

# China y América Latina: ¿el matrimonio perfecto?<sup>1</sup>

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## RESUMEN

Durante los últimos veinte años, el asombroso desarrollo económico y una política exterior más proclive hacia el exterior por parte de China han moldeado las relaciones internacionales de manera definitiva. En este contexto, América Latina encuentra un panorama favorable para su intercambio, tanto económico como político, con la gran potencia emergente al interactuar en el marco de un modelo cooperativo de ganancia mutua entre países en desarrollo. Pero, ¿es aquella relación realmente “un matrimonio hecho en el cielo”?

El presente artículo busca identificar los intereses en juego en dicha relación, para lo cual, en un primer momento, tras el análisis del desarrollo político y económico chino, identifica tres pilares sobre los cuales el país asiático ha basado sus relaciones con países desarrollados; a saber: la economía, la cultura y la diplomacia. Seguidamente, mediante el empleo de las categorías de “hard power” y “soft power”, señala las diferencias en el ascenso y el comportamiento chino frente a aquellos de potencias tradicionales como Estados Unidos, y, finalmente, presenta un panorama sobre la estrategia que actualmente emplea el gigante asiático frente a la región latinoamericana.

## PALABRAS CLAVE

China • América Latina • economía • política • cultura • soft power • hard power

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# China and Latin America: A Marriage Made in Heaven?

## ABSTRACT

During the last twenty years, China’s astonishing economic development, and its pursuit of a more outwardly-oriented foreign policy, have shaped international politics to a significant degree. Offered a model of cooperation based on mutual gains between developing countries, Latin America faces a more favorable panorama for its foreign relations, both economic and political, with China. However, is this relationship really “a marriage made in heaven”?

This article seeks to identify the interests at play in the relationship between China and Latin America. First, following an analysis of China’s political and economic development, it identifies three pillars upon which China has based its relations with developing countries: economics; culture; and diplomacy. Second, utilizing the analytical categories of “hard” and “soft” power, the article compares the rise of China, and its behavior, to that of traditional great powers such as the United States. Finally, the article gives an overview of the current Chinese strategy vis-à-vis the Latin American region.

## KEYWORDS

China • Latin America • economics • politics • culture • soft power • hard power

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# China and Latin America: A Marriage Made in Heaven?

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## INTRODUCTION

Latin America has changed fundamentally in recent years. It is no longer the region of permanent financial crises, autocratic political regimes and bad governance. Instead, the region has survived the recent economic crisis relatively unscathed and has slowly developed a sense of self-esteem and independence from the United States, its traditional hegemon in the North. With the emergence of regional powers such as Brazil, Chile, and Mexico, the continent has earned a visible position and reputation not only in the international political arena but also as an important player within the world economy. The diversification of its trading and political partners has led to a distancing from the political and economic interests of the United States. In short, Latin America is no longer anybody's "backyard" (*The Economist*, September 9, 2010). It has become a lucrative and stable market for foreign investors from various parts of the world while maintaining its traditional role as an important supplier of commodities, especially minerals that are required by developed countries.

Within an overall context of political and economic diversification, Latin American countries have looked to hitherto uncharted territory – Asia in general, and China in particular. During the last twenty years, China has emerged as an economic and political power on the world stage. Not only is it the biggest country in terms of population, but it also boasts the fastest growing economy and is the second largest trading nation in the world. Its meteoric

and unprecedented rise from an economically backward, largely agricultural, country to an industrial powerhouse soon to become the largest economy in the world serves as an example for other developing countries eager to strip off the vestiges of economic underdevelopment and political weakness.

The insatiable demand of the Chinese economy for the commodities it requires to sustain its manufacturing output provides the Latin American economies – which are focused to a large extent on the production of primary resources – with a seemingly irresistible economic option provided by an alternative trading partner. Latin American politicians and businessmen pin their hopes for sustained economic growth, long-term development and poverty reduction on this new player, especially given the increased interest shown by developed countries in linking trade agreements to non-commercial aspects such as human rights or labor and environmental standards. Political and business interests in Latin America emphasize the compatibility of the trade profile between the two regions. They argue that it constitutes a text-book example of comparative advantage and the specialization of production while stressing the ostensibly “non-political” character of Chinese trade relations with other, especially developing, countries. Certain analysts observe that the traditional pattern of commercial relations between the countries of the center and periphery – characterized by the exchange of primary resources for manufactured goods – looks bound for a sequel in which Europe and the United States are replaced by China (Jenkins and Dussel Peters 2009). As a result, they fear that endogenous efforts at industrialization through technological innovation and sophistication will be derailed as China out-competes Latin American manufacturers in world markets, thus undermining the ability of the region to generate long-term economic growth (Gallagher and Porzecanski 2010).

While academics and regional public opinion have focused on the economic dimensions of the relationship between Latin America and China, political aspects have received much less attention. However, China has not developed exclusively trade-focused relations with developing countries but has also tried to foster political links with them, primarily in function of its role as an emerging great power. In contrast to its earlier attempts to steer developing countries towards a socialist revolution, “Mao-style”, through

political and financial assistance to an assortment of leftist guerilla groups and Maoist social movements, China now seeks to woo the world at large into supporting or at least tolerating its “peaceful rise” to great power status.

This paper addresses the current state of China’s relations with developing countries in general, and Latin America in particular. First, it briefly highlights the evolution of China’s foreign policy vis-à-vis developing countries over the last thirty years, briefly describing the development of the new outward-looking approach that led, under Deng Xiaoping’s leadership from the mid-1970s onwards, to rapid economic growth based on the export-oriented model pioneered by the four Asian “Tiger Economies”<sup>2</sup>. The new approach involved an economic policy aimed towards luring foreign investment and technology transfers into the country, and subsequently led to a modified set of active political goals and new foreign policy instruments that heralded China’s open aspiration to becoming a great power under the “*peaceful rise*” strategy. The paper identifies three pillars on which China has based its relations with developing countries during the last ten years or so: economics, culture, and diplomacy. Brief examples are provided to describe each pillar.

Second, the categories of “hard” and “soft” power are introduced to indicate the differences between the rise and behavior of traditional great powers such as the United States on the one hand, and China’s rise as an emerging great power in the 21<sup>st</sup> Century. While the concepts are not mutually exclusive when it comes to the actual behavior of powerful countries in international politics, the article highlights how China has relied extensively on “soft power” in developing its relations with developing countries.

Third, the article provides an overview of China’s current strategy towards Latin America, with a focus not only on economic relations but also on political aspects, for example regarding the issue of Taiwan. It argues that China differentiates its *political* interests vis-à-vis Latin American countries in terms of their potential influence on global governance issues. Relations with countries that might serve as important allies in the pursuit of Chinese

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2 The original four Asian “Tiger Economies” are Taiwan, Hong Kong, South Korea, and Singapore.

interests in restructuring global institutions are different to those with countries where economic interests dominate the agenda.

Finally, I consider the question whether China seeks to challenge the hegemony of the United States in Latin America. After presenting and briefly discussing a range of possible factors, I conclude that the evidence – and not just the official Chinese rhetoric – supports the view that it does not harbor these ambitions. However, while China does not wish to replace the United States as a hegemon in Latin America, its increased economic relations with Latin America certainly contribute to declining United States influence in the region.

### **1. CHINA'S FOREIGN POLICY TOWARDS DEVELOPING COUNTRIES**

During the last thirty years, not only has China undergone fundamental internal changes, but it has also seen an evolution in its relations with the outside world. The country's rapid economic growth, the sheer size of its economy and the way it has identified and approached partners in the developing world have written a whole new chapter in international relations. The following section briefly documents the evolution of China's foreign policy from the late 1970s to the present day.

After Mao's death in 1976, Deng Xiaoping became the leading protagonist within the "second generation" of the Chinese communist leadership of the post-Second World War period. Deng was responsible for initiating a new perspective on socialism, the state and the economy. He believed that some fundamental reforms would have to be carried out inside the country if it were to open itself up successfully to the outside world. Under Deng's leadership, China started its road to economic success, emphasizing selected market liberalization measures under the political control of the Communist Party. The achievement of sustainable economic development in the context of a rapidly increasing population was declared a political priority, under which all other domestic and international goals were subsumed. However, Deng wanted China to have a low profile in the international arena, believing that this was the best way to recover from the devastating economic and social situation the country faced in the wake of Mao's "Cultural Revolution". Deng's strategy was intended to create a peaceful external environment and encourage the massive foreign investment and technology transfers necessary to its

emergence as a great power in the future. Deng realized how Mao's approach had isolated China from the rest of the world and how this situation had negatively affected its economy. He started cautiously to open up the Chinese economy to foreign investors by offering tax concessions and creating special economic zones intended to attract new technology, reduce unemployment and qualify the local working force.

Rapid economic growth has transformed Chinese society, not only in terms of its material wealth but also in its mindset. Making money was no longer considered a sin as it had been by Mao's teachings. Private entrepreneurship became a legitimate way of working and living within Chinese society. In addition, increasing numbers of Chinese turned their eyes to the outside world and became interested in traveling and studying abroad (Kurlantzick 2007, 23). This new attitude somehow clashed with the low-profile approach to international politics advocated by Deng. As an increasing number of Chinese people enjoyed increased access to education abroad and to a wider and more varied range of information sources, they formed think-tanks and study circles that argued for changes to the country's foreign policy and increased, more active, involvement in international affairs commensurate with the status of an emerging great power.

The result was the strategy of the "peaceful rise" that came to dominate China's foreign policy in the late 1990s. The new doctrine was intended to demonstrate to the rest of the world that China was not only willing and determined to become a great power, but that it could do so by peaceful means.

China pursues an independent foreign policy in which peace, independence and sovereignty are the main goals, creating an international environment favorable for [sic] its rise and that propels common development in the world, actively facilitating the establishment of a new international political and economic order that is fair and rational (Press Release from the Chinese Ministry of Foreign Affairs, 2003).

However, Deng's cautious approach to international relations did not become obsolete. In fact, the actual content or guiding principles of China's

foreign policy have not changed all that much since 1978 (Roett and Paz 2008, 32). China advocates a non-interference policy with respect to the domestic affairs of other countries, emphasizing “win-win cooperation” between both parties. It seeks to establish strategic relationships with developing countries using diplomatic channels, active membership in international organizations, peacekeeping missions, and trade and investment relations. China considers that countries that share a border with it and countries rich in natural resources - especially gas and oil - are strategic to its interests. According to the official version, the Chinese government treats developing countries as equals and is willing to help them implement the model that has led China to its own successful economic growth (Kurlantzick 2007, 57).

President Hu Jintao of China and the Chinese Government have advocated the building of a harmonious society and a harmonious world. China is committed to peaceful, harmonious, scientific and sustainable development. This initiative is consistent with the trend of our times and meets the interests and the aspirations of the people. On the diplomatic front we are committed to promoting peaceful co-existence between countries. We encourage all countries to treat each other as equals and carry out co-operation of mutual benefit in the interests of common development. We have made every effort to pursue good neighborly mutual trust. We resolve differences in these views through diplomatic means including dialogue in pursuit of common security and a lasting peace. We promote the exchanges between different civilizations and aim to build a resource conserving environmental and friendly society (Foreign Minister Li in 2007; Press Conference of the 5th Session of the 10th National People’s Congress).

Based on the principles of the “peaceful rise” strategy, China has invested intensively in developing nations during the last ten years, especially in African countries with great potential in unexploited mineral resources such as Nigeria, Angola, Sudan, and Ethiopia. The Chinese leadership has sought to

establish diplomatic and economic relations with a variety of countries in the developing world with a view to exploring “win-win cooperation” agreements with them. President Hu Jintao has visited a host of countries in Africa, Latin America, Asia, and the Middle East, and convened high-ranking summits in China with political and business leaders from those regions. The so-called “Go Global” campaign was included in the 2001-2005 five-year plan in order to encourage Chinese companies to trade and invest abroad. Under this program, trade promotion centers were set up and Chinese companies were offered low-interest loans from the Chinese Export-Import Bank to finance foreign investments. The country also joined multilateral organizations outside its own geographic region such as the Inter-American Development Bank, where it has been a non-borrowing member since 2008.

## **2. THE THREE PILLARS OF CHINESE RELATIONS WITH DEVELOPING COUNTRIES**

Given such active dynamics of engagement, in both the economic and political spheres, it is possible to pinpoint three key elements on which official Chinese relations with developing countries are based: (i) economics, (ii) culture, and (iii) diplomacy. This section illustrates these aspects using brief vignettes drawn principally from the Latin American context. The three pillars all highlight aspects of “soft power”, an analytical concept useful in describing the behavior of (emerging) great powers that is explained in more detail in the next section.

### **a. Economics**

Most observers argue that economic motives underlie China’s relations with developing countries. To a large extent, that is an accurate description. Thus, in Chinese foreign policy politics is subsumed under economics. China has learned how to use its growing economic power, not only as a trade partner but also as a key investor in, and provider of aid to, developing countries. Its non-interventionist approach has become the flagship of its relations with the developing world and the main source of its increased attractiveness, at least for political leaders. This policy stands in marked contrast to the approach of other great powers such as the United States or of Western-dominated international organizations that subject developing countries to a

range of political and economic conditions in return for financial or technical assistance. Against this background, African countries in particular - some of which, such as Sudan or Zimbabwe have long been ostracized by the international community for their abysmal human rights records - have enthusiastically embraced increased trade and investment relations with China.

Official Chinese government packages for developing countries offer trade, investment and aid with “no strings attached”, i.e., no political or economic conditions for the receiving countries. The packages are usually related to the building of infrastructure such as roads, rail lines, refineries and ports that directly facilitate exports to and imports from China, as well as the exploration of gas and oil reserves. Even though no data is available on how much China invests in foreign aid, it is estimated that about US\$600 million flow to Latin America annually and that credit lines could reach US\$ one billion (Shambaugh 2008).

Thus, trade between China and developing countries as a whole has grown significantly in the past decade. In Africa the annual increase has been 33.1% over this period; trade between China and Latin America has increased by about 25% over the past five years at an annual rate of 31%; and free trade agreements have been concluded with Chile in 2005 and with Peru in 2009.<sup>3</sup>

In fact, strengthening and deepening relations with China seems like a panacea for many developing countries hoping to emulate the Chinese example of economic development and drastic poverty reduction. Their trade profile, focused on the export of primary goods, especially mineral and agricultural products, is highly attractive to the Chinese government. In return, basic, low-cost manufactured goods dominate the import side of developing countries in their commercial relations with China. To many politicians and businesspeople in Latin America this looks like a perfect win-win situation. For example, in the context of the global economic crisis of the last few years, the export of commodities to China has helped several countries in

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3 See percentages published at <http://www.chinatrade.com>.

Latin America weather the negative effects of the declining demand from developed countries for their main export products.<sup>4</sup>

In a parallel development, Chinese Foreign Direct Investment (FDI) began its rise in the early 1980s when it increased to almost 1% of global FDI – jumping from 0 in 1979 to an average of USD 453 million a year between 1982 and 1989. This increment is far behind the growth in China’s export levels but is nonetheless adequate for its newly obtained title as an emerging market economy. By 2008, a sudden and rapid diversification strategy was set in motion taking the Chinese economy to an unprecedented 4% of the global share, and shifting it into the world’s fifth largest investor, after the United States, France, Japan, and Germany (ECLAC 2008b; ECLAC 2010a).

This strategy responded to the need to overcome the limitations imposed on the rapid growth of China’s economy by the nature of its national and local economies. It resolved the problem of limited natural resource availability, took advantage of low production costs and ensured access to bigger markets, as well as opening up prospects for sustainable production and an increased export-import ratio in the future. These compensatory factors were all available in the Latin American countries, making the region one of the most important destinations for Chinese FDI – of which it accounted for close to 17%.

According to the Economic Commission on Latin America and the Caribbean’s (ECLAC) review of FDI to Latin American and the Caribbean countries, Chinese FDI was not primarily directed towards commercial partners such as Brazil, Chile, Peru or Argentina, although these countries received significant amounts for infrastructural development, natural resource exploitation and other market-related aspects such as the merger and acquisition of companies, reduction in production costs, and technology transfers (Cesarin and Moneta 2005, 203-231). In fact, the Cayman Islands and the British Virgin Islands were at the top of Chinese FDI flows to the region, accounting for more than 90% of the total during the last decade. This situation is not only a reaction to the obvious attractions of the fiscal privileges

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4 The Inter-American Development Bank keeps a record of these transactions in both the research and data and publication sections of its webpage (<http://www.iadb.org>).

provided by tax havens but also suggests that the bulk of these flows does not in fact reflect investment by firms and actors from Latin America, but the channeling of Hong Kong and Taiwanese investment (Breslin 2005, 744).

## **b. Culture**

China not only intends to “charm” the world with the size of its market and its economic growth but also with its culture. Besides fostering trade and investment relations, China’s foreign policy emphasizes the global diffusion of Asian or, more specifically, Chinese culture. Confucian values such as humanity, loyalty, personal relationships and – in particular - harmony is considered by the Chinese government to be essential elements in achieving political and economic success. The Chinese government believes that acceptance of China’s great power status is inextricably linked to the increased understanding of its cultural foundations in the world. After its long period of self-isolation during the period of Mao’s rule, China initiated a global process of cultural dissemination, creating cultural centers, scholarships, and media agencies. Following a strategy similar to that followed by Western countries such as France or Great Britain, the Chinese government created Confucius Institutes to provide language training and other cultural activities abroad. Today there are more than 300 institutes all over the world, six of which are located in Latin America. These institutes not only offer Chinese language studies but also cultural and economic information for those interested in establishing some type of economic relationship with Chinese companies. The Chinese government expects there to be over one-thousand Confucius Institutes by 2020.

The rapid increase of foreign students in China’s higher education system is not only based on the country’s political and economic success in recent times, but is also due to the increasing number of scholarships offered by the government to foreign students. 20,000 government scholarships were offered to overseas students in 2010, of which one hundred are reserved for Latin American students. The Chinese government has also encouraged Chinese students to pursue studies and degrees abroad, especially in the United States, where in 2008 21% of foreign students were Chinese.

In 2009-10, China invested \$US 8.7 billion in “external publicity work”, carried out primarily by China Central Television, China Radio International, the Xinhua News Agency, and the China Daily newspaper. The Xinhua newswire has become a primary source of information for newspapers around the world. It has penetrated the developing world deeply, becoming the principal source of world news in Africa. China Central Television (CCT) increased its daily transmission to 24 hours, competing in Africa and Asia with established Western news channels such as the BBC and CNN. China Radio International (CRI) purchased an important amount of radio time in the United States and Europe and transmits to Africa and the Middle East (Shambaugh 2010).

### **c. Diplomacy**

The Chinese government boasts that it pursues its foreign policy goals using strictly peaceful means. According to this self-assessment, it does not compel or force other countries to engage with it or comply with its interests. Instead, a flurry of diplomatic activities have characterized China’s “charm offensive” in the developing world (Kurlantzick 2007). The strategy includes meetings at presidential level and between senior politicians or political parties, professional diplomatic preparation and training and the creation of state-to-state or region-to-region business summits. President Hu Jintao has spent more time on official visits abroad than any previous Chinese president.

The Chinese Ministry of Foreign Affairs began retiring older officials, replacing them with younger ones. Approximately half of China’s diplomats are now under 35; the government has also prepared its officials properly for the missions they are assigned to. More than 100 officials were sent to universities in Mexico in order to learn Spanish (Kurlantzick 2007, 65).

A characteristic instrument of China’s economic diplomacy has been business summits where top-level government officials, diplomats, executives of large companies, and investors meet to discuss and explore opportunities for cooperation. Since 2007 there have been four China-Latin America business summits. Even though it is difficult to assess the overall effectiveness of these meetings in terms of any deals coming out of them, the increasing

number of participants speaks of their importance as an institutional platform for improved business relations.

Exchange visits between political parties involve party presidents and high-level members. These visits have been part of Chinese foreign policy since the Cold War, and continue to be a key element for the diffusion of its policy. In Latin America, the Chinese Communist Party (CCP) has established relations with more than ninety political parties of various ideologies. The main goal of these visits is to establish diplomatic relations with countries and to acquire better knowledge of their domestic situations. One of the CCP's main goals is to establish official relations with parties in countries that recognize Taiwan diplomatically. This strategy has been pursued since the 1980s in nine of the thirteen Latin American countries that recognize Taiwan (Roett and Paz 2008, 35).

Chinese diplomacy also extends to the multilateral sphere beyond Asian or global forums. For example, upon its acceptance as an official observer at the Inter-American-Development Bank in October 2008, China contributed US\$350 million to strengthen its core programs. Likewise, China has supported the African Union and the African Development Bank.

Less emphasized in official declarations is the increasing cooperation in military affairs between China and several Latin American countries, and not only the "usual suspects" Cuba and Venezuela. Official visits by military delegations have increased in recent years. Four members of China's leading Central Military Commission visited Latin America between 2007 and 2008 – more than visited any other region in the world – while a steady stream of Latin American defense ministers has visited China. Brazilian military staff have studied at the Chinese National Defense University, and have attended major Chinese military exercises as observers. Chilean and Chinese military units operate together in the Brazilian-led UN stabilization mission in Haiti. Chinese arms sales to Latin America include helicopters, aircraft, artillery, anti-air and anti-ship missiles, and light assault weapons. Early in 2010 China donated US\$1 million to the Colombian government for the acquisition of military equipment (Ellis 2009, 61; Shambaugh 2008, 2010).

### 3. HARD POWER VERSUS SOFT POWER

To what extent does China's foreign policy differ from that of its predecessors when they were emerging as great powers in the international system? Is there a distinct "Chinese way" of pursuing its national interests that differs from that of other countries? In order to answer these questions it may prove useful to employ the concepts of "hard" and "soft" power as they help explain the different strategies that rising nations adopt in international politics.

The dictionary definition of power emphasizes the employment of material capabilities to affect or change the behavior of others. According to Max Weber's classic definition, power implies the ability of an actor to realize his or her will in a social action, even against the will of other actors (Gerth and Mills 1946, 180). In other words, power relates to the ability to command resources in a particular context. The use of force is one way that power is exercised. The application of direct or indirect coercion based on superior material resources is known as "hard power". However, power can also be exercised without force. For this to occur, those without power must, in some way and to some extent, accept the arrangements as legitimate. Weber calls this form of power "authority", i.e., the capacity for the legitimate application, actual or potential, of power. For the purposes of this article, authority refers to "soft power".

The way the behavior of other actors is affected is crucial in international relations and determines the type of relationship that will be forged between actors. "Hard" and "soft" power differ from each other in this regard, while they share the same objective: to change behavior in accordance with one's own interests. The two dimensions of power are not mutually exclusive but may in fact form part of an overall strategy to pursue national interests in the international system. However, the exercise of hard power has traditionally been associated with the behavior of rising and established great powers, while soft power is a more recent attribute of great powers in the international system. Let us briefly consider each dimension.

#### a. Hard Power

Hard power is characterized by coercion, the use of military force, and money. The use of any of these three elements symbolizes the use of hard

power. This type of relationship is especially common between countries with asymmetric economic relations, such as those that exist between developed and developing countries. The country that controls material resources uses its advantage to compel another, less resource-rich country to do what it wants by determining the political and economic agenda of the relationship.

Coercion, the threat of future harm, or the provision of financial and technical assistance with attached conditions for the recipient country are the most frequently-used “hard power” instruments in the contemporary era, where wars and invasion seem a somewhat outdated way of pursuing national interests. Coercion within bilateral and multilateral negotiation processes, which might involve the provision or the removal of assistance in return for specific actions requested of the counterpart, can take many forms – some more open, others more opaque. Membership of a specific organization, the conclusion of free trade agreements, or the acceptance and implementation of human rights or environmental policies are examples of how coercion is used in order to change the behavior of countries in accordance with the interests of the more powerful party.

Relations between Latin America and the United States during the last century offer a wealth of examples of the exercise of hegemonic hard power. Based on the Monroe Doctrine, established early in the 19<sup>th</sup> Century, the use of military force was one of the main instruments of United States foreign policy in Latin America during most of the 20<sup>th</sup> Century. The alleged threat to democracy posed by communist regimes or criminal leaders and by their plans to expand their influence to other countries constituted the prevalent excuse for direct US military invasions in Latin America. Interventions ranged from the deployment of marines in the Dominican Republic between 1916 and 1924 and Haiti from 1915 to 1934, to the invasion of Grenada in 1983 and Panama in 1989. In addition, the indirect participation in, or support of, several coups d'état against left-wing governments such as in Guatemala 1954 or Chile 1973 were a hallmark of US foreign policy towards Latin America (Galen Carpenter 1992; Dunkerley 2008).

The use of money is not exclusive to hard power. However, what makes money essential to its exercise is its use in the context of conditioned economic assistance as well as the application of coercion comprising the

proverbial “stick” (reduction), or “carrot” (increase) of bilateral economic relations. Trade relations between the United States and several Latin American countries provide ample testimony to the application of money-centered hard power. The United States has employed a variety of economic carrots and sticks to force Latin American countries to comply with its national interests. Insisting that free trade agreements will only be ratified if certain human rights, environmental, or labor standards are met is an example of the stick, while economic and military aid or the granting of trade privileges under “Plan Colombia” or to Mexico in the context of the NAFTA agreement are examples of the deployment by the United States of the carrot.

While hard power has been the traditional weapon of choice employed by (emerging) great powers in the international system in pursuit of their national interests, it has recently gone out of fashion. In other words, hard power seems to be going soft when dealing with nominally weaker countries. Coercion and force are not only considered largely illegitimate means of foreign policy but their effectiveness in changing the behavior of actors over the long run has been questioned. Liberal scholars of international relations such as Joseph Nye have therefore argued that the application of “soft power” constitutes a more legitimate *and* more effective strategy for great powers in today’s international system.

### **b. Soft Power**

According to Nye, soft power is the *power of attraction* or what Weber calls *authority* (Nye 2004, 6; Gerth and Mills 1946). The use of force is ruled out as a method of realizing one’s interests. A country may obtain what it wants in international affairs by providing an example to be emulated, and making others want the same thing. In other words, soft power is about shaping others’ preferences, guiding by example and having political values and institutions that are seen as moral and legitimate. A country may obtain what it wants by making others want the same thing (Nye 2004).

However, governments do not fully control the degree of global attraction of their polities or cultures. Just as good policies can attract international interest and become the example to be followed; bad policies can do the same. International perceptions of its values, culture and policies are beyond the

exclusive control of states. As a result, there is no guarantee that only “good things” about an “attractive” country are diffused globally. For example, countries like China have few regulations on environmental and labor issues, which might look attractive to developing countries keen on achieving rapid economic growth and that are wary of the standards of “responsible growth” established for them by rich countries.

Culture is one of the most important assets in a country’s bank of “soft power”. Possessing a national culture that is attractive to other countries is seen as an important entry point in winning the “hearts and minds” of people around the world. The increasing importance attached to “public diplomacy” within the foreign policy strategies of many countries, including China and Colombia, is just one indicator of this trend. Being an attractive culture implies a sense of admiration and attraction that directly translates into increased flows of foreign tourists, and higher exports. In addition, through the operation of institutions, such as the British Council or the Confucius Centers, established to disseminate a country’s culture and language abroad, a more positive image or perception of the country, including its domestic and foreign policy, can be promoted within foreign societies.

Successful political values are a key element that may also serve as an example to other countries. The implementation of policies that are considered legitimate and moral, and of successful economic and political models, is the material basis upon which political values are diffused. It therefore affects the way a country is perceived by its counterparts. There can be no doubt about the attractiveness of the Chinese “economic miracle” over the last twenty years within the developing world. The Chinese government has played on this aspect of its “soft power”, advertising its achievements in economic growth and poverty reduction as a blueprint other developing countries could follow, up to the point where it has publically offered assistance and guidance to countries in implementing the same economic model (Kurlantzick 2007, 57).

In contrast to hard power, with its focus on coercion, diplomacy is the key mechanism for the application of soft power. Cooperation is achieved not through direct or indirect force but on the basis of shared respect and mutually beneficial agreements. The imposition of political conditions for

economic cooperation is anathema to soft power. A country linking trade relations to non-economic characteristics might be able to get its way because of its superior material resources such as a large domestic market, but it will hardly become an attractive trading partner in the long run.

The Chinese principle of non-interference in domestic affairs makes it hugely attractive to a range of developing countries that complain about the heavy-handedness of Western or especially United States foreign policy. When Evo Morales won the Bolivian presidency in 2005, the United States government responded by threatening to cut aid flows to the country. In contrast, China invited Morales for a state visit to Beijing where he asked for help in developing Bolivia's vast natural gas reserves. Chinese companies leapt at the opportunity and seized a market which Western companies either abandoned or were forced out of for political reasons.

Money is an essential element of soft power, too. However, in contrast to its employment by hard power, economic aid or trade relations are not linked to political conditions that reflect non-economic preferences or interests. The Chinese strategy of establishing "win-win cooperation" with developing countries is attractive because of the absence of coercion and the prospect – at least in the short run – of mutually beneficial economic relations. The application of soft power makes for a fundamentally different type of relationship between emerging great powers and other countries. Instead of feeling bullied, weaker countries are willing to accept the superiority of "soft" great powers as legitimate because of the respectful way in which they feel they are being treated.

#### **4. WHY IS CHINA INTERESTED IN LATIN AMERICA?**

China's relations with Latin America, like its dealings with Africa, can be described not so much as a new discovery but as a return (Alden et al. 2008). China and Latin America, specifically Peru and Mexico, were engaged in intense trade relations from as early as 1570, when Chinese exports including porcelain and silk were exchanged for silver and other minerals from Latin America.

China had an indirect presence in Latin America after the end of the Second World War, but in a rather different way than today. During Mao's rule, Chinese policy towards other developing countries was directed towards

exporting its version of a communist or “cultural” revolution. Relations between China and Latin American regimes in open rebellion against the United States, such as Cuba, were very close during the period. China provided political and financial support to a variety of guerrilla groups in Latin America that adopted the Chinese - rather than the Soviet or Cuban - version of communist ideology (Roett and Paz 2008, 29).

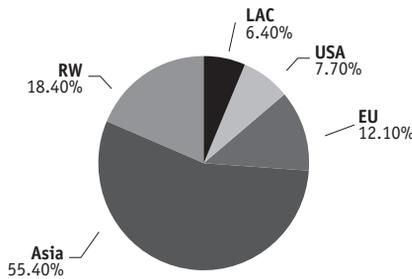
However, under Deng’s leadership in the late 1970s, China renounced the active promotion and support of communist revolutions in other countries. Deng believed that the country needed to orient its efforts inwards towards achieving rapid economic growth. Costly “adventures” in faraway countries for the sake of “world revolution” were simply not affordable, nor politically desirable, under the new economic development model. As a result, Maoist guerrilla groups in Latin America saw their political and military support from the “motherland” cut off, contributing to their general decline in the region. China’s presence in Latin America during the 1980s and 1990s was thus virtually nonexistent. This situation was to change during the first decade of the 21<sup>st</sup> Century.

Evan Ellis identifies four principal reasons why China is today (again) interested in Latin America: (I) as a source of primary products, given China’s increasing emphasis on the production of manufactured goods; (II) as a market for its manufactured exports, given Latin America’s population of over 600 million people; (III) as a political ally, because of its vision of global governance, including its interest in obtaining support and legitimacy from developing countries for its rise to great power status; and (IV) the pursuit of the “One China” principle given that more than half of the countries that recognize Taiwan worldwide are located in Latin America and the Caribbean (Ellis 2009, 14-15). The following section elaborates briefly on each of the points identified by Ellis and provides some additional context and evidence. It also discusses another aspect of China’s relations with Latin America not mentioned by Ellis: whether the improved relationship is intended to undermine the traditional hegemony of the United States in the region.

**a. The Demand for Primary Resources**

Most authors, and official Chinese rhetoric too, zero in on the economic dimension of the relationship with Latin America. Put simply, the region is rich in natural resources that the Chinese economy requires in order to sustain its impressive growth path. However, compared with other regions of the world, especially Asia, the level of Latin America’s exports to China is rather low – not exceeding 6% of China’s total imports in 2009 (see Figure 1).

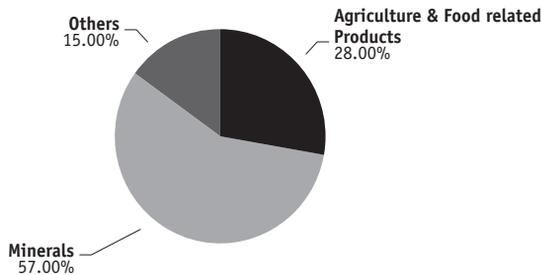
**Figure 1. China’s imports from world regions, 2009**



Source: CEPAL.

The bulk of Latin American exports to China are primary products, mainly minerals and foodstuffs. Almost 60% are mineral products such as oil, gas, and copper. Agricultural products play an important role too, accounting for nearly 30% of total exports to China (see Figure 2).

**Figure 2. Product composition of Latin America’s exports to China, 2009**



Source: CEPAL.

China is also interested in further encouraging this kind of imports from Latin America and in making the investments necessary for them to increase, primarily in the exploration and exploitation of mineral resources. In this regard, it is important to point out how the Chinese investment strategy in Latin America differs from that followed in Africa. In many African countries, Chinese funds for new infrastructure projects associated with natural resource production are not made available directly to the recipient country. Instead, the recipient country authorizes the Chinese government to select a Chinese construction company to carry out the work. The Chinese Export-Import Bank lends money at low interest rates to this company, which brings workers and technology from China. In return, the recipient government grants the company the concession for the exploitation of the natural resource in question - generally oil or other minerals (Foster et al. 2008).

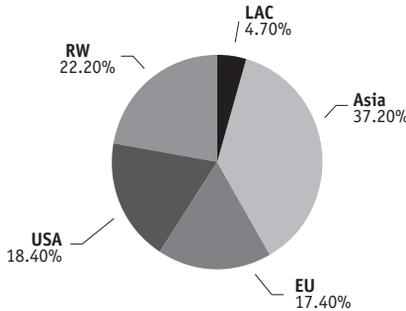
This model of investment has not prospered in Latin America, mainly because of the resistance of governments to handing over control of the investment operation completely to foreign companies and allowing them to employ exclusively Chinese workers on construction sites (Ellis 2009, 59). Instead, the Chinese government has opted for lobbying host countries to let Chinese companies acquire shares in local mining companies. For example, Chile's state-owned Codelco, the largest copper mine in the world, reached a US\$2 billion deal with China's Minmetals, a state-owned metals trading house, under which Minmetals would initially invest US\$550 million in a 50-50 joint venture. In return, China would receive a long-term copper supply contract (Ellis 2009, 43).

### **b. The Market for Manufactured Export Products**

The Chinese government has recognized that its traditional export markets in developed countries are declining as a result of rising trade barriers imposed in the aftermath of an avalanche of highly competitive Chinese imports. Western countries are nowadays much more reluctant to permit the unrestrained flow of Chinese manufactured products into their economies. Chinese products are sold principally through the vast informal sector in developing countries, including Latin America. The low price structure of China's manufactured goods translates into superior competitiveness and thus greater market penetration than that enjoyed by traditional imports or domestically manufactured goods. The official

figure for Chinese exports to Latin America – just 5% of China’s total exports in 2009 (see Figure 3) – most likely understates the increasing presence of Chinese products in developing countries in general, and in Latin America in particular.

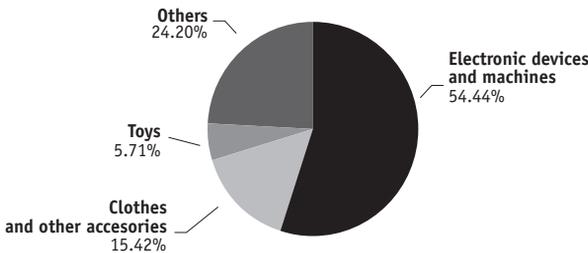
**Figure 3. China’s exports to world regions, 2009**



Source: CEPAL.

In terms of the composition of Chinese exports to Latin America, more than half are manufactured electronic devices and machinery, followed by textiles, accessories and toys (see Figure 4). The complementarity of the Chinese-Latin America trade relationship is, then, clear: primary resources are exchanged for manufactured products; or as some authors put it, a new form of center-periphery relations has been created (Jenkins and Dussel Peters 2009).

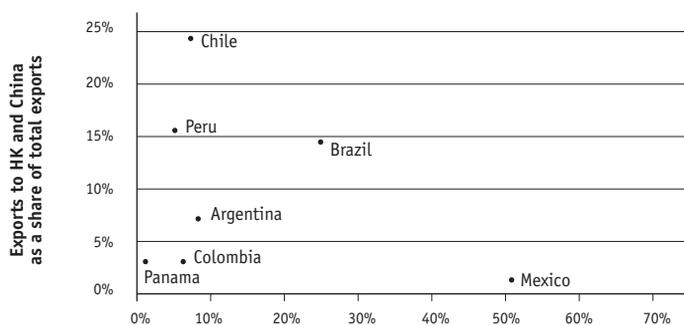
**Figure 4. Composition of China’s exports to Latin America, 2009**



Source: CEPAL.

However, there are some notable differences between the major Latin American countries in terms of their trade relationships with China, in particular when their exports to China as a share of total exports are juxtaposed with the percentage of China's exports going to them (see Figure 5). Generally speaking, the percentage of a given Latin American country's exports that go to China are higher than the percentage of overall imports to the region that it receives. For example, while Chile's exports to China constitute almost 25% of its total exports – with the result that following the signature of the free trade agreement between the two countries in 2005 China has been the most important export destination for Chilean goods - it receives less than 10% of China's total exports to the seven major Latin American economies. The situation is more symmetrical for Colombia, whose exports to China and the percentage of imports to the region it receives are roughly equal.

**Figure 5. Latin American countries' trade relationship with China, 2009**



Source: Invest Hong Kong.

The outlier case in this picture – explaining the discrepancies – is Mexico. Almost 50% of all Chinese exports to Latin America go to Mexico, whereas Mexican exports to China are almost nonexistent, representing less than 2% of total exports from the region. The reason for Mexico's somewhat awkward position is that, as a member of NAFTA, it enjoys preferential access to the United States and Canadian markets. Chinese companies have taken advantage of this situation and formed integrated global production chains: producing basic components in China, performing final assembly in Mexico in order to comply with the rules-of-origin requirements under the NAFTA agreement, and

finally shipping the finished goods to the United States and Canada (Gereffi and Memedovic 2003; Villalobos 2005; Wong-Gonzales 2009). The implications of this situation for the domestic *maquiladora* industry focused on the production and export of basic manufactured goods have been devastating (Ellis 2009, 205).

### **c. Seeking Allies for an Emerging Structure of Global Governance**

In general terms, economics dominates China's relations with Latin America. However, they do not always end there. The Chinese government needs allies in the developing world to legitimize its aspiration to become a great power. Along with this desire, China is striving to achieve structural reforms in the institutions of contemporary global governance to make them more representative of the realities of the 21<sup>st</sup> Century. In China's view, powerful international organizations such as the International Monetary Fund or the World Trade Organization reflect outdated governance structures devised during the era of the Cold War. Emerging regional and global powers such as China feel underrepresented in the crucial decision-making bodies of global governance. In order to initiate and implement reforms, China has sought to engage developing countries as strategic allies in its quest for a general overhaul of global governance (Economy 2010).

China pursues a pragmatic course when it comes to the selection of strategic allies in the developing world that is similar to the approach it follows developing "win-win" economic cooperation agreements. Allies are not selected on the basis of political characteristics such as regime type or respect for human rights. As a result, the current polarization between radical left, social-democratic, and right-wing governments in Latin America is of little importance to China when it comes to the question of whether to engage with them or not. In turn, countries with diverse political and economic backgrounds such as Peru, Mexico and Chile on the one hand, and Cuba, Bolivia, and Venezuela on the other have received similar treatment from China. The important factor is the willingness to establish economic relations and the search for common, mutually beneficial interests. When relations are slow to prosper between China and a specific country, it is usually the decision of the latter.

Apart from the Taiwan issue mentioned below, China imposes no fundamental reservations or prior conditions that might affect the construction of closer relations with developing countries. However, it is important to grasp

the differentiation between “mere” economic partners on the one hand and crucial political allies on the other. In order to illustrate this point, the next section considers the relationship between China and Brazil.

China’s relationship with Brazil includes, but at the same time goes far beyond, trade cooperation. Brazil has the biggest market in Latin America and is the largest country in the region, making it an interesting economic partner for China. In contrast to other countries in Latin America, Brazil offers opportunities for lucrative Chinese investment beyond the commodities sector. Brazilian companies such as EMBRAER and the Chinese Aircraft Industry Corporation are engaged in joint ventures intended to increase their global market share of the aviation sector. Conversely, the Brazilian company EMBRACO, a compressor manufacturer, has captured 30% of the Chinese compressor market (Ellis 2009, 49-62).

Potentially more important than trade and investment, however, are the political relations between China and Brazil. Together with Russia and India, they form the so-called BRICs Countries. Initially coined by the investment firm Goldman Sachs as a term to describe countries at a similar stage of newly advanced economic development, the acronym has come into widespread use as a symbol of the shift in global economic power away from the developed G-7 economies toward the developing world. Since the four countries are developing rapidly, by 2050 their combined economies could eclipse those of the current richest countries of the world. Brazil, Russia, India, and China, combined, currently account for more than a quarter of the world’s land area and more than 40% of the world’s population.

The term and the associated concept caught on so much that the four countries began to develop and coordinate common positions in international politics, for example regarding the reform of international financial institutions and global economic governance in general. The leaders of the BRICs countries held their first summit in June 2009 in Russia, where they issued a declaration calling for the establishment of an equitable, democratic and multipolar world order.

The important point here is that China and Brazil see each other as *primus inter pares* on the world stage. Given the size of their economies they see themselves as the natural leaders of the developing world, poised to

act as its representatives vis-à-vis the developed countries and the international institutions they dominate. In other words, they view each other as primarily *political* allies dedicated to the cause of creating new arrangements in global governance.<sup>5</sup>

#### d. The Taiwan Issue

Probably the longest-standing issue affecting relations between Latin America and China has been the question of Taiwan. Taiwan and China split amid civil war in 1949. Since then they have been engaged in an all-out contest to win diplomatic allegiance from countries around the world. There are presently twenty-three sovereign states left in the world that recognize Taiwan diplomatically. Twelve of these are located in Latin America and the Caribbean: the Dominican Republic, Haiti, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Panama, Nicaragua, El Salvador, Honduras, Guatemala, Belize, and Paraguay.

In recent years, China's rising political and economic clout has helped it persuade more countries to recognize Beijing instead of Taipei. Based on the "One China Policy", Beijing offers monetary incentives in the form of infrastructure investment, foreign aid, and trade preferences in return for establishing diplomatic relations with the People's Republic and thus breaking formal ties with Taiwan.

In the recent past, several Latin American and Caribbean countries have taken advantage of this attractive offer. After Costa Rica became the first Central American country to establish diplomatic ties with the People's Republic in 2007, China bought US\$300 million of Costa Rican government bonds (Shambaugh 2008). In addition, China spent US\$74 million to build a new national soccer stadium in the capital, San José. The way in which the "Taiwan issue" can turn into a lucrative business opportunity for some Latin American countries was demonstrated by the Caribbean island country of Dominica. In 2004, Dominica requested a US\$58 million aid package

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5 Severino Becerra (Cesarin and Moneta 2005, 269-280) provides an interesting compilation of the relations between Brazil and China with a view towards the next ten years.

from Taiwan, which Taipei declined. Subsequently, Dominica switched sides, changing its diplomatic allegiance to the People's Republic. In return, the Chinese government provided the island with US\$11 million in immediate aid, plus US\$100 million in grant aid over a period of six years (Ellis 2009, 15).

### **e. A Counter-Balance to United States Hegemony in Latin America?**

For Latin America, the United States has acted as regional hegemon for almost two-hundred years, since the declaration of the Monroe Doctrine in 1823.<sup>6</sup> For decades, it has been the main trade and investment partner for many Latin American countries. Additionally, it has exercised substantial political, military, and cultural influence over the states and societies of the region. Consequently, Latin America has long been described as the “backyard” of the United States, as asserted in the ideology of “Manifest Destiny” from 1904 onwards, or by frequent military interventions such as the Grenada “Rescue Mission” in 1983 or the Panama invasion of 1989. However, this dynamic has lost force during the 21<sup>st</sup> Century, mainly as a result of the shifting security priorities of the United States, which has refocused its attention towards other regions such as the Middle East.

In addition, with the increasing importance of China in world politics and its concomitant presence in Latin America, it is tempting to interpret current and future international politics as a rivalry between an emerging great power (China) and one in decline (the United States). In the history of the international system power transitions of this type have usually been associated with violent conflicts or all-out wars for global hegemony (Organski 1958). According to the logic of “offensive realism”, emerging great powers adopt a revisionist stance toward the “rules of the game” that govern international politics, seeking to replace them with institutions that fit their interests. As the declining great power will defend the status quo it has created under all circumstances, violent conflicts between old and new are inevitable (Mearsheimer 2001).

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6 After the independence of the United States from Great Britain, and Latin America's from Spain, the United States government decided that any attack on the region would require United States intervention.

If this logic were to apply in this case, China would be looking to challenge the United States in all areas of international relations, seeking to undermine its hegemony in its traditional spheres of influence. Latin America should be a prime target for China's aggressive foreign policy given its position as the U.S.'s backyard. Is it, then, possible to describe China's interest in Latin America as a challenge to the dominant position of the United States? To what extent is China seeking to mount such a challenge as an additional consequence, or collateral benefit, of its growing economic, cultural and diplomatic ties?

The official position of the Chinese government emphasizes the "peaceful rise" of the country to great power status. It aims to accommodate the interests of existing great powers rather than to openly challenge or counteract them. Chinese strategy toward Latin America includes no stated aim of taking on the United States' interests directly, let alone replacing it as regional hegemon.<sup>7</sup> However, despite the official rhetoric, there are some signs that China's relations with Latin America serve at least to lessen the influence of the United States in the region.

Because of the potentially vast purchasing power of its domestic market, China offers a lucrative destination for Latin American products. In the context of the current problems affecting the United States economy, China's capacity to absorb Latin American exports has filled the gap left by declining demand from the region's traditional trading partner. As a result, the Latin American economies are able to reduce their dependence on the United States market, offering more autonomy and increased growth potential irrespective of macroeconomic trends to the north.<sup>8</sup>

China's recent admission to regional organizations such as the Organization of American States (OAS) or the Inter-American Development Bank (IADB) does not follow a purely economic logic. It reflects, rather, the government's greater interest in the political affairs of the region, including its interest in

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7 Chinese Policy Paper on Latin America and the Caribbean, November 6, 2008; available online at <http://english.people.com.cn/90001/90776/90883/6528385.html>.

8 As emphasized by a recent report from the ECLAC (2010c), China's growing trade has also implied significant political and cultural exchanges with countries such as Brazil, Chile and Peru and future agreements with various others, including Colombia.

the long-term possibility of acting as a counterbalance to U.S. positions in these organizations. Given China's interest in reforming the international financial institutions mentioned above, why should institutions such as the OAS and the IADB that have traditionally been dominated by the United States remain exempt from that endeavor?

Finally, China has developed close commercial as well as political and military relations with Latin American countries such as Venezuela and Bolivia that openly oppose United States hegemony in the region. Military relations with Venezuela have been strong and the Chávez government has purchased substantial amounts of Chinese weaponry and military paraphernalia, such as radar, ammunition, and aircraft. In addition, military training of and by Chinese officials has been a frequent occurrence on Venezuelan territory in recent years (Ellis 2009).

However, China's incursion into Latin America should not be overestimated. Even though China has joined regional organizations, its membership is limited to observer status, leaving it on the sidelines of actual decision-making. In addition, the Chinese government has taken a largely passive, neutral, approach to the different political conflicts that have erupted in the region during the recent past including, for example, the frequent tensions between Colombia and Venezuela.

The Chinese government has refrained from openly supporting political regimes that are hostile to the United States. Economic and military support from China is not exclusive to those countries, but is provided across the ideological spectrum. In other words, Bolivia, Venezuela and Cuba receive the same treatment from China as Colombia, Peru, and Mexico.

## **CONCLUSION**

China's impressive economic development during the last twenty years, combined with a more outwardly-oriented foreign policy, has fundamentally shaped international relations in the post-Cold War period. The Chinese government proclaims that the "peaceful rise" of the country heralds a new era in the international system, where great powers can co-exist peacefully, bound together by economic interdependencies, and relations of "soft" rather than "hard" power. Instead of pursuing their interests by recourse to force or

coercion, “soft” great powers elicit cooperation from other countries because of the attractiveness of their model or as an example to follow.

Pursuing a strictly non-interventionist approach towards domestic affairs, China’s official policy toward developing countries is focused on the establishment of “win-win” cooperation without imposing political conditions on its partners. In other words, economics - especially complementary trade relations - drive China’s relations with Latin America. The Chinese government roams the planet in search of the natural resources it needs to sustain its current economic development model. At the same time, it is looking for new markets to penetrate with its basic manufactured products. Latin America provides an ideal partner in this endeavor. In other words, trade relations between China and Latin America look like a “marriage made in heaven”.

However, this “new marriage” is built on the economic foundations of the existing center-periphery relations between the region and the United States. Exporting natural resources to China and importing basic manufactured products will do little for the industrial upgrading required by Latin America’s economies. Convenient as the burgeoning trade relationship with China is in boosting Latin America’s exports in times of global economic crisis and declining demand from traditional trading partners, its positive effects in the long-term are very much in doubt. As China becomes obliged over the long-term to change its model of resource-intensive economic development it will reduce its imports of primary products and may as a consequence increase its FDI flows or other forms of direct penetration in economies abroad.

Political aspects play a secondary role in China’s relations with Latin America. Apart from the active pursuit of a “One China” policy, inciting countries to break formal ties with Taiwan and to recognize the People’s Republic diplomatically, China’s strategy to engage political allies for the promotion of its vision of global governance - for example, within the BRIC group - is focused on Brazil, the regional heavy-weight. For the rest of the region, China carefully balances its political and military relations, trying to avoid the impression of favoring one group of countries over another, whether for ideological or economic reasons. As a result, governments hoping to enlist China’s help in order to challenge United States hegemony in Latin America should not hold their breath.

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