25	3	1	1	1
Peru	4	2	1	1	8	2	--	2
Uruguay	4	2	4	3	10	3	3	3
Venezuela	37	3	3	--	18	4	2	--

Source: Adapted from COMTRADE (2013)

Table 3 represents a less well-known fact: today, LAC is an important trading partner for China: in 2012, LAC was China's fourth most important trading partner behind the United States, Hong Kong and Japan but ahead of South Korea and Germany.

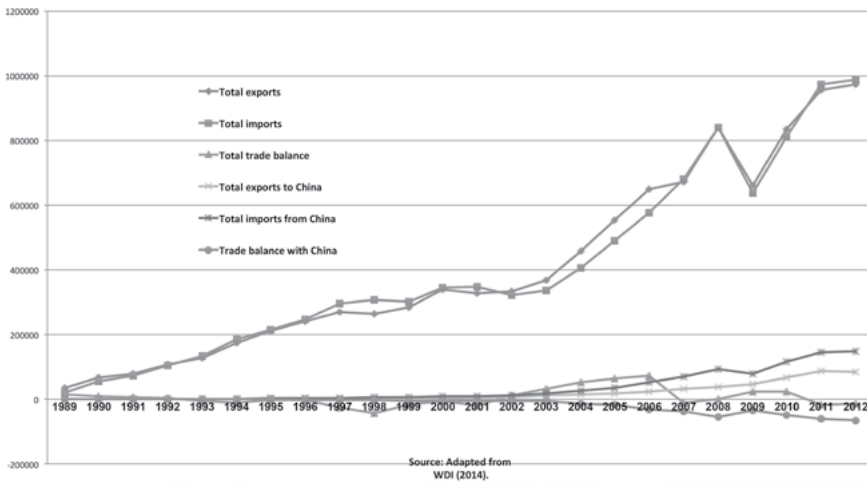
Table 3
China: main trading partners (imports and exports) (1995-2012)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	1995-2012
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
United States	14,6	14,8	15,1	16,9	17,1	15,8	15,8	15,7	14,9	14,7	14,9	15,0	13,9	13,1	13,6	13,1	12,4	12,6	13,7
Hong Kong	12,9	11,4	13,5	12,0	10,3	10,9	10,9	11,9	11,9	12,1	12,7	13,0	12,4	11,1	11,5	11,0	10,9	8,8	11,2
Japan	20,5	20,8	18,8	17,9	18,4	17,6	17,3	16,5	15,7	14,5	13,0	11,8	10,8	10,4	10,3	10,0	9,5	8,5	11,5
South Korea	6,1	6,9	7,4	6,6	7,0	7,3	7,1	7,1	7,4	7,8	7,9	7,6	7,4	7,3	7,1	7,0	6,8	6,6	7,1
Germany	4,9	4,6	3,9	4,4	4,5	4,2	4,6	4,5	4,9	4,7	4,5	4,5	4,3	4,5	4,8	4,8	4,7	4,2	4,5
Latin America and the Caribbean	2,2	2,3	2,6	2,5	2,3	2,6	2,9	2,9	3,1	3,4	3,5	4,0	4,7	5,6	5,5	6,2	6,7	6,7	5,1

Source: Adapted from WDI (2014).

Furthermore, Graph 1 shows that even though China has become LAC's second most important trading partner, this has meant a substantial trade deficit for LAC. Since 2008, LAC's negative trade balance with China has surpassed \$50 billion and has increased more than fifteen times during the 2000–2012 period. Thus, in spite of the fact that LAC exports have increased by a factor of 22, imports increased by a factor of 18 and it appears that the trade deficit will continue to grow in the future given the existing trade structure (see below).

GRAPH 1
LAC: TOTAL TRADE WITH CHINA (1989-2012)



Source: Adapted from WDI (2014).

Table 4 shows the main structure of LAC trade with China and the associated challenges. First, it reveals a massive and growing technological gap between LAC imports from and exports to China: since 2006, medium and high-technology imports from China have represented over 60% of all imports, yet similar exports to China range from a high of only 10% of total exports in 2001–2002 to a low of 3% in 2010–2011. Therefore, there is a considerable gap in absolute terms which has been growing over the past few years. This trend contrasts with LAC trade with the rest of the world because the technology content of imports has drastically declined, as has the technology content of LAC exports, but to a lesser degree. As a result, the technology gap with the rest of the world has been reduced and in 2011 represent-

ed only minimal amounts (see Table 4). In sum, LAC exports to China are noted for their low value-added and limited medium- and high-technology content, as opposed to imports.

Other important elements are also noted in Table 4: concentration levels of LAC imports from China are vastly higher than those from the rest of the world (TC3 and TC5 for China in 2011 were 57% and 63% vis-à-vis 41% and 56% for the rest of the world), even though concentration levels for LAC exports to China (TC3 and TC5) were 71% and 83%, and 30% and 46% for the rest of the world in 2011, respectively. To be more specific, exports to China are highly concentrated –in raw materials like minerals, soy, oil and gas– as opposed to the relative diversification that LAC has achieved in recent decades with the rest of the world.

Table 4
Latin America and the Caribbean: degree of trade concentration and technology content of trade (1989-2011) *a *b

	1989	1990	1991	1992	1993	1994	1995	1996
TC3-imports from China	77,13	47,32	32,66	39,35	35,80	31,25	36,08	39,27
TC5-imports from China	84,92	58,73	47,55	50,98	47,89	44,09	48,51	52,55
TC3-imports from the rest of the world	47,92	43,68	40,09	40,78	39,86	41,15	40,49	40,89
TC5-imports from the rest of the world	57,71	52,31	50,25	51,34	52,11	51,55	51,86	52,41
TC3-exports to China	68,37	62,93	55,89	57,43	72,09	55,46	49,84	60,40
TC5-exports to China	82,66	74,06	71,01	76,06	81,20	73,39	65,73	70,93
TC3-exports to the rest of the world	25,88	30,32	29,61	31,09	30,00	33,05	32,45	36,01
TC5-exports to the rest of the world	39,06	42,14	40,87	42,51	41,15	43,45	42,43	45,68
Imports from China with medium and high technology content	7,19	28,12	19,14	40,76	37,46	27,76	32,78	33,72
Imports from the rest of the world with medium and high technology content	29,11	37,21	37,61	41,41	43,56	44,82	43,27	43,57
Exports to China with medium and high technology content	8,14	2,36	2,23	1,95	4,96	2,21	6,55	5,65
Exports to the rest of the world with medium and high technology content	20,22	19,48	18,96	28,90	29,88	26,88	26,59	28,21

Source: Adapted from WDI (2013).

**a Trade with medium and high technology content refers to Harmonized System Code Chapters 84-90.*

**b The trade concentration index (TC) refers to the main three (TC3) and five (TC5) chapters of the Harmonized Tariff System.*

Table 4
Latin America and the Caribbean: degree of trade concentration and technology content of trade (1989-2011) *a *b

	1997	1998	1999	2000	2001	2002	2003	2004
TC3-imports from China	42,12	42,06	43,41	45,07	46,49	49,82	57,05	59,02
TC5-imports from China	52,82	52,02	52,97	53,61	54,18	57,49	63,44	65,02
TC3-imports from the rest of the world	42,97	44,13	43,47	43,76	43,57	42,56	39,88	39,78
TC5-imports from the rest of the world	54,16	53,73	54,25	56,48	56,22	54,81	53,81	54,50
TC3-exports to China	56,84	47,18	44,71	50,02	51,68	47,26	46,91	54,27
TC5-exports to China	66,58	62,84	59,77	66,58	64,92	61,33	66,98	68,39
TC3-exports to the rest of the world	35,16	33,84	37,37	42,43	39,76	38,96	37,64	37,11
TC5-exports to the rest of the world	45,56	44,86	49,18	53,38	51,28	50,32	49,19	49,42
Imports from China with medium and high technology content	38,22	38,98	41,37	42,95	45,75	50,04	57,33	60,27
Imports from the rest of the world with medium and high technology content	45,67	47,08	46,42	46,08	45,63	44,56	41,37	40,75
Exports to China with medium and high technology content	2,89	6,07	7,35	8,33	11,98	11,84	9,15	6,28
Exports to the rest of the world with medium and high technology content	30,37	35,12	37,10	37,68	38,29	37,37	35,08	32,70

Source: Adapted from WDI (2013).

*a Trade with medium and high technology content refers to Harmonized System Code Chapters 84-90.

*b The trade concentration index (TC) refers to the main three (TC3) and five (TC5) chapters of the Harmonized Tariff System.

Table 4
Latin America and the Caribbean: degree of trade concentration and technology content of trade
(1989–2011) *a *b

	2005	2006	2007	2008	2009	2010	2011	1990-2011	2000-2011
TC3-imports from China	57,09	58,07	56,74	54,62	59,17	59,10	57,63	56,51	57,13
TC5-imports from China	63,20	64,75	64,11	62,43	65,98	65,43	63,44	63,34	63,80
TC3-imports from the rest of the world	40,47	40,29	39,76	40,89	39,33	39,99	40,56	41,03	40,67
TC5-imports from the rest of the world	55,97	55,68	55,13	54,68	52,90	55,26	55,99	54,60	55,12
TC3-exports to China	58,61	58,82	65,80	64,48	67,75	70,86	71,24	65,04	65,57
TC5-exports to China	68,58	71,25	75,46	77,95	77,28	84,17	83,37	77,37	77,83
TC3-exports to the rest of the world	39,60	40,35	33,06	40,02	35,63	35,87	29,98	36,20	36,88
TC5-exports to the rest of the world	51,76	52,94	47,23	51,37	47,74	50,51	45,92	48,66	49,80
Imports from China with medium and high technology content	59,68	61,03	59,68	58,20	61,58	62,44	60,70	60,70	60,70
Imports from the rest of the world with medium and high technology content	40,36	39,69	37,83	34,42	35,35	34,72	32,85	32,85	32,85
Exports to China with medium and high technology content	5,57	7,58	5,94	5,03	4,09	3,23	3,15	3,15	3,15
Exports to the rest of the world with medium and high technology content	30,89	30,69	33,19	28,16	28,39	29,81	29,88	29,88	29,88

Source: Adapted from WDI (2013).

*a Trade with medium and high technology content refers to Harmonized System Code Chapters 84-90.

*b The trade concentration index (TC) refers to the main three (TC3) and five (TC5) chapters of the Harmonized Tariff System.

Finally, Table 5 shows that even though China has become the third largest provider of FDI worldwide, in 2010 it was the second greatest source of FDI for LAC (ECLAC, 2011) although its level of activity in the region has fallen since then. Also noteworthy is the fact that 89.38% of Chinese FDI was in processes tied to raw materials and the remaining 9.82% was made in the domestic market. Therefore, Chinese FDI seems to copy current trade patterns in LAC.

Table 5
China: Key characteristics of Chinese FDI in LAC (2000–2012)

	Transactions		Amount	
	Number	Percentage	Value	Percentage
Worldwide total *a	2.817	100,00	436.845	100,00
Completed transactions *a	1.502	53,32	268.192	61,39
public companies	542	36,09	225.067	83,92
private companies	960	63,91	43.125	16,08
Completed, with amount *b	986	35,00	268.192	100,00
public companies	380	38,54	225.067	83,92
private companies	606	61,46	43.125	16,08
primary goods, energy, water and gas	323	32,76	151.589	56,52
manufacturing	47	4,77	3.159	1,18
technology	227	23,02	22.795	8,50
domestic market	389	39,45	90.649	33,80
Transactions with Latin America and the Caribbean	169	6,00	41.084	100,00
Completed transactions *a	102	60,36	26.965	65,63
public companies	36	35,29	23.543	87,31
private companies	66	64,71	3.422	12,69
Completed, with amount *b	58	34,32	26.965	100,00
public companies	23	39,66	23.543	87,31
private companies	35	60,34	3.422	12,69
primary goods, energy, water and gas	23	39,66	24.100	89,38
manufacturing	4	6,90	95	0,35
technology	10	17,24	122	0,45
domestic market	21	36,21	2.648	9,82

Source: Adapted from Dussel Peters (2013)

*a The databank provides information on transactions that are ongoing, planned, cancelled and/or completed.

*b For various reasons (confidentiality, low amounts and/or non-availability) the databank does not report the amount of all transactions.

Conclusions: Are we moving toward a common long-term development strategy?

In spite of the fact that over the last five years the number of studies conducted within LAC on China has been increasing and more is known, in general there is still a great amount of ignorance surrounding LAC's relationship with China. Overall, a large majority of studies and assertions on China within LAC focus on the economy and trade and investment from a macroeconomic perspective with little national or regional understanding of the specifics of interaction with China. The effects of trade and investment with China, the differences in said trade and investment, the impact in terms of forward and backward linkages, technological development, and wages and jobs, to name a few areas of interest, remain unclear as do differences with other countries. Nor have negotiations with the public and private sectors, academia and others been studied or compared.

Equally important is the fact that there are currently no institutions in LAC that either specialize in or regularly analyze China from a regional perspective (there are very few at the national level within LAC). From time to time ECLAC and the IDB have produced analyses and documents on the topic. Of particular promise is the Forum on China proposed by CELAC in January 2014. The People's Republic of China has been proactive on this front, both through its "White Paper" on China's relations with LAC published in 2008, as well as through the central government's efforts to hold annual "China - Latin America Business Summits" since 2007. In both cases, however, the Latin American response has been "timid:" LAC does not have a "White Paper" on China and there is no detailed information available at these business summits on the conditions, structures or limitations regarding the LAC-China relationship, even as it pertains exclusively to the business sector.

As a consequence, there are currently no plans --until January 2014 at CELAC's behest-- to formalize any form of LAC-China regional dialogue, much less a detailed strategy or agenda. At the national level, the most notable analyses and proposals come from Brazil (CBBC, 2013) and specifically Mexico (Agendasia, 2012; Dussel Peters, 2011). "The Mexico-China Strategy Agenda" --created by more than 70 experts from the public and private sectors and academia-- with an analysis filling more than 200 pages on four pivotal themes (including economics and political relations) and 100 proposals, indicates the enormous potential of a long-term strategic agenda between LAC and China: from demanding reciprocity on trade

and investment conditions to addressing topics related to statistics, infrastructure, tourism, visas, and cooperation in regional, bi-regional and multilateral political institutions, as well as education, learning Spanish and Mandarin, etc. Conditions do not currently exist in LAC to build a strategic agenda in the short-, medium- or long-term because for the most part, individual LAC countries do not have any national analyses or proposals that could be used as a foundation for a regional consensus on China.

This paper offers a number of important conclusions that point to the immediate need for Latin America to establish a working agenda on economic issues (trade and investment).

First, it is important for LAC to come together and understand Chinese actions in recent decades vis-à-vis their national and international development strategy. LAC must also examine the latest efforts by China –at least since the Third Plenary Session of the XVIII Central Committee of the Chinese Communist Party and various associated programs– to “open” its economy and the impact that will have on LAC. LAC must not only deepen the knowledge held by each and every country in the region, but also create and strengthen specialized regional institutions devoted exclusively to China, by bringing together experts from the public and private sectors and academia who continue to work on important China-related issues for LAC.

Second, it is essential to understand the source, tools and goals of China’s current overall development strategy as it concerns trade and investment. China has a relatively coherent and “systematic” national strategy to support manufacturing that involves science and technology, trade, FDI inflows and outflows, etc. This vision of socio-economic development contrasts with the conceptual framework, public statements and policies implemented throughout most of LAC during previous decades that were associated with the “Washington Consensus” and based on a predominantly macroeconomic vision of economic development. An effective dialogue between LAC and China poses real difficulties in light of varying viewpoints and tools and, especially, the disparate outcomes of different development strategies, partially reflected by the superior performance of China’s GDP per capita vis-à-vis Latin America’s. Therefore, decisions by Latin American elites regarding China –based on these contradictory results – must be questioned and there should be calls for evaluation and self-criticism within LAC in the near-term.

Third, the issues discussed above are a reality for trade and FDI flows from China to LAC (OFDI). In less than 10 years, China has become LAC's second most important trade partner and a very important source of FDI, while LAC has gained an important presence in China. LAC has benefited during the last five years from massive exports of raw materials, with historic high prices and positive trade terms. In terms of structure –as was detailed in the second section of this paper– China appears to be replicating relatively old ideas (along the lines of Raúl Prebisch and other authors since then) on development in the region. More worrisome than the increase in trade and investment, is the already high and increasing trade imbalance and, specifically, trade content between LAC and China. From a value-added, concentration and technology perspective, exports from LAC to China have a significantly lower technology content –today exports with medium and high-technology content account for less than 5% of total exports–while more than 60% of total exports from China have the same technology content. The elasticity of Chinese exports to LAC in practically all of their manufactured products, added to the small share that Latin America represents in total Chinese exports suggest that the problem will worsen and will be compounded by the reinforcing effect that Chinese OFDI in LAC has on the trends described above.

Fourth, these conclusions call for an urgent response to the questions raised above at both the national and regional level given the size and dynamism of relations with China. The LAC political environment–regional institutions, national legislatures and executive branches as well as business sectors, academia and others–requires that the issue be explicitly addressed and an “agenda for a Latin American and Caribbean short, medium and long-term development strategy vis-à-vis China” be created. CELAC's proposal is, without a doubt, very important and will require full support from all of the institutions mentioned above.

Fifth, what aspects would be relevant in launching an effective “agenda for a Latin American and Caribbean short, medium and long term development strategy vis-à-vis China?” First, a clear agreement at the political level that promotes a detailed, structured and proactive dialogue–having taken the first step, CELAC should continue by making a financial commitment and working with regional and national institutions in the short, medium and long-term. This has not been achieved in a majority of LAC countries. Second, ascertain differences between LAC countries and define topics for a common Latin American agenda. In principle, it seems to make no sense to “force” topics on which there is no shared interest or that are not

part of the bilateral agenda with China. There is no need to duplicate actions and institutions, instead the Latin American process should be reinforced and pre-existing efforts in the region should be supported. Third, based on existing analyses, it seems that a list of topics for the agenda proposed above already exists: bi-regional political issues in addition to multilateral issues (environment, national security, development, etc.). Both regions must create specific and specialized institutions in order to have a meaningful and proactive dialogue on subjects such as tourism, visas, statistics, trade, investment, infrastructure, education and cultural exchanges, among many others. Regional coordination is essential in creating a bi-regional agenda and bi-regional dialogue that will not ultimately disintegrate into many distinct efforts that mirror individual bilateral efforts.

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CHINA AND LATIN AMERICA IN A WORLD IN TRANSITION: A CHINESE PERSPECTIVE

*Song Xiaoping*¹⁰

1. China and Latin America in a changing world scenario

The global financial crisis of 2008 had a strong impact on the international political and economic situation. It caused an unprecedented complex and profound transformation. The level of interdependence among countries grew increasingly stronger, accompanied by greater multipolarization and economic globalization. The international community was faced with the task of overcoming the economic crisis and rebuilding a fair and equitable international financial system. It also confronted serious challenges such as: social upheavals, food security, energy security, public health issues, international terrorism, drug trafficking and contraband, as well as organized crime and the growing power of transnational corporations. In spite of the radical change in the international scenario, peace and development will continue to top the global agenda for many years to come. China and developing countries will continue to benefit from a historic period full of opportunities for sustainable development.

Multipolarization continues to develop, although the current situation of “one superpower with many powers” will not dramatically change in the long-run. At present, the European Union and Japan are actively trying to become world powers alongside the United States. Emerging countries have obviously improved their international position. Russia, India, Brazil and South Africa are working to strengthen their international standing in order to be seen as points of reference in the future global scenario. Latin American countries are deepening regional integration efforts via the Community of Latin American and Caribbean States (CELAC), trying to form a bloc and become one of the most important poles in the world. Yet, even though the shift towards “multiple powers” will continue, no country or bloc will be able to replace the United States as a superpower for a considerable period of time.

International forces are aligning in such a way to bring about important changes that favor China and other developing countries. The economic power of the

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United States and the European Union is declining while that of China and other emerging countries is rising. The G-8 is powerless to fix global affairs, but the G-20 is gaining strength and the BRICS countries are increasing cooperation and actively participating in international affairs. Emerging countries have attained a higher standing in current global political and economic affairs and have taken on the role of global protagonist.

Given this new situation, the strategic interests shared by emerging countries are becoming more pronounced and the consensus on the need for unity and cooperation is becoming stronger every day. In order to achieve their goals and protect their interests, emerging countries are working together to reach a common position and are engaged in joint efforts to safeguard the interests of developing nations. These countries are seeking mutual support and understanding on issues related to their specific problems and hope to resolve them by reinforcing cooperation and mutual support. At the First Summit of BRIC leaders, President Hu Jintao said: "We, these four countries, face new development opportunities as well as unprecedented challenges. We should seize the historic opportunity, strengthen unity and cooperation, and jointly safeguard the overall interests of developing countries."¹¹

China's strengthened economic power and its higher political position in the international system have a significant impact on the shape of the new world order. Political, economic and social development in China is well-known throughout the world. China is the second largest economy with a GDP of US\$ 9.038 trillion in 2013 and holds the top spot in global trade.

Latin America's position in the international system rose following the global financial crisis. This was primarily due to its ability to avoid the effects of the crisis, the boom in Latin American emerging economies, and stronger regional integration. In contrast to the past, when Latin America used to be the region most severely affected by successive global financial crises, it was one of the few places in the world that was able to make a quick recovery following the 2008 crisis. This is due to the fact that it did not experience a credit crunch or any financial upheavals, even in the face of a drop in foreign demand and overseas remittances. In recent years Latin American countries have maintained economic growth rates above the world average. This result is intimately tied to the policies they adopted, for example finding an opportune moment for economic readjustment based on the lessons and

11 Jintao, Hu, Speech at the Summit of BRIC leaders, People's Daily, June 17, 2009, p.3.

experiences of the previous crisis, improving the financial and monetary system, emphasizing social cohesion policies, expanding domestic demand, actively participating in the globalization process, etc.

A number of emerging countries have appeared in Latin America, reinforcing the influence of Latin America in international political and economic affairs. Some Latin American countries are members of the G-20 and other multilateral organizations. Brazil holds sway in international political and security spheres. Brazil, Mexico, Argentina, Chile, Colombia and Peru are already on or are about to be included on the list of important emerging countries that actively participate in international issues, strengthening the region's ability to negotiate on an international level and safeguard its economic interests.

This rise in its international position is the result of Latin American regional integration, which has entered a new phase marked by greater integrity and coordination. Based on the diversity of interests, sub-regional organizations have gained new relevance. The Union of South American Nations, the Bolivarian Alliance for the Peoples of our America and the Pacific Alliance have created a new framework for sub-regional cooperation in Latin America. After many years, the Community of Latin American and Caribbean States has been established, an organization that includes all of Latin America. For the first time, the region will be able to speak with one voice, thereby strengthening its ability to coordinate efforts in regional and international affairs.

Latin America has full confidence in itself: "A new political geometry is being construed in which no one acts alone. The future will not only be shared, but also negotiated, and the region must be sitting at that negotiating table."¹²

2. A look at Sino-Latin American relations from a strategic perspective

Relations between China and Latin America are based on common interests. As Chinese President Hu Jintao said, "China has always given much importance to friendly cooperation with Latin America on a strategic plane. The convergence of interests of both parties has reached an unprecedented level, and bilateral relations, a record high."¹³

12 ECLAC. (13/07/2009). Crisis calls for New World Economic Order. In: <http://www.eclac.org> Accessed: 01/01/2014.

13 Xinhua. (21/11/2008). El discurso de Hu (texto completo) en el Congreso de la República. In:

Common strategic interests include a high level of complementarity in the economic-trade sphere. As China's presence in the global economy deepens, it needs to import huge quantities of raw materials and other goods to support its economic development. Early in this century Latin America became a major supplier of resources to China, such as minerals, energy sources, agricultural products, etc., which are becoming increasingly vital. More and more Chinese companies are vigorously entering the Latin American market. Since the latest global financial crisis, China, while working to raise domestic demand, has been implementing a strategy to diversify its export market. Latin America, with 550 million inhabitants and a GDP of over US\$ 3 trillion, is a crucial part of this strategy.

In recent years, China has become a significant engine for Latin American economic growth. The region sees China as a market with great potential and huge possibilities for exports. The region also has high expectations for Chinese foreign investment and technological cooperation. ECLAC claims that the Chinese economy is the biggest engine for global economic growth and offers a growing market for Latin American exports.¹⁴

China and Latin America also have common strategic interests at the global multilateral level. Each party pays a great deal of attention to the role the other party plays in the international system and global affairs. Latin America plays an important role in China's strategic diplomacy, greater than what many observers believe -which is that China considers Latin America to be nothing more than a consumer market and provider of raw materials and other products in a purely economic sense. However, China considers Latin America a global partner in important international affairs, in reforming the current international system and in global economic development. Latin America, for its part, views China as a partner and a major emerging power, with great influence in the international system. The two regions are working to improve consultation mechanisms and bilateral dialogue. They maintain close cooperation in multilateral systems like the UN, G-20, BRICS and other international organizations and coordinate their positions on problems regarding the global financial crisis, global warming, energy security and food security, the Millennium Project, as well as other global concerns to protect the common inter-

http://news.xinhuanet.com/world/2008-11/21/content_10389431.htm. Accessed: 01/01/2014

14 ECLAC. (2008). Las Relaciones Económicas y Comerciales entre América Latina y Asia-Pacífico. El vínculo con China. In: <http://www.eclac.org/cgi-bin/getProd.asp?xml=/publicaciones/xml/3/34233/P34233.xml&xsl=/comercio/tpl-i/p9f.xsl&base=/comercio/tpl/top-bottom.xsl>. Accessed: 02/01/2014.

ests of developing countries. Cooperation in the area of non-traditional security is growing and gaining importance in Sino-Latin American relations.

Both parties have common strategic interests at the regional level as well. China and Latin America are building regional cooperation from a strategic plane, creating an institutional framework for cooperation and sharing development opportunities. The Chinese government is cognizant of the influence Latin American regional and sub-regional organizations have on regional and international affairs. It also recognizes that exchanges, consultation, and cooperation in various fields are effective ways to reinforce strategic relations between both parties. Latin America's regional vision of China has greatly expanded the Asian country's strategic interests in this area. Diverse Latin American regional organizations also assign great importance to institutional cooperation with China. In 2004, China became a permanent observer at the Organization of American States and in 2009 it became a member of the Inter-American Development Bank (IDB). After joining the IDB, China provided US\$ 350 million to launch new programs. In 2012, the IDB and the People's Bank of China (China's Central Bank) created a joint fund for Latin America and the Caribbean for the purpose of supporting public and private projects that promote sustainable economic growth in both regions. Furthermore, China has established permanent relations with MERCOSUR, the Andean Community and the Caribbean Community (CARICOM).

The strategic interests of China and Latin America also converge at the state to state level. Take for example relations between China and Brazil. Brazil is the first Latin American country to establish a strategic partnership with China. In 2004, China and Brazil signed a Joint Communiqué propelling bilateral relations to a new level. In 2009, China became Brazil's top trading partner. Shared strategic interests became apparent as their global influence grew via consultations at the Vice-Ministerial level on African affairs and through cooperative and coordinated efforts to reform the global financial-monetary system within the framework of the G-20. The fact that the two countries have raised the level of bilateral relations from a "strategic partnership" to a "global strategic partnership" shows that their strategic interests have converged and grown deeper and that their relationship has evolved.

There has also been a convergence of strategic interests on the diplomatic agendas of both China and Latin America. In 2008, China's Policy Paper on Latin America and the Caribbean was issued, which systematically explained the country's Latin

America policy and outlined its strategic approach. At the beginning of the 21st century, the diplomacy agendas of Latin American countries were diversifying and there was a clear shift towards Asia Pacific, more specifically towards China which was gaining importance. In 2011, Mexico, Chile, Peru and Colombia established the Pacific Alliance, which demonstrated, among other things, that cooperation efforts were underway in Asia Pacific and China held the top spot. This was echoed by China. In May 2013, China was admitted as an observer to the Pacific Alliance. In addition, Chinese business and academic circles proposed a feasibility study for a free trade agreement between China and the Pacific Alliance, based on the China and ASEAN model.

Currently, the two parties have great expectations regarding strategic opportunities. Both China and Latin America have full trust in their counterpart and consider the other to be an important engine for long-term development. China's goal for 2020 is to have achieved a modestly comfortable society by doubling GDP and per capita income. In addition, the goal for 2050 is to have a modern, powerful, democratic, civilized and harmonious country. After having successfully overcome the global financial crisis and attained continued economic growth, Latin American countries have entered a period of sustained economic growth. This has increased their self-confidence and given them –as a region- a glimpse at an extended period of opportunities in the second decade of the 21st century, a bright spot in the global economy.

Development goals set by Latin American countries and the Twelfth Five Year Plan as well as long-term Chinese strategic development goals are similar and point to a future in which Sino-Latin American relations could be more fully realized. In addition to converging strategic interests, there will be deeper cooperation, contact and knowledge between the two parties and political and cultural values will also converge. In spite of the vast cultural differences –which many believe pose a problem for mutual understanding between the peoples of China and Latin America- we contend that there are many similarities between their political and cultural values: both parties respect cultural diversity, believing that cultural coexistence is possible among diverse civilizations and social systems that proudly support their own culture and applaud the achievements of others. In terms of political values, in light of similar historical experiences, both highly value independence, justice, equality, autonomy, sovereignty as well as national self-determination.

The Economic Commission for Latin America and the Caribbean has analyzed Chinese–Latin American relations, although these studies have not necessarily been restricted to the economic sphere. Both China and Latin America are important poles of global economic growth with an emphasis on South–South cooperation, including trade, direct investment and cooperation; China–Latin America relations have matured significantly and are “poised to make a qualitative leap towards a mutually beneficial strategic alliance.”¹⁵

3. Chinese policy on Latin America and the Caribbean

China’s Policy Paper on Latin America and the Caribbean, issued by the Chinese government, thoroughly and systematically explained China’s political and strategic policy on Latin America and the Caribbean.

Definition of global cooperative partnerships. Global cooperative partnerships are the Chinese government’s formal definition for relations between China and Latin America. It is also the norm that guides China in developing relations with the region and leads them into the next stage. The document states: “To enhance solidarity and cooperation with other developing countries is the cornerstone of China’s independent foreign policy of peace. The Chinese Government views its relations with Latin America and the Caribbean from a strategic plane and seeks to build and develop a comprehensive and cooperative partnership featuring equality, mutual benefit and common development with Latin American and Caribbean countries.”¹⁶ During a visit to Latin America that same year, President Hu Jintao delivered a speech on concerted efforts to establish a global cooperative partnership between China and Latin America in the new era to the Peruvian Congress, in which he methodically explained the meaning of global cooperative partnerships.

General goal of global cooperative partnerships: In the same speech, President Hu Jintao offered a concise description of the overall goal of global cooperative partnerships with Latin America.¹⁷

15 Rosales, O. & Kuwayama, M. (April 2012). China and Latin America and the Caribbean: Building a Strategic Economic and Trade Relationship. Economic Commission for Latin America and the Caribbean, Santiago. p.12.

16 Ministry of Foreign Affairs of the PRC. (2008). China’s Policy Paper on Latin America and the Caribbean. p.33.

17 Xinhua. (21/11/2008). El discurso de Hu (texto completo) en el Congreso de la República. In: http://news.xinhuanet.com/world/2008-11/21/content_10389431.htm. Revisado: 01/01/2014

- Mutual respect and expanded common ground. Persevere with the 5 principles of peaceful coexistence, treating the various Latin American countries as equals and with respect. Continuously strengthen dialogue and communication with Latin American countries, enhancing political mutual trust and strategic common ground, continue to show understanding and mutual support of issues involving each other's core interests and major concerns.
- Mutual benefit and win-win results. The two sides leverage their respective strengths and become each other's partner in economic cooperation and trade for mutual benefit in the pursuit of common development.
- Learn from each other, make joint progress and intensify exchanges. Carry out more cultural exchanges, learn from each other's positive experiences, and jointly promote development and the progress of human civilization.

The overall goal of global cooperative partnerships is not limited to common strategic interests in the political, economic and cultural spheres, which China is, in fact, pursuing in relations with the region. It also includes principles, ideas and values to further develop bilateral relations, defining the standard for a new type of relationship between states.

Values for a global cooperative partnership. The values being upheld in these new types of relations between states are best explained by the principle of “equality, mutual benefits and common development.” Common development through mutually beneficial cooperation is where Chinese and Latin American interests converge. China offers a clear explanation of the principle of “equality, mutual benefit and common development”: China believes that common development is the principal theme of global cooperative partnerships between China and Latin America. It also believes that development is the most urgent task for China and Latin America and that both countries are at a crucial point in their development. Each country presents an opportunity for the other's development. China is willing to expand pragmatic cooperation with Latin American countries in various fields to promote their development and this, in turn, will boost common development.¹⁸

Convinced that perseverance is required on the road to peaceful development, China believes that “equality, mutual benefit and common development” is the “fun-

18 Xinhua. (21/11/2008). El discurso de Hu (texto completo) en el Congreso de la República. In: http://news.xinhuanet.com/world/2008-11/21/content_10389431.htm.

damental principle” for promoting global cooperative partnerships between China and Latin America. China always travels down the path of peaceful development. It is unwavering in its opening up strategy of mutual benefits and win-win results. China maintains that all countries, whether large or small, strong or weak, rich or poor, deserve equality. It believes that protecting and developing the common interests of China and Latin America is the starting point and purpose of bilateral cooperation. It respects the right of countries to determine their own development path and supports reciprocal treatment based on equality. It takes into consideration the righteous concerns of Latin American countries and makes an effort to achieve mutual benefits and win-win results. The values upheld by China for global cooperative partnerships are also seen in the five principles of peaceful coexistence, which are the basic principles of China’s foreign policy: respect for territorial sovereignty, non-aggression, non-intervention, equality and mutual benefit and peaceful coexistence.

Key aspects of Sino-Latin American relations. Expanding economic-trade cooperation is the cornerstone of China’s Latin America policy and is determined by China’s long-term economic development strategy. The Latin American market holds great strategic value. Latin American energy sources and minerals help guarantee China’s economic security. It is important to link exploitation of the Latin American market with sectoral and economic structural readjustment in China, with optimizing the global distribution of productive resources, and with the internationalization of market competition.

Today, China’s traditional markets –the United States, European Union, Japan and the countries and territories of Southeast Asia– are essentially saturated. Furthermore, the major developed economies find themselves in a state of inertia and China’s trade with these markets has dropped sharply. Thus, China has devised a strategic plan to diversify its export market, with an emphasis on emerging economies, which include the main countries of Latin America. Meanwhile, China is strengthening its strategy that calls for Chinese companies to “Go Out” for the purpose of making investments. Latin America is one of the chosen destinations. Currently, China’s economic strategy for the region is directed at, among other things, building an institutional framework for free trade, the result of deeper economic-trade relations with the region.

The strategic and global character of China's Latin America policy. China has a global and strategic vision for relations with Latin America, both in terms of its macro-design and in managing concrete issues. In May 1988, in a conversation with Argentine President Raúl Alfonsín, Mr. Deng Xiaoping said: "We will have to wait at least 50 years for a true Pacific era. At that time there will also be a Latin American era. I hope the Pacific era, Atlantic era and the Latin American era appear at the same time."¹⁹ This assertion reflects the global and strategic plane through which successive generations of Chinese leaders have viewed relations between China and Latin America. In terms of concrete issues, China has always held a long-term strategic vision. Since 1993, the year in which China established a strategic cooperative partnership with Brazil, it has worked toward building a framework for global cooperative partnerships with Latin American countries, which by now is basically complete. These types of partnerships have been established with Brazil, Mexico, Argentina, Venezuela, Chile and Peru. The global and strategic character of China's policy on Latin America is clearly reflected in its relations with Brazil. In a meeting with Brazilian President Dilma Rousseff in 2012 during the IV BRICS Summit, Hu Jintao said that relations between the two countries have moved beyond the bilateral sphere and that their global and strategic character is becoming more evident every day. He added that China wants to jointly enhance relations with Brazil so that they may serve as an example of the new type of relations between states in an era of deeper economic globalization.²⁰

Multifaceted cooperation. China tries to balance and coordinate the various fields of cooperation. Since the turn of the century, political and economic-trade relations have intensified, while cultural exchanges and mutual understanding between peoples and diverse social sectors in both countries have, relatively speaking, fallen behind, thereby impacting the social base of Sino-Latin American relations. Cultural differences between China and Latin American countries are significant and represent a serious impediment to improving relations. Only with expanded cultural exchanges can the cultural and social bases of relations be strengthened, thus building a foundation for stable and long-lasting relations. In recent years, the Chinese government has intensified its policy by increasing substantial resources, establishing Confucius Institutes, reinforcing cultural exchanges in numerous areas

¹⁹ Party Literature Research Center of the Central Committee of the CPC. *Chronological Life of Deng Xiaoping 1975-1997*. Published by the Central Committee of the CPC, Beijing, 2004, p.1231.

²⁰ China Daily. (28/03/2013). Xi Jinping se reúne con la presidente de Brasil, hizo incapié en que la cooperación es una elección estratégica firme. In: http://www.chinadaily.com.cn/hqgj/2013xjpsccf/2013-03/28/content_16351662.htm. Accessed: 02/02/2014.

and public diplomacy, spreading information on the thousand year old Chinese culture and history and introducing the image of a modern China, all for the purpose of increasing China's soft power in the region.

4. Evolution of China - Latin American relations

Since the founding of the People's Republic of China in 1949, Sino-Latin American relations have passed through 5 periods.

First period: People's exchanges (1949-1969). Due to hostile U.S. policy and pressure to cut off China combined with the ideological bias of Latin American governments, China only had diplomatic relations with Cuba. Exchanges were limited to members of the public, with no exchanges between officials.

Second period: Surge in establishment of diplomatic relations (1970-1978). Due to the thaw in relations between China and the United States, China experienced a boom and diplomatic relations were established with 9 countries in the region such as Chile, Peru, Mexico, Argentina, Venezuela and Brazil.

Third period: Expanded relations (1978-1992). Following China's reform and opening up policies in 1978 and the shift in its Latin America policy, the Asian country rapidly expanded relations with Latin American countries, establishing diplomatic relations with a majority of countries in the region.

Fourth period: (1993 2000). Building strategic cooperative relationships. With the important achievements of China's reform in place, Latin American countries increasingly prioritized their relations with China. In 1993, China established a strategic cooperative partnership with Brazil, thereby initiating the process to build a framework for strategic cooperation with Latin America, expanding the base of shared interests and common areas of cooperation.

Fifth period: (2000 to the present). Unprecedented development in terms of speed, depth and breadth.

In the last 5 years, relations have progressed significantly, revealing greater maturity, robustness and potential. The first global cooperative partnerships were established during this period, demonstrating clear global and strategic features.

In the political sphere, many meetings have been held between leaders, both during state visits and on the margins of multilateral events like the G-20, APEC and BRICS summits and others. This has led to increased knowledge and greater mutual trust. China has set up high-level strategic dialogue mechanisms with many Latin American governments. In fact, political consultation mechanisms have been set up with 21 countries through their ministries of foreign affairs, as well as a similar mechanism with sub-regional organizations, such as the Rio Group, MERCOSUR, the Andean Community, the Caribbean Community, etc. Both parties have adequate institutional frameworks for carrying out exchanges and consultations in order to seamlessly coordinate positions and actions in bilateral and multilateral affairs.

In the economic-trade sphere, the amount of trade increased from US\$ 14 billion in 2001 to US\$ 261.2 billion in 2012. According to the Chinese plan, between 2013 and 2017, trade with the region will reach US\$ 400 billion. This will make China the top trading partner for both Brazil and Chile, and the second largest trading partner for Argentina, Mexico, Peru and Venezuela. The amount of China's non-financial investment in Latin America amounted to US\$ 65 billion. Latin American investment in China also grew significantly to US\$ 153.3 billion by the end of 2011, with 27,875 on-going projects.²¹ Investment cooperation includes the energy, telecommunications, agriculture, and infrastructure sectors and others.

There have also been important structural and institutional changes in trade and investment. Cooperation is gradually shifting away from a focus on primarily trade to one on trade and investment; from simple trade to the institutionalization of preferential trade. China has signed free trade agreements with Chile, Peru, and Costa Rica and is in the process of carrying out feasibility studies on a free trade agreement with Colombia.

One new type of investment is China's creation of special economic zones or industrial parks in Latin American countries. During his visit to Chile in 2012, Chinese Premier Wen Jiabao stated that China would set up 5 or 8 agricultural science and technology research centers in the region, experiment with processing agricultural products, and create zones to promote agricultural investment. During his visit to Costa Rica in 2013, Chinese President Xi Jinping said that China would help Costa

21 Kunsheng, Zhang. (2012). "Algunas consideraciones sobre las relaciones entre China y América Latina en el nuevo período", in: *Estudios Internacionales*. Vol.5, p.5.

Rica establish special economic zones based on the Free Trade Agreement between the two countries.

Exchanges in science and technology, tourism, culture and sports are also constantly being expanded. There have been many achievements in the fields of aviation and space exploration, new energy, and the environment. China and Brazil made significant progress in cooperation on earth resources satellites. Brazil provided airplanes to Chinese domestic airlines. China and Venezuela and Bolivia, respectively, had much success in cooperation on satellite launchings. China and Brazil will set up weather satellite centers and bio-technology centers to promote climate research, prevent natural disasters, and produce bio-medicines and bio-products. China and Cuba had great success cooperating on profit-making efforts in the Chinese bio-medicine market. China announced that some 20 Latin American countries had been declared international tourist destinations for Chinese citizens. Confucius Institutes and Chinese language schools were set up in almost all Latin American countries. As for cooperation in education, China will grant 5000 higher education scholarships within Latin America between 2012 and 2017.

In recent years, relations between the two parties have assumed new general characteristics.

Growing attention being paid to the domestic macroeconomic policies of the other party. Economic interdependence between China and Latin America has deepened. Currently, China, as well as many Latin American countries, is involved in a process of economic transformation, centered around improvements to its industrial structure. Old low value-added companies are gradually being replaced by high value-added businesses, innovation is being promoted as are services and emerging strategic sectors, the trap of “middle income countries” is being surmounted, and an economic transformation is taking place that is no less complicated or important than reforms implemented to date.

This transformation will bring about changes in economic interdependence between both parties and, consequently, in economic-trade relations, causing each party to pay closer attention to the macroeconomic policies of the other. As China’s economic power increases, it will become an influential independent variable for many Latin American economies. The cyclical growth of the Chinese economy affects the demand for exports and therefore, affects Latin American economies. Paying attention to each other’s policies moves beyond the diplomatic sphere into

the macroeconomic sphere and the subject of industrial and economic structural reform.

Multidimensional relations between China and Latin America. China has specialized relations with each individual Latin American country, although these very same relations are simultaneously infused with regional characteristics. The diversity of strategic interests among various Latin American countries and, as a result, the diversity of their foreign policies and positions on the international stage due to distinct geopolitical-economic factors -different levels and stages of development as well as diverse domestic political situations, including ideologies- determines the personalized aspect of China's relations with each one of these countries.

In July 2012, regional powers China and Brazil deepened relations to that of a global strategic cooperative partnership. This marked the beginning of strategic cooperation at the global level. China and Chile deepened their relations from full cooperative partners to strategic cooperative partners, demonstrating economic pragmatism and maturity in their bilateral relations. With the PRI's return to power in Mexico, the leaders of the two countries held several successful meetings, with a view to enrich the content and development of bilateral relations, propelling them into a new phase. In 2013, President Xi Jinping visited Mexico. At that time, the two countries deepened the relationship from that of strategic cooperative partners to global strategic partners. At the sub-regional level, ALBA and the Pacific Alliance also offer China an opportunity for cooperation, based on specialized features and strategic interests.

In spite of the diversity in Latin America, the countries do share histories and cultures which serves as a basis for regional integration. In addition to the need for bilateral cooperation, there is a regional element to relations that allows China to deal with Latin America as a bloc with common strategic interests when creating an institutional framework for cooperation. In other words, China could adopt a strategic dialogue with Latin America that is similar to the way in which it interacts with the European Union and the African Union. During his visit to Chile in 2012, Chinese Premier Wen Jiabao presented an initiative to create the China-Latin America Cooperation Forum. This initiative would elevate relations because it would encompass the entire region and act as the nucleus of a future cooperation mechanism. It would not only lead to better coordination in bilateral relations, but also further strengthen the power and position of both parties in

international fora. The proposal has been well received by many Latin American countries and sub-regional organizations.

Growing capability in planning and coordinating relations. China and Latin American countries have created medium and long-term cooperation organizations and schemes as well as action plans. The China-Mexico Permanent Binational Commission has issued two Joint Action Plans. The China-Brazil High Level Coordination and Cooperation Committee has achieved several successes. In 2012, China and Brazil signed the 10 Year Cooperation Plan to guide future bilateral cooperation. China and Argentina started building a joint action plan (2013-2017) that will include on-going projects and those marked as a future priority. China and Chile agreed to set up governmental mechanisms to design joint action plans for cooperation.

5. Some problems in relations

Relations between China and Latin America have experienced some problems that should be mentioned:

Problems in economic-trade cooperation. Alongside the achievements, there have also been some problems, for example trade tensions and a rise in the number of anti-dumping cases, a trade imbalance between the two parties, etc. Chinese exports are primarily composed of manufactured goods. Latin American exports, however, mainly consist of a few types of raw materials, such as minerals and agricultural products, giving rise to the so-called “re-primarization” of Latin America. These problems have attracted the attention of the international academic community. Javier Santiso, an economist at the Organization for Economic Cooperation and Development (OECD), says that in the first 10 years of this century, China’s rise, as well as Asia’s rise, had become the third engine for economic growth in Latin America. For those Latin American countries that have benefited from China’s rapid development, the major problem is not only how to take advantage of this opportunity, but also how to avoid falling into the category of countries that produce raw materials and getting stuck at the bottom of global value chains.²²

These problems are based on economic, political and social factors. In terms of their economic-trade aspect, the following analysis can be made:

22 Santiso, J. (2009): *The Visible Hand of China in Latin America*. Chinese version. World Knowledge Publishing House, Beijing: China, p. 5.

An examination of Chinese manufactured goods exported to the region reveals an imbalance in technology levels, with technology-intensive products making up a small share that is significantly lower than what the local market could absorb and what China's manufacturing capacity could deliver. The majority of manufactured goods exported by China to the region have medium- and low-technology levels. A review of the geographic structure of Chinese exports to the region finds that 85% of exports are imported by only eight large, and a few medium sized countries. Moreover, there are trade "surpluses" and "trade deficits." Reliable studies show that there are trade opportunities in the region. The potential associated with exporting technology-intensive products must be realized. These markets, plagued by "insufficient trade," must be more fully exploited, without curtailing efforts in medium and small countries in the region. Thus, the strategic plan designed by Chinese government organizations to diversify export markets has some significant shortcomings.

An analysis of trade and economic growth models finds that traditional models are in crisis. After several decades of accelerated economic growth, China is on the threshold of transitioning from a traditional model based on low value-added and low technology-content, currently in crisis, to one that is technology-intensive -the key to overcoming the so-called "middle income trap." In reality, Latin American countries entered the ranks of middle income countries decades ago, well before China did, initiating a period of economic transformation. Currently, China and Latin American countries are experiencing the same economic transformation that will allow them to elevate bilateral economic relations to a new level.

China is working to speed up its trade and economic transformation which is at the heart of its Twelfth Five Year Plan. The core of the transformation in the economic structure is to be able to adapt to changes in domestic and global economic situations, accelerate the creation of new growth poles, raise technology levels and economic efficiency, and reinforce international competitiveness. As part of this process, both China and Latin American countries can take advantage of opportunities stemming from economic transformations by the other party, expanding exports of non-traditional goods and high-technology goods and increasing investment in the other party's market, which promotes intra-industrial trade and deepens economic-trade complementarity.

China's economic transformation and increased investment in Latin America presents new opportunities for trade-economic relations between China and Latin America. The key to achieving balanced trade and economic exchanges between the two parties is for China to invest more heavily in the region, transferring its manufacturing capacities while maintaining its current level of exports. This significant readjustment will change the structure of goods imported from Latin America because it will create a new efficient sectoral division between China and Latin American countries. Latin America, for its part, will alleviate the lack of productive investment and the low value-added aspect of its exports. In turn, China will adapt to the investment needs of the international market and optimize its industry structure.

An additional important problem is the investment climate in the region. In 2012, according to The Heritage Foundation, Latin America maintained a level of investment freedom higher than the global average. Yet, the average for business freedom is below the global average. The degree of trade freedom is also slightly lower than the global average.²³ Many Latin American countries suffer from deficiencies, such as inconsistent policies, inefficient government organizations, poor infrastructure, unfavorable financing conditions, macro-economic instability and an inadequate social security system. With respect to ease of investment, problems in the business environment include tax payments, bankruptcy procedures, registration of ownership, business registration, implementation of investment contracts and investment protection, etc. Improving the investment climate will create favorable conditions for a boost in investments by Chinese companies in the region.

The U.S. factor in China-Latin America relations. The so-called U.S. factor in relations between China and Latin America became larger against the backdrop of the superpower's unique position and the particular features of Sino-Latin American relations as well as Sino-U.S. relations. The United States is constantly aware of developments in relations between China and Latin America and adopts specific measures like boycotts, intervention, or prevention at different times when facing different problems.

At the start of the new century, growing Sino-Latin American relations were a cause of great concern in official and non-official circles in the United States. The

23 The Heritage Foundation. (2012). Index of Economic Freedom 2012. In: <http://www.heritage.org/index/>. Accessed: 04/03/2014.

U.S. government started paying attention to China-Latin America relations in 2004 when the U.S. Congress began to hold frequent public hearings on Sino-Latin American relations to determine their impact on the United States. On April 6, 2005, in a meeting of the U.S. House Subcommittee on the Western Hemisphere, Roger Noriega, Assistant Secretary for Western Hemisphere Affairs presented a report titled *China's Influence in the Western Hemisphere*. The report revealed that the U.S. government still did not perceive China's presence in Latin America as a threat and that no important or critical changes had been made to its Latin America policy. However, the U.S. undoubtedly had heightened concerns and was paying more attention to the evolution of Sino-Latin American relations.

In 2006, U.S. Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon visited China. During his visit, China and the United States established a bilateral consultation mechanism on Latin American affairs within the framework of the strategic dialogue initiated in 2005. Both parties spoke for the first time about the situation in Latin America, discussing their policies and relations with the region as well as areas of cooperation. Shannon felt the meeting was positive and thought it would help the U.S. government better understand China's policy on Latin America, reinforce mutual trust between China and the United States, and promote cooperation between the two countries within Latin America that would ultimately benefit all three parties (the United States, China and Latin America). Shannon asserted that the United States was not opposed to China developing relations with Latin America, but that it had been concerned about Latin America's complicated situation over the past few years, for example, Venezuelan President Hugo Chávez had been complicating Latin American affairs more and more. He also noted that the United States does not want this complicated situation in Latin America to worsen nor there to be any misunderstandings in U.S.- China relations concerning China's relations with Latin America. China's interest in Latin America is recent. Therefore, from the start, the United States and China have had to foster understanding and strengthen interactions in order to prevent such misunderstandings.²⁴ China and the United States held a second round of consultations in the U.S. in December 2007.

On October 16, 2008, the third round of consultations was held in Beijing. China stated that friendly relations and cooperation with Latin America had reached un-

24 Shixue Jiang. (2013). "Cinco Preguntas sobre las Relaciones Sino-latinoamericanas", in: *Estudios Latinoamericanos*. Vol.5., p.9.

precedented levels, that they concurred with the interests and needs of China and Latin America, and were beneficial to China's development and the stability and development of Latin America. Shannon stated that China's growing influence in Latin America was the result of its increased power and economic vigor overseas. In an era of globalization, Latin America plays an increasingly important role and the presence of emerging economies, like China, in Latin America is a natural occurrence. The United States believes that China's presence in Latin America is inevitable and also positive.

Dialogue and consultations between high level officials involved in Latin American affairs –part of the strategic dialogue between the governments of China and the United States– play an important role in eliminating suspicion and misunderstandings by the United States and strengthen cooperation between these two countries on Latin American affairs. Based on these consultations, it appears that the United States does not consider China's presence in Latin America to be a real threat to U.S. hegemony in the region. Nevertheless, the U.S. government is paying close attention to how relations develop, especially China's policies and relations with left-leaning Latin American governments and military relations between China and Latin America.

As a result of changes in global circumstances, the U.S. government had to face reality and readjust its policy. In 2008, the U.S. government voted in favor of China joining the Inter-American Development Bank, reversing its previously long-held position.

The U.S. public and academia also have opinions on Sino-Latin American relations, which can be divided into two trains of thought: one talks of the “Chinese threat” and the other of the “Chinese opportunity.” The first argues that because China has actively pursued relations with Latin America in recent years, it poses a threat to the United States politically, economically, culturally and on security matters, challenging U.S. hegemony and influence in Latin America. The second contends that Chinese relations with Latin America remain weak and cannot compare with the extremely close ties between the United States and Latin America, which are centuries old. China-Latin America relations focus mainly on common economic needs and the China factor helps stabilize Latin America's economic growth, providing an opportunity for the region.

In the context of economic globalization, China and the United States are highly

interdependent in multiple areas. The relationship is so complex that they cannot be described as friends or enemies, but rather important stakeholders. Both parties are interested in including topics of common interest in the framework for a strategic dialogue mechanism between the two countries. The Chinese government maintains a positive outlook on consultations with the U.S. government on Latin American affairs, hoping to alleviate or eliminate any possible perception of threat by the United States. However, China has decided to develop and maintain bilateral relations with Latin American countries, ignoring external interferences. It also pays attention to the impacts and restrictions associated with the U.S. factor. It proceeds cautiously on issues that are sensitive to the United States in order to guarantee that China-Latin America relations evolve in a healthy manner, without foreign interference, and do not affect strategic relations between Beijing and Washington.

“De-ideologization” of relations. During the Cold War, China was considered a “communist threat.” Yet today, this phrase is not often heard even though right-wing elements persist that have strong ideological prejudices against China. Certainly, ideology influences the foreign policy goals of a country, but it is only one of many factors. China’s foreign policy is always built upon the five principles of peaceful coexistence. With any country, whether it adheres to a left-wing or right-wing ideology, China will always seek normal relations based on the five principles of peaceful coexistence. In the wake of China’s reform and opening up, its Latin America policy tends toward de-ideologization, which is welcomed and supported by Latin American countries.

There are left-leaning governments in Latin America that try to form political alliances with China, hoping that China will be a “balancing” factor against U.S. power. They even try to play the “China card” in dealing with the United States. Those Latin American countries with left-wing governments, in general, are friendly to China and hope to promote bonds of friendship and cooperation because they agree on many international issues. China wants to develop friendly relations with these countries, is attentive to and supports their rights and demands, promotes bilateral relations based on the five principles of peaceful coexistence, and doesn’t let ideology interfere in its cooperation strategy with Latin America. In fact, de-ideologization is also a trend in Latin American politics. Between the left and the right, the ideological struggle tends to be overshadowed by struggles concerning development models, paths and policies.

The Taiwan problem. Of the more than 20 countries that have diplomatic relations with Taiwan, 10 are found in Latin America. Therefore, the tension between the peaceful reunification of China and Taiwan's hopes for independence, a fundamental issue for China, is quite obvious in this region. In spite of the fact that in 2008 the Guomindang Party returned to power in Taiwan and called for a "diplomatic truce," the Taiwan problem will continue to be of global importance to China.

6. Outlook for relations

The next 10 years will be a period full of opportunities for China to further develop relations with Latin America. Both regions will continue to experience stable economic development, while reforms and economic transformation will open new horizons for economic-trade relations, and stronger international positioning will provide more room for cooperation.

Over the past 10 years China has paid much attention to Latin America, unlike many developed countries. For some time now, the United States has shown a certain degree of inertia in its Latin America policy. The Obama government has little to show in the way of progress since foreign policy priorities have focused on Asia Pacific, the Middle East and Europe. Due to the debt crisis, Europe has not been able to develop long-term strategic relations with Latin America. This provides China with a great opportunity to develop its relations with the region.

The international climate and conditions are important for the future development of China-Latin America relations, but even more important are the need for a strategy to deepen relations and the efforts required to implement it. China and Latin America have decided to be trusted and cooperative partners, based on mutual benefit and win-win results, and to be an example of active dialogue between different civilizations. Strategic interests will have to come closer together and both parties must seek greater wisdom and intelligence.

LATIN AMERICA, UNITED STATES AND CHINA: STRATEGIC CONTINENTAL RELATIONS

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Relations between the United States and Latin America have been atypical for the last 25 years. An unusual calmness has prevailed, stemming from what Peter Smith states is the only period in which there has not been a rival from outside of the hemisphere. (Smith, 2013: 209).

The arrival of China and its burgeoning relations with Latin America bring a certain level of nervousness to a region traditionally considered to be under the U.S. sphere of influence. The arrival of a new actor on the scene raises the question of a transfer of power, one that had already been predicted by Organski, who in the 1950s foresaw China as the next Great Power (Organski, 1968). In addition to the power transition theory, other factors such as the proliferation of actors and interests and new forms of interaction have increased the likelihood of disagreements and in turn, regional imbalance.

This study answers some of the questions regarding the reach of China's power and its impact on hemispheric relations. It examines the implications of multidimensional advances in diplomacy (political, economic and security related). It also looks into China's "soft" power capability and how Chinese intentions in the region are perceived. The study is based on three premises.

First is the traditional theoretical framework that explains how triangular relations were established as well as U.S. perceptions of China's arrival in the region. The second is that upon arrival, China found a hemisphere already polarized by internal events. Over the past 15 years Latin America has been distancing itself from the "there is no alternative" concept and the neoliberal model. The region is changing the way it defines its interests in democracy, security and economic issues, topics of concern it shares with the United States. The third premise has to do with differences in how these subjects are being addressed, leaving room for China to deepen relations, especially in economic matters; however, this does not directly lead to expanded relations, or the superimposition of topics, or possible conflict. We found that relations with the East run parallel to relations with the U.S. One thorough

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empirical analysis suggests that the triangular dynamics between China-United States-Latin America move in a continuum between two extremes: imbalance and harmony. Most importantly, it indicates that circumstances surrounding United States-Latin America relations, in the context of China's arrival, are complex and contrast with the ubiquitous tragedies of realism (Waltz, 2010).

1. China: a tale of two extremes

China's arrival and its impact on relations between the United States and Latin America is not limited to regional issues but may be clear evidence of U.S. decline and the entrance of a new actor in the international system. The leading explanation of the triangular relationship traditionally falls within transition theory and, in this particular case, the arrival of China has been interpreted from two extremes. The first claims that offensive diplomacy is being used to challenge the U.S. status quo while the second suggests benign diplomacy, which provides China with an opportunity to become familiar with international rules and create positive alliances (Ikenberry, 2012; Mearsheimer, 2001; Wendt, 1999).

For many, China's growing presence in Latin America would seem to indicate that predictions of the "rise and fall of great powers" have come true: a new balance of power has emerged, marked by the gradual economic expansion of China and a relative weakening of the U.S. (Kennedy, 2010). Since 2005, the discourse on this subject has passed through two stages (Nolte, 2013). The first is characterized by the level of nervousness felt in Washington political circles. After all, Latin America was the final landing strip for the "Go Out" strategy after Southeast Asia and Africa (Alden, Large, & De Oliveira, 2008; Kurlantzick, 2008).

The first visit by a Chinese president to Latin America in the 21st century was made by Jiang Zemin in 2001. However, the visit by President Hu Jintao in 2004 and his statement regarding a US\$ 100 billion investment to be made in the region (later denied and explained as a misunderstanding by Latin America) grabbed the attention of the United States, which at that time was focused on the war in Iraq, accusations against Guantanamo, and the War on Drugs (Shixue, 2008). Statements by Hu Jintao coincided with the end of any hopes for creating a Free Trade Area in 2005 signaled by the massive protest against Bush and the "Contra Summit" headed by Chávez during the Presidential Summit at Mar de Plata (Patrick & Edwin, 2005). This view can be seen in the testimonies of political and military representatives at two hearings before the United States Congress in 2005:

I believe we should be cautious and view the rise of Chinese power as something to be counter balanced or contained, and perhaps go so far as to consider China's actions in Latin America as the movement of a hegemonic power into our hemisphere (Dan Burton, 2005: 14)

An increasing presence of the People's Republic of China in the region is an emerging dynamic that should not be ignored[...] The PRC's 2004 Defense Strategy White Paper departs from the past and promotes a power-projection military capable of securing strategic shipping lanes and protecting its growing economic interests abroad" (Cradock, 2005, p. 7).

The second stage of the debate took place three years later and was kindled by developments in studies on China's incursion. In 2008, for example, the Congressional Research Service claimed that:

"Most observers have concluded China's economic involvement in the region has not posed a threat to U.S. Policy or U.S. interest in the region. In terms of economic, political, and cultural linkages, the United States has remained predominant in the region" (Congressional Research Service, 2008, p. 16)

The world of academia has moved steadily towards a moderate assessment of relations. A report by the Inter-American Dialogue in 2006 called "China's Relations with Latin America: Shared Gains, Asymmetric Hopes" focused on relations between China and those countries that were in clear opposition to the United States (Venezuela and Cuba), the United States' second most important partner in the world (Mexico), and the large economies of the Southern Cone (Brazil, Argentina and Chile). The goal of the discussion was to respond to Washington's concerns about Chinese interests in the Panama Canal, the purchase of oil from Venezuela and its support for Cuba (Domínguez, 2006). By 2008, "China's Expansion into the Western Hemisphere" was an attempt to better understand competition, threat-levels, power, conflict, and skills, all familiar topics in the realist lexicon (Roett & Paz, 2008b). A sense of caution permeates the discussion on the "peaceful rise" policy, with an emphasis on the "rise" of China (Friedberg, 2006).

Four authors offer varying views on the arrival of China. From Latin America, Tokatlian argued that there is no proof of hegemonic activities or of China's ability to carry out such activities and he believes that China's intentions are benign. (Tokatlian, 2008). Roett and Paz are part of American academia and stress the need to look at all dimensions of the triangular relationship and to always be cautious of China's increased economic capabilities as a source of geopolitical influence (Roett & Paz, 2008a). Finally, Jiang Shixue clearly explains China's acceptance of the regional status quo, stating that "China is very aware of the fact that the United States considers Latin America to be in its backyard and has no intention of challenging U.S. hegemony in the region" (Shixue, 2008). The current tone is one of moderation and caution. The general consensus is that there is no evidence to suggest an offensive diplomacy, at least directly. It is important, however, to note that the debate does not rule out possible intervention in the future, given expanded relations with China. Even though they do not yet compare with current U.S.-Latin America relations, they should surpass them in a few years.

The Obama administration made no statements nor created any clear policy in anticipation of China's arrival in the region. Between 2008 and 2009 two ambiguous statements were made by U.S. President Barack Obama and Secretary of State Hillary Clinton regarding China's economic and political advances in the region. Both comments were made at non-official public events. The first statement made by presidential candidate Obama alluded to the challenges arising from China's presence and an absent U.S. in Latin America. The second comment was made by Secretary of State Hillary Clinton at a plenary meeting within the State Department. However, neither comments caused any furor (Erickson, 2011). In 2012, the topic of Chinese-Latin American relations was missing from presidential campaign debates. The only reference was made by Mitt Romney who spoke of expanding trade with Latin America as part of a plan for economic growth instead of a sole focus on trade with China (Rucker, 2011).

As a result, relations between the major powers with respect to Latin America have been very orderly and organized as opposed to some predictions of a possible struggle for regional hegemony which, in turn could have led to an imbalance. For the time being, both China and the United States have followed the path of cooperation and have not opted for a forceful demonstration of power. The moment that most revealed U.S. skepticism about China's arrival was when Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon visited China to participate

in the first talks on Latin America (Kraleov, 2006). There have been six rounds of talks. The most recent took place in 2013 and included delegates from the second Obama administration and the government of the new Chinese president Xi Jinping (Nolte, 2013). This is clear evidence that both the United States and China believe that creating dialogue mechanisms is more effective than an offensive diplomacy (without forgetting U.S. supremacy in the region). Overall, the triangular relationship has limited relevance in the foreign policy of both countries and is part of a series of broader priorities that emphasize Asia. The first area in need of strategic rebalancing is Asia and U.S. involvement in this region tends to be done through regional equilibrium mechanisms. The agendas of both countries tend to overlap more forcefully on issues related to the security umbrella under which the U.S. covers Japan, controls the Pacific Rim, contains the nuclear power capabilities of North Korea and protects Taiwan.

2. Contours of the western hemisphere

China is expanding in a more independent Latin America that has distanced itself from the United States. The vacuum in U.S. regional power stems from its indifference towards the region. Latin America is neither a U.S. international priority nor one of the few critical issues within the hemisphere that require an immediate response (Cooper & Heine, 2009; Lowenthal, Piccone, & Whitehead, 2011). Second, since the beginning of the 21st century the diverging priorities of the two actors has only become more acute as Latin America becomes more politically heterogeneous and fragmented. In spite of this, the mosaic of actors that make up the U.S.-Latin America relationship remain consistent on three common issues: democracy, security and the economy. Regional dynamics and the international priorities of a global power like the United States reduce the space available for maneuvering with the countries of Latin America. The contours of these spaces determine the trajectory of relations.

2.a. The challenges faced by a global actor

U.S. capabilities play an important role in the world. Therefore, its foreign policy gravitates toward the global level and to various security scenarios in particular. The issues facing Latin America are considered small compared with the problems faced by the United States: the Cold War, North Korea, al Qaeda, Iraq, Afghanistan and the rise of China (Loveman, 2010).

Latin America has been marginalized from U.S. priorities precisely because of its limited participation in international conflicts and more specifically because it was not involved in recent security concerns, i.e., financing or planning the attacks on September 11, 2011 (known as “9/11”). Priorities are focused on the Near East. Paradoxically, Latin America’s traditional “disengagement” from international situations and the absence of strategic security ties has had collateral effects on the region’s relationship with the United States. It is important to note that this major schism plus the proximity of Latin America to the immense potential of the United States have shifted the balance in favor of the latter and have paved the way for U.S. unilateral options.

2.b. “There is no alternative”

There is a general consensus on U.S. indifference towards the region and this gives rise to the idea that it is not a very trustworthy partner. This indifference is illustrated by divergent interests and a U.S. agenda that, to various degrees and in several forms, has ranged from imposition to consent by omission. The Monroe Doctrine’s history is in reality a record of the many U.S. interventions in Central America and the Caribbean. They have been economic (between 1909 and 1934, Nicaragua, Haiti, Costa Rica, Cuba and the Dominican Republic); political, through the overthrow of governments and support for their authoritarian successors (between 1960 and 1970, Argentina, Brazil, Chile, Mexico, and some countries in Central America); and include pressure to adhere to the economic structural measures proposed by the Washington Consensus (Sabatini, 2013). Intervention has been widespread and is marked by *de facto* hegemony (Smith, 2008).

With the end of the Cold War in the late 1990s there was an opening up toward several economic poles (Germany, France, Japan, South Korea, etc.), and a unipolar moment for the U.S.A. The overall feeling in the region was one of optimism based on the possibility of an American alliance (Krauthammer, 1990; Smith, 2008). Latin America enjoyed a dearth of conflicts between states. It was possible to imagine democracy-based integration throughout the hemisphere, with the exception of Cuba, and an economic model based on free trade, the opening up of capital, privatization and a reduced role for the state. The aphorism made by Margaret Thatcher, former Prime Minister of Great Britain: “there is no alternative,” summed up U.S.-Latin American relations and the commitment to move towards a market economy prevalent in the final decades of the twentieth century (Barss, 2001).

On-going efforts to strengthen democracy since the 1980s have been a powerful symbol of agreement and optimism within the hemisphere. At the multilateral level, this hemispheric consensus has been best represented by the Organization of American States (OAS). In 1991, member states gave the organization the authority to suspend and sanction those members who break with the constitutional process. A decade later, member states signed the Democratic Charter which established representative democracy as a fundamental obligation and requirement for state participation (Sabatini, 2013: p. 6). Nevertheless, the War on Drugs was the most important regional security issue and fell under the umbrella of U.S. economic and military assistance (Loveman, 2010).

Turning to economics, as a result of the “lost decade” the region shared the belief that market oriented economic policies were the only way to reduce large fiscal deficits and promote economic growth. Chile, as the most representative case, grew 11.6% in 1992. Each Latin American country began to unilaterally reduce trade barriers (Fishlow, 2013: 17 & Smith, 2013: 229). Economic priorities focused on structural adjustment as outlined by the Washington Consensus. The practice of using solvency and liquidity to tackle external debt (in both cases: consensual and imposed) was unanimously accepted throughout Latin America (Stiglitz, 2003; Williamson, 2000). Free movement of trade and capital plus privatization were seen as the best tools to join in the second wave of globalization and achieve sustainable development (Smith, 2008). At the regional level, international liberalism promoted, paradoxically, an anti-political message that economic integration and the neoliberal plan were the exclusive recipe for development. This was the perfect vision for the Free Trade Area of the Americas (FTAA) in 1994 (Whitehead, 2009: p. 33).

The consensus broke apart in 2001 (voluntarily or forcibly) when events caused the liberal promises to remain unfulfilled and proved the only existing model to be inadequate. The issues were still the same but democracy, the economy and security were being viewed through different lenses. In terms of democracy, ironically the Democratic Charter was signed on September 11, 2001 and marked the beginning of the American neo-Wilsonian policy, in which democracy is used as a preventative measure, i.e., “the antidote” to terrorism (Encarnación, 2008: 9). The resulting self-proclaimed prerogative of the U.S. government under President George Bush (in which enemies are defined in one of two ways: a failed state or a rogue state, concepts that U.S. foreign policy linked directly with terrorism) once again gave

rise to fears of U.S. interference in the region (Daalder & Lindsay, 2003): “If it happened in Iraq, why couldn’t it happen here?”

At the same time, political power in Latin America was moving to the left. The first wave of presidential elections that brought Hugo Chávez to power in Venezuela and Michelle Bachelet in Chile at the end of the 1990s did not cause much controversy (Levitsky & Roberts, 2013). However, there was a noticeable shift in the region in 2002, especially in South America with the re-election of Chávez and the elections of Rafael Correa in Ecuador, Evo Morales in Bolivia, Néstor Kirchner in Argentina, Daniel Ortega in Nicaragua and Ignacio “Lula” da Silva in Brazil, which led to a proliferation of distinct political programs. This second wave challenged market rule, the emphasis on debt obligations and macroeconomic restructuring, and moved in the direction of new government platforms, wealth redistribution, social spending and state control of the economy (Flores-Macias, 2012). Whether part of the “bad vs. good left” thinking or the “resurgence of the left,” these heterogeneous regimes contradicted the Washington Consensus and established a set of programs that emphasized representative democracy and development (Castañeda, 2006; Levitsky & Roberts, 2013). In 2010, 8 of the 13 South American countries and 3 of the 7 Central American countries were ruled by the left. The break from one single notion of democracy in Latin America was evident. Within the United States a type of “pick and choose” liberal democracy prevailed that was critical of political choices and elected governments in the region. George Bush’s approval of an overthrow of Chávez in 2002 and Obama’s support for non-democratic elections in Honduras in 2009 are proof of a double standard and represent the broken promise of a renewed relationship made by Obama during the Summit in Trinidad (Helene & Marc, 2009; O’Grady, 2010). The ideological threat of the Cold War had been replaced by gaps between different concepts of democracy.

In terms of economics, the repercussions of the 1998 crisis, such as the collapse of the banking system, a sharp recession, poverty and inequality redirected the focus away from reducing external debt towards specific aspects of the Latin American macro economy. Given unequal wealth distribution and a slowdown in social progress, the notion of “globalphobia,” coined by President Zedillo, was introduced and support emerged for the idea that the state should play a greater role in managing the economy (Whitehead, 2009: p. 35). Breaking from the Washington Consensus heightened economic tensions with the United States according to what Omar Encarnación has called “The Costs of Indifference. Latin America and the Bush

Era” (Encarnación, 2008). Following the change in priorities post-September 11, the United States was reluctant to offer assistance to South American countries in the middle of the crisis. The most obvious lack of concern was for Argentina when the Secretary of the Treasury during the Bush administration, Paul O’Neill, stated that the United States will not play the role of chief of the financial fire department (Encarnación, 2008: p. 101). The coldness with which the United States handled subsequent crises in Brazil and Uruguay was indirectly related to South America’s opposition to the war in Iraq. In contrast to the caution displayed by Central America in their alliance with the United States during the Iraq war in order to guarantee that the Dominican Republic - Central America Free Trade Agreement (CAFTA) would be signed, South America was, perhaps, the region most at odds with the United States at the end of the 20th century.

Possibly the most controversial issue in the hemisphere in recent years has been security. The most notable divide appeared in response to the post-September 11 Bush Doctrine, which called for preventive actions, unilateralism and the right of the state to use force (Daalder & Lindsay, 2003). A re-examination of strategies re-conceptualized the War on Drugs through the lens of narcoterrorism. This new strategy was exploited to provide Colombia with military assistance to deal with its internal conflict. This galvanized the region, and the Union of South American Nations (UNASUR) condemned the establishment of U.S. military bases in Colombia (Notimex, 2009).

To be truthful, Latin American security rationales have simultaneously fluctuated between harmony and antagonism with the United States. Sharing a priority on drugs, countries like Mexico, Colombia, Ecuador and Peru have collaborated with the war on drugs at various times and to various degrees, often depending upon the affinity of the government in office for the United States (Youngers & Rosin, 2005). In spite of the differences in international security issues (criticism of Guantanamo and opposition by Mexico and Chile in the Security Council regarding the attack on Iraq) it is important to note the region’s inclination to link development and regional security (Marcella, 2013: p. 36). Traditionally, the region has gravitated toward multidimensional security based on the opinion that poverty is the source of criminal behavior and threats. Drugs continue to be a problem but priorities also include arms trafficking, public safety, gangs and porous borders (Americas, 2004).

3. From “there is no alternative” to “we are all Chinese”?

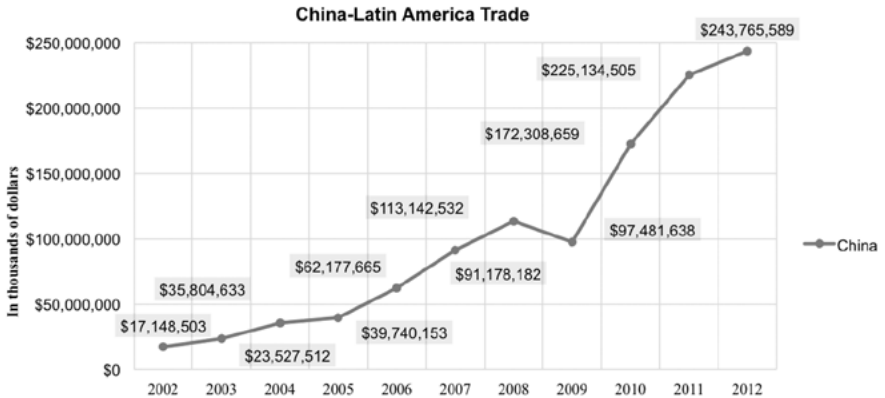
China arrived in the region in 2004 and brought with it its extraordinary history of progress. The fact that China has grown by 10% for more than three decades and has lifted 650 million people out of poverty, more than the entire population of Latin America, has not gone unnoticed in the region (Williamson, 2012). Nor have innovations to its development model, which emphasizes the role of the state in the economy and flexible policies that contradict the Washington Consensus (experimenting with flexible reforms adapted to specific domestic conditions) (Williamson, 2012: p. 4). China has passed Latin America on every possible development index—GDP, poverty alleviation, foreign investment, trade and capital formation,—even though both implemented reforms at the same time (Gallagher & Porzecanski, 2010). Furthermore, Beijing’s attractiveness grew in response to the positive impact it had on Latin America’s economic recovery following the 2009 crisis.

These dynamics are important to the U.S.–Latin America relationship on two levels. The first is material, defined by the rapid improvement in economic indicators and an increase in real numbers resulting from economic, political and military ties. The impact of these numbers on regional relations is yet to be determined: Does it mean the United States has forfeited space? Is there some autonomy against the widespread influence of the United States? Are doors opening for a strategic relationship with China? The second is tied to China’s ability to abolish the regional order and change the rules of the game: Could the Beijing model erode democratic values in Latin America? Is it possible that the terms of trade—if, for example, we look at financing for oil and non–conditional investments in mining and infrastructure—will reinvent regional norms and regulatory practices?

In many ways China has become the darling of Latin America: it is an important trade partner, creditor and investor. In real terms, China–Latin America relations are expanding exponentially on all fronts. In terms of economics, interaction on all three levels is concentrated in natural resources. Current relations are characterized by significant growth in trade, 14%, and rapid growth in the value of trade exchanges. According to ECLAC, China–Latin America trade has multiplied 21 times since 2000 and is approaching US\$ 250 billion. It is expected to reach US\$ 400 billion between 2014–2016 (see figure 3.1) (ECLAC, 2013b). The fact that China is one of the region’s main partners and constitutes 12% of the trade basket is

refreshing for a Latin America where half of its trade is concentrated in the United States and Europe. Recent estimates by ECLAC reveal that some 70 percent of the region's exports to China consist of raw materials, minerals and energy (oil, iron, copper, soy beans, scrap metals, wood and sugar) and account for 80 percent of the total value of exports (ECLAC, 2013b).

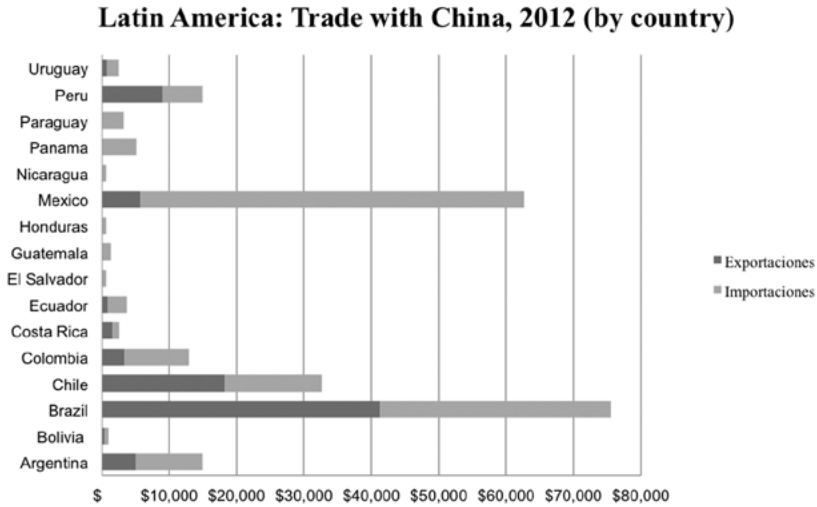
Figure 3.1



Source: Adapted from UNCTAD Statistics.

The countries on the positive side of this equation are those in South America. The region enjoys a surplus (individually some countries may report a deficit, however, these amounts are small) while Mexico and Central America have a deficit (see figure 3.2). Even more significant is the capital cushion that Chinese demand afforded its Latin American suppliers during the 2008 recession, the result of demand and a rise in raw material prices. China played a crucial role in re-stimulating growth in South American countries following the crisis. In 2012 it became the most important trading partner for Brazil, Chile and Peru and the second most important for seven other countries (ECLAC, 2012; 2013b).

Figure 3.2



Source: Adapted from UNCTAD Statistics.

Foreign investment flows (FDI) from China between 1990 and 2009 reached \$7 billion over two decades. Since 2009, the yearly average has been even higher with an average of \$10 billion per year (see Table 3.1). ECLAC estimates that 90% of FDI is directed towards natural resources and the extraction of oil and gas in Brazil, Venezuela, Colombia, Ecuador and Argentina; and mining in Chile and Peru (ECLAC, 2013). China also invests in infrastructure through agreements that finance construction –usually overseen by Chinese companies– in the energy sector, ports and other connectivity centers (ECLAC, 2013). Even though financial loans drastically declined in 2012, a study by Gallagher and Koleski shows that 81% of financing is bound for infrastructure, mining and energy (Gallagher, Koleski, & Irwin, 2012). Overall, economic activity reveals a high demand for raw materials (oil, minerals) and investments (in infrastructure and financing for oil) designed to guarantee access to these resources.

Table 3.1
Latin America and the Caribbean (selected countries)
Estimated Foreign Direct Investment Flows from China
1990–2012 (in millions of USD)

Country	1990-2009	2012
Argentina	143	600
Brazil	255	6067
Chile	n/a	76
Colombia	1677	996
Ecuador	1619	86
Guyana	1000	n/a
Mexico	146	74
Peru	2262	1307
Venezuela	240	nd
All of Latin America	7342	9206

Source: “Promoción del Comercio y la inversión con China” (ECLAC, 2013)
n/a: not available

A review of military relations shows a substantial increase in exchanges and cooperation between armed forces. There is no evidence of strategic bilateral advances nor a comprehensive policy to achieve critical security goals. Furthermore, interaction has been limited to visits by representatives of the Ministries of Defense and official exchanges. There is no Chinese military presence or military base in the region and to date the only significant visit was when a Chinese naval fleet docked at ports in Chile, Peru and Ecuador in 2009 (Ellis, 2011). Likewise, defense sales within the region, known for small military budgets, involve mostly monitoring equipment and military transports.

Any political interests China has in Latin America are framed by Asian geopolitics and the fact that Paraguay and 11 countries in Central America and the Caribbean officially recognize Taiwan. China’s “One China” policy stipulates that a country must break off relations with Taiwan if it wants to establish diplomatic relations with Beijing. With half of Taiwan’s allies located in this hemisphere, initiatives by both countries are designed to gain political support through economic incentives, so-called “check diplomacy.” Even though diplomatic recognition is important for

China, the issue is not a serious threat to its existence or authority (Erickson & Chen, 2007). Any diplomatic advances are usually made bilaterally, without any indication of a proactive strategic policy for the region. Certain sectors in Washington have raised the alarm, pointing to how China's presence so close to home has been used to support intelligence activities. Congressional hearings have also identified how important the Taiwan issue is for China in the region (Erikson, 2008). Washington, however, has avoided any proactive measures to counteract Beijing's intentions, bearing in mind that the United States officially recognizes the People's Republic of China.

3.a. Development and the win-win strategy

Development is still pending for both China and Latin America. They have shared the same goal since 1980 when the two countries decided to enter the world market in an effort to stimulate their economies (Gallagher & Porzecanski, 2010). Latin America has enthusiastically welcomed China's arrival and similarities in their approaches to development. Namely, they both have been distancing themselves from the "there is no alternative" policy which calls for rigid austerity and a market-led economy. John Williamson, creator of the Washington Consensus at the Washington Peterson Institute for International Economics, has expressed concern that the principles of economic liberalism are being replaced by interest in China's successful model which contains authoritarian and regulatory elements (Williamson, 2012).

Since 1953, China has developed an international strategy based on non-intervention and a win-win strategy in keeping with the "Five Principles": 1) territorial integrity and sovereignty 2) non-aggression; 3) non-interference in internal affairs 4) equality and cooperation for mutual benefit and 5) peaceful coexistence (Strauss, 2012: p. 136). These principles are the basis of their "Go Out" policy and the jumping off point for discussions on "mutually beneficial cooperation," "common development" and "mutual respect" that have characterized official visits to Latin America. "China's Policy Paper on Latin America and the Caribbean" explains this concept:

As the largest developing country in the world, China is committed to the path of peaceful development and the win-win strategy of opening-up. It is ready to carry out friendly cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence and build a harmonious world of durable peace and common prosperity. (China, 2008: p. 1)

To what degree do we in Latin America want to be like the Chinese? Studies by ECLAC found strong links between Latin America's recovery and demand by China and far-reaching government stimulus plans, specifically in South America. In a broader sense, it is unlikely that China's expansion in the region will be reversed and it is unrealistic to suggest that it would even happen. China and Latin America have shared interests in development, protecting their sovereignty, and opposing U.S. unilateralism in setting the tone of international institutions, but this does not imply that one form of hegemony should be replaced by another. Any shared positions are based on development rhetoric, which, incidentally is normally applied through informal and broad multilateral coalitions (G77 and the Non-Aligned Movement) and is not part of a strategic plan for the region. It is important, however, not to obscure or idealize Beijing's rhetoric on non-intervention and harmonious relations. Since the revolution in 1949, the People's Republic of China's foreign policy of non-intervention has been anchored to the pragmatic goal of gaining authority within its own territory and overseeing the country's modernization (Ratliff, 2009). Moreover, China's vision of development has undergone changes and today it is commonly associated with the classic win-win economy, complementarity, and the international division of labor as dictated by supply and demand (Strauss, 2012: p. 142). Even more important is the fact that China has kept silent on U.S.-Latin America regional issues and has not put forth any ideological-political agenda.

There have been hardly any statements from within Latin America that refer to a political agenda, with the exception of Venezuela, which stressed that its relationship with Beijing was a tool for "independence" and a strategic counterweight to "U.S. imperialism" ("Arreaza destaca fuerte interés de China en invertir en tierras de Venezuela," 2013; "Chávez: Venezuela y China son un nuevo ejemplo de cooperación basado en la solidaridad", 2011). Even so, the idea of an alliance of left-wing countries is exaggerated. A report by the Inter-American Dialogue, for

example, states that Enrique Peña Nieto (right-wing government) and Laura Chinchilla (center-left government) are the two leaders who have mentioned China the most on the internet during the past six months. Even more importantly, Maduro is in fourth place, with comments limited to the recent \$5 billion credit line from China (Dialogue, 2014).

Frankly, there is no Beijing Consensus, *per se*. China has not put forth a series of economic formulas similar to the Washington Consensus. This idea emerged more as a result of attempts by the West to make some sense of China's growth (Ramo, 2004). The implications of China's soft power must also be considered. The most recent survey by the Americas Barometer at Vanderbilt University shows that more than half of Latin Americans think that China's presence is beneficial and only 12 percent consider it to be negative. This does not mean there has been a change in attitudes towards the United States (Faughnan & Zechmeister, 2013). Two-thirds of Latin Americans hold a positive opinion of the United States, with a 10 to 20 per cent increase since Bush left office (Valenzuela, 2011). The United States tops the survey on most trust in government, followed very closely by China. Opinions do not vary according to region. There is a clear divide between the countries that have less trust in the United States, mostly those belonging to ALBA and MERCOSUR, and those who have higher levels of trust, countries from Central America and the Pacific Alliance (Azpuru & Zechmeister, 2013). Nevertheless, trust in China is ambivalent regardless of a country's position on the left or the right of the political spectrum.

China poses a remarkable opportunity to expand extra-hemispheric relations. As for development, the Chinese option is viewed positively within Latin America: flexible financing terms (financing for oil), investment in infrastructure, and the country's direct impact on demand and rising raw material prices. Specifically, relations with Beijing have facilitated the region's access to high technology, for example satellite purchases by Bolivia and Brazil. Yet, this area is not without its problems and numerous reservations about such interactions persist. Major issues have to do with product quality following the failed launch of Brazil's satellite; social responsibility and polluting by Chinese companies as evidenced by the closing of the Chinalco mine in Peru and the contamination of two lakes in Tomorocho; and Mexico and Central America are concerned about competition from China in the U.S. market.

4. Coexistence, parallel spaces and the fallacy of the zero-sum game

The issues that exist in China-Latin America relations do not mirror those in relations with the United States. There is also no proof of direct strategic-political intervention designed to counter ties with Washington. Politically speaking, China has remained on the margins of sensitive regional issues: the militarization of the War on Drugs, Human Rights, the Cuban embargo, spying, and political confrontations between left-wing governments and Washington, particularly Venezuela. There is no evidence to suggest that deeper China-Latin America relations are deliberately intended to widen the distance between the United States and Latin America.

China's silence in the regional political arena is deliberate. Renewed relations between China and Latin America are essentially defined by China's domestic needs and the demands of industrialization. Rapid growth forces the Asian country to search for resources abroad: their oil reserves will be depleted in 50 years and they can only produce the required amounts of 5 out of 19 primary minerals (Shixue, 2013). The evidence suggests that relations with countries rich in raw materials, like those in Latin America, will avoid touching upon any subjects that risk access to a consistent and stable supply of resources needed for modernization (Ratliff, 2009, p. 7). Latin America has much to offer in this respect given that the region has traditionally been an exporter of natural resources, not only today with China, but also with its main trading partner, the United States. Furthermore, Latin America has not introduced a proactive policy to replace the hegemony of one nation with that of another. To a certain degree, the region has based its relations on the convenient solvency and stability provided by Chinese demand and export revenues. Latin America has not attempted to expand the relationship, nor the terms of economic interaction (ECLAC, 2013b; Gallagher & Porzecanski, 2010). Brazil is the exception since it does have a strategic relationship with Beijing. Spaces and interests converge in international frameworks such as BRIC and the G20. Regardless, the arrival of Beijing has been an opportunity to open spaces and focus on shared interests with a nod to lessening U.S. influence. In other words, China offers an alternative to trade concentrated in the United States as well as diversification and new markets, expanded investment sources -which have traditionally been found in developed countries- and, in general, greater relations with extra-regional actors (Ratliff, 2009).

In any case, China is a relevant actor that has an indirect influence on the relative autonomy of Latin America. In Argentina, for example, revenue from soy exports has increased reserves and helped pay down external debt (“Alivio por los dólares de la soja”, 2013). In Venezuela, Ecuador, and Brazil, “financing for oil” agreements have provided greater room to maneuver so that these countries are not forced to comply with the conditions set by western financial institutions nor subjected to intervention in their domestic policies. The scale of financial exchanges has placed China as the first or second partner of ten Latin American countries, has reduced Latin America’s exposure to the cycles of the U.S. economy, and has helped get the region back on its feet following the 2009 crisis. This coincides with greater pluralism in Latin America, a region already diverse, heterogeneous and divided in terms of its political orientation and views on trade and relations with the United States. China plays a role in the politics and economics of Latin America but it is the region itself that sets the tone of its own development strategy and the use of its resources, most often with a growing reliance on raw materials (the so called “primarization” of the economy). Gallagher and Porzecanski have appropriately stated that “perhaps China is not the problem. Latin American policies, on the other hand, could be the problem.” (Gallagher & Porzecanski, 2010:2).

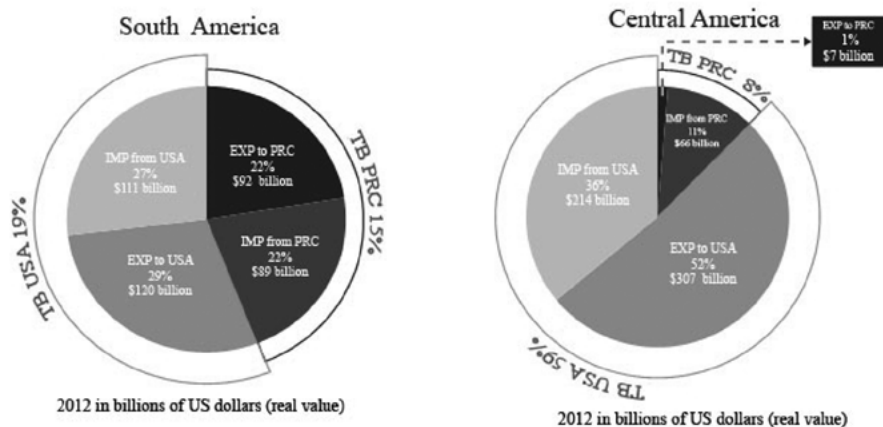
Relations do not constitute a zero sum game where space won by China is space lost by the United States. Moreover, China-Latin America relations have maintained their dynamic because there is perfect economic complementation. Latin America provides the raw materials and China provides manufactured goods. The economic domain is perhaps the most salient and it is in this area where the United States has given up significant space in the region. At the beginning of the 21st century more than 50 percent of Latin American trade was with the United States and now only a third of trade within the region is destined for the U.S. However, China is not the direct cause of the drop in trade between Latin America and the United States. The increase in trade with China from 2 to 12 percent does not equal the 20 percent decrease in trade with the U.S. Beijing is only a part of the region’s multipolar economy.

Ties between Latin America and the United States remain stable. Undeniably, the total value of trade between Latin America and China is growing at a faster rate than trade with the United States. However, in real terms, U.S. trade with the region is close to \$800 billion, three times greater than Latin American trade with China. Trade with China will only reach half of that amount by 2016 (\$400 bil-

lion), when trade with the United States is expected to surpass \$1 trillion. Furthermore, the U.S. is the largest investor in the region (accounting for 24%), followed by European countries (with 16%) (ECLAC, 2013a). In absolute terms, U.S. FDI in Latin America is four times higher than Chinese FDI in the region and ranks second in security assistance (financial and military) in the region.

Figure 4.1

Chinese and U.S. share of exports and imports in South America and Central America (percentage)



TB: Trade Basket USA: United States of America PRC: People's Republic of China
 Source: Adapted from UNCTAD Statistic

Table 4.1
Latin American trade with the United States and China (2000–2012)

		United States		China	
		2000	2012	2000	2012
Latin America	Trade (billions of USD)	\$376	\$800	\$11	\$256
	Increase in trade		125%		2064%
	Annual growth in trade (2010-2012)		9%		14%
	Share of total trade with the world (%)	54%	35%	2%	12%

Source: Adapted from UNCTAD Statistics and UN Comtrade.

A comparison of data provided by the report titled “The new Banks in Town: Chinese Finance in Latin America” and the trade databank at the United Nations Conference on Trade and Development (UNCTAD) shows that Latin American countries have diverse relations with both Beijing and Washington and they are not dictated by ideological nuances. The main sources of financing for Peru and Colombia, for example, are the World Bank and the Inter-American Development Bank, in spite of growing economic interaction with Beijing; Chile has promoted free trade agreements with the United States and China, making the latter its number one trading partner while simultaneously implementing the visa waiver program with the United States. Venezuela and Ecuador borrow the most from Beijing, however 40 percent of their exports depend upon the U.S. market; Argentine trade with the United States and China is important but less vulnerable given its high degree of dependence on trade with Brazil and the European Union, and finally, Paraguay, Uruguay and Bolivia are heavily involved in intraregional trade with the Common Market of the South (MERCOSUR) (Gallagher & Porzecanski, 2010; UNCTAD, 2014).

Table 4.2
Latin American trade with the United States and China by country (2013)

Country	Trade with the U.S. (2013)		Trade with China (2013)	
	Amount	Percentage	Amount	Percentage
Argentina	\$12,622,588	9%	\$14,973,169	10%
Bolivia	\$2,810,274	14%	\$952,858	5%
Brazil	\$59,457,779	13%	\$75,476,038	16%
Chile	\$27,833,472	18%	\$32,650,564	21%
Colombia	\$36,356,354	31%	\$12,907,771	11%
Costa Rica	\$12,096,129	42%	\$2,569,092	9%
Ecuador	\$16,196,980	33%	\$3,730,549	8%
El Salvador	\$6,290,579	40%	\$600,615	4%
Guatemala	\$10,702,309	40%	\$1,319,341	5%
Honduras	\$9,597,671	50%	\$585,263	3%
Mexico	\$473,827,518	64%	\$62,656,940	8%
Nicaragua	\$2,450,365	28%	\$615,084	7%
Panama	\$5,860,695	15%	\$5,119,729	13%
Paraguay	\$1,142,024	6%	\$3,236,371	17%
Peru	\$17,557,474	20%	\$14,948,839	17%
Uruguay	\$1,203,868	6%	\$2,464,119	13%
Venezuela	\$55,096,678	35%	\$20,985,758	13%

Source: Adapted from UNCTAD Statistics and UN Comtrade (2014).

A detailed analysis reveals that Latin America's agenda with Beijing does not supersede important issues with the United States. Mexico and Central America account for more than half of the region's trade with the United States (60%) (UNCTAD, 2014). It is expected that these countries will strengthen relations with Washington because their economies are so strongly integrated into the U.S. production chain through maquilas (for example, 40 cents of every dollar that the U.S. imports from Mexico were produced in the U.S.) (Wilson, 2011). Overall, countries north of the Isthmus of Panama, due to their proximity with the U.S., maintain strong ties in all areas: their economic cycles are closely linked with the U.S. economy, they share the negative effects of the War on Drugs, the drug trafficking corridor, violence,

arms trafficking and migration. Mexico alone has 33 million of its citizens in the United States (11 million of whom were born in Mexico) (Gonzalez-Barrera & Lopez, 2013). To the south, Colombia has traditionally been the largest recipient of U.S. security assistance, the Andean countries continue to be heavily dependent on trade with the United States, and Venezuela and Brazil maintain strong ties on energy matters (Youngers & Rosin, 2005).

Conclusion

China's footprints in the region cut across several dimensions. China has joined regional mechanisms either as a member or as an observer: the Organization of American States in 2004 and the Inter-American Development Bank in 2008. China has expanded cultural exchanges via Confucius Institutes located throughout the region and has sharply increased its trade and investments in Latin America. Its arrival in what has traditionally been a U.S. sphere of influence has sparked a debate on the nature of Chinese participation in the hemisphere and the possible undermining of U.S. hegemony.

The empirical evidence, however, shows that China plays an important role in the region's insertion into a multipolar world economy. Regionally speaking, China is not a power. With no political strategy, influence or military presence, it is not a major actor in any regional issues. Beijing does not have and is not interested, at least for now, in dealing with sensitive regional issues or interfering in Latin American domestic politics. China keeps its distance from issues that have polarized the United States and Latin America. It remains on the periphery of anti-American sentiment in left-leaning countries and stays on the side-lines of major institutional reforms, disagreements over different types of democracy and denouncing militarized anti-drug policy. It is not a competitive presence and has no intentions of irritating Washington. Officially, the United States has controlled the alarmist rhetoric at home vis-à-vis China's projection. Nevertheless, it does carefully monitor relations in two parts of the region: Venezuela and Cuba (Erickson, 2011). Present-day activities are focused on analyzing the implications of China's possible future expansion in the region without letting it affect current relations.

Therefore, in terms of China's intrusion into regional dynamics we are talking about a passive diplomacy. Even though Beijing has made advances in improving its image and has increased economic interactions, China is an "empty power" in military-political terms. It is very likely that its political absence is a deliberate strat-

egy to maintain stable access to raw materials. Public opinion polls show a general acceptance of China while Latin American governments seem interested in deepening diplomatic channels. However, any accumulation of soft power continues to lag behind that of the United States. Data shows that, in absolute terms, the size of economic exchanges are experiencing accelerated growth and economic relations with South American countries are deepening. There is no strategic threat or parity between China-Latin America relations and U.S.-Latin America relations that would raise tensions and elevate the region to a higher priority (Williams, 2012). In relative terms, trade and investment with the United States is three and four times greater. Furthermore, there is a deep social connection -20 percent of the U.S. population is of Hispanic origin-; an economic connection-the United States is the region's largest trading partner and investor-; and a security connection, Washington is the largest provider of military assistance. China and the United States share spaces with Latin America, a region characterized by asymmetries where interests in different areas and different countries move forward simultaneously.

China has allowed Latin America to diversify its alliances, expand trade and obtain a new source of financing and investment. China is a more flexible partner because it places fewer conditions on borrowing (there is data on the different types of conditions, for example flexible environmental regulations, equipment purchases and hiring of Chinese companies). Relations with a diverse Latin America are primarily bilateral and mechanisms like UNASUR and ALBA have no defined political strategy for China. In spite of the controversy surrounding Chávez's praise for China, the region shows no evidence of wanting to replace one major power for another.

The question remains: Is China's growing presence in the region important? Absolutely. China has had a direct impact on development models in the region. Its demand for natural resources has increased revenues and raised the price of natural resources, which proved to be a crucial part of Latin America's economic recovery following the 2008 crisis. Current estimates state that a 1 percent decline in China's annual growth rate would cause a 1.2 percent drop for their main Latin American partners (Gallagher, 2012: p. 3). As a provider of resources, China has indirectly contributed to the redesign of development programs in these countries and in general, has redefined the international division of labor along an East-South axis. China's interests are frequently associated with those of a newly emerging country -usually based on economic power and soft power- but is it still too early to argue

that China offers an alternative to the United States. For the time being, we can only speculate about the deepening of an already complex China-Latin America-United States interdependence and the opportunities for increased capacities in the future.

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TRENDS IN RELATIONS BETWEEN LATIN AMERICA AND THE CARIBBEAN AND THE PEOPLE'S REPUBLIC OF CHINA: A CURRENT ASSESSMENT 2013-2014

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Introduction

This article provides a current overview of relations between the People's Republic of China and Latin America for the 2013-2014 period. It is based on the systematization and analysis of on-line media sources and government communiqués issued by Latin American and Caribbean nations and China between July 2013 and July 2014. Even though there is a great deal of information on relations between the two regions, there is a dearth of available resources, which poses a major methodological limitation. For various reasons -one being that several countries in the region do not have formal diplomatic relations with China- press coverage was lacking and not every country in the region issued official communiqués on the topic. Moreover, despite all of the available on-line resources, there are many countries that do not have a fully functioning and up-to-date Web platform. This significantly hinders the ability to find official sources of information.

In spite of these methodological limitations, this article is a first step in following “the pulse” of Latin American, Caribbean and Chinese relations and therefore, in identifying the strategic issues around which said relations tend to develop. The article is organized into five sections which correspond to exactly four strategic areas that have characterized relations during this period. The first section addresses trends in trade and investment; the second reveals a growing closeness in political relations between countries; the third discusses the role of China as an important creditor of Latin American countries; the fourth deals with Chinese culture and strategies for cultural promotion. Finally, the article offers a series of conclusions.

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1. Trade and investment: Principal events

China has deliberately turned toward Latin America. Its interest in obtaining natural resources (oil products, minerals, foods, etc.) and in positioning itself in areas deemed to be strategic due to their proximity to powers such as the United States are the key factors behind the relationship. This growing closeness has resulted in increased trade which, for the 2000–2012 period, experienced an average annual growth rate of 30.8% and totaled US\$ 258.3 billion for the year 2012, with an export offer of 2900 products.²⁸ Trade increased by a factor of 22 between 2000 and 2012. During this period, Latin America ran a trade deficit (although Brazil, Venezuela, Chile and Peru each ran a surplus). According to the Executive Secretary of ECLAC, Alicia Bárcena,²⁹ the macroeconomic data reveal a trade relationship marked by Latin American and Caribbean exports of primary goods to the Asian giant (69% of total exports to China consisted of primary goods for the year 2011) and the importation of goods with high-technology content from China (41%) in an inter-industrial trade dynamic.

According to projections by ECLAC (2013)³⁰ published in Chinese Foreign Direct Investment in Latin America and the Caribbean, continued growth in international trade will lead China to become Latin America's second largest trading partner by 2020, surpassing the European Union, representing 18.5% of total imports and 16.1% of Latin American and Caribbean exports for that year. With continued growth of 14%, bilateral trade is expected to total US\$ 400 billion in 2016. This figure is based on estimates made by the UN organization published in the study *Promoción del Comercio y la inversión con China. Desafíos y oportunidades en la experiencia de las cámaras empresariales latinoamericanas*.³¹

According to this document, foreign direct investment (FDI) has experienced substantial growth –close to US\$ 9 billion per year since 2010– with notable invest-

28 Ministry of Foreign Trade of Costa Rica. (November 2013). *Inició VII Cumbre Empresarial China-América Latina y el Caribe*. At: http://www.comex.go.cr/sala_prensa/comunicados/2013/noviembre/CP-1702.aspx

29 Bárcena, A. (August 2013). *Relaciones de comercio e inversión entre China y América Latina*. At: http://www.cepal.org/comercio/noticias/documentosdetrabajo/0/50680/haciendo_neg_CH_ABarcena_22_ago_2013.pdf

30 ECLAC. (November 2013). *Chinese foreign direct investment in Latin America and the Caribbean*. In: <http://www.eclac.org/publicaciones/xml/1/51551/Chineseforeigndirectinvestment.pdf>

31 ECLAC. (November 2013). *Promoción del comercio y la inversión con China*. At: <http://www.eclac.cl/publicaciones/xml/2/51652/Promociondelcomercio.pdf>

ments in oil, gas and the mining sector. However, capital has not been flowing into the service sectors in any significant amounts (excluding the banking sector and shipping). Another noteworthy aspect is the push that some regional governments have given to relations with various Chinese provinces. This strategy is intended to find new niche markets and consolidate relations. Chile,³² the Dominican Republic³³ and Colombia³⁴ have focused on cities such as Guizhou and Guangdong.

Trade relations with Latin America are highly concentrated in raw materials, agricultural products and metals, in addition to energy and mining products. Therefore, 86.4% of the region's exports to China are comprised of these goods. Moreover, these sales consist primarily of copper, iron and soy. Metal exports to China essentially involve two countries, given that 86% of iron comes from Brazil and 92% of copper comes from Chile.³⁵ For its part, Argentina is the main supplier of soy and the share of exports of manufactured goods from China totals 63.4%. According to official data, the volume of bilateral trade between China and Latin America in 2012 reached US\$ 261.2 billion. The Asian country is the region's second largest trading partner and is the top trading partner of countries such as Brazil, Chile and Uruguay. While this is the case regarding trade issues, it does not hold true for tourism. In an attempt to attract more tourists to the region, Ecuador has introduced visa exemptions for Chinese tourists and there is the possibility of a similar policy being implemented in Trinidad and Tobago. For its part, Cuba has proposed establishing a direct flight between Havana and Beijing. The region is hoping to take advantage of the fact that China is a principal source of international tourism and that Chinese tourists offer great potential, based on the idea that they spend the greatest amount of money of all tourists when traveling abroad.³⁶

32 CIE Chile. (April 2014). Vicepresidente Ejecutivo de CIEChile se reúne con delegación china de la provincia de Guizhou. At: <http://www.ciechile.gob.cl/es/vicepresidente-ejecutivo-de-ciechile-se-reune-con-delegacion-china-de-la-provincia-de-guizhou>

33 Ministry of Industry and Commerce of the Dominican Republic. (March 2014). Delegación dominicana busca inversores en China. At: <http://www.seic.gov.do/comunicaciones/noticias/2014/3/delegaci%C3%B3n-dominicana-busca-inversores-en-china.aspx>

34 El Universal. (May 2014). China reafirma interés de invertir en Colombia. At: <http://www.eluniversal.com.co/colombia/china-reafirma-interes-de-invertir-en-colombia-159132>

35 El Comercio. (Mayo 2014). China y América Latina. At: http://www.elcomercio.com/columnistas_invitados/Opinion-China-America-Latina-China-relacion_bilateral_0_1142285848.html

36 CNN. (April 2013). Chinese travelers the world's biggest spenders. At: <http://edition.cnn.com/2013/04/05/travel/china-tourists-spend/>

In terms of investment, according to official data published by the Chinese government, the net total of Chinese direct investment in Latin America was US\$1 billion in 2003. This number grew to US\$ 11.9 billion in 2011. At the end of 2012, accumulated investment had reached US\$ 68.2 billion.³⁷ This shows marked growth in Chinese investment in the region. In 2012, the Chinese government adopted new measures to promote investment and bilateral cooperation with Latin America, with an emphasis on Chinese investment.

2. Strengthening political relations

In the political arena, the major diplomatic initiative to further develop relations between Latin America and the People's Republic of China is centered on building a forum for dialogue and cooperation between China and the Community of Latin American and Caribbean States (CELAC).³⁸ This initiative was approved during the II Summit of CELAC held in Cuba in January 2014. The growing closeness between the Asian power and the emerging economies in Latin America and the Caribbean is framed within South-South cooperation. Thus, there is an attempt to reduce dependence on the major global economies and increase China's influence and the impact of its policies in the region. This is true not only in terms of tightening coordination on international affairs, but also on other more pragmatic issues, such as trade and investment.³⁹

During the first half of the current year, there has been constant contact between Chinese authorities and their Latin American and Caribbean counterparts through official visits by ministers, foreign affairs ministers and heads of government from Latin America and the Caribbean to the Asian giant and vice versa. Trips made by representatives of Trinidad and Tobago and Ecuador to China, as well as the tour that the Chinese Foreign Minister will take to Argentina, Venezuela, Cuba and Brazil to prepare for Xin Jinping's visit in July and the visit planned for the end of the year by President Correa to the Asian nation, reflect continued strengthening (See Table 1). The majority of these meetings concluded with the signing

37 Observatorio de la Política China. (March 2014). Experto chino es optimista sobre perspectiva de inversión china en América Latina. At: <http://www.politica-china.org/nova.php?id=4615&clase=8&lg=gal>

38 Observatorio de la política China. (February 2014). China espera establecer foro China-CELAC este año. At: <http://www.politica-china.org/nova.php?id=4480&clase=8&lg=gal>

39 Observatorio de la política China. (May 2014). El salto cualitativo en las relaciones China- América Latina. At: <http://www.politica-china.org/nova.php?id=4711&clase=17&lg=gal>

of an agreement based on economic, technical, cultural or scientific cooperation between the countries. This demonstrates two things: Latin America is more actively strengthening its ties with China due to the latter's economic dynamism and international influence; and China is willing to use trade and culture, the latter being a soft power strategy, in its diplomatic efforts to insert itself and position itself in Latin America.

Table No. 1

Meetings between leaders or high level authorities from Latin America and the Caribbean with the President of China (September 2013- July 2014)

Country	Representative(s)	Month	Nature of meeting	Motive
Jamaica	Portia Simpson (Prime Minister)	August (last week) 2013	State Visit	Sign agreements on infrastructure and education.
Bolivia	Evo Morales (President)	December 2013	State Visit	Sign financial agreements on public security and oversee the launch of the Túpac Katari satellite
Argentina	Christina Fernández (President)	September 2013	Meeting with President Xi Jinping within the framework of the G-20 Summit	Sign treaties on infrastructure, establish a binational commission, an action plan and a dialogue mechanism
Brazil	Dilma Rousseff (President)	September 2013	Meeting with President Xi Jinping within the framework of the G-20 Summit	Strengthen BRICS
	Michel Temer (Vice President)	November 2013	Official Visit	Evaluation of Brazil-China Ten Year Cooperation Plan 2012-2021
Mexico	Enrique Peña Nieto (President)	September 2013	Meeting with President Xi Jinping within the framework of the G-20 Summit	Sign a memorandum of understanding on the promotion of investments and the preliminary approval of a line of credit for Bancomext.
Venezuela	Nicolás Maduro (President)	September 2013	State Visit	Sign treaties in: infrastructure, education, science, technology, finance, culture, and other areas.

Country	Representative(s)	Month	Nature of meeting	Motive
Chile	Sebastián Piñera (President)	October 2013	Meeting with President Xi Jinping at the APEC Summit 2013	Sign agreements to establish a binational commission and a permanent dialogue mechanism.
Cuba	Bruno Parrilla (Foreign Minister)	November 2013	Official Visit	XXVI session of the Intergovernmental Cooperation Commission
Ecuador	Ricardo Patiño (Foreign Minister)	November 2013	Official Visit	Sign Air Services Transport Agreement and program negotiations for a Trade Agreement
Trinidad and Tobago	Kamla Persad-Bissesar (Prime Minister)	February 2014	State Visit	Strengthen cooperation in: infrastructure, security, culture and professional exchanges. Inauguration of the Embassy of Trinidad and Tobago in China.
China	Wan Yi (Foreign Minister)	July 2014	Official Visit	Preparatory visit to Cuba, Venezuela, Argentina and Brazil in anticipation of State Visit by President Xi Jinping
China	Xi Jinping (President)	July 2014	State Visit	Participation in the BRICS Summit held in Brazil and in the Summit with the CELAC Quartet (Cuba, Costa Rica, Ecuador and Antigua and Barbuda)
CELAC Quartet (Cuba, Costa Rica, Ecuador)	Abelardo Moreno (Deputy Foreign Minister for Cuba) Enrique Castillo (Foreign Minister of Costa Rica) Leonardo Arizaga (Deputy Foreign Minister for Ecuador)	April 2014	Meeting with Foreign Minister Wan Yi within the framework of establishing the CELAC-China Forum	Assessment of meetings held since the establishment of a dialogue mechanism and a decision was made to carry-out the first meeting of the CELAC-China Forum.

Source: FLACSO, adapted from various sources.

As demonstrated in Table 1, the first of these visits was made by Prime Minister of Jamaica Portia Simpson (in August 2013) during which time she also held meetings with Prime Minister Li Keqiang and President of the National Congress Zhang Dejiang. During her stay, she also met with large infrastructure companies and announced the opening of a China Communications Construction Company (CCCC) regional office. Several agreements were signed as a result of this visit: construction of two educational centers for children; the possible expansion of the Confucius Institute at the University of the West Indies; an additional US\$ 16 million under the Agreement on economic and technical cooperation to be used on projects deemed important by both governments; a loan of US\$ 300 million by the China Ex-Im Bank for the Major Infrastructure Development Project; and 40 scholarships in the area of health.⁴⁰

Venezuelan President Nicolás Maduro visited the Asian country in September to sign nearly 28 documents on bilateral cooperation, the result of the Strategic Alliance established between the two countries in 2001. An official visit was made by Cuban Minister of Foreign Affairs Bruno Parrilla. He traveled to Beijing in November to meet with President Xi Jinping on the occasion of the 53rd anniversary of diplomatic relations between the two countries.⁴¹ Moreover, the XXVI session of the Intergovernmental Cooperation Commission was being held, during which a bilateral agenda was signed for the next five year period and new documents on concrete economic projects were adopted.⁴²

Similarly, Ecuadorian Foreign Minister Ricardo Patiño also traveled to the Asian giant in November to meet with his Chinese counterpart Wang Yi at the Seventh Political Consultation between the Two Foreign Ministries. As a result of this visit, the Ecuador-China Air Services Transport Agreement was signed which establishes 14 flights per week between the two countries. Also, an agreement was reached on a meeting of experts from both countries to address future negotiations on a Trade

40 The Office of the Prime Minister of Jamaica. (September 2013). Prime Minister's Statement on the Official Trip to China. At: <http://opm.gov.jm/prime-ministers-statement-on-the-official-trip-to-china/>

41 Ministry of Foreign Affairs of Cuba. (November 2013). Presidente de China, Xi Jinping, recibió hoy al Ministro de Relaciones Exteriores de Cuba. At: <http://www.cubaminrex.cu/es/presidente-de-china-xi-jinping-recibio-hoy-al-ministro-de-relaciones-exteriores-de-cuba>

42 Granma International. (September 2013). Califan de exitosa, comisión intergubernamental China-Cuba. In: <http://www.granma.cu/espanol/noticias/25septiem-califan.html>

Agreement for Development.⁴³ Likewise, Bolivian President Evo Morales conducted a state visit in December, during which a financial agreement totaling US\$ 35 million was signed as well as a memorandum of understanding on improving the citizen security program in the South American nation. This program calls for US\$ 55 million in financing and involves Chinese companies in its execution. An additional goal of Morales' visit was to preside over the launching of the first Bolivian satellite Túpac Katari.⁴⁴

Other Latin American leaders took advantage of international events to meet with representatives of the Chinese government. For example, during the G-20 Summit, which was held in September in Russia, the President of Argentina Christina Fernández met with President Xi Jinping. As a result, several treaties were signed with China including: a treaty to improve and reopen certain railway lines (San Martín, Mitre and Belgrano Cargas) totaling US\$ 4.1 billion. Also, a Memorandum of Understanding on the Establishment of a Permanent Binational Committee and a Joint Action Plan for the period 2013–2017 was signed by both countries, as well as a Memorandum of Understanding on the Establishment of a Strategic Dialogue Mechanism on Economic Cooperation and Coordination.⁴⁵

Brazil's President Dilma Roussef met with the Chinese leader at the same event and both countries made a commitment to promote cooperation among the BRICS nations. President Roussef also invited her Chinese counterpart to visit Brazil for the BRICS Summit to be held in July 2014.⁴⁶ Furthermore, Brazilian Vice President Michel Temer made an official visit to China to attend the Third Session of the China-Brazil High-level Coordination and Cooperation Committee (COSBAN), during which the Brazil-China Ten Year Cooperation Plan 2012–2021 was evaluated, as well as to participate in the Macau Forum (which brings together Portuguese-speaking countries and China to discuss issues related to cooperation

43 Ministry of Foreign Affairs and Human Mobility of Ecuador. (November 2013). Ecuador y China impulsa la cooperación y la relación bilateral en distintas áreas. At: <http://cancilleria.gob.ec/ecuador-y-china-impulsan-la-cooperacion-y-la-relacion-bilateral-en-distintas-areas/>

44 Ministry of Foreign Affairs of Bolivia. (December 2013). Bolivia y China firman convenios de financiamiento por 35 millones de dólares. At: http://www.rree.gob.bo/WebMre/principal.aspx?pagina=np09.htm&ruta=notasprensa/2013/2013_diciembre/

45 Office of the President of the Argentine Nation. (September 2013). La Presidenta se reunió con su par de China y afirmó que se reforzaran los lazos de cooperación entre ambas naciones. In: <http://www.presidencia.gob.ar/informacion/conferencias/26690>

46 Xinhua Español. (September 2013). China y Brasil prometen impulsar cooperación dentro del BRICS. At: http://spanish.xinhuanet.com/chinaiber/2013-09/05/c_132695234.htm

in economics, trade, education and culture).⁴⁷

Also within the framework of the G-20 Summit, Mexican President Enrique Peña Nieto met with the Chinese leader to sign a Memorandum of Understanding between the National Development and Reform Commission of the People's Republic of China and the Ministry of Finance and Public Credit of Mexico to promote investment and establish preliminary approval of a line of credit by China's Ex-Im Bank of US\$ 500 million to the National Bank of Foreign Trade (Bancomext).⁴⁸

The 2013 APEC Economic Leaders Meeting held in October in Bali (Indonesia) was the site of a meeting between Chilean President Sebastián Piñera and his Chinese counterpart. During the meeting a memorandum of understanding was signed to create a Permanent Binational Commission between China and Chile and another was signed to establish a strategic dialogue mechanism for Economic Cooperation and Coordination.⁴⁹ Furthermore, there is evidence of greater closeness on issues involving the armed forces, such as the visit made by Chinese Navy vessels to this South American country for the purpose of carrying out joint exercises.⁵⁰ In addition, President Piñera voiced his commitment to establishing a regional cooperation forum between China and Latin America.⁵¹ Running parallel to these diplomatic efforts, other countries have reinforced their presence in Asia via political and economic strategies. This is the case with Colombia which, in December, launched a strategy from within China to promote Colombia throughout Asia, an initiative of the Department of Asia, Africa and Oceania at the Ministry of Foreign

47 Ministry of Foreign Affairs of Brazil. (November 2013). Visita del Señor Vicepresidente de la República a China, III Reunión de la COSBAN y IV Conferencia Ministerial del Foro de Macao. At: <http://www.itamaraty.gov.br/sala-de-imprensa/notas-a-imprensa/visita-do-senhor-vice-presidente-da-republica-a-china-iii-reuniao-da-cosban-e-iv-conferencia-ministerial-do-forum-de-macau-macau-cantao-e-pequim-4-a-9-de-novembro-de-2013>

48 Presidency of the Republic of Mexico. (September 2013). Se reúnen los presidentes de México, Enrique Peña Nieto y de China, Xi Jinping, por tercera ocasión. At: <http://www.presidencia.gob.mx/articulos-prensa/se-reunen-los-presidentes-de-mexico-enrique-pena-nieto-y-de-china-xi-jinping-por-tercera-ocasion/>

49 Government of Chile. (October 2013). Jefe de Estado se reúne con el Presidente de la República Popular de China. At: <http://www.gob.cl/noticias/2013/10/06/jefe-de-estado-se-reune-con-el-presidente-de-la-republica-popular-de-china.htm>

50 Xinhua Español. (October 2013). China considera a Chile "un importante socio estratégico", dice embajador. At: http://spanish.xinhuanet.com/chinaiber/2013-10/01/c_132766538.htm

51 América Economía. (October 2013). China y Chile se comprometen a promover la cooperación bilateral. At: <http://www.americaeconomia.com/node/102363>

Affairs of Colombia.⁵²

At the regional level, discussions regarding China-Latin America relations have been a component of diverse activities. These include the Sixth China-Latin America Legal Forum, which took place in Ecuador and addressed issues related to cooperation, international trade, the Rule of Law and development linking the Asian giant and the Americas.⁵³ The VIII China-Latin America and the Caribbean Business Summit was held in Costa Rica and focused on trade matters. It was attended by representatives from 20 countries⁵⁴ in the region as well as Chinese business leaders and high-level government authorities whose goal was to promote bilateral trade and investment.

One of the most noteworthy events during this period was the BRICS Summit (Brazil, Russia, India, China and South Africa) held in Brazil in July 2014 attended by the presidents of these economies, including President Xi Jinping. The summit was the setting for two significant events: a meeting with UNASUR to strengthen the bi-regional dialogue and the announcement of the creation of the New Development Bank. This Bank, with initial capital of US\$ 100 billion⁵⁵ and foreign currency reserves, will be headquartered in Shanghai with a regional office in South Africa.⁵⁶ The creation of this Bank has raised a series of questions about the counterbalance economies classified as “emerging” can pose to traditional institutions such as the International Monetary Fund (IMF) and the World Bank (WB) and how this could influence the international financial framework.

3. China: A new creditor for Latin American countries

Increased closeness and continued meetings between authorities in Latin America and the Caribbean with their Chinese counterparts have had significant impacts in

52 Ministry of Foreign Affairs of Colombia. (December 2013). Colombia se sigue posicionando con éxito en Asia. At: <http://www.cancilleria.gov.co/newsroom/news/2013-12-30/8307>

53 El País. (October 2013). Ecuador acogerá el foro económico-legal China-América Latina. At: http://economia.elpais.com/economia/2013/10/09/agencias/1381282890_360730.html

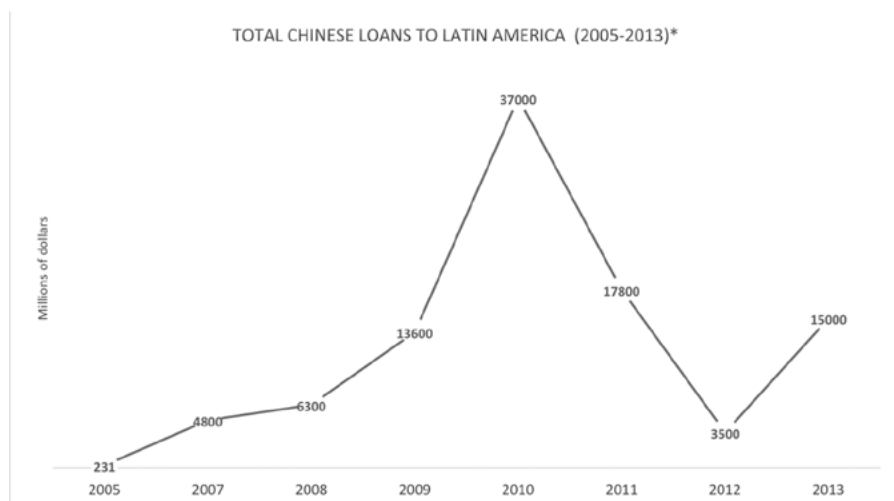
54 Crhoy.com. (November 2013). China brinda recomendaciones a Costa Rica en el arranque de la cumbre de empresarial. At: <http://www.crhoy.com/china-brinda-recomendaciones-a-costa-rica-en-el-arranque-de-la-cumbre-empresarial/>

55 Spanish People. (July 2014). Resumen: Describen cumbre de BRICS como un éxito. At: <http://spanish.peopledaily.com.cn/n/2014/0717/c31620-8756840.html>

56 Xinhua. (July 2014). Describen cumbre de BRICS como un éxito. At: http://spanish.xinhuanet.com/economia/2014-07/17/c_133489856.htm

terms of trade and economics. It is estimated that between 2005 and 2013, commitments by the China Development Bank (CDB) and the Export-Import Bank (Ex-Im Bank) totaled US\$ 102.2 billion⁵⁷ (Figure 1 shows the increase in the number of loans granted by the Chinese government -state-owned banks or companies- to Latin American countries). According to a study by Boston University, China and its banks are the main creditors of countries such as Venezuela, Ecuador and Jamaica. They surpass traditional financial institutions such as the World Bank (WB), the International Monetary Fund (IMF), and the Inter-American Development Bank (IDB).

57 Global Asia. (April 2014). China financia América Latina. At: <http://www.globalasia.com/actualidad/economia/china-financia-america-latina>

Figure 1

Source: Adapted from Inter-American Dialogue data (2013).

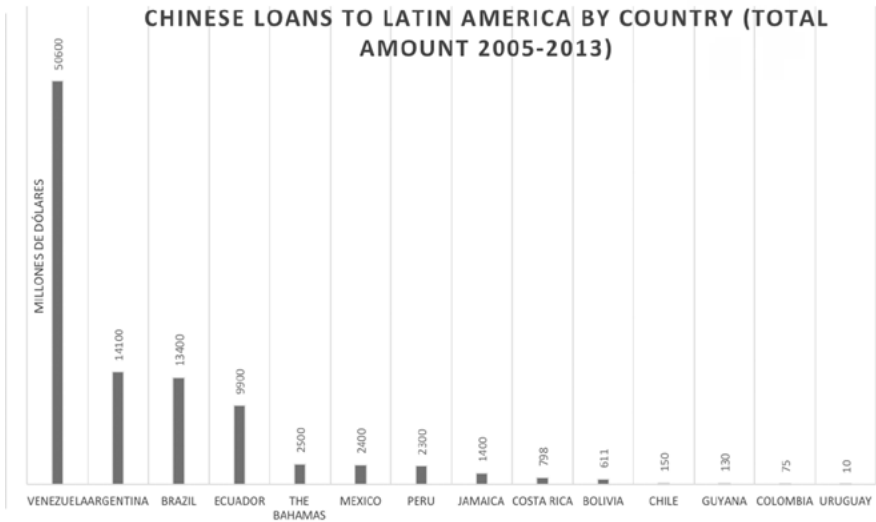
**Includes financing provided by the Chinese government to Latin American countries.*

Furthermore, China established a China-Latin America cooperation fund to which Chinese financial organizations contributed US\$ 5 billion. The China Development Bank led with an exclusive loan in the amount of US\$ 10 billion to promote construction and cooperation in infrastructure between China and Latin America.

At the bilateral level, Latin America and the Caribbean receives credit, investment and capital from the Chinese government and Chinese firms. For example, in terms of loans, between 2005 and 2013 China was the source of some US\$ 102.2 billion in credit. Of this total, approximately US\$ 50.6 billion, roughly half, was destined for Venezuela. Argentina is the second largest recipient with US\$ 14.1 billion. Brazil came in third with US\$ 13.4 billion and Ecuador was fourth with US\$ 9.9 billion.⁵⁸ This makes China a significant creditor to South America, as reflected in Figure 2.

⁵⁸ Global Asia. (April 2014). China financia América Latina. At: <http://www.globalasia.com/actualidad/economia/china-financia-america-latina>

Figure 2



Source: Adapted from Inter-American Dialogue data (2013).

4. Promotion of Chinese culture

The process of strengthening bilateral exchanges between Latin America and the Caribbean is not restricted to the political and trade areas. Numerous trips associated with cultural topics have been made by artistic groups to and from the People's Republic of China. Similarly, the network of Confucius Institutes has expanded to include two new sites in Chile and Ecuador in 2014 and the inauguration of a Confucius Institute in Trinidad and Tobago in October 2013. Other institutes have been opened, for example, one that specializes in archeological and anthropological research in Ecuador, and another that conducts botanical research in Cuba. However, China is not the only country that has been increasing its presence via cultural activities. Countries such as Colombia are promoting the Spanish language among Chinese students through its Instituto Caro y Cuervo. These are just a few examples of Chinese “soft power” in Latin America and the Caribbean and efforts by countries from the region to make themselves known in Asia.

5. Conclusions

China has deliberately turned toward Latin America and is focusing its attention on four strategic areas: 1. trade and investment; 2. strengthening political relations between states; 3. establishing itself as an important creditor of Latin American countries; and 4. the promotion of Chinese culture in the region.

In the area of trade and investment, China's main interest is on obtaining natural resources and positioning itself in strategic areas. This growing closeness has translated into greater international trade which increased by a factor of 22 between 2000 and 2012 and resulted in a trade deficit for Latin America for the same period. Continued growth in international trade will lead China to become Latin America's second largest trading partner in 2020, and as mentioned above, it will surpass the European Union, representing 18.5% of total imports and 16.1% of Latin American and Caribbean exports for that year.

In the political domain, this closeness has been clearly demonstrated by the visits of presidents or high-ranking Latin American and Caribbean authorities to China, as well as a number of bilateral meetings held within the framework of international fora. The majority of these meetings concluded with the signing of agreements promoting economic, technical, cultural and scientific cooperation between the countries. This is evidence of two things: i) Latin America is more actively strengthening its ties with China because of the latter's economic dynamism and international influence. The region is also pursuing its goal of diversifying its partners, moving away from traditional ones such as the United States and the European Union and ii) China is willing to use trade and culture as well as the considerable loans it has recently granted to enter Latin America and consolidate its position there. With respect to bilateral financing, as noted above, Latin America and the Caribbean receives credit, investment and capital from the Chinese government and Chinese firms. In terms of loans, between 2005 and 2013 China was the source of some US\$ 102.2 billion in credit, surpassing loans provided by the World Bank and the Inter-American Development Bank (IDB). Of this amount, close to half was destined for Venezuela. Argentina is the second largest recipient, Brazil occupies third place and Ecuador is fourth. This shows a growing dependence upon Chinese loans and the specific requirements that go along with negotiating with the Asian nation, which could heighten the risks to Latin America and the Caribbean associated with a deceleration or eventual financial crisis in China.

Finally, the priority China has placed on cultural promotion takes on special significance with the opening of Confucius Institutes, cultural institutions and research centers along with student exchanges, scholarships for studying Mandarin, university specializations, exchanges of scientific knowledge, and the promotion of both the Chinese arts in Latin America and the Latino culture in China. All of this is proof of China's diplomatic strategy to avoid annoying or placing the United States on alert (as Russia has with military cooperation with countries like Nicaragua). China has refrained from having a military presence in the region and has limited its economic and trade activities in order to ensure its continued presence in a region that is rich in natural resources, indispensable for China's socioeconomic development.

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SUB-REGIONAL STUDIES

CHINA IN THE SOUTHERN CONE: REGULARITIES, IMPACTS AND RESPONSES

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Introduction

There has been a resurgence of interest in studying China's behavior as an emerging actor. Its spectacular economic and social transformation and its growing influence in the world, particularly in Latin America and the Caribbean (LAC), is currently under examination. The "China factor" is now a key element in any analysis of new actors, dynamics or configurations that might play a role in shaping both global and regional scenarios.

The goal of this chapter is to explore the specific aspects of relations between China and the Southern Cone of Latin America (referred to by its Spanish acronym – CSL). The recent experiences of Argentina, Chile, Uruguay and Paraguay will be compared in order to determine which variables will come into play as the region deals with the challenges and opportunities posed by China's presence, its limited ability to mount a collective response, and potential areas for projecting a unified strategy.

Before focusing on the Southern Cone and its relationship with China, we will examine the principles and assumptions that guide the overall relationship between China and Latin America and the Caribbean.

A critical review of studies on relations between China and CSL (and Latin America and the Caribbean in general) finds that, to start with, they are based on an erroneous initial assumption: CSL (or LAC) is not one actor, but various actors that simultaneously pursue their own initiatives within a multidimensional framework. China, however, is a single actor. Furthermore, China's foreign policy towards CSL (and LAC), as well as Asia, Africa, and Europe, considers the region to be whole, but in the end, is implemented through bilateral channels. Therefore, to highlight the most significant aspects, China promotes unilateralism in negotiations, takes

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advantage of gaps in consensus to advance its own priorities, redesigns the regional geo-economic map through foreign trade and investments, implements plans to build infrastructure that will fulfill its own future needs, and has become the “lender of last resort” for several Latin American countries.

Secondly, relations between China and LAC have been developing along the same lines as traditional relations between the region and extra-regional powers, with profound effects on the economies, politics and societies of each country within the region. Nevertheless, LAC currently has, in contrast to previous decades, a higher probability of acting jointly as a region on these matters. In fact, this is entirely possible even though LAC international relations, under similar circumstances, have historically assumed a reactive political stance (and not a proactive one) and the region’s (non) collaboration with the global economy is reproducing the center-periphery model that, although displaying less severe features, appears to have returned.

Third, the CSL, as well as LAC, is part of China’s “periphery.” For Chinese strategists, the region “contributes” to its food security and is an alternative supplier that allows China to satisfy its insatiable appetite for energy and mineral resources. Therefore, expectations must be curbed within Latin America, which sees China as a “substitute partner,” key ally or economic savior. However, LAC is also important to China both in terms of its market and as a piece in the global competitive and strategic game being played with the United States. While the United States is active in China’s “backyard,” (for example in Southeast Asia), China’s actions in the region are intended as a type of geopolitical counterweight to what Beijing refers to as Washington’s “neo-contention” strategy.

Within the framework of multi-radial diplomacy, LAC has joined the Chinese diplomatic army in its efforts to carry out a “peaceful development strategy.” Chinese cooperation in sub-regional political initiatives and economic integration efforts (such as MERCOSUR, the Pacific Alliance and ALADI), its participation in hemispheric institutions (the OAS and the IDB) and inter-regional institutions (FEALAC), in addition to trust networks built upon conceptual frameworks such as a comprehensive cooperative partnership or strategic partnership, are all a part of this strategy.

China's connection with global institutional reengineering processes is evidence of its desire to strengthen its national development strategy and use its power to influence major issues on the global agenda. This aspect of Chinese foreign policy should be of great importance to Latin American countries because their primary source of power and capacity to act lies in multilateral political-diplomatic efforts.

Finally, China is playing a major role in integrating global production systems and international science and technology networks connected to global value chains through their ETNs (National Territorial Strategies), which, in turn, feed on and gain strength from the systemic support provided by the state in the form of modern industrial policies. This aspect of the Chinese model will presumably reinforce its political primacy and economic dominance in Asia Pacific and the world. For CSL and LAC, however, there is an aspect to integration of global value chains that has not been sufficiently considered: the consolidation of integrated production processes in East Asia and their impact on the global economy creates a hyper-connected economic area that many experts have called "Factory Asia," which has largely replaced "Factory China." The most obvious consequence of this phenomenon is that Chinese ETNs and the Chinese state have less room to maneuver and less autonomy than previously thought to help the Latin American productive apparatus and innovation centers move up the Transpacific and global value chains. Nonetheless, traditional international trade channels –shaped by inter-industrial trade, production processes in the region, infrastructure and logistics development– are gravitating ever more toward the attractive Chinese market.

1. Argentina: General overview of relations

Four decades after having established formal diplomatic relations, the main variables and features of Argentina – China relations are:

Internationalist principles and political subjugation: sustained action principles at the international level allow the interests of both countries to converge. The "Argentine case," for example, exhibits some particular characteristics. China is a key ally because, as a permanent member of the United Nations Security Council, it supports Argentina's claim to the Islas Malvinas/Falkland Islands and the islands of the South Atlantic. As a result, this important issue defines and shapes Argentina's foreign policy toward China. Operational concepts such as anti-colonialism, sovereignty and territorial integrity help identify shared priorities and goals. In sum, the political weight that Argentina places on relations with China –because of

the Malvinas/Falklands issue- is greater than that from any other Latin American country. Increases or decreases in the degree of freedom Argentina has to act in relation to China can therefore be considered a **“dependent variable.”**

Trade asymmetry and financial dependence: China is the fourth largest market for Argentine exports and the second largest for imports. Old Latin American trade patterns are being reproduced. Argentina is producing commodities and raw materials, mainly soy and soy derivatives. A second indicator of growing economic subjugation is the greater amounts of financing from Chinese institutions, the direct result of countries like Argentina being positioned “out of the international financial system” in the post default stage. Support is channeled primarily through financing imports and infrastructure projects.⁶¹

China’s financial power is highly attractive and opens doors in needy regional economies that have been cut off from other external sources of credit. In March 2009, the central banks of both countries signed a US\$ 10.2 billion currency swap agreement as a further step towards replacing the dollar as the main currency for international trade transactions and guaranteeing Argentine payments for Chinese imports. The presence of the Industrial and Commercial Bank of China (ICBC) in Argentina will help determine the future direction of negotiations on public works, the development of agribusinesses, mining, and the entrance of Chinese energy companies into the Argentine market.

China is a key variable in understanding the reorganization of the national agri-food processing sector: the attractiveness of the Chinese market has encouraged changes in the national production matrix, the so-called “soy-ization” of the Argentinean agricultural sector, in order to satisfy growing Chinese demand. This explains toned down domestic criticism of bilateral trade imbalances and the benign treatment of Chinese imports suspected of unfair trade practices.

An empirical analysis of the evolution of trade between Argentina and China confirms these dynamics. In 2001, bilateral trade totaled US\$ 2 billion, but in 2013 it reached US\$ 14.972 billion (Argentine exports of US\$ 5.021 billion and imports from China in the amount of US\$ 9.951 billion). The trade situation between both countries can be summed up as follows:

61 At the beginning of November 2013, the Chinese company Gezhouba announced a US\$ 4.7 billion credit to build two new hydroelectric power plants in the province of Santa Cruz.

- Argentina buys 0.4% of what China sells to the world.
- Argentina is ranked thirty-second among China's suppliers.
- China is the fourth largest market for Argentine exports after Brazil, the EU and NAFTA. According to 2013 data, Argentine sales rose to US\$ 6.358 billion, or 7.7% of the total (5% in 2001).
- Just two countries (Brazil and China) and two markets (the European Union and NAFTA) –the four main recipients of exports– account for 51% of all Argentine exports.
- 61% of exports to China are made up of primary goods, only 0.2% are goods with high-technology content. However, the percentage of goods with high-technology content imported from China rose to 38.9%.
- Argentina is one of the most attractive markets for Chinese exports of organic chemicals. Argentina represents 3.5% of China's total global sales.
- In 2001, China accounted for 5% of Argentina's total imports, and 11.4% in 2013 (US\$ 11.391 billion); the majority of which consisted of spare parts (36%) and capital goods (26%).
- Argentina had a net deficit of US\$ 5.033 billion in trade with China in 2013.
- Argentina's largest trade imbalance is with China.

These sales reflect a pattern seen throughout the rest of South American exporting economies: a high concentration of soy products –oilseeds and soybean oil– in Argentina's exports. They account for 86%. On the other hand, imports of MOA (Manufactures of Agricultural Origin) and capital goods are driven by purchases of transport equipment.

Argentina receives Chinese immigrants: over the last twenty years there has been a notable influx of Chinese immigrants into the country. Their preference for Argentina stems from the presence of well established communities, support networks, a friendly environment for developing small business activities and the “positive image” that Chinese immigrants still enjoy in Argentine society. The flow of Chinese immigrants continues till today and has acquired specific socio-cultural,

economic and political features that are reflected in the community's geographical location, social function and relevance as an economic actor. China's projection of a "soft power" through the inauguration of cultural centers like the Confucius Institute is another indication of the importance of transmitting symbolic references that reinforce the unity and identity of overseas Chinese communities in Argentina.

2. Main topics on the Argentina - China bilateral agenda

The main items on the bilateral and multilateral agendas are:

- a. Multilateral: with respect to reform of the United Nations Security Council (UNSC), both agree that a consensus is required for any type of reform and that said reform should take place only after a mutually agreed upon formula has been widely accepted. The Chinese position -the same as Argentina's- is in favor of not incorporating any new permanent members.
- b. UN reform: both agree on the need to push forward on a comprehensive reform of the organization's main institutions that deal with security, development and human rights and to strengthen the power of the main UN bodies, in particular the Security Council, the General Assembly and ECOSOC.
- c. Cooperation in peace-keeping missions: for example via Minustah in Haiti.
- d. International finance: even though Argentina's ability to act is limited, both countries participate in international fora such as the Group of 77+ China and the G-20.
- e. Cooperation on nuclear issues: Both countries have nuclear capabilities used only for peaceful purposes, have similar outlooks on non-proliferation and global control of weapons of mass destruction, and are members of the Nuclear Suppliers Group and the Missile Technology Control Regime.
- f. Cooperation on Antarctica: both countries are signatories to the Antarctic Treaty and have collaborated closely on this issue.

- g. Cooperation on space: both parties have established channels for cooperation on the use of extraterrestrial space for peaceful purposes.
- h. Cooperation in Science and Technology: increased exchanges in the fields of biotechnology, especially through the founding of binational technology companies (EBTs) and the creation of binational research institutes. For example, in 2008 the Argentina–China Food Science and Technology Center⁶² was created. Future advances are expected from the Argentina–Beijing Center for Technology Transfers, which was established to jointly develop products in areas such as medical technology and biopharmaceuticals, alternative energy, nanotechnology, nanostructured materials, agricultural technology and information and communications technologies (ICT).
- i. In sum, relations between Argentina and China have very specific political characteristics because the *Islas Malvinas*/Falkland Islands are a foreign policy priority for Argentina. In terms of international financing, China has gained importance as an alternative financier in the post default stage. The pattern of their international trade reproduces asymmetries that are found throughout the rest of the South American economies.

3. Chile: Open Regionalism and relations with China

In 2014, Chile and China will mark 44 years of diplomatic relations, which can be separated into two phases: the first phase, from 1970 until 1990, was political in nature (in spite of the dramatic regime change in Chile in 1973) but from 1990 onward, the second phase, the main pillar of bilateral relations gradually shifted to economics.

Even though the Chilean Ministry of Foreign Affairs considers China to be its main counterpart in East Asia, demonstrating the Asian country's growing gravitational pull in regional and global matters, the central tenets of Chilean diplomacy regarding China reflect the overall shift in focus towards East Asia that was taking place throughout the 1990s.

The first key component of this transition was open regionalism, adopted by Chil-

⁶² The Center functions as an incubator for projects in meat processing, food security and vegetable protein processing.

ean governments following the country's international reinsertion after the military regime left power. The idea was that the development model adopted by Chile, based on increased exports and an opening up to international financial flows, had to be accompanied by coordinated trade liberalization and the negotiation of economic disciplines with the country's main counterparts in the international economy. Therefore, measures to bring about unilateral trade opening and advances at the global level through multilateral agreements under the framework of GATT, and later the WTO, were reinforced by an active policy of negotiating free trade agreements (FTAs).

With respect to East Asia, recognizing the economic importance of international relations led to Chile's incorporation into the main transpacific fora (PECC in 1991 and APEC in 1994) – efforts which were backed by public-private institutions created to support the country's expansion into these regional bodies. It also led to the negotiation of FTAs in order to improve market access for non-traditional products, primarily natural resource intensive products, and to create favorable conditions for foreign investment.

Throughout this gradual and reality-driven process, business associations, chambers of commerce and binational business associations grew in importance. They helped shape a significant portion of the agenda, participated in trade negotiations, and acted as an informal space to sound out potential initiatives in economic diplomacy.

Currently, Chile has signed or negotiated FTAs with Japan, South Korea, China, Hong Kong, Vietnam, Thailand, Malaysia, Singapore and Brunei. Business groups and foreign ministry officials under the Piñera administration have shown an interest in negotiating a trade cooperation agreement with Taiwan (following the examples of New Zealand and Singapore) and an FTA with Indonesia. Chile is also involved in on-going negotiations to establish the Trans-Pacific Partnership (TPP), which, as we will see below, has opened a space for dissent vis-à-vis limiting growing trade relations with China. The Pacific Alliance is a new strategic component in relations with East Asia. Its goal is to serve as the point of intersection for trade and manufacturing with East Asia.

Unlike Argentina, once the transition to democracy had begun in the 1990s, Chile-China relations have not had to incorporate a critical mass of elements in support of a diplomatic-strategic plan, as Argentina's claim to the Islas Malvinas/Falkland Islands has colored its relations with China.

Chile's foreign policy strategy, in contrast to Argentina's, is almost exclusively focused on economic elements, primarily in the area of trade. Thus, the principle milestones in bilateral relations have been: 1) Chilean support for China's entry into the WTO (1999), the first Latin American country to provide such support; 2) recognition of China as a market economy (2004), once again, the first Latin American country to do so; and 3) signing an FTA (2005), the first FTA between China and a Latin American country.

Without a doubt, Chile's economic diplomacy has attained significant goals through open regionalism. In 2013, bilateral trade reached US\$ 34.921 billion. Although mining exports (particularly copper) continue to be the backbone of the bilateral trade relationship (US\$ 16.321 billion in 2013) and the source of the surplus Chile enjoys in trade with China (in contrast with all other Latin American countries), Chilean shipments to China have grown significantly since 2005 following diversification and now comprise a wider range of natural resource intensive products, mainly agricultural (fresh fruit, US\$ 533 million), foodstuffs (US\$ 431 million) and chemical products (US\$ 281 million). Simultaneously, the number of Chilean firms that have set up operations in China or have representation there has grown, as have the number of companies involved in bilateral trade with China.

The economic and trade leitmotif that has dominated Chile's outlook on relations with China is based on the main goal of both economic authorities and business associations, i.e., to attract Chinese investments. The Foreign Investment Committee coordinates efforts and initiatives as do the embassy and ProChile trade offices in Beijing, Shanghai and Guangzhou. The General Directorate for International Economic Affairs at the Ministry of Foreign Affairs, in keeping with the initial agreement with Beijing to progressively widen the FTA, concluded negotiations with its Chinese counterpart regarding an agreement on trade in services (in force since 2010) and an agreement on investments (signed in 2012).

The potential consequences of Chile's participation in TPP negotiations have gained relevance in the public debate, especially during the parliamentary and presidential elections that were held at the end of 2013 and following the subsequent victory of the opposition center-left coalition. Its presence in the public debate underscores the fact that economic issues dominate relations with China. An influential group of academics, experts and former diplomats argue that China considers the TPP to be a tool of U.S. strategic policy to curb China's influence in Asia Pacific.

Therefore, Chile runs the risk of being perceived as strategically aligned with the United States, compromising its future plans to join the Regional Comprehensive Economic Partnership (RCEP).

As both East Asia and China consolidate their status as poles for Chilean open regionalism, the approach and focus of Chilean economic diplomacy has deepened and expanded. Aside from the growing influence of the People's Republic of China in the global economy and regional economies, corporate and government circles have taken a broader view of China, one that encompasses the Chinese Economic Area. It is in this context that we must consider the possibility of negotiating and signing an FTA with Hong Kong as well as the previously mentioned interest in negotiating a trade cooperation agreement with Taiwan. Chilean government and business leaders seem to be fairly aware of the consequences of transferring economic and political power from the West to the East, especially as it relates to food and mineral production, sources of financing for infrastructure and stronger financial links with Hong Kong and Shanghai.

4. Chile: Emerging Features of a Public Diplomacy

China's emergence onto the world scene combined with Chile's development model and market access facilitated by the FTA has brought about growth in trade between Chile and China, as has the emphasis on economic relations as the two countries move closer together. This, in turn, has encouraged a certain amount of diversification and densification of social relations.

Over time, various ministries, public agencies and institutions like the Chile Pacific Foundation have played an active role in implementing and coordinating policies associated with economic relations. These have been expanded to include areas such as attracting investment, economic and technical cooperation, innovation and promotion of manufacturing sectors, and the development of non-conventional renewable energy. The dynamism in this area of relations has, undoubtedly, encouraged the formation of a binational network of business-related associations. This explains a stronger Chile China Chamber of Commerce, Industry and Tourism and the creation of the Chile-China Binational Business Council. These organizations include large conglomerates that export raw materials and natural resource intensive products, in addition to economic groups that head the small merchant sector, importers and leading private financial institutions. Throughout the years these private sector entities have always coordinated and cooperated with state bodies,

resulting in fluid communications during successive negotiations on trade, investments and services.

The Chilean experimental farm in China must also be noted for its practical and symbolic importance. This is a joint initiative between the Chilean Fruit Exporters Association, ProChile, the University of Chile and the Government of China.

Turning to politics, the economic theme that is woven into relations with China is obvious in the initiatives pursued by those political and social actors who are more actively involved in bilateral relations.

The political world, by way of the Chamber of Deputies and the Senate, has established a long-term fluid relationship with Chinese leaders. The China-Chile Committee for Political Dialogue has been responsible for coordinating relations between China and the Chilean legislative branch. Created in 2005, this organ has since held seven meetings. Trade and economic issues have clearly dominated the agendas set for these meetings. Some of the main topics have included: fishing agreements promoted by Chile to ensure the sustainability of certain marine species in the South Pacific; tourism promotion and air connectivity between the two countries; cooperation efforts to encourage the incorporation of small and medium enterprises into bilateral trade; negotiations on phytosanitary and zoosanitary protocols that would allow the entry of Chilean fruit and meat into the Chinese market; technical exchanges to optimize the use of hydro resources and mitigate the effects of natural disasters; and investment promotion.

A similar dynamic has been observed in the areas of economic and technology cooperation and in academic centers and universities. Under the umbrella of the Chilean National Commission for Scientific and Technological Research (Conicyt), Chile has negotiated with the Chinese Academy of Sciences to create joint projects and provide advanced human capital training. Within the framework of the Chile-China Joint Commission for Scientific and Technical Cooperation, a joint action plan was agreed upon for the period 2014–2016, which in addition to those issues covered by the previous plan (astronomy, biotechnology, renewable energy, agriculture, fishing and forestry, seismology and anti-seismic engineering and ICT) included two new areas: sustainable mining and polar science.

One area where there has been significant progress is a proposed agreement in the field of astronomy. As a result of these efforts, the China-Chile Joint Research

Center for Astronomy (CCJCA) was created. Through this mechanism China set up its first astronomical research center in Chile with an initial investment of US\$ 3 million. One of the central goals of the initiative, in addition to training human resources, is to develop and introduce innovative technologies in the field of astronomy.

5. Uruguay: Budding connection to production chains

China and Uruguay established diplomatic relations in 1988 and they have remained healthy. In recent years President Mujica has visited China and Chinese leaders like former Premier Wen Jiabao have visited Uruguay. Uruguay is the site of Latin American multilateral organizations of which China is a member, such as ALADI. Furthermore, Uruguay is an active partner in MERCOSUR which China uses to create linkages with intra-zone trade and investments.

The Chinese outlook on relations with Uruguay is shaped by its strategy to create linkages with an economy that has the following characteristics:

- a. is part of the group of economies at the heart of MERCOSUR. This makes it possible for Chinese companies to set up operations in Uruguay in, for example, software services or the automobile industry. Favored for its intra-zone preferences, economic integration in the area has spurred investments by the Chery company to build assembly plants in Uruguay in order to meet intra-bloc demands.
- b. Uruguay has potential in terms of arable land, manufacturing and agri-food exports. Uruguay has a history of exporting quality foodstuffs and places few to no restrictions on investments and foreign trade, which makes it an attractive location for Chinese firms seeking partnerships or attempting to buy land.
- c. Uruguay is part of an integrated logistical system in the Southern Cone that links trade routes between Buenos Aires-Montevideo and ports in southern Brazil.

The chief goods exported by Uruguay include: cellulose pulp (exported by the UPM company), soy beans (exported through the Nueva Palmira Free Trade Zone), live bovine animals, edible meat offal, copper waste and scrap, tanned leathers, rice,

whey, wool scrap, milk and cream, raw hides and skins, animal feed, cheese and cottage cheese. Of particular interest is the fact that dairy products under the brand name Conaprole have entered the Chinese market and this potential exists for other sectors as well, such as citrus and wines.

Imports are mainly comprised of auto parts, electronic equipment and electronic devices. In 2013, bilateral trade rose to US\$ 1.9 billion.

In terms of investments, one of the most important projects is a bilateral governmental agreement that granted approval to a Chinese company to restore the Uruguayan railway system. This agreement is the first of its kind to be signed by Uruguay with any other country. The agreement states that a private firm (selected by the Chinese government) will install an industrial complex in Uruguay to produce sleepers, rails and rolling stock in order to resolve –at least partially– problems in the railroad industry. This has been a top item on the government’s agenda because of the need to modernize the national freight railway system in order to help the country develop as an agro exporter. To achieve this goal, it is estimated that US\$ 400 million in resources will be needed to recover 1,700 kilometers of railway lines out of a total of 3,000 kilometers.

Other Chinese investments were made in the energy sector. Uruguay has held tenders for oil exploration and exploitation in the Rio de la Plata in order to bring about an end to foreign dependency. Chinese firms such as CNOOC have been awarded tenders that were bid on in conjunction with local public companies, including Petrobras.

In sum, China is Uruguay’s second most important trading partner after Brazil. The economic complementarity, an attractive set of tax incentives for FDI, macroeconomic stability, sustained “state policies” related to its significant potential as an agro exporter, confidence in its bureaucracy, the opportunities Uruguay offers as a platform to the larger MERCOSUR economies, Uruguay’s participation in plans for bioceanic corridors under the IIRSA project, the logistical benefits of its waterways, its open financial system and investment opportunities in port infrastructure, for example at the deep-sea ports of Montevideo and Nueva Palmira, are all significant factors in current and future bilateral relations.

6. Paraguay: The empty box

It is well known that Paraguay is an anomaly in South America because it has maintained diplomatic relations with Taiwan since 1957 and does not have formal relations with the People's Republic of China. Since the overthrow of Alfredo Stroessner in 1989, a cycle has emerged in which the country increases its closeness with the PRC and proposes switching diplomatic relations yet, as of today, it has not yet happened. The last time this was proposed was when Fernando Lugo was elected president in 2008. Even so, the current government of Horacio Cartes has confirmed the country's diplomatic recognition of Taiwan.

Under these circumstances, trade relations between Paraguay and China have not fulfilled their potential, which is important given China's need for raw materials (soy, meat, leather, etc.) and its rising position in international trade. Even though China has become one of the main suppliers of Paraguayan imports (primarily machines and equipment) surpassing its neighbors Brazil and Argentina, exports are limited. In terms of trade, the two countries maintain ties through the Paraguay-an-Chinese Cultural, Commercial and Industrial Chamber, a body that advocates the establishment of diplomatic relations.

Conclusions

Beyond diplomatic circles that include specialists tied to the ministries of foreign affairs, there does not appear to be a widespread view of China as a "big player" in the new balance of global political power. In social circles, the top echelons of business, and even academic centers China's growing influence is clearly seen as being restricted to the economic sphere. More than a force used to counterbalance the influence of the United States, relations with China are seen as an opportunity to diversify economic ties via access to the Chinese market and overseas investment by Chinese ETNs.

The image of a "benign utopia" prevails in many circles, where China is perceived as a "brave new world" (a Chinese Dream) in which everyone will be able to grasp part of China's domestic wealth and share in the income generated by its vast market."

Nevertheless, slowly but surely, China is trying to instill “specific thought” at the regional level, which has renewed old traditions and stimulated interest in gaining a greater understanding of this important global actor. China has been and is once again becoming the engine behind the “from the region” school of thought. This concept is organized around the interest in learning about invaluable political, economic and socio-cultural elements that enrich the global outlook for Latin American and Caribbean. It is also interested in understanding changes in the world order in the 21st century and -eventually- helping the Southern Cone to find its place on the global stage. In the end, China has been and is once again becoming an instrument that triggers reflection which, little by little, is promoting the creation and consolidation of “epistemic communities” in the region.

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LATIN AMERICA - CHINA RELATIONS IN A WORLD IN TRANSITION: A CASE STUDY OF CENTRAL AMERICA

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Introduction

New actors have emerged onto the international scene and play a key role in the global economy. They come from Asia Pacific, primarily East Asia, and include countries such as the People's Republic of China, South Korea and Japan. Even though politically-speaking this region and Central America have moved closer over the past 5 years, the key to deeper relations lies in the economic and trade aspect of the relationship. For the past two decades, Asia Pacific has become the main center of economic activity in the world. A byproduct of this phenomenon has been its growing importance as a trade partner and, more recently, as a source of financing for Latin America and the Caribbean. In the coming decades, economic and trade relations with Asia will continue to become more important to the region. (Asia Pacific Observatory, 2013:9).

Statistics from APEC (2013) reveal that exports from the region grew 2.6% in 2012 to a total of US\$ 8.7 trillion. This shows a marked slowdown as compared with 2011 when the growth rate was 17.2%. Moreover, the value of imports into the region increased 3.6% in 2012 totaling US\$ 9 trillion after having achieved a 19.6% increase in 2011, thereby raising the region's trade deficit with the rest of the world.⁶⁴ In spite of a deceleration in trade with the rest of the world, trade in goods at the intra-regional level surpassed the growth rate for trade when compared with other parts of the world. As of November 2012 it grew 3.9%, while internationally it decreased 1.8%. This has been critical for Latin America because, with a more dynamic Asia, specifically China, Japan, Singapore and India, trade links between

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64 The economies that make up the Asia Pacific Economic Forum (APEC) play a critical role. APEC has a significant impact on regional and global trade, generating more than 50% of global trade and more than 40% of Gross World Product (GWP). This region is also home to a significant group of emerging markets like Singapore, Malaysia and Vietnam, who have been positioning themselves as net exporters of goods and recipients of substantial foreign direct investment (FDI). As a result they suffered dearly from the impacts of the international crises.

Latin American countries, in particular Central American countries, and Asia are more stable (Li, 2012:1)⁶⁵.

A comparison of the two regions between 2000 and 2012 indicates that 5% of Latin American exports in 2000 were bound for Asia Pacific, yet in 2012 this figure rose to 19%. Imports from Asia into Latin America in 2000 represented 11% of total imports and in 2012 that number rose to 27%. This is evidence of a drastic increase in trade flows, especially in imports. This trend is stronger in certain countries. For example, Chile sends 42% of its exports to Asia Pacific, followed by Brazil and Peru with 25%. Bolivia follows with 18% and Argentina with 16%. In terms of imports, Panama tops the list with 44% of its imports coming from Asia Pacific. Paraguay follows with 38%, Mexico 28%, Chile 27% and Peru 26%. Central America, in spite of its increased share of trade with Asia Pacific in recent years, is not significant when compared with the rest of Latin America (Asia Pacific Observatory, 2013:3).

Looking specifically at relations between the People's Republic of China and Latin America for the past two years, trade relations, more so than political ties, have brought the two sides closer together. This is true for Central America in particular. According to the Latin America–Asia Pacific Observatory (2013), of the total trade in goods in Latin America, 9% of exports are destined for China, greater than the 2% for Japan or the 8% for the rest of Asia. Meanwhile, of total imports, 13% come from China, 3% from Japan and 11% from the rest of Asia. Mexico and Central America had the highest level of growth in exports to China for the first half of 2013, while the group of countries that make up the Andean Community experienced a drop of 2.2%. In terms of exports to Asia Pacific, once again Mexico and Central American countries enjoy the highest rates.

According to ECLAC (2013), Latin American countries promoted greater regional integration with Asian countries as an effective response to reduced demand by developed countries. Relations with Asian countries, because of their greater dynamism, should help generate moderate advantages in non-traditional sectors and activities, and should increase export diversity. This is evidenced by a number of bilateral and multilateral Free Trade Agreements mainly with Asia Pacific, China being one of the main actors. Central America is also participating in this trend. Central American countries, such as Costa Rica, have been increasing trade and

65 However, the 2008 financial crisis was not the first to hit Asia. The 1998 currency crisis was strongly felt in Southeast and East Asia. It impacted regional trade and economic growth and exposed institutional weaknesses in dealing with this type of crisis.

economic relations and strengthening political and/or diplomatic relations with China.

This chapter has been divided into the following sections. First, important background information on relations between the People's Republic of China and Latin America, specifically Central America, is presented. Then, the primary factors driving current links between the People's Republic of China and Central America are discussed. Afterwards, possible future scenarios for relations between Central America and China are outlined, taking into special consideration the priorities and interests of the countries in the region. The final section offers conclusions.

Relations between Central America and the People's Republic of China: Background Information

According to Cardozo (n.d.), the effectiveness and therefore, success of Chinese actions in Latin America and the Caribbean is difficult to ascertain. This opinion is based on the constant diplomatic struggles taking place in a region that has provided some of the strongest support for Taiwan's hopes for independence in recent decades. As a result, the foreign policy rationale adopted by the leaders of the Chinese Communist Party focuses on establishing and developing a strategic plan that uses dialogue and cooperation and implements specific regional programs. Even though it is true that a significant number of countries in the region (Panama, Guatemala, El Salvador, and Honduras) maintain diplomatic ties with Taiwan, there are some limits. For example, the consensus among elites as well as public opinion has shifted to an ideological-economic debate. Taiwan still wields a certain level of influence, however, various political factions are deliberating the conditions that must be met for receiving cooperation either from Beijing or Taipei. Thus, dollar diplomacy involves quick maneuvering, especially at a time when China is being warmly welcomed by the region, which in turn, increases the level of uncertainty for Taiwan's allies.⁶⁶

According to Peralta (2006), the various strategies used by China in Oceania, Latin America and the Caribbean to deal with the Taiwan issue are based on economics

66 As Cardozo correctly states (n.d.), China has reversed the direction of its relations with the Third World, moving away from a mainly ideological and political base. Greater opportunities for multilateral cooperation in the 1990s brought about new paths to development and a real opportunity to meet growth targets without having to abandon bilateral diplomacy. The first example of this shift can be seen in Premier Wen Jiabao's statement that "Chinese self-representation" was a basic foundation for the country in its search for a greater international presence.

and complement the underlying goal of all Beijing policies, which is to drive a wedge between the parties. As the correlation between diplomatic pressure and economic “seduction” suggests, changes in the sub-region, regardless of the highs and lows experienced by integration attempts, appear to be taking place within a new spirit of realism and point to an unfavorable outcome for Taipei.

In fact, it could be said that the region is still divided against itself. While the U.S. ponders how best to address the Taiwan question, Chinese penetration has taken the form of coordinated leadership among developing countries. China’s reach will depend in part on the development model adopted by Latin American countries, especially those in Central America. Reigning ideological indecision combined with the fact that U.S. governments have long viewed politics in terms of national security, indicate that Central America and the Caribbean will be a test of diplomacy for both parties (Cardozo, n.d.:4).

According to Cardozo (2006), Taiwanese politicians have long hoped to dilute China’s association with Latin America and have tried to do so by warning against the sincerity of Beijing’s peaceful intentions. This has been received with persistent indifference by local governments. Such diplomatic games do, however, have an effect on public opinion in Taiwan and, considering the apparently unsuccessful negotiations in the strait, could be seen as a strategy by which China is working not only to break these coalitions with Taiwan, but also to turn its main Caribbean and Central American partners into a lobbying group that would block any future attempts by Taipei to implement regionally supported independence-oriented initiatives.

Therefore, as Cardozo states, (n.d.), China’s policy in Central America and the Caribbean may have a certain “similarity” with the calculated risk approach taken by the former Soviet Union during the Cold War. This guarded tactic relies on tentative and gradual maneuvering, minimizing China’s visibility in conflicts and trying to keep any conflicts limited and localized, especially when Taiwan’s interests are more obvious and its response uncertain.

With respect to the current relationship between Central America and China, it is important to note that countries in the region, with the exception of Costa Rica, have maintained diplomatic relations with Taiwan. Discussions have taken place within Central America on the real reason for maintaining diplomatic relations with Taiwan instead of taking advantage of growing trade and financing from the

People's Republic of China, which could lead to a considerable increase in revenue through cooperation, whether economic or financial, and a greater amount of portfolio and direct and/or corporate investment.

El Salvador, Guatemala, Honduras, Nicaragua and Panama have Free Trade Agreements with Taiwan (Latin America – Asia Pacific Observatory, 2013:7), unlike Costa Rica. As shown in Table 1, there has been a significant deepening of political, economic and trade relations between Central America and the People's Republic of China in recent years. Given this dynamic, trade has played a crucial role. Mechanisms like Chambers of Trade and Cooperation, Offices on Trade Development and others have been created for the purpose of strengthening relations with China in spite of the political-diplomatic relationship with Taiwan.

Table 1
Key Elements of Central America-China Relations (by country until 2013)

Country	Institutions (Central America-People's Republic of China relations)	Areas/Products	Countries/Organizations interested in the Central America-China Relationship	Background Information for the period 2010-2013
Panama	Panama-China Trade Development Office. Responsible for consular matters and trade related issues.	The Panama-China Trade Development Office focuses its efforts on marketing industrial products and manufactured goods.	Taiwan: maintains bilateral relations with Panama. Panama has closer relations with Taiwan than it does with China. Yet, in recent years trade between China and Panama has grown.	Has had bilateral relations with Taiwan since 1912, has had trade relations with China since 1972. Taiwan is a priority for Panama, however, over the last 5 years China has seen an economic and trade boom with Panama.
Costa Rica	Embassy of the People's Republic of China in Costa Rica. Responsible for diplomatic and consular affairs. Ministry of Foreign Trade, COMEX: Responsible for trade-related matters.	Industrial Products: Microprocessors, electronic parts for computers or machinery, electrical conductors.		In 2007: Costa Rica established diplomatic relations with China. In 2010: Costa Rica signed a Free Trade Agreement with China.

Country	Institutions (Central America- People's Republic of China relations)	Areas/Products	Countries/ Organizations interested in the Central America- China Relationship	Background Information for the period 2010-2013
Nicaragua	China-Nicaragua Trade Office: Responsible for trade-related matters.	Related products: Scrap metal, sugar, leather and coffee	Taiwan is directly affected by increased relations between Nicaragua and China. The Venezuela-Nicaragua relationship, in terms of ALBA, has propelled closer relations between Nicaragua and China.	In 2012: Nicaragua and China deepen the investment relationship to build a canal through the Río San Juan.
Honduras	Honduras-China Chamber of Commerce. Responsible for trade issues and consular affairs.	The most important sector in both countries is the industrial sector.	Taiwan is deeply concerned about the development of relations between China and Honduras.	A very important diplomatic incident occurred in 2012 when Taiwan made statements against the fact that Honduras was considering establishing relations with China.
El Salvador	China - El Salvador Chamber of Commerce	Focus on the industrial and manufacturing sectors.	Taiwan is deeply concerned about the development of relations between China and El Salvador.	In 2013 the possibility of opening an El Salvador-China trade office was examined in light of the trade deficit. The goal is to increase El Salvadoran exports to China.
Guatemala	China-Guatemala Chamber of Cooperation and Trade: A trade and cultural link between the two countries.	Industrial and manufacturing sector. Sugar is the main export.	Taiwan is deeply concerned about the development of relations between China and Guatemala, one of its main trading partners.	

Source: Adapted by the author from field work data, 2013-2014.

The Table above contains some key points:

- With the exception of Costa Rica, all other Central American countries have diplomatic relations with Taiwan;
- The creation of chambers of commerce and/or cooperation in Panama, El Salvador, Honduras, Nicaragua and Guatemala and their significance in importing and exporting industrial and manufactured goods reflects the need

Central American countries have to establish trade relations with China, in spite of how this could affect each country's diplomatic relations with Taiwan;

- In the political-diplomatic arena, various elements must be taken into consideration, for example: China's possible investment in construction of the Nicaragua Inter-oceanic Canal; opening an El Salvador-China trade office for the purpose of increasing exports; and the initiation of diplomatic relations between Costa Rica and China in 2007. They are all evidence of a continued deepening of relations between Central American countries and Asia, specifically China.

Costa Rica, Panama, Nicaragua and Honduras have been more open to establishing relations with China, especially in the area of trade.⁶⁷ The industrial sector has benefitted the most from the close relationship between China and Central America. Electronics, machinery parts and textiles are at the top of the list of Central American exports. Machinery, automobiles and textiles are imported from China. According to the Latin America-Asia Pacific Observatory (2013), Costa Rica, Guatemala and El Salvador have seen a rise in their exports, unlike Honduras. For example, the increase in Costa Rica's exports for the Jan-Dec 2011 to Jan-Dec 2012 period was 61.9% (jumping from US\$ 200 million to US\$ 323 million). El Salvador saw an increase of 79.7% (US\$ 2 million to US\$ 4 million) and Guatemala saw a 7.1% increase (from US\$ 29 million to US\$ 31 million). Imports from China into Costa Rica, Honduras and El Salvador have increased significantly, favoring the Chinese economy. Guatemala is the exception, where they fell 51.4% in 2012. In Honduras, the increase in imports was over 21%, for El Salvador it was 7.3% and for Costa Rica it was 12.6%.

Some key points to take into consideration. First, Cardozo (n.d.) states that China has been implementing policies to increase its closeness with strategic regions like Latin America, the Caribbean and Africa and the energy sector has played an essential role. Second, China's closeness with other countries is characterized by a high degree of cooperation and investment that has allowed developing countries to build and/or improve their physical and social infrastructure. Third, trade has been a key pillar in strengthening China's insertion into the world and Central America

⁶⁷ Nicaragua is interested in establishing diplomatic relations with China, a move opposed by Taiwan. El Salvador and Guatemala enjoy trade relations with China. For the time being, there has been no explicit attempt to establish diplomatic relations, which can be principally attributed to the relationship these countries have with Taiwan.

is no exception. Trade between the region and China has grown and, given the level of dynamism in the relationship, could most certainly continue to increase at a dizzying rate in the future.

Ties between Central America and the People's Republic of China.

The trade and economic sectors have both been vital to the relationship Central America currently enjoys with China. However, the large amount of cooperation received from Taiwan has contributed considerably to the region's development for years. Ultimately, each Central American country manages its relationship with the Asian giant in a distinct and specific way, using trade, cooperation, investment and political issues in varying degrees to promote stronger ties with China.

Incentives for Maintaining Ties

Costa Rica

In terms of politics, diplomatic relations between China and Costa Rica stand out. According to Murillo (2012), this closeness began in 2007 and was the result of Costa Rica's development strategy which focused on a broader and more open foreign policy that could be adapted to changing international economic and political circumstances.⁶⁸ At that time, China had become a new and extremely attractive market because of its impressive growth rate and the growth of its middle class (considered to be avid consumers).

The strongest component of the relationship between China and Costa Rica is economic cooperation and investment. Table 2 lists three projects that have benefited from significant Chinese investment and cooperation:

⁶⁸ Golcher (1994) notes that one of the ways in which a country builds its national interest is to determine what it needs to survive in the international arena; that is why at that specific moment, the Costa Rican government did not think it feasible to reject a relationship with the new great power: the People's Republic of China.

Table 2
China–Costa Rica Cooperation

Work	Total Amount
National Stadium of Costa Rica	100 million dollars
A four lane highway from San José to Limón	400 million dollars
Confucius Institute at the University of Costa Rica	100 thousand dollars

Source: Adapted from Agencia EFE 2013, Laínez 2011, Marín 2009.

Examples of Chinese cooperation and investment can be found in numerous areas such as agriculture, technology, infrastructure, and others. Currently, China provides the greatest amount of cooperation to Costa Rica.⁶⁹

Trade is another very important aspect of the China–Costa Rica relationship. The FTA signed and ratified by the two countries has drastically stimulated trade. In only one decade (2001–2011), trade between China and Costa Rica multiplied more than thirteen times, increasing from US\$ 114.4 million in 2001 to US\$ 1.4972 billion in 2011 (Córdoba and Paladini, 2012). Given the importance of China in the global economy, its value as a trading partner is increasingly important for a country like Costa Rica.

Based on statistics from the Costa Rica Trade Promotion Office (PROCOMER, 2012), Hong Kong, China, Malaysia and Taiwan are the country’s main partners in Asia. In the case of China, products like integrated circuits and electronic microstructures top the list for a total of US\$ 258.7 million. Products such as unprocessed wood, scrap metal (iron and steel), coffee beans, electronic equipment, electric cables, bananas, copper residue and waste, and prepared or canned citrus make up exports to China.

⁶⁹ As a middle income country, Costa Rica has lost out on development cooperation which it had been receiving for many years.

El Salvador

El Salvador has maintained diplomatic relations with the Republic of China (Taiwan). Fledgling trade, which does not even equal 1% of exports to continental China, is not as important as the cooperation it receives from Taiwan. The decision to establish diplomatic relations with China will, to a large degree, depend on how tensions between Taiwan and China evolve which, according to Soriana (2012), could bring El Salvador and China closer together. This would be true in the case of Chinese reunification.

Trade is seen as a tool to help improve the country's economic situation. Nevertheless, according to Soriana (2013), a central problem is that, in spite of the size and attractiveness of the Chinese market, El Salvador runs a significant trade deficit with the country.⁷⁰ Moreover, Soriana (2014) suggests that the return of the Farabundo Martí National Liberation Front (FMLN) to government could mean a greater level of closeness with China. The ideology of the FMLN may contribute to more direct links with the Chinese economy in order to receive economic development cooperation. The possibility of gaining access to the Chinese market poses a great opportunity for El Salvador's economy in terms of trade and investment.

Nicaragua

Two factors must be taken into consideration when looking at Nicaragua's relationship with China. The first is the ideological stance of the Nicaraguan government, which could be instrumental in bringing about greater closeness with China. The second is the economic support received from China for construction of an inter-oceanic canal.⁷¹ In spite of this project and the political backdrop, the Nicaraguan

⁷⁰ In order to strengthen relations between El Salvador and China, a Trade Office will be set up to help initiate direct "contacts" with Chinese business leaders, avoiding the need to go through Chinese offices in Costa Rica. The El Salvadorans recognize that, strategically speaking, Taiwan has been a better partner than China to date. In terms of cooperation, support totaled more than US\$ 16 million in 2013.

⁷¹ It is well-known that the interoceanic canal is of geopolitical interest to China. It would rival U.S. influence (in Panama) for maritime traffic (Salinas, 2013). Transparency regarding China's participation in the financing of this project has been questioned. It is remarkable that both governments have offered very few clear comments on the subject even though Beijing must be providing a great deal of support to its investors in the region. Hence, a growing closeness between China and Nicaragua is viable as long as the project moves ahead. Construction could begin in 2015 according to the latest studies by Chinese experts (Cascante, 2014). Nevertheless, there are many questions surrounding this project. Most are related to environmental damage but also include concerns about the ability of the consortium to tackle the project, how the Nicaraguan government will manage the funds and the

government reaffirmed diplomatic relations with Taiwan in 2013. According to Carranza (2013), the amount of cooperation is US\$ 50 million. Also, in an attempt to strengthen relations, Taiwan donated US\$ 800 thousand to social programs in those Central American countries with which it has diplomatic relations. As was true for El Salvador, Taiwanese cooperation generated more income than any possible trade benefits from a future relationship with China.

Guatemala

According to Méndez (2014a), diplomatic relations with Taiwan will not be broken off in the immediate future in order to establish relations with China. Guatemala received US\$ 42 million in aid between 2008 and 2010 (Méndez, 2014b). With respect to trade, Guatemalan exports to China represented 0.34% of all Chinese imports for 2012 and this figure rose to 1.93% in 2013. In real terms, Guatemala exported US\$ 9.9 million in 2012 and US\$ 10.2 million in 2013.

Honduras

Of all of the Central American countries, with the exception of Costa Rica, Honduras exhibits the greatest possibility of establishing diplomatic relations with China. The prospect of Honduras breaking off diplomatic relations with Taiwan and establishing formal relations with China has existed since 2012. Due to China's growing presence in Central America (Costa Rica and the canal project in Nicaragua), Honduras is thinking about how not to waste the opportunity of having China as a trade partner.

There is currently a trade office in Beijing, set up to attract and promote trade between the two countries. In answer to some concerns, the then Minister of Foreign Affairs Arturo Corrales said (Editor, 2012):

Taking into consideration the need to establish bilateral and multilateral relations based on the current global situation, all the possibilities for such a relationship remain open

Furthermore, the power of the mining industry means that China is focusing its attention on Honduras, where the Asian giant purchased US\$ 67 million worth of iron oxide, an increase of 21.2% from September to October 2013 (El Heraldo,

terms of the concession (Ellis, 2013).

2014).⁷² Nonetheless, cooperation between Honduras and Taiwan has been the major impetus for continued diplomatic relations between those two countries.

Panama

According to Cigarruista (2011), the possibility of breaking relations with Taiwan has existed since 2011. However, construction of the Nicaragua Canal, although there is still no clear evidence of Chinese government involvement, could spur a greater level of closeness between Panama and Taipei.

Priorities for the Future. Relations between Central America and the People's Republic of China

To a large degree, the priorities and interests of the countries in Central America, unlike other Latin American countries, vary according to the region's economic, trade, social and environmental needs. It is a very vulnerable region that throughout history has been heavily dependent upon aid from other countries, international organizations and private entities in order to build and/or improve their social and physical infrastructure, which in turn stimulates development and economic growth. Without a doubt Taiwan has played a vital role in Central America, especially given the sizeable amount of cooperation it has provided to the region.

Field studies and personal interviews within the region conducted for the purposes of this paper confirm Central America's dependence on Taiwan. Yet, the findings also stir up debate about the role that China could play if it increased its level of cooperation and investment in physical infrastructure and boosted support for social programs in countries like Honduras, El Salvador and Nicaragua.

Meanwhile, trade between China and Central America has been growing for years and is considered to be the main tool for generating a deeper and stronger level of closeness with individual countries. However, existing Free Trade Agreements between Central American countries and Taiwan, in addition to the amount of cooperation received, could weaken the chances of building stronger ties with China and in turn, taking advantage of the associated increased trade flows and investments.

⁷² In 2013, there was interest in financing the construction of a hydroelectric project (Patuca III) at a cost of more than US\$ 300 million (TeleSur, 2013). This shows how important the Chinese economy is (second largest in the world) as a powerful trade center and the opportunities it can offer for improving Honduras' current economic situation (Orellana, 2013).

The main challenge for China, along with greater insertion in Central America, is to have a larger presence in cooperation and investment activities. In terms of trade, exports and imports between China and Central American countries have increased and will undoubtedly continue to grow in the coming years. Nevertheless, cooperation and investment in crucial projects, specifically in energy, development, physical infrastructure, social projects, etc., is essential if the country hopes to better position itself.

Conclusions

This chapter points to the need for a more thorough analysis of China's insertion in Central America. More than knowing the statistics on investment, trade and cooperation, it is important to understand that the region's diplomatic support for Taiwan is a key element and, to a large degree, determines the likelihood of greater political openness with the People's Republic of China. Relations with Costa Rica have helped China with its insertion into the region, particularly via the increased cooperation, trade and investment flows this Central American nation has received in recent years.

Investments in projects like the possible construction of an interoceanic canal in Nicaragua demonstrate the political and geostrategic role that China could play in Central America. Offices and/or chambers of commerce that promote trade between Central American countries and China are another example. These are necessary for improving trade relations because they help Central American and Chinese business leaders trade and invest. Yet, the region is very small and in terms of trade it is not overly attractive when compared with other regions and/or countries to the south or north within the hemisphere. To a certain degree, this places the Central American countries at a disadvantage even though trade has brought about a greater degree of closeness with China in recent years.

Currently, within the framework of competing interests, world geopolitical forces are pointing towards a key protagonist: China. Even if the links between some countries in the region and Taiwan continue, Taipei's tenuous position encourages political and economic integration processes that favor China's strategic role. One direct result could be a diplomatic break with Taiwan in a few years, because the benefits Central America and the Caribbean have traditionally received from this relationship appear to be slowly eroding.

Finally, the world today is a very dynamic and highly strategic place, due to changes in political, trade, cooperation and investment relationships. Even though China does not have diplomatic relations with four or five Central American countries, they are moving significantly closer on trade matters and investment projects. China and Taiwan continue to be engaged in a long-term political struggle, yet this has not been an obstacle for trade or developing investment projects between the two economies. It seems that this ability to overlook confrontation is shared by the countries of Central America. Investment and trade openness has expanded greatly, but there has been no political and/or diplomatic détente. All in all, Central America is developing relations with China in a world in transition.

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RELATIONS BETWEEN CHINA AND THE ANDEAN REGION

*Milton Reyes Herrera*⁷³

Before this topic can be fully understood, a clear definition of the various types of relations is needed. Therefore, this chapter begins with a review of the interactions carried out through regional integration bodies (bilateral relations between China and integration mechanisms at the institutional level) and within them to see which ones have lost or gained legitimacy or influence. This is followed by a review of transitional spaces where China views the Andean region not necessarily through the prism of formal Andean regional integration mechanisms (in this case the Andean Community-CAN). Then a general overview of bilateral relations between China and the individual countries of the Andean region is presented. Finally, some general conclusions are proposed. The chapter will begin with an examination of the internal Andean integration process and how this has affected intra-regional and extra-regional relations.

From the Andean Pact to the Andean Community of Nations⁷⁴

The Andean Pact (AP) was created in May 1969 in Cartagena. The original members were Colombia, Ecuador, Peru, Bolivia and Chile. Venezuela joined in 1973 and Chile withdrew from the organization in 1976. In the early 1990s, Peru temporarily withdrew from the Pact.

The AP was borne of economic and political notions inherited from a vision of integration cultivated by the Economic Commission for Latin America and the Caribbean - ECLAC. Hence, it was deeply influenced by the idea of regionalism and development based on the implementation of national import substitution policies, complemented by intra-regional policies. Political actors believed that the region's growing dependence could be resolved with strong state and institutional involvement. Up until the 1980s, it was hoped that the AP would evolve into an organization similar to the European Economic Community (EEC) by developing a regional complementary economy and building institutions to integrate member

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74 This section is based, although not exclusively, on the work *América del Sur: Entre la Dependencia y Seguridad* (Montero and Reyes, 2014: 1-28).

nations. In spite of the existing asymmetries, several diverse sectors were able to achieve a notable degree of cooperation. The productive sector experienced relative industrial development and growth was recorded in secondary areas and in services. However, due to the decline of the import substitution model, the debt crisis of the 1980s, the rise of liberal economic rhetoric within the region and the impact of new realities in the world order, there was a transition in the early 1990s to an economic policy that promoted more openness. The integration process was decentralized and AP member nations played a more active role. One example is the change of mind regarding the integration model for the Andean Free Trade Zone (ZALC). It had been created in 1969 for the industrialization process, but by 1993 had wound up eliminating all tariffs on imports and any other fees that impacted the imports of member countries.⁷⁵ The objective no longer included attempts to gradually reduce the asymmetries that prevailed in the region⁷⁶ or negative asymmetries with other actors.

In 1997, the Community of Andean Nations (CAN) was proposed. It was a reflection of the national hegemonic forces and international economics at play and was an attempt to do away with the type of integration that was “based on the leadership of nation states.”

As a result, new formal institutions were founded and a slew of new programs were created based on cooperation, using economic, migration, legal, education, and security policies, etc., to promote Andean integration. In reality, however, hegemonic productive forces were more concerned about taking advantage of the new opportunities that were coming out of the pro-open market rhetoric than in building a “new regionalism.” This signaled a change from the notion of “old regionalism” to mere “regionalization.” It was based on a “regional” trade agenda but in actuality firmly represented the interests of the most powerful hegemonic actor in the hemisphere.

75 See: <http://www.comunidadandina.org/Seccion.aspx?id=141&tipo=TE&title=zona-de-libre-comercio>

76 For example Peru was gradually incorporated into ZALC from 1997 until 2005, but its involvement was limited to trade-related issues (Ibid).

CAN was established at a time when integration was a popular topic, but in truth, the organization conformed to the U.S. proposal to build free trade areas that should have culminated with the FTAA (Free Trade Area of the Americas) in 2005. Integration's new role, at least rhetorically speaking, was to make it possible to negotiate the FTAA under more favorable conditions.

The rhetoric and positions of the actors involved focused only on the importance of "establishing trade agreements guided by the capitalist goal of a free market. Even so, economic sectors in these countries, many of which were and still are tied to transnational capital, never achieved nor were able to agree on a common tariff." (Bernal et al., 2006) Given these circumstances and, in spite of Hugo Chávez assuming the presidency of Venezuela in 1997, regional institutions once again became active and attempts were made to reach integration agreements.

When Colombia and Peru each concluded bilateral negotiations for a Free Trade Agreement with the United States, Chávez proclaimed Venezuela's official withdrawal from CAN, arguing that the regional integration process was dead (Ibid.).

Even though Chile said it would investigate joining CAN, it never became a member. Therefore, only 4 original members remained in the AP: Colombia, Ecuador, Peru and Bolivia.

When President Correa came to power in Ecuador and Morales in Bolivia a political debate emerged regarding which form of integration was being pursued, especially because these governments proposed a more cohesive type of integration rather than one based on a completely open economy. This led to intra-regional disagreements about the AP-CAN process. There are two noticeably different opinions on state intermediation (interpreted through the theoretical perspective of Robert Cox, 1996):

- The first places more weight on the role of the state as an intermediary vis-à-vis social forces (and productive forces), thereby raising the importance of political blocs with a strong political-economic integration and security stance. This generates a need for better coordination when facing strategic actors in the international arena. The objective is to build a strategic presence that optimizes a country's interests in the world order. This is the case with Bolivia and Ecuador.

- The second view advocates, at least rhetorically, a decrease in the role of the state vis-à-vis productive forces and the world economic order, but with its own particularities regarding security issues and political relations with social forces. Within this matrix, political-economic relations are measured according to the efficiency that can be generated in relation to the centers shaping the global order, especially when economic interests are tied to the viability of achieving a minimalist form of integration that is commercial in nature. Another option is to attract investments in sectors that generate little value-added. This is the case with Peru and Colombia.

It is precisely in this area where, especially beginning in 2007, CAN --as an institution representing the Andean region-- has been losing legitimacy as a strong counterpart vis-à-vis the world order. This is confirmed by the small relative weight this body has with a key actor - China.

Relations between the Countries of the Andean Region and China: Regional Integration Organizations.

There is a dual dynamic to relations between Andean institutional mechanisms and China. The first is direct, through CAN, and the second is indirect, through other wider regional integration entities such as CELAC, UNASUR and even ALBA and the Pacific Alliance (although, to a certain degree, the latter is not significant enough to be addressed here). The research on CAN was conducted using official information distributed by the organization itself (see Appendix 1). The data reveals that the CAN-China relationship was particularly weak when CAN was first founded and has been practically non-existent for the past 9 years. Furthermore, we see that:

Agreements are macro in nature and lack the mechanisms needed for implementation and follow-up.

- Since 2005 there has been no agreement nor any official meeting to continue the political dialogue, nor even any interest in pursuing these types of initiatives (per official information from CAN).
- The position of “Observer country to the Andean Community” was only formalized in 2010⁷⁷ in order to promote and highlight relations with countries

⁷⁷ By way of Decision 741, which established the position of Observer country to the CAN. If the

and international actors that are strategically important to this sub-regional group (CAN, n.d.), as is the case with China. Its status has still not been confirmed.

- Therefore, we can conclude that in 2014, no high level political relationship exists between China and the region by way of CAN. This situation seems to have arisen as a result of the criteria under which the organism operates, mostly in favor of trade openness, which has not matched the expectations of member countries such as Ecuador and Bolivia (since the presidencies of Rafael Correa and Evo Morales) and led to Venezuela's official withdrawal in 2006.

Within this framework, and even more so with the emergence of a political-economic discourse within the Andean region, South America, and Latin America and the Caribbean (LAC) that proposes a larger role for the state when dealing with social forces and in global interactions, (following the ideas of Cox, 1996) *-whether they are referred to as popular neo-national, neo-developmental or post neo-liberal,-* integration projects are beginning to take shape at the South American and Latin American and Caribbean levels. This also impacts the type of institutional relationship between the Andean region and China in terms of its bilateral regional-institutional dimension. Moreover, this effort falls in line with China's foreign policy views. According to China, the best possible scenario for relations with LAC would be one in which only one organization represents the region in its bilateral political dialogue (LAC-China). These views can be seen throughout a number of statements regarding China's policy goals:⁷⁸

- Primarily in the document "China's Policy Paper on Latin America and the Caribbean," White Paper (2008). They have also been expressed more recently.
- During the First Latin America and the Caribbean (LAC)-China Think Tank Forum (November 2010), even though talks focused on economic and trade issues⁷⁹.

goal of a state or international organization is to promote cooperation and integration, it can request Observer status in writing from the General Secretariat of the Andean Community.

⁷⁸ Many of these opinions were expressed during field work and in personal interviews and discussions with specialists and experts over a ten year period. From here on, in line with customary practices, this study will not name the interviewees. We state for the record that several of the viewpoints collected were also corroborated and validated by later interviews with many different actors.

⁷⁹ Personal interviews by Milton Reyes, November 2010.

- During the visit of the former Chinese Premier Wen Jiabao to ECLAC in June 2012⁸⁰ (Rosales, 2014).
- Above all, in the document titled “Beijing Understanding” reached at the end of China’s very pro-active efforts (August 2013) during the Second LAC–China Think Tank Forum. It emerged as part of a bilateral discussion that went beyond trade issues to include topics such as the need for greater mutual understanding (with cultural issues as one of the central topics) and ratification of the Chinese proposal to create a relationship based on the new notion of comprehensive cooperation. These views were vigorously supported by China and by the critical involvement of a delegation of former Chinese diplomats to LAC.⁸¹

Having accepted the goal set by the second forum, the LAC Heads of State agreed to create the China-CELAC Forum through a special resolution of the Second Summit of the Community of Latin American and Caribbean States (CELAC) dated January 28 and 29, 2014 in Havana, Cuba. China, which had already suggested such an arrangement without naming a possible institutional counterpart, expressed its willingness to work with CELAC to establish a bilateral forum before the end of the current year. “China and CELCA are committed to building the forum, in order to set up an important platform for the development of a comprehensive cooperative partnership” as stated by Hong Lei, Chinese Foreign Ministry (Hu and Zheng, 2014).

However, there was no delegation from the Andean Pact present at any of these forums. Ecuador (one delegate, from the academic/public sector), Colombia (two different delegations, from the academic/private sector) and Bolivia (one delegation at the Second Forum, with close ties to the Bolivian political agenda) were the only countries from the Andean region who participated. Given that two countries were not in attendance and that the Colombian delegation at the latter forum was concerned with commercial interests (the first delegation proposed topics related to academic exchanges), we can conclude that there was only low level active participation by countries from the region. This reveals a lack of strategic interest or at the very least, little knowledge regarding initiatives with China, with the exception of Ecuador and Bolivia. Their presence fell within the parameters of strategic state

80 XINGHUA: March, 2014, Interview with Osvaldo Rosales.

81 Personal interviews by Milton Reyes, July-August 2013.

relations that both countries were pursuing bilaterally with China.⁸² Given that this opportunity has not been seized, no analysis can be made. Such circumstances have brought about new challenges that must be better understood before taking advantage of the opportunities offered by strategic and political relations between the Andean region and China. Clearly, CELAC could become the legitimate regional institution for bilateral relations in the interim. Therefore, neither the Andean region nor CAN can ignore CELAC or the proposed forum, especially when:

On the one hand we have China's position, expressed for instance in the congratulatory message given by Xi Jinping, president of the PRC, in which he praised the initiative that created the organization and confirmed that his country is willing to make concerted efforts with the region in order to turn the forum into an important platform for the development of a comprehensive cooperative partnership between China and Latin America (Ibid).

On the other hand, we have a strong understanding of the ample opportunities offered by the economic relationship –that go beyond just trade– but that are constrained by cultural factors and political priorities. These limitations include international politics, strategic matters and security issues. The complexity of these issues becomes evident when negotiating with China (due to the lack of mutual understanding). This narrow perspective believes, for instance, that the creation of the Forum would help CELAC consolidate and gain legitimacy as both a political space and a pragmatic economic mechanism for cooperation (with China) (Rosales: 2014)⁸³. At the same time, it touches upon the economic domain when it proposes a specific framework for action “through the Forum, under which specific projects could be brought to fruition with repercussions in manufacturing, exports, employment, support for small businesses and investment in infrastructure” (Ibid.).

The shape that CELAC will ultimately take is important as is the rhythm and depth of bilateral relations and how regional initiatives will be channeled and managed. This will, in turn, affect how bilateral initiatives between individual countries and China are handled. It should also be noted that mechanisms for implementing the forum have still not been proposed, even though specialists like Osvaldo Rosales himself (Chief of the Division of International Trade and Integration– ECLAC) state the need to hold “some technical seminars to define the issues on the agenda”

82 Personal interviews by Milton Reyes, November 2010, and July–August 2013.

83 XINGHUA: March, 2014. Personal interview with Osvaldo Rosales.

(Ibid.). These are key to a successful outcome. For the Andean region, it is another opportunity to assert its political interests because the agenda could involve the Extended Troika of CELAC, composed of Cuba (the former President Pro Tempore 2013) Costa Rica (president 2014), Saint Vincent and the Grenadines (for the Caribbean Community - CARICOM) and Ecuador (GRAMMA et al., 2014), which will be the next president pro tempore of CELAC. CELAC can become a legitimate intermediary and promote the interests of its members vis-à-vis China because:

- China is interested in dialogue with just one strong regional representative. This would not minimize bilateral relations with individual countries, but rather, strengthen the initiatives emanating from CELAC.
- Regional integration measures have created a need for institutional relations and a high level political dialogue with China (which are already being built). In Andean countries (especially countries that favor integration with a strong state role) it has also led to a search for regional-institutional mediation by other organizations like UNASUR and especially, CELAC. The present discourse essentially points towards building more ambitious regional integration mechanisms within such organizations.
- In new regional integration arrangements such as UNASUR and CELAC, where political integration has been promoted as the core element –it is superior to but does not override the economic aspect,– the Andean countries have created a political dialogue and have minimized disagreements regarding the nature of regional integration. Hence, the Andean countries are improving the way in which CAN operates, an organization where there is a continued lack of understanding on the principles of economic policy (or political economy) on which this regional integration initiative is based.

CAN has seen its ability to engage in dialogue decrease. CELAC has still not established the mechanisms needed to create a forum that would set up China-CELAC-CAN-Andean countries initiatives. For the time being, only bilateral relations between China and the individual countries of the Andean region can actually be examined. This study follows below.

Bilateral Relations between China and the countries of the Andean Region

According to China, the Andean Region is comprised of Venezuela, Colombia, Ecuador, Peru and Bolivia. Relations with this region are two-fold. One is based on a vision of the region as a whole (without mediation by CAN) and the other, although linked to the first, is based on bilateral relations between China and each country. In the first instance, the political relationship is based on what some specialists refer to as soft power.⁸⁴ This involves training programs and political and academic exchanges specifically for people from Andean countries, although on two different levels:

- One is described as medium high and/or high low and entails exchanges and visits at the academic and political level (not necessarily partisan).
- The other, based on seminars given by academics, renowned politicians and journalists, is where the exchange of opinions and mutual understanding in cultural, economic and political areas takes place. This level can be described as medium to medium high.

These types of exchanges are not meant to generate dialogue at the highest level, but rather to promote understanding of the economic, political and cultural reality in China among those from Andean countries and, through them, the entire region. At the same time, they help China understand the political processes in Andean countries and how these same processes in China are perceived abroad.

However, some basic aspects of each bilateral relationship between China and an individual Andean country are influenced by the pragmatism and logic of Chinese culture, reflected in the country's foreign policy:

- Even though China suggests that the best possible scenario is a bilateral relationship between China and an organization that represents all of LAC, which would supersede any proposals supported or opposed by individual LAC countries or the Andean region, China pays a great deal of attention to bilateral relations with each country.

84 For an analysis that compares the build up of soft power with Chinese characteristics and its application in the Andean region, please read the piece by Raúl Montufar (2012).

- China determines the type of relationship according to how each country's initiatives are presented. This view is related to the principle of non-interference in the internal political issues of another country. Hence, there are no applicable or measurable recipes for each country. This weakens the rhetoric of some social forces in the region that states that not signing an FTA with China will lead to enormous losses for the country.
- China advocates mutual understanding as the foundation for attaining mutual benefits. Thus, China promotes long-term relationships (very important in the Chinese culture).
- China agrees with and promotes direct political dialogue with government representatives and prominent members of the ruling political party, but also with various legitimate political forces within a country. This is based on the idea that the relationship is between states and not just governments. It helps ensure that a project created with a specific political party will not be dismantled by its successor in the event that the original party loses power. It is also based on the perception that institutions in some LAC countries are not stable enough to guarantee the continuation of a project following a change in government.
- China recognizes states as legitimate counterparts (the principle of equal hierarchy), which has an enormous impact not only on the political dialogue, but also on the range of economic opportunities. Any private initiative must be mediated by its respective state in order to maximize success and minimize risk.

Furthermore, a great deal of China's most obvious interests in the region have, in the last decade, centered around trade-related issues and access to natural resources (strategic resources), essential for China's economic growth model. This focus has been changing due to deeper relations based on comprehensive cooperation,⁸⁵ new types of economic linkages and collaboration. All of this raises the possibility of greater mutual benefits and provides guarantees for a long-term relationship. These economic links and collaboration could be simultaneously used to achieve greater legitimacy in the world order (also possible multi-polarity), greater sustainability of China's own domestic goals for economic growth and, of course, easy access to

85 New ideas being shared by Chinese academics and officials like "partners for global cooperation" must be studied.

natural resources. Similarly, China understands that relations with each individual country have unique characteristics and that these differences stem from the political-economic models adopted by each state and the correlation of forces within each Andean country. Generally, and in light of the impressive growth in both trade and political relations since 2002,⁸⁶ two trends become evident. One trend is seen in Colombia and Peru, which are also part of the Pacific Alliance trade bloc. The other is seen in Venezuela, Bolivia and Ecuador, countries that are converging within ALBA as well as coming together to promote a more dynamic path to political integration, as demonstrated by UNASUR and CELAC. The prevailing mood in Colombia and Peru that informs, influences and determines state interests and state policies⁸⁷ perceives China through the discourse and rhetoric of the Fuerzas Sociales Hegemónicas (Hegemonic Social Forces –FSH) and is caught between two views.

A negative view, China is seen as a rising power, a voracious danger and a predatory threat when engaged in negotiations and should not be trusted, while highlighting all of the positive aspects that supposedly exist in economic relations with the main centers of world capitalism and the international bank, considered to embody the “international community and civilized world.”

A pragmatic view. Within FSH there are sectors that recognize their own immediate interests. What is most apparent here is the importance placed on economic opportunities created by growth in China. From this point of view, relations with China dampen other opportunities that could be generated through more complex arrangements that would be more lucrative to both parties. For example, the possibilities of comprehensive inter-state cooperation are appealing as long as they can operate within a liberal economic framework that puts a premium on growth.

Within this sub-bloc, mutual interests are based on trade relations, on “basic complementarity” and investments in the primary sector or low value-added goods (mining or assembly plants). However, Peru has a greater chance of strengthening comprehensive cooperation because a significant portion of its population is of Chi-

86 China jumped from being the eighth largest economy in the world to the sixth, then in 2006 it moved up to fourth place.

87 From here on, these concrete characterizations of interests, perceptions and representations when addressing bilateral relations between China and Andean countries will be based (although not exclusively) on the text *Comprendiendo China: Elementos Fundamentales para una Agenda de Beneficios Mutuos* (Reyes, 2012: 126-143).

nese descent. This generates feelings of belonging and affection which are instrumental in taking advantage of greater opportunities and achieving mutual benefits, which is common in Chinese culture (Chinese family and *guanxi*⁸⁸).

On the other hand, it would seem that the prevailing discourse in Venezuela, Ecuador and Bolivia, based on the political project currently underway that calls for the state to play a stronger role, could be described as Pragmatic Optimism. This line of thought believes that bilateral relations are bearing fruit and that negotiations on financial and manufacturing investments have resulted in the best possible terms. It also sees China as a serious challenge in negotiations and claims that given current circumstances and the asymmetries between the countries, the agreements that have already been reached point to what is feasible, what is possible.

At the political-economy level, there is an attempt to reclaim the role of the state as intermediary and this dovetails with the need for closer ties with China on a) economic issues, expanding markets and building a new type of productive collaboration as a viable alternative to the current level of dependency on the hemispheric hegemonic power and b) inter-state politics, making it possible to generate linkages that favor the construction of a New World Order (Reyes, 2010: p.54-55) and create greater security opportunities, not only for the state but to also guarantee the viability of on-going nation-state projects. Therefore, in analyzing the issue of shared interests with China, even if the subject of complementarity is not disregarded, we have reviewed materialized financial and productive investments, and the degree of academic, cultural and international political cooperation. However, not every opportunity to create production chains has been maximized (except for Venezuela which is developing a joint fund closely tied to productive development with technology transfer or joint investments like the two refineries in Guangdong).

Nevertheless, there is also a “competing rhetoric” in these countries (see Laclau and Mouffe, 1987) related to the FSH described above and viewpoints from the **“Orthodox left-wing”** and **“pessimistic social movements.”** In the latter, utopian rhetoric is used to describe China and suggests the country is moving towards imperialism. It is linked with another view that considers bilateral relations with China to be entirely imbalanced in China’s favor. These ideas, not borne out by rigorous research, but rather by repeated stereotypes coming from the de-

88 For further information see *Relaciones China – América Latina: encuentros y desencuentros* (Reyes, 2009: 39-43).

pendency discourse⁸⁹ (as stated by Cottam, 1994) – wind up benefiting traditional metropolises (that “compete” with China) because there is no strategic action plan, nor tactical flexibility in their proposals to face the “perversions of global capitalism. “Unlike the dynamics at play in the first two countries, –where the political project of the FSH dominates and does not seem to face any competition that could produce an alternative development model, at least in the medium-term– within the Bolivia, Ecuador and Venezuela sub-bloc we find a situation where there is strong competition (in varying degrees) between current political forces that propose consolidation of the ongoing national project and the visions of traditionally dominant sectors, and even some sectors that have historically played a subordinated role (without discounting possible specific collaborations between the latter). This presents a strategic challenge to the bilateral relationship with China in the medium- and long-term, even more so when the pragmatic optimist viewpoint remains uninformed as to the advantages of learning about specific aspects of Chinese culture for negotiation purposes. In reality, this limits additional mutual benefits and further advantages that could be won from China if adequate channels were created to deepen strategic relations. Precisely because of this reciprocal misunderstanding, but due even more to the region’s lack of understanding and a belief by China that relations should be developed in accordance with their counterpart’s wishes, the parties have not known how to deepen relations beyond a purely economic and/or trade aspect. It is obvious that Andean countries have other strategic interests in addition to political-economic interests in bilateral relations. There is a shared interest in security issues even though these issues are also addressed from a political standpoint within each country and sub-bloc. First, the Chinese position expressed in the White Paper in 2008 will be analyzed in order to understand the country’s general point of view. Then relations that were developed in this area (only during the past decade) will be evaluated. Finally the specific aspects of each country’s and sub-bloc’s strategic interests will be described. In terms of a Chinese Regional Security and Defense agenda, the Chinese stance regarding cooperation with LAC (White Paper) addresses this topic in “Part IV Strengthening Omnidirectional Cooperation between China and LAC,” specifically in the section “Area for Peace, Security and Justice.” The principal proposals are:

⁸⁹ Dependent countries are corrupt. According to this point of view, every country considered to be dependent upon the Center is suspect. This is reiterated and expanded upon by certain actors within dependent countries when assessing the actions of other countries that are not part of the Center. This idea can also be identified applying what Said (1996) describes as the politics of guilt, which partly explains why empires are efficient in achieving dominance and legitimacy within their own colonies and former colonies.

- Military exchanges and collaboration. Military exchanges, dialogue and co-operation on defense issues, increased visits between high ranking military officers, defense officials and personnel exchanges, more in-depth professional exchanges in the area of military instruction, peace keeping personnel and operations training, expanding practical collaboration in the area of non-traditional security (such as the fight against terrorism in order to mount a joint response to threats) and continued offers, based upon its abilities, to help in building the armed forces in the region.
- Deepen judicial and police cooperation: Strengthen exchanges of intelligence information and technology. (“China’s Policy Paper on Latin America and the Caribbean: 2008, p.10).

Since this particular roadmap has never been evaluated, the effectiveness or ineffectiveness of having an agenda on security issues will be studied. The specific definition proposed by China will be used to judge actions carried out between 2001 and 2010 (see more detailed information in Appendix 2). In light of the above, we have come to the following general conclusions:

Defense dialogue and exchange visits. According to the specialist Jorge Malena (2012, p. 2) this is the most powerful tool in bilateral military relations. The Andean region has participated in 50 exchanges, and when we compare them with the 155 total exchanges in Latin America, we can conclude that such exchanges are important to the region. However, when we break the numbers down by country, the Andean countries are in the mid-to-low range in relation to most of the other countries in Latin America (Chile 25, Brazil 21, Cuba 19, Argentina 17, Mexico 13, Ecuador 12, Venezuela 12, Peru 10, Uruguay 10, Bolivia 9, Colombia 7).

At the Andean intra-regional level, it was noted that the number of dialogues tends to be higher among countries led by governments that promote a greater role of the state as an intermediary between social forces and the world order, with the exception of Peru. This country is considered a distinct case because its large number of citizens of Chinese descent has generated a sense of belonging (this factor has not been fully studied, but is important in Chinese culture). Peru also stands apart because of long-term interest in relations with the Asia Pacific region and the emphasis it has placed on such relations.

Expanding professional exchanges. In general, these exchanges are taking place, but they have not been fully taken advantage of by the Andean region.

Collaboration on non-traditional security issues. There is neither official nor extra-official data on this topic.

Assistance in building the Armed Forces. In the past decade efforts have focused on transfers of military equipment and technology, whether through purchases or, to a lesser degree, donations from China (Ibid., p.8). In LAC these have been concentrated in the Andean countries (with the exception of Argentina), specifically in Venezuela, Ecuador and Bolivia. Even though this can be explained to a certain degree by U.S. unwillingness to supply such products to these nations (Ibid.), the governments of Andean countries are engaged in efforts to lower dependency on traditional centers of the world order as well as to diversify international relations (which obviously include economic factors, but address security issues as well).

Port visits by naval forces. South America has had a monopoly on these types of exchanges within Latin America. There is a strong history of exchanges between China and Andean countries (except for Bolivia, which is a landlocked country). However, the data suggest that China has made fewer visits, not only to the region, but also to all of Latin America, than vice versa. Just one visit was recorded in the previous decade (Brazil was the only country not part of the Andean region visited during the Chinese Navy's sole visit to Latin America in 2002). This could have something to do with the complexity of triangular relations with the United States.

Carrying out joint exercises. There have been no joint military exercises in the strictly classical sense of security and defense in LAC, nor the region, with the exception of one solitary exercise in Peru (the final week of November 2010). Considered by the Chinese to be a joint exercise, it focused on how to deal with the after effects of an earthquake (Ibid. p. 6). Therefore, we can draw some interesting conclusions: First, China has a distinct way of establishing military cooperation because its strategic vision does not consider any military interests outside of its area of interest. Second, cooperation in this area is focused on training and China is looking to develop important initiatives that could improve risk prevention and disaster skills in the region. Finally, the region could benefit even more from the Chinese approach to cooperation on human security matters.

The information available suggests the emergence of a noteworthy process to create linkages, although it cannot be considered part of the existing agenda on relations proposed by China. Nevertheless, relations in the new decade are growing stronger and generating greater mutual trust. Furthermore, in light of new international circumstances given the intervention in Libya, Chinese academics and politicians have emphasized the need to deepen joint studies on international security issues and strategic studies.⁹⁰ This leads us to conclude that a common agenda is both feasible and desirable, especially between countries where the role of the state is being strengthened. Finally, returning to the topic of bilateral relations, the Andean countries, whether as a region or individual states (just as the rest of LAC countries, except for Chile), have not officially responded to the proposal put forth in China's White Paper. Once again, this shows a lack of knowledge about the Asian giant and how to efficiently and effectively manage cooperation opportunities.

Conclusions

The following conclusions can be made:

- Strategic relations between the Andean region and China at the economic level are based on growth and complementarity, however, the emphasis is different depending upon the country. In the case of Peru and Colombia there is a greater accent on trade-economics, while in other countries in the region the focus is on building strategic ties to reduce dependency. This dovetails with and offers two-way linkages between other elements such as attempts to ensure the success of on-going national projects. This involves collaboration on topics of mutual interest in international relations with the common goal of attaining a multilateral political-economic order.
- Practically no institutions have been created for regional integration. CAN has been replaced by CELAC to advance the interests of Andean countries in deepening relations with China. This entity will not necessarily strengthen the Andean region and turn it into a bloc.
- The best viable alternative to CAN could be CELAC, however, it is not yet able to fully represent the region. In spite of showing promise- especially because of the emphasis and speed China has placed on it, which usually moves

90 Field work Quito 2012-2013 / Global Think Tank Forum, Beijing 2010 / II LAC-China Think Tank Forum.

much slower in negotiations – it is too soon to evaluate this initiative.

- Bilateral relations between China and the Andean countries have created two different dynamics: a) Continued opportunities for the FSH in Colombia and Peru and a potential for growth in those economies but with limited scope. The economic impact of relations with China will not be deeply felt in either domestic politics or international politics because there are already linkages with the United States based on common interests; and b) for the other Andean countries, it is possible that resources generated by economic relations with China will be able to support their political projects, both at the macro-economic level and by responding to domestic political demands associated with economic growth, infrastructure, financing, etc (strengthening the legitimacy and viability of on-going projects).
- China's priorities in LAC and the Andean region have evolved from focusing on economic aspects (trade and the need to guarantee access to strategic resources –through solely commercial means– previously characterized as cooperation), to expressing a willingness to reach comprehensive cooperation. This would deepen the multidirectional relationship and strengthen the possibility of building a multilateral order (efforts shared with the governments of Venezuela, Ecuador and Bolivia in particular).
- There is no clearly identifiable agenda on Security, Peace and Defense in relations among the Andean countries. Common interests do exist in the area of security, but these are interpreted differently within the sub-blocs. Thus, Peru and Colombia share the view that strategic relations are linked to national sovereignty, but with an emphasis on a traditional understanding of security and defense, without disregarding the issue of human security in the case of Peru. In the other Andean countries, the opportunities proposed by China in the area of sovereignty (mutual interest) are maximized, especially because of China's growing interest in developing joint strategic studies, as well as sharing the opinion that a multipolar world order is needed.
- The region needs to urgently remedy the fact that it lacks a strategic vision that could guide negotiations and help attain mutual benefits. The first step would be to take action as individual countries, or as the Andean region, or even within larger integration organizations and officially respond to the White Paper. Not only does this comply with the formalities of negotiation protocol

according to China, but it would also let the countries more clearly identify and articulate their interests. There is some confusion among decision-makers in China because of the diverse voices, interests and proposals emanating from each country.

Finally, after more than a decade of continued growth in relations, LAC and the Andean region still have some pending issues that must be addressed:

- The urgent need to shore up economic, political and security strategies with a greater understanding of the Chinese culture. This would help them take advantage of opportunities presented by the new vision of comprehensive and multidimensional cooperation (which would also mean complete understanding of the context in which Chinese proposals are made) and,
- China knows what it wants from the Andean region. Therefore, the problem lies not only in recognizing what the region wants from China, but also in identifying what the real issues are and then building the best regional institutional and extra-institutional mechanisms to deal with them. Once again we see the importance of having a continuous dialogue that makes a serious attempt to achieve mutual understanding.

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APPENDIX I

Instruments with Third Countries: People's Republic of China

INSTRUMENT	DATE	DETAILS	RECENT MEETINGS
Agreement to establish a political consultation and cooperation mechanism	March 30, 2000	Establish and strengthen a political consultation and cooperation mechanism in order to deepen, strengthen and diversify bonds of friendship, understanding, cooperation and trade, investment and cultural relations among the parties.	Second Consultation Meeting between the People's Republic of China and the Andean Community, 2004
CAN-China cooperation program	October 27, 2005	Approved by the Andean Council of Foreign Ministers. Identifies areas of mutual interest: Political Dialogue, South-South Cooperation, Trade and investment promotion, Energy, Infrastructure and Technology, Cooperation in livestock health, tourism, and fighting drug trafficking. The program has not been discussed with China.	Working meeting between the Andean Community General Secretariat and the Embassy of China on December 1, 2004.

Source: comunidadandina.org (n.d.)

APPENDIX II

Peace and Security issues in relations between China and the countries of the Andean Region: 2001-2010⁹¹

The following analysis refers to specific topics covered in the Peace and Security section of China's White Paper on Latin America and the Caribbean (2008) and compares them with actual events from the period 2001-2010.

Defense dialogue and exchange visits

According to the specialist Jorge Malena (2012, p. 2) this is the most powerful tool in bilateral military relations because of both the growing number of meetings between high-ranking officers and the fact that the objective is to engage in a dialogue on defense issues.

For the period 2001-2010 there were 155 visits between military officials from China and 11 Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, Uruguay and Venezuela).

Exchange visits China-Andean Region 2001-2010

Andean Countries (in descending order) / China (origin and destination)	Number
Ecuador	12
Venezuela	12
Peru	10
Bolivia	9
Colombia	7
Total for the Andean Region	50

Source: Adapted from the State Council of the People's Republic of China.⁹²

⁹¹ This brief analysis is based on an interpretation-limited to the Andean region-of the work "El segmento Paz y Seguridad del Libro Blanco de las relaciones de China con América Latina: Análisis de los enunciados y los hechos de la relación militar bilateral," by Jorge E. Malena, (Session: Relaciones Exteriores y Seguridad y Defensa, II Simposio Electrónico Internacional, March 1 - 21, 2012)

⁹² State Council Information Office of the People's Republic of China, China's National Defense, 2002, 2004, 2006, 2008 and 2010 (in Malena: 2012, p. 2)

The Andean region has participated in 50 exchanges, and when we compare them with the 155 total exchanges in Latin America, we can conclude that such exchanges are important to the region. However, when we break the numbers down by country, the Andean countries are in the mid-to-low range in relation to most of the other countries in Latin America (Chile 25, Brazil 21, Cuba 19, Argentina 17, Mexico 13, Ecuador 12, Venezuela 12, Peru 10, Uruguay 10, Bolivia 9, Colombia 7).

At the Andean intra-regional level, it was noted that the number of dialogues tends to be higher among countries led by governments that promote a greater role of the state as an intermediary between social forces and the world order, with the exception of Peru. This country is considered a distinct case because its large number of citizens of Chinese descent has generated a sense of belonging (this factor has not been fully studied, but is important in Chinese culture). Peru also stands apart because of long-term interest in relations with the Asia Pacific region and the emphasis it has placed on such relations. Various visits were made by Chinese officials including the Director of the Academy of Military Science, the President of the Central Military Commission of the State Council, the Minister of Defense, the Chairman of the General Staff, and the Director of the General Political Department of the People's Liberation Army (Ibid.), among other hierarchically significant visits. Because of the importance Chinese culture places on hierarchical relations, these visits are confirmation of China's great interest in establishing a dialogue and building mutual trust. The Latin American military officials who visited China during this period, according to the same sources, were:

Visits by authorities from the Andean Region to China

Andean Country (in descending order)	Position (ranked hierarchically)
Ecuador	Minister of Defense (3), Chairman of the Joint Chiefs of Staff(4), Commander of the Army
Bolivia	Minister of Defense (3), Commander-in-Chief of the Armed Forces (2), Commanders of the Army, Air Force and Navy
Peru	Minister of Defense (3), Chairman of the Joint Chiefs of Staff , Commander of the Navy, Commander of the Air Force
Colombia	Commander-in-Chief of the Armed Forces (3), Commander of the Air Force
Venezuela	Commander-in-Chief of the Armed Forces, Commander of the Navy, Director of the Institute of Higher Studies for National Defense

Source: Adapted from the State Council of the People's Republic of China.⁹³

**Note: if more than one visit was made it is noted in parentheses (Malena 2012).*

Once again we see better relations between China and those countries in the region led by governments that act as strong intermediaries in their societies. Looking specifically at Venezuela, we see that more visits have been made by China than by Venezuela, which demonstrates China's interest in this relationship.

Strengthening professional exchanges

The Defense Studies Institute at the National Defense University in Beijing offers courses taught in Spanish for Latin American military personnel. The table below shows participation by Andean countries:

⁹³ State Council Information Office of the People's Republic of China, China's National Defense, 2002, 2004, 2006, 2008 and 2010 (in Malena: 2012, p. 2-3).

Course	Countries that sent officials	Duration
Upper Leadership	Colombia, Peru	5 months
Strategic Planning and Military Thinking	No country from the Andean region	Not specified
National Defense	Peru	10 months
Military Strategy	Peru	5 months

Source: Adapted from Ellis: 2011 p.15⁹⁴

Venezuela, Ecuador and Bolivia have not sent representatives to these courses. Participation by Andean countries has been lower than that by South American countries, especially Chile (which has emphasized strategic issues). Mexico is the only country outside of South America that has sent officers to the Institute, but they have only attended the Upper Leadership course. If we include other courses offered within China,⁹⁵ which also have not had many students from the Andean region, it is clear that the region has not fully taken advantage of what China has to offer.

Collaboration on non-traditional security issues

“China’s Policy Paper on Latin America and the Caribbean” identifies “non-traditional security issues” as important in the fight against terrorism. Given the nature of this topic, there is no unclassified information available to review. (Malena: 2012, p. 4-5). However, due to the fact that no reported accounts of activities in this area were uncovered in researching this paper, nor in any primary or secondary sources, we can conclude that there is no evidence of cooperation in the “war on terrorism” in LAC nor in the Andean region.

Assistance in building the Armed Forces

In the past decade efforts have focused on transfers of military equipment and technology, whether through purchases or, to a lesser degree, donations from China

94 Ellis, R. Evans China-Latin America Military Engagement: Good Will, Good Business and Strategic Position (Carlisle, PA: US Army War College Strategic Studies Institute, 2011), p. 15. In Malena: 2012, p.4).

95 Other institutions, training programs and drills supported by the PLA that have offered classes in English to representatives of Latin America include: Army Command College and the Navy Command School in Nanjing; Naval Research Institute, in Beijing, that offers courses on marine radar and sonar; and a facility in Shijiazhuang that trains commando units and offers courses in special forces operations; and the Center of Military Instruction, dedicated to teaching martial arts (Ibid.)

(Ibid., p.8). In LAC these have been concentrated in the Andean countries (with the exception of Argentina), specifically in Venezuela, Ecuador and Bolivia. Even though this can be explained to a certain degree by U.S. unwillingness to supply such products to these nations (Ibid.), the governments of Andean countries are engaged in efforts to lower dependency on traditional centers of the world order as well as to diversify international relations (which obviously include economic factors, but address security issues as well).

Participation in Peacekeeping Missions

Even though it is not specifically mentioned among the goals listed in the 2008 White Paper, China participated in a UN peacekeeping mission in Haiti. It chose to send members of the People's Armed Police (Ibid., p.6). This is different from other countries that send members of their national armies. It is part of efforts -in line with Chinese policy- to create an image of prudence, to prevent its actions from being seen as intervention. It is also the way to establish a form of cooperation that is viewed as more civilian and aimed at keeping order and maintaining security through crime prevention. This is an interesting topic for the region since it reinforces the concept put forth by China that its cooperative approach does not promote any form of intervention in the political affairs of other countries. This point is reiterated with the Andean countries.

Port Visits by Naval Forces

Appendix II of the 2002-2010 editions of "China's National Defense" lists the Chinese Army's participation in international exchanges and details a series of visits by the People's Liberation Army Marine Corp and Latin American navies to each other's ports. These were:

Date (in chronological order)	Country of origin	Countries visited
July-August 2002	China	Ecuador and Peru
February 2006	Peru	China
February 2008	Peru	China
September 2008	Ecuador	China
July 2009	Colombia	China

Source: Adapted from the State Council of the People's Republic of China.⁹⁶

⁹⁶ China's National Defense, 2002-2010 editions, Appendix II (In Malena: 2012, p. 5-6).

When we include visits to LAC outside of the Andean region (Chile in October 2001 and August 2007; Argentina in August 2008; Brazil in October 2008) (Ibid.) we see that South America has had a monopoly on these types of exchanges within Latin America. There is a strong history of exchanges between China and Andean countries (except for Bolivia, which is a landlocked country). However, the data suggest that China has made fewer visits, not only to the region, but also to all of Latin America, than vice versa. Just one visit was recorded in the previous decade (Brazil was the only country not part of the Andean region visited during the Chinese Navy's sole visit to Latin America in 2002). This could have something to do with the complexity of triangular relations with the United States.

Carrying out joint exercises

There have been no joint military exercises within the strictly classical sense of security and defense in all of Latin America.

In the past decade there has been one joint exercise carried out in Peru (the final week of November 2010). It focused on how to deal with the after effects of an earthquake –including a fire in a chemical plant–; this was included in the 2010 edition of “China’s National Defense,” and Appendix III “Joint Exercises and Training with Foreign Armed Forces”⁹⁷ (Op. cit. Ibid. p. 6).

Once again, we can make some interesting conclusions: First, China has a distinct way of establishing military cooperation because its strategic vision does not consider any military interests outside of its area of interest. Second, cooperation in this area is focused on training and China is looking to develop important initiatives that could improve risk prevention and disaster skills in the region. Finally, the region could benefit even more from the Chinese approach to cooperation on human security matters.

97 Official document of the State Council Information Office of the People’s Republic of China, China’s National Defense, 2010 edition, p. 130. (Ibid, p.6)

MEXICO-CHINA RELATIONS IN A NEW ERA OF REGIONAL INTEGRATION

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General overview: multidimensional cooperation and power aspirations

Our goal is to examine Mexico–China relations without focusing purely on bilateral or economic elements. Even though economic relations and extra-economic bilateral relations serve as a jumping off point, our study takes a novel approach and widens the analysis to include matters that are of strategic geographical importance to Mexico, where China’s presence represents new vectors of economic competition and especially, political competition. Therefore, we studied direct bilateral relations as well as the way in which China’s presence effects Mexican interests in North America (more specifically, the United States), in South America (primarily the three members of the Pacific Alliance) and in Central America and the Caribbean.

The analytical focus chosen is based on four theories and practices. First, in spite of certain limitations, we consider China to be a global power. The Mexican political class is used to thinking of Mexico as a middle power with power projection in North America, Central America and the Caribbean, as well as South America. As a result, both Mexican academia and power circles need to understand this new actor who, by stepping onto the global scene, is interfering in Mexican regional issues. The goal is to design Mexican foreign policy in a way that takes into account this new global power. Chinese and Mexican interests are not restricted to trade or any other area. Thus the field of study had to be expanded to include new spaces where the interests of some become intertwined with the interests of others. Third, China’s trade presence in North America is based on its growing capabilities as a supplier of goods, but it is far from signifying a major change in how important the United States is to Mexico as its main export market. Finally, there is no evidence to suggest that the Mexican political and economic elites are fully aware of the challenges they face from the Chinese.

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In analytical terms, we have developed an interpretive framework that begins with integration processes in the Pacific region. In 2006, while studying the Mexican share of exports within the North American Free Trade Agreement (NAFTA), we found that Mexico's major exports faced strong competition from Chinese products. We concluded that for Mexican manufacturers, competition from Chinese goods was not limited to the domestic market, but extended to its main export market, the United States. Thus, the Sino-Mexican relationship has to be understood in terms of complementarity between the direct bilateral relationship and the relationship defined by Mexico-U.S. linkages (Ramírez Bonilla, 2008).

We expanded the China-NAFTA-Mexico relationship in order to the study the diversification of Mexican relations with countries from the Pacific region via the Asia Pacific Economic Cooperation (APEC) Forum. In general terms, we concluded that given the abundance of preferential trade agreements and/or regional fora, relations between the two countries benefit from the ties formed in intergovernmental mechanisms in which both participate (Haro, León and Ramírez, 2011). Therefore, the analysis had to move beyond the bilateral relationship to include all other spaces created by their participation in various intergovernmental mechanisms. For the purposes of this paper, that means that a study of Mexico-China relations must include an analysis of relations with those intergovernmental mechanisms in which Mexico participates: NAFTA, the Pacific Alliance, Central America and the Caribbean.

Finally, the evolution of fora such as APEC and the Association of Southeast Asian Nations (ASEAN) demonstrates that cooperation has moved from the economic sphere to the political sphere. First, the need to back away from U.S. pressure to make "the war on international terrorism" the main focus of APEC led Asian governments to expand the forum's agenda, adopting the broader concept of "human security" as one of its main collective concerns. With that decision, APEC activities were no longer centered in the Ministries of the Economy and Foreign Affairs but incorporated practically all government agencies and, to satisfy the demands of efficiency, had to incorporate -still unrealized- the legislative and judicial branches into cooperation processes. Thus, a forum initially dedicated exclusively to economic cooperation has become a forum for political cooperation, in spite of its members' reticence to describe it as such (Ramírez Bonilla, 2010).

ASEAN's experience is even clearer in terms of transitioning to a political intergovernmental cooperation mechanism. It is evident in the association's own structure by way of the ASEAN Community 2015 project, which is based on the axes of "socio-cultural community," "economic community" and "political-security community." The shift is also demonstrated by the ASEAN Regional Forum (an entity used to develop a common foreign policy and establish diplomatic preventative mechanisms for regional security in conjunction with major global and regional powers) and by the many bilateral cooperation mechanisms set up between ASEAN and the major powers (Haro and Román, 2012).

The current situation is characterized by side-by-side processes, redesigning multidimensional cooperation systems and fulfilling Chinese aspirations. The latter are fed by trade and power and supported by institutional cooperation policies that place China in direct competition with the United States, the omnipresent actor in Mexican foreign policy. Growing Chinese power in different areas also heightens competition with regional actors who traditionally have held considerable influence. This is the case with Mexico and China in Central America and, to a different degree, in the United States itself. Competition, it should be noted, does not exclude cooperative elements.

To varying degrees, the Chinese have looked to Mexico for support in international organizations, to gain access to markets, overcome bureaucratic hurdles and, above all else, for unconditional recognition of the One China policy. China has issued no clear international policy statements about or in relation to Mexico, as they have with Washington and, to a lesser degree, Moscow.

The return of the Institutional Revolutionary Party (PRI) to power in Mexico paved the way for a restructuring of bilateral relations that had been damaged by the PAN party's focus on ideological principles. Both parties made great efforts to show their willingness to increase the level of closeness, a process that was initiated by the Mexicans. Peña Nieto traveled to the Bo'ao, Hainan Forum in April 2013, and decided to change the Mexican ambassador in the Chinese capital. Almost immediately, in early June of the same year, Xi visited Mexico. In spite of the promising outlook, the relationship also had to contend with a dispute over political and trade spaces linked to integration agreements. Our document, therefore, is divided into three parts. In the first, we look at the spaces occupied by Mexico and China in the international system as well as the perceptions and aspirations of the

governing elites in both countries. In the second section we examine bilateral and regional economic relations. In the third part we address extra-economic bilateral and regional relations.

1. A renewed government role: new initiatives for economic integration

Integration processes in the Pacific region have been changing. Preferential agreements that tend to promote trade and investment are now only one particular part of an agenda that addresses a wide variety of extra-economic factors. In Asia Pacific, the Regional Comprehensive Economic Partnership (RCEP) complements a complex system of multidimensional cooperation between the members of the Association of Southeast Asian Nations (ASEAN) and China, South Korea and Japan, as well as Australia, India and New Zealand. In the Pacific, Trans Pacific Partnership Agreement (TPP) negotiations are based on an extra-economic agenda that includes labor, environmental, and property rights issues, among others. Along the Pacific coast of Latin America, the Pacific Alliance has also incorporated extra-commercial issues and created a formal parliamentary forum.

Governments –advocates of these new regional integration initiatives– have again taken on the role of regulatory agent for both trade flows and institutional norms that govern the growing level of intergovernmental cooperation. As a result, government intervention now has two new dimensions: geographic –expansion of the small spaces where states exercise their national sovereignty within the region that are regulated by intergovernmental cooperation mechanisms; and intergovernmental cooperation –regional integration is moving from the economic sphere to the political.

As new regional integration projects move forward, interdependence deepens. As with previous endeavors, the ultimate goal of negotiating new agreements is to help social actors within participating countries by developing and consolidating intra-regional linkages. Nevertheless, with an emphasis on interdependence among the members of a specific region, there has been a change in the nature of international economic and extra-economic competition: the relationship between one state, from one region, and another state, from a different region, is no longer limited to bilateral ties between the two states; now, the relationship is diversified and extends to national spaces that constitute part of preferential economic and extra-economic areas established by regional agreements in which one or the other

state participates.

China and Mexico in the international system

A review of any government's policies and bilateral relations with the People's Republic of China (PRC or simply, China) needs to start with an understanding of the spaces occupied by that particular government and China in the international arena, as well as the image that their respective political actors hope to project onto the international scene.

1.1. China and a new type of power relations: the realization of a dream

At present, Beijing is trying to position itself as a world power. Starting with Mao Zedong, China's elites have dreamed of turning the country into a global power. Since the early 1990s, Chinese actors, both public and private, have helped shape the power the country has attained peacefully. In order to create a positive image and assert its global presence by the end of the decade, Hu Jintao introduced and encouraged the idea of the peaceful rise, which, in reality, had already happened (Zheng, 2005).

In Washington in February 2012, Xi Jinping (Xi, 2013) explained the need to build a new model or type of great power relations based, according to academic reasoning, (Ren, 2013), on the so-called Three points of Xi: neither a confrontation nor a conflict; mutual respect; and win-win cooperation. The model was reaffirmed in Moscow one year later (Ministry of Foreign Affairs, PRCa, 2013) and stressed to the Obama government once again in the U.S. capital in June 2013.

The leitmotif that provides continuity to Chinese international policies is the need for a peaceful international scenario in order to build the nation. This is, without a doubt, one of the most basic and essential components of the Chinese government discourse, a discourse that now includes a new component: no more ambiguity about its self-image as a world power and the ability to negotiate with equals, mainly the United States, which represents a change in the status quo. China negotiates specific agendas with each global power according to both bilateral and multilateral interests. Negotiations are part of a multidimensional plan to promote its global interests and are based on diplomatic efforts that take place along the periphery (*zhoubian waijiao*) (Xinhua, 2013). As it seeks to ensure good relations with its

neighbors, Beijing is accruing power to create a negotiated institutional order in the Pacific by way of agreements with Washington that tend to create a bi-hegemonic order (Ministry of Foreign Affairs PRCb, 2013).

Of course, this does not stop businesses from different sectors on both sides of the ocean from pursuing their own initiatives, supported by their own governments in the form of trade agreements. Internationally active Chinese actors work alongside state institutions, as the Americans, Germans, Japanese and other successful Asian players have done in the past. Government agencies, at each specific level, negotiate legal spaces that allow businesses to gain access to foreign markets, raw materials and a workforce. Chinese companies, whether state-owned or private, are motivated primarily by the material aspects of trade that resemble mercantilism: buy little and sell a lot.

The motives behind state actions are more complex because they deal with global power projection. The state has different strategies at its disposal to help obtain goals and negotiate a new status. The immense literature on economic issues, especially bilateral trade, is deceiving in terms of the ultimate goal of the Chinese in Latin America. A cursory conclusion is that it is the Chinese state, not businesses, that has an insatiable appetite for raw materials which will inevitably lead to the disappearance of manufacturing sectors and the primarization of Latin American economies. According to this opinion, economic exchanges between China and Latin America lack unique characteristics and only reproduce the old relationships between imperialist powers and subordinate countries.

An important difference between the present, the 19th century and most of the 20th century is that the current international situation favors growth, especially in several East Asian countries. The institutional order built during the post-war period is partly responsible for the reduced levels of international violence, in contrast to the explosive internal situations that exist throughout almost the entire hemisphere south of the Rio Bravo. An additional difference is the existence of regional powers that have gained a greater degree of independence from the United States.

1.2. Mexico as a regional power: the loss of a dream?

Some experts consider Mexico to be a middle or regional power, in the sense that it is one of those...:

...states that, due to their size (territorial, demographic, economic, political-diplomatic or military) or to the geopolitical circumstances in a specific region, demonstrate the required ability and willingness to exert some degree of influence in certain areas of international relations. This influence can be asserted by way of devising or implementing an active and independent foreign policy, by conspicuous participation in international exchanges (trade, mediation, active participation in the United Nations or other international organizations, etc.) or through a willingness to play an important role in those issues that affect the region (Jordi Palou).

The features that define Mexico as a middle or regional power recall a glorious past: robust industrial growth linked to the successive policies of “stabilizing development,” an oil-dominated economy, and opening up to direct investments, mostly from the United States; a relatively independent foreign policy that has allowed it to maintain bilateral relations with socialist Cuba, defend the interests of the Third World under the Luis Echeverría Álvarez administration and participate in Central America’s stabilization process during the Miguel de la Madrid government.

Political continuity, guaranteed by the Institutional Revolutionary Party (PRI), was the strength behind the regional projection of the Mexican government. However, participation in the North American Free Trade Agreement (NAFTA), supported by the last two PRI administrations of the 20th century, modified Mexico’s insertion into the region. The openness toward Central America and the Caribbean was substituted with a deepening economic-political relationship between Mexico and the United States. The change was such that Mexico came to be considered a North American country and the concept of Latin America was replaced by its geographical components: Central America and South America.

When the National Action Party (PAN) came to power in 2000, the shift to a North American identity was complete. The Vicente Fox government’s adoption

of a foreign policy based on promoting democracy and defending human rights quickly irritated the once highly-valued relations with Havana, as well as with left-leaning governments in Argentina, Bolivia, Ecuador and Venezuela. The Plan Puebla Panama, however, allowed Mexico to maintain key relations with Central American countries, but it was not enough to restore Mexico's projection on the sub-continent. From early on, the Felipe Calderón government supported the "war on drugs" and its foreign policy was reduced to repairing the damage caused by his predecessor. Only towards the end of his six-year presidential term, when Bruno Ferrari was named Secretary of the Economy, did government interest in trade agreements reappear. As a result, agreements with Central American countries were converged into one single agreement, a negotiated agreement with Peru was reached, and the decision was made to participate in negotiations on the Trans Pacific Partnership Agreement (TPP).

In the Pacific region, PAN governments did not consider the Asian countries to be as important as the United States and Canada, Central America and the Caribbean, and South America. The focus was on relations with Japan while the administration played a double game with the governments of the People's Republic of China and the Republic of China. On the one hand, they followed the principle of the One China policy, essential for Beijing. Yet on the other hand, high ranking officials, congressmen and senators openly flirted with Taipei and/or the Dalai Lama. This provoked discomfort in the Chinese Embassy and in the Chinese Ministry of Foreign Affairs, heightening tensions in bilateral political relations.

When the PRI returned to power, the political elite had put aside the notion of Mexico as a middle or regional power in favor of a new category that was more in line with the times. The National Development Plan 2013-2018 defines Mexico as an "emerging power." This concept is based on an unusual rationale, according to which:

The world is currently in a period of transition. In political terms, the end of the bipolar system little more than two decades ago has given way to a period characterized by the consolidation, across much of the globe, of democracy and a culture of human rights, the growing role of civil society in public life, both in the national and international realms, and the emergence of new poles of power and influence in

a world in which no state has a hegemonic position (PND 2013-2108).

According to this view, U.S. hegemony and China's global projection have been summarily abolished, thereby justifying Mexico's insertion into the international order at this time of transition. Had this been the case, the elimination of U.S. hegemony, by itself, should have provoked a drastic change in regional priorities for the Mexican government. However, the priorities remain the same and Asia Pacific still ranks in fourth place even though, when trade and investment are taken into consideration, it is surpassed only by North America. In light of the above, the Enrique Peña Nieto administration insists on the need to strengthen Mexico's diplomatic presence in the region and points to China as "a clear example of the above. Mexico faces the challenge of moving relations with China toward a new paradigm of cooperation and dialogue, which would lead to new types of understanding and exchange. Additionally, the limited relations that exist with other countries in the region offer commercial opportunities to strengthen trade with Asia and attract tourism to the country (PND 2013-2018)".

This is surprising. Certainly, within the Asia Pacific region China is Mexico's most important trade partner, but Japan, South Korea, Taiwan, Malaysia and Singapore also play key roles in Mexican foreign trade. Furthermore, China's share of direct investment in Mexico is minimal compared with Japan, South Korea, Taiwan and Singapore. Two factors seem to explain the priority on relations with China. The first is tied to an exclusively bilateral focus that does not encompass the full spectrum of Mexican relations with the Middle Kingdom, as we have tried to demonstrate in this paper. The second reason is the implicit rise of China as a power with global projection, able to negotiate on equal footing with the hegemonic power that the Mexican government considers to be "non-hegemonic." Therefore, one could think that the traditional practice of Mexican diplomacy tends to favor relations with "large countries" at the expense of "small countries," even when relations with the latter have a greater strategic value.

Halfway through the second decade of the 21st century, the present relationship between Mexico and China is based on the Mexican desire to regain the regional influence it has lost over the past 24 years as well as on China's desire to consolidate its global projection by having a greater presence in Mexico's sphere of influence. In the bilateral equation, the independent variable is, without a doubt, the Chinese

strategy to penetrate Latin America that guarantees its growing presence in the region. The dependent variable is the Mexican plan to reassert its presence in the region. The value of this variable will be tied to factors such as: the re-establishment of state authority in regions where organized crime is taking over, designing a program with sufficient financial resources to increase intergovernmental cooperation with strategic partners in Latin America, and the ability to resolve differences with Chinese leaders. In any case, its value will also depend on the willingness of its North American partners to redefine relationships within North America as well as the willingness of its Latin American partners to find common ground and create their own sub-regional project based on the specific interests of developing countries.

2. Mexico - China economic relations

During the first decade of the 21st century, Mexican foreign trade experienced a structural change: both exports and imports underwent geographic diversification. The diversification of imports, however, was more acute, mainly due to accelerated growth in imports from Asia Pacific economies. During this “Asianization,” imports from China dominated and led to a slow down in the Mexican manufacturing sector.

The competition Mexican goods faced from products made in China, however, was not limited to the domestic market. As discussed below, this competition extended to the markets of Mexico’s main trading partners in the North America Free Trade Agreement and the Pacific Alliance. This additional competition has impeded growth in the Mexican manufacturing sector.

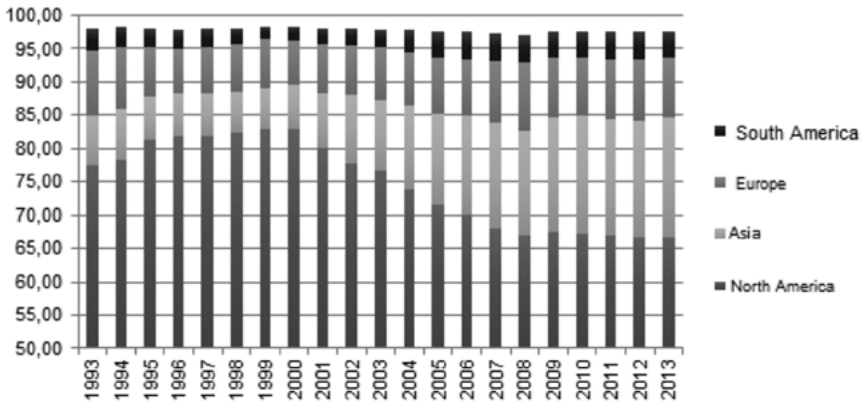
2.1. Bilateral trade relations

Figure 1a reflects Mexico’s trade performance from 1993 to 2013, the period when the North American Free Trade Agreement was in effect. The first element that stands out is the cyclical nature of this performance:

- During the 1993-2000 period, Mexico’s foreign trade underwent a process of “North Americanization,” as evidenced by the rise in the amount of trade with North America from 77.6% to 82.9%. This can be explained primarily by the deepening of trade relations with the United States.

- During the 2000–2013 period, there was a diversification in trade relations. As a result, total trade with North America dropped to 66.2%, while trade with Asia jumped from 6.6% to 18.1%, trade with Europe rose from 6.8% to 9.1%, and trade with South America increased from 2.0% to 4.14% (in 2011).
- Throughout the 1993–2013 period we see China’s share in Mexico’s foreign trade continuously increasing, rising from a meager 0.4% to a robust 8.9%. This makes China Mexico’s second most important trading partner, placing it ahead of Canada and Japan.

Figure 1a. Mexico’s total foreign trade, by main geographical region, 1993-2013

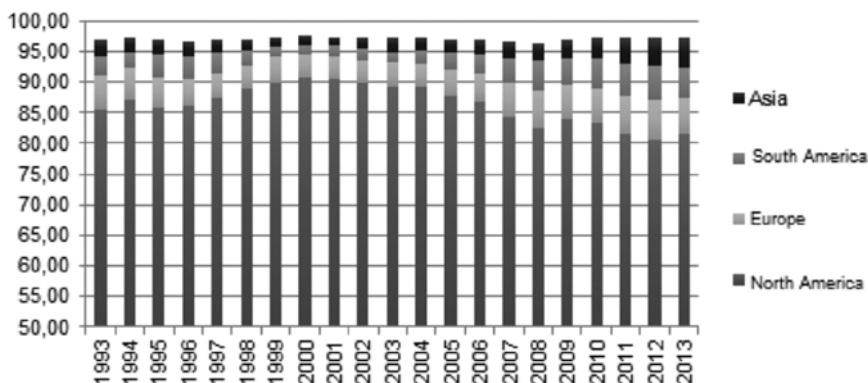


Source: Adapted from Banxico, available at: <http://www.banxico.org.mx>

It is a different picture when we look at exports and imports separately. According to Figure 1b, Mexican exports also behave in a cyclical manner, with a concentration in North American economies that ranges between 85.7% and 90.7% for the period 1993–2000. During the period 2000–2013, diversification had two consequences: first, there was a shift away from North America, dropping to a low of 80.1% (in 2012); second, the lower share of Mexican exports in North American markets was partly replaced by a higher share in European, South American and Asian markets, in order of importance. Combined, the share of Mexican exports heading to these three regions increased from 6.8% to 15.8%.

In terms of total exports, North America, in spite of its relative decline in importance, continues to be Mexico's main export market. Asian markets receive only 4.9% of Mexican exports and China's share was only a paltry 1.7% in 2013, even though it was the country's second most important trading partner.

Figure 1b. Mexican exports, by region, 1993-2013



Source: Adapted from Banxico, available at: <http://www.banxico.org.mx>

The situation for Mexican imports contrasts with that for exports. Even though their behavior is also cyclical, figure 1c shows that:

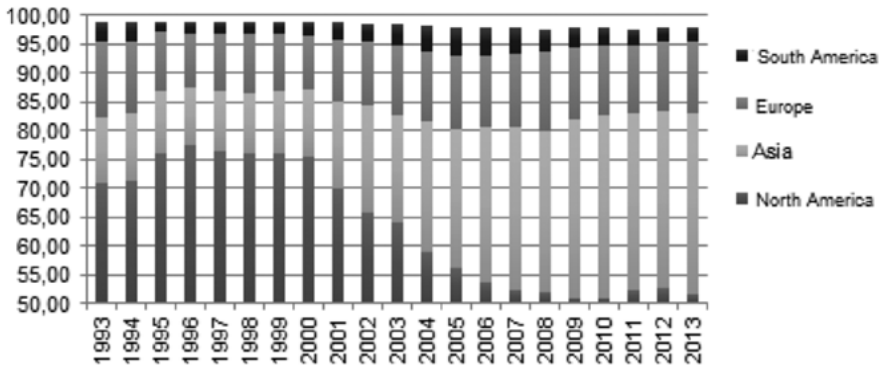
A high concentration of imports from North America was the case only for the period 1993-1996, with concentration levels rising from 71.1% to 77.4%. During this time, Asia and Europe alternated as the second largest supplier of goods to Mexico. By the end of this phase, Chinese products represented only 0.8% of all Mexican imports.

The diversification phase lasted from 1996 until 2013 and there is a distinctive structural change in the Mexican economy during this period. In 2010, North American economies only supplied 50.9% of Mexican imports, while Asia and Europe increased their shares to 31.8% and 11.0%, and South America maintained,

with some ups and downs, a modest 3.2%.

The “Asianization” of imports is the main feature of the Mexican economy at the beginning of the 21st century. This is due primarily to the growing penetration of Chinese products which represented only 0.9% in 1996, but a noteworthy 16.1% by 2013. China has wound up positioning itself ahead of Japan and Canada as the second largest importer into Mexico.

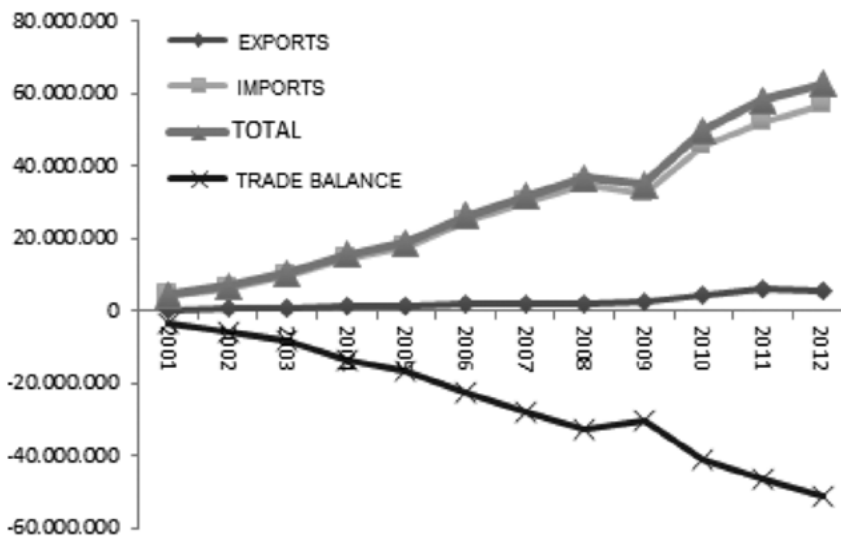
Figure 1c. Mexican Imports, by region of origin, 1993-2013



Source: Adapted from Banxico, available at: <http://www.banxico.org.mx>

During the Carlos Salinas de Gortari presidential term (1988–1994), Mexico’s handling of the bilateral trade relationship caused discontent in Beijing. There have been several issues, but Chinese unhappiness increased during the 12 years the National Action Party (PAN) was in power. It seems to have toned down a bit with the return of the Institutional Revolutionary Party (PRI) led Enrique Peña Nieto (2012–2018). Early on in the Vicente Fox administration, the Chinese were mainly displeased with Mexico’s reluctance to concede the bilateral approval needed for China’s re-entry into the World Trade Organization (WTO, ex-GATT) as well as with protectionist measures implemented to stem the flow of Chinese merchandise, which had begun to rapidly increase in 2000 (Figure 2).

Figure 2
Mexico-China Bilateral Trade, 2001-2012
In millions of dollars



Source: Mexican Secretariat of Economy (February, 2014). At: <http://economia.gob.mx>

For Chinese diplomats, the fact that high ranking Mexican officials from the Executive Branch and PAN and even PRI members of Congress were flirting with Taiwan was another source of discontent. Added to this was the friendliness shown to the Dalai Lama by Mexican First Ladies. Yet another issue was the discrimination endured by undocumented immigrants, as well as by some duly accredited Chinese officials and academics who were still subject to the prejudices of Mexican officials. In addition to the hard data, the negative images that arose during the 12 years the PAN was in power became increasingly important (Cornejo, 2008).

Although imports from China have been growing exponentially since 1989-1990, the relationship was submerged in a flood of misunderstandings, originating mostly from the Mexican side and its defense of absolute values, as PAN government officials championed democracy, human rights and religion. Under Vicente Fox there was a shift in dealings with Beijing. Fox became the greatest advocate of Chinese investment in Mexico, apparently forgetting about their ideas and political organizations (Milenio, 2014).

Efforts to rebuild the relationship got underway, starting with Xi's visit to Mexico in 2013, because PAN was unable to get enough votes to stay in power and because Peña Nieto was sending the correct signals to Beijing. In terms of economics, one initial result is that sales of pork and tequila are no longer blocked in the Chinese market. Looking only at the numbers and who has benefitted, there has been minor progress. Within our analytical framework, this agreement lays the groundwork for a more balanced relationship and offers a methodology for reaching agreements in other sectors, specifically those that increase interdependence in the win-win scenario.

The leaders also signed a letter of intent between the Xinxing Cathay International Group and *Petróleos Mexicanos* (PEMEX). The formation of a department within the Mexican Secretariat of Economy that specializes in economic affairs and a collaboration agreement between UNAM and the Academy of Social Sciences were also announced. Institutionally, both parties agreed to transform the bilateral relationship into the elusive "Integral Strategic Association." Diplomatically speaking, Beijing hopes there is no more flirting with the Dalai Lama or Taiwan, a country whose relationship with Mexico has deepened on different levels.

In spite of the successful meeting in June and other meetings, for example the one between G20 leaders in September of the same year, the relationship cannot be restricted to its bilateral aspects mainly because Chinese goals reach beyond this level, extending beyond purely trade matters. For China, the goal is to become a political-economic power in the Americas. This can be seen in areas that are not economically significant but where China challenges the political influence of countries like Mexico and even the United States. In any case, the Asianization of imports has substantially altered structural relations between the Mexican economy and North America, especially the United States. Once the North American Free Trade Agreement (NAFTA) went into effect, the Mexican economy specialized in the production and export of manufactured goods. This specialization was based on the practice of importing intermediate goods and capital from neighboring countries in North America which, after being used by companies located in Mexico, were re-exported to North America as consumer, intermediate and capital goods.

Due to the Asianization of imports, by the end of 2013 Asia accounted for 31.3% of the total amount of imports. When broken down according to types of products, capital goods represented 33.17% of the total value, followed by intermediate goods

with 31.6% and consumer goods with 28.5%. It is interesting to note that China's share of Mexican imports rose to 16.6% of the total. When we look at the types of imports from China, consumer goods accounted for 18.7% of total imports, followed by capital goods at 18.2% and intermediate goods at 15.9%.

Therefore, in order to continue exporting to North America, the Mexican economy has progressively been substituting imports from North America with imports from Asia (and Europe with respect to capital goods). The logic of "importing in order to export" explains, to a large degree, Mexico's structural trade deficit with Asia, primarily China. Moreover, the logic of "importing in order to export" has led to specializing in the export of intermediate goods mainly to North America, as can be seen in Table 1.

Table 1
Structure of exports and imports
By geographical region and by country, according to type of good, december 2013

	Exports				Imports			
	Goods				Goods			
	Total	Consumer	Intermediate	Capital	Total	Consumer	Intermediate	Capital
TOTAL	32,086	7,382	16,076	9,627	30,441	4,575	22,230	3,635
North America	83.35	82.87	79.65	81.24	52.59	55.31	54.14	39.65
Central America	1.32	2.35	1.28	0.48	1.45	0.80	1.81	0.09
South America	4.06	6.85	3.50	2.45	2.22	2.71	2.01	2.94
Europe	4.84	3.14	6.47	2.94	11.66	11.62	9.67	23.85
Asia	5.32	3.36	7.79	2.13	31.34	28.52	31.62	33.17
China	1.98	0.51	3.04	0.49	16.58	18.74	15.88	18.12

In millions of dollars
Source: BANXICO, INEGI, SAT and SE, Trade balance (goods) Mexico.

Substituting imports from North America with those from Asia Pacific has prevented economic actors in Mexico from producing the imported goods themselves. Simultaneously, it limits the generation of new value-added products manufactured in Mexico, which benefits Asian economies because a substantial part of the trade surplus with North America is transferred to them. In order to overcome this operating defect in the Mexican economy, a strategy would have to be implemented that promotes manufacturing consumer goods and, especially, capital goods. To put it another way, the strategy should focus on lowering the Mexican economy's dependence on Asia Pacific, primarily China, in these two areas.

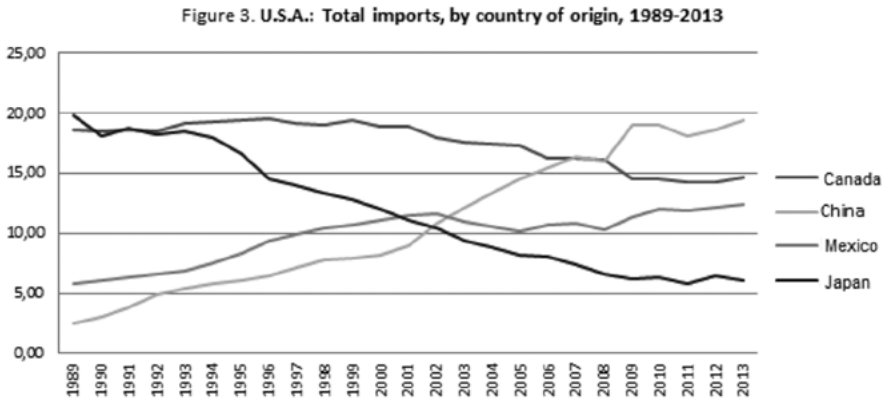
Mexico-China trade relations and the impact of Mexico's strategic partners

As noted above, Mexican exports have not undergone as significant a diversification as have imports for the period 2000–2013. In any event, the diversification of Mexican exports suggests that North American markets have lost some of their importance while those in Europe, South America and Asia have gained importance. So, given that the purpose of our study is to analyze the impact of Mexico–China relations in a sub-regional framework, we will now examine relations between the economies of both countries through the filter of Mexico's strategic partners in the western hemisphere. To do so, we focus on Mexico's and China's roles in the U.S. import market as well as in the economies of the Pacific Alliance countries. Our assumption is that Chinese goods compete with Mexican goods in the markets of those countries with which Mexico has key trade agreements.

Mexico and China: competition for the U.S. market

Figure 3 represents the most significant changes in competition between the main trading partners of the United States. In 1989, Japan was the main trading partner with a share of 20.0% of total U.S. imports. However, the combination of the speculative and real estate bubbles bursting and U.S. trade restrictions on Japanese products during the 1980s led to a massive amount of Japanese direct investment in the United States. Japanese multinational corporations decided to produce in situ a growing number of goods that used to be exported from Japan leading to a permanent decline in Japan's share of total U.S. imports. Their share was the lowest (5.8%) in 2011.

Then Canada became the main supplier of U.S. imports due to its geographic proximity to the United States, the free trade agreement it signed with the United States on October 4, 1988, and the troubles in the Japanese economy. This boom lasted from 1989 until 1996, during which time its percentage of total U.S. imports rose marginally from 18.6% to 19.6%. After 1996, Canada's share consistently declined until it reached its lowest value (14.2%) in 2012.



Source: Adapted from the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division. At: <http://censtats.census.gov/sitc/sitc.shtml>

Mexico's geographic proximity to the United States, its entry into GATT in July 1986,¹⁰⁰ and the North American Free Trade Agreement (NAFTA), which entered into effect on January 1, 1994, were three factors that helped the country climb from being the third largest supplier of U.S. imports to the second, moving ahead of Japan in 2001. As can be seen in Figure A, Mexico's share of total U.S. imports grew consistently for the period 1989–2001, increasing from 5.7% to 11.6% (Japan's share was 11.1%). Mexico's share, however, did not continue to rise and began to decline in 2002, dropping down to about 10.0% in 2005 and 2008.

With manufacturing costs that faced no competition, China rapidly increased its

100 El País, México se convierte en miembro efectivo del GATT, July 26, 1986; available at: http://elpais.com/diario/1986/07/26/economia/522712808_850215.html

share of total U.S. imports, growing from a modest 2.5% in 1989 to 9.0% in 2001. Benefitting from its accession to the WTO on December 11, 2001,¹⁰¹ China's share increased significantly, as noted by the steeper slope of the curve beginning in 2001. In 2002, imports from China surpassed those from Japan and in 2003 surpassed those from Mexico. Ultimately, even with some ups and downs, as the first decade of the 21st century ended and the second one started, China became the main importer to the United States, with a share of 19.4% of total imports.

China has become Mexico's main competitor in the latter's most important export market due to the fact that: NAFTA members had no coordination mechanisms to address global change; there was a lack of bilateral trade agreements among NAFTA members; and China enjoyed highly competitive production costs and the advantages of most favored nation status. Thus, the Mexico-China relationship has moved beyond a strictly bilateral one to include regional spaces impacted by inter-governmental agreements. As will be seen below, Mexico is forced to compete in its most sensitive export sectors, raising questions about the economic growth strategy pursued by the Mexican government since NAFTA was negotiated.

Competition by sector

There are two specific characteristics of U.S. exports and imports that are worth noting in order to better explain competition between Mexican goods and Chinese goods in the U.S. market.

First, exports and imports are highly concentrated in specific sectors. Thus, the most relevant sectors are those that in 2013 represented 10.0% or more of the total amount of exports or imports. The breakdown is as follows:

Exports are concentrated in the four following sectors: machinery and transport equipment (38.7%), mineral fuels and lubricants (16.7%), miscellaneous manufactured articles (14.9%) and manufactured goods (10.5%). These four sectors account for 80.8% of total exports.

Imports are concentrated in only two sectors: machinery and transport equipment (40.4%) and chemicals and related products (13.2%), which together make up 53.6% of the total amount. It should be noted that the miscellaneous manufactured

101 World Trade Organization, China y la OMC, available at: http://www.wto.org/spanish/thewto_s/countries_s/china_s.htm

articles sector (9.9%) had also accounted for more than 10.0% of total imports in previous years so it will be included among the most important sectors below.

Based on trade behavior and the weight of each sector in U.S. exports, we consider the following to be the most important sectors: machinery and transport equipment, chemicals and related products, mineral fuels and lubricants, and miscellaneous manufactured articles.

Second, of these four sectors, only the chemicals and related products sector runs a trade deficit. The other three enjoy surpluses that in 2013 amounted to US\$ 265 billion (machinery and transport equipment), US\$ 241 billion (mineral fuels and lubricants), and US\$ 190 billion (miscellaneous manufactured articles).

Turning to U.S. imports from Mexico, concentration levels were even higher. In 2013 only three sectors represented more than 10.0% of total imports: machinery and transport equipment (57.2%), mineral fuels and lubricants (12.4%) and miscellaneous manufactured articles (10.2%), which when combined accounted for 79.8%. The manufactured goods sector was relatively less important since imports represented 6.8% of the total amount. The chemical and related products sector was not important since imports in this sector only equaled 2.0%.

Table 2
United States: foreign trade by sector

	0 Food and live animals	1 Beverages and tobacco	2 Crude materials, inedible, except fuels	3 Mineral fuels and lubricants	4 Animal and vegetable oils	5 Chemicals and related products	6 Manufactured goods	7 Machinery and transport equipment	8 Miscellaneous manufactured articles	9 Commodities and transactions not classified elsewhere	Total*
Total Exports											
1996	3.81	0.86	2.80	9.42	0.21	5.70	11.73	45.15	16.75	3.58	817,820
2001	3.40	0.87	1.86	10.93	0.11	6.88	10.95	43.12	17.54	4.34	1,180,174
2008	3.25	0.83	1.63	23.32	0.24	8.33	11.17	33.93	14.00	3.30	2,169,487
2013	4.00	0.94	1.59	16.70	0.25	8.59	10.54	38.72	14.86	3.81	2,330,796
Total Imports											
1996	7.35	1.29	5.18	1.96	0.30	10.10	8.95	49.16	11.51	4.19	622,827
2001	5.63	0.77	3.84	1.76	0.19	11.26	9.12	51.31	12.11	4.01	731,026
2008	6.66	0.42	5.94	5.96	0.34	13.96	9.69	42.49	10.31	4.23	1,287,442
2013	6.78	0.46	5.49	9.39	0.21	13.24	9.17	40.40	9.91	4.96	1,578,851
Imports from Mexico											
1996	4.04	0.61	1.09	7.31	0.06	1.48	6.12	42.96	33.23	3.09	95,438
2001	3.56	1.10	0.61	7.88	0.02	1.39	6.71	59.21	15.13	4.37	132,778
2008	4.41	1.18	0.74	19.50	0.04	1.85	7.41	51.16	9.58	4.13	218,108
2013	5.69	1.20	0.56	12.42	0.03	1.97	6.82	57.15	10.18	3.98	283,059
Imports from China											
1996	1.32	0.04	0.79	1.04	0.01	2.02	9.04	26.65	58.29	0.81	54,409
2001	1.14	0.04	0.61	0.39	0.01	2.03	10.90	33.40	50.34	1.13	109,392
2008	1.46	0.01	0.55	0.61	0.01	3.21	13.36	43.89	35.70	1.18	356,302
2013	1.34	0.02	0.48	0.08	0.01	3.39	11.24	50.81	31.61	1.03	460,090
Trade balance*											
1996	-14,617	-993	-9,385	64,838	-161	-16,323	40,137	63,067	65,263	3,167	194,992
2001	-1,106	4,608	-6,147	116,149	-101	-1,149	62,623	133,847	118,496	21,928	449,148
2008	-15,260	12,633	-41,164	429,089	835	1,077	117,517	189,097	171,036	17,186	882,045
2013	-13,755	14,628	-49,652	240,863	2,527	-8,687	100,788	264,621	189,973	10,639	751,944

* In millions of dollars

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division

Available at: <http://censtats.census.gov/sitc/sitc.shtml>

U.S. imports from China were concentrated in three sectors: machinery and transport equipment (50.8%), miscellaneous manufactured articles (31.6%) and manufactured goods (11.2%), accounting for 93.6% of all imports from China. Given that the mineral fuels and lubricants sector is not included among the most important, we can conclude that Chinese products are concentrated in those sectors with higher value-added.

If we consider the trade potential of a country to be its capacity to produce and export goods with higher value-added, China's power lies in its ability to concentrate 93.6% of its exports to the United States within the three sectors mentioned in the previous paragraph. For Mexico, this number is only 78.2%.

In order to examine Mexico's weakened ability to compete against the massive influx of Chinese goods into the U.S. market, we have chosen to look at the three most important sectors not only in terms of overall imports into the U.S. economy but also in terms of relevance for Mexican and Chinese imports. These include machinery and transport equipment, miscellaneous manufactured articles and manufactured goods.

Sector 7. Machinery and transport equipment

From the information in Table 2 we can see that this sector has moved in both directions. From 1996 until 2001, the level of concentration was rising, increasing from 49.2% to 51.31% of total U.S. imports. Between 2008 and 2013, the trend was towards de-concentration as the percentage fell from 42.5% to 40.4% for those years, respectively.

The first trend is explained by the implementation of the North American Free Trade Agreement (NAFTA) and the re-structuring of the U.S. automobile sector. Foreign companies opened plants in Canada, the United States and Mexico to supply the North American market. The data in Figure 4 show Mexico's and China's rank as importers of sector 7. During the NAFTA boom period, imports from Mexico were in third place, behind imports from Canada and Japan. Imports from China rose drastically to reach eighth and fifth place for the years 1996 and 2001, respectively.

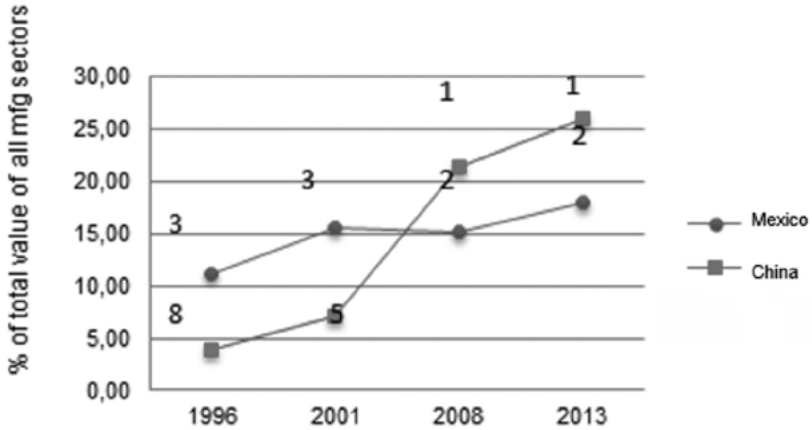
The second trend emerged during the period 2001-2013. During this stage, the slopes of the curves reflect the conditions that existed when the sector was re-struct-

tured a second time. Imports from Mexico are affected by problems in the North American economy, which is highly dependent upon the U.S. market. Given this dependence, it is not surprising that the U.S. recession of 2001 and the subprime market crisis of 2008 caused a relative setback in imports from Mexico for the period between crises. However, due to China's most favored nation status and low production costs, Chinese imports grew at a rapid pace, positioning that country in first place. It is also true that Mexico moved up to second place, displacing Canada and Japan as main foreign suppliers for this sector.

The impacts of the subprime market crisis continue to be felt and U.S. economic recovery has been slower than predicted. As a result, Chinese imports grew more slowly between 2008–2013 than between 2001–2008. It is certainly interesting that there has been slow but positive growth in imports from Mexico. This would indicate a convergence of labor costs and, in turn, production costs in China and Mexico. In light of this convergence, imports from China in the sector have lost some of their past advantages, paving the way for an increase in imports from Mexico.

All of this suggests that the second re-structuring of sector 7, centered around the U.S. economy, is characterized by the consolidation of a regional production base located in the three North American economies, the result of two different processes: first, the arrival of extra-regional corporations in the three North America countries, and second, the international division of labor created by corporations that rely on China's low production costs. As a result of these two processes, a sectoral production base was established in China that will help make the country one of the major centers for manufacturing machinery and transport equipment.

Figure 4. Sector 7. Machinery and Transport Equipment



Source: Adapted from the U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division. At: <http://censtats.census.gov/sitc/sitc.shtml>

During the first 14 years of the 21st century, China surpassed Mexico as a supplier of U.S. sector 7 goods. This achievement by the Chinese is significant because in 2013 it was supplying 25.9% of imports in this sector. In 2013, in addition to China, the top eight suppliers of U.S. sector 7 goods included the two other members of NAFTA and four Asian countries. These seven countries represent 3/4 of U.S. imports in this sector and these numbers alone are enough to understand that U.S. sector 7 depends heavily on its North American and Asian suppliers. Under these circumstances, any regional (within the framework of NAFTA) or national (in the case of Mexico) programs must take into account this new international situation.

Table 3.

U.S.: The share of imports for each of the eight main suppliers of sector 7. Machinery and transport equipment

		Total Valor *		%
		C.I.F. Basis	%	Cumulative
	Total	902.515.465	100	
1	China	233.791.084	25,90	25,90
2	Mexico	161.768.694	17,92	43,83
3	Japan	105.813.666	11,72	55,55
4	Canada	90.867.132	10,07	65,62
5	Germany	68.237.193	7,56	73,18
6	South Korea	43.727.856	4,85	78,03
7	Taiwan	22.944.444	2,54	80,57
8	Malaysia	19.288.425	2,14	82,71

** In thousands of dollars*

Source: U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division

Available at: <http://censtats.census.gov/site/site.shtml>

For Mexico, an alternative to major preferential trade agreements would appear to be the negotiation of sectoral agreements as a way to gain more prominence in the region. NAFTA and the Strategic Partnership Agreement with Japan are initial steps and could be complemented by specific sectoral agreements with China, South Korea and, perhaps even Taiwan and Malaysia.

Sector 8. Miscellaneous manufactured articles and Sector 6. Manufactured goods

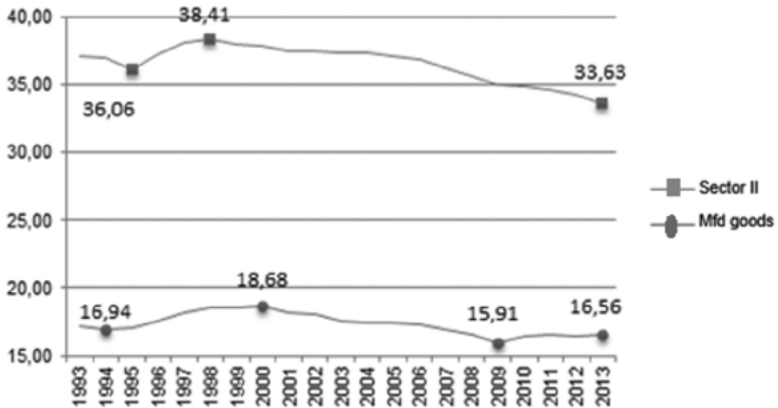
In section 2.1. above, we saw the profound change in Mexican foreign trade stemming from the Asianization of imports. We underscored the strong competition Mexican goods face from Chinese goods in the domestic market. For the Mexican economy, this competition has slowed down the manufacturing sector. NAFTA's great virtue was that it supported the transition from a specialization in producing and exporting oil and raw materials to a specialization in producing and exporting manufactured goods. In Figure 5 we can see the magnitude of that change. The industrial sector's contribution to GDP rose from 36.1% in 1994 to 38.4% in 1998. The effects of NAFTA on the manufacturing sector were long-lasting, as reflected in the growth of its contribution to GDP from 16.9% in 1994 to 18.7% in 2000.

Figures 6 and 7 represent the main manufacturing sectors' contributions to GDP for 1993–1994. Notable examples are food, transport equipment, electronics, and beverages and tobacco. Their contribution to GDP is tied to both domestic demand and demand in the U.S. market.

In the previous section, we saw the influence of the U.S. market on Mexican exports in transport equipment. The slow growth of this sector's contribution to GDP for 2001–2009 is linked to the massive influx of Chinese products from the same sector into the U.S. market. As noted above, the upturn following 2009 is related to the convergence of production costs in China and Mexico.

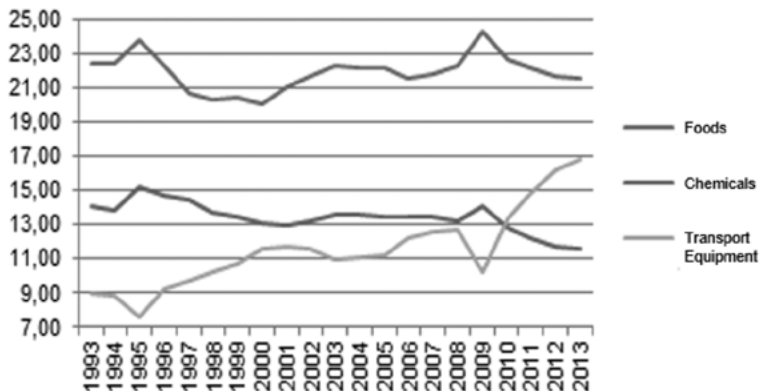
The electronics industry provides an example of an opposite and extreme case. NAFTA brought about a rapid rise in this sector between 1996 and 2000. However, with the influx of Chinese goods, domestic production in Mexico has collapsed and only in 2013 did it experience a slight recovery. The base metals industry's contribution to GDP, however, has seen a consistent decline which is undoubtedly due to competition from China in the U.S. market.

Figure 5. Mexico: Contribution of industrial and manufacturing sectors to GDP, 1993-2013



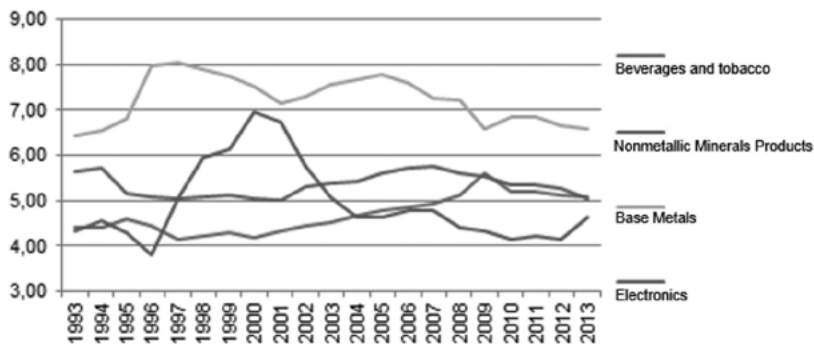
Source: Adapted from INEGI. Available at: <http://www.inegi.org.mx>

Figure 6. Mexico: Contribution of the principal manufacturing sectors GDP



Source: Adapted from INEGI, Banco de Información Económica. Available at: <http://www.inegi.org.mx/>

Figure 7. Mexico: Contribution of selected manufacturing sectors GDP



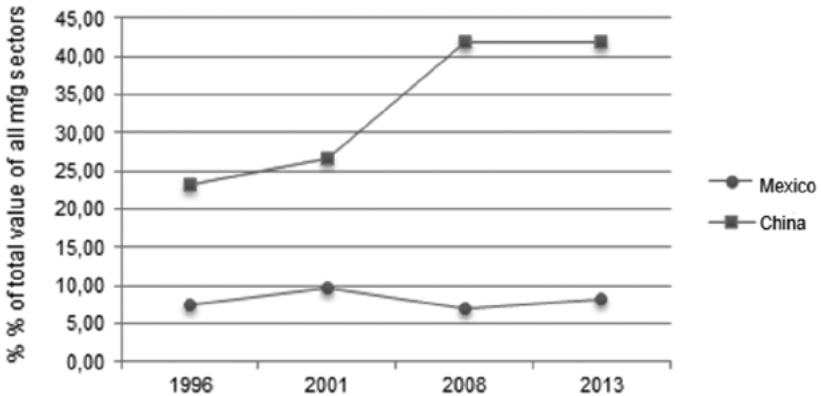
Source: Adapted from INEGI. Available at: <http://www.inegi.org.mx>

In fact, Table 3 shows that in 1996 the miscellaneous manufactured articles sector was the second most important, accounting for 33.2% of all U.S. imports from Mexico. In 2008 that number dropped to 9.6%, but in 2013 there was a minor upturn that led the number to rise to 10.2%. The manufactured goods sector was

the fourth most important. For the period 1996–2003 its share of total U.S. imports from Mexico remained practically the same, fluctuating between 6.1% and 7.4%.

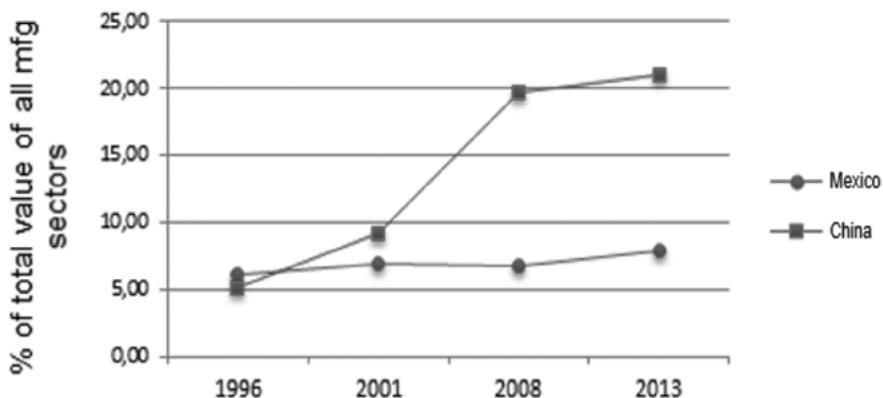
The behavior of both sectors has been shaped by the presence of similar goods from China in the U.S. market, as reflected in Figures 8 and 9. Beginning in 2001, and due to the advantages of most favored nation status, Chinese goods experienced a rapid upsurge in the U.S. market, curbing the growth of Mexican manufactured goods.

Figure 8. Sector 8. Miscellaneous Manufactured Articles



Source: Adapted from the U.S. Department of Commerce. Available at: <http://censtats.census.gov/sitc/sitc.shtml>

Figure 9. Sector 6. Manufactured Goods



Source: Adapted from the U.S. Department of Commerce. Available at: <http://censtats.census.gov/sitc/sitc.shtml>

We have mentioned the importance of NAFTA to structural changes in the Mexican economy during the period 1994–2001. It should also be pointed out that this change was fundamentally linked to the opening of the Mexican economy to foreign direct investment and, especially, transnational companies in the auto industry, electronics industry and other industries. This policy favored large firms and encouraged competition from Chinese products and wound up having a serious impact on Mexican producers in a wide range of areas. Two of these areas should be emphasized even though they are not foremost in the Mexican government’s economic policy: U.S. imports of food and live animals as well as beverages and tobacco. Mexican products in these two sectors occupy second place, outperforming China. These two sectors are irrefutable examples of the potential of other Mexican manufacturing sectors that are not tied to large transnational corporations. Of course, this potential can only be realized if there is a policy in place to promote domestic industry along with a policy to promote foreign trade. For now, however, competition from China in the U.S. market has led to a decline in the manufacturing sector. In 2009, this sector’s contribution to GDP dropped to its lowest amount for the period under study, 15.9%, undermining Mexico’s competitiveness vis-à-vis China and other Asian countries.

Relations with members of the Pacific Alliance

As demonstrated by Table 4, trade trends for the past ten years among the countries of the Pacific Alliance (PA) have three main characteristics:

- From 2004 to 2012, the amount of total foreign trade for the four countries of the PA has grown rapidly, jumping from US\$ 495 billion to US\$ 1.1 trillion in current prices (+121.9%).
- Throughout the entire period, intra-regional trade was low, barely reaching an annual average of 3.5%. As a point of reference, in 2011 ASEAN intra-regional trade was 25.1%.¹⁰²
- Throughout this period, intra-regional trade has grown in importance. In 2004 it was only 2.7% of the PA's total trade. In 2011, it reached a high of 4.1%. This growth is due in large part to the attention being paid to the intra-regional market by economic actors within the four countries. In spite of this, the degree of trade integration in the PA is much less than that achieved by ASEAN.

Looking at exports and imports separately finds that each country has taken a different approach. In terms of exports to the PA market, Mexico has experienced the most significant growth. However, as mentioned previously, since the beginning of the 21st century the diversification of Mexican export markets –the result of the relative exhaustion of NAFTA– has been a spontaneous process. In other words, private Mexican actors had to seek, *motu proprio*, alternatives to a troubled market. The challenge facing Mexican authorities is now two-fold. First, private actors need to be engaged as active participants in a real strategy that has as its central goal the deepening of economic relations with their private and public counterparts throughout the PA. Second, the framework of the PA itself forces the discussion and implementation of new intra and inter-sectoral plans within the region, i.e., new mechanisms in which private actors and governments interact.

Colombia, Chile and Peru, in decreasing order of importance, have been engines of growth for intra-regional imports. Mexico, however, has seen a relative drop in imports from the region.

102 Source: ASEAN Secretariat, External Trade Statistics. At: <http://www.asean.org/news/item/external-trade-statistics>

Exports and imports reveal a level of complementarity between the economies of Mexico, on one side, and Colombia, Chile and Peru, on the other. Further study is needed to determine on what types of goods this relationship is based. However, if our initial assumption is correct, the nature of the interdependence among the countries of the PA might be very different from the type that exists, say, among the countries of ASEAN.

In ASEAN, the engine behind increased interdependence has been intra-transnational corporation trade. Their expansion strategy has been based on an international division of labor within each corporation. In the PA, interdependence would be based on national corporations that produce goods within their country of origin and then export to the regional market. Along these lines, lowering tariffs and implementing trade promotion mechanisms is a necessary but insufficient condition to deepen interdependence within the PA framework. To achieve that, a radical change in strategy is required that would promote, at the regional level, a division of labor that increases the value added to local products. This, of course, implies using capital from within the region to promote transnational corporations.

According to the latter, the challenge facing Mexican officials mentioned above is, in fact, a challenge for all four governments of the Pacific Alliance, if they want the alliance to be an effective tool for economic growth.

Table 4. PA: TOTAL FOREIGN AND INTRA-REGIONAL TRADE, 2004-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPORTS										
Pacific Alliance	250,528	294,670	357,496	398,512	424,107	345,086	444,381	534,047	555,155	557,207
Intra-PA	2.57	3.01	3.20	3.33	3.62	3.23	3.64	4.00	3.86	3.48
Chile	0.97	0.99	1.13	1.06	1.07	1.00	0.96	0.88	0.73	0.73
Colombia	0.53	0.55	0.43	0.42	0.55	0.57	0.64	0.79	0.83	0.67

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPORTS										
Peru	0.48	0.61	0.65	0.65	0.63	0.47	0.55	0.65	0.61	0.54
Mexico	0.59	0.87	1.00	1.20	1.37	1.20	1.48	1.68	1.69	1.54
IMPORTS										
Pacific Alliance	244,654	284,826	332,327	377,624	434,076	327,487	424,980	510,731	543,585	499,059
Intra-AP	2.84	3.19	3.58	3.77	4.04	3.59	3.89	4.28	4.00	2.65
Chile	0.64	0.76	0.83	1.01	1.26	0.95	1.13	1.27	1.20	1.14
Colombia	0.64	0.83	0.95	1.10	1.00	1.02	1.21	1.50	1.46	
Peru	0.59	0.59	0.68	0.67	0.84	0.82	0.82	0.82	0.82	0.92
Mexico	0.97	1.01	1.11	0.99	0.94	0.80	0.73	0.69	0.52	0.59

In millions of dollars, in current prices

Sources: Adapted from Central Bank of Chile, Ministry of Trade, Industry and Tourism of Colombia, Ministry of Foreign Trade and Tourism of Peru, Bank of Mexico.

The intra-regional trade structure, as mentioned above, reveals complementarity between a Mexican economy, which exports manufactured goods to its partners in the Pacific Alliance (PA) and a Mexican economy that imports raw materials and, eventually, minerals, from these same partners. The PA market has gained some importance in terms of Mexican exports and that leads us to think about competition from Chinese goods in PA domestic markets.

Accordingly, if we look at the real value of imports from both Mexico and China into each member country of the PA, we find Colombia on one side, and Chile and Peru on the other.

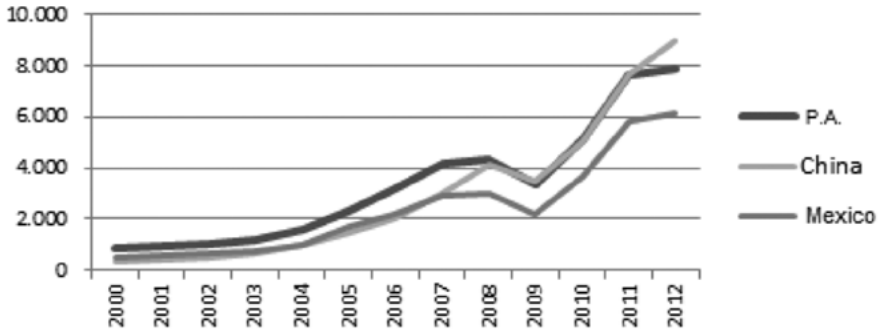
Sino-Mexican competition in the Colombian market

Colombia is Mexico's principal export market within the PA. In fact, during the period 2000–2012, the total amount of Colombia's imports from Mexico rose from US\$ 517 million to US\$ 6.15 billion. The growth rate was obviously quite high at +1,089%. However, the true relative size can be calculated by looking at the amount of total Colombian imports and total Mexican exports. In 2012, the US\$ 6.15 billion represented 11.4% of the total amount of all Colombian imports and Mexico was the third largest supplier to Colombia, behind the United States (US\$ 13.45 billion) and China (US\$ 8.964 billion). However, within the overall structure of Mexican exports, goods destined for Colombia represented a scant 1.2% of the total. Thus, Colombia ranks very low on the list of Mexico's export markets.

In spite of Colombia's limited relevance for the Mexican export market, competition from China is strongly felt. In 2000, Mexico was the second largest supplier of imports to Colombia, ahead of both Japan and China. Imports from Mexico (517 million) were greater than imports from Japan (512 million) and China (317 million). Even though the advantages Mexican goods have over Chinese goods are constantly being eroded, Mexico was able to retain its second place position until 2006. From 2007 onward, imports from China overtook imports from Mexico and the advantage Chinese goods now have over Mexican goods has been rising dramatically. In 2007, for every 1 dollar worth of goods imported from Mexico, the Colombians imported 1.03 dollars worth of goods from China. In 2009, the ratio was 1.00:1.58, but due to the global financial crisis that year, the ratio then fell. In 2012, the ratio was 1.00:1.46.

Currently, competition from China is so great that between 2008–2011 the amount of imports from China were practically equal to the amount of imports from Colombia's three partners in the Pacific Alliance and in 2012, it was actually higher.

Figure 10. Mexican, Chinese and PA share of Colombian imports, 2000 - 2012



Source: Adapted from the Ministry of Trade, Industry and Tourism of Colombia. At: <http://www.mincit.gov.co/>

Chile and Peru

There are four elements that differentiate Chile and Peru from Colombia in terms of their trade relations with Mexico and China. The first is the relative similarity in the amount of imports from Mexico: 2.425 and 1.818 billion, respectively in 2013. The second is the fact that both Chile and Peru have preferential trade agreements with China, which is not true for either Colombia or Mexico. Chile's free trade agreement with China went into effect on October 1, 2006 and the supplementary agreement on trade in services went into effect on August 1, 2010.¹⁰³ Peru's only agreement with China covers trade in goods and services and went into effect on March 1, 2010.¹⁰⁴

The third important factor is that, even before these trade agreements went into effect, China had already surpassed Mexico as a supplier of imports to Chile and Peru. In both instances, the boom in imports from China occurred before the trade agreements went into effect.

103 WTO, Chile. Participation in Regional Trade Agreements. Available at: http://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm?country_selected=CHL&sense=b

104 WTO, Peru. Participation in Regional Trade Agreements. Available at: http://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm?country_selected=PER&sense=b

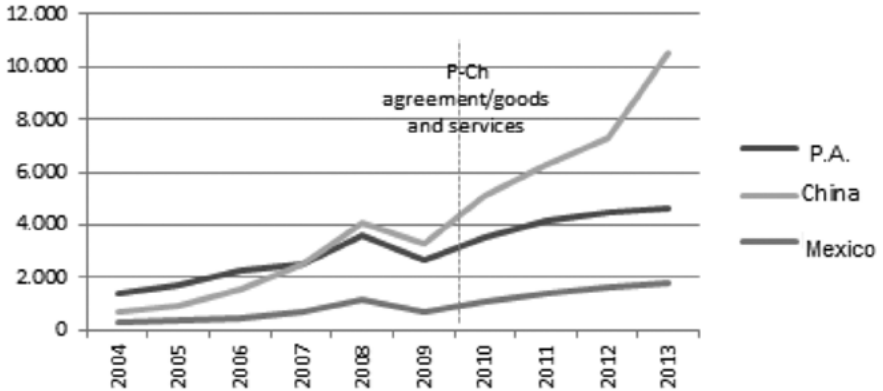
The fourth element is that following the global financial crisis of 2008-2009, which briefly put the brakes on growth in imports from both China and Mexico, there was rapid growth in imports from China and only moderate growth in imports from Mexico. This dynamic amplified the disadvantages Mexican goods were facing in comparison with Chinese goods in both markets. The “Chinese imports/Mexican imports” ratio went from 2.71 to 6.09 for 2003-2013 in the case of Chile, and from 2.6 to 5.78 for 2004-2013 in the case of Peru.

Figure 11. Mexican, Chinese and PA share of Chilean imports, 2003-2013



Source: Adapted from Central Bank of Chile. At: <http://www.bcentral.cl/>

Figure 12. Mexican, Chinese and PA share of Peruvian imports, 2004-2013



Source: Adapted from the Ministry of Foreign Trade and Tourism of Peru. At: <http://www.mincetur.gob.pe/>

In spite of the growing disadvantages stemming from Chinese competition, imports from Mexico have had some victories in Chilean and Peruvian markets. For the period 2003–2013, Mexico has managed to hold on to its position as the fourth largest supplier of imports to Chile, albeit with some significant changes. In 2003, imports from Mexico ranked below imports from the United States (US\$ 2.596 billion), China (US\$ 1.525 billion) and Japan (US\$ 656 million). In 2013, Japan fell out of position and was replaced by South Korea.

In 2004, Mexico was the 6th largest supplier of imports to Peru at US\$ 270 million, behind the United States (US\$ 1.845 billion), Colombia (US\$ 732 million), China (US\$ 702 million), Chile (US\$ 437 million), and Japan (US\$ 346 million). In 2013, these positions were completely shuffled around and Mexico became the third largest supplier of imports to Peru with US\$ 1.818 billion, but was well behind China with US\$ 10.517 billion and the United States with US\$ 8.784 billion.

The explosion of Chinese products in the markets of Mexico's Pacific Alliance partners has been overwhelming. Mexico has been ousted from its top positions and is sitting in third or fourth place while China has become Peru's main trading partner and the second most important trading partner for Colombia and Chile, as well as for Mexico itself.

Mexican trade agreements with Chile, Colombia and Peru, according to Mexican officials, have been moderately successful and, to some degree, have contributed to the costly victories mentioned above. On the other hand, China's trade agreements with Chile and Peru have helped it consolidate a trend that was already in place before any negotiations on these agreements even started. These cases provide interesting data to assess whether trade agreements are useful, since they do not appear to be a requirement, let alone sufficient on their own, to deepen trade relations.

China's rise to become the second most important trading partner of the United States, Canada, Chile and Mexico is based on the competitiveness of its economy and its most favored nation status, granted when it ascended to the World Trade Organization (WTO). As a result, China is now the main bilateral partner of NAFTA and the PA.

The fact that trade agreements are not a requirement nor sufficient to consolidate relations between two economic parties is problematic when one of the parties has heterogeneous economic policies, as in the case with the PA. While the governments of Chile and Peru have mechanisms that allow them to exert influence over trade flows with China, the governments of Mexico and Colombia do not. This raises a crucial question regarding consolidation of the PA: Do the members of the PA need to quickly design and implement a common foreign policy (one that is all-encompassing but, of course, addresses economic issues)? In our opinion, the answer is yes and it needs to happen quickly because it would be a shame not to take advantage of the political impetus behind the creation of the PA.

Embracing the hemisphere from the Caribbean: Xi Jinping in the Americas

Chinese politicians can talk to their counterparts with ease, no matter how liberal or conservative the party across the table may be, as long as they do not undermine the integrity of Chinese territory or question the leadership of the Communist Party of China (CPC). When the PAN party was in power, relations with China became complicated because they were based on images that had nothing to do with reality. Both Vicente Fox and Felipe Calderón brought personal values disguised as common ideals to diplomatic and bilateral relations, for example democracy and ethics. Moreover, they were careless in terms of protocol, especially when they came dangerously close to what is considered non-negotiable by the Chinese, i.e., the One China policy. Friction mounted during Felipe Calderón's presidential

term, due to Ambassador Jorge Guajardo's inability to establish a good relationship with some of his Chinese counterparts and some embarrassing leaks to the Mexican press about his performance.

Traditionally, differences between the two governments were addressed through diplomatic channels, where concerns were expressed and resolved. Only rarely have such differences been reported by the press. In any case, there were always Mexican officials in charge of handling journalists (Haro, León, & Ramírez, 2010). During the PAN administration, Chinese officials made a decision to turn to the press to publicize differences with their Mexican counterparts. The most well-known example is the annoyance displayed by Zeng Gang, then Ambassador to Mexico, who expressly blamed Felipe Calderón on several different occasions for damaging relations when he received the Tibetan religious leader. As if that were not enough, he also spoke of safety concerns in various parts of Mexico (Artículo 7, 2013). Chinese diplomats have grown more confident and become more active. Qiu Xiaqi, Ambassador during the Peña Nieto government, was, like his predecessors, extremely active and increasingly public. China's ability to repeatedly make public comments about Mexico's internal affairs, without a hint of respect, confirmed China's status as a global power.

From 2000 to 2012, diplomatic differences between Beijing and Mexico did not prevent institutional strengthening of the relationship. Certainly, some damage had been done, but, in spite of that, the bureaucracies of both countries have experience working together and were able to design agreements under one set of circumstances and have them signed under a very different set. Even though Vicente Fox could not reach an agreement on pork exports, Felipe Calderón signed several treaties in July 2008, one of which dealt with pork exports, poverty alleviation and investment protection. When the PRI returned to power, a definitive agreement on pork exports was finally achieved.

While the political elites in Mexico had neither a global strategy nor a specific East Asia strategy, Beijing had a number of policies in place regarding the Americas. These policies were centered around its ever-expanding regional presence. Xi's visit to the hemisphere, which focused on places along the Pacific and in the Caribbean, provides three main points for our line of argument. First, the itinerary chosen by the Chinese president (Trinidad and Tobago, Costa Rica, Mexico and California) reveals a strategy of amassing power and agreements in order to sur-

round Obama from Central America and the Caribbean. It also reflects a policy that does not place Cuba in a position of privilege but makes Port-of-Spain the epicenter for leaders from neighboring countries. In addition, it showed that a push is needed in this zone to weaken Taiwan's presence. Its policy to use Costa Rica as a stepping off point has already reaped some benefits.

China's presence is multidimensional and the country is betting that a new regional order will be built for that part of the hemisphere south of the Suchiate River, where Beijing will be able to play a critical role in decision-making processes in a post-U.S. hegemonic world. China is competing against other regional and extra-regional powers that have interests in the sub-region: competition against Spain for tourism and cultural influence; against Brazil, which rediscovered Cuba and has been strengthening bilateral cooperation with the island since the second half of 2013. In this case, relations with one of only a few socialist countries is in play. In fact, this creates a dilemma for those leaders who wanted to strengthen their legitimacy by linking themselves with the Castro brothers, like Cristina Fernández and the late Hugo Chávez. Ultimately, the government most affected by China's presence in the region is Mexico, even more so than the United States.

For decades, the state, various academic institutions and Mexican citizens have been a counterweight against hegemonic influences, mainly from North America. In addition to playing a more or less passive role, spurred on by the fear in the late 1970s and early 1980s of seeing the country dragged into a civil war, Mexican political and economic actors were on the frontlines building stability on the Central American isthmus. Since the Carlos Salinas de Gortari administration, this level of closeness with governments in the region has become privatized. Instead of viewing cooperation as a negotiating mechanism and a tool to influence the future of these countries, it was commercialized. For example, debts had to be paid before new oil sales could be negotiated. The country became more distant, especially from Cuba, the result of moral superiority and an arrogance that accompanied the electoral victory which confirmed political party alternance in Mexico.

The Mexican government's withdrawal from the region was due to its limited view of the world; submission to the Washington Consensus—globalization; the dismantling of an economy that had been in place since the end of the 1920s, beginning with expropriation of the oil industry (1938) followed by import substitution in the post-World War II era; and, most importantly, unconditional closeness to the

White House. As the government was retreating from the region, business leaders tried to strengthen their position, but were faced with adverse situations such as decisions by the U.S. Congress on Cuba and the extra-territorial Helms Burton Act (Castro, 1998). In spite of the setbacks and failures of the Salinas government, some business leaders who became stronger under its umbrella and others driven by problems in the domestic market turned toward Central America. Claro-Telmex and Gruma are two examples of the former, while Cemex was an example of the latter. The government plan, as had been in the past, was to wait for foreign investment, which is just the opposite of what the Chinese did.

Central America and the Caribbean: a new frontier for bilateral relations

Public information and informal conversations lead us to believe that Mexican diplomatic and political elites might be unaware that the bilateral relationship, in any shape or form, is no longer a key component of interactions with China. The asymmetries between the two countries, their economies and the spaces occupied by global powers lead us to conclude that given current circumstances, there will be no deepening of the relationship through a free trade agreement between equals. In addition to asymmetries, there are financial limits to expanding diplomatic presence and a lack of international policies. In spite of the difficulties, the Mexican presidency has allowed the Secretariat of Foreign Affairs to be more independent in determining its own actions. This explains why the Mexican president has tried to strengthen his government's presence in Central America through the first Mexico-Central America Integration System Summit. A proposal was made to the leaders of Costa Rica, El Salvador, Guatemala, Honduras and Panama that a single treaty be negotiated and signed between these countries and Mexico. Mexico has a leg up on China in this area because even though the latter is buoyed by free trade agreements, like the one approved by the Legislative Assembly of Costa Rica in 2011, it is limited by not having official diplomatic relations with countries in the region because they formally recognize the Republic of China (Taiwan).

It should be noted that both leaders, Xi and Peña, do not visit each and every country but invite them to a negotiated location, where they are able to show their power in the region and the future of such power. The Chinese have seduced the locals with resources and talk of comprehensive cooperative partnerships. Furthermore, like their Mexican counterparts, China is working through local organizations, for

example the Community of Latin American and Caribbean States (CELAC). It is in the institutional realm where one can see the progress being made by China due to its multidimensional approach. Mexico does not have a strong multidimensional approach. In all of Xi's speeches, China's factual intentions are clearly stated, and this is where the link between local development and China is established: infrastructure built or financed by the Chinese at some point generates material benefits, as do cultural activities sponsored by Hanban (汉办, shortened name of the China National Office for Teaching Chinese as a Foreign Language, 中国国家汉语国际推广领导小组办公室) and its gem, the Confucius Institutes, the fundamental instruments of international policy. The Chinese government uses existing institutions and shapes its own institutional order, or at least creates a space where its leadership is indisputable. Beijing's goal for 2014 is to hold a China-CELAC Forum, making it "an important platform for developing an integral cooperative partnership" between China and Latin America (china.org, 2014).

The governments of Mexico and China, not to mention the United States, are engaged in a battle for hegemony within the region. The Mexicans have undeniable advantages by virtue of their cultural and geographic proximity, as well as their history of wielding influence within the region. Nonetheless, these advantages seem to dissipate in the face of a methodically organized strategy by the Chinese, the energetic activity of Chinese economic actors and the money that flows from both private and public sources, as well as migration patterns that are solidifying Chinese influence in Central America and the Caribbean.

Above we discussed what we consider to be the weaknesses in Mexico's ability to design international policies, especially with respect to Asia. Up until early 2014, the best actions Peña Nieto has taken regarding this matter have been to distance himself from the moral absolutes of Fox and the relative ostracism of Calderón, as well as extend the country's international projection, build alliances with South American counterparts and project Mexico as a regional power beyond its southern border. Difficulties may arise if the pendulum swings back because of the domestic situation, away from participation in international activities to pursue essentially only protocol-related activities. Other problems may erupt if Mexico is unable to back up its rhetoric with the use of economic mechanisms to force the Central Americans and Caribbeans to turn their eyes to the North and away from China.

With respect to the Mexican president's trip to Central America, a region in which the new PRI government has focused a great deal of energy, his activities in Honduras and Panama in early April 2014 are worth noting. In the former, the Mexican president (Peña Nieto, 2014) pointed out that most foreign investment in these countries came from Mexico, but, more than that, he described Mexico as a leader in integration and the impetus behind two summits to be held in Mexico: the Association of Caribbean States and the Ibero-American Summit. In the latter, we see one of the areas where Mexico could have an advantage over China, which only has diplomatic representatives in San José, Costa Rica. Even though it is awaiting ratification by the corresponding legislatures, a free trade agreement was signed. This can be added to previously signed agreements with, in chronological order, Costa Rica, Nicaragua, Guatemala, Honduras and El Salvador. This clearly places Mexico ahead of China, which has signed only one agreement with the Costa Ricans.

Here we face a problem addressed above but within a different context. Up until now, the Chinese have not needed free trade agreements to increase and strengthen their presence in Central America and the Caribbean. There are at least three reasons for this: first, the eagerness of the locals to get closer to the Chinese; second, intense activity by the Chinese to penetrate the area with their products and investments in spite of the lack of diplomatic relations; third, the two-pronged goal of the government to try to weaken Taiwan's position in the region and China's flexibility in dealing with local actors who are willing to get closer regardless of whether their government has diplomatic relations with Taiwan or not. In summary, the Chinese could become a major regional power even without formal relations, and Mexico's apparent advantage would be insignificant. Furthermore, as China gets stronger Mexico could get weaker, making it harder for the government to implement treaties that would make progress in three areas: influence and power to solve regional problems, about which China has issued no public statements; increased bilateral trade, which until now has been insignificant; and finally, a greater presence of Mexican investors south of the Suchiate River.

Final considerations: consequences in a new era of regional integration

An analysis of Sino-Mexican relations in a new era of regional integration requires a fresh academic research agenda starting with some of the theoretical-practical conclusions that can be derived from what we have described and examined in the preceding pages.

The first suggestion to arise from our study is theoretical-methodological in nature. Under present circumstances, marked by the growing regulatory role of the government in integration and institutional norms designed to shape international cooperation, the strictly bilateral aspect of the Mexico-China relationship moves to the background. This is due, on the one hand, to the trade impasse in which the Mexican side finds itself and the lack of an adequate policy regarding China, reflected in the disproportionate relevance assigned to Beijing to the detriment of other bilateral relations. On the other hand, it is also due to the fact that the Fox and Calderón governments neglected and even abandoned the historical and cultural spaces where elites had once been able to exert their influence and where the Mexican state could have an impact as a middle power. This coincided with the rise of China as a global power and its growing influence in an area where Mexican elites have traditionally contributed to the decision-making process. In the Caribbean and Central America as well as South America, Mexican and Chinese actors compete for influence over the local actors. It is a fight for markets, but also for political hegemony, at least in terms of sharing it with the United States. In spite of diplomatic efforts by the Peña Nieto government to reestablish a physical presence in the region via the president himself and through Secretary of Foreign Affairs Antonio Meade Kuribeña, the push, focus and resources shown by the Chinese leave their Mexican counterparts far behind.

The other important aspect to emerge from our research is practical. Even though the Mexican government is trying to reassert the Secretary of Foreign Affairs as a key protagonist –weakened since the presidency of Salinas de Gortari– so as to regain spaces that were lost and promote new initiatives like the Pacific Alliance, Mexico is being slowly displaced by China. There is a prevailing complacency fueling the belief that what's done is done and there is nothing more to do, especially with governments like that of Japan where everything seems to be going well. Given these circumstances, the government has decided to focus its efforts in Beijing.

At least two of the ideas that have emerged from these pages call for a change to Mexican foreign policy. The first is a change in trade integration. Perhaps now more important given the Russian annexation of Crimea, regional powers are reconfiguring their alliances because they are concerned about leveraging their future with only one global power. The second, and possibly even more important, is the fact that the history of Sino-Mexican relations illustrates that in strictly bilateral terms, the Chinese were better negotiators and were able to obtain more bene-

fits, even taking into consideration temporary losses from measures implemented against Chinese goods. In the end, reconfiguring the terms of the bilateral relationship will depend on the economic recovery achieved in response to post-Washington Consensus reforms that favor small and medium businesses and distance themselves from the notion that only large conglomerates should benefit. This goes beyond the scope of this chapter, but is extremely important to consider. Based on the thematic and spatial levels covered here, the reconfiguration must take place on various fronts but must always be supported by domestic economic performance. Words alone will not create a regional power that is able to exert influence over what was once its own particular space, a space where it will now have to cooperate and compete with China, the United States and other regional powers like Brazil, Chile or even Cuba.

The goal should be for Mexican actors to once again become relevant in the decision-making process regarding future development in the region and to assume a greater leadership role, beginning with the Pacific Alliance. A collection of policies from the Pacific region of the Americas is not enough to deal with the Chinese. A buffer is needed to muffle Chinese strength on both sides of the ocean, and particularly, to impede further Mexican displacement in the Americas. International policies aimed at Asia could have three possible pillars: First, if there is one country that is very similar to China it would be India. Economic and cultural exchanges -that continue to be quite weak- should be explored and expanded, for example in scientific-technology cooperation. Second, de-commercializing the under-utilized relationship with Tokyo, which is still Mexico's most important relationship in Asia, moving it into the political realm. Finally, due to the recent interest shown by South Korea, Taiwan and Thailand and the role they play in the region, it is feasible to negotiate agreements, independently from major initiatives on macro trade agreements, in specific sectors where there is mutual interest and understanding. In addition to the obvious benefits of bilateral exchanges that would encourage closeness or deeper interactions with these five countries, the Mexican elites would be able to have a presence in Asia, which they don't currently have, and they might be better able to negotiate with China.

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NOTES ON THE BRAZIL-CHINA STRATEGIC PARTNERSHIP

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1. Introduction

The 40th anniversary of diplomatic relations between the Federal Republic of Brazil and the People's Republic of China will be celebrated in 2014. To commemorate this event, President Xi Jinping will visit Brazil in July, where he will also participate in the VI BRICS Summit. Over these 40 years progress has been made in the political arena, in trade, and in science and technology cooperation. As a result, Brazil has become China's main partner in Latin America.

Brazil established diplomatic relations with China in 1974, when the country was taking tentative steps towards autonomy vis-à-vis the United States. Such was the policy of "responsible pragmatism," as defined by the former Minister of Foreign Affairs, Azeredo da Silveira (1974-1979), thereby enhancing the "third world" component of Brazil's diplomacy.

Relations between China and Brazil from 1974 until 2000, though growing, were not at the top of either country's agenda. In 1993, a "strategic partnership" was established, the first for China with a developing country. Until that time, political contacts had been sporadic and the level of trade and investment had been minor. A few cooperation projects moved forward at a quicker pace. A review of the 29 major documents signed by the two countries between 1974 and 2000 (Embassy of China, 2014) shows that they pertain to cooperation in the areas of economics and trade, maritime transportation, aviation, science and technology, peaceful use of nuclear energy, culture and education. The longest on-going cooperation project created the China-Brazil Earth Resources Satellite (CBERS) on July 6 1988, a partnership between the Instituto Nacional de Pesquisas Espaciais (INPE) and the Agência Espacial Brasileira (AEB) and the Chinese Academy for Space Technology (CAST) and the China National Space Administration (CNSA) to jointly develop and build two remote sensing satellites. The program was renewed in 2002 and remains in effect.

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Turning back to political relations, there had been some contact between Heads of State. Brazilian presidents João Batista Figueiredo visited China in May 1984, José Sarney in July 1988 and Fernando Henrique Cardoso in December 1995. On the Chinese side, Jiang Zemin visited Brazil in November 1993 when the “Brazil-China strategic partnership” was announced, a first for China with a developing country.

The goal of this paper is to offer a broad overview of relations between Brazil and China from 2003 to 2013 from a Brazilian perspective. The text has been divided into four sections starting with the introduction; the evolution of the bilateral relationship and the Brazil–China strategic global partnership; the risks and opportunities posed by the economic and trade relationship; and final considerations.

2. The evolution of the bilateral relationship and the Brazil-China strategic global partnership

Dialogue between the leaders of the two countries began to increase in 2001. Jiang Zemin made his second state visit to Brazil that year, during which agreements were signed establishing joint-ventures between Brazilian and Chinese companies, such as the one between EMBRAER and AVIC as well as one between Vale and Shanghai Baosteel. In addition to a discussion on trade issues, the visit included a dialogue on technological cooperation and on joint actions in international fora. In the words of Jiang Zemin:

“a strategic partnership between China and Brazil is a new type of relationship between states based on mutual respect, equality and reciprocity. This relationship [...] is not directed against third parties and [...] will contribute to the establishment of a new international political and economic system that is fair and rational, and will also serve as an example of South-South cooperation (MFA, 2001).”

2.1 Coordination efforts and the potential of the Brazil-China relationship

When looking at such problems, attention should be paid to the institutional barriers within Brazilian democracy and the many opportunities, created by legislation, for the National Congress, sub-national bodies, pressure groups and even the judi-

ciary itself to block decisions made by the federal government. This is completely at odds with the way in which state institutions in China function, where once a decision is reached by the State Council, the entire state apparatus will move in the same direction.

Lula's visit was also instrumental in creating a mechanism to deepen the strategic partnership: the Sino-Brazilian High Level Committee on Consultation and Cooperation (COSBAN). According to a communiqué issued during his visit (Ministry of Foreign Affairs MFAB, 2004):

Both parties agree to establish a Sino-Brazilian High Level Committee on Cooperation for the purpose of directing and coordinating the development of relations between the two countries. The Committee will be presided over by His Excellency José Alencar, Vice President of Brazil, and Her Excellency Wu Yi, Vice Premier of China. The way in which the High Level Committee will function will be defined by both sides through diplomatic channels.

The first meeting of COSBAN took place in March 2006, presided over by Brazilian Vice-President José Alencar and Chinese Vice Premier Wu Yi. During the meeting, decisions were made regarding the areas of cooperation as well as the structure of the Committee and relevant procedures. These areas included: political matters, economics, trade, science and technology, space, agriculture, and culture-education. COSBAN has 11 subcommittees covering various aspects of the bilateral agenda (Economic-Financial; Inspection and Quarantine; Education; Political; Space Cooperation; Economic-Trade; Agriculture; Cultural; Science and Technology; Energy and Mining; Industry and Information Technology). Working groups were also created for specific subjects (investing; intellectual property; customs issues; sports, etc). The minutes of the meeting read (MFAB, 2006),

Both parties emphasized that the establishment of COSBAN is a new step in the construction of a strategic partnership between the two countries, one that makes a positive contribution to strengthening and deepening cooperation between both countries in all areas, for the purpose of promoting joint development, social progress and South-South cooperation.

It is important to note that in spite of the priorities emphasized by high ranking authorities in both countries, no high level COSBAN meeting took place until 2012. In the interim, the Joint Action Plan between the Government of the Federal

Republic of Brazil and the Government of the People's Republic of China, 2010–2014 (MFAB, 2010) was presented during Hu Jintao's visit to Brazil in 2010. The document drafted by the Committee provided general working guidelines and set a two year period to carry out the high level meetings.

During that time, a somewhat uncomfortable atmosphere permeated relations, particularly on the Chinese side, which found Brazil to be slow in delivering what had previously been negotiated. Former Minister of Foreign Affairs Celso Amorim even expressed a “*mea culpa*” regarding the inability to build a closer relationship with China during his tenure: “We need to give our links with China a more relevant shape. We have not developed a clear concept of what our relationship with China is going to be. This is a self-criticism. We just did not have enough time. We need to think deeper regarding this matter.” (O ESTADO DE SAO PAULO, 2010).

A second visit by Lula in May of 2009 served to strengthen the relationship. As Lula and Hu Jintao were calling attention to the role of developing countries in overcoming the financial crisis, there was an increase in the number of trade agreements and announcements regarding new investments in the country, such as the construction of a Chery assembly plant and the installation of a steel mill in partnership with Brazilian groups.

China, cognizant of its need to secure its oil supply, contributed US\$ 10 billion to Petrobrás against a guaranteed supply of oil in 2009. During the same meeting, the two countries drafted a script for their actions at the G–20 Summit in Pittsburgh, where –in conjunction with other BRICS countries– they demanded the redistribution of IMF contributions and made other appeals.

The trend to deepen bilateral relations was reinforced by Dilma Rousseff's visit in April 2011. Once again, a large number of politicians and entrepreneurs joined the Brazilian delegation. During this visit, agreements and memoranda were signed in the following areas: defense, creation of a Brazil–China center for research and innovation in nanotechnology; bilateral cooperation in science and technology regarding bamboo development; cooperation in water resources; metrology; industrial standardization and quality; and cooperation in sports (MFAB, 2011a).

In addition to high level government contacts, Dilma Rousseff wanted to attract Chinese capital to the field of information technology, so she met with the heads

of FOXCONN, ZTE and HUAWEI. In spite of the grand announcements, investments did not flow to Brazil as expected.

Only FOXCONN announced investments of US\$ 12 billion and the creation of 100,000 jobs but the investments fell below expectations. (Folha de São Paulo, 2012).

A second COSBAN meeting took place in Brasilia in February 2012. Breaking with tradition, minutes of this meeting were not made public. In June 2012, President Dilma and Premier Wen Jiabao announced that a document had been prepared that would become the “Ten-Year Action Plan for Cooperation Between the Government of the Federal Republic of Brazil and the Government of the People’s Republic of China.” During the same visit the Brazil-China strategic partnership evolved towards the “global” level. Areas of cooperation under the Ten-Year Plan include: (1) Science, Technology, Innovation and Space Cooperation; (2) Mining, Energy, Infrastructure and Transportation; (3) Investment and Industrial and Financial Cooperation; (4) Economic and Trade Cooperation; (5) Cooperation in Culture and Education and exchanges among peoples (MFAB, 2012).

Finally, it is important to mention the third COSBAN meeting, which took place in Guangzhou, China in November 2013 headed by the Vice President of Brazil Michel Temer and the Vice Premier of China Wang Yang. According to minutes made public after the meeting (MFAB, 2013), subcommittee reports were reviewed and advances were identified. The minutes evaluate the work of the Committee as follows:

During the working meeting prior to the Plenary Session, Vice President Michel Temer and Vice Premier Wang Yang evaluated current developments in bilateral relations and the international political and economic state of affairs and offered guidelines for steering the Sino-Brazilian agenda. They noted the establishment of a Ten-Year Plan for Cooperation and a Global Strategic Dialogue and the elevation of relations to the level of a global strategic partnership. Both parties positively appraised the performance of bilateral trade and reciprocal investments and are committed to strengthening efforts to achieve further increases and diversification, with a special emphasis on higher value-added,

agribusiness and key projects in energy and infrastructure. The parties were satisfied with the deeper relations in the financial area and with the trajectory of cooperation in the fields of science, technology and innovation, space and culture and education.

The communiqués and minutes presented above are evidence of a fluid dialogue between both countries and a greater level of understanding that is not only reinforcing trade and economic affairs, but also deepening mutual understanding and political relations in global governance fora.

Special attention should be paid to the deepening of bilateral relations and the gamble taken by the Brazilian government to attract Chinese capital for a large package of investments in infrastructure (ports, airports, highways, railroads and energy) and oil exploration. In August 2013, Civilian-Cabinet Head Minister Gleisi Hoffman, and Minister of Development Fernando Pimentel headed a road show to China to promote business opportunities in the areas described above to the Chinese government. In China, they met with Vice Premier Wang Yang and Chinese Minister of Foreign Affairs Wang Yi among others (Casa Civil, 2013). It is interesting to note that following this visit, significant investments were made by Chinese state-run companies in Brazil, such as the one by CNPC, CNOOC as part of the consortium lead by Petrobrás exploring the Libra oil field (US\$ 3 billion) and a majority share held by STATE GRID in a consortium with the Brazilian state-owned company FURNAS CENTRAIS ELÉTRICAS for energy transmission from Usina de Belo Monte. The Brazilian government is betting hard on being able to attract more investment in infrastructure, as are other countries in the region such as Argentina, Ecuador, Bolivia and Venezuela.

2.2 Joint action by Brazil and China in the international arena

International relations is another area where Brazil and China are working closely together and engaged in joint activities. There is a great deal of compatibility between the foreign policies of both countries. A review of China's "Five principles of peaceful coexistence" as well as the "White Paper on China's Peaceful Development" (State Council, 2011), released in September 2011, confirms that Brazil's foreign policy strongly adheres to the same principles as defined in Article 4 of the Federal Constitution (Brazil, 1988). Self-determination of peoples, juridical equality of nations, defense of peace and the search for negotiated solutions to interna-

tional conflicts, as well as development cooperation are underscored. Experience has shown that these principles are not mere words.

With these principles in mind, Brazil and China have acted in concert in key international fora, favoring international cooperation, enhancing the value of multilateral institutions and arguing for negotiated solutions to international conflicts, such as those that currently affect the countries of the Middle East and North Africa. This has led Brazil and China to come together in global governance fora, pushing for the construction of a multipolar order to replace the hegemony of the U.S. and its allies in international organizations, such as the UN Security Council, IMF, World Bank, WTO rounds and UN conferences on the environment and climate change. Both countries understand that the balance of world power is no longer the same as the one that emerged following WWII and that developing countries are gaining leverage on account of their economic growth, larger share of world trade and capital flows. Until the 1990's, developing countries were only recipients. With the advance of globalization and the creation of multinational corporations, countries such as China, Brazil, India, Russia and Mexico are also exporters of capital. According to ECLAC studies, there has been a sharp drop in the volume of trade between developed countries (from 60% in 1985 to less than 40% in 2010) and a considerable increase among developing countries. It is possible that the latter could make up more than half of international trade flows by 2017 (ECLAC, 2012:2).

These circumstances justify the participation of Brazil and China in the BRICS group. Initially this was an acronym created by Goldman Bank but in 2009 the group became a relevant actor in international fora. Initially made up of Brazil, Russia, India and China, South Africa was later admitted in 2011 during the Sanya meeting in China.

A brief comment on BRICS is necessary. According to Carneiro Leão (Carneiro Leão, 2013), countries come together around two factors: interest and identity. The case of BRICS deviates from the standard model. In this case “identity” precedes goals but it is simultaneously compromised by the heterogeneity of the countries. Common interests are not so clearly defined either.

In our opinion, beyond the common objective of building multipolarity, each BRICS country views its own interests differently: China and Russia, although members of the UN Security Council and in possession of strategic weapons, may be able to reduce their responsibilities by being part of the group since it helps them

to be seen as “emerging” countries. Brazil, India and South Africa see membership in the group as an opportunity to appear “larger” when facing the international community. In the case of China, Deng Xiaoping’s dictum, Tao Guang Yang Hui (韬光养晦), proclaimed at the beginning of the 1990s, suggests that the country should maintain a low profile in international relations. One acceptable translation for the dictum is “hide brightness, nourish obscurity.” It could also be translated as “conceal ambitions and hide claws,” which may displease some.

In general, the five BRICS joint communiqués refer to the recovery of the world economy, the democratization of financial institutions (IMF and World Bank), the self-determination of states and non-interference in the domestic affairs of other states, and cooperation among member countries and with other developing countries. It should be noted that BRICS countries have been united when dealing with complex issues on the international agenda, such as condemning NATO attacks in Libya and possible military intervention in the Syrian conflict.

Two particularly noteworthy elements included in the BRICS joint communiqué at e-Thekwini (Durban, South Africa) in March of 2013 are: (a) a favorable outlook on establishing an institutional structure for BRICS, creating an organic plan for action; and (b) the possible creation of a joint development bank to support development in member countries and other developing countries (BRICS, 2013). BRICS countries were looking to circumvent the limitations imposed by multilateral entities, such as the IMF and World Bank, and position themselves vis-à-vis poor countries as an alternative to the Western powers.

Brazil and China are also part of BASIC, a forum that brings together Brazil, South Africa, India and China, which is active in discussions within the UN Framework Convention on Climate Change (UNFCCC) on renewing the Kyoto Protocol. Coordinated efforts are aimed at simultaneously guaranteeing a reduction of greenhouse gas emissions as well as buttressing the economic growth policies of developing countries, since industrialized countries are trying to divide the bill for the effects of global warming even though they are responsible for the majority of the environmental damage. China, the “grey giant,” when standing next to Brazil, the “green giant,” has greater leverage compared to when standing alone. Due to its size, China is the world’s largest polluter, even though its per capita consumption is only a small fraction of U.S. consumption.

The two countries act in unison at the Trade G-20, a coalition of developing countries created in 2003 that ensures compliance with the three pillars of the agriculture mandate from the Doha Round: market access (tariff reduction), elimination of export subsidies, and reduced domestic subsidies (mainly for production). These remain blocked at the WTO due to the resistance of developed countries to open their markets to agricultural products. Without progress in this area, the G-20 countries will thwart all other attempts to liberalize the industrial or service sectors in spite of advances achieved during the latest meeting in Bali in 2013. For Brazil, a large agricultural exporter, reducing agricultural subsidies is essential. This is not the case for China. In the meantime, both countries have closed ranks to block a wider liberalization of the industrial and service sectors, in which industrialized countries enjoy a relatively higher degree of competitiveness.

Along the same lines, Brazil and China have attempted to coordinate actions at the Financial G-20 following a meeting in Washington in 2008. The goal is to safeguard the interests of developing countries and to overcome the ongoing financial crisis. In spite of concerted actions to change IMF quotas in favor of developing countries, China and Brazil did demonstrate some divergence at the 2010 Seoul Summit on the issue of exchange rates. This division appeared following Brazil's complaints about the "currency war," the result of the U.S. position of quantitative easing used to stimulate demand. Since the Renminbi is tied to the dollar, the Chinese currency lost value together with the U.S. currency, creating an additional advantage for Chinese exports.

To conclude this section, joint actions by Brazil and China in international fora are highly consistent and place both countries at odds with the interests of the Western powers in a number of areas. This congruence between positions led them to symbolically expand the status of the bilateral relationship when, in June 2012, President Dilma Rousseff and then Premier Wen Jiabao announced the creation of a strategic global partnership. This was the result of "deeper mutual political trust and dynamic relations between the two countries, both in terms of the bilateral relationship and the growing multilateral component, with a long-term outlook." (BMFA, 2012)

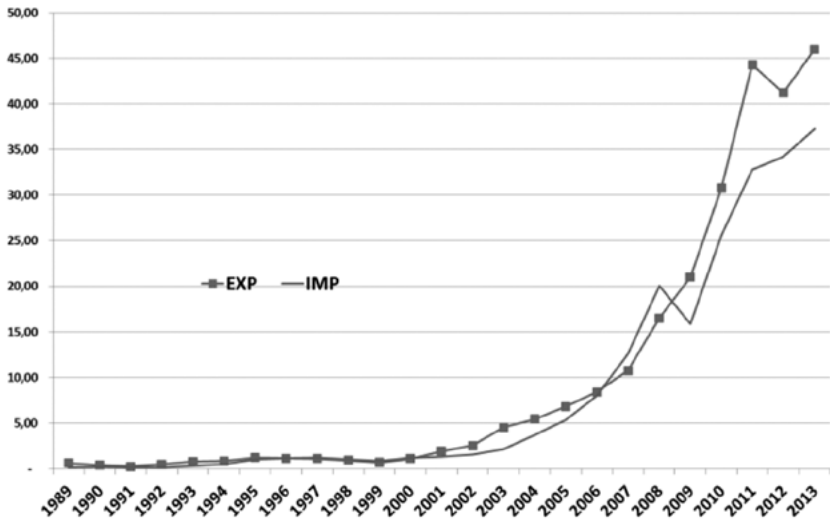
In spite of Brazil not having the material means to achieve higher prominence among nations, its political actions as part of a bloc with China and other BRICS nations as well as with other developing countries has given it a broader reach in the

world order. It is important to note that one of the main goals of Brazilian diplomacy, i.e., securing a permanent seat on the UN Security Council, is not emphatically supported by China. The minutes of the COSBAN meeting in November 2013 indicate that: “China attaches great importance to the role that Brazil plays and its influence in regional and international affairs and understands and supports Brazil’s aspirations to play an even more prominent role at the UN” (BMFA, 2013). From the Brazilian point of view, this declaration remains vague.

3. Risks and opportunities posed by the economic and trade relationship

From an economic and trade standpoint, Brazil-China relations are more robust. China’s growth, with its increasing demand for raw materials and food and its more diversified supply of industrial goods, has led the country to become Brazil’s main trading partner. In 2000, China was Brazil’s tenth largest trading partner with a volume of US\$ 2.3 billion. In 2013, trade flows had reached US\$ 83.3 billion, with an US\$ 8.7 billion surplus in Brazil’s favor. Since 2009, China has been Brazil’s main partner. Brazilian exports consist mostly of foodstuffs, minerals and raw materials, while imports are comprised of mainly finished industrial products and parts. In principle, Chinese industrial capacity may pose a risk for Brazil, since the recent commodities boom led by China could lock the country into a new cycle of dependency on the production of raw materials, thus creating a de-industrialization phenomenon. On the other hand, if it were not for the surplus obtained from China, the country would have faced major difficulties in meeting its balance of payments needs since 2008.

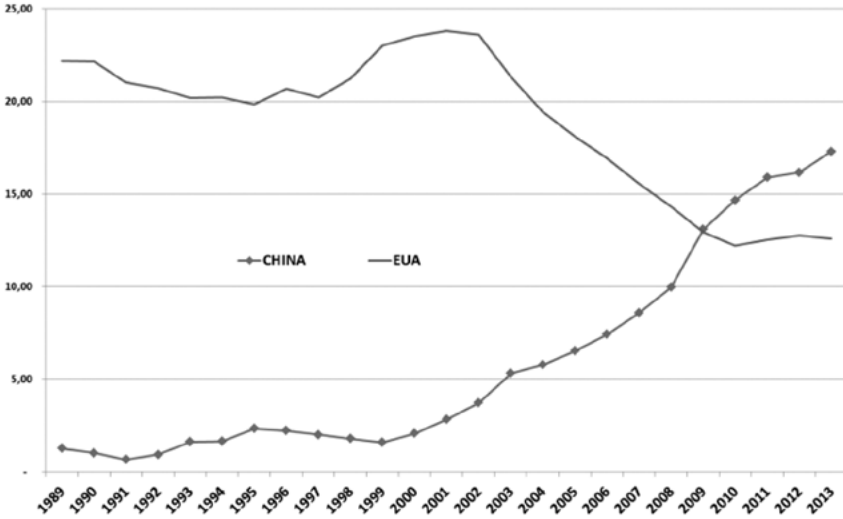
Figure 1
Brazil-China Bilateral Trade 1989-2013 (in billions of US dollars)



Source: Brazilian Ministry of Development, Industry and Foreign Trade, MDIC, 2014

As shown in Figure 1, trade volume has been increasing since 2001, the year of China's accession to the WTO and a time when the world economy was experiencing a period of strong growth, later interrupted by the 2008-2010 financial crisis. Regardless of the crisis, the growth trajectory continued to increase for the 2010-2013 period, with a glitch in 2012 when the Eurozone crisis posed an obstacle to global economic recovery.

Figure 2
U.S. and China's share of Brazilian trade flows - 1989-2103 (%)



Source: Adapted from MDIC data, 2014.

Figure 2 shows that China replaced the U.S. as Brazil’s main trading partner in the first decade of this century. In 2000, the U.S. share was 23.5%. Thirteen years later it had fallen to 12.6%, while China’s share increased from 2.08% in 2000 to 17.3% in 2013.

In addition to the more dynamic supply from China, there is another phenomenon that cannot be ignored. The rearrangement of production chains at the global level means that much of what was previously made in the U.S. has shifted to Asia, mostly to China. Many of the goods stamped MADE IN CHINA are, in fact, the product of multinationals from industrialized countries. As a result, many raw materials that were previously exported to developed countries are now being shipped to different destinations.

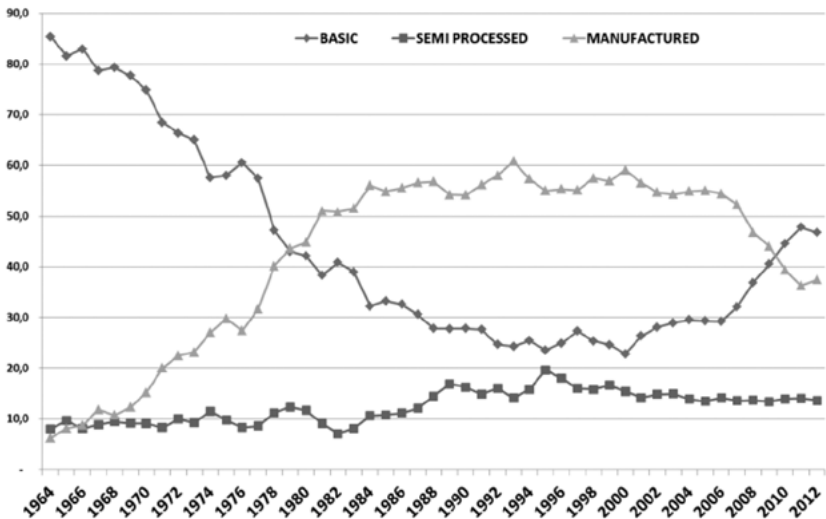
This phenomenon is demonstrated by trade statistics. Brazilian exports are highly concentrated in a few products. A mere 25 types of goods represent 95% of sales to China, chiefly soybeans, iron ore, oil, sugar and wood pulp. In contrast, Brazilian

imports from China show a much larger diversity of goods and lower concentration: the 20 top categories of goods represent only 20.68% of the total. Industrial goods predominate, primarily from the electronics and IT industrial complexes. Finished goods are present, but no single product represents more than 5% of exports to Brazil. When the value-added of exports is compared with that of imports, we see that the value of one exported kilo falls into a very low bracket, only USD 0.21, while the value of one imported kilo is 15 times higher, at USD 3.26 (MDIC, 2014).

3.1 Protectionist pressures in Brazil against Chinese imports

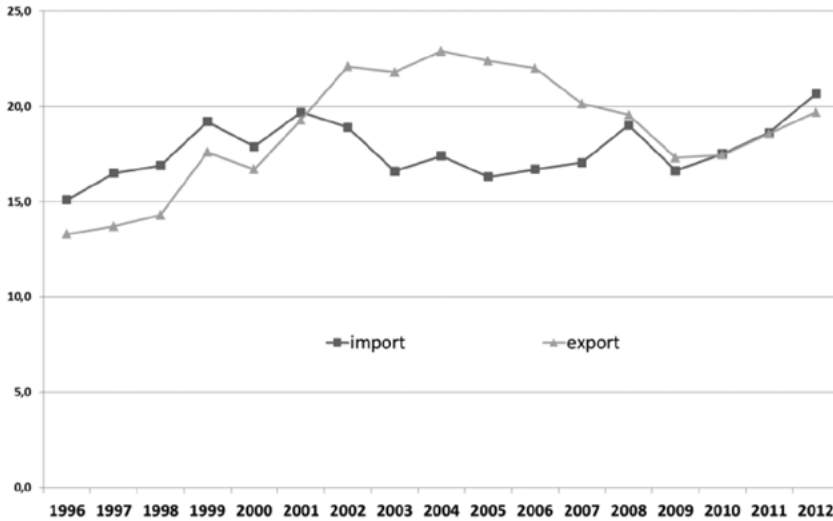
Given the nature of trade with China, two factors are of concern to Brazil's industrial circles: (a) the re-primarization of exports; and (b) a higher share of imported goods compared to local production. As Figure 3 shows, trends reversed in the sale of basic goods (trending higher) and manufactured goods (trending lower) just at the moment when trade with China began to take off.

Figure 3
Brazil- Exports by value-added – 1964–2012



Source: MDIC, 2014

Figure 4
Brazil- import and export coefficients for industrial manufacturing



Source: Ipeadata: www.ipeadata.gov.br

The share of imports (Figure 4) vis-à-vis local production confirms that domestic manufacturing is slowing down. As a result, the industrial sector has put pressure on the government to impose protectionist measures.

It is important to note that workers unions have joined in the demands of business. A case in point is the pressure applied by the Central Única dos Trabalhadores to change the auto-industry strategy detailed in Brazil’s Main Plan (MDIC, 2012), which eases taxes levied on assembly plants using too much import content (such as Chinese companies). Another example was in October 2013, when entrepreneurs and union leaders from Força Sindical blocked access to the Gotex Show, a Chinese products fair in São Paulo (Força Sindical, 2013).

In addition to these domestic matters, there is a third sore point for Brazilian industry: Brazil has conceded market share in the Latin American market (particularly Argentina) to industrial products from China. According to Carta Capital magazine (2012) between 2005 and 2009, Brazil’s exports to the region fell by US\$ 2.5 billion, 730 million of which represent lost exports to Argentina. With the interna-

tional crisis and the economic slowdown in the U.S. and Europe, China’s presence in the market has intensified.

In an attempt to address the challenges posed by imports from China, Brazil has adopted a number of protectionist measures. According to the Trade Defense Department of the Brazilian Ministry of Development, Industry and Foreign Trade, of 61 measures implemented, 39 correspond to Chinese products, including textile fibers, tires, home appliances and industrial supplies, such as magnesium, graphite electrodes, metal pipes, etc. (MDIC, 2014a). Measures do not stop there. As of February 15, 2014, twenty-seven dumping investigations were being pursued, 17 of which involved Chinese companies (MDIC, 2014b). However, the Brazilian government, in spite of individual trade defense measures, has never been open to the use of the special safeguard mechanism approved when China joined the WTO. Adopting such measures would have disastrous consequences for its bilateral trade, since they would be interpreted by the Chinese as offensive and proof of enmity.

The damage caused by the imbalance between Brazil–China trade was addressed by President Dilma Russeff during her trip to China in April 2011. Assessing the outcome of her trip, Rousseff stated that “(I am) very satisfied. I find that there was a leap in the quality of our relations, but we want more. Today, we sell a lot of raw materials to China. We want to sell raw materials, but also more finished goods” (AGÊNCIA BRASIL, 2011).

3.2 Chinese investments in Brazil¹⁰⁶

Over the last decade China has become one of the largest exporters of capital. Investments are based on two rationales: (a) to guarantee the supply of raw materials and food required for the country’s growth; and (b) to promote business opportunities for Chinese companies that produce durable consumer goods, and information and communications technology, as well as large utility companies. In general, investments of the first kind are concentrated in developing countries that produce foodstuffs, oil and other raw materials, while investments of the second kind tend to be focused in developed countries, where they are not only looking for market access, but also an environment that favors the development of research and technical innovation centers.

106 It is important to stress that direct investment goes both ways, but due to space constraints we will only examine Chinese investments in Brazil. For direct investment by Brazilian companies in China, see: (Frischtak, C; Soares, A. 2012).

Both types of investments are made in Brazil because of the size of the country and its strategic position in South America: investments in search of market access as well as those aimed at obtaining food, energy and raw materials. The most recent study on Chinese investments in Brazil was done by the China–Brazil Business Council (CBBC). According to Frischtak, Soares and O’Connor (2013), between January 2007 and June 2012, the CBBC registered 60 investment projects that had been announced by Chinese companies. Of these, 39 were confirmed and 21 are under negotiation or evaluation by companies in both countries. Investments total US\$ 68.5 billion, of which only US\$ 24.4 billion were actually invested.

For China, Brazil offers not only scarce resources such as land, water and raw materials, which alone would justify investing in the country, but Brazil is “also perceived as a manufacturing base for supplying national and regional markets as well as a platform for training related to capital goods, vehicles, telecommunications equipment and complex industries making high value-added products.” (Frischtak, Soares and O’Connor, 2013:15).

In terms of the impetus behind investments, 63% sought market access, while 31% targeted natural resources and 6% strategic assets. Investments were made in the following sectors: automotive (22%), energy and mining (22%), electronics and telecommunications (15%) and machinery and equipment (13%). There are other projects linked to agribusiness, infrastructure and banking. Activity in this area is expected to continue to grow given the increasing closeness between the two governments, demonstrated earlier by the example of Chinese state-owned companies investing in the Brazilian infrastructure sector.

4. Final considerations

During the Partido dos Trabalhadores government, Brazil–China relations have intensified. The strong economic relationship is accompanied by mutual interest in acting jointly within international fora to promote the democratization of multilateral institutions. Elevating the strategic partnership to a “global” level and establishing consulting mechanisms to deal with major international issues are some examples of this trend as are their concerted actions with the BRICS Group, BA-SIC and Trade G-20.

The Brazilian government’s pursuit of greater prominence in international governance fora is not exempt from criticism. On the one hand, the established powers

do not like the idea of Brazil and China combining their efforts to encourage developing countries to set up a front against the status quo. Even though U.S. authorities have denied any apprehension over China's presence in Latin America (China Daily, 2013), the truth is that as China begins to rival the U.S. as the main partner and provider of direct investment in Latin America and the Caribbean, Washington power circles are beginning to express concern, afraid of losing influence (Ellis, 2012).

In terms of domestic issues, the relationship with China and other developing countries has not been fully welcomed by the specialized press or conservative diplomats. It is viewed as an example of the ideologicalization of the PT government, which trades "traditional allies" for "comrades." They stress that the country must rethink its position vis-à-vis the U.S. because it remains the world's largest economic power. Brazil's foreign policy has always been monopolized by the Ministry of Foreign Affairs (Itamaraty). Not even the Senate Foreign Relations Committee, which approves the nomination of ambassadors, holds any influence over the Ministry. Although the creation of a South-South cooperation policy had some supporters within Itamaraty, it was never widely supported. After Lula's victory in 2002, Marco Aurélio Garcia's nomination for "Special Advisor to the President of the Republic on International Affairs" was seen as an example of political intervention in an area that should be "technical." Itamaraty's impermeability is reflected in a number of issues: even though it listens to the Ministry of the Environment on climate change issues, Itamaraty has the final word in negotiations. And that is the case for other subjects as well. In the words of Celso Amorim, the difficulties noted above in creating an agenda on China reflect Itamaraty's lack of understanding on just how strategic the partnership with China could be.

Another issue is that most assessments of the Brazil-China relationship are colored by the interests of individual social groups. Within the Federação das Indústrias de São Paulo (Federation of Industries of São Paulo, FIESP), the largest industry pressure group in Brazil, there is no consensus on the relationship with China. The industrial sectors that are the most affected by China's presence call for protectionist measures and even the undesirable "special safeguards." To this end, they mobilize unions such as the Central Única dos Trabalhadores, linked to the PT, and the Força Sindical, which has a more conservative tone, to pressure the government into implementing protectionist measures in the auto, textile, clothing, footwear and other industries. At the other end of the spectrum are entrepreneurs who need

cheap Chinese supplies to guarantee competitiveness at home and abroad. Neither industrialists nor union leaders have been able to exert decisive influence over the direction of Brazil–China relations.

China's presence in Latin America and Brazil has encouraged the formation of regional blocs that maneuver to position themselves against hegemonic disputes taking place in the area. U.S. support for the Pacific Alliance is not just an attempt to block Brazil's leadership role in organizing regional integration based on an expanded MERCOSUR without U.S. involvement. It also serves to reinforce the U.S. position within the Transpacific Partnership, organized –no less– to counter China.

Finally, reflecting on Chinese interests in Brazil and Latin America as a whole, Wen Jibao's speech at ECLAC headquarters in Santiago in June 2012 clarified the matter. Wen Jibao listed the four essential pillars of the relationship: (a) to deepen strategic cooperation between China and Latin America and the Caribbean based on mutual trust; (b) to broaden common interests between China and the region, with an emphasis on economic cooperation and trade; (c) to safeguard China's food security through agricultural cooperation with countries in the region; (d) to increase friendship among the peoples of China and the region built upon a foundation of cultural and human exchanges. (WEN, 2012). China has positioned itself as an important actor in regional fora such as the Inter-American Development Bank, CELAC and as an observer at the OAS for this reason.

Given the size of Brazil's territory and amount of natural resources, China sees the country as a big pantry and a large supplier of mineral resources. However, because of the size of its domestic market and its potential to help companies enter the international market, the country is believed to have great promise as a platform for business. Yet, it would be unfair to judge Chinese behavior only through the lens of "comparative advantages" because based on recent actions they do not want to be associated with neo-imperialism, as the U.S. and European Union are in Africa. China does not have a veiled or hidden agenda behind its linkages with developing countries and it is making efforts to reaffirm the peaceful nature of its actions.

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RELATIONS BETWEEN THE COUNTRIES OF THE CARIBBEAN COMMUNITY (CARICOM) AND CHINA: DAVID VS. GOLIATH?

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Introduction

The sense of smallness and vulnerability felt by the Caribbean Community (CARICOM), which is made up of 14 nations,¹⁰⁸ has historically colored its foreign relations and political responses to international incidents. Routinely, these countries –individually and as a region– have displayed an Anglocentric foreign policy, especially with those it considers to be its traditional partners, the United States, the United Kingdom and Canada.

In response to the growing vulnerability of these small states in all areas (economic, political, social, environmental and security), CARICOM started to reassess how it conducts foreign relations. Its intention was to adopt a new approach based on existing needs, one that would allow it to better respond to foreign and domestic demands and obligations. As a result, new non-traditional actors have emerged since the mid-to-late 1990s, gaining relevance in CARICOM's foreign relations.

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108 CARICOM is comprised of 14 countries and 1 non-independent territory: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Granada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago. This paper will focus solely on the 14 independent member states.

Among these, the People's Republic of China (hereafter China) has shown clear leadership not only because of its growing significance in quantitative terms, but also because of its strong impact that is felt in diverse areas such as political-diplomatic affairs, economic-trade matters, investment and financing, social issues, technical cooperation, development cooperation and others. Furthermore, the features and conditions of China's interaction with the region differ from those of all other stakeholders, both traditional and newly emerging.

This chapter will evaluate recent developments and the outlook for relations between China and CARICOM member countries and identify the main characteristics, conditions and challenges related to China's level of closeness with the region, focusing on the period from 2005 until 2013. This topic is of the utmost importance because of China's role as an emerging world power and its strong impact on geoeconomic and geopolitical reordering at both the global and regional levels. China's presence brings opportunities and poses risks for the small economies of the Caribbean which face difficulties and severe limitations in attaining economic and social development. These countries view China as a new axis around which they can build relations and create a model for foreign relations, albeit one that also presents new challenges.

This paper is written from a macro perspective, especially in terms of international relations, with an inter- and trans-disciplinary analytical approach to assessing the political and economic impacts on the processes under review. We hope it will stimulate debate and contribute to the academic and political dialogue, one that should increasingly include the Caribbean, and foster a better understanding of China's activities in Latin America and the Caribbean.

Theoretical and real effects of CARICOM's small size on its external projection and foreign relations.

Since the end of the 1960s and throughout the 1970s, discussions on the smallness of nation-states and, in particular, the specific problems and limitations surrounding the international insertion of small and micro states, have gained relevance around the world. Traditionally, the main criteria or indicators used by various authors to determine smallness have included the size of the population and the territory, its geographic location, the Human Development Index (HDI), the Gross Domestic Product (GDP), the degree of openness and dependency on overseas financing and

foreign aid, military might, and many others.¹⁰⁹

As early as 1985, a Consultative Report by the Commonwealth Secretariat titled “Vulnerability: Small States in the Global Society,” defined a small state as one with a population of no more than 1 million people (Commonwealth Secretariat, 1985). The number was later increased to 1.5 million people (Commonwealth Secretariat, 2000). Micro states, with even smaller numbers –around 500,000 inhabitants–, are normally considered to be the most vulnerable actors in the international system.

According to Rosenau, “small states” are those states that do not have an impact on the international system and whose survival depends on the will of large powers (Rosenau, 1966). However, Rothstein argues that a “small power” is “a state which recognizes that it cannot obtain security primarily by use of its own capabilities and must rely fundamentally on the aid of others.” (1968:29)¹¹⁰. Overall, what stands out is the need for these states to be supported by third parties, whether other states, institutions or actors to guarantee their survival in an asymmetric international framework where inter-state power relations dominate.

Hey (2003:2) has grouped small states into three main categories: “micro states,” “small states in the developed world” and “small states in the Third World” in Africa, Asia and Latin America –many of which are larger than those in the first two categories. This classification not only reveals the great heterogeneity that exists among this broad group of small states, but also points to the need to look at the size of the state in terms of its level of development or underdevelopment, which is what precisely determines its insertion or influence in the international system. In the literature on this subject, the smallness of the state is not automatically defined per se, but is based on its relative “weakness” in the hierarchical framework of the international system as well as on its limited capacity to exercise power (Vital, 1971 and Keohane, 1969).

109 Some include: Rosenau, (1966, 1970 and 2006), Rothstein (1968), Best (1971), Keohane (1969 y 1988), Vital (1967 and 1971), Commonwealth Secretariat (1985, 1997 and 2000), Sutton & Payne (1993), Mullerleile (1995), Lewis (2002 and 2005), and Lewis (2009), Hey (2003), Braveboy-Wagner (2003, 2007 and 2009), Cooper & Shaw (2009), Jazbec (2010), Muñido (2011), Mohamed, (2011) and others.

110 Cited in Hey (2003:3).

In general, small states have to cope with deep inequalities in the international order, –noted for significant power imbalances in North–South relations¹¹¹ (Girvan, 2007)– that allow one actor or a group of actors to exercise relative control over other states and institutions to the detriment of those nations with less power. Therefore, the concept and practice of hegemony –as carried out by the United States– is an essential theoretical component in understanding the situation faced by small states.

Some of the most important common characteristics of foreign policy carried out by these types of countries are noted by Hey (2003:5):

- Lower levels of participation in global affairs.
- Addresses a narrow scope of foreign policy issues.
- A tendency to focus foreign policy on the immediate geographic area.
- Employs economic and diplomatic foreign policy instruments instead of military instruments.
- Emphasis on internationalist principles, international law, respect for sovereignty, etc.
- The need to reach multinational agreements and join international institutions whenever possible.
- Adopts, in general, neutral positions on most topics.
- Seeks support from superpowers for protection, partnerships and resources.
- Searches for opportunities to cooperate and avoids conflicts with other countries.
- Spends a disproportionate amount of foreign policy resources on ensuring their physical integrity, security and political survival.

111 Norman Girvan explains this power imbalance to be when actor A has more control or influence over the behavior of actor B than vice versa. Control can be exercised through the use of superior strength, economic means, or by controlling knowledge and information (Girvan, 2007).

Small states are forced to develop national, regional and international tools to help them adapt to a complex international situation, not only in terms of geopolitics, but geoeconomics as well. Some of the major changes in the international milieu that affect small states and reinforce their vulnerability are globalization, the growing presence of non-state actors, expanded negotiations, regional and international organizations and agreements, the growing role of transnational corporations, and burgeoning non-traditional threats to security –drug trafficking, arms trafficking, money laundering, terrorism, illegal immigration, etc.–, the blurring of territoriality traditionally defined by nation-states and the “securitization of the concept of small states” –Hey (2003), Martínez and Cabrera (2011), Griffith (2000), and others.

Several authors have identified a series of socioeconomic and geographic characteristics that are common to all small states. Poor transportation and communication links, the tendency to suffer from natural disasters, difficulties in the everyday use of water and land, extreme susceptibility to external market influences, limited resources and a high level of dependency on foreign elements, the brain drain, and inadequate and costly infrastructure and bureaucracy are some of the most often cited (Mullerleile, 1995). Sutton and Payne (1993) argue that three economic and institutional factors –economic opening and limited production capacity; inadequate technical and institutional capabilities; and a high dependence on overseas financing– determine a small state’s level of closeness with specific countries and permeate their foreign policy priorities.

The Commonwealth Secretariat (2000) identifies six basic elements shared by small countries: isolation and remoteness –many small states are not single islands but rather multi-island states–, economic openness –which exposes them to global events–, susceptibility to natural disasters and changes in the environment, limited economic diversification, relatively high levels of poverty, and limited financial and institutional capacity (Commonwealth Secretariat, 2000). Recently, the CARICOM Secretariat noted the persistence of such problems when, in reference to its member countries, it pointed to “physical isolation,” “small populations and territories,” “geographical dispersal,” “transport problems,” “small and fragmented internal markets,” “minimal economic diversification,” “dependency upon foreign markets,” “inadequate infrastructure,” “low competitiveness,” and “economic rigidity” as factors that limit their expansion and economic development (CARICOM, 2013) and therefore, their international projection. In general, all of these

characteristics are linked to their smallness and their vulnerability in economic, political-institutional, social, geographic-environmental, security and other issues.

Based on the definition of a micro state as a nation with a non sea area of less than 1000 Km² (Mohamed, 2011), 8 CARICOM member countries, or about 57% of the Caribbean Community, fall into this category. In terms of population, following the Commonwealth's designation that less than 1.5 million inhabitants constitutes a small state, 12 countries, or 86% of CARICOM, fall into this category. Furthermore, based on Mohamed's (2011) definition of a micro state as having less than 500 000 people, 9 countries fall into this category, or 64% of the Community.

If we define the smallness of a country not in strictly numerical terms, but rather in accordance with its level of vulnerability, about 72% of the countries in the Community (10 countries) are considered to have HIGH vulnerability, 21.4% (3 countries) are classified as having MEDIUM HIGH vulnerability and Trinidad and Tobago has MEDIUM LOW vulnerability. Therefore, from the territorial size and population size perspective as well as an external vulnerability --and environmental vulnerability in particular-- perspective, CARICOM nations can be considered highly vulnerable small or micro states. This is also reflected in higher rates of dependency upon foreign markets due to their limited capacities and geographic and environmental circumstances.

From a socioeconomic approach, the panorama is much more heterogeneous within the region. Just 5 countries in the region represent around 77% of regional GDP (Bahamas, Barbados, Haiti, Jamaica, and Trinidad and Tobago), while the countries of the Organization of Eastern Caribbean States represent about 7% of total production of goods and services in the area.¹¹² Trinidad and Tobago and Jamaica alone represent about 54% of the total amount of regional GDP. Looking at GDP per capita, there are some differences, but it also seems to be highly concentrated in a few regional poles. Five countries (Bahamas, Barbados, Trinidad and Tobago, Antigua and Barbuda and St. Kitts and Nevis) account for about 64% of real regional GDP per capita, while the countries that make up the Organization of Eastern Caribbean States (OECS) represent about 42%. Regional differences range from Haiti, which has the largest population yet accounts for barely 0.59% of regional GDP per capita to the Bahamas with 17.4% (ECLAC statistics, 2012).

112 Differences range from Dominica, a country that barely accounts for 0.7% of regional GDP, to Trinidad and Tobago, which represents about 34% (ECLAC, 2012).

Another noticeable characteristic of Caribbean nations is their openness to larger countries. CARICOM has an average degree of openness that hovers around 93.2%. The highest is Suriname with 118.7% and the lowest is Trinidad and Tobago at 62%, which clearly demonstrates the importance of foreign markets to these economies. In general, 6 CARICOM countries,¹¹³ or 43% of the countries in the region, have degrees of openness that surpass 100%, and 10 countries have levels above 80%. All of the countries face significant trade imbalances, given their propensity to import goods and their inability to export sufficient goods to offset these levels. This is primarily due to the fact that there is very little diversification in the goods they produce and, in most cases, services predominate. The percentage of GDP generated by the service sector is higher than 50% in almost all of the Caribbean economies. Of particular note are the Bahamas (82.6%), St. Kitts and Nevis (81.8%), Saint Lucia (80.2%), Granada (80.7%), Antigua and Barbuda (78.1%), St. Vincent and the Grenadines (73.9%) and Barbados (73.8%). This clearly contrasts with the economic structure of Trinidad and Tobago, where services account for 47% of GDP and the industrial sector, tied to the oil industry, represents about 52.4% (CARICOM, 2013).

Therefore, having a high level of foreign debt, in particular public debt, is a structural characteristic of the region and a signature of the Caribbean economies. With the exception of Trinidad and Tobago, all countries are net importers of energy and food products, which makes them vulnerable to fluctuations in prices for these goods and their derivatives in international markets. In Latin America, total debt represents about 19.1% of GDP, while in the Caribbean sub-region, this number averages 34.8%. In reality, several Caribbean countries are among the most indebted nations in the world: St. Kitts and Nevis, Jamaica, Granada, Barbados, Antigua and Barbuda, Dominica, Belize and others.

These countries face “special challenges” that the United Nations Secretary General has referred to as a “situation of marginalization from the world economy,” isolated from global capital flows, knowledge, and technology and innovation which prevents them from taking advantage of international trade and other benefits. Present circumstances including globalization, the dominance of financial capital, the growing liberalization of goods and capital, the reduced role of the state, the creation of global production chains, and the strong emergence of international financial organizations as a source of credit for countries in the region facing eco-

113 Among these are: Antigua and Barbuda, Bahamas, Belize, Saint Lucia and Suriname.

conomic policy constraints, have led to a significant decline in the ability of countries in the region to shape independent economic policies. As a consequence of more robust globalization and regionalization processes, hemispheric and global spaces took center stage.

For CARICOM member countries, the small size of their economies, their lower levels of development, export concentration, enormous asymmetries and limited institutional capabilities have been important factors in many bilateral, sub-regional and international contacts and negotiations. Given the state of affairs, they have systematically criticized these asymmetries and have made appeals to preserve trade preferences and to include economic and social development issues on bilateral agendas. Traditionally, the external projection of CARICOM member countries has been concentrated in three basic types of relationships. The first is with traditional partners, the United States, United Kingdom and Canada. The second centers around the intra-CARICOM dynamic and the third, which plays a minor and secondary role, is participation and interaction with African, Latin American and other countries.

Due to the United States' reduced presence in the region, the economic and political crisis within the European Union as well as the continued disappearance of institutionalized mechanisms that guarantee special and differential treatment by Europe to Caribbean countries, and faced with worsening external vulnerabilities, CARICOM member countries have had to look to different actors and regional spaces for new opportunities. As a result, CARICOM's foreign relations now involve new actors that are gradually yet increasingly occupying new and old spaces formerly held exclusively by traditional extra-regional actors. China's growing role as an emerging international actor has also influenced CARICOM member countries' foreign relations, especially in the 21st century.

Principal goals of bilateral relations between China and the countries of CARICOM: a different relationship

There is a history of relations between the Chinese and the peoples of the Caribbean. Various waves of Chinese contract workers and Chinese immigrants arrived in different parts of the region starting in the 19th century primarily to work in the agricultural sector. Later, at the beginning of the 20th century, another significant group of workers, this time small merchants, set up shop in the Caribbean. They left a legacy of settlements and communities that are still thriving today, making

important contributions to local melting pots in terms of language, customs, local businesses, and food and they help shape the national identity of these countries.

The fact that many of these small countries established diplomatic relations with China in the 1970s and 1980s was politically significant, however, starting in the 1990s relations between the Caribbean and China have taken on a new and more intense dynamic. As a result of China's "Reform and Opening Up" process and an expanded, more active foreign policy directed at Latin America and the Caribbean, China has had a larger and more diversified presence in CARICOM member countries over the past two decades.

Since then, bilateral relations have evolved from focusing on traditional subjects like trade to include new topics such as technical and financial cooperation, increased political exchanges at all levels, political-diplomatic convergence in multi-lateral fora, investment and infrastructure, and cooperation on security and military issues, just to name a few. China is an emerging power with global impact and an undeniable influence on finance and trade, with worldwide investment capabilities and a clear leadership position in South-South cooperation. It has shown a growing assertiveness in its need to change the current international order to one with greater multipolarity and a more equal balance of power as well as increased democratization within global governance institutions.

The smallness and vulnerability of CARICOM member countries discussed above affects how they interact with China, whose international insertion poses both opportunities and threats to their economic and social development. CARICOM member countries have traditionally been a secondary destination for China's incursion into the hemisphere given its greater interest in trade and economic relations, investment, and cooperation with neighboring Latin American countries, obviously due to their larger size and attractiveness. Over the last two decades there has been a gradual shift towards greater dynamism and diversification in CARICOM and an increase in its relative importance, the result of a confluence of economic, political and geostrategic factors. These have redefined the role and place of CARICOM member countries in China's international projection and insertion.

Identifying which main goals determine the level of closeness between the two parties in this new phase will help provide an understanding of the evolution of bilateral relations and future prospects. However, it is important to note that even though China is and acts as a single entity, the countries of CARICOM have not

been able to join together and act as a bloc in negotiations with China –as they have with the European Union or the United States–, nor have they been able to create a common foreign policy with shared directives that would prove more beneficial than current individual bilateral negotiations. Since China issued the White Paper in 2008, which clearly and openly establishes its strategic interests in relations with Latin America and the Caribbean and the principles upon which they are based, Latin America and the Caribbean has not been able to produce any similar initiative. Specifically, the issue of whether to accept the “One China” policy, and therefore, establish diplomatic relations with either China or Taiwan, has transversely affected bilateral progress on various topics of mutual interest and has made it impossible for CARICOM member countries to agree on a common position.

The interests and goals of bilateral relations are diverse and not always consistent, depending upon which actor is pursuing the relationship. China’s goals, given its current status as an emerging power and leader in world geoeconomics and geopolitics plus the vast amount of assets at its disposal to carry out its foreign policy, not only influence the entire region, but also its place in the global economic and political geography and the region’s long-term relations with traditional partners, primarily the United States and Europe.

Therefore, we will outline those goals that, in our opinion, encourage China’s presence and projection in the CARICOM bloc. These goals are not always ranked in the same order by each of the countries that make up this regional bloc, nor do they remain unchanged over time. We also do not find that the same conditions in different countries necessarily help to achieve said goals. Nonetheless, in certain countries the lack of formal diplomatic relations with China is the most important aspect of bilateral relations. In other instances, a country’s resources or potential are more important to China and wind up playing a role in exchanges and shaping relations. Therefore, China’s chief goals and interests in pursuing closer relations with the region should be mentioned. They include:

- Diplomatic recognition of China by those countries that still do not accept the “One China” policy.
- Access to energy sources, minerals, raw materials and food products found in some of the countries in the region.
- Realize its potential in exporting goods and services.

- Promote business opportunities in areas of mutual interest as part of China's strategy to encourage Foreign Direct Investment (FDI).
- Contribute to China's leadership role in South-South Cooperation.
- Carry out finance projects, particularly in infrastructure and the extractive sectors, and obtain resources, to advance its "One China" policy.
- Contribute to China's position in the international system, promote the best possible image of the country and exert international influence.
- Exert influence on the CARICOM countries in order to gain support in multilateral fora on issues that are strategically important to China.
- Take advantage of their strategic geographic proximity to the United States and the rest of the Americas.

CARICOM member countries, even when they act individually and are not protected by negotiating machinery, display a number of characteristics that help explain their goals for interaction with China. These also vary in importance, priority and frequency depending upon the specific situation of each country. However, these goals help us to understand the primary motivations behind the behavior of these small nations when acting as a group and also when acting individually. They include:

- Gain access to China's growing capabilities within the framework of South-South cooperation.
- Attract Chinese financing and credit (which offer better terms, diverse types, higher amounts and fewer conditions).
- Diversify traditional sources of imports in order to achieve a reliable market with high purchasing power that is more attractive due to its major imports.
- Draw Chinese FDI to key sectors in order to bring about economic and social development in the region.
- Secure a position for their exports in the vast Chinese market.
- Harmonize positions and interests in multilateral and global fora on strategic issues, especially those related to climate change.

- Balance and diversify regional foreign policy away from dependence on traditional actors, such as the United States and Europe.

Taiwan: a factor that cuts across all political relations and other areas of interest in the region.

During its first two decades of existence, China was slow to be recognized as an independent and sovereign country by Latin America and the Caribbean. Cuba was the first to break the impasse and establish diplomatic relations with the Asian country in 1960. It wasn't until the early 1970s when developments in the international situation favored a change. These included the establishment of diplomatic relations between China and the United States, the diplomatic recognition of China in lieu of Taiwan by the United Nations, and changes in China's foreign policy that shifted the focus toward serving the interests of its domestic policy, with less activism and support for revolutionary movements across the globe.

Table 1
Diplomatic relations between the countries of CARICOM and China and/or Taiwan (as of 2014).

Country	China	Taiwan
Antigua and Barbuda	X (1983)	-
Bahamas	X (1997)	-
Barbados	X (1977)	-
Belize	-	X (1989)
Dominica	X (2004)	-
Granada	X (2005)	-
Guyana	X (1972)	-
Haiti	-	X (1956)
Jamaica	X (1972)	-
Saint Lucia	-	X (1984-1997, 2007)
Saint Kitts and Nevis	-	X (1981)
Saint Vincent and the Grenadines	-	X (1981)
Suriname	X (1976)	-
Trinidad and Tobago	X (1974)	-
TOTAL	9	5

Source: Adapted by the authors.

The 1970s started a continual process –in some cases not irreversible– of diplomatic recognition of China by Latin America and the Caribbean. Taiwan was slowly being replaced as the sole representative of the Chinese people in the region. Among those countries that currently make up CARICOM, several nations established diplomatic relations with China during this time (see Table 1): Guyana (1972), Jamaica (1972), Trinidad and Tobago (1974), Suriname (1976) and Barbados (1977). This was done amidst an atmosphere of less confrontation and greater détente, the result of a need by some Caribbean governments at that time to follow a foreign policy that reaffirmed their recently attained sovereignty and self-determination and helped distance themselves from their former colonial centers. Recognizing China allowed them to do that.

Today, a total of 21 countries plus the Vatican have diplomatic relations with Taiwan and 11 of those are from Central America and the Caribbean. Five are members of CARICOM (Belize, Haiti, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines). The high concentration of Caribbean countries explains why China has made the sub-region a political priority. Broad cooperation goals also help China strengthen its position as a political partner of those countries that still have diplomatic relations with Taiwan and support its plan to contain and gradually reduce Taiwan's influence and presence in the region, thereby achieving a fundamental goal of its foreign policy: acceptance of the "One China" policy and "the government of the People's Republic of China is the only legitimate representative of China." China's strategy to promote the "One China" policy and reduce Taiwan's presence in the region is based on the following: maintain diplomatic relations with those countries that currently have relations with the PRC (9 of the 14 members); avoid changes in diplomatic recognition as have happened in the past (Saint Lucia); and establish diplomatic relations with others over the medium- and long-term [the Bahamas (1997), Dominica (2005) and Granada (2005)].

The decision to recognize either China or Taiwan is influenced by several factors: a country's domestic political agenda and the political-ideological affiliation and interests of its executive branch and ruling parties; the strength of links with one country or the other in trade, investment, financing, training, and technical training based on the amount and type of cooperation offered; the geopolitical interests of the government; and existing political and economic situations within China and Taiwan, which affect their international projection and ability to influence other countries.

Even though China currently plays a significant and growing role in the region, historically Taiwan has implemented an active policy of using cooperation, aid, financing and their vast economic resources to increase or maintain their presence in these countries. This has been accomplished through various mechanisms such as the Overseas Economic Cooperation Development Fund (renamed the International Economic Cooperation Development Fund in 1991). This Fund has been instrumental in granting credits and donating funds with a clear political purpose, “for example, when a country recognizes Taiwan as a state, or during high level visits between Taiwan and its diplomatic allies. Thus, when the Bahamas, Granada, Belize and Nicaragua established diplomatic relations with Taipei, “between 1989 and 1990, they received loans and/or grants worth US\$ 2.5 million, US\$ 10 million, US\$ 50 million and US\$ 100 million respectively.” (Rodríguez, 2013: 215).

In the 1980s, China’s reform and opening up and subsequent increased participation in cooperation and diplomatic efforts made the country more attractive to CARICOM member countries and led to diplomatic recognition by a number of them: Antigua and Barbuda in 1983 and Granada in 1985. Meanwhile, Taiwan established relations with St. Vincent and the Grenadines in 1981, Dominica and St. Kitts and Nevis in 1983, Saint Lucia in 1984 and the Bahamas and Belize in 1989 and renewed relations with Granada that same year. However, since the 1990s, diplomatic recognition has been slowly shifting in China’s favor, as evidenced by the fact that the Bahamas switched diplomatic relations to Beijing in 1997, Dominica in 2005¹¹⁴ and Granada¹¹⁵ in 2007. Saint Lucia has had the least stability in terms of diplomatic relations, as demonstrated by the fact that it established relations with China in 1984, broke off relations to established relations with Taiwan in 1989, re-established relations with China in 1997 and in 2007 once again switched in favor of Taiwan.

Both China and Taiwan have been very active in developing political ties with various political parties, political associations and parliamentary groups in the region, regardless of their ideological stance or role in government. This has allowed

114 In early 2004, the government of Dominica requested US\$ 58 million from Taiwan. After being turned down by Taipei and receiving an offer from Beijing for more than US\$ 100 million, Dominica established diplomatic relations with China at the end of March (Rodríguez, 2013: 218).

115 “In Granada, Taipei offered to renovate the national stadium for the Cricket World Cup in 2007 and donate US\$ 10 million for reconstruction of areas damaged by Hurricane Ivan. Beijing also made a commitment to carry out the work on the stadium, build 2000 units of social housing, allocate US\$ 6 million to other social projects, donate US\$ 1 million annually until 2009 and set aside US\$ 1 million for scholarships from the Government of Granada” (Rodríguez, 2013:217).

them to maintain a fluid dialogue and influence political support on diverse issues, including diplomatic recognition of Taiwan or China. Nevertheless, both Taipei's and Beijing's relations with Caribbean countries throughout this period have been aimed primarily at ruling groups and political parties, with less attention paid to broad sectors of civil society. Yet, this pattern has begun to change in the last decade. This partly explains why in some countries a change in the ruling government or party has brought about diplomatic realignment in favor of one actor or the other, adding up to many changes over the long-term without a clear state policy on the topic.

On the other hand, important political events like the uprising in Tiananmen Square or the handover of Hong Kong to China – given the strong ties between Hong Kong and the former British colonies in the Caribbean – were used by one actor or the other to bring about a change in diplomatic relations. These events explain, to a certain degree, the Bahamas' and Granada's recognition of Taiwan in 1989 and the Bahamas' and Saint Lucia's recognition of China in 1997. The past 15 years have been notorious in the political history of the region. There are countless examples of incidents where political parties, politicians and government sectors were pressured by both China and Taiwan in an attempt to gain influence and political support for their respective countries.

The trade factor has tended to work against Taiwan. This was not such a significant element until 1994 when the amount of trade between China and Latin America and the Caribbean surpassed trade with Taiwan, US\$ 4.27 billion vs. US\$ 4.2 billion. Regardless of the amount, which by 2012 had surpassed US\$ 250 billion, trade is highly concentrated with a few partners, none of whom are members of CARICOM. In any event, the small size and limited production capacity of these countries has made them increasingly dependent upon the Chinese market for many of their imports. This has led to a trade imbalance with large deficits and increased dependency, making it harder for Taiwan to meet their needs.

China's growing influence in international organizations, which began when the country was officially recognized by the United Nations in 1971, has been reducing Taiwan's ability to exert influence in these fora. Therefore, Taipei has stepped up its bilateral activities, using economic instruments and cooperation. Its key strategy is to legitimize and maintain its recognition by the international community. Thus, the concrete and proactive measures taken by Taiwan in the areas of cooper-

ation, direct aid and investment are more real for some of these small CARICOM countries than the remote and unrealized possibilities offered by China. Moreover, this is happening at a time when Chinese trade and investment is more highly concentrated in the main South American countries and just a small percentage of CARICOM countries. Additionally, diplomatic tensions with Taiwan are easing after Ma Ying-Jeou's rise to power in 2008, as evidenced by stronger economic links and less open confrontation on the international scene. It is apparent that the CARICOM member countries that still have relations with Taiwan are the smallest and most vulnerable. This encourages the implementation of policies that pursue political goals through the use of economic and cooperation instruments and actions, understood in the broadest sense.

The impact of Chinese cooperation via investment and infrastructure, even though noteworthy –taking into account the size and needs of these economies– was felt much later than that of on-going Taiwanese efforts in the region. Taiwanese activities in countries with whom it has diplomatic relations are more coherent, diversified and cooperative. No less significant is the fact that investment flows from China to all of Latin America and the Caribbean are concentrated in the Cayman Islands and the British Virgin Islands, which are offshore financial centers. In keeping with the “One China” policy, cooperation flows in myriad areas, including investments, have been concentrated in those countries that have diplomatic relations with China. This, combined with Taiwan's political offensive, has reduced China's attractiveness, while for others, announced massive financial flows have not subsequently materialized.

This situation could change in the medium or long-term if China were to intentionally make use of huge economic, financial and trade incentives and cooperation opportunities that could far outweigh those offered by Taiwan in order to definitively gain recognition by those countries that still have formal relations with Taipei. However, as China becomes a major global power and the benefits of having relations with China multiply over the coming decades, the costs of not having relations with the Asian giant will increase. Taiwan will find it increasingly hard to offset this cost and countries will progressively end their support and recognition of Taipei. More specifically, China's most recent strategy to strengthen political-economic exchanges with Trinidad and Tobago, the undeniable leader of CARICOM, is part of a greater political strategy to encourage dialogue and, to a certain degree, increase indirect influence over CARICOM member countries with whom they do not have formal relations.

The importance of cooperation in developing the bilateral relationship

China's cooperation in the CARICOM region is part of a recent strategy of increased closeness, one aspect of the country's "Reform and Opening Up" foreign policy that was initiated in the 1990s. Traditional donors, primarily from northern countries (the U.S. and members of the European Union, both individually and as a bloc) and organizations like the Inter-American Development Bank (IDB), United Nations and the World Bank have customarily provided financing, trade and cooperation to Caribbean countries. Nevertheless, this pattern is rapidly changing due to the presence of China—in conjunction with other emerging actors such as India, Russia, South Korea—, which is occupying or displacing traditional actors from these same spaces both in terms of the amount of cooperation and number of sectors reached as well as differences in the conditions and limits required when granting such cooperation.¹¹⁶ The negative effects of the recent global economic crisis on the ability of traditional partners to maintain previous levels of financing has heightened this phenomenon. Moreover, topics such as security took precedence over issues that were more important to recipient countries.¹¹⁷

China's understanding of cooperation is much broader and more multidimensional than other providers because it is not bound by the traditional concept of Official Development Assistance, defined by actors such as the OECD, or by the guidelines, themes and instruments used by major donor countries. Cooperation ranges from financing through non-concessional loans to participation in infrastructure

116 In 2010, the major bilateral donors to the region, in order of the amount provided, were the United States, with an average of 2.2 billion for the 2008–2010 period, followed by Spain, Germany, Canada, France, Norway, the Netherlands, Sweden, Switzerland and the United Kingdom. In all of these countries, donors from the North focused on social programs like education and health, —including those associated with the Millennium Development Goals—, economic programs and humanitarian issues. These donors have imposed conditions tied to governance and transparency (Abdenur and de Souza Neto, 2013: 72).

117 With respect to the almost simultaneous visits of Joe Biden and Xi Jinping in June 2013, Caribbean leaders commented on their hopes for and dissatisfaction with the amount, types and conditions for receiving U.S. investments and economic and political cooperation. Earl Bousquet, a Caribbean political analyst commented on this in an article: "CARICOM hasn't been at all happy with the pace and volume of its U.S. trade. Comparatively, in the past two decades, U.S.–Central America trade has grown, while U.S.–CARICOM trade has remained flat. CARICOM is concerned that Washington is not doing enough to improve trade imbalances. In response to Biden's promise of more U.S. help, CARICOM leaders insisted that "Washington should back its words with actions to stimulate Caribbean–US trade," calling for the U.S. to "to articulate clearly its policy towards the Caribbean," set a definite framework for any "partnership for sustainable economic growth," and conduct trade "on a level playing field and with respect for the rules of the World Trade Organization" (Bousquet, Earl et al, 2013).

projects, developing trade exchanges, promoting investment in strategic areas and more traditional forms like technical assistance in education, health, agriculture, construction and human resource training, all of which leave more room for collaboration and makes it more attractive to CARICOM member countries.

Some CARICOM member countries with very low levels of development, high debt or limited international financing, have found China to be an alternative to international financial institutions and traditional actors. China has also followed an active policy of debt forgiveness, which helped Guyana in 2006. The conditions imposed by China, in terms of domestic policy, fund allocation, requirements for financing, compliance with social and political requirements and guidelines for monitoring and evaluating, have been a huge incentive to obtain such financing.

Concurrently, the principles that guide China's political discourse on foreign activities, in terms of mutual benefits, win-win strategy, non-intervention in domestic affairs and relaxed conditions, have helped to grow China's influence and presence in the Caribbean. While traditional partners have neglected the Caribbean's historical demands, China and other emerging actors have seized the opportunity, placing them in a better position to promote their political and economic interests.

This has been accompanied by China's noted participation in regional multilateral organizations and fora, not only in terms of the contribution it makes, but also its influence on policies that affect the region and its efforts to improve the country's image among local actors and win a political advantage over regional actors. Some examples of this include China's membership in the Caribbean Development Bank (1998), observer status at the Inter-American Development Bank (IDB, 1991), the Latin American Integration Association (ALADI, 1993), the Economic Commission for Latin America and the Caribbean (ECLAC) and joint efforts with CARICOM member countries to create a space for economic promotion within the China-Caribbean Economic and Trade Cooperation Forum, which has met three times since 2005.

The Economic and Trade Cooperation Forum has been, up until today, the ad hoc mechanism for systematically carrying out high-level joint activities (2005, 2007, 2011) and its agenda has prioritized issues that involve the general aspects of cooperation. One of the most notable outcomes is a concession of US\$ 1 billion in preferential loans to countries in the region for economic development, announced by the Chinese Vice Premier Wang Qishan at the most recent forum. Wang Qishan stated: "(...) the China-Caribbean Economic and Trade Cooperation

Forum has created new perspectives on cooperation between both parties. Since it was established six years ago, cooperation in all areas has embarked on a quick path to development. Bilateral trade has been growing at an average annual rate of 24% (...) and total Chinese investment in the Caribbean is currently around US\$ 400 million. China, as a developing country, has provided assistance to Caribbean countries in accordance with its abilities (...) We helped to build a series of installations and projects to improve people's livelihood. We helped to train 1,700 staff and technicians and we sent 200 agricultural experts, doctors and youth volunteers."¹¹⁸

Yet, even though a forum exists to promote economic and trade interests, the CARICOM member countries have not made progress in creating a space where they can come together and resolve differences in the field of cooperation, as Africa has with the Forum on China-Africa Cooperation (FOCAC), which helped advance both the agenda and the amount of cooperation received by this region. When CELAC was first established, former Chinese Premier Wen Jiabao proposed that a space be created within the forum that could harmonize the positions and interests of all Latin American and Caribbean countries with respect to China. This idea should come to fruition in 2014. CARICOM could help by making proposals and introducing topics that they have previously agreed upon, taking into account the region's specific characteristics, in order to prevent its goals and interests from being diluted during negotiations with much larger parties.

Political relations have been developing positively, with frequent bilateral exchanges at the ministerial level and visits by high ranking officials, including Heads of State and Government. For 3 days in June 2013, the first and only visit by a Chinese Head of State to an English speaking Caribbean country was made to Trinidad and Tobago (Jiang Zemin had traveled to Cuba in 1993 and 2001 and Hu Jintao had returned in 2004 and 2008). At this meeting, he not only met with the Trinidadian Prime Minister, but in a type of mini-summit, he met with eight other CARICOM Heads of Government. This is undeniable evidence of a positive climate for re-launching bilateral relations.¹¹⁹

118 These statements were made during the inaugural speech at the 3rd China-Caribbean Economic and Trade Development Forum. Available at <http://www.sourcejuice.com/1473592/2011/09/13/Wang-Qishan-Third-China-Caribbean-Economic-Trade-Cooperation-Forum/>, accessed on March 17, 2014.

119 In February 2014, the Prime Minister of Trinidad and Tobago, Kamla Persad-Bissessar, made an official visit to the People's Republic of China, officially invited by the Chinese government. In her opening speech, the Trinidadian Prime Minister stressed her country's strategic position to act as a gateway to Latin America. Available at <http://www.foreign.gov.tt/news/2014/feb/25/china-promises-long-range-vessel-tt-coast-guard-fe/>, accessed on March 20, 2014.

Security and military cooperation –even when marginal because of limited breadth and reach– reflects the wide range of efforts by China to increase the level of closeness. Future developments in this area may lead to friction and resistance from the Caribbean community’s traditional partners, especially the United States. The U.S. has clear interests on this subject within the region, best defined by its National Security Doctrine. This vision excludes other actors, and calls for a large presence with active forces and joint operations –further strengthened due to the securitization of the regional agenda following September 11, 2001–, and views China’s participation in joint operations with countries in the region with suspicion. China has developed the following activities in this area:

- Members of the Chinese army have been part of the military contingent in charge of MINUSTAH in Haiti since September 2004. This is the first instance of such activities outside of continental China. Eight officials were killed during the 2010 earthquake.
- Materials and equipment for the Dominica Police Force, including motorcycles and training in Mandarin.
- Professional training courses for members of local armies in Chinese military academies.
- Donation of US\$ 1.6 million to the Surinamese army and Ministry of Defense.
- Donation of US\$ 3.5 million in non-lethal military equipment to the Jamaican army in 2010.
- First visit by the hospital ship of the Chinese People’s Liberation Army to the western hemisphere in September 2011: Jamaica and Trinidad and Tobago.

The sustainability and consequences of Chinese cooperation have had a significant impact on development opportunities in recipient countries, whose small size, economic vulnerability and foreign dependence heighten the reach and staying power of Chinese initiatives. Various regional political leaders have publically reiterated what the Prime Minister of Dominica stated: “China has displayed to all of us a sincerity and willingness to help us in times of need and we are deeply grateful for this type of help.”¹²⁰

120 Available at: <http://www.caribbean360.com/index.php/business/1106876.html#axzz2xkyMOtlG>, accessed on March 20, 2014.

The most sensitive aspect of Chinese conditions for receiving cooperation is continued diplomatic relations with Taiwan. Maintaining said relations has meant a significant reduction in the amount of cooperation projects and funds received and less variety in the type of help available. During his visit to Trinidad and Tobago in June 2013, the Chinese Head of State held bilateral meetings only with those CARICOM countries that have diplomatic relations with China. At that time, he committed US\$ 3 billion in concessions to develop infrastructure projects and other programs, specifically excluding the five countries that maintain diplomatic relations with Taiwan. As a result, this issue prevents the community from presenting a unified foreign policy and restricts development possibilities and capabilities within the bloc.¹²¹

Promoting the Chinese language and culture has been another priority carried out within the context of human capital and technical training. To achieve this goal, Confucius Institutes have been established at the University of the West Indies, Jamaica, at the College of the Bahamas, and Cave Hill Campus in the Bahamas.

One of the most important components of bilateral cooperation has been infrastructure and other projects that contribute to the economic and social development of these countries, mainly through financing, technology and construction services. Numerous agreements have been signed that promote and protect investments and grant concessions, as well as sectoral and ministerial agreements in the areas of export promotion, tourism and culture, etc. (see Appendix 1). Some of these areas have been ignored by traditional cooperation partners, who after September 11, 2001, prioritized security issues and the war on terrorism to the detriment of other issues that are more important to the Caribbean. Some of the projects financed by China or carried out with Chinese involvement are highlighted below:

- Antigua and Barbuda: construction of a sports stadium for 20,000 people. New terminal at the international airport. Construction of a hospital and electric power plant. Agreement signed to build schools and community centers.
- Bahamas: Construction of a sports stadium. Baha Mar resort with 3,800 rooms, US\$ 2.4 billion, the largest in the Caribbean. Airport highway concession.

121 In statements to the press, Kamla Persad Bissessar, the Prime Minister of Trinidad and Tobago commented: "We really welcomed that generosity which is a manifestation of the friendship we share and our ties as nations together," adding she had no problem with the funds being made available to CARICOM countries that support the "One China" policy. Available at Jamaicaobserver.com, accessed on March 18, 2014.

Port and container terminal administered by Hutchison-Whampoa: between US\$ 500 million and US\$ 2 billion invested.

- Barbados: financial support for the construction of the Sir Garfield Sobers Gymnasium (1986), support for the construction of the Sir Lloyd Erskine Sandiford cultural and conference center (1994), restoration of buildings at Cheapside Bridgetown Market (2005). Projects in the construction sector: China Construction Co. Ltd. and China Construction Dos Limited.
- Dominica: construction of a cricket stadium; supplementary engineering works on the country's major highway; restoration of the Nouvelle Ville public elementary school; construction of a public university; Windsor Park Sports Stadium maintenance project; project to build housing and renovate the largest medical center in the country; Chinese agricultural cooperation at One Mile Agricultural Station at Portsmouth and Chinese medical cooperation at the Princess Margaret hospital. Chinese sponsored training opportunities for around 900 Dominicans.
- Jamaica: purchase of 30,000 hectares of sugar cane fields and three ethanol refineries. Convention center in Montego Bay in Jamaica. Construction of 3,500 houses using Chinese credit. US\$ 400 million to build a highway and another US\$ 65 million to make improvements to the highway that connects the capital to the airport.
- Guyana: US\$ 40 million credit for an electric power project. Construction of a sugar factory. US\$ 40 million credit for a food related project. Purchase of 70% of a bauxite mine by Bonsai Minerals Group. Involvement by the Chinese company Communications Construction Company in the transport industry. Purchase of firefighting equipment with Chinese financial support. Financial support for initiatives such as the "One Laptop Per Family" project, the Amaila hydropower project, expansion of the Cheddi Jagan International Airport and construction of a Marriott Hotel.
- Haiti: project to improve the Haitian sewer system and supply medical teams. Donation of six ambulances to the Haitian government. Financial assistance and human resource assistance to rebuild following the 2010 earthquake.

- Granada: financing and construction of a cricket stadium. Financing for the construction of low cost housing. Financial donation for the purchase of agricultural materials.
- Trinidad and Tobago: construction of a port, shipbuilding infrastructure, trade in natural gas, construction of the Prime Minister's Residence, a hospital and the National Academy of Performing Arts. Acquired 10% of the first liquefaction unit at the "Atlantic facility" storage plant; 25% investment by each of the following Chinese firms, Chinese National Offshore Oil Corporation (CNOOC) and SINOPEC, in Chaoyan Petroleum of Trinidad-et-Tobago.
- Suriname: Investment of US\$ 6 billion by the company China Dalian International Corp. to build a deep water port and new highways. Involvement of the Zhong Heng Tai firm in palm oil production in Suriname. Projects to build social housing; technical assistance to create a shrimp farm; technical assistance to improve the public television network.

Cooperation has raised its share of questions and concerns, some recurring, that negatively affect the bilateral relationship and damage the image and attractiveness of China as a partner. These include:

- Local products face greater competition from Chinese goods: impact on local industries in terms of production capacity, unemployment and the displacement in local and extra-regional markets of product lines that make up the regional export basket.
- Penetration of domestic markets by goods that inhibit or diminish domestic industrialization and regional integration processes.
- The Chinese practice of financing projects on the condition that goods, technology and services be provided by Chinese firms.
- Frequent hiring of Chinese labor instead of local workers for Chinese sponsored enterprises.
- Insufficient transfer of technology and know-how.
- Few regulations concerning environmental issues.

CARICOM-China trade relations: characteristics, major trends and implications for the bilateral relationship.

Trade is one of the pillars upon which China has based its insertion in the Caribbean. The data reveal that: a much larger percentage of trade is in goods as compared to services; CARICOM has a significant trade deficit with China (see Table 2 and Appendices 2 and 3); trade is heavily concentrated in countries (see Figure 1) and products (see Figure 2 and Appendices 4-7); and Chinese relations with the entire Latin America and the Caribbean region exhibit a return to historical trade patterns -the region exports low value-added and low-technology goods, raw materials and natural resources while importing a greater percentage of higher value-added and finished goods from China (see Appendices 4-7).

In addition, the volume of trade between China and CARICOM constitutes a very small part (less than 1%) of its total trade with the entire Latin America and the Caribbean region, which in 2012 rose to slightly more than US\$ 250 billion. This shows that there is enormous potential to further increase trade with the Caribbean. For the CARICOM countries, trade with China also represents a small part of total trade (see Table 2). When added together it only reached a maximum of 5% in 2012. This proves that China could make even greater advances in trade and displace the region's traditional trade partners. It also provides Taiwan a greater margin to work with in order to counter increased Chinese activities in other areas.

Table 2
China's rank as trade partner of CARICOM countries (2012)

Country	China's rank as an export market	China's rank as a source of imports	Trade balance
Bahamas	7 (4% of total exports)	5 (4% of total imports)	Deficit
Barbados	13 (2.2%)	3 (3.7%)	Deficit (surplus 2010-2012)
Dominica	22 (0.5%)	4 (5.1%)	Deficit
Granada	30	3 (4.6%)	Deficit
Guyana	11 (1.5%)	3 (12.3%)	Deficit
Haiti	6 (1.1%)	4 (6.8%)	Deficit
Jamaica	18 (0.7%)	4 (4.8%)	Deficit
Saint Lucia	29 (0.1%)	6 (1.3%)	Deficit
Saint Vincent and the Grenadines	43	4 (5.6%)	Deficit
Suriname	11 (1.9%)	3 (9.8%)	Deficit
Trinidad and Tobago	20 (0.7%)	6 (4.2%)	Deficit

Source: Adapted from the World Bank, the WTO and the government of China.

This is due, in part, to the smallness of the CARICOM countries. The small size of their domestic markets, their geographic dispersion, limited resources and inadequate infrastructure make them marginal partners in China's international insertion as compared with their neighbor Latin America. In relative terms, however, growing trade between China and CARICOM countries has made the Asian country one of the region's top trading partners in terms of imports –it sits among the top 6 trade partners– demonstrating a discernible trade imbalance (see Table 2).

The majority of trade China engages in with Latin America and the Caribbean is in extractive industries, natural resources processing, raw materials and energy. CARICOM countries can offer little of these in relative terms, except for gas and oil from Trinidad and Tobago and bauxite from Jamaica, Guyana and Suriname, which explains why these countries top the list of China's regional partners (see Appendices 4-7 and Figure 2). Therefore, there is high export product concentration (see Appendices 4-7), which minimizes the spill-over effect of trade relations between China and the Community, increases already existing vulnerabilities

stemming from the low level of diversification, and exacerbates the consequences of an eventual decline in Chinese demand for these products.

CARICOM's trade deficit with China has increased significantly since 2005 due to the steep rise in imports (see Table 3) and a drop in exports. This reflects a decline in competitiveness, the limited number of goods offered by Caribbean countries that are attractive to China, and a need for structural changes in export industries and production chains in order to improve the situation. This can also be explained by the fact that a significant portion of exports are financed by Chinese financial flows and lines of credit, which very often favor the importation of goods and technology from China.

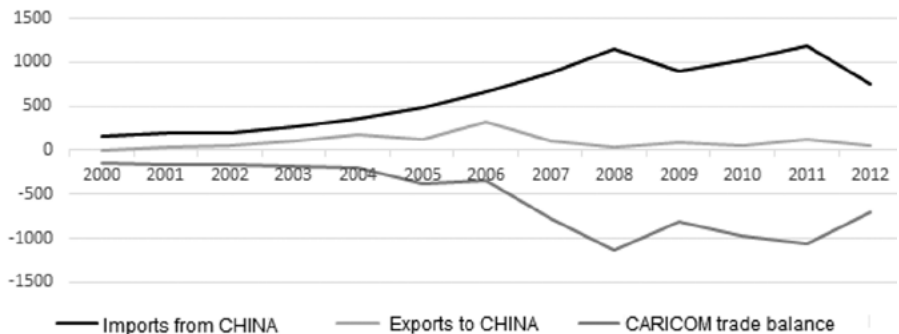
Table 3
Value of total trade, imports, exports and trade balance of goods between China and CARICOM: 2000-2012 (in millions of USD \$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total imports	10708	10581	10203	11618	13272	16657	18030	21218	25349	18857	18997	24371	13195
Imports from CHINA	158	200	205	275	368	493	674	875	1157	893	1027	1190	747
Total exports	6875	6738	5523	7625	9257	12634	17817	17971	23006	12486	14313	18767	3983
Exports to CHINA	8	37	47	102	171	118	324	108	29	83	47	118	45
All sources and destinations	17583	17319	15726	19243	22529	29291	35847	39189	48355	31343	33310	43138	17178
Trade balance China-CARICOM	-150	-163	-158	-173	-197	-375	-350	-767	-1128	-810	-980	-1	-702
Total trade with CHINA	166	237	252	377	539	611	998	983	1186	976	1074	1308	792
% Total trade with CHINA	1%	1%	2%	2%	2%	2%	3%	3%	2%	3%	3%	3%	5%
% Exports to China / Imports from China	5%	19%	23%	37%	46%	24%	48%	12%	3%	9%	5%	10%	6%

Source: Adapted from Caricom Stats.

Trade with China has been growing since the early 1990s in a slow but consistent manner (see Figure 1 and Appendices 2 and 3). There was a jump in the growth rate beginning in 2005, based primarily on imports from China. During this latter stage, the highest rates were recorded in 2008 right before the onset of the global economic crisis, and the lowest rates were in 2009. Since then, there has been a steady recovery, although the levels attained prior to the crisis have not yet been fully recouped. The crisis also led to a noticeable decrease in trade between the Caribbean and the entire world, including China, for the same time period. This shows that unlike what happened with a large part of Latin America –primarily South America–, China did not become a refuge or make up for the drop in demand from CARICOM’s traditional partners. The Asian country also did not take advantage of the situation to increase trade with the Caribbean countries.

Figure 1
*Imports, exports and trade balance of goods
 between China and CARICOM: 2000–2012 (in millions of USD \$)*



Source: Adapted from Caricom Stats.

When CARICOM countries are analyzed separately, we see that trade is highly concentrated: China has 6 major trading partners in the region: Trinidad and Tobago, Jamaica, Barbados, Guyana, Suriname and Belize, which when combined account for about 90% of the region’s trade with China for the 1991–2012 period (see Appendix 2 and 3). The first two countries account for around 60% of trade. Trinidad and Tobago is China’s main trading partner in the region and Belize has experienced rapid growth over the past 10 years (see Figure 2). All of these countries run a deficit with China.

Exports of services are minimal, concentrated primarily in tourism services. However, due to the fact that most of these services are focused on “Sun and Beach,” the distance from the Chinese market, cultural and language differences as well as differences in the type of tourist activities the Chinese prefer, the Caribbean tourism market may have some potential but it still does not attract an adequate number of Chinese tourists or tourism revenue.

There will be opportunities over the coming years to expand trade with China into new areas. Yet, traditional exports from the region have not been sufficiently explored in bilateral trade, such as coffee, rum, sugar, fish, lobster, shrimp, etc, many of well-known quality and quite competitive on the international market.

It should be pointed out that there have been no efforts within CARICOM to discuss and harmonize common positions as a bloc in trade negotiations with China. This means that each country acts unilaterally and separately from the rest, reducing the possibility of ever reaching a common position. This is tied not only to the organization’s inability to agree upon joint foreign policies on various topics, but also to the irregular situation regarding diplomatic recognition in the sub-region, which is the result of pragmatic decisions to maximize the benefits of bilateral relations. If some form of preferential trade agreement is to be signed with China, positions will have to be harmonized with the assistance of the CARICOM Office of Trade Negotiations (OTN).

Chinese foreign direct investment in the region: motivation and regularity.

Over the past decade, China has become one of the main suppliers of FDI across the globe. This is the result of a deepening of its “Reform and Opening Up” policy; its sustained economic and demographic growth; the internationalization and transnationalization of its economy; its need to enter new markets and look for new resources and technologies; efforts to maximize profits on their enormous international reserves; pursuing a greater role as a global actor; obtaining geopolitical and geoeconomic goals, and a clearly defined state policy that promotes and supports FDI by Chinese companies overseas.

Latin America and the Caribbean is currently the second largest recipient of Chinese FDI in the world, with 16% (US\$ 12 billion) of the total for 2011, although it falls very much below the number one recipient, Asia (with 60% of the total).

These figures, however, disguise differences between the countries of Latin America and the Caribbean. Two small islands located in the Caribbean, the British Virgin Islands and the Cayman Islands –not members of CARICOM–, rank 2nd and 3rd in the world for Chinese FDI (see Table 4). This is because both are important offshore financial centers, which means that more than 95% of Chinese FDI in Latin America and the Caribbean over the last decade wound up in these two islands.

Table 4: Top 10 recipients of Chinese FDI in 2011

Country or region	Chinese FDI by country or region (in millions of USD \$)
Hong Kong, China	35655
British Virgin Islands	6208
Cayman Islands	4936
France	3482
Singapore	3269
Australia	3165
United States	1811
United Kingdom	1420
Luxembourg	1265
Sudan	912

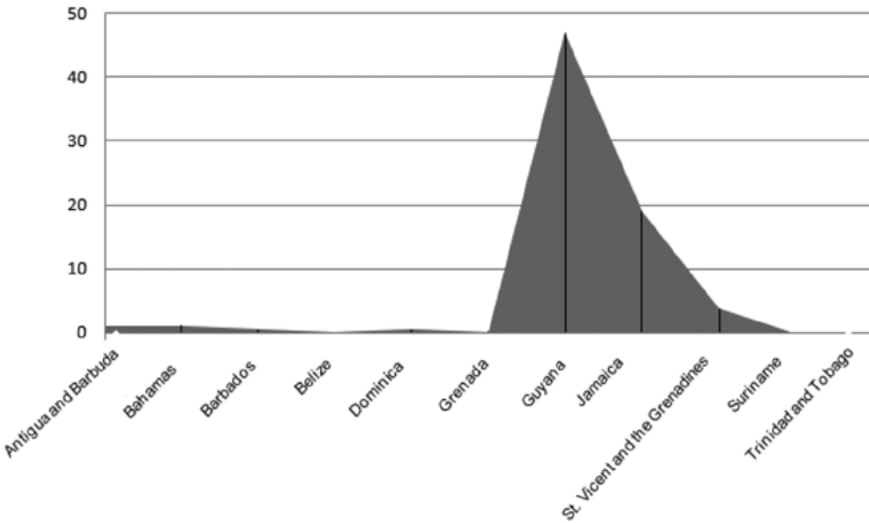
Source: Adapted from the Chinese Ministry of Commerce.

In addition, CARICOM countries face direct competition for Chinese FDI from their neighbors in Latin America, who in fact receive the majority of investment flows, about 95% of the total. The nature of their smallness means that, in relation to their Latin American counterparts, Caribbean countries have fewer natural resources, raw materials and energy sources; higher salaries; a weaker infrastructure; fewer qualified human resources and much smaller domestic markets, all of which makes them less attractive to Chinese investors.

In spite of that, from 2003 to 2011, the amount of accumulated Chinese FDI in the

region increased by 500% (Bernal, 2013: 2), demonstrating sustained growth (see Figures 3 and 4). The top CARICOM recipient of Chinese investment during the 2003–2012 period was Guyana, receiving 64% of total investment and Jamaica was second with 26% (see Figure 3). The third largest recipient, Saint Vincent and the Grenadines only received 3.75%. Investment in the remaining countries is minimal, with totals amounting to less than US\$ 1 million. It is interesting to note that investments have been directed to those countries that are leaders in the extractive sector and have the greatest amounts of natural resources. This is in keeping with China’s standard behavior regarding FDI in Latin America and the Caribbean. Moreover, those countries that maintain diplomatic relations with Taiwan –with the exception of St. Vincent and the Grenadines–, receive very little of China’s overall investment in the region (see Figure 3).

Figure 3. Amount of Chinese investments in CARICOM countries (Millions of USD, average 2003–2012)

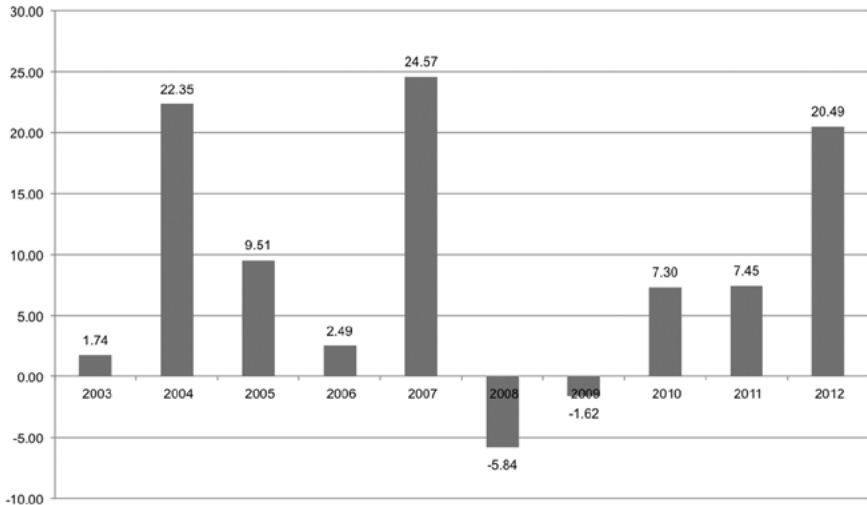


Source: Adapted from the World Bank, the WTO and the government of China.

It should be noted that the amount of Chinese investments in the Caribbean is much larger than the amount of Caribbean investment in China, due to the limited capacity of these Caribbean countries to export capital. Furthermore, investment flows have been unstable throughout the period under study. The greatest amount

of investments was recorded during the period 2004 to 2007, while total amounts decreased immediately following the recent economic crisis, only to recover somewhat in 2012 (see Figure 4).

Figure 4
Amount of Chinese investments in CARICOM countries
(Millions of USD\$ 2003-2012).



Source: Adapted from the World Bank, the WTO and the government of China. Includes data from Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Granada, Guyana, Jamaica, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

To support Chinese investments, China has signed agreements protecting and promoting bilateral investments with Jamaica, Belize, Barbados, Trinidad and Tobago, Guyana and the Bahamas. Countries in the region have welcomed several delegations of business leaders and high ranking officials from Chinese ministries and organizations seeking new investment opportunities. Simultaneously, the Chinese government is promoting the main CARICOM countries as attractive emerging markets for Chinese investors to include in their global portfolios (China's 2011 Overseas Industry Investment Guide, 2011).

The region's geographical location and the preferential trade agreements it has signed with extra-regional partners are an additional attraction for Chinese inves-

tors hoping to use the Caribbean as a platform for achieving distribution, triangulation, and ties with larger markets (the United States, Canada and the European Union) under favorable conditions by taking advantage of the preferential rules of origin that cover local goods and services. Therefore, the Free Trade Agreement between Central America, the Dominican Republic and the United States, the Caribbean Basin Initiative and the Economic Partnership Agreement between Europe and CARICOM, plus others, could be additional incentives for Chinese investments in the region.

The dimensions and limitations of these economies in terms of their smallness and vulnerability mean that the amount and composition of investments that arrive have a significant impact on how well these countries perform and their ability to achieve development. Yet, some of these same limitations –perhaps following the Chinese ying and yang logic– might possibly attract new investments, such as those to build and improve infrastructure, one of the sectors that receives the most Chinese FDI in the region.

Most FDI has been aimed at extracting and processing minerals and energy sources,¹²² producing food products and developing infrastructure in diverse areas (sports stadiums, bridges, ports, highways, health centers, airports, government buildings, etc.). There are enormous untapped opportunities in all of these sectors, which leads to predictions of growing investment flows over the coming years.

Taiwan is a very important element in China's FDI flows to the region. A significantly greater volume of FDI is directed to those countries that maintain diplomatic relations with China. Countries like Guyana and Dominica saw investment flows increase considerably following diplomatic recognition of China. Moreover, China

122 The following illustrates the large percentage of Chinese FDI in these sectors: "Chinese state-owned enterprises have also established stakes in Trinidad and Tobago's offshore oil industry. Activity by the Chinese government and its firms in global resource sectors reflects an effort to secure access to raw materials and lucrative construction contracts. The Chinese company Bosai Minerals Group purchased a controlling 70 percent stake in Omai Bauxite Mining, Inc. in Linden, Guyana, in December 2006 for \$100 million. (The government of Guyana retained 30 percent ownership.) Bosai Mining, a privately owned firm based in Chongqing, will link Guyanese operations to annual production of 400,000 tons of refractory bauxite, making Bosai the largest bauxite producer in the world. Agricultural investment is especially evident in Jamaica where, in 2011, the Chinese company Complant International acquired three sugar factories and leased 30,000 hectares of cane fields. In August 2011, Complant began injecting a proposed \$156 million over four years into improvements in fields and factories. The corporation plans additional investment in a new refinery to process 200,000 tons of raw sugar per annum. China Zhong Heng Tai Investment (CHZT), meanwhile, has claimed a stake in palm oil production in Suriname (Bernal, 2013, 4).

has included in its political discourse a growing number of references to the potential gains and opportunities associated with Chinese investments. China's promise of mutual benefits from strengthened relations is an additional argument in their strategy to encourage countries to break off diplomatic ties with Taiwan.

Chinese investments have sparked some controversy, such as the environmental costs related to certain infrastructure and tourism developments and displacement of the local workforce in carrying out projects (for example, 6150 workers brought in to build the Baha Mar complex in the Bahamas). These subjects will require the attention of local authorities and will force CARICOM countries to share their experiences and harmonize strategies to face and mitigate these impacts.

Conclusions

China's bilateral agenda with the countries of CARICOM is continuously expanding, with serious impacts on diverse areas. The Asian country has grown in importance since the 1990s and has been particularly relevant since the beginning of the 21st century.

Diplomatic relations between Taiwan and a group of CARICOM member countries directly affect issues of mutual interest between China and these countries as well as China's actions in the region as a whole. This is a top priority for Beijing—given the high concentration of Taipei's diplomatic allies in the region—, which is why economic instruments, policies and cooperation have been part of China's strategy to promote the “One China” policy. Nevertheless, as mentioned above, the methods, stages and strategies linked to this issue have varied throughout previous decades, depending upon domestic and international circumstances. The issue will continue to be a top priority in the medium- and long-term, and will define the design, reach, methods and instruments used in other areas of bilateral mutual interest. China does have an agenda for those countries with which it does not have diplomatic relations. Yet, a marked improvement in relations with those countries will, to a large degree, depend on their acceptance of the “One China” policy.

In addition to the Taiwan factor, the two areas in which China has intensified its interaction with CARICOM member countries are economics (trade and investment) and cooperation. There has been notable progress in these areas however, great potential remains for future advances. Moreover, negative aspects like the displacement of the local workforce, competition from Chinese goods and its effects

on deindustrialization, the environmental impact of certain projects, and other subjects must be addressed in the short- and medium-term in order to further develop and strengthen joint actions.

There has been a clear pattern of growth in trade, even though there is still much room for improvement in terms of diversification, decreased product and country concentration, and greater relative and absolute weight in bilateral exchanges. These relations can intensify, expand and diversify in the medium-term. Up until the present, relations have been marked by a trade imbalance between CARICOM and China -to the latter's benefit-, high product and country concentration, and the return of a typical inter-industrial pattern in China's relations with all of Latin America: China imports goods from the region with low value-added content and low technological complexity in exchange for Chinese exports with a greater percentage of higher value-added content and finished goods.

China has begun to displace or in some cases complement traditional actors in the region like the U.S., Europe and certain multilateral organizations. The breadth of the Chinese agenda, as well as the country's different methods, pose challenges and opportunities for CARICOM member countries.

The imbalance inherent in issues of mutual interest in the bilateral relationship favors China. This situation has become more acute due to CARICOM's inability to reach a common position and coordinate efforts, which would help them pursue better outcomes from their interactions with China. The Taiwan factor contributes to this lack of consensus.

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APPENDICES

APPENDIX 1
LIST OF SOME OF THE MAIN AGREEMENTS
BETWEEN CHINA AND CARICOM COUNTRIES

Bahamas

- Investment Promotion and Protection Agreement (2009).
- Framework Agreement on the Provision of a Concessional Loan between the Government of the Commonwealth of The Bahamas and the Government of the People's Republic of China (2009).
- Memorandum of Understanding on Agricultural Cooperation between the Chinese Ministry of the Agriculture and the Bahamas' Ministry of Agriculture and Marine Resources (2009).
- Economic and Technical Cooperation Agreement between the Commonwealth of The Bahamas and the Peoples Republic of China (PRC) (2004 and 2009).
- Memorandum of Understanding between the Export Import Bank of China and the Government of the Bahamas (2009).
- Memorandum of Understanding between the Government of the Commonwealth of The Bahamas and the National Tourism Administration of the People's Republic of China on the Facilitation of Group Travel by Chinese Tourists to The Bahamas (2005).
- Bilateral Agreement on tax information exchange (2005).
- Bilateral Agreement on cultural cooperation (2004).

Barbados

- Agreement for the Promotion and Protection of Investments (1999).
- Agreement on Double Taxation (2000).
- Agreement for the promotion of Barbadian exports to China (2008).

Antigua and Barbuda

- Agreement for the concession of a preferential loan by China for US\$ 300 million for the construction of a hospital, an international airport and a new hospital (2013).

Granada

- Agreement for the concession of financial assistance of about US\$ 10 million for tourism, construction and agricultural projects (2013).

Guyana

- Agreement to help Guyana improve technologies for cultivating rice and vegetables and to establish a center for integrated fish farming (1999).
- Framework Agreement on the concession of a preferential loan by China (2012).
- Credit Agreement on accounting procedures between the Bank of Guyana and the China Development Bank (2012).
- Agreement on Economic and Technical Cooperation (2012).
- Agreement to send a medical team from China to work in the Guyanese health sector (1993, 1999 y 2012).
- Agreement on financial cooperation for about US\$ 8.6 million (2013).
- Agreement on foreign aid for the broadcasting of CCTV-9 by the Government Information Agency and the National Communications Network (2013).

Trinidad and Tobago

- Agreement on the reciprocal promotion and protection of investments (2002).
- Agreement for Trinidad and Tobago to supply asphalt to China (2008).
- Framework agreement for the granting of concessionary loans by China (2012).

APPENDIX 2

Value of imports from China to CARICOM countries 1991-2012 (Millions of USD)

	91	92	93	94	95	96	97	98	99	2000	2001
Caricom	34	38	54	62	60	71	102	129	137	158	200
Barbados	6	6	5	6	9	6	12	11	12	16	22
Guyana	3	3	5	5	-	-	11	12	13	17	16
Jamaica	6	10	18	17	19	22	32	47	44	46	62
Suriname	-	-	-	-	-	3	3	6	10	11	19
Trinidad and Tobago	17	15	15	20	23	32	34	42	45	52	67
Belize	-	2	5	6	2	1	2	1	2	3	3
Antigua and barbuda	-	-	-	-	-	-	-	-	1	1	-
Dominica	-	-	1	1	1	1	1	1	1	1	1
Granada	-	-	1	1	1	1	1	2	2	1	2
St. Kitts and nevis	-	-	-	-	-	-	-	-	-	-	-
Saint lucia	2	2	4	4	4	4	4	6	6	8	7
St. Vincent and the grenadines	-	-	1	1	1	1	1	2	2	1	1

Source: adapted from Caricom Stats.

APPENDIX 2

Value of imports from China to CARICOM countries 1991-2012 (Millions of USD)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CARICOM	205	275	368	493	674	875	1157	893	1027	1190	747
BARBADOS	27	31	39	47	48	50	61	54	58	72	74
GUYANA	21	19	25	32	46	87	76	59	84	107	194
JAMAICA	60	83	115	142	207	228	318	228	243	281	311
SURINAME	19	23	32	56	48	65	104	87	101	107	-
TRINIDAD AND TOBAGO	61	98	128	169	244	356	488	350	371	445	-
BELIZE	4	5	7	10	28	45	68	60	75	118	110
ANTIGUA AND BARBUDA	-	-	-	5	11	8	-	17	42	13	19
DOMINICA	1	1	2	4	7	5	5	6	5	5	5
GRANADA	2	3	4	11	16	10	12	10	14	12	6
ST. KITTS AND NEVIS	1	1	1	2	2	3	4	3	3	6	4
SAINT LUCIA	8	8	12	10	10	8	10	8	12	10	10
ST. VINCENT AND THE GRENADINES	1	2	3	7	8	11	10	10	20	13	13

Source: adapted from Caricom Stats.

APPENDIX 3

Value of exports to China from CARICOM countries: 1991-2012 (Millions of USD)

	91	92	93	94	95	96	97	98	99	2000	2001
Caricom	5	3	2		4		6	8	12	8	37
Barbados	-	-	-	-	1	-	-	-	-	-	-
Guyana	-	-	-	-	-	-	-	1	1	1	1
Jamaica	-	-	-	-	4	-	6	6	6	6	35
Trinidad and Tobago	5	3	2	-	-	-	-	-	5	1	-
Belize	-	-	-	-	-	-	-	-	-	-	-
Saint Lucia	-	-	-	-	-	-	-	-	-	-	-

Source: adapted from Caricom Stats

APPENDIX 3

Value of exports to China from CARICOM countries: 1991-2012 (Millions of USD)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Caricom	47	102	171	118	324	108	29	83	47	118	45
Barbados	-	-	1	1	2	5	1	2	2	5	7
Guyana	2	-	2	5	14	10	12	13	7	7	20
Jamaica	43	97	166	107	301	70	2	17	2	21	12
Trinidad and to- bago	2	4	2	4	7	22	12	51	33	79	-
Belize	-	-	-	-	-	-	-	-	1	3	6
Saint Lucia	-	-	-	-	-	1	1	-	1	1	1

Source: adapted from Caricom Stats

APPENDIX 4

Imports from China into CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1991		1992		1993		1994	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	11,755,279	34	15,346,616	38	46,497,465	54	23,065,776	62
Food and live animals	Kg	789,814	1	1,190,452	1	1,468,359	2	1,995,194	3
Beverages and tobacco	Kg	173,319	1	106,191	-	206,223	1	244,012	1
Crude materials, inedible, except fuels	Kg	2,225,195	2	961,731	2	1,102,099	1	1,563,253	2
Mineral fuels and lubricants and related materials	Kg	367,989	-	275,210	-	330,620	-	291,828	-
Animal and vegetable oils	Kg	2,515	-	1,000	-	440	-	4,588	-
Chemicals and related products	Kg	534,947	1	680,492	1	899,897	2	741,220	2
Manufactured goods	Kg	5,538,485	17	8,224,187	20	32,261,784	27	12,126,684	29
Machinery and transport equipment	Kg	612,775	4	896,634	4	6,849,719	7	1,983,534	8
Miscellaneous manufactured articles	Kg	1,370,633	6	3,001,254	9	3,362,284	14	4,095,312	18
Commodities and transactions not classified elsewhere		139,607	1	9,465	-	16,040	-	20,151	-

Source: adapted from Caricom Stats

APPENDIX 4

Imports from China into CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1995		1996		1997	
		Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	18,396,753	60	24,743,148	71	32,449,802	102
Food and live animals	Kg	2,994,938	3	2,413,500	3	3,334,585	4
Beverages and tobacco	Kg	178,672	-	176,202	-	131,147	-
Crude materials, inedible, except fuels	Kg	698,988	1	716,262	2	357,989	1
Mineral fuels and lubricants and related materials	Kg	273,411	-	146,053	-	89,429	-
Animal and vegetable oils	Kg	1,031	-	6,690	-	18,491	-
Chemicals and related products	Kg	970,499	2	1,192,675	3	1,768,974	4
Manufactured goods	Kg	7,254,229	24	12,466,415	28	13,839,630	32
Machinery and transport equipment	Kg	1,219,284	6	1,842,056	8	3,481,858	15
Miscellaneous manufactured articles	Kg	4,801,236	23	5,780,320	28	9,423,496	46
Commodities and transactions not classified elsewhere		4,466	-	2,976	-	4,202	-

Source: adapted from Caricom Stats

APPENDIX 4

Imports from China into CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1998		1999		2000	
		Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	153,676,610	129	88,835,368	137	72,533,604	158
Food and live animals	Kg	4,764,945	5	5,925,309	5	6,800,070	6
Beverages and tobacco	Kg	86,848	-	32,772	-	35,934	-
Crude materials, inedible, except fuels	Kg	16,903,306	2	9,307,437	2	1,113,896	1
Mineral fuels and lubricants and related materials	Kg	281,107	-	383,610	-	319,638	-
Animal and vegetable oils	Kg	31,727	-	7,950	-	27,834	-
Chemicals and related products	Kg	3,791,168	6	4,131,988	6	2,261,118	5
Manufactured goods	Kg	110,509,789	43	29,792,647	44	37,459,441	55
Machinery and transport equipment	Kg	4,319,117	21	11,013,405	26	7,498,105	32
Miscellaneous manufactured articles	Kg	12,977,393	52	28,221,319	55	17,007,911	60
Commodities and transactions not classified elsewhere		11,209	-	18,931	-	9,657	

Source: adapted from Caricom Stats

APPENDIX 5

Imports from China into CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2001		2002		2003		2004	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	111,918,746	200	216,229,081	205	204,647,876	275	251,963,663	368
Food and live animals	Kg	7,007,284	6	9,878,945	7	11,071,491	7	11,238,893	8
Beverages and tobacco	Kg	56,853	-	37,524	-	62,581	-	292,084	-
Crude materials, inedible, except fuels	Kg	6,531,603	3	1,742,954	1	2,409,224	2	2,126,505	2
Mineral fuels and lubricants and related materials	Kg	135,641	-	305,133	-	396,899	-	338,786	-
Animal and vegetable oils	Kg	22,627	-	28,237	-	27,206	-	44,859	-
Chemicals and related products	Kg	9,294,020	9	26,962,003	10	27,068,528	12	14,991,198	17
Manufactured goods	Kg	54,804,563	70	139,293,377	71	106,059,485	83	151,560,471	113
Machinery and transport equipment	Kg	11,945,297	40	11,717,863	41	14,834,069	65	22,313,644	92
Miscellaneous manufactured articles	Kg	21,986,611	72	26,256,956	76	42,704,914	105	49,042,154	135
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 5

Imports from China into CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2005		2006		2007		2008	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	471,142,081	493	533,802,623	674	906,812,990	875	812,966,530	1,157
Food and live animals	Kg	14,698,901	12	14,605,218	14	16,586,127	15	16,622,906	15
Beverages and tobacco	Kg	77,613,270	4	8,746,321	7	9,226,791	8	8,700,962	7
Crude materials, inedible, except fuels	Kg	3,252,962	3	2,292,865	2	1,735,195	2	2,579,311	4
Mineral fuels and lubricants and related materials	Kg	580,841	1	525,327	1	1,973,640	1	748,689	1
Animal and vegetable oils	Kg	108,075	-	64,112	-	91,853	-	124,345	-
Chemicals and related products	Kg	18,066,837	27	42,393,763	68	401,448,743	42	117,992,730	68
Manufactured goods	Kg	206,100,481	150	331,195,662	194	327,915,255	315	505,523,305	470
Machinery and transport equipment	Kg	49,112,428	119	34,780,018	168	54,813,135	238	62,374,343	297
Miscellaneous manufactured articles	Kg	101,577,819	176	95,214,364	203	87,251,678	227	91,049,913	255
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 5

Imports from China into CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2009		2010		2011		2012	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	588,944,273	893	797,855,241	1,027	776,876,917	1,190	303,750,051	747
Food and live animals	Kg	72,304,214	16	14,684,504	28	71,293,494	29	65,350,317	14
Beverages and tobacco	Kg	10,117,426	8	8,951,818	9	9,913,343	9	4,747,129	5
Crude materials, inedible, except fuels	Kg	2,711,987	3	19,603,442	3	2,833,013	3	710,010	1
Mineral fuels and lubricants and related materials	Kg	867,551	1	923,402	1	1,916,228	2	165,794	-
Animal and vegetable oils	Kg	95,905	-	59,804	-	175,629	-	71,907	-
Chemicals and related products	Kg	70,867,790	67	84,977,992	53	57,008,190	60	56,933,357	44
Manufactured goods	Kg	281,726,562	279	351,589,068	302	339,883,536	365	96,190,508	175
Machinery and transport equipment	Kg	44,891,800	263	132,403,165	318	133,529,331	349	26,328,748	257
Miscellaneous manufactured articles	Kg	101,963,679	243	184,244,341	312	149,768,074	274	43,323,726	164
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 6

Exports to China from CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1991		1992		1993		1994	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	25,746,817	5	18,737,147	3	14,844,031	2	47,555	-
Food and live animals	Kg	18,144	-	12,317	-	3,400	-	11,571	-
Beverages and tobacco	Kg	-	-	194,902	-	203	-	43	-
Crude materials, inedible, except fuels	Kg	108,862	-	-	-	-	-	24,722	-
Mineral fuels and lubricants and related materials	Kg	-	-	-	-	-	-	343	-
Animal and vegetable oils	Kg	20,887,557	3	-	-	31	-	1,405	-
Chemicals and related products	Kg	4,729,941	1	18,529,375	3	14,832,419	2	1,308	-
Manufactured goods	Kg	-	-	4	-	5,933	-	1,109	-
Machinery and transport equipment	Kg	46	-	249	-	-	-	7,054	-
Miscellaneous manufactured articles	Kg	2,267	-	300	-	2,045	-	-	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 6

Exports to China from CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1995		1996		1997	
		Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	16,929,379	4	62,913	-	30,535,778	6
Food and live animals	Kg	25,704	-	1,645	-	8,068	-
Beverages and tobacco	Kg	-	-	210	-	-	-
Crude materials, inedible, except fuels	Kg	16,861,000	4	38,225	-	30,497,600	6
Mineral fuels and lubricants and related materials	Kg	-	-	18,600	-	18,000	-
Animal and vegetable oils	Kg	434	-	140	-	256	-
Chemicals and related products	Kg	50	-	80	-	1,520	-
Manufactured goods	Kg	40,782	1	1,376	-	299	-
Machinery and transport equipment	Kg	1,409	-	2,637	-	10,035	-
Miscellaneous manufactured articles	Kg	-	-	-	-	-	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-

Source: adapted from Caricom Stats

APPENDIX 6

Exports to China from CARICOM by type of product: 1991-2000 (Millions of USD)

	Unit	1998		1999		2000	
		Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	410,946,695	8	98,844,991	12	67,826,807	8
Food and live animals	Kg	711	-	335	-	3,884	-
Beverages and tobacco	Kg	-	-	44,452	-	20,656	-
Crude materials, inedible, except fuels	Kg	410,943,709	8	41,552,752	7	66,561,133	7
Mineral fuels and lubricants and related materials	Kg	-	-	40,881,923	4	956,189	-
Animal and vegetable oils	Kg	64	-	15,890,252	1	218,430	-
Chemicals and related products	Kg	108	-	391	-	37,489	-
Manufactured goods	Kg	51	-	156,252	-	22,678	-
Machinery and transport equipment	Kg	2,052	-	318,626	-	4,015	-
Miscellaneous manufactured articles	Kg	-	-	8	-	2,333	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-

Source: adapted from Caricom Stats

APPENDIX 7

Exports to China from CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2001		2002		2003		2004	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	199,212,537	37	274,343,778	47	549,222,056	102	1,673,656,175	171
Food and live animals	Kg	10,949	-	9,809	-	12,753	-	52,329	-
Beverages and tobacco	Kg	45,960	-	83,942	-	99,657	-	21,017	-
Crude materials, inedible, except fuels	Kg	196,546,235	36	264,596,448	45	547,221,132	100	839,882,624	168
Mineral fuels and lubricants and related materials	Kg	-	-	-	-	-	-	-	-
Animal and vegetable oils	Kg	-	-	-	-	-	-	-	-
Chemicals and related products	Kg	514	-	129,261	-	677,955	-	544,075	-
Manufactured goods	Kg	2,545,844	-	9,120,592	1	761,845	-	831,702,212	2
Machinery and transport equipment	Kg	44,529	-	382,220	-	438,622	-	774,317	1
Miscellaneous manufactured articles	Kg	2,267	-	300	-	2,045	-	-	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 7

Exports to China from CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2005		2006		2007		2008	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	747,461,521	118	1,188,904,879	324	1,589,272,948	108	85,736,464	29
Food and live animals	Kg	40,470	-	75,165	-	91,331	-	55,764	-
Beverages and tobacco	Kg	18,481	-	38,432	-	4,821	-	43,887	-
Crude materials, inedible, except fuels	Kg	552,817,075	113	937,995,433	311	1,111,789,918	89	53,931,495	18
Mineral fuels and lubricants and related materials	Kg	-	-	-	-	-	-	186	-
Animal and vegetable oils	Kg	-	-	-	-	-	-	-	-
Chemicals and related products	Kg	164,459	-	354,986	-	40,712,140	8	97,298	-
Manufactured goods	Kg	193,607,579	3	248,892,484	9	1,432,180,975	7	28,534,710	7
Machinery and transport equipment	Kg	603,030	1	809,495	2	3,172,717	3	2,489,420	2
Miscellaneous manufactured articles	Kg	2,267	-	300	-	2,045	-	-	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

APPENDIX 7

Exports to China from CARICOM by type of product: 2001-2012 (Millions of USD)

	Unit	2009		2010		2011		2012	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Total of all sections	Kg	398,018,400	83	358,304,038	47	1,427,776,626	118	111,903,214	45
Food and live animals	Kg	188,230	-	213,795	1	328,890	2	348,954	1
Beverages and tobacco	Kg	48,210	-	686	-	10,881	-	11,751	-
Crude materials, inedible, except fuels	Kg	159,381,347	43	212,253,157	20	926,262,712	55	72,903,622	29
Mineral fuels and lubricants and related materials	Kg	95,126,470	19	49,206,910	9	115,250,761	46	-	-
Animal and vegetable oils	Kg	-	-	-	-	-	-	28	-
Chemicals and related products	Kg	84,196,619	12	39,720,541	9	2,656,036	1	1,971,760	-
Manufactured goods	Kg	51,156,279	5	55,277,948	5	381,513,487	8	34,983,649	4
Machinery and transport equipment	Kg	1,345,612	3	1,480,876	1	1,127,304	1	600,239	1
Miscellaneous manufactured articles	Kg	2,267	-	300	-	2,045	-	-	-
Commodities and transactions not classified elsewhere		134,247	-	6,089	-	13,479	-	15,069	-

Source: adapted from Caricom Stats

CONCLUSIONS

AN ASSESSMENT OF RELATIONS BETWEEN CHINA AND THE AMERICAS: FOREIGN POLICY UNDER XI JINPING

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This chapter presents and examines some ideas surrounding Chinese foreign policy, with a special emphasis on the goals set forth by China's current president Xi Jinping. Key aspects of China's international insertion, which must be taken into consideration in any study of Latin America's relations with the emerging power, will be highlighted.

1. The “China factor” in global, regional and national processes

Professor Song Xiaoping from the Chinese Academy of Social Sciences has argued that international conditions are central to the future of China–Latin America relations, and this holds true from the global to the local level. Nevertheless, it is also possible to start with a focus on the local, in this case China, and move toward the global level. What is certain is that the China factor is a decisive factor in global transformations because to a large degree, it determines many characteristics of the current international system, such as its power structure, how international organizations function, and multilateralism. It is also a critical factor in shaping the reality experienced by Latin American countries and their domestic political economies. In other words, China's presence is altering global, regional and national circumstances. How is this done? To what degree and to what extent? How does this affect Latin America?

China is a decisive factor in present day international relations for a number of reasons: first, it has a population of 1.45 billion people; second, it has undergone the quickest economic modernization in history, lifting 700 million people out of poverty in three decades; third, it has been the world's second largest economy since 2011; fourth, it has been the preeminent trading power since 2014; fifth, it is the main trading partner of the world's largest economies such as the United States, the European Union, Japan and others; and sixth, it is a permanent member of the United Nations Security Council.

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If we evaluate the impact at the different levels of the international system we see that:

1. At the global level, the China factor has been a key component in changes to the power structure, turning it from a unipolar into a multipolar system.
2. At the regional level, as it pertains to Latin America, the China factor determines the prices of raw materials, diversification of the export market, and even the way in which the region conducts international relations in terms of multilateralism, South-South cooperation and multipolarity.
3. At the national level, bilateral relations between Latin American countries and China, in all their dimensions, are influenced by the presence of this emerging power, which in turn, also affects national decision-making processes.

2.Latin America and China: heterogeneous relations?

Academic works on relations between Latin America and China display a variety of perspectives. As Enrique Dussel, researcher at the Universidad Autónoma de México, explains, the People's Republic of China's growing closeness to Latin America –which began in the 1970s– has been studied from different theoretical perspectives ranging from more realist points of view focused, for example, on China's impact on the regional balance of power –including suggestions that there has been a shift in hegemony or dominance from Washington to Beijing–, to more neo-liberal points of view that underscore the benefits –mostly in the economic sphere– of ever-deepening Sino-Latin American ties. To the last point we must add that cooperation is multidimensional and involves different processes such as the creation of cooperation and integration organizations, for example the Pacific Alliance, APEC, FEALAC, and other formal and informal mechanisms.

As a result, analyses have generally been conducted from different viewpoints and have binary themed titles like “Shared Gains, Asymmetric Hopes” (Domínguez, 2006), “Nuevas oportunidades y desafíos” (“New Opportunities and Challenges” Lorio, 2007), or “Relaciones de cooperación y competencia” (“Engaging in Cooperation and Competition” Rho, 2011). These studies tend to focus on economic links, even though in reality, the multidimensional aspect of the relationship is becoming more and more prevalent, suggesting that Chinese “pragmatism” is behind its growing level of closeness with the region. (Arriagada et al., 2014; Domínguez,

2008; Yopo, 2011).

The research conducted by the historically important ECLAC stands out among the studies emanating from Latin America, even though it no longer adheres to the classical dependency and development theoretical approach it had in the 1950s. Studies on Sino-Latin American relations associated with this institution tend to emphasize increased cooperation and shared benefits, stressing China's newfound status as a major trading partner for countries in the region -coming within reach of the traditionally dominant role played by the United States- while commenting on pending or negative aspects of the relationship, such as the trade deficit Latin America runs with Beijing, anti-dumping investigations and the on-going issue of scant Chinese foreign direct investment in the region (ECLAC, 2010; 2011; 2012).

As Enrique Dussel explains, the challenge Latin America currently faces is to create a common Latin American agenda in order to heighten strategic relations with China. This line of theoretical reasoning is fully aware of the heterogeneous quality of Sino-Latin American relations because it suggests varying degrees of closeness between two groups of countries, primarily those that have a complementary relationship with China (such as Brazil, Chile, Peru and Costa Rica) and those that have a competitive relationship with China (such as Mexico and Argentina). This heterogeneity is a common element in the literature and theoretical analyses.

Research carried out by the author in 2012 as part of a FONDECYT project (Chilean National Fund for Scientific and Technological Development) concluded that it is possible to divide relations between Latin America and China into two large groups: on one side there are countries with an active China strategy, for example, Argentina, Brazil, Cuba, Chile, Mexico, Peru, Venezuela and, recent additions to the group, Costa Rica and Colombia. On the other side are countries engaged in a passive relationship with China, who readily accept China's unilateral actions without pushing for greater links that would be more in line with their interests, for example, Guatemala, the Dominican Republic, Bolivia, Ecuador, Honduras, Paraguay and others.

The results of this investigation also allowed us to identify three categories or types of relations with China: first, those countries that have a complementary relationship with China without any type of competition in economic or political matters, for example, Chile, Costa Rica, Cuba and Peru; second, those countries whose relationship with China is characterized by a great amount of economic, political and

cultural exchanges but feel some competition and mistrust because of similarities in exported goods and export markets, for example, Mexico and Argentina; and third, those countries that hold a position of power in the region and for whom the global strategic relationship means complementarity in economic, political and, more specifically geopolitical issues, for example Venezuela and Brazil. Colombia is in the process of unfurling its China strategy and time is needed to see if the relationship evolves towards complementarity or competition.

It should be pointed out that a majority of countries without a China strategy, which we call passive, do not have diplomatic relations with China because they have formal relations with Taiwan instead. This is true for Panama, Nicaragua, the Dominican Republic, Guatemala, Honduras, and Paraguay. It also includes countries that have only recently formalized relations with China, like Uruguay, Ecuador and Bolivia, which recognized China in 1988, 1980 and 1985 respectively. None of these three countries were visited by any Chinese leader during the first decade of the 21st century and it wasn't until the second half of that decade that they were able to improve bilateral relations. Yet, these relations are still classified as moderate when compared to countries with an active strategy.

These categories are to be used as an analytical device for explaining the myriad ways and degrees in which countries interact with China based on their specific characteristics and interests. Thus, any common Latin American agenda that might be promoted, for example by ECLAC, needs to recognize this heterogeneity and take into account its strengths and weaknesses. Furthermore, these categories assist in the study of changes in countries. For example, Colombia ceased being passive and in recent years has strategically sought out China. Ecuador, Panama and Nicaragua have been receiving more Chinese investment of late. In addition, countries that were considered passive during the first decade of this century have only just changed the nature of relations and the reasons for having done so must be examined.

Finally, any analysis of the heterogeneity that typifies Latin America as an international actor should note that, in spite of the prevalence of economic studies on Sino-Latin American relations, there is an increasing number of political analyses. Most focus on the diplomatic struggle between Beijing and Taiwan (Burdman, 2005; Domínguez, 2006; Erikson and Chen, 2007) and are conducted from a rather realist point of view, interested in studying diplomatic advances by the People's

Republic of China in Central America.

Diplomatic confrontation with Taiwan draws attention to the political environment and leads to possible doubts about the level of pragmatism –quite extensively suggested by the literature– not only in China’s foreign policy but also in the foreign policy of those Latin American countries who first established relations with China in the 1970s when a large number of authoritarian governments were in power, relations which have remained unchanged until today. There is no doubt about how important economics are in explaining this phenomenon, however, simplifying it to pragmatism is not entirely correct, especially considering the establishment of “strategic associations” between China and countries such as Brazil, Mexico, Venezuela, Argentina, Chile and Peru and intentions to move beyond mere economic cooperation.

When studying the political aspects of the Sino–Latin American relationship, the United States cannot be left out of the equation, considering its historical closeness to the region. The U.S. academic literature provides an array of diverse and heterogeneous analyses, but there are some commonalities that, to a large degree, tend to be more grim and suspicious, and in some cases even more “alarmist” with respect to the U.S. losing its place to the Asian dragon. This has been even more evident since the beginning of the “war on terrorism” in 2001 when the focus of U.S. foreign policy shifted to the Middle East, relegating Latin America to the periphery (Hakim, 2006).

One of the main lines of thought recognizing Beijing’s growing importance in Latin America and the Caribbean refers to a new triangular relationship between the United States, China and Latin America (Arnson and Davidow, 2011; Ellis, 2012; Ratliff, 2009; Stallings, 2008). It is based on more or less a realist approach to the threat Beijing’s arrival in the region poses to the United States and the possibility of “losing ground” to the Asian giant (Hakim, 2006). Ellis (2009) is among the most realist and critical authors. He, like Phillips (2011), stresses the most negative aspects of the Sino–Latin American relationship, such as the rise in inequality in the region as a result of economic interaction with Beijing as well as the “competition” China’s increasing participation in regional institutions and support for “populist regimes” is creating with the United States.

There is a similar concern within Europe about China’s entry into the region. Some of the literature addresses the loss of European influence in the region, not

only in economic terms, having been replaced by China as the region's second largest trading partner in certain areas –for example, as the origin of imports to Latin America (ECLAC, 2012)–, but also in political terms, including soft power (Gratius, 2013; Ruiz, 2010). It is possible to find analyses that ask questions from a realist perspective like the one by Thomas (2012) which raises the possibility of China forging a new imperialism. There are other analyses that tend to take a more measured approach to Sino–Latin American relations, stressing their heterogeneity and arguing that there is as much competition as complementarity (Dosch and Goodman, 2012).

In reality, China's strategy for relations with Latin America includes the United States and calls for increased closeness with the region without competing with or displacing the great power to the north. Nashira Chávez from the University of Miami states that the divergence in shared interests between the United States and Latin America leaves room for deeper relations with China, especially in economic issues. However, she adds that this is not a direct cause of expanded relations, does not lead to the superimposition of topics nor increases the likelihood of conflict. Quite simply, she contends that China is an “empty power” in Latin American political and military affairs. Nevertheless, it should be noted that Chinese pragmatism employs quite a bit of strategy and power building. Therefore, we believe that the status of “strategic partner” conferred by China upon certain countries is the way in which China is intentionally building its power in the region.

Some of the main characteristics of strategic associations include the following: first, a non-traditional alliance is formed that is not directed against third parties nor implies acceptance of traditional obligations associated with alliance pacts; second, there is a focus on economic elements to the detriment of military ones, with clear separation between the two spheres; third, there is an impact on states and international organizations because once bilateral agreements, treaties or declarations are signed, including the “strategic partnership” clause, the effects spread to multilateral associations; and fourth, Chinese economic interests are reinforced by linking the highest possible number of countries to their economic growth. In order to achieve this, cooperation must be prioritized and promoted over conflict and competition (Oviedo, 2006: 390–391).

Therefore, we maintain that this is all a part of Chinese foreign policy strategy. Beijing purposefully moves beyond economic issues to strengthen political, cul-

tural and even military relationships –and loyalty– with other states. (Rodríguez: 2012). This end stage requires that certain conditions be met. In order for China to confer “strategic” status on a country, it must be an influential regional power in addition to possessing energy sources, raw materials and an attractive market for the Chinese, even though it does not necessarily have to have all of these requirements. Evidence of this strategy at play in Latin America includes the six strategic associations that have been created as of 2012 with Brazil (1993), Venezuela (2001), Mexico (2003), Argentina (2004), Peru (2008) and Chile (2012).

Finally, China has produced its own studies on ties with Latin America, both in official documents like the 2008 White Paper “China’s Policy Paper on Latin America and the Caribbean,” as well as in academia. Shixue (2001: 2006) is one of the most prominent authors on the subject. He tends to highlight the positive aspects of the new Sino-Latin American relationship and feels the need to “explain” Chinese foreign policy. For example, in his piece “Ten Key Questions” (2011), he responds to questions like “Why is Latin America important to China?” and addresses concerns about areas with little shared understanding, the “U.S. factor” in Sino-Latin American relations, and other issues.

Official documents have been published from an academic standpoint that offer a broad overview, similar to the 2008 White Paper. One of the most important is the Yellow Book “Annual Report on Latin America and the Caribbean (2012–2013),” published by the Institute of Latin American Studies at the Chinese Academy on Social Sciences (CASS), which promotes comprehensive cooperation (taking into consideration all of the countries in the region and their differences) as a basic goal for future Sino-Latin American relations. Analyses from China tend to be optimistic about present and future relations, although some critical opinions have surfaced in Chinese academia warning of a need to resolve certain problems in order to deepen ties with the region even further. These refer to a lack of mutual understanding due to an imprecise, and in some instances, unclear Chinese public diplomacy (Qingguo, 2013), the scarcity of “China/Latin America experts,” too few studies, and too little knowledge shared by Beijing and Latin America (Shouguo, 2013). He points to the need to develop potential Sino-Latin American links with 33 countries in the region, and not just with those that are closest (Peng, 2013).

3. New elements in Latin America-China relations: Xi Jinping's leadership

Deng Xiaoping (1977-1992) was the ideologue behind China's opening up and the theory of socialism with Chinese characteristics. His foreign policy goal was to seek out international conditions that would help spur economic growth following his country's gradual shift to a market economy. His motto in international relations was "hide your capacities," which meant integrating into the global economy through opening up but without revealing any strengths that would lead the rest of the world to believe that China might become a global power. Hence, diplomatic efforts under Deng sought openness and diplomatic recognition at the expense of Taiwan.

On the other hand, Jiang Zemin (1992-2003) pursued a policy of responsible diplomacy, the goal of which was to turn China into a main protagonist on the international stage so that it would be treated as an equal. The greatest achievement was China's accession to the WTO in 2001 and the start of Six Party Talks on the Korean peninsula. Through these Jiang was able to position China in the international system as a country that was integrating into the global multilateral system.

His successor, Hu Jintao (2002-2013), will be known for a productive foreign policy designed to build up China's leadership role. Since the 1990s, China has had to confront the "China threat" theory, which states that its international rise poses a threat to the West. Samuel Huntington used academic arguments to encourage mistrust, accusing China of following Confucianism and being anti-democratic and anti-U.S.A. Lester Brown contended that the demand for energy sources and food products would force China to expand and conquer.

As a result, official Chinese government discourse defended China's international insertion by stressing the following main points: first, China has historically not shown aggression; second, China has a pro-Confucius culture that seeks equilibrium in diversity through respect; third, its current insertion is carried out with responsibility and in pursuit of greater interdependence; and fourth, the most sensitive issue, military modernization has only been carried out for legitimate defense purposes. Global mistrust of China also led the country to promote and develop courses in international relations within the Communist Party of China and in universities across the country.

Nevertheless, it was during this transition from the 1990s into the early 21st century when a key event occurred that weakened the theory of the Chinese threat. The September 11 attacks on the Twin Towers revealed a new enemy of the West, terrorism, and China declared its support for the U.S., at least until 2003.

Hu Jintao's theory of a harmonious society emerged at this time. It contains five elements that have been guiding China's international relations decisions and actions ever since. They are significant because China has been applying these principles in Latin America since 2005.

1. China's international development strategy is win-win. This is important because previously, traditional powers have employed a zero-sum game strategy, which implicitly included an "enemy" category. This represents a change in China's vision of the world, which in its role as a world power can influence the dynamics of the international system.
2. Harmonious development refers to a peaceful rise. China believes that it can become a world power without entering into war, without aggression and without expansion.
3. Respect for diversity. This means adhering to a pragmatic policy, i.e., not an ideological policy. This does not mean that China will not pursue political relations with certain countries, but rather the policy is understood as a base for respecting diversity. To this end, what is different is not an enemy.
4. Multilateral cooperation and coordination in a multipolar system comprised of several heterogeneous powers.
5. The basic principle behind all actions is peaceful co-existence.

Whereas Hu Jintao aspired to achieve international development under these principles, Xi Jinping's goal, who became President of China in March 2013, is to shore up China's position as a world power. His objective is to fulfill China's historic destiny as the Middle Kingdom, in other words, its destiny to become a prominent and recognized power in the world system.

Nevertheless, a basic tenet of China's destiny is modernization and national development. Therefore, domestic factors will always determine China's foreign policy. Xi Jinping has adopted a theory that will guide his term in office for the next ten years. This theory, called the Chinese Dream, also depicts the current phase of the Chinese model. At the national level, it calls for economic prosperity, greater social and individual wellbeing (an end to corruption, environmental improvements, judicial security, health, greater property rights for peasants and closing the gap between the rich and the poor). At the international level it means being the preeminent world power.

There are two concrete goals: first, by 2021 when the CPC celebrates its 100th anniversary, it is hoped that society will have achieved a modest level of comfort with a per capita income of US\$ 40,000 and housing for all. Second, by 2049, when the PRC celebrates its 100th anniversary, China should be a prosperous, strong, democratic, civilized and harmonious country.

The question Latin America should be asking then, is how does the Chinese Dream affect China's foreign policy and what does Chinese prestige diplomacy mean for the region.

The triangular relationship between China, the United States and Latin America reached an interesting milestone in June 2013, when President Xi Jinping and President Obama met and discussed the future of bilateral relations. This event is considered a landmark in Chinese-U.S. relations, which had remained unchanged since 1972. At this recent meeting both countries signed joint communiqués defining the minimum common denominator necessary for maintaining a relationship of trust.

It is referred to as a landmark because Xi Jinping invited the U.S. to seek a new type of relationship based on respect, cooperation and shared benefits in a harmonious world. This is especially relevant because the other option is classic confrontation between competing powers playing a zero-sum game, especially when, according to the neo-realist lexicon, they are two great heterogeneous powers.

Therefore, a new model of relations between heterogeneous powers took shape during this first meeting mentioned above. Different ideologies, political systems, civilizations, histories and cultures are not necessarily obstacles to cooperation between China and the United States. Xi Jinping proposed that differing world vi-

sions should seek out channels of communication and Obama agreed, saying that “a new type of power relationship” is needed in which great powers cooperate on a foundation of mutual respect and benefits (English People’s Daily, 2014).

This is no coincidence. China and the United States participate in approximately 90 intergovernmental dialogue mechanisms that deal with political, security, economic, and financial issues. Since January 2014 it has been the number one trade partner of the U.S., in addition to the bilateral, regional and global relations that they share in the current multilateral system. This falls in line with the recommendations of key U.S. analysts like Kissinger (2014) and Brzezinski, an advisor to Obama, who on several occasions told both Democrats and Republicans that in order to have relations with China, Cold War concepts and maneuverings must be laid to rest.

This notion of post-Cold War cooperation is not idealistic in any way, shape or form. To the contrary, China understands that due to dissimilarities in models and cultures, significant differences and problems will inevitably arise. Nonetheless, they are betting on building trust and on having the good will and mechanisms needed to resolve any problems. Furthermore, the U.S. and China are permanent members of the Security Council, therefore, these new types of relationships between great powers could eventually have worldwide effects.

So what are the consequences of all of this for Latin America? The Chinese Dream sends several messages that we should pay attention to when planning the region’s relationship with China. Whether understood as a regional, sub-regional or bilateral relationship, the need to recognize the heterogeneity of Latin American countries in their relations with China must be underscored. Latin America must be flexible in accepting this state of affairs and slowly come together to agree upon a regional agenda and strategy.

Xi Jinping’s Chinese Dream policy has energized Chinese diplomacy in the region, which translates into a greater economic and political presence that deepens multi-dimensional understanding. China is working on its public diplomacy in order to be better understood and to further strengthen relations.

The Chinese government has begun to develop a public diplomacy strategy within its foreign policy, incorporating China’s soft power as one of its central pillars. The main goal is to dispel fears of hegemony and thereby create the international conditions that favor continued economic growth (Rodríguez: 2013). As a result of

this strategy, China is presenting itself as a power without hegemonic pretensions, cooperative, a promoter of international peace, and a trustworthy trade partner in addition to a responsible international actor (Cho and Jeong, 2008).

Among the most significant measures adopted by the Chinese government in this area is the creation of the “Public Diplomacy Division” of the Department of Information in the Ministry of Foreign Affairs in 2004 (Wang, 2008). This demonstrates the degree of importance public diplomacy had achieved in China’s foreign policy (Rodríguez: 2013). In 2010, the first research center dedicated to the study of public diplomacy was established at the Beijing International Studies University, which assists the government. Furthermore, both concepts have been incorporated into the official discourse. The need to promote public diplomacy and people-to-people and cultural exchanges was specifically mentioned in the Report to the Eighteenth National Congress of the Communist Party (English Xinhuanet, 2012).

Along similar lines, an increasing number of institutions are being established within China to study Latin America. Chief among these are the Institute of Latin American Studies at the Chinese Academy of Social Sciences (CASS) and the China Institutes of Contemporary International Relations (CICIR), proof of China’s desire to improve Sino-Latin American relations through greater mutual understanding. The Asian giant has also expanded its influence in the region through media, primarily the television channel CCTV, the Xinhua news agency, the People’s Daily and other Chinese outlets, which have had branches in many Latin American countries for years. There have also been important advances in Sino-Latin American “para-diplomacy,” with sister city and/or province relationships between China and the region. For example, the sister province relationship between Buenos Aires province and Hebei province established in May 1992, the sister city relationship between Buenos Aires and Beijing in July 1993, Entre Ríos province with Jilin province in November 1996 and the city of Rosario with Shanghai in June 1997 (Lizama: 2013).

This will also mean a greater number of high-level visits by China to Latin America. Xi Jinping carried out a full agenda of bilateral visits when he was Vice President of China. Of particular note is the fact that just days after assuming the presidency, the first country he visited was Russia, followed by Africa and Latin America. Only then did he visit the U.S.A. and Europe. He also visited Trinidad and Tobago, Costa Rica and Mexico. Efforts will be made to use the “strategic partner” status in the

region as a way to create alliances or pursue joint actions to shape multilateralism in a way that best meets its international goals.

Finally, it is important to note that China watches our institutions and our integration processes and participates as an observer in most instances. Thus, the Pacific Alliance is an attractive bloc for China. The strategy of this Latin American sub-region is to achieve deep integration with Asia Pacific in order to take advantage of opportunities afforded by its resources, enter into negotiations with the Asian market and develop its local industries. Nevertheless, even though this is a cooperation bloc, there also appears to be some degree of rivalry and competition between the two main economies in Asia Pacific, i.e. China and the United States. Research shows that the United States is trying to gain influence by being part of the Trans-Pacific Partnership (TPP) still under negotiation and China is seeking to reinforce its leadership role through ASEAN+6. Tangentially, the United States might be able to influence Latin America through the closeness it has achieved via free trade agreements with member countries of the Pacific Alliance: Peru, Chile, Mexico and Colombia. This would reduce Brazil's influence in the region and help the U.S. position itself better in relation to Mexico in a new manner of integration designed to face the challenges from the Asian market. In the end, the subject remains open for discussion and could lead to new research on the implications of Latin America's relationship with China as the Pacific Alliance takes its final shape and moves forward.

4. Final Thoughts

The analysis conducted supports the argument that China is trying to configure a new power paradigm, different from the traditional power systems of the 20th century, with a leadership that has its own characteristics: first, it is a power that builds alliances without an ideological component; second, economic features are the main pillar of its foreign policy, even when there is cooperation in political, cultural and military issues; third, it builds economic alliances and not military ones, in the traditional sense; fourth, it is a non-Western power and a distinct civilization with its own specific features; and fifth, it does not have a history of a democratic political system and does not demand one as a condition for developing international relations.

The question is whether those factors that were relevant in the previous decade will continue to be important for the remainder of this decade and which new factors

might affect relations between China and Latin America. Of these new factors, attention should be paid to the following: first, public diplomacy as a novel way for Latin America to conduct relations with China; second, strategic partner status and the diversification in relations that the region can achieve as a result; third, a change in China's leadership and planned goals for its foreign policy; fourth, cooperation in technology, innovation and education, areas that have become important in China's international relations; and fifth, mechanisms like the TPP and the Pacific Alliance should be taken into consideration by countries in the region when planning their China strategies as well as a regional agenda.

In conclusion, Latin America, because of its diversity and heterogeneity, needs to learn how to read economic, political and leadership changes in China in this new decade in order to enjoy better relations. China has clearly defined national interests that are expressed through its foreign policy in keeping with the country's national modernization goals. This runs parallel to a diplomatic strategy that has learned how to adapt to changes in power and new actors in the international system.

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LATIN AMERICA-CHINA RELATIONS IN A WORLD IN TRANSITION. PRELIMINARY OBSERVATIONS FOR DISCUSSION

*Alicia Puyana*¹²⁴

In order to analyze economic and political relations between China and Latin America and the Caribbean, historically and analytically relevant characteristics of both actors must be taken into consideration.

On the one hand, China is not an emerging country (a curious euphemism to refer to economic growth) since no country “emerges” but has always existed, with whatever political status, total GDP or GDP per capita it may have had. Nor can China be considered new with its ancient civilization, the cradle of scientific, technical and cultural advances. Paradoxically, the country was only recognized as a member of the international community in 1971 when it joined the United Nations and took a seat on the Security Council replacing Taiwan. Even more odd is that today some countries continue to dispute the legitimacy of the Chinese state and it is still referred to as a state with limited recognition. In actuality, 171 of the 193 member countries of the UN have recognized the People’s Republic of China. This means that 22 nations, or 11.4%, have not. Of these 22 countries, 10 are Latin American, primarily from Central America, and the Caribbean. It is in China’s interest to achieve full recognition.

On the economic side, China has pushed forward reforms that accommodate private capital without having to abandon the one party system, which makes China capitalist without the bourgeoisie. In other words, this socio-economic group is not the dominant class and it does not determine the rules for capital growth. The blueprint for the model is designed by the communist party, which uses orthodox economic policies that constitute “a systematic and comprehensive strategy (involving fiscal policy, competitiveness, exchange rates, growth, employment, industrial development and long-term policies) by China that contrasts with the predominantly macroeconomic policies of the “Washington Consensus” (Dussel, 2014).¹²⁵ Differences exist in market-state and capital-labor relationships, in setting capital,

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125 Enrique Dussel Peters, March 2014, “Relations between Latin America and the Caribbean and China. Trade and Strategic Relations in a World in Transition,” FLACSO, General Secretariat.

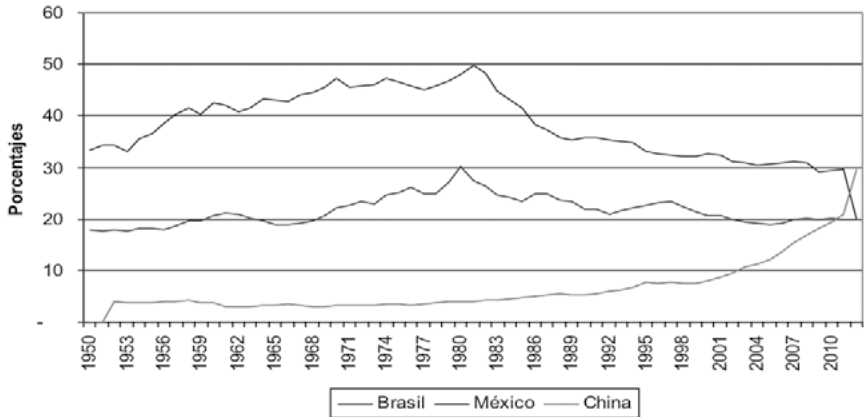
currency and labor costs, and in managing structural change, e.g., moving from agriculture to manufacturing, from labor intensive to technology intensive, and from a predominantly rural society to an urban one. Chinese pragmatism is evident in the way it conducts international relations, which according to experts is best defined by Deng Xiaoping's famous saying: "Hide your brightness, cherish obscurity." This motto has helped China gain entry to important multilateral organizations and grow to be the largest economy in the world (just this year) as measured by exchange rate parity, surpassing the United States which had held the position since 1870 (The Conference Board, 1990). This is how China, through its reforms, has effected change domestically and has transformed the world. This pragmatism is clearly reflected in Dr. Song Xiaoping's contribution to this book (2014).¹²⁶ Do not alter the balance or disturb the established order. Adapt to it, in keeping with the demands of this complex network of national interests.

The People's Republic of China emerged from the fight for national liberation in 1949 as a socialist country that would come to play a prominent role in the Cold War and be on antagonistic terms with not only the capitalist powers but the Soviet Union as well, and be involved in border conflicts, for example, with India. Perhaps the most notable feat, aside from its connection with the armed conflicts in Korea and Vietnam, was to bring an end to "nuclear blackmail" when it tested the first nuclear weapons, i.e., the atomic and hydrogen bombs in 1964 and 1967, respectively. China's national project entailed, and still entails, consolidating its defense industry and building a solid foundation of science and technology. This was reflected in the unsuccessful test of a satellite in 1991 and the launch of a lunar probe in 2013 and contrasts sharply with the national projects of Latin American countries, including Brazil. This is why major advances in science and technology do not originate with economic reforms and why only the economic reforms explain the gap separating Latin America and China in this area. This is reflected, for example, in patent applications by non-residents and residents of Latin America which represent 48 and 1.4 percent of the respective categories for China. This has also led to advances in Chinese productivity, as shown in Figures 1 and 2. The first depicts Chinese, Brazilian and Mexican labor productivity as a percentage of U.S. labor productivity. In the second, Chinese productivity is shown as a percentage of Brazilian, Mexican, and Chilean productivity.

126 Song Xiaoping (2014) "China and Latin America in a World in Transition. A Chinese Perspective."

Both figures show China's progress and the relative stagnation, if not regression, of Brazil and Mexico, and to a lesser degree, Chile. The two graphs also demonstrate that during a period of significant growth in the global economy, 1950-1970, marked by great scientific advances in the west and therefore, increased productivity in the West, Chinese productivity did not fall behind and retained the same percentage in relation to these countries. After reforms were implemented in China and Latin America opened up and carried out structural reforms, China moved ahead at a quicker pace and closed gaps in productivity with the U.S. and Latin American countries.

Figure 1
Chinese, Brazilian and Mexican labor productivity as a % of U.S. labor productivity. 1950-2013

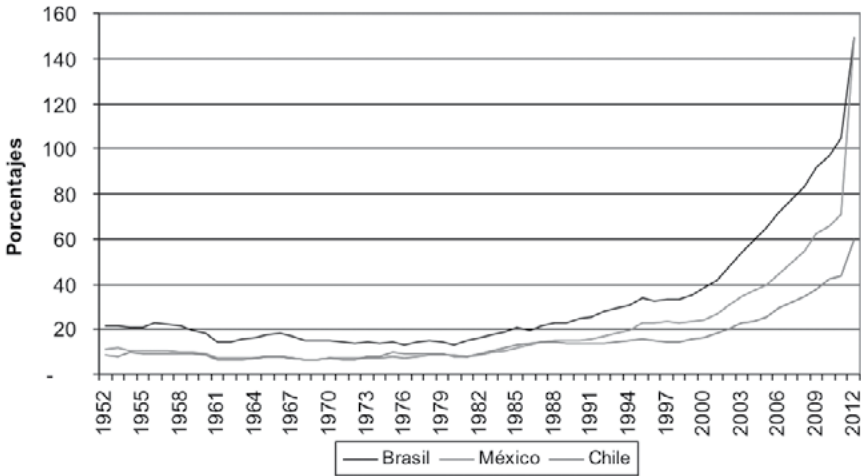


Source: Adapted from *The Conference Board Total Economy Database™*, January 2014,
<http://www.conference-board.org/data/economydatabase>

This factor must be taken into consideration not only in analyzing trade relations, but also when studying the displacement of Latin American manufactured goods in domestic and export markets, an aspect that all of the chapters in this book have emphasized. One important element, noted in the chapter by Dussel, is the need to conduct detailed studies on markets and goods in order to obtain more definitive conclusions and make policy recommendations. Mexico, for example, must resolve

the problem of producing exports that are very similar to Chinese exports, as measured by the similarity index, which has changed very little since 1980 (Puyana 2014).¹²⁷

Figure 2
Chinese labor productivity as a % of Brazilian, Mexican and Chilean productivity. 1952-2013



Source: Adapted from *The Conference Board Total Economy Database™*, January 2014,
<http://www.conference-board.org/data/economydatabase>

In addition, Latin America is made up of a group of very diverse countries in terms of their histories, politics, and economies. When they gained their independence 200 years ago, some countries embraced radical economic liberalism. Others did so in the middle of the 20th century, when the model called for state-led developmentalism. The size of the economies varied widely and therefore so did their ability to develop autonomously. Simultaneously there were attempts to integrate a sub-continent with a number of small islands that, as small economies, must incorporate themselves fully into the global economy, precisely as discussed in the excellent papers on the Caribbean (González Peña and Martínez Alfonso, Dussel and Reyes

¹²⁷ Puyana, A. 2014 “La política comercial mexicana. El legado de los 20 años del TLCAN,” work presented to the Instituto para el Desarrollo Industrial y Crecimiento Económico (IDIC).

Herrera). They also vary according to the way in which they create a place for themselves in the global economy: manufacture based; as part of global value chains with high import content in exports and the economy as a whole (such as Mexico, Central America and the Caribbean); or through strong ties to the U.S. market via FTAs, such as NAFTA. (It would seem that the size of the economy and territory becomes less relevant as stated by Ramírez Bonilla and Haro Navejas, on Mexico and Vinicio Sandi, on Central America). Additionally, there are countries exporting primary goods which have more diversified markets, a group which includes Brazil, Chile and Argentina. It also includes Ecuador or Paraguay and Colombia and Peru, the first two do not have an FTA with the U.S. and the latter two do.

Politically speaking, some countries in the region quickly established relations with China (Brazil, Mexico and Argentina, for example), some recognized China only recently (Colombia and Peru) and other countries still have not done so (several countries in Central America and the Caribbean and Paraguay). Countries that follow orthodox economic policies (Colombia and Chile) or have right wing governments (Colombia and Peru) sit side by side with those that have adopted less orthodox policies without having abandoned the liberal export model (Argentina, Uruguay) and others that have embarked on more drastic changes (Bolivia and Ecuador) without having abandoned extractivism. The economic and political relations between this complex group of countries are studied from a liberal international relations theory point of view.

I bring up these facts for two reasons. China's progress is not purely economic. It is also political and diplomatic, although still incomplete when considering that it is a country without full diplomatic recognition. It should be noted that in foreign relations, the political aspect appears to dominate. China's experiences support this interpretation. What is evident from the studies discussed in this forum, a project which I am glad the FLACSO General Secretariat organized, is that a debate has been kindled on the complex topic of the global and regional significance of China's rise as a political and economic protagonist in Latin America and the Caribbean. It is not an issue of simple development, a point made by all six papers I reviewed. The map of Latin American economic and political interests, expressed through their foreign policies, is quite varied and complex and they cannot be easily grouped together. However, my professional specialty is economics, economic growth and the impacts of external shocks. All of these chapters are interesting and fit, to the extent possible, the methodology suggested in the clear and precise

guidelines given to the authors. I must congratulate the Secretary General on this initiative and for the methodology suggested for carrying out this project. I would like to thank FLACSO for the opportunity to comment on these papers. I hope my work is of a similar high quality.

Foreign relations and policy goals

In the current multipolar world, Free Trade Agreements are an integral part of many countries' strategies to promote trade and national interests, for example, in the United States, the European Union, and emerging economies like China and India, who have growing economic and trading power. The rise of new power centers leads to similar increases in the number and variety of national interests and possible disputes (Laïdi, 2013). Therefore, it is extremely difficult to reach a consensus within the WTO. Yet, no actor will assume the political cost of dissolving this organization or declaring the Doha round to be over.¹²⁸ Instead they turn to bilateral negotiations or negotiations among groups of countries on the margins of this forum.

Liberal international relations theory considers a country's foreign trade policy to be an integral part of its overall foreign policy. Trade creates alliances, builds linkages and strengthens ties as each country tries to attain its political and economic goals. For this school of thought, the economy is the means to the end: preserving the western liberal political order threatened by the advance of Asian economies (Stephens, 2013).

Today, in a world organized according to neo-liberal rules, states are, as they have been, responsible for making decisions on national and international economic policy. (Gilpin, 2001:4).¹²⁹ The states define their relations with other states based on their own expectations and economic and political interests and the actions required to achieve them. One such example is free trade agreements: negotiating and signing agreements and implementing institutional changes to guarantee their execution. Trade agreements express a political will to cooperate with other states in order to achieve political and economic goals –whether individual or collective–, reinforce autonomy and promote political and economic interests on the interna-

128 Multilateralism is not dead yet. Hufbauer and Schott (2012) and Zoellick (2013) suggest that the World Trade Organization can bring about important agreements on multilateral trade.

129 Gilpin, R. (2001): *Global Political Economy. Understanding the International Economic Order*, United States: Princeton University Press.

tional stage (Op. cit.: 11). Trade policy is used as a tool to influence the balance of power between states and also affects the political and economic changes taking place worldwide. (Gilpin, 2001:11).

We need only look at U.S. trade policy as an example. It has been labeled competitive liberalization,¹³⁰ the purpose of which, beyond the obvious market liberalization, is really to promote the country's foreign policy. It uses political criteria to determine whether or not to accept requests for trade negotiations and it demands that certain economic requirements be met before negotiations ever begin, which, by the way, are never initiated by the United States. Even though unilateral or LAC programs have created and increased trade, "geostrategic and political interests play an important role in determining the probability of gaining preferential access to U.S. markets,"¹³¹ (consequently) the selected country is chosen internally according to geostrategic interests and, to a large extent, the links created by political alliances (Lederman et al 2007: 256). When selecting trade partners, the United States considers not only potential economic gains but also values, economic reforms in the partner country, and the implications for trade policy and foreign policy goals. (Bergsten (2004: 95).¹³²

Of all of the trade policy goals (2005), political and geostrategic objectives are the most important (Evenett 2005:3).¹³³ This strategy forces countries to compete in terms of the amount of concessions they are willing to offer the United States in exchange for stable preferential access (at least in theory) to the U.S. market. Developing countries have made significant concessions in trade, in areas not strictly related to trade, and in areas tied to geopolitical interests. They have also made concessions on investments, services, intellectual property, the environment, the workforce, transparency, electronic trade, anti-corruption, government purchases, and others (Puyana and Aparicio 2013).¹³⁴ Hence, Free Trade Agreements negoti-

130 The phrase was coined for the first time in a document written by Bergsten (1996).

131 Lederman D. and Ç. Özden (2007): "Geopolitical interest and Preferential Access to U.S. Markets," in *Economics & Politics*, vol. 19, number 2, pp. 235–258.

132 Bergsten, F.C. (1996): "Competitive Liberalization and Global Free Trade A Vision for the Early 21st Century", IIE Working Paper, number. 15. In: <http://www.iie.com/publications/wp/wp.cfm?ResearchID=171htm>

133 Evenett, S. (2005): "'Competitive Liberalization': A Tournament Theory-Based Interpretation", Paper presented at the Conference "The Sequencing of Regional Economic Integration" at the University of Notre Dame, September 9 and 10.

134 Puyana, A. and Aparicio M, (2013) "¿Hacia un nuevo orden mundial? Las negociaciones de los

ated by the United States are more often than not a part of its geopolitical strategy and benefit only those countries that are considered allies or friends who have formally expressed an interest in reinforcing linkages in diverse areas. It is a way to create international cooperation schemes by offering incentives or imposing sanctions in the pursuit of its national interest. If the states display less affinity for U.S. concerns, the U.S. can use trade incentives to create multilateral coalitions (Voeten, 2004:731). This is the scenario that prevailed, for at least a century, in the most important trade relations within the region.

The trade strategy implemented by Latin American countries is two-fold: first, to increase trade based on products in which they have a competitive advantage, e.g., traditional export goods (the Ricardian or North-South model, raw materials for manufactured goods) from which they seek the static benefits of trade: to accumulate the necessary resources to import what is not produced domestically and obtain capital gains for investment purposes. Second, to open up markets for new products, like manufactured goods which are not efficiently produced and lack the quality needed to penetrate developed markets (the Linder theory, or South-South, based on manufactured goods). This exchange produces dynamic benefits of trade: structural change, economies of scale, gains from learning, and accelerated growth. In the political arena, Latin American countries attempt to forge alliances or strengthen links with the most important countries, i.e., those with whom they engage in the most trade. They also want to join the club of friends of developed countries and do not want to be excluded, for example, from negotiations on FTAs with the U.S. or from negotiations to create the Trans Pacific Partnership, which is plagued by doubts about its real goals and benefits.

Then, the question is: What goals are Latin American countries trying to achieve by increasing trade relations with China? Which political goals? Which economic goals?

My proposition is that China shares these goals and is not trying to undermine the world order, although it is trying to penetrate the world system and become a relevant country in order to achieve national goals. (Jordan 2003; 166-167).¹³⁵ To

Acuerdos de Cooperación Transpacífico y Transatlántico y el margen de los países en desarrollo." Paper presented at the AMECIP Congress, Mexico, August 2013.

135 "...(M)iddle power self-interest can be located at a deeper and more dispersed level: that is, an interest in global stability, controllability and predictability, a conservative strategy that has the effect of perpetuating the status quo, entrenching and exacerbating existing inequalities in power and wealth

be a world power requires a hierarchical order, with domination and dependency. The chapter by Hernán Gutiérrez – Sergio Cesarin on the Southern Cone addresses this topic and suggests that China, while promoting unilateral negotiations, takes advantage of gaps in consensus within the Southern Cone to push forward its own agenda, according to which relations with the region are part of the traditional matrix of relations with major powers. In the author's words, Latin America and the Southern Cone countries persist in reproducing the center-periphery model that today, "although displaying less severe features, appears to have returned." The authors suggest that the Southern Cone is linked with China in a center-periphery relationship, i.e., reproducing this adverse trade relationship with a "new partner." Accordingly, the Southern Cone is "part of China's periphery" (Ibid.), contributing to China's food security and providing it with energy and mineral resources. Marcos Cordeiro Pires reaches the same conclusions after analyzing Brazil's trade structure with China, which is essentially Ricardian, i.e., the exchange of raw materials for manufactured goods and investments in primary sectors to ensure continued supplies of such goods.

These exchanges affect domestic production by local manufacturers who produce importable goods, which in addition to losing an important portion of the domestic market, also suffer from a reduced capacity to maintain a presence in export markets where they compete with China. These are the conclusions reached by Juan José Ramírez Bonilla and Francisco Haro Navejas regarding México. They state that in the first place, "...China, as a rising power, has no interest in changing the existing world order." I disagree with other authors who claim that China is trying to create a bipolar order through negotiations with Washington. My position is supported by the existence of transatlantic and transpacific cooperation strategies in which the U.S. and EU join forces to build a new order, the U.S.–EU–NATO troika, which would replace what remains of the BW (bipolar world), in a so-called ABC strategy: All But China. Secondly, Ramírez and Haro conclude that Mexico's trade with China involves manufactured goods for manufactured goods. Mexico runs a trade deficit because it does not export what China wants and does export what Mexico needs. It is a net loser because it has been displaced by China in the U.S. market and in its own market. The growing coincident index for Mexican and Chinese exports to the United States explains this situation and it is the reason

to their relative benefit" (2003: 166–167). Jordaan, Eduard (2003), "The concept of a middle power in international relations: distinguishing between emerging and traditional middle powers, in *Politikon*, Vol. 30, No. 2 (November), South African Association of Political Studies, pp.165–181.

behind Mexico's strategy for competing with China: lower salaries, as declared by one NAFTA negotiator who said that average wages in the Mexican manufacturing sector today are lower than those in China.

This is the outline of the debate, with some studies suggesting that China can contribute to a new economic order post Bretton Woods, not post Cold War, because transpacific agreements are trying to preserve the institutional structure created during the Cold War, provided they are modified to address changes in the global economy and balance of power.

How much have economic relations between China and Latin America advanced? To what extent is it possible to extrapolate Chinese interests from these advances as well as Latin American interests, taking into account a country's size, its model for positioning itself in the global economy, and type of political regime?

First, China's advances in trade, measured by the degree of penetration in Latin American markets in proportion to the GDP of each market, region or sub-region, are not extraordinary according to studies that indicate share of total exports. See Table No. 1

Table 1

Penetration rate of trade with China in Latin American economies. 1994–2008. Trade as a % of GDP

	1994			2008		
	GDP (thousands of dollars)	Total trade with China (thousands of dollars)	Trade with China as a share of GDP (%)	GDP (thousands of dollars)	Total trade with China (thousands of dollars)	Trade with China as a share of GDP (%)
Mexico	534,119,000	599,747	0.11	1,099,070,000	36,735,068	3.34
Brazil	546,233,000	1,019,198	0.19	1,653,540,000	189,598,833	1.12
Southern Cone	312,594,227	85,731	0.27	506,210,000	28,355,646	5.60
Central America	46,655,807	47,779	0.10	135,444,121	3,533,501	2.61
Andean Community	155,302,919	513,934	0.33	452,030,912	14,255,428	3.15
Caribbean	20,892,124	181,298	0.87	72,516,562	1,194,400	1.65

Source: Adapted from ECLAC, *Panorama de la Inserción Internacional de América Latina*, accessed on April 2 in: <http://www.eclac.cl/publicaciones/xml/5/50845/Paninsal2013.pdf>

Even though advances have been remarkable, no country has come close to double digits and they are nowhere near equaling U.S. penetration rates. There are no discernible differences based on global insertion, economic model or political regime. Perhaps one difference or one explanation is that China is a net exporter. A look at imports as a share of GDP for China and Mexico reveals that imports represented 22% of Chinese GDP in 2012 and 34% of Mexican GDP. The capacities of both countries' economies is compared in Table 2. Certain deductions can be made from these tables which can help in understanding the dynamics of China-Latin America relations. While the China's GDP is almost 4.4 times greater than that of Mexico, the Asian country absorbs 50% fewer total exports from the United States and sells goods to the U.S. that are worth 53% more than goods sold by Mexico. This disparity demonstrates the greater openness of Mexico and other Latin American countries with respect to imports in comparison with China. According to classical and neoclassical theories it should denote greater GDP growth and greater productivity, but that has not been verified by the statistical data (Puyana 2012).

Table 2
U.S. trade with Mexico and China as a percentage of total U.S. trade, 1990-2012.

	1990	1994	1996	2000	2002	2004	2006	2008	2012	China/ Mex Ratio 2012	
Imports from China	3.1%	5.8%	6.5%	8.2%	10.8%	13.4%	15.5%	16.1%	18.7%	Imp.	1.53
Imports from Mexico	6.1%	7.5%	9.3%	11.2%	11.6%	10.6%	10.7%	10.3%	12.2%		
Exports to China	1.2%	1.8%	1.9%	2.1%	3.2%	4.2%	5.2%	5.4%	7.1%	Exp.	0.51
Exports to Mexico	7.2%	9.9%	9.1%	14.2%	14.1%	13.6%	13.0%	11.7%	14.0%		
GDP China/GDP Mexico	0.93	1.27	1.56	1.77	2.10	2.40	2.78	3.33	4.38		

Source: Adapted from: USA, Department of Commerce, International Trade Administration, ITA, 2013

Finally, a word about economic and political relations. All of the studies point to a North-South element in trade with China, in spite of clearly stated policies aimed at establishing a new type of relationship. Latin America exports mainly primary goods, raw materials or labor intensive manufactured goods, which means stiff competition because wages in Latin America are higher than wages in China. This is true today and will continue to be true in the future because of China's surplus workforce located in rural areas or inland cities which can be mobilized or trans-

ferred to work in these industries.

China views Latin America as a supplier of raw materials that will satisfy its industrialization needs and as a source of food for its population. It is also an attractive market for Chinese manufactured goods. As an investment destination, Latin America would fulfill multiple roles: first, it would guarantee return rates higher than those on U.S. bonds, and second, it would ensure the timely and cost-effective provision of raw materials by building the necessary physical infrastructure or investing in arable land to plant soy and other oilseeds, and finally, it would diversify China's investment portfolio and diffuse its presence in U.S. capital markets, where its participation is either too conspicuous or risky.

These are the roles to be played by relations with Latin America in China's new development strategy, which seeks to resolve three problems in its economy: i) growth, because the high growth rates seen in previous decades will not be sustained, ii) predominance of low cost and low-technology exports which requires a switch from exports that are not part of value chains to producing their own brands and technologies in order to increase the technology content of exports and profits and iii) surplus savings and a large amount of investments in the domestic market, which means that new places to invest have to be found in order to relieve domestic pressure. The solutions to these problems reaffirm Latin America's status as a group of countries that are relatively wealthy in terms of natural resources and labor and relatively poor in capital and technology. If the new leadership of the Chinese economy becomes stronger, the North-South aspect of relations between China and Latin America will become entrenched as will the Latin American export-oriented model initiated in the 1980s and 1990s.

In terms of political relations, some papers insist that there is a new type of relationship corroborated by official statements, official visits, even official military visits. They suggest that relations vary according to the political nature of the governments in the region, e.g., more or less orthodox. They also vary according to a country's position on international conflicts, for example, Argentina has deepened its links with China and votes in line with this country on issues of interest to China in the UN assembly in return for Chinese solidarity on the Islas Malvinas/Falkland Islands conflict. Something similar occurs with the type of alliances China has with Venezuela, Bolivia and Ecuador. Yet, even Chinese investments in these countries are tied to the production of raw materials, as in Brazil and Argentina.

More than a change in the world order, China's goal is to ensure the supply of such products. Regardless of the declarations made in the White Paper, it is not possible to see, at least in the chapters presented here, progress in the consolidation of a new type of relationship based on cooperation and solidarity. More detailed and perhaps more specialized studies, focusing on a single topic or country, are needed.

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This book is the product of efforts carried out within the Proyecto Nuevas Dimensiones Sociales e Internacionales de América Latina (the New Social and International Dimensions of Latin America Project). It presents an analysis of relations between the People's Republic of China and Latin America by geographical subregion and focuses on their strategic-political dimension more than on purely trade and economic aspects. This collection of essays describes bi-regional interactions as well as China's view on Latin America and the Caribbean. Relations between the Asian power and Mexico, Brazil, the Caribbean, the Andean Region, the Southern Cone and Central America are explored as well as relations with the United States, an essential factor in understanding the current state of international affairs. The book seeks to identify trends and determine the impacts of the political strategies implemented by Latin American countries in their relationships with China within the context of an ever-changing international system and newly emerging actors.

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