

# China's Relations With Latin America: Shared Gains, Asymmetric Hopes

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The relations between the People's Republic of China (PRC) and nearly all Latin American countries blossomed during the first half of the first decade of the twenty-first century. "China fever" gripped the region.<sup>1</sup> Latin American presidents, ministers, business executives and journalists "discovered" China and its rapidly growing impact on the world's economy and on Latin America itself.

The principal explanation for this boom in "China fever" was China's own economic boom and its widening and deepening worldwide spread.<sup>2</sup> In the current decade, Sino-Latin American trade, and economic relations more generally, have grown at a spectacular pace. Improved political

relations were a necessary part of the expansion in economic relations because intergovernmental agreements facilitate economic relations, but the exuberance of the economic boom outpaced the improvement in political relations. Military or militarily-sensitive relations changed little, notwithstanding the fears of some in the United States and elsewhere over this question.

The expansion of relations with China has long had substantial cross-ideological and multi-partisan domestic political support in the major Latin American countries. It long precedes the emergence of social-democratic governments in Latin America

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INTER-AMERICAN  
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# China

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# Foreword

The Inter-American Dialogue is pleased to issue this new and comprehensive analysis of “China’s Relations with Latin America: Shared Gains, Asymmetric Hopes,” authored by a team led by professor Jorge I. Domínguez of Harvard’s Weatherhead Center for International Affairs. In this policy brief, Domínguez and his colleagues examine how China’s role in the Americas has evolved over the decades, with a special emphasis on its bilateral ties with such key countries in the region as Brazil, Argentina, Chile, Mexico, Venezuela, and Cuba.

China’s increasing role in Latin America and the Caribbean has emerged as a central topic of interest for analysts, government officials, and corporate leaders engaged in Western Hemisphere affairs. Just a short while ago, China was viewed as a peripheral actor in the region; today, nothing could be further from the truth. Chinese presence and influence in Latin America has expanded rapidly during the past several years, and the region’s leaders are seeking to better understand the challenges and opportunities presented by China as it assumes a new role as a rising global power.

In 2001, Chinese president Jiang Zemin’s landmark visit to the region sparked a wave of subsequent visits by senior officials and business leaders between China and Latin America to discuss political, economic, and military concerns. Since then, the volume of trade between China and the region has skyrocketed. President Hu Jintao traveled to Argentina, Brazil, Chile, and Cuba in 2004 and visited Mexico in 2005. The presidents of all those countries (and several others) have paid reciprocal visits to China. China’s economic engagement in Latin America responds to the requirements of a booming Chinese economy that has been growing at nearly ten percent a year for the past quarter century.

The economic figures are impressive. In the past six years, Chinese imports from Latin America have grown more than sixfold, at a pace of some 60 percent a year, to an estimated \$50 billion in 2005. China has become a principal consumer of food, mineral, and other primary products from Latin America, benefiting principally the commodity-producing countries of South America—particularly Argentina, Brazil, Peru, and Chile. It has also become a strong competitor in manufactured goods, making deep inroads into markets in Mexico and Central America and, more recently, in Brazil and Argentina. While Chinese investment in Latin America remains relatively small at some \$6.5 billion through 2004, that amount represents half of China’s foreign investment overseas. China has promised to increase its investments in Latin America to \$100 billion by 2014, although there is concern that several investment pledges are already showing signs of falling short in Brazil, Argentina, and elsewhere.

China’s engagement in Latin America is not yet a major concern for the United States, and there are few signs of any real frictions between the two countries on that score. Indeed, U.S. policymakers have seen little need to respond to Beijing’s keenest political interest: its effort to establish formal diplomatic ties with the 12 Latin American and Caribbean countries that now recognize Taipei and represent nearly half of Taiwan’s remaining 26 allies worldwide. Still, Washington has expressed some concerns about China’s activities in the hemisphere, and bilateral tensions threaten to grow over time. There are U.S. officials and members of Congress who now view China as the most serious challenge to U.S. interests in the region since the end of the Cold War—citing concerns about the Panama Canal, the deployment of Chinese peacekeepers in Haiti, and China’s support for Cuba’s Fidel Castro, and Beijing’s growing interest in Venezuelan oil. Other U.S. officials, however, believe that the economic links with China can play a positive role in helping to build a more prosperous and globally-minded Latin America. Against this backdrop, the recent visit to China by U.S. Assistant Secretary for Western Hemisphere Affairs Tom Shannon indicates that understanding China’s role is now seen as an important agenda item for the U.S. in Latin America.

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during the current decade. The political foundations for good Sino-Latin American relations were set under right-wing military dictatorships in Latin America in the 1970s. Thus Latin America had long been ready for a boom in its relations with China, but only in the current decade did China achieve the capacity to capitalize on such opportunities.

There was substantial variation, however, in the cross-country characteristics of Sino-Latin American relations in the early twenty-first century. The domestic economic opportunities in each Latin American country as well as the political strategies of their governments explain this variation. The domestic economic explanation is simple: Sino-Brazilian economic relations are much more important than Sino-Cuban economic relations because Brazil is one of the world's largest economies, while Cuba's economy is in dire straits. China imports mainly non-petroleum commodities from Latin America, and the economic importance of countries varies accordingly.

The simplest political explanation for cross-country variation in Sino-Latin American relations is the persistence of diplomatic relations between the Republic of China (Taiwan) and any Western Hemisphere country. In such cases, China's economic, political, and other relations with that country improved little or not at all.

Where economic and other Sino-Latin American relations did improve, the extent of the improvement varied along other political

lines. There has been a rainbow of outcomes. The closest match between improved economic and political relations occurred with regard to Brazil, and the widest discrepancy with regard to Venezuela. The Brazilian and Chinese governments coordinated economic and political relations between themselves and toward the international system. Argentina benefited from the boom in economic relations while also welcoming China's political emergence as a significant factor in world affairs. The Chilean government behaved as a "trading state" in its engagement of China: its purpose in improving inter-state relations was better economic opportunities more than anything else. Chile did not develop its ties with China to counter the power of the United States, for example. The Mexican government was the least effective in defining its interests regarding China; it followed an erratic and conflict-ridden policy.

The Venezuelan government under President Hugo Chávez and President Fidel Castro's Cuba searched for a political ally to counter U.S. power. The development of economic relations was a Venezuelan government instrument to achieve its political objectives; the worth of Sino-Venezuelan economic relations lagged the high hopes of the Venezuelan government for a Sino-Venezuelan political alliance. Cuba had little to offer China beyond the ideological affinities between political regimes.

### **Ideology, Political Regime, and Strategic Balancing: Basis for Consensus**

Ideology and political regime identity (authoritarian, democratic, communist,

“Latin America has long been ready for a boom in its relations with China.”

<sup>1</sup> For examples from influential business publications, see David Hale, "It's Time to Rethink China," *Latin Finance* (September 2004): 119-120; Daniel Drosdoff, "A Giant Worth Courting," *IDBAmerica* (October 2004); David Hale, "The China Syndrome," *Poder* (February 2005): 50-53; "The Asia Factor" (cover story), *Latin Trade* (March 2005), which focuses mainly on China.

<sup>2</sup> For a discussion of economic issues between China and Latin America, see Inter-American Development Bank, Research Department, *The Emergence of China: Opportunities and Challenges for Latin America and the Caribbean* (Washington, DC: Inter-American Development Bank, 2005); see also extensive works by Inter-American Dialogue senior fellow Claudio Loser, including "China's Rising Economic Presence in Latin America," (policy brief with Tomoe Funakashi), Summer 2005, and testimony before the U.S.-China Economic and Security Review Commission, July 2005.

“ Ideological factors do not explain trends in Sino-Latin American relations.”

noncommunist, left-wing or right-wing) are not important explanations for Sino-Latin American relations in one sense. Relations between communist governments—China and Cuba—have been good only recently (and once were in the early 1960s) while relations between China and anti-communist Latin American dictatorships were already in place in the 1970s.<sup>3</sup> Thus ideological or regimist factors do not explain trends in Sino-Latin American relations.

On the other hand, the fact that politicians from all ideological currents and authoritarian anti-communist regimes—not just left-wingers—since the 1970s supported the development of relations with the People’s Republic and saw such relations in many cases as one means to counter U.S. influence facilitated the great leap forward in Sino-Latin American relations at the start of this century.

Communist regimes have governed China and Cuba for decades and yet, except for the first half of the 1960s and in the current decade, they have rarely been cordial. On January 2, 1966, in his opening address to the Tricontinental Conference, gathered in Havana to promote the worldwide unity of revolutionary forces, Prime Minister Fidel Castro denounced the Chinese government. In the preceding weeks, China had cut back purchases of Cuban sugar and exports of Chinese rice. China flooded Cuba with propaganda items targeting the Cuban military. The Cuban government backed the Soviet Union in the Sino-Soviet dispute and accused Chinese leaders of senility.<sup>4</sup> Sino-Cuban trade relations survived this fight, continuing at a low level,

though for many years the Cuban statistical yearbook buried Chinese trade data under the category “Other.” Cuba and China vied for influence over revolutionary movements in various parts of the world, especially in Africa where, by the late 1970s, Cuba had bested China.

By the 1980s, new reasons sustained Sino-Cuban differences. China discovered the utility of market-oriented economic reforms. In contrast, in 1986 President Fidel Castro launched a campaign of “rectification” designed to extirpate the modest elements of a market economy then evident in Cuba. Sino-Cuban relations improved, but only gradually, upon the collapse of the Soviet Union and other European communist regimes.

There was an ideological “moment” in Sino-Chilean relations. Chile’s President Salvador Allende, just weeks after his presidential inauguration as head of a socialist-communist coalition, established diplomatic relations with the People’s Republic on December 15, 1970—the first South American country to do so (in Latin America, second to Cuba). In September 1973, General Augusto Pinochet led a military coup to overthrow Allende.

Nevertheless, the predominant pattern has been that communist China developed and sustained diplomatic and other relations with anti-communist Latin American governments. Sino-Chilean relations after 1973 are a good example: they cooled but neither side broke them. Political interests sustained them. Chile’s relations with China improved as the Pinochet government became ideologically and politically isolated

<sup>3</sup> For background on Sino-Latin American relations, see Cecil Johnson, *Communist China and Latin America, 1959–1967* (New York: Columbia University Press, 1970).

<sup>4</sup> *Granma*, 3 January 1966, 4; *Política internacional* 4:13 (1966): 213–226; “Discurso de Fidel Castro el 13 de marzo,” *Cuba socialista* 6:56 (May 1966): 3–16.

internationally for its human rights record. Pinochet's Chile faced hostile governments in the United States and Europe most years from the mid-1970s forward.<sup>5</sup> China welcomed the weakened Soviet position in Chile, opposed international interference in the domestic affairs of countries on human rights grounds, and sought to forestall the restoration of Chilean relations with Taiwan. In 1978, Chile and China established a Mixed Binational Commission that would meet annually to deepen commercial relations and coordinate scientific, technical, and cultural agreements. China supported Chilean sovereignty claims over disputed parts of Antarctica.<sup>6</sup>

The story is similar with regard to China's relations with other anti-communist authoritarian regimes in Latin America. Brazil traded with China before the 1949 communist victory in China, though it delayed the establishment of diplomatic relations until 1974. In 1949 and through the 1950s and early 1960s, civilian regimes, some on the left, governed Brazil. In 1974, an anti-communist military regime governed Brazil. Brazil's relations with the United States had begun to deteriorate and would worsen during the second half of the 1970s just as Sino-Brazilian relations developed.

Peronist Argentina established trade relations with the People's Republic in the 1950s. The foundational moment for current Sino-Argentine relations took place in the late 1970s, however, during the harsh Argentina military dictatorship begun in 1976. U.S.-Argentine intergovernmental relations took a sharp turn for the worse upon President Jimmy Carter's inauguration in 1977.

Argentina and China signed commercial and general economic cooperation agreements in 1978 and 1980. In 1980, General Jorge Videla was the first Argentine president to visit China. The political foundations of Sino-Argentine relations were also set during these years, to wit:

- In the United Nations framework, China supports Argentina's claim of sovereignty over the South Atlantic islands.
- Argentina recognizes one China and asserts that Taiwan is part of China.
- Neither condemns human rights violations committed by the other. In 1988, Argentina's first democratic president after the dictatorship, Raúl Alfonsín, also visited China to deepen trade, scientific, and cultural relations. In November 1990, President Carlos Menem was the first chief of state of a Western country to visit Beijing after the Tiananmen Square incidents.

China, it should be clear, had no preference for right-wing regimes; rather, it was indifferent to the form of the political regime so long as there were political and economic gains to be made.

China and Mexico also improved their bilateral political relations during the presidency of Luis Echeverría, 1970-76. Mexico recognized the People's Republic following U.S. National Security Adviser Henry Kissinger's trip to Beijing. Echeverría's Mexico subsequently became China's cordial partner, supportive of its position on Taiwan, and cooperative on broader international issues.<sup>7</sup> In these years, Mexico became China's closest partner in Latin America.

“ Peronist  
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People's Republic  
of China in the  
1970s.”

<sup>5</sup> Chilean relations with the United States and the United Kingdom were quite good during the first half of the 1980s, however.

<sup>6</sup> Heraldo Muñoz, *Las relaciones exteriores del gobierno militar chileno* (Santiago: PROSPEL-CREC/Las Ediciones del Ornitorrinco, 1986), 200-208, 230-237.

<sup>7</sup> *Visita a México del Viceprimer Ministro de la República Popular China* (Mexico: Sociedad Mexicana de Amistad con China Popular, 1975).

“Latin American  
right-wing politicians  
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China.”

There are two important legacies of this history. First, Latin American right-wing politicians do not fear China. Diplomatic, political, economic, and other relations were launched or deepened under right-wing military regimes. Anti-communist armed forces did not see China as part of their problem. This China was formally communist—but no longer colored bright red. Supporting reasons for good relations between the Latin American Right and China include the effects on the Latin American Right of the Sino-Cuban dispute (Cuba was the “real” enemy of the Latin American Right, and China was the enemy of the Right’s enemy). Importantly, the Chinese leadership vociferously denounced the Mao-inspired Peruvian violent revolutionary movement Sendero Luminoso as counterrevolutionary revisionists. China also turned toward a market economy during this period, and by the late 1990s, the principal advocates of closer Sino-Latin American relations were Latin America’s business firms. The latter’s concern about the rise of China are important—fear of unfair Chinese business competition—but not ideological or political.

The second legacy is that the key South American military governments—Argentina, Brazil, and Chile—developed relations with China as a means to counter U.S. power. They disapproved of U.S. meddling on behalf of human rights and welcomed China’s defense of non-intervention. It is true that Argentina and Brazil recognized the People’s Republic only after U.S. President Richard Nixon’s historic visit to Beijing, but the specific timing of the development of Argentine and Brazilian relations with China, and the reactivation of Sino-Chilean relations, owes more to the Argentine, Brazilian, and Chilean attempt to balance U.S. power in South America than to their following U.S. leadership. Mexico, too,

welcomed Chinese support for non-intervention and its possible counterweight to U.S. power. China, it should be stressed, sustained these policy views while at the same time steering clear of U.S. relations with South American governments and Mexico—the policy agreement between China and these Latin American governments was a welcome yet important coincidence for all sides.

The wide South American consensus on behalf of improved relations with China owes much, therefore, to the patterns first set in the 1970s: there is broad cross-ideological support to expand relations with China and, on the Latin American right as well as on the left, to use such relations to provide some balance to U.S. power.

#### **Military Relations: Effects, not Causes**

On 9 March 2005, General Bantz J. Craddock, Commander-in-Chief of the U.S. Southern Command testified as follows before the House Armed Services Committee:

An increasing presence of the People’s Republic of China in the region is an emerging dynamic... The PRC’s growing dependence on the global economy and the necessity of protecting access to food, energy, raw materials and export markets has forced a shift in their military strategy. 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. In 2004, national level defense officials from the PRC made 20 visits to Latin American and Caribbean nations, while Ministers and Chiefs of Defense from nine countries [in the region] visited the PRC.<sup>8</sup>

<sup>8</sup> Testimony of General Bantz J. Craddock, Commander, U.S. Southern Command, hearing of the House Armed Services Committee: “Fiscal Year 2006 National Defense Authorization Budget Request,” 9 March 2005.

In fact, Sino-Latin American military relations are and remain modest. They have been one aspect of the relationship for years, although the pace of military visitation has accelerated, as General Craddock notes. The U.S. Department of Defense's annual reports to the Congress on the military power of the People's Republic of China in 2003, 2004, and 2005 do not express worries about China's imaginable military roles in Latin America, albeit the 2005 report notes the deployment of Chinese peacekeepers to Haiti and the cordiality between China and Hugo Chávez's Venezuela. Sino-Latin American military relations developed as one more normal aspect of bilateral relations. Their acceleration also responds to the general intensification of Sino-Latin American relations. These military relations are not the cause that propels Sino-Latin American relations; rather, they are one effect of those relations. They help to ensure continued relations as a policy of each respective Latin American state, not just that of a particular administration.

Sino-Chilean military exchanges began during the Allende presidency in 1972 and continued through two subsequent political regime changes. Bilateral military agreements provide for visits, cooperation, and consultative mechanisms.<sup>9</sup> As noted earlier, China supports Chilean claims in Antarctica. Moreover, Chile's principal export product to China is copper. A Chilean state-owned enterprise, CODELCO, is the principal producer and exporter of copper. Chilean law mandates that a fraction of CODELCO's income must be allocated to support the Chilean military's weapons purchases. China's purchases of copper provide, therefore, an indirect support to the Chilean armed forces. Upon stepping down as President of

Chile, General Augusto Pinochet became Commander-in-Chief of the armed forces and in that capacity he visited China in 1993 and 1997.

Sino-Argentine military relations became institutionalized through formal agreements in the 1990s. The commanders of the respective army, navy, and air force of both countries have visited each other. Argentina and China post military attachés staffed by senior officers in their respective capital cities and Argentine officers participate in senior military courses in Beijing and Tianjin. Since the 1990s, cooperation also developed with regard to the peaceful uses of nuclear energy. Both China and Argentina belong to the International Atomic Energy Agency (IAEA). In late 2004, during President Hu Jintao's visit to Argentina, China agreed to buy Argentine nuclear reactors to produce low-energy neutrons; President Hu Jintao visited the nuclear energy plant in Río Negro. During that visit, the two governments also agreed to collaborate on the launch of space satellites where their technologies are complementary.

Brazil and China also have modest military relations, marked by frequent reciprocal visits of their defense ministers and other national security and defense establishment officials. In October 2004, during the visit of China's Defense Minister to Brazil, the Brazil-China Defense Cooperation Accord was signed. It calls for collaboration in science and technology, logistics and procurement, military equipment, training and instruction, military exchanges, visits by military units, development of military application technology, and naval warship construction. The Accord, an inter-executive agreement, did not receive Congressional assent; its text has not been released.

“China supports Chilean claims in Antarctica.”

<sup>9</sup> “Bilateral Relations Chile-China,” <http://www.fmprc.gov.cn/eng/wjbj/zjzg/ldmzs/gjlb/3478/default.htm> accessed 16 March 2005.

“Sino-Cuban military relations are underdeveloped.”

There is some international concern regarding the revival of Brazil's nuclear technology research and nuclear energy development. In 2004, Brazil announced that it intended to process and export enriched uranium; one of its export markets would be China. Brazil's state-owned nuclear enterprise, NUCLEP, has explored investment opportunities in China. Brazil, with one of the world's largest reserves of uranium, has become an object of concern for the IAEA, in part derived from widespread efforts to prevent Iran's enrichment of uranium.

The area of longest Sino-Brazilian scientific cooperation has been the satellite industry. Between 1988 and 2004, the two governments signed five bilateral agreements on satellite development. They have jointly produced remote sensor satellites, designed primarily for space imaging. The announced purpose is to market and sell these images globally. Brazil also wants to monitor its immense territory. The first two of these China-Brazil Earth Resources Satellites were launched in 1999 and 2003 on Chinese Long March 4B rockets from the Taiyuan space launch center in China. China provided 70 percent and Brazil 30 percent of the financing and technology.

Sino-Venezuelan relations, in contrast, have developed little in these areas beyond the normal diplomatic aspects of military exchanges and visits. In 2004-05, Venezuela became a significant purchaser of rifles and military helicopters, aircraft, and ships from Russia, Brazil, and Spain, but not from China.<sup>10</sup> Given the willingness and ability of the Venezuelan gov-

ernment to purchase weapons and military equipment in large quantities, Chinese restraint may explain the absence of such purchases.

Sino-Cuban military relations are equally underdeveloped. General Raúl Castro visited China in 1997 but spent the bulk of his time discussing lessons of economic reform, including the involvement of Cuban military officers in economic reforms in Cuba. General Castro hosted a part of President Hu Jintao's visit to Cuba in November 2004 but its context was bilateral economic relations.<sup>11</sup> This is consistent with the proposition that Cuba is among the Latin American countries that matter least for China's economy. Normal high-level military exchanges do take place, including, for example, General Castro's visit to China as well as the March 2003 visit to Cuba of Col. General Qian Shugen, Deputy Chief of Staff of the People's Liberation Army.<sup>12</sup>

China's first military deployment in the Americas began in September 2004 with the arrival of 125 riot police officers in Haiti as part of the United Nations peacekeeping force, led by Brazilians, constituted principally of Latin American troops (including those from Argentina and Chile), and supported by the United States. It was also China's first contribution to a U.N. mission in the Western Hemisphere.<sup>13</sup>

In conclusion, there is little evidence that China's presence in Latin America has a military dimension or purpose that should worry other countries.<sup>14</sup> Military considerations did not cause the development of China's relations

<sup>10</sup> Adolfo Taylhardat, "Los fusiles rusos," *El Universal*, 23 February 2005: 1-17.

<sup>11</sup> "Cuba Focus: The Cuban Military in the Economy," Issue 46 (Miami, Fla.: Cuba Transition Project, Institute for Cuban and Cuban American Studies, University of Miami, 2003).

<sup>12</sup> Canadian Foundation for the Americas (FOCAL), *CubaSource: Security* (17 March 2003).

<sup>13</sup> For a discussion on China's role in Haiti, see Daniel P. Erikson, "Latin America: China Tries to Pick off Taiwan's Allies," *The Miami Herald*, June 24, 2005.

<sup>14</sup> For a somewhat different view, see Stephen Johnson, "Balancing China's Growing Influence in Latin America," *Backgrounder*, no. 1888 (The Heritage Foundation, 24 October 2005): 1-6.



with Latin America. Rather, these modest military relations are a delayed effect of China's greater economic engagement with Latin America. The exception to this concluding generalization is one aspect of the relationship with Brazil. The experience in launching the joint Sino-Brazilian satellite "will support Beijing's efforts to develop improved military reconnaissance satellites... [and] also will provide some militarily useful data."<sup>15</sup>

### Explaining the Boom in Sino-Latin American Relations: China's Trade Growth

There is, in short, no sinister mystery: the worldwide growth of China's trade explains the boom in Sino-Latin American trade and other relations. Tables 1-8 present information on China's trade with nine Latin American countries; it is derived from the International Monetary Fund. Figure 1, based on the China Customs Statistics Yearbook for more recent years, reports China's trade with all Latin American countries.

China has not made a political decision to prefer trade with Latin American countries at the expense of its trade with other countries. The Latin American share of China's imports went up from 2 percent in 1990 to 4 percent in 2004 while the Latin American share of China's exports rose from 1 to 3 percent during those same years. Even in 2004, only Brazil reached as much as 1 percent of China's worldwide imports and only Mexico and Brazil accounted for as much as 1 percent of China's worldwide exports (see Tables 1 and 2). That is, as China's worldwide trade increased, its trade with Latin America did too, but the uptick in Latin America's relative share of China's trade is insignificant, as evident most clearly in Figure 1.

Yet, politically, the growth rate of Latin American trade caught the eye of decision

makers. China's imports from and exports to all nine Latin American countries listed in Tables 5 and 6 increased at a much faster rate than China's worldwide imports and exports, admittedly from very low baselines.

As seen from Latin America, China looms very important. In 2004, exports to China represented 6 to 10 percent of the exports of Argentina, Brazil, Chile, and Peru while imports from China accounted for 4 to 9 percent of the imports of Argentina, Brazil, Chile, Mexico, Ecuador, and Colombia. In the 1990s, in contrast, China was an important export market only for Peru. During the first half of the 1990s, it was an important import market for no Latin American country. Argentina and Chile began to import substantially from China in the second half of the 1990s but the big jump in exports and imports took place after 2000 (see Tables 3, 4, 7, and 8 and Figure 2).

Venezuela is a special case. In 2003-2004, it accounted for at most 2 percent of China's imports and exports; China's relative importance for Venezuelan exports fell from 2003 to 2004. The value of Venezuela's purchases from China jumped in 2000 and the value of its exports to China jumped in 2003. Thus, though the level achieved is modest, the recency of the experience colors the relationship. Venezuela's government has little basis to hold high hopes for a bright future of Sino-Venezuelan trade but it seems all the more eager to try.

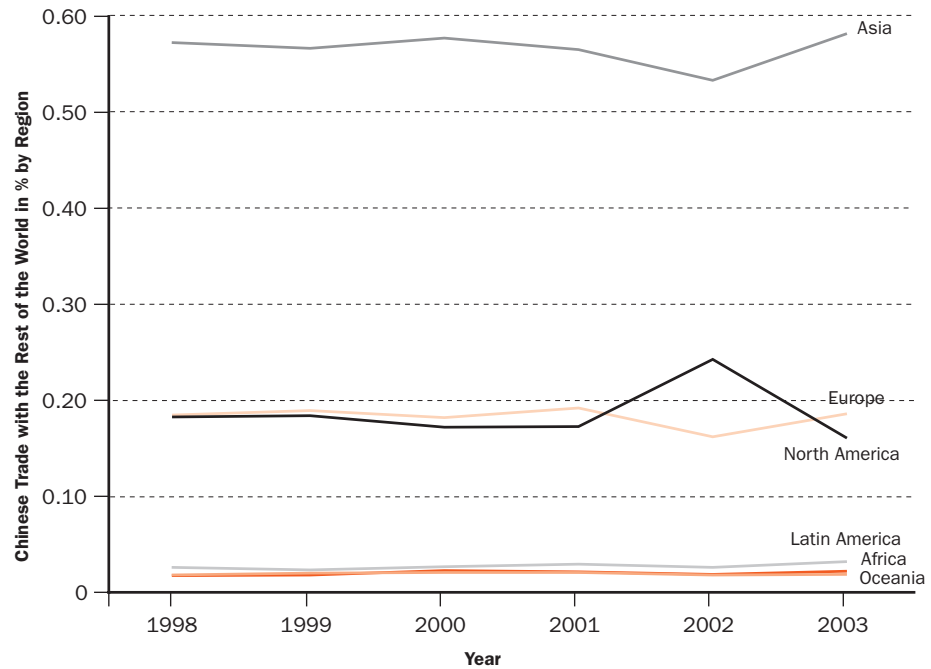
Cuba is not a member of the International Monetary Fund and thus its trade data does not appear in IMF publications. Between 1996 and 2002, Cuban exports to China ranged between 3.3 and 6.5 percent of all Cuban exports; this represented oscillation,

“The uptick in Latin America's relative share of China's trade is insignificant.”

<sup>15</sup> U.S., Department of Defense, "Annual Report on the Military Power of the People's Republic of China," pursuant to the FY 2000 National Defense Authorization Act. <http://www.defenselink.mil/news/Jun2000/china06222000.htm> accessed 21 March 2005

“China has disproportionate leverage over Latin America in trade negotiations.”

**Figure 1. China's Trade with Main World Regions, 1998-2003**



**Note:** This graph shows Chinese trade with each region of the world as a percentage of China's total trade. As can be seen, Chinese trade with Latin America is about the same as its trade with Africa and Oceania.

**Source:** *China Customs Statistics Yearbook*, Editions 1998, 1999, 2000, 2001, 2002, 2003.

not a trend—in 2003, China accounted for 4.7 percent of Cuban exports. For those same years, the share of Cuban imports from China increased steadily from 4.3 percent in 1996 to 12.5 percent in 2002, to drop to 10.9 percent in 2003.<sup>16</sup> In 2004, the total value of Sino-Cuban trade was \$401 million, ranking Cuba ninth (approximately tied with Ecuador) in its trade importance for China in Latin America while in 2005 China became Cuba's second largest trading partner.<sup>17</sup>

In short, Sino-Latin American relations improved thanks to the boom in China's worldwide trade, which finally reached Latin American shores. The trade boom generated

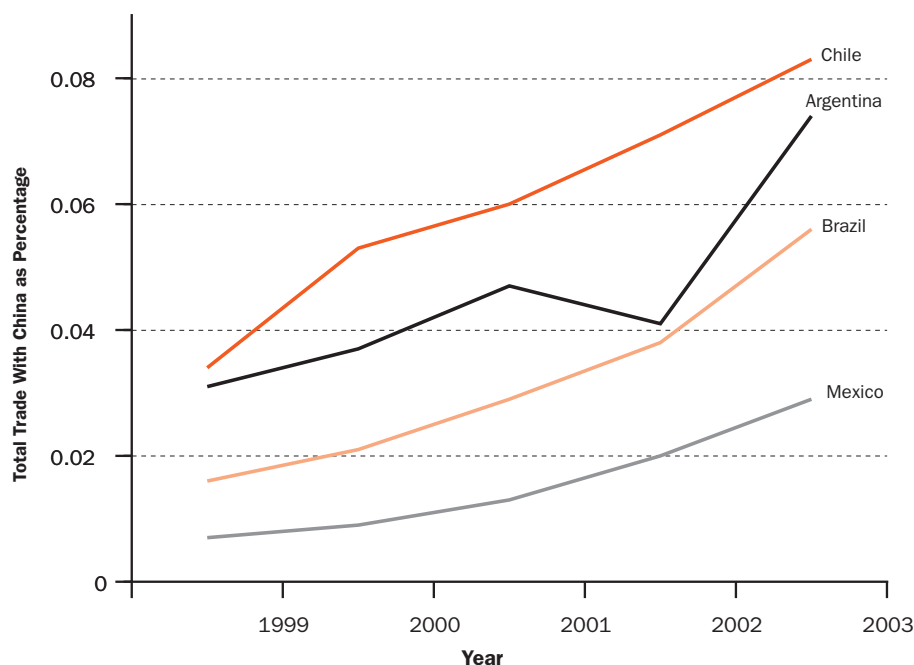
shared gains for China and Latin America. It is a key motor for the general change in China's bilateral relations with the various Latin American countries and it helps to explain broad perceptions of the rise of China in the world.

Yet, if the gains are shared, the hopes for further gains are asymmetrical and the relative leverage to shape the future distribution of gains is uneven as well. China has disproportionate leverage over Latin America in trade negotiations because the latter depend much more on the former. Moreover, Latin America will most likely remain a minor player in the prospects for China's economic

<sup>16</sup> Computed from *Anuario estadístico de Cuba, 2003* (Havana: Oficina Nacional de Estadísticas), Tables VII.6 and VII.7

<sup>17</sup> From Hu Jintao's speech, in *Granma*, 23 November 2004. The amount was for January through September 2004. For 2005, see Reuters report of 16 January 2006.

**Figure 2. Percentage of Total Trade with China: Argentina, Brazil, Chile, and Mexico, 1999-2003**



**Note:** Each country's trade with China as percentage of its total trade.

**Source:** UN Comtrade (UN Commodity Trade Database).

growth while China has already become a major factor for Latin America's economic growth. The year 2004 was the best for Latin America's gross domestic product growth since the East Asian financial crisis of 1997. A major reason for Latin America's growth in 2004 was China's demand for commodities, which lifted prices and output to set most Latin America's economies back on a growth path.<sup>18</sup> The asymmetry in both hopes and leverage is an issue for the future.

### Effects of the Trade Boom: Public Opinion Perceptions of the Rise of China

China's sudden rise in world affairs shapes the perceptions that others have of its potential impact. This section discusses the

responses to answers in polls that asked the same questions; except as otherwise noted, the polls were conducted in November and December 2004 in four countries. On balance, the citizens of Argentina, Brazil, Chile, and Mexico had a positive view of China's influence in the world—Chileans and Brazilians by clear majorities, Mexicans least so. Their view of China was more benign than the adverse balance of public opinion in the United States and Japan, which is included here simply for calibration (see Table 9).

Economic views showed greater complexity and instability over time. In late 2004, Mexicans, lukewarm in their general views

“2004 was the best year for Latin America's GDP growth since the East Asian crisis of 1997.”

<sup>18</sup> Naciones Unidas, Comisión Económica para América Latina (CEPAL), *Balance preliminar de las economías de América Latina y el Caribe, 2004*, LC.G2265-P (December 2004).

“US and Japanese citizens are markedly more negative toward China’s military power than Latin Americans.”

of Chinese influence, turned enthusiastic backers of Chinese economic power. However, according to a national poll conducted in November–December 2005, 52 percent of Mexicans believed that China represented a “source of unfair competition” for Mexican business firms and only 27 percent thought that China would be a potential market for the growth of Mexican business firms.<sup>19</sup> This shift in Mexican public attitudes matched the behavior toward China of President Vicente Fox’s administration (see later section) as well as the reality of Sino-Mexican trade: Mexico imports much from, but exports little to, China.

In late 2004, pluralities of Chileans and Brazilians thought well of China’s greater economic power, consistent with the marked increase in trade between China and these two countries. The third of Brazilians who objected to Chinese economic influence may have been affected by import competition. Also, a plurality of Argentines had negative views of China’s economic power. Other than Argentines, Latin Americans were more positive toward China’s growing economic power than were citizens of the United States or Japan.

Majorities had a negative view of China’s military power in Argentina, Brazil, and Chile, while in Mexico the difference between positive and negative views was within the statistical margin of error. U.S. and Japanese citizens were markedly more negative toward China’s military power than were the Latin Americans.

On balance, the views of Chileans and Brazilians matched the expectations about their interests. They opposed China’s growing military power but had a positive view of China’s influence in the world and,

albeit a bit less so, of its growing economic power. Mexican views took longer to crystallize but in due course match the objective circumstances. Finally, it is unclear why Argentines should think well of China’s influence in the world if, on balance, they had negative views of China’s growing economic and military power.

In conclusion, China has left its mark on public opinion in the four most important Latin American countries. In Chile and Brazil, the public sent clear and positive views about relations with China. In Mexico, the message became clearer in time. In Argentina, the public’s message to its government about policy toward China was more muddled.

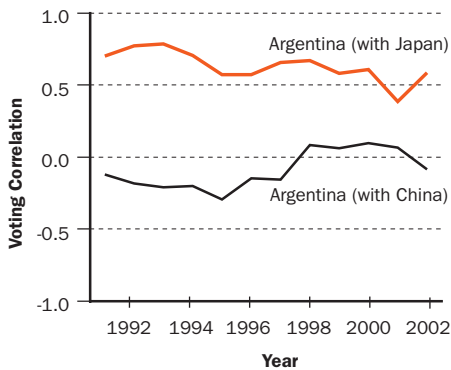
### No Effects of the Trade Boom? Latin American Behavior in the United Nations

Such a marked growth in China’s trade relations with Latin America might be expected to shift Latin American foreign policies to accommodate Chinese interests. In this section, we examine the relative coincidence in the voting behavior of China and several Latin American countries in the United Nations General Assembly (the few votes missed are counted as abstentions along with the explicit abstentions) as one indicator for such behavior. We rely on the voting records from the 1991–92 to the 2002–03 sessions. For the sake of calibration, the extent of voting coincidence between Japan—a major world power also located in East Asia—and the same Latin American countries is included.

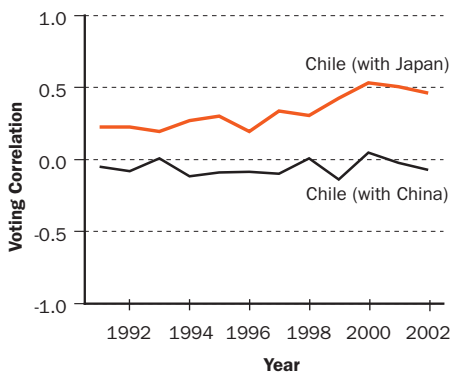
The key finding is that little change took place over time in the voting coincidences between China and Japan and the four most important Latin American countries (Figures 3a through 3d). The movements

<sup>19</sup> IPSOS-BIMSA, “Relaciones comerciales México-China,” 25 November–4 December 2005.

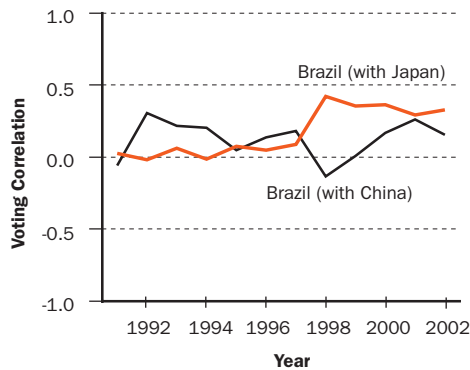
**Figure 3a. Voting Coincidence of Argentina with China and Japan, All Votes, 1991/92–2002/03**



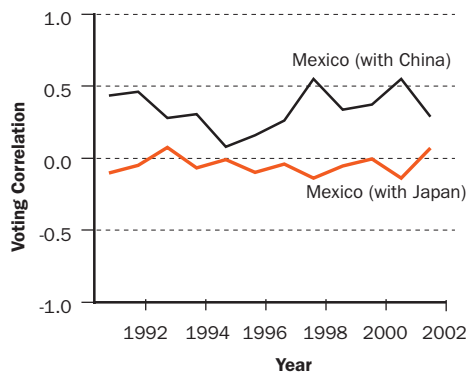
**Figure 3b. Voting Coincidence of Chile with China and Japan, All Votes, 1991/92–2002/03**



**Figure 3c. Voting Coincidence of Brazil with China and Japan, All Votes, 1991/92–2002/03**



**Figure 3d. Voting Coincidence of Mexico with China and Japan, All Votes, 1991/92–2002/03**



“ The increase in Sino-Latin American trade had no discernible effect on UN voting patterns.” ”

in each case represent no trends; they are “noise” in the data. The marked increase in Sino-Latin American trade had no discernible effect on the voting behavior of the major Latin American countries in the U.N. General Assembly.

Second, Argentina and Chile have a General Assembly voting pattern closer to Japan than to China and are relatively stable in that difference (with a slight tendency toward greater agreement between Chile and Japan), notwithstanding the greater importance of trade with China than trade with Japan for both countries.<sup>20</sup> The voting behavior of Argentina, Chile, and Brazil is approximately

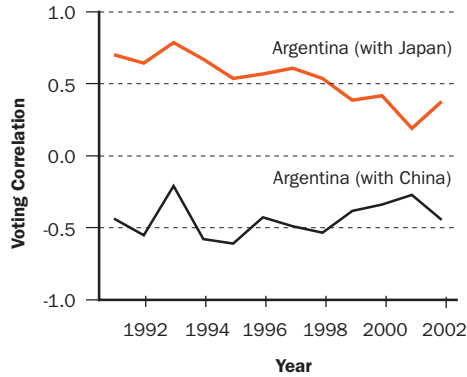
equidistant from China—they are just as likely to agree as to disagree. Brazil’s voting behavior is also equidistant relative to Japan’s over time, though since the late 1990s it became slightly more likely to coincide with Japan. Sino-Brazilian trade is, nevertheless, significantly more valuable than Japanese-Brazilian trade. In sum, China’s trade growth has not changed the pattern of coincidence between these three major South American countries and China and Japan.

Mexico, too, exhibits stability in voting behavior over time but a marked coincidence with China and equidistance from Japan. Until 2004 Mexico traded almost as much with China as

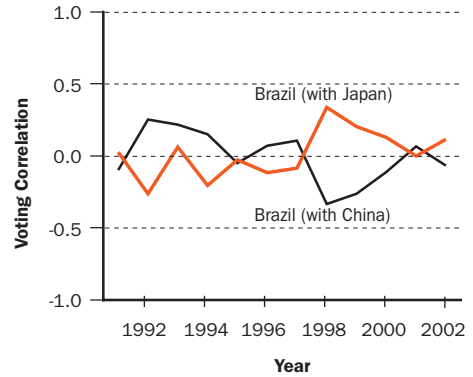
<sup>20</sup> Trade data for Japan are from the International Monetary Fund, *Direction of Trade Statistics*, 2003.

“Only Cuba has been strategic relative to China in its voting behavior in the UN general assembly.”

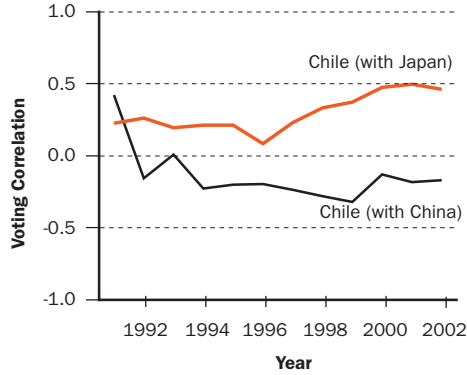
**Figure 4a. Voting Coincidence of Argentina with China and Japan when China and Japan Voted on Opposite Sides, 1991/92–2002/03**



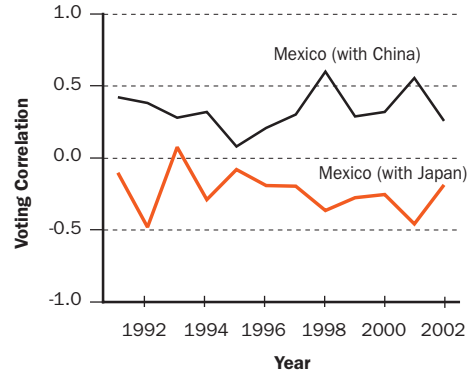
**Figure 4c. Voting Coincidence of Brazil with China and Japan when China and Japan Voted on Opposite Sides, 1991/92–2002/03**



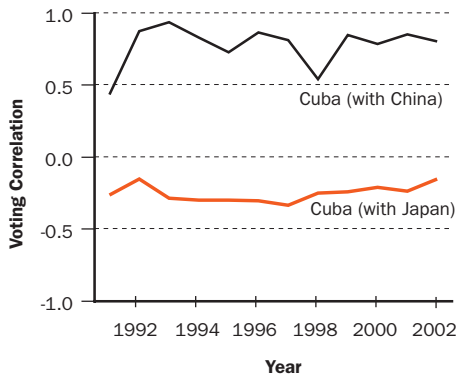
**Figure 4b. Voting Coincidence of Chile with China and Japan when China and Japan Voted on Opposite Sides, 1991/92–2002/03**



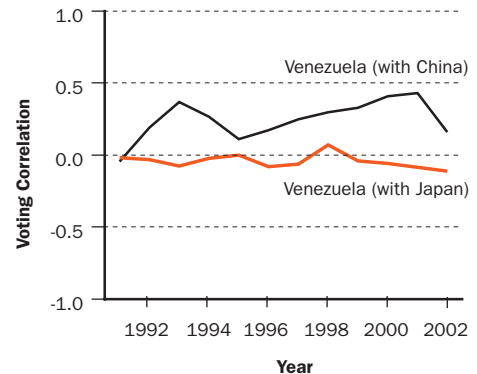
**Figure 4d. Voting Coincidence of Mexico with China and Japan when China and Japan Voted on Opposite Sides, 1991/92–2002/03**



**Figure 5a. Voting Coincidence of Cuba with China and Japan, All Votes, 1991/92–2002/03**



**Figure 5b. Voting Coincidence of Venezuela with China and Japan, All Votes, 1991/92–2002/03**



with Japan, though slightly more with the latter, with which in 2004 it signed a free trade agreement. Yet China has now surpassed Japan in its trade importance for Mexico.

We also examined the General Assembly voting patterns for these four countries limited to those votes when China and Japan voted differently (Figures 4a-4d). The patterns remain the same: stability over time and greater voting coincidence between Japan and Argentina, Brazil, and Chile, on the one hand, and between Mexico and China, on the other. However, Argentina and Chile appear as likely to disagree with China while Brazil agrees somewhat less with China.

On balance, the conclusion is the same: the growth of China's trade with Argentina, Brazil, Chile, and Mexico had little impact on their voting behavior in the U.N. General Assembly, even when the analysis was circumscribed to those issues over which China and Japan differed.

Venezuela and Cuba, as we shall see in a later section, in recent years have emphasized the political value of their relations with China. And yet, their pattern of voting coincidence with China is as constant as the patterns of the four major Latin American countries (see Figures 5a and 5b).

Cuba shows a high agreement with China since 1992, when Sino-Cuban relations improved substantially upon the collapse of the Soviet Union. The more recent improvement in Sino-Cuban trade and other economic relations had no impact, however, on Cuba's U.N. voting behavior. Cuba's agreement with China has been high and constant for over a decade. Cuba's behavior is explained by a political decision made in 1991-92, which precedes trade expansion. (The tendency toward modest disagreement between Cuba's and Japan's voting behavior is also constant.)

Venezuela also shows substantial stability in its voting coincidence with China since 1993, five years before Hugo Chávez's election as president of Venezuela, and it shows even greater stability in its equidistant voting behavior with regard to Japan. Venezuela typically agreed with China at a level just slightly below Mexico's agreement with China. Chávez's election had no significant impact on the pattern of Sino-Venezuelan voting coincidence in the General Assembly. The level of Sino-Venezuelan trade became higher only in the current decade, however; it is too soon to tell whether deepened trade relations would generate closer political relations.

In conclusion, the jump in Sino-Latin American trade has had little impact on agreement between China and any of these six Latin American countries in their voting behavior in the U.N. General Assembly. Such Latin American voting responds to long-standing foreign policy orientations and has been relatively impervious to influence from trade patterns. Only Cuba has been strategic relative to China in its voting behavior in the General Assembly. In the early 1990s, Cuba "bandwagoned" with China. Only Mexico and Venezuela have ordinarily agreed with China more than they have disagreed. The main surprise is that President Chávez has yet to change Venezuelan voting behavior as a means to signal his ardor for the People's Republic.

### **Explaining China's Behavior Beyond the Trade Boom: the Taiwan Question**

At the start of 2006, the Republic of China (Taiwan) had formal diplomatic relations with twenty-six countries throughout the world, twelve of which are in the Western Hemisphere and all but Paraguay are in Central America and the Caribbean (see Table 10). Most Latin American countries, including all the big ones, recognized

“Chávez has yet to change Venezuela's voting behavior as a means to signal his ardor for China.”

““The issue of Taiwan plays a key role in China’s diplomacy.””

the PRC in the 1970s after U.S. National Security Adviser Henry Kissinger visited Beijing in July 1971 and China was subsequently admitted to the United Nations. The most populous countries in the world that still recognize the Republic of China (Taiwan) are the Dominican Republic, Guatemala, and Paraguay, while the most important may be Panama. (In 1985, twenty-three countries recognized Taiwan, thirteen of them in the Americas.)

The issue of Taiwan plays a key role in China’s diplomacy. In November 2004, President Hu Jintao repeatedly thanked his hosts in the countries that he visited for their support on the Taiwan issue, singling out Chile as the first South American country to recognize the People’s Republic in 1970. Vice President Zeng Qinghong had emphasized the same point during his visit to the hemisphere earlier in 2004. Before, we cited the Taiwan question as an explanation for the People’s Republic retention of diplomatic relations with General Pinochet’s anti-communist dictatorship and as a factor in relations with other countries in this study.

Taipei and Beijing compete expensively for the allegiance of the small states of the Americas that sustain diplomatic relations with the former. Taiwan regularly provides generous technical and medical assistance in the wake of natural disasters, for example. In 1997, China countered with large assistance packages, which induced both the Bahamas and St. Lucia to recognize Beijing. In 2004, Dominica switched its allegiance to Beijing upon receiving a pledge of \$112 million in aid over six years to construct a national stadium, renovate the main hospital, and build a new secondary school and a new road.<sup>21</sup>

In 2005, the People’s Republic outbid Taiwan for Grenada’s allegiance. Both Taipei and Beijing offered to rehabilitate and expand the national stadium in time for the 2007 Cricket World Cup. Taiwan had offered \$10 million to help with reconstruction from damages caused by Hurricane Ivan. The People’s Republic offered to build 2000 low-income houses and new hospital facilities, support the agricultural sector, transfer \$1 million in cash for Grenadian government scholarships, and grant \$6 million to complete community projects originally funded by Taiwan. In addition, Beijing would provide \$1 million budget support annually from 2005 to 2009.<sup>22</sup>

The People’s Republic has actively wooed Honduras, promising to build three dams and hydroelectric stations at a cost of \$500 million. Honduras has invited Taiwan to counter with its own bid. In 2004–05, executives from dozens of Chinese companies visited Honduras.

China’s deployment of 125 riot police to Haiti in the Fall 2004 put pressure on the Haitian government to break with Taipei and establish diplomatic relations with Beijing. China opened a trade office in Haiti and has regularly sent high-level diplomats to Port-au-Prince.

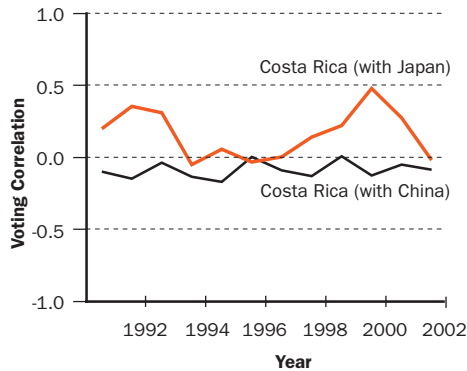
China has not been punitive toward those states that still recognize the Republic of China (Taiwan), however. Consider Taiwan’s most important formal diplomatic partner: Panama. In 1996, China opened a trade office in Panama. High-level diplomatic attention followed, including a visit in June 2004 from PRC Vice Foreign Minister Zhou Wenzhong. As Table 2 shows, in 2004 China exported to Panama more than it did to Argentina, Chile, or Venezuela.

<sup>21</sup> Daniel P. Erikson, “China in the Caribbean: A Benign Dragon,” *FOCALPOINT* 4:5 (May 2005): 1.

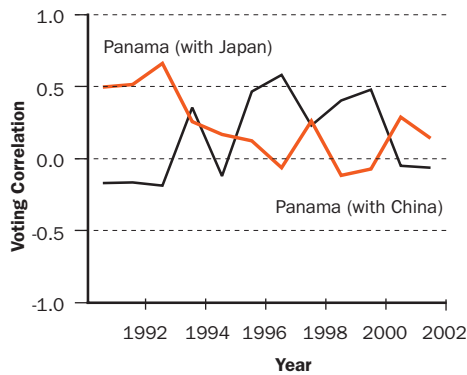
<sup>22</sup> *Idem.*



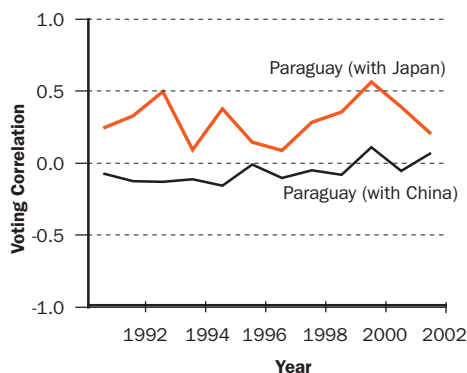
**Figure 6a. Voting Coincidence of Costa Rica with China and Japan, All Votes, 1991/92-2002/03**



**Figure 6b. Voting Coincidence of Panama with China and Japan, All Votes, 1991/92-2002/03**



**Figure 6c. Voting Coincidence of Paraguay with China and Japan, All Votes, 1991/92-2002/03**



Sino-Panamanian trade boomed in 2004, exceeding \$2 billion, some fifteen times the value of trade between Taiwan and Panama that year. (Both Taiwan and China export through Panama’s free-trade zones to third countries.) China is the third most frequent user of the Panama canal (behind the United States and Japan) and the China Shipping Company sends more ships through the canal than any other company. Since 2000, the Hong Kong company, Hutchison Whampoa, has operated port facilities at both ends of the canal. Current Panamanian interest in widening the canal to accommodate larger ships has afforded China the opportunity to express an interest in participating in this venture; the U.S. government has expressed little interest in financing the expansion.<sup>23</sup> Yet, Taiwan’s diplomatic relations with Panama still last.

Several Latin American countries that retain diplomatic relations with Taiwan choose not to emphasize other foreign policy disagreements with the People’s Republic. Consider the U.N. General Assembly voting behavior of Costa Rica, Panama, and Paraguay, all of which sustain diplomatic relations with the Republic of China (Taiwan) (see Figures 6a-6c). Costa Rica and Paraguay show the same voting stability and leanings over time as Argentina, Brazil, and Chile. Costa Rica and Paraguay are as likely to agree as to disagree with the People’s Republic, and that pattern is constant since the start of the 1990s. Panama’s voting behavior oscillates sharply from year to year—probably more a sign of lack of foreign policy professionalism than of tactical calculation—with no clear pattern over time. The General Assembly voting behavior patterns do not distinguish well between countries that recognize Taipei and those that recognize Beijing.

“China is the third most frequent user of the Panama Canal.”

<sup>23</sup> For greater alarm regarding China’s possible role, see Al Santoli, “The Panama Canal in Transition: China’s Growing Role in Latin America and Threats to U.S. Security,” *Officer 75* (August 1999): 39-43.

“Latin America has a trivial role in addressing China’s energy needs.”

In short, the Taiwan question explains much about Beijing’s behavior in the Western Hemisphere, including its disproportionate attention and expense in courting micro-states. Beijing provides incentives but does not threaten harm to induce countries to defect from recognizing Taiwan. Latin American countries that recognize Taiwan circumscribe their disagreement with the People’s Republic just to the question of diplomatic status, remaining active trade partners and seekers of investment from China while adhering to the common Latin American behavior in U.N. General Assembly voting.

#### Explaining Variation in Sino-Latin American Relations: Economic Factors

Sino-Latin American relations vary for several reasons, among them overall economic importance, the importance of key commodities, and trade regime openness.

One aspect of variation is the relative economic importance of Latin American countries for China. In 2004, Latin America’s three principal non-petroleum worldwide exporters were Brazil, Argentina, and Chile, in that order, with Brazil accounting for nearly three times the value of Argentina’s worldwide exports. That is a perfect match with the relative ranking of China’s imports from Latin America in 2004. Also in 2004, Latin America’s three principal worldwide importers were Mexico, Brazil, and Chile. That was a near perfect match with the relative ranking of China’s exports to Latin America: Mexico, Brazil, Panama, and Chile (Panama’s imports from China were re-channeled to third countries via its free-trade zones, however). Therefore, political explanations are unnecessary to explain the main outlines of variation in the value of trade between China and its principal Latin American partners. The main explanation for

variation in the salience of trade relations is the participation of specific Latin American countries in non-petroleum world trade.<sup>24</sup>

Another dimension of variation is specific to key products. China has seemingly limitless demand for energy. Rolling blackouts are a fact of life for many Chinese. China has not turned to Latin America to address its energy needs, however. China imports little petroleum from Mexico. China’s largest energy trading partner in Latin America is Venezuela, but Venezuela’s share of China’s oil imports was only 1.1 percent in 2003. For Venezuela, as Tables 3 and 4 show, this makes China a significant trading partner but the comparison underscores the asymmetry in hopes and leverage in Sino-Venezuelan relations. In short, Latin America has a trivial role in addressing China’s energy needs.

This could change. SINOPEC, one of China’s state-owned oil firms, has signed two deals with Petrobras, one for \$1 billion to build a pipeline linking the north and south of Brazil and another for \$7 billion to find, produce, and refine oil. It has signed a contract with Cuba to explore for oil offshore and it has joint ventures to explore for petroleum in Venezuela. These are medium-term prospects at best, however.

Copper is considerably different. Chilean copper accounts for about one-fifth of China’s total copper imports while China represents about one-sixth of Chile’s copper exports (second only to Japan in its importance for Chile). Copper remains Chile’s most important export. This bilateral relationship is balanced. Note, however, substantial short-term variability in these Chinese imports (Figure 7).

China is no longer self-sufficient in food but it so far imports only a small fraction (about 5 percent)

<sup>24</sup> Latin American trade data for 2003–4 from CEPAL 2004, 151.

**Figure 7. China's Copper Imports as a Percentage of Its Total Copper Imports, 1999–2003**



**Note:** This graph shows Chinese copper imports from Chile as a percentage of its total copper imports.

**Source:** UN Comtrade (Commodity Trade Database).

of the food that it consumes; this proportion may grow, however. China has turned to Latin America—mainly to Argentina and Brazil—as a major source of its food imports. In 2003, Latin America accounted for about a third of China's agricultural imports (Figure 8); Argentina represented about 15 percent and Brazil about 14 percent of China's total agricultural imports.

Much of this trade has been in soy-based products that, in the form of tofu, are important in the Chinese diet. Soybeans account for about half of Argentina's total exports to China, with other agricultural and livestock products accounting for nearly all of the remainder. In 2004, soybeans constituted about 30 percent and soybean products

another 9 percent of Brazil's exports to China; these combined soybean product exports, however, represented only 2.2 percent of Brazil's total worldwide exports but 30 percent of China's total soybean imports.<sup>25</sup> Thus the agricultural trade relationship between China and both Argentina and Brazil seems relatively balanced. China imports a small fraction of its needs but soybeans are a sensitive food product; Argentina and Brazil retain a sufficiently diversified trade export portfolio.

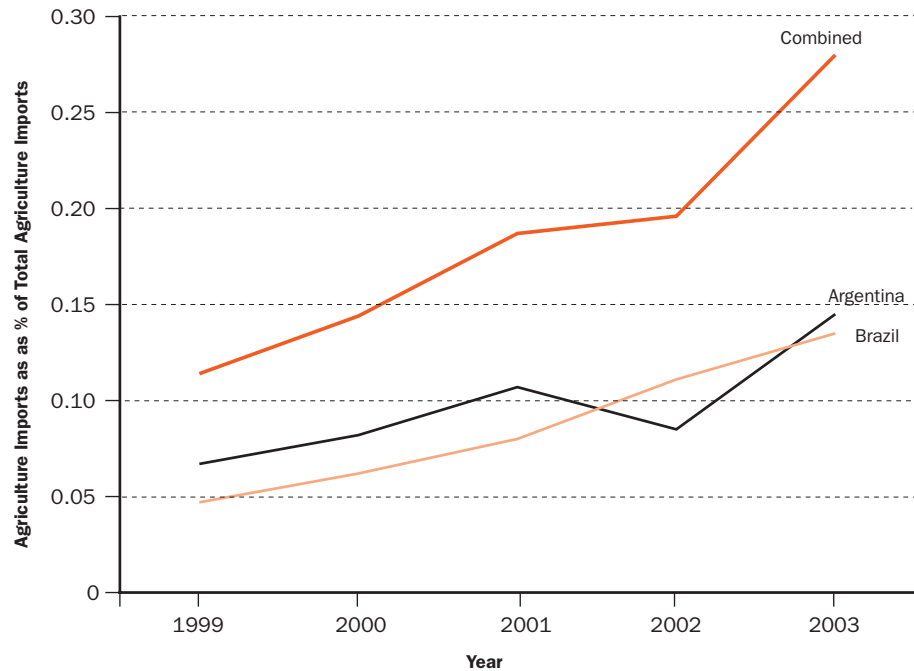
A third major source of economic variation is the relative openness of each country's trade regime. Autarchic economic strategies, which were once employed by China, and to a lesser extent, Latin America, do not foster trade.

“Copper remains Chile's most important export.”

<sup>25</sup> Brazilians statistics come from the Brazilian Ministry of Development, Industry, and Trade, unless otherwise noted.

“Argentina, Brazil, and Chile have reasonably balanced trade relations with China.”

**Figure 8. China's Agricultural Imports from Brazil and Argentina as a Percentage of China's Total Agricultural Imports, 1999–2003**



**Note:** This graph shows Chinese agricultural imports from Brazil and Argentina, and the two combined, as a percentage of China's total agricultural imports.

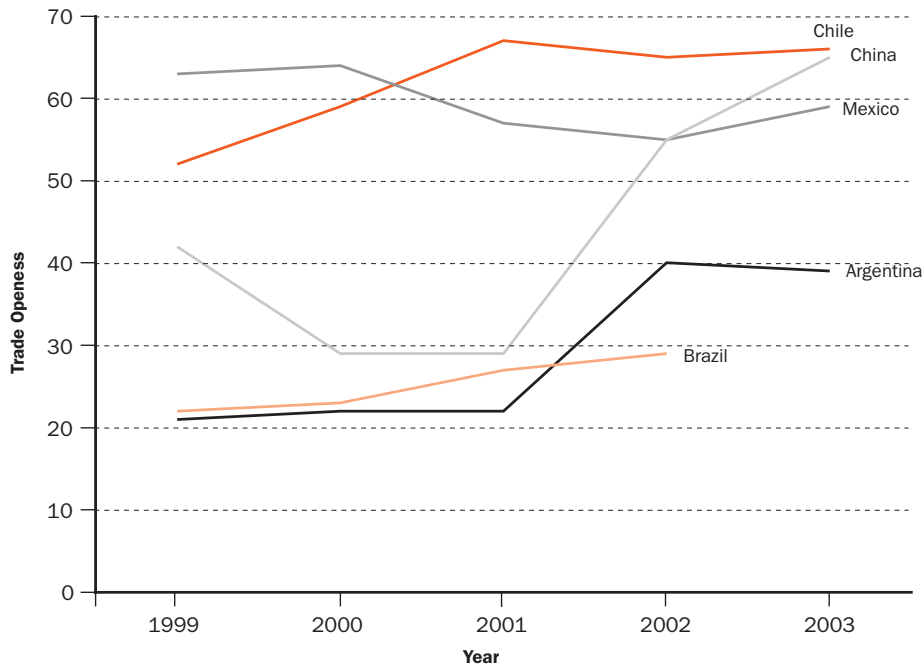
**Source:** *China Customs Statistics Yearbook*, Editions, 1999, 2000, 2001, 2002, 2003.

As evident in Figure 9, however, Chile has an open international trade regime. Mexico and China do, too, with China surpassing Mexico in recent years. In contrast, Argentina and, especially, Brazil lag behind other countries in terms of their openness to trade. This also implies that China would gain much from a successful Doha Round of the World Trade Organization (WTO) that might open up the Argentine and Brazilian markets. China also has an interest in trade agreements with the southern common market countries (MERCOSUR) led by Brazil and Argentina. Should changes occur in these trade regimes, Sino-MERCOSUR trade could grow further.

In short, Argentina, Brazil, and Chile are Latin America's principal non-petroleum

exporters and thus China's key import partners. Along with Mexico (and Panama's free-trade zones), they are also China's most important export markets. Argentina, Brazil, and Chile have also developed reasonably balanced trade relations with China. China matters more to these three countries than they do to China but they export products either in proportions (copper) or sensitivity (soybean) for Chinese imports to accord them some bargaining leverage. China's decision to meet its energy needs from sources other than Latin America deprives Latin America's petroleum exporters, especially Venezuela, of significant leverage in relations with China. Finally, the relative trade regime openness of Chile, Mexico, and China indicates that governmental bar-

**Figure 9. Trade Openness for Argentina, Brazil, Chile, Mexico, and China, 1999-2003**



**Note:** This graph shows trade openness levels for each country from 1999 to 2003.

**Source:** World Bank's World Development Indicators (WDI).

riers are not severe obstacles to trade, but that changes in trade regime openness in Argentina and especially Brazil could foster trans-Pacific trade.

### Explaining Variation in Sino-Latin American Relations: Political Factors

#### *A View from China*

The People's Republic of China has developed a systematic long-term strategy to engage with Latin American countries. Strands of this strategy were reviewed in previous sections. First, China in the 1970s retained and developed diplomatic and other relations with anti-communist right-wing

military dictatorships in Latin America. In so doing, the People's Republic built on the international processes that dismantled worldwide recognition for the Republic of China (Taiwan) and set the long-term cross-ideological and multi-partisan basis of Sino-Latin American relations.

Second, starting in the early 1980s Beijing invested in the development of cadres to manage its relations with Latin America. A Sino-Mexican agreement brought 110 young Chinese officials, for two-year tours, to El Colegio de México to study Spanish and learn about Latin America.<sup>26</sup>

“More open trade regimes in Argentina and Brazil could foster trans-Pacific trade.”

<sup>26</sup> In the mid-1980s, Domínguez visited and was greatly impressed with the Spanish-language skills of Chinese university students at the Beijing Foreign Languages School.

“China invested  
in the growth  
of think-tanks  
capable of analyzing  
Latin American  
experiences.”

China's ambassadors to Latin America today are professionals. Consider the current Chinese ambassadors to Argentina and Brazil, both born in 1945. Ambassador to Argentina Ke Xiaogang, a university graduate, was compelled to work in the Guandong mines in 1971-73 but thereafter has had a steady career in the diplomatic service. He has worked on Latin American issues since 1978, was posted as Counselor to China's Embassy to Mexico (1985-89), and serves as Ambassador in Buenos Aires since 2003.

Ambassador to Brazil Jiang Yuande became a specialist in the Lusophone world. He was posted as civil attaché to Mozambique in 1975, as this country became independent. He was Counselor to the Chinese Legation in Angola (1986-89) and was posted in that same capacity to Brazil in 1989-92. In the 1990s, he served as China's ambassador to Angola and Cape Verde. In 2002, he became ambassador to Brazil.

Third, China invested in the growth of think-tanks capable of analyzing Latin American experiences. The Institute of Latin American Studies of the Chinese Academy of Social Sciences (CASS) and the Department for Studies about Latin America of the Chinese Communist Party work on various Latin American countries. Country specialists are rewarded for their expertise. (The works of several of these scholars are cited in the paragraphs below.) Consider the contrast in this regard between China and Argentina. China has several senior specialists who work on Argentina and whose work includes training government and communist party officials. The Chinese government, international financial institutions, and international foundations

support Chinese research on Argentina, particularly on international political economy topics (exchange-rate regime, MERCOSUR, etc.). On the other hand, Argentina has no comparable think-tank or public or private institution akin to those in China—a few Argentine professionals have focused on China mainly on their own; their work lacks governmental or other institutional support and has relatively little impact on official decision-making.

Fourth, Chinese high officials traveled to Latin America at key junctures.<sup>27</sup> In 1990, to counter Taiwan's efforts to capitalize on the Tiananmen Square repression, China's President Yang Shangkun visited five Latin American countries. Through the 1990s, China's participation in the Asia-Pacific Economic Cooperation (APEC) forum put it in contact with Latin American presidents; lower-level Chinese official visits to Latin America deepened the relationship. President Jiang Zemin visited Latin America in 1993, 1997, and 2001, combining this last trip with an APEC summit and visits to four Latin American countries. In November 2004, President Hu Jintao spent fourteen days touring four Latin American countries besides attending the APEC summit in Chile, and in September 2005 Hu visited Mexico again.

Hu harvested the blossoms from the seeds planted in decades past. His visit fostered the long-term construction of China's policies toward Latin America.<sup>28</sup> There were two broad themes and many specific country themes. The most important broad theme highlighted a new era in Sino-Latin American relations. Again and again, the President of China and the respective presi-

<sup>27</sup> Stefanie Reiss, "La década del dragón: La diplomacia de China Popular con respecto a América Latina desde 1989," *Desarrollo y cooperación*, no. 1 (January-February 2001).

<sup>28</sup> Information on Hu Jintao's visit comes from the *People's Daily (Renmin Ribao)*, 13-25 November 2004.

dents of the countries he visited stressed the historic qualitative change in Sino-Latin American relations. A sub-theme was Hu's acknowledgement and thanks to his hosts for their support for the "one China policy," namely, that Taiwan belongs to China. A second broad theme was to obtain formal recognition that China is a "market economy" in advance of the conclusion of WTO Doha Round negotiations. Latin American countries would thus find it more difficult to impose anti-dumping tariffs on Chinese exports. Argentina, Brazil, Chile, and Peru made this concession, got little in return, and called attention to asymmetric bargaining power in their relations with China.<sup>29</sup> Argentina, Peru, and Brazil are the three Latin American countries that have already initiated the largest number of anti-dumping cases against China under WTO rules.<sup>30</sup> China's search for this specific concession thus had considerable practical significance.

China has developed a way to characterize its relations with other countries around the world, which it also applies to Latin America. China follows three criteria:

- The importance of a country and its bilateral relationship to China,
- The depth of collaboration in the relationship, and
- China's decision to accord status to a partner.

As a result, China employs three labels, listed in their order of importance:

- Strategic partner,
- Cooperative partner, or
- Friendly cooperative relations.

Only genuinely important countries are labeled strategic partners and only provided they are also prepared to deepen collaborative relations. Brazil received the designation in 1994, Venezuela in May 2001, and Argentina and Mexico in November 2004.

This labeling scheme calls attention to three noteworthy relationships. First, Argentina had been classified as a "cooperative partner" as late as President Néstor Kirchner's visit to Beijing in June 2004,<sup>31</sup> but it was upgraded, albeit with some ambiguity, to "strategic partner" by the time President Hu Jintao visited Buenos Aires in November 2004. China continued to characterize its relations with Chile only as "cooperative partner relations." Yet, as Tables 1-4 show, the value of Sino-Argentine trade is lower than the value of Sino-Chilean trade. Argentina has communicated a greater willingness for political collaboration with China than Chile has, however, and that explains the classificatory difference.

Second, Venezuela's categorization changed solely in response to President Hugo Chávez's courting. As late as April 2001 when President Jiang Zemin visited Caracas, China called the relationship with Venezuela "friendly cooperative relations." When Chávez visited Beijing the next month—for the third Sino-Venezuela summit of his then twenty-seven months presidency—China upgraded the relations to "strategic partner" even though the value of their bilateral trade through 2000 (see Tables 1-4) was modest.

Third, China labels its relations with Cuba as "friendly cooperative relations." In 2004, Hu

“Only genuinely important countries are labeled strategic partners.”

<sup>29</sup> For a discussion of these issues, also in 2004, between China and the European Union, see Richard N. Cooper, "Sino-European Economic Relations," *Working Paper Series 05-03* (Cambridge, Mass.: Weatherhead Center for International Affairs, Harvard University, 2005).

<sup>30</sup> Scott Kennedy, "China's Porous Protectionism: The Changing Political Economy of Trade Policy," *Political Science Quarterly* 120: 3 (2005), 413.

<sup>31</sup> Ma Jian, "Hu Jintao Meets with Argentinean President," *People's Daily [Renmin Ribao]*, 25 May 2004, 1.

“Chinese academic interest in Latin America has been substantial.”

**Figure 10. Chinese Academic Writings by World Regions**



**Note:** These percentages reflect the number of “hits” returned in a keyword search of the China National Knowledge Infrastructure, drawing on a representative basket of countries in each region.

**Source:** China National Knowledge Infrastructure database.

visited Cuba last of all the countries that he visited in his Latin American tour; he spent the least time there. He signed no trade initiatives of expected high material value for China (though they are for Cuba); the total value of Sino-Cuban trade was modest for China (albeit very high for Cuba). Politics alone could not lift Cuba from its relative economic insignificance for China, however.

Another way to consider China’s approach to Latin America is through an analysis of the initiation of anti-dumping trade proceedings under the rules of the World Trade Organization (WTO). WTO rules permit member countries to enact tariffs or other barriers to counter unfair

practices of their trading partners. China enacted its first anti-dumping statute in 1997. Between then and 2005, China began anti-dumping proceedings on products involving 112 countries. The only Latin American country that was an object of such Chinese action was Mexico, and even in that instance it was just a single case. In contrast, Latin American countries, especially Argentina, have been much more active in initiating anti-dumping proceedings against China, as later sections show.<sup>32</sup>

To gain a broader interpretive view of China’s relations with Latin America, we turn to Chinese academics who have helped to construct an image of China’s relations with

<sup>32</sup> Kennedy, “China’s Porous Protectionism,” 408, 430–432.



Latin America. Chinese academic interest in Latin America has been substantial, as evident in Figure 10. It increased over time and has systematically exceeded Chinese academic writing on the Middle East and Africa. The themes that Chinese academics develop in their published work regarding Sino-Latin American relations are internally consistent and in accord with China's foreign policy.

Chinese academics make three broad arguments that stress a convergence between China and Latin America.<sup>33</sup> First, the background conditions are right. Academics portray China and Latin America as being at similar stages in their political and economic development. Both have implemented economic and political reforms, setting aside past ideological struggles, to focus on improving living standards. Both look at the world strategically from the perspective of self-interest. And there are no fundamental conflicts of interest or historical animosities between China and Latin American countries.

Second, China and Latin America, these academics emphasize, have highly complementary economies. China has crucial shortages of the natural resources and food products that Latin America produces. Both stand to gain from joint investment and applied research and development through "south-south cooperation," citing as examples Sino-Brazilian joint ventures in earth resources satellites and nuclear energy.

Third, China and Latin America value diversification in international economic and political relations. Both oppose "hegemonism," "imperialism," and power monopolies of a few countries. Chinese academics stress that Latin America wel-

comes China's support in preventing U.S. interference and domination and bargaining for a better trade regime in the WTO Doha Round. Brazil and Mexico have at times sought China's support to gain permanent seats in the U.N. Security Council, which China has thus far withheld. China seeks political support for its one-China policy and against Western pressure on Tibet and on issues such as the treatment of Falun Gong. As a result, these academics highlight, China has been welcome to collaborate in institutionalized Latin American fora. It has Observer status for the Rio Group of major Latin American countries and consultative relations with MERCOSUR, the Andean Community, the Caribbean Community, and the Latin American Integration Association (better known by its Spanish acronym, ALADI). In 1998, the Chinese People's Bank became an official member of the Caribbean Development Bank.

Chinese academics also call attention to four problems in Sino-Latin American relations, though they stress that the reasons for convergence outweigh those for divergence. First, there is increased industrial competition, especially in textiles, where China has been hit by large anti-dumping duties. One reason for its insistence in being recognized as a "market economy" is to limit the imposition of such penalties. Second, China supports regional integration in Latin America and with the United States but worries about the use of trade barriers against outside countries such as China. Third, there are few cultural contacts between China and Latin America and few of each other's peoples speak the other's language; both sides suffer from information deficits regarding the other. Finally, Chinese academics fear that Taiwan may make diplomatic gains.

“China and Latin America both oppose ‘hegemonism’ and ‘imperialism.’”

<sup>33</sup> See the comprehensive report from the China Institute for Contemporary International Relations Latin America Group, "Research Report on Chinese Policies Towards Latin America [Zhongguo Dui Lameizhou Zhengce Yanjiu Baogao]," *Contemporary International Relations [Xiandai Guoji Guanxi]*, no. 4 (2004).

“Chinese political articles emphasize how horrible it has been for Panama to be subjected to U.S. hegemony.”

There is, of course, a delicate triangular problem. To the extent that China may assist Latin America to combat “hegemonism,” problems may develop in U.S.-Chinese relations. And, if Latin American states look at the world strategically from the perspective of self-interest, as Chinese academics claim, then Latin American officials may—in classic neorealist fashion—seek Chinese support to provide a “soft” balance U.S. influence in Latin America. Chinese academics are acutely aware that the United States considers Latin America to be its backyard (*houyuan*). Jiang Shixue, a scholar at the CASS, has put it as follows:

The rapid development of China-Latin America relations has not yet posed a security threat to the United States, but China is currently in the process of becoming a political competitor in America’s own backyard... some Latin American countries may use China to challenge American hegemony.<sup>34</sup>

Jiang Shixue also avers that China and Latin America share interests in “building a new economic order and opposing hegemonism.” Xu Shicheng, also from the CASS, attributes left-wing election victories in Brazil, Venezuela, and Uruguay to Latin American anger at neoliberal economic policies and a desire to take a firmer stance against U.S. dominance in the region.<sup>35</sup>

Chinese academics and journalists also emphasize that there is no “China threat” to be feared. For its growth, China depends on exports to the United States, and U.S. trade benevolence, far more than it could benefit from contesting U.S. power and presence in

Latin America. Thus the same Jian Shixue also writes: “The development of China-Latin America relations is not aimed at any third party. China has no need and no capability to reduce America’s sphere of influence by improving China-Latin America relations.” In short, Chinese academics know that some Latin American states want China to help to balance U.S. power but stress that such is not China’s intention.

At a press conference at the November 2004 APEC summit in Chile, U.S. Secretary of State Colin Powell was asked whether he worried about China’s role in Latin America, at a time of simultaneous visits to the region by the Presidents of China and the United States. Secretary Powell responded, no doubt to the relief of Chinese officials, “I am pleased that President Hu Jintao is having good visits here in the hemisphere.”<sup>36</sup>

The discussion among Chinese academics and in the press concerning China’s intentions with regard to the Panama canal seems also intended to reassure the United States. It is both limited and demure. Most articles about the canal appear in technical journals like *China Transportation*, which discuss the difficulty that big cargo ships have in fitting through the canal; political articles simply emphasize how horrible it has been for Panama to have been subjected to permanent U.S. hegemony.

Chinese authors also note that Latin Americans may themselves feel a “China threat” but consider it as born of “misunderstandings” related to trade disputes or because Latin Americans get their news about China from English-language, not Mandarin-

<sup>34</sup> Jiang Shixue, “New Developments in China-Latin American Relations [Zhongla Guanxi de Xin Fazhan],” Chinese Academy of Social Sciences, <http://www.cass.net.cn/webnew/file/2005020134080.html>

<sup>35</sup> Xu Shicheng, “The Latin American Political Situation in 2004 [2004 Nian Lading Meizhou Zhengshi Xingshi],” Chinese Academy of Social Sciences, <http://www.cass.net.cn/webnew/file/2005020134082.html>

<sup>36</sup> U.S., Department of State, Joint Press Conference with Foreign Minister Ignacio Walker of Chile,” Santiago, Chile, 20 November 2004.

language, publications. During his visit to Beijing in May 2004, for example, the Brazil's President was asked whether he worried "that Chinese exports will flood" Brazilian markets, "hurting employment opportunities." Lula dismissed the worry, of course.<sup>37</sup>

In short, China has developed an impressive systematic long-term strategy to engage with Latin American countries. It has invested the time of its top leaders and the resources of its government. It has formulated symbolically productive discourses to characterize its relations with Latin American countries, and to assess the quality of relations between countries across time and signal the scope of likely trends. It has a nuanced understanding of the interest in some quarters in Latin America that China should help to balance U.S. power but shies away from embracing that hope. It acknowledges possible future difficulties but confidently asserts its belief that all key actors will perceive China's role in Latin America to be non-threatening and peaceful.

### *Brazil*

Brazil is Latin America's most important country for China—as President Hu Jintao made clear during his Latin American tour in 2004—and the first that it labeled a strategic partner in 1994. In 2002, China surpassed Japan as Brazil's largest trade partner in Asia. In May 2004, the President of Brazil visited Beijing without stopping in Tokyo. In 2004, total Sino-Brazilian trade exceeded \$12 billion (Tables 1 and 2); China became Brazil's fourth most important trade partner.<sup>38</sup> Bilateral trade quintupled from 2000 to 2004. Brazil's top four exports to China, all raw materials and foodstuffs,

account for nearly sixty percent of Brazil's exports to China but Brazil also exports manufactured products to China. The numerous trade accords signed in 2004 and the strengthening of political relations augur well for dynamic new developments in their bilateral relations.

Brazil and China established commercial relations before 1949 and diplomatic relations in 1974, when Brazil was under an anti-communist military dictatorship. Trade relations developed over time but, as the Tables and Figures show, the boom has taken place only since the 1990s. The Sino-Brazilian trade boom is a function of the growth of China's worldwide trade. Improved access to the Chinese market, as a result of China's entry into the WTO and the subsequent reform of its trade practices, facilitated the expansion in the current decade. A number of China's WTO market access concessions, covering products where Brazilian companies are strong, went into effect in 2004, explaining why so much of the boom is so recent. Change in Brazil is also part of the explanation; from 2002 to 2004, Brazil's worldwide exports grew 57 percent and its imports 31 percent.<sup>39</sup>

Brazil's trade strategy is to diversify its trade in roughly comparable proportions among the world's regions—a quarter each for the United States and Asia, and a sixth each for the European Union and the rest of Latin America.

Brazil has specific sources of leverage in its relations with China. It supplies 30 percent of China's total soybean imports and 16 percent of China's total imports of iron ore concentrates. Brazil is the world's second largest

**“Brazil is Latin America's most important country for China.”**

<sup>37</sup> Wu Yingchun, "Promote the Deepening Development of China-Brazil Strategic Partner Relations," *People's Daily [Renmin Ribao]*, 25 May 2004, 3.

<sup>38</sup> Unless otherwise noted, all statistics in this section come from Brazil's Ministry of Development, Industry, and Trade.

<sup>39</sup> Calculated from CEPAL 2004, 151.

“Major Brazilian firms such as Petrobras have penetrated Chinese markets.”

producer of soy after the United States. Soy is genetically modified in the United States but not in Brazil; China prefers genetically unmodified soybeans. Brazil is the world's largest producer of iron ore and its steel mills are also internationally competitive. Brazil has consistently run a trade surplus in its relations with China (see Tables 1-4).

Both Brazil and China characterize their relations as a “strategic partnership;” this vision encompasses more than just the growth of trade. Both seek to a stronger and more influential place in international affairs and both would welcome a more constrained role for the United States. China seeks economic security, especially in food and natural resources but it also values Brazil's support for a one-China policy and anti-hegemonism—meaning, constraints on the United States. China welcomed Brazil's backing for China's membership in the WTO and, during President Hu Jintao's November 2004 visit, Brazil's recognition that China is a “market economy,” and therefore not to be pummeled with anti-dumping duties. Brazil backs China's bid for membership in the Inter-American Development Bank.<sup>40</sup> Brazil greatly values China's cooperation regarding the China-Brazil Earth Resources Satellites, both as a commercial venture and a means to map and track Brazilian territory, as well as the prospects of further cooperation regarding nuclear energy development.

Major Brazilian firms such as Petrobras (petroleum), CVRD (steel, iron ore), Embraco (refrigeration equipment), and Embraer (aircraft manufacturing) have penetrated Chinese markets and have invested in China or become partners to Chinese investors in Brazil. CVRD has agreed on a joint venture with Baosteel for a huge

steel complex in Maranhão, the Yankuang Group to produce Coke in China, and Baosteel and Yongcheng Coal and Electric to produce anthracite and coal in Henan province (coal is China's principal export to Brazil). In 1995, Embraco began a joint venture to produce refrigerators in China; it has twenty-five percent of the world market in refrigerators. Embraer's joint venture with Harbin Aircraft Industry and Hafei Aviation (Harbin Embraer Aircraft Industry) to manufacture Embraer's internationally competitive RRJ-145 regional jets will supply jets for Sichuan Airlines and China Southern. In December 2004, the Brazilian Congress cleared the way for bids by Chinese firms to invest in ports, railways, and roadways. China's most ambitious project in Brazil is to modernize Brazil's rail network, building a transcontinental line from the Atlantic Ocean port of Santos to the Chilean port of Antofagasta on the Pacific Ocean. This project alone illustrates the potentially vast strategic significance of Sino-Brazilian relations.

Brazil also has political objectives. Chinese police peacekeepers in Haiti serve under the command of a Brazilian General under United Nations auspices. Brazil seeks Chinese support for permanent Brazilian membership on the U.N. Security Council, albeit thus far unsuccessfully. In 2005, China joined the United States in opposing an increase in the number of permanent members in the Security Council. In addition, as shown earlier, Brazil has not shifted its voting behavior in the U.N. General Assembly; it is as likely to agree as it is to disagree with China and this pattern has remained unchanged for years.

Brazil and China, among others, joined forces to contest the U.S.-European Union package

<sup>40</sup> *The Financial Times*, 9 March 2005.

for the Cancún 2003 Doha Round negotiations and helped to derail those talks and demand greater concessions from the North Atlantic powers, counterbalancing U.S. and European Union influence. Brazil and China have leading roles in the so-called “Group of 20” that coordinates international trade negotiating strategy for the WTO Doha Round. President Lula stresses the importance of “south-south” trade and cooperation and his ambition to “democratize multilateral institutions” and combat the “unjust rules” of the present international order. Yet, these themes harken back to decades of Brazilian foreign policy, evident when in the 1970s the Brazilian military government challenged the Nuclear Nonproliferation Treaty and refused to accept U.S. “meddling” on human rights issues—themes that endeared them to Chinese officials at the time.

Lula’s predecessor, President Fernando Henrique Cardoso developed similar strategic themes, carried out by a highly professional foreign service. Cardoso fashioned the Brazilian policy that, in 1994, led China to characterize their bilateral relations as a “strategic partnership.” Cardoso’s and Lula’s approach to India, South Africa, and China since the 1990s have had twin goals of economic diversification and political balancing of U.S. power, driven by a belief that disproportionate U.S. power could be adverse to Brazil’s interests—a view that finds echo in Beijing. Brazil’s promotion of a South American Free Trade Area, either as a precursor or a substitute for a U.S.-sponsored Free Trade Area of the Americas, as well as its hopes for a strong MERCOSUR, are also parts of this strategy.

There is broad support in Brazil for the development of relations with China. Approximately 48 percent of all Brazilian

exporters to China are micro and small enterprises, even if large enterprises account for the bulk of the value of Brazilian exports. The Brazilian military welcome the prospects of a Santos to Antofagasta rail link, renewed nuclear energy development, and cooperation in outer space. Brazilian political parties across the political spectrum and the presidential administrations of two rather different political parties—Cardoso and Lula opposed each other in consecutive presidential elections—are strong supporters of deepening Sino-Brazilian relations. Brazilian public opinion (see Table 9) welcomes China’s influence in the world and its growing economic power.

President Cardoso was the first Brazilian president to visit China (in 1995). In 2004, President Lula visited as well, accompanied by seven cabinet ministers, four state governors, and some four hundred business executives.<sup>41</sup> China’s presidents have visited Brazil three times: Jiang Zemin in 1993 and 2001 and Hu Jintao in 2004. The reciprocal presidential visits in 2004 generated seventeen intergovernmental agreements as well as many inter-firm accords. The official agreements covered topics such as cooperation against transnational organized crime; extradition; space satellites; sanitary conditions for trade in beef, poultry, and pork; the promotion of tourism; and the recognition of China as a market economy.

The basic features of Brazil’s policy toward China have been in place for many years but President Lula emphasized two key decisions. First, economic and trade policy would be centralized and coordinated out of the president’s office. Second, export promotion would be at the center of a policy to grow the economy, reduce the debt, and end International Monetary Fund tutelage.

“Brazilian public opinion welcomes China’s influence in the world and its growing economic power.”

<sup>41</sup> Wang Xiaoguang, “Hu Jin Tao and Brazilian President Lula Meet,” *People’s Daily [Renmin Ribao]*, 25 May 2004, 1.

“Brazil and China have developed an impressive ‘strategic partnership.’”

No one ministry controls policy toward China, though the Foreign Ministry (Itamaraty) and the Ministry for Development, Industry, and Trade are most active. The latter hosts the semi-autonomous Agency for the Promotion of Brazilian Exports, which has grown rapidly. The Ministries of Agriculture and Science and Technology play key roles in their respective spheres and the semi-independent National Bank of Economic and Social Development (BNDES) has co-financed investment in infrastructure with Chinese firms.

During the Lula presidency, the two key decision makers, besides the president, have been Development, Industry, and Trade Minister Luiz Furlan who, before his appointment, headed Brazil’s largest agri-business firm, the Sadia Corporation, and had been the second-ranking leader of the powerful Federation of Industries of the State of São Paulo (FIESP), and Foreign Minister Celso Amorim, assertive in his approach to the U.S. governments and the multilateral institutions, promoted from within Itamaraty where he had headed the trade department. Amorim gave priority to trade and international trade negotiations. Brazil’s largest business conglomerates are, of course, the ones that actually implement these relations.

There are problems, however. The Chinese ban on Brazilian soy imports in early 2004 for alleged impurities, at a high cost, highlighted the fragility and difficulties of agricultural exports. Brazilian manufacturers in footwear, toys, and textiles suffer from competition from China; China also competes with Brazil in consumer electronics. These sectors complained when, in November 2004, the Brazilian government recognized China as a “market economy” to court favor with China for support for a per-

manent Brazilian seat on the U.N. Security Council but without getting economic concessions, thereby surrendering these grounds as a basis on which to impose anti-dumping duties, or even a firm commitment on the Security Council seat—months later China came out against expanding the Security Council with permanent members.<sup>42</sup> The FIESP complained as well, worrying that China would dump goods in Brazil, intensifying its opposition as Brazilian import competition increased; the WTO does not yet recognize China as a “market economy.” Moreover, Brazil, one of the world’s top three exporters of meat (after the United States and Australia), faces Chinese non-tariff barriers in the form of sanitary and administrative regulations. Brazilian firms also complain that Chinese regulations are opaque with regard to product testing, quality standards, and technical issues.<sup>43</sup>

Between 1995 and 2004, Brazil initiated 15 anti-dumping cases against China under WTO rules. That is approximately the same number as Canada’s and about one-quarter of the number of anti-dumping cases that the United States has initiated against China.<sup>44</sup> This is to be expected, given the size of the respective economies, the high volume of trade, and the composition of Brazilian imports from China.

These concerns do not override, however, the overwhelmingly positive sense of success, dynamism, and a bright future in Sino-Brazilian relations. Brazil and China have developed an impressive “strategic partnership,” indeed. Both understand this partnership to encompass shared economic gains as well as political cooperation to provide a “soft balance” to U.S. power in South

<sup>42</sup> *The Financial Times*, 9 March 2005.

<sup>43</sup> *The Economist*, 6 August 2005, 29.

<sup>44</sup> Kennedy, “China’s Porous Protectionism,” 413.

America and the world. Neither seeks to become an adversary of the United States but both wish to constrain impetuous U.S. overreach. Sino-Brazilian cooperation to stop the U.S.-E.U. Doha Round proposals at the Cancún 2002 summit exemplifies such balancing. Through successive presidential administrations, Brazil and China identified and implemented a broad cooperative vision that ranges from space satellites to aircraft manufacturing and trade in food. A broad cross-ideological and multi-partisan coalition in Brazil supports relations with China, encompassing the ruling left-wing Labor Party (PT) as well as Brazil's armed forces. Public opinion supports such relations. Both countries rely upon a professional career service and internationally competitive business firms. Yet, Brazil has not altered its voting behavior in the U.N. General Assembly, nor has Brazil risked weakening MERCOSUR to accommodate China's trade interests. A significant fraction of Brazilian industry opposed concessions to China in advance of the conclusion of the WTO Doha Round. All in all, however, the relations between Brazil and China have a strong trajectory, and impressive symbolic, political, and material bases in both countries. They live up to the expression—a strategic partnership.

### *Argentina*

Argentina is China's second most salient "strategic partner" in South America. Its economic relations with China matter for both countries; for Argentina, China is a more important trade partner than Japan. Total Sino-Argentine tripled between 2000 and 2004, when it topped \$4 billion (Tables 1 and 2). Trade interests are complementary because Argentina exported agricultural products to and imported manufactured products from China. Chinese compa-

nies have also invested in coal mining in Río Negro province and in infrastructure improvements in the area of the trans-Andean crossing in San Juan province. Interest has been expressed with regard to potential Chinese investments in other sectors but President Néstor Kirchner's administration has proceeded slowly for fear of antagonizing Argentina's domestic business firms.<sup>45</sup> In 2000, Argentina and China negotiated their trade differences to clear the way for China's entry into the WTO.

No less significant is the record of Sino-Argentine cooperation regarding the peaceful uses of nuclear energy and exploration and presence in Antarctica, two issues with broad support in Argentina, including within its armed forces. In 2004, Argentina and China, among other countries, posted peacekeeping forces to Haiti.

And yet, the scope of Sino-Argentine relations is less far-reaching than is the case for Sino-Brazilian relations. First, Argentina has a highly diversified export portfolio, with 14 percent of exports to North America, 18 percent to the European Union, 16 percent to Brazil, and 11 percent to Chile. In 2004, China took 9 percent of Argentine exports. Since 2000, as Tables 7 and 8 show, the growth rate of Argentine trade with China was slower than the growth rate of Brazilian trade with China. Second, Argentine exports are mainly commodities: soybeans and vegetable oil account for 46 and 35 percent respectively; manufactured exports are less important than in Sino-Brazilian relations.

Sino-Argentine relations have exhibited a political pragmatism from the outset. Diplomatic relations were established in February 1972. As noted earlier, relations

“ In 2004, Argentina and China, among other countries, posted peacekeeping forces to Haiti. ”

<sup>45</sup> This statistical and business information from Argentina, Instituto Nacional de Estadísticas y Censo; Ministerio de Economía; and Cámara de la Producción de la Industria y Comercio Argentino-China.

““The Kirchner  
presidency emphasizes  
economic goals in  
its relations with  
China.””

blossomed during the anti-communist military dictatorship in the late 1970s when the main agreements that still govern the bilateral relationship were signed. In 1988, Raúl Alfonsín visited China, the second Argentine president to do so (General Jorge Videla visited in 1980); every popularly elected Argentine president has visited ever since—Carlos Menem in 1990 and 1995, Fernando de la Rúa in 2000, and Néstor Kirchner in June 2004. Argentine concerns regarding human rights did not get in the way. Alfonsín, prominent defender of such rights in Argentina, visited Beijing, as did Menem a year after the Tiananmen Square incident. Argentina abstains when China's human rights record comes up for a vote in U.N. organizations.

Three Chinese presidents have visited Argentina: Yang Shangkun in 1990, Jiang Zemin in 2001, and Hu Jintao in 2004. The respective foreign ministers and high economic authorities have also visited. As in Brazil, Argentina's policy toward China has crossed several presidencies and unites the major political parties. It represents, therefore, the foreign policy of the Argentine state, not just that of a particular administration.

Bilateral diplomatic activity has been long-standing and intense. Nineteen bilateral intergovernmental agreements were signed during the approximately eight years of the military government, twenty during Alfonsín's 5.5-year presidency, fifteen during Menem's decade, and five and seven respectively during the short de la Rúa and thus-far Kirchner presidencies. That implies a narrow range between a low of 1.5 per year during Menem—whose government focused on improving relations with the United States—to a high of 3.6 during Alfonsín, followed by 3.5 under Kirchner, both of whom pursued active south-south international strategies.

The Kirchner presidency, given Argentina's profound economic crisis at the start of this decade, emphasizes economic goals in its relations with China, in part because there are some political differences between Argentina and China (see below). Argentina seeks to move beyond commodity exports to China to focus on joint biotechnology ventures to develop Argentine agriculture; to promote Argentine skills in the software industry for the web in Spanish, English, and Mandarin; as noted earlier, to sell nuclear reactors for the production of low-energy neutrons and medicinal uses; and to develop the satellite industry using Chinese launchers. Argentina has welcomed Chinese investments in railroads and ports, forestry, energy, and mining but few of these investments have been realized. Argentina hopes for China's support as it addresses its international financial difficulties.

The Kirchner administration's approach to the formulation and implementation of policy toward China, as shown in the management of its preparations for the November 2004 visit by President Hu Jintao, was less professional than was the case in Brazil or Chile, and more comparable to the personalist presidential approach in Venezuela and Mexico. President Kirchner, his wife, and Planning Minister Julio de Vido monopolized the preparation for Hu's visit; the Planning Minister was in charge of implementation.

The lack of more thorough professional support became public when the Presidency's Support Team indicated that China would provide funds for Argentina to come out of its international debt default; Chinese officials had to deny such notions. The insufficiency of intra-governmental consultation emerged over the decision to recognize China as a "market economy," provoking disagreements between the Presidency, the Foreign Ministry, and the



Economy Ministry. Economy Minister Roberto Lavagna opposed granting China recognition as a market economy before the pertinent WTO negotiations and decisions. The Economy Ministry was also excluded from the assessment of the impact of the Sino-Argentine agreements on industrial output and employment. The Presidency also consulted little with business federations, many of which complained publicly once the economic agreements were announced. The Argentine government has been slow to establish an inter-ministerial coordinating mechanism to follow up on the agreements reached during Hu's visit.

China views Argentina as a politically influential country and, as in its relationship with Brazil, hopes to make use of Sino-Argentine relations to ensure China's food security. Investments in Argentina as in Brazil may lead in the future to more favorable MERCOSUR treatment for China. China has also sought Argentine support to persuade Paraguay—South America's last holdout that still recognizes the Republic of China (Taiwan)—to recognize the People's Republic.

There are potential pitfalls in Sino-Argentine relations, though all remain subordinate to the strong sense that their relations are valuable and to Argentina's high hopes for better relations. In November 2004, Argentina recognized China as a "market economy." In return, Argentina's only gain was symbolic, namely, China upgraded Argentina from "cooperative partner" to "strategic partner." China uses the expression "strategic partnership" in its relations with both Argentina and Brazil. But the references to Brazil have a matter-of-fact tone while those to Argentina emphasize the "intention" to build such a partnership, a symbolic distinction noticed in Buenos Aires.

Moreover, Argentina's weaknesses underlie the bilateral asymmetry: Argentina lacks financial, human, informational, and institutional resources to compete effectively in Chinese markets, certainly in comparison with Brazil. Brazilian firms have succeeded in Chinese markets where Argentine firms have not. Another aspect of this weakness is the vulnerability of Argentine manufacturers to import competition from Chinese firms in footwear, textiles, consumer electronics, and toys, among other sectors.

Between 1995 and 2004, Argentina opened 40 anti-dumping cases against China under WTO rules. That is approximately one-tenth of all the anti-dumping cases worldwide against China under the WTO. Argentina is almost as active in suing China as is the entire European Union, and it is nearly three times as active as Brazil in filing such cases against China.<sup>46</sup>

The Kirchner administration's decision in November 2004 to recognize China as a "market economy," in exchange for less gain than Brazil's, was not well received by vulnerable Argentine economic sectors. Wider Argentine public ambivalence regarding China's role in the world is evident also in opinion polls (see Table 9). The Argentine public welcomes China's influence in the world but, unlike the Brazilian and Chilean public, worries about China's growing economic power.

In deference to Argentine manufacturers and citizens worried about Chinese competition, the Kirchner administration had been slow to announce its support for China's bid to join Japan and South Korea as Asian extra-regional members of the Inter-American Development Bank (IDB). China seeks the political recognition of such membership as

**“Argentina’s  
Economy Minister  
Roberto Lavagna  
opposed granting  
China recognition as a  
market economy.”**

<sup>46</sup> Kennedy, "China's Porous Protectionism," 413.

“The U.S. government pressured Argentina to prevent its becoming a “bridge” country for Chinese migrants to the United States.”

well as the materially valuable right for its firms to bid for IDB-financed projects. In mid-2005, however, Argentina agreed to support China for IDB membership.

There are three specific areas of political difference between Argentina and China, none decisive, however. The first is with regard to China's relations with MERCOSUR. In 1997, the MERCOSUR-China Dialogue Forum was created; it has held two meetings each, in Beijing and Brasilia—none in Buenos Aires. Argentina's economic vulnerability makes it reluctant to liberalize MERCOSUR's rules to accommodate China or to sign a free trade agreement with China, which China formally proposed in 2004. An element of tension in MERCOSUR is China's attempt to pressure Paraguay to switch its diplomatic recognition from Taipei to Beijing. For these reasons, progress toward a MERCOSUR-China free trade agreement has been slow.

Part of the complexity of the Taiwan issue relates to President Menem's decision to open a Trade and Cultural Relations Office in Taipei in 1993. Once the Menem presidency ended, China pressured the weak successor governments to downgrade Argentina's relations with Taiwan, linking improved access to China's market for Argentina's agricultural exports to constrained relations between Buenos Aires and Taipei. Argentina retained its office in Taipei, but its relations with Taiwan did weaken.

A second area of Sino-Argentine political difference is within the G-20, to which both belong. China and Argentina differ on the Doha Round. China retains non-tariff barriers to control agricultural and livestock imports. In October and November 2004, China constrained imports of Argentine soybeans and vegetable oils, employing administrative measures and claiming “technical” reasons.

Argentina interprets these Chinese measures and the general Chinese position as unacceptable agricultural protectionism. Moreover, China currently budgets \$27 billion in agricultural subsidies; Argentina strongly opposes such agricultural subsidy policies.

A third area bears on regulations regarding the Chinese community in Argentina (approximately 38,000 people). Argentina adopted new legislation since the end of the 1990s to prohibit new immigrants from residing in the capital city, where most Chinese-origin people have lived. Also in the 1990s, the U.S. government pressured Argentina to prevent its becoming a “bridge” country for Chinese migrants to the United States. Migration and the status of the Chinese community are recurrent themes in Sino-Argentine relations; China cites this issue as an impediment to improved relations.

In conclusion, Argentina and China have developed a strong partnership, with shared gains for both. Trade propels these relations; the growth of China's worldwide trade is the main explanation for their development. These relations have low ideological content: Argentine military rulers did not care that China was communist, and Argentine democratic rulers have not made an issue of China's human rights record. Both countries emphasize the continuity of relations through different national leadership teams and, in Argentina's case, administrations of different character and partisanship. There are, however, greater political differences between Argentina and China than between Brazil and China. It is not surprising in Argentina's case that its U.N. General Assembly voting behavior is as likely to agree as to disagree with China.

Looking ahead, China seems in a much stronger position, thanks to the capaci-

ties of its firms, to expand its economic impact on Argentina. Argentina, notwithstanding three decades of relations with China, lacks a foreign policy toward China as well defined as Brazil's. Argentine firms have been less successful than Brazil's, and the Argentine government has been less supportive of their efforts. Argentine hopes for greater gains in Sino-Argentine relations outrun the capacity of its government and business firms to deliver. Perhaps China is right in its subtlety: there may be the intention of building a Sino-Argentine strategic partnership, but not yet the certainty.

#### *Chile*

Chile has been Latin America's star economic growth performer since the establishment of democratic politics in 1990. Of the five Latin American countries with auditable statistical accounts considered in this paper, it is the only one whose per capita gross domestic product declined in no year since 2000. Its economic growth rate has topped Brazil's for the past two decades. It has not suffered a major economic crisis—unlike other countries under discussion—since the early 1980s.

The worth of Sino-Chilean trade ties ranks third in Latin America, ahead of Sino-Argentine trade, though behind the value of China's trade with Brazil and Mexico. In 2003, China became Chile's third export market and fourth source of imports. Unlike with Mexico, Sino-Chilean relations are cordial. Unlike with Brazil and Argentina, Chile de-emphasizes the political aspects of its relations with China, which in turn relegates Chile, in China's characterization, as a country with which China has only "coop-

erative partner relations." Sino-Chilean trade increased by a factor of 2.5 since 2000, thus lagging in the pace of growth since 2000 in China's trade with Argentina, Brazil, and Mexico, another reason not to be a "strategic partner."

Chile behaves mainly<sup>47</sup> as a "trading nation," that is, harnessing its foreign policy and associated resources to foster economic growth, conscious that it has no worldwide heavyweight ambitions (unlike Brazil) or ideologically contestatory objectives (unlike Venezuela and Cuba). Chile is not keen on balancing U.S. power and in that regard differs from Argentina, Brazil, Venezuela, and Cuba.

Chile's leading export products to China are copper, cellulose (paper), and fish flour, and to a much lesser extent steel and other processed and unprocessed agricultural products. China exports consumer products, clothing, and cellular phones to Chile.<sup>48</sup> The economies are highly complementary.

From Allende's overthrow in September 1973 to the present, Sino-Chilean relations featured low ideological content. Chile's foreign policy toward China has been pragmatic, and vice versa. Chile was the second Latin American country (after Cuba) to recognize the People's Republic of China in December 1970, before U.S. National Security Adviser Henry Kissinger's trip to Beijing the next year, as noted earlier. China retained diplomatic and economic relations with the rabidly anti-communist Pinochet government; democratic governments since 1990 chose not to condemn China's human rights record. In 1990, democratic Chile welcomed the visit of China's President Yang Shangkun on his post-Tiananmen tour of Latin America and in 1992 President Patricio Aylwin visited

“China retained diplomatic and economic relations with the rabidly anti-communist Pinochet government.”

<sup>47</sup> The main contemporary exception is its policy toward Bolivia's hopes for access to the Pacific Ocean.

<sup>48</sup> Ministerio de Relaciones Exteriores de Chile, Dirección de Relaciones Económicas Internacionales, "Perfil de las relaciones económicas entre Chile y China" (Santiago, June 2004), <http://www.direcon.cl/negociaciones.php> accessed 11 March 2005.

“Every Chilean president since 1990 has visited Beijing.”

Beijing. The Pinochet government’s interest in relations with China included balancing U.S. and European power over human rights “interference” in Chile but those reasons are no longer pertinent. Chile is also second only to Cuba in its unbroken support for a “one China policy.”

Sino-Chilean relations receive the highest policy attention in both countries. In addition to President Yang Shangkun’s 1990 visit, President Jiang Zemin visited in 1993 and 1997, and President Hu Jintao in 2004—the only Latin American country to have been visited on each of the four Chinese presidential tours of Latin America since 1990. Every Chilean president since 1990 has visited Beijing: Aylwin in 1992, Eduardo Frei in 1995, and Ricardo Lagos in 2001. The election of Michelle Bachelet as President of Chile in January 2006—the fourth consecutive president from the Concertación Democrática coalition—augurs for continuity in Chilean policy toward China. And, as noted earlier, General Pinochet visited China in 1993 and 1997 as military commander-in-chief.

Sino-Chilean relations have broad support in Chile, ranging from the armed forces and the business community to the civilian parties in government and the opposition, and have endured and prospered through different presidencies. There is no anti-China backlash in Chile’s mass media. Chilean public opinion welcomes China’s influence in the world and its growing economic power (see Table 9). Chile’s policy toward China is the policy of the Chilean state, not just of one particular administration.

High political visibility marks Sino-Chilean relations for a Chinese government that likes to count “firsts.” In 2004 during his visit to

Santiago, President Hu Jintao noted that Chile was the first South American country to establish diplomatic relations with China and to support its bid to take the China seat on the U.N. Security Council away from Taiwan. Chile was the first country to reach a bilateral agreement to support China’s entry into the WTO and the first Latin American country to recognize China as a “market economy.”<sup>49</sup> Sino-Chilean cooperative agreements include such fields as science and technology, mining and geosciences, plant quarantine, space technology, forestry, and tourism, and ongoing and uninterrupted military exchanges.

Chilean diplomacy toward China has been professional and effective. In 1999, Chile concluded successful bilateral negotiations with China as a prelude to China’s bid to join the WTO. China appreciated this Chilean decision as both an economic and political step, supporting China’s goal of de-linking its international economic normalization from its internal political situation, in contrast to political battles in the United States or in Mexico. Chile supported the inclusion of China in the WTO to hold it legally to WTO standards.

These decisions dovetailed with Chile’s strong commitment to pursue its foreign policy through multilateral institutions—to welcome China into the WTO and to work with China in APEC, hosting President Hu Jintao for the 2004 APEC summit, in the belief that coping with China will be more effective if China is a member of multilateral institutions, not an outsider. This decision had a practical political benefit for Chile: China supported Chile’s bid for non-permanent membership on the U.N. Security Council in 2003–04. Another example of Chilean preference for employ-

<sup>49</sup> *People’s Daily [Renmin Ribao]*, 19–23 November 2004.

ing multilateral institutions was Chile's key role, along with Japan, in establishing and promoting the East Asian-Latin American Cooperation Forum (FOCALAE in Spanish).<sup>50</sup>

During the Santiago APEC summit in 2004, Presidents Hu and Lagos announced their intention to negotiate a bilateral free-trade agreement, which has since been concluded and signed in November 2005 and will go into effect in the second half of 2006.<sup>51</sup> This agreement was reachable because, as evident in Figure 9, according to World Bank standards both Chile and China are among the world's most open economies, with Chile's exceeding the openness of the MERCOSUR generally or Argentina and Brazil in particular. Chile has one of the world's most experienced teams of negotiators of bilateral free-trade agreements, having negotiated them successfully with countries as diverse as the United States, Canada, Mexico, Central America, and South Korea. Chile's network of such agreements, as well as separate trade deals with the European Union and MERCOSUR, are part of a diversification strategy to preserve and broaden international market access for Chilean firms. Chile understands its economic security as derived from a multiplicity of agreements, not reliance on a single deal. Chile's goal with regard to China is to "lock in" trade and investment access to the Chinese market and to codify China's trade and investment access to Chile's. Through such a free-trade agreement, Chile seeks to protect the property rights of its investors in China and provide legal guarantees for market access and fair pricing for its exporters. Support for this further institutionalization of Sino-Chilean economic relations

comes also from Chile's internationally competitive business community.

China and Chile have long-lasting and multifaceted bilateral relations, with broad multi-partisan and cross-ideological support in Chile. Compared to China's relations with other large South American countries, this relationship is the least politicized. The growth of China's worldwide trade explains improved Sino-Chilean relations. Chile's professionalism in economic diplomacy has advanced relations with China in the context of WTO negotiations and by achieving the 2005 bilateral Sino-Chilean free-trade agreement. This professionalism de-linked from non-economic political goals marks Sino-Chilean relations, not as "strategic partners" but as "cooperative partners."

#### *Mexico*

Mexico is one of China's "strategic partners" in Latin America. Its overall trade importance for China is second only to Brazil's in this region. It is China's principal export market in Latin America. Compared to the four South American countries under discussion, China runs a substantial bilateral trade surplus with Mexico (see Tables 3 and 4). From 2000 to 2004, China's exports to Mexico nearly quadrupled while its imports from Mexico quintupled. The dynamic of Sino-Mexican trade since 2000 is thus closest to that of Sino-Brazilian trade, except that China's bilateral trade surplus with Mexico also tripled in those years. China is also a significant foreign direct investor in Mexico; in 2004, the stock of accumulated Chinese direct investment in Mexico exceeded \$28 billion, with clothing manufacturing accounting for a third and plastic products nearly a fourth of the

**“China is a significant foreign direct investor in Mexico.”**

<sup>50</sup> Chile, Ministerio de Relaciones Exteriores, Dirección Asia Pacífico, "Foro América Latina-Asia del Este (FOCALAE)," <http://www.minre.cl/pages/politicos/apacifico/focalae.html> accessed 11 March 2005.

<sup>51</sup> A brief chronology of the negotiation process can be found at [http://www.direcon.cl/documentos/China2/antecedentes\\_de\\_la\\_negociación\\_china\\_nov\\_eng.pdf](http://www.direcon.cl/documentos/China2/antecedentes_de_la_negociación_china_nov_eng.pdf), accessed 23 January 2006. The full text, in English, is available at <http://www.direcon.cl/pdf/Texto%20Final%20ing.pdf>, accessed 26 January 2006.

“For President Fox’s government, the ‘China threat’ was real.”

total.<sup>52</sup> Mexico is the most important Latin American economy for Chinese investment, much of which is geared for sales throughout the North American Free Trade Agreement (NAFTA) area. China has good reasons to call Mexico a strategic partner.

The Mexican government is ambivalent or unhappy about most of these reasons, however. Unlike Brazil or especially Venezuela, Mexico’s policy toward China is not designed to provide a soft or hard balance to U.S. influence in Mexico, or even to diversify Mexico’s international relations. The focus of President Vicente Fox’s administration vis-à-vis China was to contain competition from Chinese firms against Mexican producers in NAFTA markets. The growth of Sino-Mexican trade derives from the growth of China’s worldwide trade; it was not a Fox administration goal to expand Chinese exports to Mexico. In 2003, China displaced Mexico as the second most important source of U.S. imports. In these respects, Mexican policy toward China differs from that of all other Latin American countries under discussion: for President Fox’s government, the “China threat” was real.

It was not always so. In 1971, President Luis Echeverría established diplomatic relations with China—third in Latin America, after Cuba and Chile—and publicly voiced support for seating the People’s Republic as the permanent representative of China in the U.N. Security Council. In 1973, Echeverría was the first Latin American president to visit Beijing. Through the end of the Echeverría presidency in 1976, China and Mexico collaborated many times in multilateral organizations. Trade disputes were minor. In the 1980s, China strongly supported Mexican policies in

Central America, contrary to U.S. preferences. China systematically praised Mexico for its multilateralism and independence.<sup>53</sup> Every Mexican president since Echeverría has visited China, the longest uninterrupted record of Latin American presidential visits to Beijing.

The first dark cloud in bilateral Sino-Mexican relations appeared in 1993 when the administration of President Carlos Salinas imposed over 1000 percent anti-dumping duties on shoe, toy, and textile imports from China, even if they had been routed through the United States. China complained that these measures violated the General Agreement on Tariffs and Trade (GATT), to which Mexico though not China belonged.<sup>54</sup>

Mexico’s growing fear of Chinese trade competition peaked early in the Fox administration, however. In June 2001, President Fox visited China to discuss its eventual accession to the WTO and promote Mexican exports. Sino-Chinese negotiations over China’s entry to the WTO would consume the bilateral relationship for the next two years. Mexico feared having to remove the anti-dumping duties in effect since 1993 and that China within the WTO would compete strongly with Mexican exports in the U.S. market. Mexico was the last of the 141 members of the WTO to sign a bilateral agreement with China to clear its admission to the WTO.

Chinese competition is real, indeed. By 2003, 85 percent of shoe manufacturers in Mexico had shifted their operations to China. Sony, NEC, VTech, and Kodak closed their Mexican operations and moved

<sup>52</sup> México, Secretaría de Economía.

<sup>53</sup> Marisela Connelly and Romer Cornejo Bustamante, *China, América Latina. Génesis y desarrollo de sus relaciones* (Mexico: El Colegio de México, 1992), 112.

<sup>54</sup> México, Secretaría de Relaciones Exteriores, *Relaciones económicas México-China*, 1998, 30.

them to China. Twelve of Mexico's twenty most important economic sectors that export to the United States face some or substantial competition from Chinese exporters.<sup>55</sup> In the first four years of this decade, Mexico lost some 250,000 jobs in the *maquiladora* or export-processing sector because firms switched production to China.<sup>56</sup> These economic trends worried Mexico's government.

China does not buy petroleum or other natural resources from Mexico that it buys elsewhere. Thus, Sino-Mexican trade most resembles trade between industrial countries. China exports to Mexico electromechanical equipment, household appliances, textiles, and chemical products, among others. Mexico exports to China synthetic fibers, steel products, plastics, beer, and so forth.

Mexico and China managed their relations well in some respects. Mexico adhered to the one-China policy. The Fox administration condemned Cuba but not China for human rights violations; in the U.N. Human Rights Commission, Mexico under Fox abstained when China's human rights record was voted upon. Moreover, as evident in Figures 3-6, Mexico has been second only to Cuba in agreeing with China in its voting behavior in the U.N. General Assembly; relative to Ernesto Zedillo's presidency, the Fox presidency increased the voting agreement between Mexico and China.

In 2002-03, Mexico was also a non-permanent member of the U.N. Security Council; China and Mexico agreed on most issues. During the Security Council debates regarding the looming war in Iraq, China seemed to follow the lead of Mexican ambassador Adolfo Aguilar Zinser, to the explicit annoyance of the U.S.

government, which believed that Mexico was proselytizing to China regarding the Iraq question. Mexico considered China one of its most reliable partners on the Security Council; both governments exchanged views before Security Council votes on Iraq.

On the other hand, the Fox administration showed a propensity for diplomatic gaffes. During the October 2002 APEC summit in Mexico, President Fox stated, "It is not clear whether or not China is actually competitive. Perhaps it is, but perhaps its current success is based on the fact that they do not respect a series of rules that other countries, such as Mexico, do respect."<sup>57</sup> In 2004, Mexico's Secretary of the Economy, Fernando Canales, declared that China's economic model was based on labor exclusion; China filed an official protest. On 6 August 2004, on the eve of a trip by six Mexican Ministers and a parliamentary and business delegation to China, President Fox declared that China used authoritarian and undemocratic means to restrict labor mobility.

In October 2004, the Fox administration welcomed the Dalai Lama to Mexico City for the celebration of Tibetan cultural week. The Mayor of Mexico City and the Mexican House of Representatives received the Dalai Lama. In his speech to the House, the Dalai Lama accused China of being a totalitarian state, claiming that Beijing's policies were suffocating Tibetan culture. The First Lady and the Secretary of Government, the Cabinet's leading member and Fox's candidate to succeed him, also met with the Dalai Lama. The First Lady stated her admiration for the Dalai Lama: "I admire him as a person, as a spiritual leader of that country."<sup>58</sup> However, Mexico had not recognized

**“China and Mexico exchanged views before the UN Security Council vote on Iraq.”**

<sup>55</sup> CEPAL, "Los efectos de la adhesión de China a la OMC en las relaciones económicas con América Latina y el Caribe," *Panorama de la inserción internacional de América Latina y el Caribe, 2002-03* (Santiago, 2004), 221.

<sup>56</sup> *Poder* (February 2005), 53.

<sup>57</sup> *Reforma*, 22 October 2002.

“China’s ambassador to Mexico labeled those who met with the Dalai Lama opportunistic and ignorant on the Tibet issue.”

Tibet as “a country.” China’s ambassador to Mexico called a press conference, labeling those who met with the Dalai Lama opportunistic and ignorant on the Tibet issue. Foreign Minister Ernesto Derbez then demanded an apology from the ambassador, stating that the ambassador “had lost self-restraint and screwed up.”<sup>59</sup> The Chinese ambassador sent a long letter of apology.

That same month, at the Inter-American Development Bank, Mexican Foreign Minister Derbez struggled to express Mexican policy toward China. “We are developing three-way businesses between Mexico, China and the United States,” he observed in the context of highlighting new agreements. A new binational commission, he averred, would “promote discussion of all the institutional aspects of our strategic partnership.” Derbez repeatedly invoked the concept of “strategic partnership” with China, but in a manner such that he seemed to advocate a systematic violation of U.S. anti-trust law—cartelization: “The question is not whether Mexico is losing the U.S. market, but rather how we can establish a strategic relationship with China to penetrate that market together. We must select and define sectors in which we can work together without displacing Mexico or Latin America.”<sup>60</sup>

The Fox administration’s rhetorical barbs toward China eventually had an impact on Mexican public opinion. As noted earlier, Mexicans were mildly positive about China’s general influence in the world and, compared to Chileans, Brazilians, and Argentines, least worried about its growing military power (see Table 9). Between 2004

and 2005, however, the views of the Mexican public toward China’s economic clout turned from positive to negative.

In late 2004 and early 2005, both governments worked to better their relations. They created a permanent bilateral commission for trade issues and signed accords on ports, sanitary regulations pertinent to agricultural trade, and tourism. China granted 300 scholarships per year for Mexican students to study in China and Mexico reciprocated in kind. At the November 2004 APEC summit, President Fox supported China’s entrance as a member of the Inter-American Development Bank and welcomed increased Chinese investment in Mexico.<sup>61</sup> China upgraded Mexico to “strategic partner.” Even so, during Chinese Vice President Zeng Qinghong visit to Mexico in January 2005 to finalize these accords, President Fox publicly referred to China as Mexico’s competitor, not its partner.

In conclusion, Mexico’s relations with China have risen in salience but also in conflict in recent years. Through its NAFTA membership and its domestic market size, Mexico matters to China and could matter more. The Fox administration, however, was the only Latin American government that exhibited high-level recurrent (at times easily avoidable) conflict with China. Mexico and China have rescued their cooperation in United Nations fora from the debris of their other conflicts; indeed, this cooperation improved during the Fox administration. But Mexico under Fox shied away from using this political cooperation to provide a “soft balance” to U.S. power—unlike Brazil’s strategy, not to mention Venezuela’s and

<sup>58</sup> *Reforma*, 22 September 2004.

<sup>59</sup> *Reforma*, 10 October 2004. The phrase in Spanish is “perdió los estribos, metió la pata.”

<sup>60</sup> “China or Latin America: Rivals or Allies?” <http://www.iadb.org/idbamerica/index.cfm?thisid=3053&dianid=1>

<sup>61</sup> *People’s Daily [Renmin Ribao]*, 23 November 2004, 3.



Cuba's. Some Sino-Mexican disagreements could be reduced: China could buy more from Mexico, and the Mexican president and his ministers could be better disciplined rhetorically. The combination of rising mutual importance and recurrent conflict leaves no doubt that Mexico and China have strategic value for each other but that they are not yet "partners."

#### Venezuela

In December 2004, Venezuela's President Hugo Chávez made his third visit to China. Chávez's speech at Beijing University was reported, in part, as follows: "He described his own government program, the 'Bolivarian Revolution,' as being rooted in the ideology of Communist China's founder, Mao Zedong. The movement that brought him to power in Venezuela's 1998 elections, Chávez said, was 'impelled by the thought of the Great Helmsman,' as Mao is known in China."<sup>62</sup> The rhetoric of this third Chávez visit to Beijing evoked the love affair of the April 2001 Jiang Zemin visit to Caracas. The *People's Daily* gushed about the visit. Though relations at that time were still classified only as "friendly cooperative relations," the Chinese press coverage showed a photograph of Chávez with his arm around Jiang, and twice mentioned that they hugged.<sup>63</sup>

President Hugo Chávez has courted China hard. In May 2001, China upgraded Venezuela to strategic partner, even though through 2000 Sino-Venezuelan trade had been very modest. At that time, Venezuela ranked seventh in overall trade importance to China in Latin America (Tables 1 and

2). Sino-Venezuelan trade nearly quadrupled between 2000 and 2004 but, in 2004, it still ranked seventh in importance to China in Latin America. Also in 2003-2004, China accounted for at most two percent of Venezuela's imports and exports (Tables 3 and 4). In 2003, Venezuelan petroleum sales to China represented only about one percent of China's petroleum imports. In 2002, Chinese direct investments in Venezuela had yet to reach one percent of the total. By mid-2004, while still modest, China's investments in Venezuela were the largest in South America.<sup>64</sup> China's actual material interests in Venezuela are modest.

The buzz in Sino-Venezuelan relations has spilled over from hugs and symbolically useful historical fiction to a frenzy of agreement-signing. Jiang Zemin's April 2001 visit to Caracas led to numerous agreements on tariff reductions, Chinese provision of low-interest loans, civil engineering, cultural exchanges, and mining exploration. Chávez's visit to Beijing in the next month led to a ten-year deal on energy exploration and trade along with talk about the fervent desire of both countries for a world marked by multipolarity.<sup>65</sup> Chávez's December 2004 visit to Beijing led to other agreements, including some regarding oil exploration, establishing new refineries, and producing natural gas. Venezuela recognized China as a "market economy." Chávez expressed his interest in purchasing a satellite for telecommunications and radar equipment for national defense. Because the meaningful results of past agreements remained limited, Chávez supplemented these new agreements with hyperbole:

“During their April 2001 visit, the Chinese press twice mentioned that Chávez and Jiang hugged.”

<sup>62</sup> Information on Chávez's 2004 visit to China from the official Chinese news Agency, Xinhua is available at [http://www.news.xinhuanet.com/world/2004-12/22/content\\_2367821.htm](http://www.news.xinhuanet.com/world/2004-12/22/content_2367821.htm) Additional information from Reuters at <http://www.freerepublic.com/focus/f-news/1308798/posts> and the Associated Press at [http://www.boston.com/news/world/articles/2004/12/28/chavez\\_predicts\\_energy\\_deals\\_with\\_china\\_to\\_boost\\_trade\\_to\\_3b/](http://www.boston.com/news/world/articles/2004/12/28/chavez_predicts_energy_deals_with_china_to_boost_trade_to_3b/)

<sup>63</sup> *People's Daily [Renmin Ribao]*, 16 April 2001, 1, and 17 April 2001, 1.

<sup>64</sup> Embassy of the People's Republic of China to Venezuela, *Press Release*, 22 June 2004.

<sup>65</sup> Li Mingjiang, "Jiang Zemin and Venezuelan President Chavez Meet," *People's Daily [Renmin Ribao]*, 25 May 2001, 1.

“Venezuela’s China policy is a Chávez innovation.”

You should realize we’ve been producing and exporting petroleum for more than 100 years, but they were 100 years of domination by the United States. Now we are free and at the disposal of the great Chinese nation.<sup>66</sup>

Venezuela’s China policy is a Chávez innovation. Only one of his presidential predecessors, Luis Herrera, had visited China. The absence from Beijing of Venezuelan presidents—in contrast to the uninterrupted stream of Mexican, Argentine, and Chilean presidents—had been a clear statement of past Venezuelan policy priorities. Chávez also personalized policy implementation; apart from Venezuelan relations with OPEC and Cuba, little foreign policy cadre development had taken place since the 1990s. Presidential inadvertence may also explain why Venezuelan voting in the United Nations General Assembly is on autopilot, namely, more likely to agree than to disagree with China but at a level roughly similar to that of his predecessors.

Venezuela’s state-owned enterprise (PDVSA) had been the exemplar of professionalism in petroleum production and exports; in the wake of the anti-Chávez strike at PDVSA in the winter 2002–03, however, the government fired nearly 20,000 PDVSA employees, depriving the company of technical and managerial capacity. Venezuela’s petroleum policy toward China remains a presidential prerogative, however. During Chávez’s December 2004 visit to China, he assured Chinese investors that his Office, not lower-level officials in PDVSA, would manage all oil investment decisions.

President Chávez unilaterally refers to Venezuela’s relations with China as an “alliance” and has deployed his charm offensive to make it feel so. It would help, he hopes, to reduce Venezuelan dependence on the U.S. market. Venezuela sells two-thirds of its oil exports to the United States during most years. Since winning a referendum on his presidency in August 2004, Chávez escalated his rhetorical conflict with the United States, even accusing the Bush administration of plotting his assassination, which the U.S. government denied.<sup>67</sup> Chávez looks to build a more multipolar world also through a Caracas-led Latin American petroleum bloc (Petrosur) as well as through Venezuela’s active membership in the Organization of Petroleum Exporting Countries (OPEC).<sup>68</sup>

Venezuela, a founder of OPEC, is one of the world’s largest oil exporters and has vast reserves of petroleum and natural gas. Were Venezuela to succeed in diverting its petroleum exports away from the United States toward China, however, not much of material consequence would happen. The very large market-driven oil world would simply adjust; the United States would purchase petroleum from other sources—as the U.S. Ambassador to Venezuela has made publicly clear in Caracas.<sup>69</sup>

Nevertheless, Venezuela may not succeed in significantly increasing petroleum exports to China because it may not be able to increase production output sufficiently. PDVSA’s technical and managerial capacities, as noted above, are lower. No major PDVSA investments have occurred since 2003 because the company’s revenues have been used to fund current government expenditures.

<sup>66</sup> <http://hibernia.stockpoint.com/hibernia/newspaper.asp?Mode=Commerce&Story=20041224/359u3528.xml>

<sup>67</sup> *El Nacional*, 5 March 2005.

<sup>68</sup> Gregory Wilper, “Venezuela Offers China Greater Access to Oil to Reduce Dependency on U.S. Market,” 28 December 2004, <http://www.venezuelanalysis.com>

<sup>69</sup> *El Universal*, 5 March 2005, A8.

Venezuela's new legislation weakens property rights for private oil explorations; there were no major contracts with foreign firms on gas and liquid hydrocarbons between 1999 and 2004.<sup>70</sup> Political unrest remains at a troubling level. And it may be contrary to Venezuelan interest under OPEC to expand oil production: Venezuela has been a "hawk" within OPEC arguing for production restraint to bolster prices.

There are also technical difficulties. Most of Venezuelan oil reserves are heavy crudes, which is low-grade sulfur-rich oil. Much of the world's refining capacity, especially in China, cannot easily generate gasoline and heating oil from such petroleum.<sup>71</sup> Building or upgrading refineries suitable for refining heavy crude in China would take time and be very expensive. Most existing refineries in China are small and away from southern coastal areas where demand is highest. PDVSA has invested in refineries appropriate for such heavy crudes in Venezuela and, through its CITGO subsidiary (purchased in 1986), in the United States.<sup>72</sup> Chávez has voiced an interest in selling CITGO, among others to the Chinese National Offshore Oil Company; the United States vetoed this deal. Given the petroleum market, however, PDVSA could find other buyers; Chávez's motivation may be to free PDVSA from having to provide audited annual financial statements to the U.S. Securities and Exchange Commission, enabling PDVSA to operate with greater secrecy.<sup>73</sup> Shipping petroleum to China, no matter where it is refined, moreover, is expensive. Transportation costs are high to China, but

they are low to the United States. It takes forty days for Venezuelan petroleum to reach China (seven days to reach the United States) because oil supertankers are too large to transit the Panama canal. China's main comparative advantage is its possible political commitment.

China has an interest in diversifying its sources of petroleum imports. This explains its interest in the Venezuelan energy sector. In fact, the main surprise is how slow China has been in developing its energy sources in Venezuela. In December 2004, President Hu Jintao's triumphal tour included Argentina, Brazil, Chile, and Cuba—not Venezuela. As a Chinese government official explained, "the political conditions in Venezuela were too unstable and uncertain to permit a presidential visit." In fact, Venezuela was more stable in late 2004 than it had been in years, which suggests a high level of Chinese government risk aversion. The Chinese position regarding why there is so little Chinese investment in Venezuela is, "There is too much risk for little return." The Chinese government is aware of the economic costs of addressing the technical obstacles, noted above: "Venezuela's oil business deals with the United States are more lucrative than any possible oil business deal with China because of the heavy costs entailed." That is why China buys so little Venezuelan oil, focusing mainly on purchases of Orimulsion (a special emulsion used as a power station fuel in heavy industry and as boiler fuel). Venezuela offered China the option of buying 120,000 barrels of fuel oil per day but China has so far declined: "We don't need it; we have other sellers."<sup>74</sup>

“China has been surprisingly slow in developing its energy sources in Venezuela.”

<sup>70</sup> *Venezuela*, December 2004 and January 2005.

<sup>71</sup> Wendy Zellner, "Crude Lessons about Oil," *Business Week*, 9 November 2004.

<sup>72</sup> Luis Eduardo Muro, "Citgo: Dos visiones," *El Universal*, 23 February 2005, I-17.

<sup>73</sup> Sheil McNulty, "Ageing Refineries Add to U.S. Woes at the Petrol Pumps," *The Financial Times*, 7 June 2004; Marianna Parraga, "Crece interés por venta de Citgo," *El Universal*, 9 March 2005, 1-17.

<sup>74</sup> Confidential interview, 22 February 2005.

“China needs a benign United States far more than it needs a “strategic partnership” with Venezuela.”

China and Venezuela have realized some shared gains, though modest by Sino-Latin American standards. Yet, hopes for future Sino-Venezuelan relations are markedly asymmetric. Chávez hopes for an “alliance” with China. He may want to sell Venezuela’s oil to China’s but lacks the capacity to do so. It is less clear whether China believes that it needs Venezuela to provide for a multipolar oil world. China’s prudence in its approach to Venezuela may also reflect an appreciation of the political cost to U.S.-China relations if China were to become embroiled in major U.S.-Venezuelan disputes. China needs a benign United States far more than it needs its “strategic partnership” with Venezuela.

In his December 2004 visit to China, President Chávez declared that Simón Bolívar was a soul mate of Mao Zedong and noted the “great similarities” between the revolutions they led.<sup>75</sup> Chávez may find that he is as wrong about this version of China’s and Venezuela’s past as he is about the prospects for future Sino-Venezuelan relations.<sup>76</sup>

#### *Cuba*

China and Cuba were adversaries from the mid-1960s to the end of the 1970s. Their relations improved slightly in the 1980s. The collapse of the Soviet Union and all ruling European communist parties compelled Cuba to accommodate China’s preferences. Faced with the international system’s restructuring, in the early 1990s Cuba adjusted its foreign policy accordingly. Havana shows nearly perfect coincidence with China’s U.N. General Assembly voting since the early 1990s (see Figure 5a).

Of all the countries under consideration in this study, Cuba was the last whose president—Fidel Castro—visited China. He first visited in 1995, and again in 2003. Chinese presidents waited until this century to visit Cuba, Jiang Zemin in 2001 and Hu Jintao in 2004. Since 1995, however, lower-level Sino-Cuban visits have been frequent, promoted by General Raúl Castro who has, among other things, applied lessons learned in China to the operation of Cuban military enterprises.<sup>77</sup>

Cuba’s overall trade importance for China (total trade in 2004 somewhat above \$400 million) was modest, ranking approximately ninth among the Latin American countries. In 2005, China became Cuba’s second most important trading partner (after Venezuela) but mainly as a key supplier of Cuban imports. China ranks only sixth as a purchaser of Cuban exports.<sup>78</sup>

China mattered for Cuba on the import side because of its effect on Cuba’s international financing strategy. In July 1986, Cuba stopped all interest and principal payments on its debt to market-economy countries. Since then, it has made small, tactical, partial payments to particular creditors but it has not reached a comprehensive settlement of its international debt obligations. As a result, it has been shut out of international financial markets except for short-term suppliers’ credits and certain governmental credits that finance bilateral trade operations. Cuba has addressed this severe international financial constraint through its so-called “chain of non-payment.” It delays payments to suppliers in order to compel *de facto* credit grants.<sup>79</sup>

<sup>75</sup> *The Economist*, 1 January 2005, 25.

<sup>76</sup> For a view that accords greater material importance to current Sino-Venezuelan relations, see R. Evan Ellis, *U.S. National Security Implications of Chinese Involvement in Latin America* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 2005), 5-8.

<sup>77</sup> Institute for Cuban and Cuban-American Studies, “The Cuban Military in the Economy,” *Cuba Focus*, no. 46 (11 August 2003).

<sup>78</sup> FOCAL, CubaSource: Economics (21 December 2004); Reuters, 16 January 2006.

<sup>79</sup> Jorge I. Domínguez, “Cuba’s Economic Transition: Successes, Deficiencies, and Challenges,” in *The Cuban Economy at the Start of the Twenty-First Century*, ed. J. I. Domínguez, O. E. Pérez-Villanueva, and L. Barbería (Cambridge, Mass: David Rockefeller Center for Latin American Studies and Harvard University Press, 2004), 33-34, 36.

Chinese exporters are unhappy with this practice. It may explain the only sour note during President Hu Jintao's visit to Havana in November 2004. Raúl Castro, in his capacities as First Vice President of the Councils of State and Ministers, welcomed President Hu Jintao in a speech that—with one exception—focused only on China's and Cuba's achievements. The exception was Raúl Castro's sole reference to Sino-Cuban relations, namely, to reassure the Chinese delegation that Cuba would "scrupulously fulfill its contractual obligations".<sup>80</sup> In 2003, Cuban exports to China were equal to just 15 percent of Cuban imports from China.<sup>81</sup>

The Cuban government hailed President Hu Jintao's 2004 visit as a great event. Some of China's behavior resembled that of the old Soviet Union in ways that Cuban leaders applauded: China deferred for ten more years the start of Cuba's obligation to repay Chinese credits granted between 1990 and 1994. China committed to several investments in Cuba, one of which has potential long-term significance—it opened a line of credit of \$500 million to exploit the Camariocas nickel deposit whose development, once tied to Czechoslovakia and other Eastern European communist governments, had to be mothballed in the early 1990s, as well as for new projects in nickel exploitation worth up to \$1.3 billion. Cuba has the world's third largest nickel reserves and it is the world's sixth largest producer of nickel; Chinese joint ventures in this sector could generate significant shared gains.<sup>82</sup>

For Cuba, this visit was most important for its political value. In greeting Hu Jintao,

President Fidel Castro highlighted China's history as a victim of imperialism, oppression, violence, and poverty, liberated through the actions of the "far-sighted leaders who created the Communist Party of China." China and Cuba outlived the Soviet Union, Castro noted. Both China and Cuba have demonstrated the worth of socialism, adjusting their "revolutionary goals" to the circumstances of each country. China's past century benefited from the "contributions of the great and brilliant political thinkers who further developed and enriched socialist doctrines."<sup>83</sup> Hu Jintao's formal message to the Cuban people was not only much shorter than President Castro's but also made just one reference to Cuba's "socialist construction," wishing Cubans well.<sup>84</sup>

General Raúl Castro was Hu Jintao's host during the last day of the visit, which focused on economic cooperation. General Castro, too, again and again underscored the centrality of socialism as the reason for the good things that have happened in both China and Cuba. In his response, Hu did not refer to socialism.<sup>85</sup>

Hu did not come out of Havana with Cuba's recognition that China had become a "market economy"—the only Latin American country he visited that failed to reach that conclusion. It was in the Cuban government's interest to emphasize that China was "socialist," not market-oriented. China characterized its relations with Cuba as "friendly cooperative relations," the lowest rung on its classificatory scheme and the lowest of all the countries that President Hu visited. Hu visited Cuba

“The Cuban government hailed President Hu Jintao’s 2004 visit as a great event.”

<sup>80</sup> "Cuba y China consolidan cooperación económica," *Granma*, 24 November 2004.

<sup>81</sup> Computed from *Anuario estadístico de Cuba, 2003*, 145, 147.

<sup>82</sup> *Granma* 25 December 2004; "Cuba's International Economic Strategy Pays Off," Cuba Policy Report (Lexington Institute, 3 February 2005).

<sup>83</sup> *Granma*, 24 November 2004.

<sup>84</sup> *Granma*, 23 November 2004.

<sup>85</sup> *Granma*, 24 March 2005.

“China may prove a source of ideas to Cuba once General Raúl Castro assumes the presidency.”

last, spent the least time there, and signed no initiative comparable to those in his visits to Argentina, Brazil, and Chile. Hu reiterated support for ending U.S. sanctions on Cuba but stopped well short of committing China to make this an issue over which Beijing will contest the U.S. government.<sup>86</sup>

In short, Sino-Cuban relations improved markedly in the 1990s once China and Cuba became two of only five remaining communist regimes in the world. China may prove a source of ideas to Cuba once General Raúl Castro assumes the presidency—how to fashion a market-economy under communist party rule—and China already matters for Cuban imports and potentially for future nickel development. For Cuban leaders, China has substantial political value as a socialist country that survives and succeeds, though only a Raúl Castro presidency may be able to derive the full utility of the Chinese example and relationship. For Chinese leaders, Cuba may have both sentimental and extortion value. Cuba could embarrass Chinese leaders, denouncing them again as it once did as capitalist apprentices and betrayers of socialism. And Cuba may still represent for some Chinese leaders the romantic hope that China’s political and economic experience could one day blossom outside East Asia.

### Conclusions

Latin America’s international relations opened the twenty-first century under two exogenous shocks. The first was the growing distance between the region’s governments and the administration of U.S. President George W. Bush over many issues, interrupting an “era of good feeling” in inter-American relations that lasted from the late 1980s to the end of the 1990s. The second was the dramatic entrance

of the People’s Republic of China as a significant economic and, in some instances, political partner. This work has focused on Sino-Latin American relations, though also inquiring whether Latin American governments sought to balance U.S. influence through their relations with China.

Some next steps are probable. China is likely to keep succeeding at weaning Latin American and Caribbean countries away from Taiwan. China and MERCOSUR are likely to continue to discuss but not sign a free trade agreement. China and Brazil will probably continue to collaborate with regard to the WTO Doha Round. China and Mexico will remain entangled in economic and verbal disputes. President Chávez will make every effort to engage China intensely with Venezuela. General Raúl Castro will, upon his brother’s passing, seek to build political support for his presidency as an avowed emulator of the “China model” of socialism, hoping for substantial Chinese support. China’s relations with its Latin American partners tilt toward open economies, even if the protectionist intent of the Venezuelan and Cuban governments is to reduce their international economic vulnerability.

In January 2006, between his election and his inauguration, Bolivia’s President Evo Morales visited Beijing, where he echoed Hugo Chávez’s approach. He encouraged Chinese investment in Bolivia’s energy sector and pronounced himself an “ideological ally” of China.<sup>87</sup> Wearing his trademark pullover sweater, his visit underscored ease and almost instant familiarity with Chinese leaders. And yet, it is difficult to build a natural gas pipeline from Bolivia to Beijing, and the best route to export liquefied Bolivian natural gas remains through a Chilean port—the strategy that Morales opposed vigorously as an opposition leader.

<sup>86</sup> *People’s Daily [Renmin Ribao]*, 24–25 November 2004.

<sup>87</sup> *The Economist*, 21 January 2006, 10.

Some large themes pertain to all countries in this study. The principal explanation for improved Sino-Latin American relations was the extraordinary growth of China's international trade. Sino-Latin American trade improved as a function of that worldwide trend, not because China preferred to develop its Latin American relations. Nevertheless, aspects of Sino-Latin American relations have changed little: Latin American voting coincidence with China in the U.N. General Assembly remained fairly constant since the early 1990s. Sino-Latin American military relations improved only somewhat with Brazil and Argentina as indirect benefits from technological cooperation in nuclear energy and space satellite developments. Military relations improved as an effect of the general improvement of Sino-Latin American relations, not as their cause.

All countries studied in this work support a one-China policy. The People's Republic, nevertheless, invests impressive resources to induce the remaining Latin American and Caribbean countries that recognize the Republic of China (Taiwan) to switch allegiances. In the 1990s, the Taiwan question troubled Sino-Argentine relations.

There has been a wide multi-partisan cross-ideological support for relations with China in most Latin American countries. There has also been ample support in Latin American public opinion, Argentina and Mexico partially excepted, for China's new role in world affairs. One reason for such broad-based domestic political backing in Latin America is that China kept and developed diplomatic and economic relations with South American military regimes in the 1970s, thereby liberating the Latin American military and right-wing political and social forces from their fear of China even before the Sino-Latin American trade boom in the 1990s. In the 1970s, China also developed its relations with civilian governments in Mexico and Venezuela. Sino-Latin

American relations have been pragmatic and non-ideological. Latin American countries followed policies toward China that transcend administrations or personalities, in nearly all instances warranting the judgment that their policies toward China are the policies of each state, not of transient leaders. The exceptions to these generalizations are the decisive role of ideology to explain the swings in Sino-Cuban relations, the lack of a "state policy" toward China in Venezuela prior to the Chávez presidency, and the Fox administration's break with prior Mexican state policy toward China.

There is also variation in relations between Latin American countries and China. Some reasons are economic: how much does each Latin American country trade, which products can it supply China, and how open is each country's trade regime? The more complex sources of variation are political; their characterization has been the task of this work's case studies. Table 11 summarizes some of these dimensions.

China itself employs verbal formulas to characterize the strategic value that it assigns to each country. Brazil ranks first. China explicitly ranks Cuba last, and Chile next to last. The ranking in strategic value generally matches the objective economic value of the bilateral relations, though on the economic dimension Chile's worth to China rises at the relative expense of Argentina and Venezuela. The economies of China and the Latin American countries in this study are largely complementary. The main exception is between China and Mexico, whose economies are mostly competitive. The growth of Chinese imports in Argentina and Brazil has given rise to greater, though still limited, opposition to further expansion of trade with China.

There is not much overlap, however, between China's assessments of the strategic value of Latin American countries and

“Sino-Latin American relations have been pragmatic and non-ideological.”

“Latin American governments have different expectations about whether China should “balance” U.S. influence in the region.”

their objective economic worth, on the one hand, and the extent of political agreement between China and the Latin American governments. Mexico matters greatly to China but its political relations are the worst among those countries that recognize the People’s Republic. Hugo Chávez’s courtship of China is disproportionate to the objective lesser economic significance of current Sino-Venezuelan relations. Cuba’s matters little to China in economic terms even if its political relations with China have become appreciably closer in recent years.

Several Latin American governments want China to “balance” U.S. influence in the region, but they differ in their expectations. Brazil and Argentina hope that China will be a “soft balancer” of the United States in Latin America. This is evident for Brazil in the context of the Group of 20’s negotiations regarding the WTO Doha Round. In effect, Brazil and Argentina want China to provide new political-economic options, without expecting it to confront the United States. Cuba and Venezuela eagerly search for a political alliance with China to provide a “hard balance” to U.S. power. Cuba and Venezuela are confronting the U.S. government on their own and look for support wherever it can be found. In contrast, neither Chile nor Mexico looks to relations with China as a means to balance U.S. influence.

Latin American voting agreement with China in the U.N. General Assembly seems independent of other variables. Only Cuba adjusted its voting behavior in the early 1990s to correspond to its new closer alignment with China. Mexico votes with China more often than not, even though it fears China’s

trade clout. Venezuela votes with China only slightly less often than Mexico, but it adopted that profile well before Chávez’s presidency and has not adjusted its voting behavior under Chávez’s rule. Brazil, Chile, and Argentina disagree slightly with China in their voting behavior and have not adjusted these patterns to reflect the improvement of their relations with China in the current decade.

The military value of China’s relations with Latin America is extremely modest outside of indirect benefits from high-technology ventures in Brazil and Argentina.

Latin American governments vary in the extent of their professionalism in the design and implementation of their policies toward China. Brazil, Chile, and Cuba have been professional. Argentina, Mexico, and Venezuela have not. The latter three suffer from excessive personalism in policy design and decision making, as well as faulty execution.

In sum, Latin American countries have come to matter for China more than ever, though still modestly so by worldwide standards. China has come to matter significantly for these Latin American countries. The countries that matter the least for China are those whose overriding motivations in their policy toward China are political: Venezuela and Cuba. The best relations are with Brazil, which combines high economic salience, strategic political design, and professional policy formulation and execution. The twenty-first century may or may not be the “China century” in Latin America but this first decade of the century surely is the “China decade.”



## Appendix

**Table 1. China's Imports from Latin American Countries**

|      | Arg              | Bra              | Chi              | Mex              | Per              | Ven            | Ecu            | Col            | Pan           | Total (LA)        | Total (world) |
|------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|---------------|-------------------|---------------|
| 1990 | 313.0<br>(1.0)   | 514.0<br>(1.0)   | 37.0<br>(0.0)    | 98.0<br>(1.0)    | 86.0<br>(0.0)    | 28.0<br>(0.0)  | 0.6<br>(0.0)   | 4.5<br>(0.0)   | 0.0<br>(0.0)  | 1,082.0<br>(2.0)  | 53,809        |
| 1991 | 305.0<br>(0.0)   | 346.0<br>(1.0)   | 107.0<br>(0.0)   | 149.0<br>(0.0)   | 294.0<br>(0.0)   | 6.2<br>(0.0)   | 1.1<br>(0.0)   | 2.5<br>(0.0)   | 0.6<br>(0.0)  | 1,211.0<br>(2.0)  | 63,875        |
| 1992 | 200.0<br>(0.0)   | 519.0<br>(0.0)   | 410.0<br>(1.0)   | 114.0<br>(0.0)   | 310.0<br>(0.0)   | 9.0<br>(0.0)   | 3.5<br>(0.0)   | 23.1<br>(0.0)  | 3.1<br>(0.0)  | 1,592.0<br>(2.0)  | 81,871        |
| 1993 | 220.0<br>(0.0)   | 863.0<br>(1.0)   | 282.0<br>(0.0)   | 125.0<br>(0.0)   | 249.0<br>(0.0)   | 30.0<br>(0.0)  | 3.3<br>(0.0)   | 0.8<br>(0.0)   | 10.5<br>(0.0) | 1,783.0<br>(2.0)  | 103,622       |
| 1994 | 269.0<br>(0.0)   | 1,059.0<br>(1.0) | 183.0<br>(0.0)   | 94.0<br>(0.0)    | 384.0<br>(0.0)   | 28.0<br>(0.0)  | 19.0<br>(0.0)  | 0.7<br>(0.0)   | 3.9<br>(0.0)  | 2,041.0<br>(2.0)  | 115,705       |
| 1995 | 370.0<br>(0.0)   | 1,228.0<br>(1.0) | 231.0<br>(0.0)   | 195.0<br>(0.0)   | 460.0<br>(0.0)   | 15.8<br>(0.0)  | 29.0<br>(0.0)  | 14.0<br>(0.0)  | 8.4<br>(0.0)  | 2,550.0<br>(2.0)  | 132,163       |
| 1996 | 518.0<br>(0.0)   | 1,484.0<br>(1.0) | 455.0<br>(0.0)   | 297.0<br>(0.0)   | 523.0<br>(0.0)   | 25.0<br>(0.0)  | 94.0<br>(0.0)  | 0.9<br>(0.0)   | 1.7<br>(0.0)  | 3,399.0<br>(2.0)  | 138,949       |
| 1997 | 721.0<br>(1.0)   | 1,486.0<br>(1.0) | 415.0<br>(0.0)   | 184.0<br>(0.0)   | 617.0<br>(0.0)   | 32.0<br>(0.0)  | 100.0<br>(0.0) | 3.4<br>(0.0)   | 1.6<br>(0.0)  | 3,560.0<br>(3.0)  | 142,163       |
| 1998 | 723.0<br>(1.0)   | 1,133.0<br>(1.0) | 422.0<br>(0.0)   | 152.0<br>(0.0)   | 288.0<br>(0.0)   | 13.0<br>(0.0)  | 73.0<br>(0.0)  | 8.2<br>(0.0)   | 1.2<br>(0.0)  | 2,813.0<br>(2.0)  | 140,385       |
| 1999 | 590.0<br>(0.0)   | 967.0<br>(1.0)   | 664.0<br>(0.0)   | 159.0<br>(0.0)   | 310.0<br>(0.0)   | 28.0<br>(0.0)  | 79.0<br>(0.0)  | 21.0<br>(0.0)  | 1.1<br>(0.0)  | 2,819.0<br>(2.0)  | 165,718       |
| 2000 | 805.0<br>(0.0)   | 1,284.0<br>(1.0) | 1,301.0<br>(1.0) | 434.0<br>(0.0)   | 549.0<br>(0.0)   | 88.0<br>(0.0)  | 81.0<br>(0.0)  | 32.0<br>(0.0)  | 0.6<br>(0.0)  | 4,576.0<br>(2.0)  | 224,942       |
| 2001 | 1,281.0<br>(1.0) | 2,347.0<br>(1.0) | 1,303.0<br>(1.0) | 763.0<br>(0.0)   | 498.0<br>(0.0)   | 146.0<br>(0.0) | 28.0<br>(0.0)  | 26.0<br>(0.0)  | 2.0<br>(0.0)  | 6,394.0<br>(3.0)  | 243,567       |
| 2002 | 1,240.0<br>(0.0) | 3,003.0<br>(1.0) | 1,565.0<br>(1.0) | 1,115.0<br>(0.0) | 732.0<br>(0.0)   | 145.0<br>(0.0) | 14.0<br>(0.0)  | 29.0<br>(0.0)  | 3.7<br>(0.0)  | 7,846.0<br>(3.0)  | 295,440       |
| 2003 | 2,729.0<br>(1.0) | 5,844.0<br>(1.0) | 2,245.0<br>(1.0) | 1,677.0<br>(0.0) | 760.0<br>(0.0)   | 542.0<br>(0.0) | 40.0<br>(0.0)  | 60.0<br>(0.0)  | 29.0<br>(0.0) | 13,925.0<br>(3.0) | 412,836       |
| 2004 | 3,254.0<br>(0.0) | 8,684.0<br>(2.0) | 3,676.0<br>(0.0) | 2,140.0<br>(0.0) | 1,524.0<br>(0.0) | 738.0<br>(0.0) | 92.0<br>(0.0)  | 176.0<br>(0.0) | 15.0<br>(0.0) | 20,300.0<br>(4.0) | 561,422       |

Note: Data was compiled using the *Direction of Trade Statistics* database, published by the IMF. The figures represent the raw value of imports in US dollars (millions) for each country, followed by the percentage of China's total imports contributed by this country per year in parentheses. The "Total (L.A.," column refers to the total value of imports contributed by these countries; the "Total (world)" column refers to total value of all China's imports per year. The percentages were calculated using these figures. The countries are (in order shown): Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 2. China's Exports to Latin American Countries**

|      | Arg            | Bra              | Chi              | Mex              | Per            | Ven            | Ecu            | Col            | Pan              | Total (LA)        | Total (world) |
|------|----------------|------------------|------------------|------------------|----------------|----------------|----------------|----------------|------------------|-------------------|---------------|
| 1990 | 13.0<br>(0.0)  | 105.0<br>(0.0)   | 68.0<br>(0.0)    | 111.0<br>(0.0)   | 17.0<br>(0.0)  | 13.0<br>(0.0)  | 2.4<br>(0.0)   | 2.8<br>(0.0)   | 100.0<br>(0.0)   | 432.0<br>(1.0)    | 62,760        |
| 1991 | 52.0<br>(0.0)  | 68.0<br>(0.0)    | 94.0<br>(0.0)    | 86.0<br>(0.0)    | 31.0<br>(0.0)  | 33.0<br>(0.0)  | 14.0<br>(0.0)  | 5.0<br>(0.0)   | 87.0<br>(0.0)    | 471.0<br>(1.0)    | 71,966        |
| 1992 | 124.0<br>(0.0) | 65.0<br>(0.0)    | 128.0<br>(0.0)   | 158.0<br>(0.0)   | 36.0<br>(0.0)  | 60.0<br>(0.0)  | 18.0<br>(0.0)  | 13.0<br>(0.0)  | 132.0<br>(0.0)   | 733.0<br>(1.0)    | 85,620        |
| 1993 | 247.0<br>(0.0) | 192.0<br>(0.0)   | 204.0<br>(0.0)   | 155.0<br>(0.0)   | 62.0<br>(0.0)  | 65.0<br>(0.0)  | 42.0<br>(90)   | 24.0<br>(0.0)  | 350.0<br>(0.0)   | 1,342.0<br>(1.0)  | 91,693        |
| 1994 | 291.0<br>(0.0) | 362.0<br>(0.0)   | 285.0<br>(0.0)   | 202.0<br>(0.0)   | 87.0<br>(0.0)  | 48.0<br>(0.0)  | 37.0<br>(0.0)  | 47.0<br>(0.0)  | 569.0<br>(0.0)   | 1,928.0<br>(2.0)  | 120,865       |
| 1995 | 274.0<br>(0.0) | 759.0<br>(1.0)   | 411.0<br>(0.0)   | 195.0<br>(0.0)   | 146.0<br>(0.0) | 69.0<br>(0.0)  | 45.0<br>(0.0)  | 52.0<br>(0.0)  | 594.0<br>(0.0)   | 2,544.0<br>(2.0)  | 148,955       |
| 1996 | 337.0<br>(0.0) | 768.0<br>(1.0)   | 464.0<br>(0.0)   | 221.0<br>(0.0)   | 139.0<br>(0.0) | 52.0<br>(0.0)  | 39.0<br>(0.0)  | 47.0<br>(0.0)  | 486.0<br>(0.0)   | 2,553.0<br>(2.0)  | 151,165       |
| 1997 | 465.0<br>(0.0) | 1,057.0<br>(1.0) | 563.0<br>(0.0)   | 415.0<br>(0.0)   | 98.0<br>(0.0)  | 119.0<br>(0.0) | 58.0<br>(0.0)  | 70.0<br>(0.0)  | 1,010.0<br>(1.0) | 3,855.0<br>(2.0)  | 182,917       |
| 1998 | 550.0<br>(0.0) | 1,086.0<br>(1.0) | 619.0<br>(0.0)   | 689.0<br>(0.0)   | 107.0<br>(0.0) | 170.0<br>(0.0) | 74.0<br>(0.0)  | 93.0<br>(0.0)  | 1,053.0<br>(1.0) | 4,441.0<br>(2.0)  | 183,744       |
| 1999 | 496.0<br>(0.0) | 876.0<br>(0.0)   | 605.0<br>(0.0)   | 792.0<br>(0.0)   | 131.0<br>(0.0) | 161.0<br>(0.0) | 40.0<br>(0.0)  | 104.0<br>(0.0) | 1,037.0<br>(1.0) | 4,242.0<br>(2.0)  | 194,931       |
| 2000 | 610.0<br>(0.0) | 1,224.0<br>(0.0) | 784.0<br>(0.0)   | 1,335.0<br>(1.0) | 144.0<br>(0.0) | 257.0<br>(0.0) | 75.0<br>(0.0)  | 156.0<br>(0.0) | 1,290.0<br>(1.0) | 5,875.0<br>(2.0)  | 249,195       |
| 2001 | 574.0<br>(0.0) | 1,363.0<br>(1.0) | 816.0<br>(0.0)   | 1,819.0<br>(1.0) | 177.0<br>(0.0) | 444.0<br>(0.0) | 134.0<br>(0.0) | 205.0<br>(0.0) | 1,240.0<br>(0.0) | 6,773.0<br>(3.0)  | 266,698       |
| 2002 | 185.0<br>(0.0) | 1,466.0<br>(0.0) | 998.0<br>(0.0)   | 2,864.0<br>(1.0) | 247.0<br>(0.0) | 333.0<br>(0.0) | 195.0<br>(0.0) | 287.0<br>(0.0) | 1,274.0<br>(0.0) | 7,850.0<br>(2.0)  | 325,711       |
| 2003 | 447.0<br>(0.0) | 2,145.0<br>(0.0) | 1,284.0<br>(0.0) | 3,267.0<br>(1.0) | 354.0<br>(0.0) | 199.0<br>(0.0) | 239.0<br>(0.0) | 398.0<br>(0.0) | 1,480.0<br>(0.0) | 9,813.0<br>(2.0)  | 438,250       |
| 2004 | 852.0<br>(0.0) | 3,674.0<br>(1.0) | 1,689.0<br>(0.0) | 4,973.0<br>(1.0) | 418.0<br>(0.0) | 596.0<br>(0.0) | 344.0<br>(0.0) | 630.0<br>(0.0) | 2,186.0<br>(0.0) | 15,363.0<br>(3.0) | 593,360       |

Note: Data was compiled using the *Direction of Trade Statistics* database, published by the IMF. The figures represent the raw value of China's exports to each country in US dollars (millions), followed by the percentage of China's total exports that went to each country per year in parentheses. The "Total (L.A.)" column refers to the total value exported to these countries per year; the "Total (world)" column refers to total amount of China's exports per year. The percentages were calculated using these figures. The countries are (in order shown): Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 3. Exports to China from Selected Latin American Countries**

|      | Arg              | Bra              | Chi               | Mex            | Per               | Ven            | Ecu            | Col            | Pan           |
|------|------------------|------------------|-------------------|----------------|-------------------|----------------|----------------|----------------|---------------|
| 1990 | 241.0<br>(2.0)   | 382.0<br>(1.0)   | 31.0<br>(0.0)     | 66.0<br>(0.0)  | 35.0<br>(1.0)     | 5.9<br>(0.0)   | 0.0<br>(0.0)   | 2.1<br>(0.0)   | 0.0<br>(0.0)  |
| 1991 | 248.0<br>(2.0)   | 226.0<br>(1.0)   | 79.0<br>(1.0)     | 0.0<br>(0.0)   | 150.0<br>(4.0)    | 0.1<br>(0.0)   | 0.0<br>(0.0)   | 17.0<br>(0.0)  | 0.0<br>(0.0)  |
| 1992 | 128.0<br>(1.0)   | 460.0<br>(1.0)   | 221.0<br>(2.0)    | 0.0<br>(0.0)   | 244.0<br>(7.0)    | 1.7<br>(0.0)   | 0.8<br>(0.0)   | 3.5<br>(0.0)   | 0.0<br>(0.0)  |
| 1993 | 163.0<br>(1.0)   | 779.0<br>(2.0)   | 183.0<br>(2.0)    | 45.0<br>(0.0)  | 126.0<br>(4.0)    | 6.4<br>(0.0)   | 4.1<br>(0.0)   | 3.9<br>(0.0)   | 0.1<br>(0.0)  |
| 1994 | 225.0<br>(1.0)   | 822.0<br>(2.0)   | 133.0<br>(1.0)    | 42.0<br>(0.0)  | 285.0<br>(6.0)    | 13.0<br>(0.0)  | 9.6<br>(0.0)   | 1.8<br>(0.0)   | 0.0<br>(0.0)  |
| 1995 | 284.0<br>(1.0)   | 1,204.0<br>(3.0) | 288.0<br>(2.0)    | 37.0<br>(0.0)  | 356.0<br>(6.0)    | 0.0<br>(0.0)   | 7.2<br>(0.0)   | 31.0<br>(0.0)  | 4.2<br>(0.0)  |
| 1996 | 608.0<br>(3.0)   | 1,114.0<br>(2.0) | 374.0<br>(2.0)    | 38.0<br>(0.0)  | 422.0<br>(7.0)    | 0.8<br>(0.0)   | 67.0<br>(0.0)  | 6.9<br>(0.0)   | 1.6<br>(0.0)  |
| 1997 | 859.0<br>(3.0)   | 1,088.0<br>(2.0) | 436.0<br>(2.0)    | 46.0<br>(0.0)  | 493.0<br>(7.0)    | 0.1<br>(0.0)   | 157.0<br>(3.0) | 13.0<br>(0.0)  | 0.7<br>(0.0)  |
| 1998 | 667.0<br>(3.0)   | 905.0<br>(2.0)   | 476.0<br>(3.0)    | 106.0<br>(0.0) | 234.0<br>(4.0)    | 0.0<br>(0.0)   | 52.0<br>(1.0)  | 8.7<br>(0.0)   | 4.8<br>(1.0)  |
| 1999 | 507.0<br>(2.0)   | 676.0<br>(1.0)   | 372.0<br>(2.0)    | 126.0<br>(0.0) | 216.0<br>(4.0)    | 0.0<br>(0.0)   | 72.0<br>(1.0)  | 15.0<br>(0.0)  | 2.8<br>(0.0)  |
| 2000 | 797.0<br>(2.0)   | 1,085.0<br>(2.0) | 906.0<br>(5.0)    | 204.0<br>(0.0) | 446.0<br>(6.0)    | 23.0<br>(0.0)  | 74.0<br>(1.0)  | 29.4<br>(0.0)  | 1.6<br>(0.0)  |
| 2001 | 1,124.0<br>(4.0) | 2,032.0<br>(3.0) | 1,015.0<br>(5.0)  | 282.0<br>(0.0) | 426.0<br>(6.0)    | 42.0<br>(0.0)  | 26.0<br>(0.0)  | 20.0<br>(0.0)  | 3.2<br>(0.0)  |
| 2002 | 1,092.0<br>(4.0) | 2,617.0<br>(4.0) | 1,233.0<br>(7.0)  | 456.0<br>(0.0) | 599.0<br>(8.0)    | 91.0<br>(0.0)  | 12.0<br>(0.0)  | 30.0<br>(0.0)  | 2.0<br>(0.0)  |
| 2003 | 2,478.0<br>(8.0) | 4,729.0<br>(6.0) | 1,847.0<br>(9.0)  | 974.0<br>(1.0) | 680.0<br>(8.0)    | 493.0<br>(2.0) | 36.0<br>(1.0)  | 82.0<br>(1.0)  | 12.0<br>(2.0) |
| 2004 | 3,167.0<br>(9.0) | 5,440.0<br>(6.0) | 3,212.0<br>(10.0) | 986.0<br>(1.0) | 1,240.0<br>(10.0) | 561.0<br>(1.0) | 50.0<br>(1.0)  | 138.0<br>(1.0) | 11.0<br>(1.0) |

Note: Data was compiled using the *Direction of Trade Statistics* database, published by the IMF. The figures represent the raw value of each country's exports to China in US dollars (millions) per year, followed by the percentage of their total exports that went to China per year in parentheses. This was calculated using data for each country's total exports per year. The countries are (in order shown): Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 4. Latin American Countries' Imports from China**

|      | Arg              | Bra              | Chi              | Mex               | Per            | Ven            | Ecu            | Col              | Pan           |
|------|------------------|------------------|------------------|-------------------|----------------|----------------|----------------|------------------|---------------|
| 1990 | 12.0<br>(0.0)    | 224.0<br>(1.0)   | 57.0<br>(1.0)    | 240.0<br>(1.0)    | 6.2<br>(0.0)   | 0.2<br>(0.0)   | 0.8<br>(0.0)   | 1.8<br>(0.0)     | 0.6<br>(0.0)  |
| 1991 | 188.0<br>(2.0)   | 83.0<br>(0.0)    | 95.0<br>(1.0)    | 0.0<br>(0.0)      | 17.8<br>(1.0)  | 1.0<br>(0.0)   | 1.7<br>(0.0)   | 2.9<br>(0.0)     | 1.0<br>(0.0)  |
| 1992 | 170.0<br>(1.0)   | 55.0<br>(0.0)    | 147.0<br>(1.0)   | 0.0<br>(0.0)      | 15.0<br>(0.0)  | 7.0<br>(0.0)   | 3.0<br>(0.0)   | 10.0<br>(0.0)    | 1.7<br>(0.0)  |
| 1993 | 215.0<br>(1.0)   | 188.0<br>(1.0)   | 213.0<br>(2.0)   | 389.0<br>(1.0)    | 79.0<br>(2.0)  | 2.4<br>(0.0)   | 9.0<br>(0.0)   | 29.0<br>(0.0)    | 1.6<br>(0.0)  |
| 1994 | 217.0<br>(1.0)   | 510.0<br>(1.0)   | 281.0<br>(2.0)   | 471.0<br>(1.0)    | 71.0<br>(1.0)  | 6.5<br>(0.0)   | 2.5<br>(0.0)   | 91.2<br>(1.0)    | 2.1<br>(0.0)  |
| 1995 | 572.0<br>(3.0)   | 1,143.0<br>(2.0) | 390.0<br>(3.0)   | 573.0<br>(1.0)    | 178.0<br>(2.0) | 0.4<br>(0.0)   | 0.4<br>(0.0)   | 39.0<br>(0.0)    | 6.7<br>(0.0)  |
| 1996 | 698.0<br>(3.0)   | 1,242.0<br>(2.0) | 515.0<br>(3.0)   | 836.0<br>(1.0)    | 94.0<br>(1.0)  | 0.4<br>(0.0)   | 0.8<br>(0.0)   | 131.0<br>(1.0)   | 6.2<br>(0.0)  |
| 1997 | 1,007.0<br>(3.0) | 1,307.0<br>(2.0) | 659.0<br>(3.0)   | 1,372.0<br>(1.0)  | 127.0<br>(1.0) | 0.2<br>(0.0)   | 45.0<br>(1.0)  | 183.0<br>(1.0)   | 5.7<br>(0.0)  |
| 1998 | 1,157.0<br>(4.0) | 1,125.0<br>(2.0) | 753.0<br>(4.0)   | 2,000.0<br>(1.0)  | 111.0<br>(1.0) | 27.0<br>(0.0)  | 66.0<br>(1.0)  | 226.0<br>(2.0)   | 13.2<br>(0.0) |
| 1999 | 992.0<br>(4.0)   | 952.0<br>(2.0)   | 659.0<br>(4.0)   | 2,113.0<br>(1.0)  | 127.0<br>(2.0) | 0.0<br>(0.0)   | 44.0<br>(1.0)  | 228.0<br>(2.0)   | 16.0<br>(0.0) |
| 2000 | 1,157.0<br>(5.0) | 1,344.0<br>(2.0) | 950.0<br>(5.0)   | 3,168.0<br>(2.0)  | 179.0<br>(2.0) | 187.0<br>(1.0) | 82.0<br>(2.0)  | 172.0<br>(2.0)   | 21.0<br>(1.0) |
| 2001 | 1,066.0<br>(5.0) | 1,461.0<br>(2.0) | 1,014.0<br>(6.0) | 4,430.0<br>(2.0)  | 145.0<br>(2.0) | 348.0<br>(2.0) | 148.0<br>(3.0) | 475.0<br>(4.0)   | 25.0<br>(1.0) |
| 2002 | 330.0<br>(4.0)   | 1,710.0<br>(3.0) | 1,102.0<br>(6.0) | 6,902.0<br>(4.0)  | 261.0<br>(3.0) | 227.0<br>(2.0) | 214.0<br>(3.0) | 532.0<br>(4.0)   | 41.0<br>(1.0) |
| 2003 | 721.0<br>(5.0)   | 2,515.0<br>(4.0) | 1,289.0<br>(7.0) | 10,341.0<br>(6.0) | 316.0<br>(3.0) | 220.0<br>(2.0) | 263.0<br>(4.0) | 689.0<br>(5.0)   | 48.0<br>(2.0) |
| 2004 | 959.0<br>(4.0)   | 4,081.0<br>(6.0) | 1,847.0<br>(7.0) | 15,811.0<br>(7.0) | 358.0<br>(3.0) |                | 722.0<br>(9.0) | 1,068.0<br>(6.0) | 72.0<br>(2.0) |

*Note:* Data was compiled using the *Direction of Trade Statistics* database, published by the IMF. The figures represent the raw value of each country's imports from China in US dollars (millions) per year, followed by the percentage of each country's total imports that came from China per year in parentheses. This was calculated using data for each country's total imports per year. The countries are (in order shown) Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 5. China's Imports from Latin American Countries, Base: 1990 (=100)**

|      | Arg  | Bra  | Chi  | Mex  | Per  | Ven  | Ecu   | Col  | Pan  | Total (L.A.) | Total (world) |
|------|------|------|------|------|------|------|-------|------|------|--------------|---------------|
| 1990 | 100  | 100  | 100  | 100  | 100  | 100  | 100   | 100  | 0    | 100          | 100           |
| 1991 | 97   | 67   | 289  | 152  | 342  | 22   | 183   | 56   | 100  | 112          | 119           |
| 1992 | 64   | 101  | 1108 | 116  | 360  | 32   | 583   | 511  | 517  | 147          | 152           |
| 1993 | 70   | 168  | 762  | 128  | 290  | 32   | 550   | 18   | 1750 | 165          | 193           |
| 1994 | 86   | 206  | 495  | 96   | 447  | 107  | 3167  | 16   | 650  | 189          | 215           |
| 1995 | 118  | 239  | 624  | 199  | 535  | 100  | 4833  | 311  | 1400 | 236          | 246           |
| 1996 | 165  | 289  | 1230 | 303  | 608  | 56   | 15667 | 20   | 283  | 314          | 258           |
| 1997 | 230  | 289  | 1122 | 188  | 717  | 89   | 16667 | 76   | 267  | 329          | 264           |
| 1998 | 231  | 220  | 1141 | 155  | 335  | 114  | 12167 | 182  | 200  | 260          | 261           |
| 1999 | 188  | 188  | 1795 | 162  | 360  | 100  | 13167 | 467  | 183  | 261          | 308           |
| 2000 | 257  | 250  | 3516 | 443  | 638  | 314  | 13500 | 711  | 100  | 423          | 418           |
| 2001 | 409  | 457  | 3522 | 779  | 579  | 521  | 4667  | 578  | 333  | 591          | 453           |
| 2002 | 396  | 584  | 4230 | 1138 | 851  | 518  | 2333  | 644  | 617  | 726          | 549           |
| 2003 | 872  | 1134 | 6068 | 1711 | 884  | 1936 | 6667  | 1333 | 4833 | 1287         | 767           |
| 2004 | 1040 | 1689 | 9935 | 2184 | 1772 | 2636 | 15333 | 3911 | 2500 | 1876         | 1043          |

Note: Index tables were compiled using the *Direction of Trade Statistics* database, published by the IMF. The index represents the change in value of China's imports from selected Latin American countries over the period 1990-2003 (Panama begins in 1991). The "Total (L.A.);" column represents the change in value of China's imports from all the Latin American countries shown; the "Total (world)" column represents the change in value of China's imports from the world. The countries are (in order shown) Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 6. China's Exports to Latin American Countries, Base: 1990 (=100)**

|      | Arg   | Bra   | Chi   | Mex   | Per   | Ven   | Ecu    | Col    | Pan   | Total (L.A.) | Total (world) |
|------|-------|-------|-------|-------|-------|-------|--------|--------|-------|--------------|---------------|
| 1990 | 100   | 100   | 100   | 100   | 100   | 100   | 100    | 100    | 100   | 100          | 100           |
| 1991 | 400   | 65    | 138   | 77    | 182   | 254   | 583    | 179    | 87    | 109          | 115           |
| 1992 | 954   | 62    | 188   | 142   | 212   | 462   | 750    | 464    | 132   | 170          | 136           |
| 1993 | 1,900 | 183   | 300   | 140   | 365   | 500   | 1,750  | 857    | 350   | 311          | 146           |
| 1994 | 2,238 | 345   | 419   | 182   | 512   | 369   | 1,542  | 1,679  | 569   | 446          | 193           |
| 1995 | 2,108 | 723   | 604   | 176   | 859   | 531   | 1,875  | 1,857  | 594   | 589          | 237           |
| 1996 | 2,592 | 731   | 682   | 199   | 818   | 400   | 1,625  | 1,679  | 486   | 591          | 241           |
| 1997 | 3,578 | 1,007 | 828   | 374   | 576   | 915   | 2,417  | 2,500  | 1,010 | 892          | 291           |
| 1998 | 4,231 | 1,034 | 910   | 621   | 629   | 1,308 | 3,083  | 3,321  | 1,053 | 1,028        | 293           |
| 1999 | 3,815 | 834   | 890   | 712   | 771   | 1,238 | 1,667  | 3,714  | 1,037 | 982          | 311           |
| 2000 | 4,692 | 1,166 | 1,153 | 1,203 | 847   | 1,978 | 3,125  | 5,571  | 1,290 | 1,360        | 397           |
| 2001 | 4,415 | 1,298 | 1,200 | 1,639 | 1,041 | 3,415 | 5,583  | 7,321  | 1,240 | 1,568        | 425           |
| 2002 | 1,423 | 1,396 | 1,468 | 2,580 | 1,453 | 2,562 | 8,125  | 10,250 | 1,274 | 1,817        | 519           |
| 2003 | 3,438 | 2,043 | 1,888 | 2,943 | 2,082 | 1,531 | 9,958  | 14,214 | 1,480 | 2,272        | 698           |
| 2004 | 6,553 | 3,499 | 2,484 | 4,480 | 2,459 | 4,585 | 14,333 | 22,500 | 2,186 | 3,556        | 945           |

Note: Index tables were compiled using the *Direction of Trade Statistics* database, published by the IMF. The index represents the change in value of China's exports to selected Latin American countries over the period 1990-2003. The "Total (L.A.);" column represents the change in value of China's exports to all the Latin American countries shown; the "Total (world)" column represents the change in value of China's exports from the world. The countries are (in order shown) Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 7. Exports to China from Selected Latin American Countries, Base: 1990 (=100)**

|      | Arg   | Bra   | Chi    | Mex   | Per   | Ven   | Ecu   | Col   | Pan |
|------|-------|-------|--------|-------|-------|-------|-------|-------|-----|
| 1990 | 100   | 100   | 100    | 100   | 100   | 100   |       | 100   |     |
| 1991 | 103   | 59    | 255    | 0     | 429   | 2     |       | 810   |     |
| 1992 | 53    | 120   | 713    | 0     | 697   | 29    |       | 167   |     |
| 1993 | 68    | 204   | 590    | 68    | 360   | 108   |       | 186   |     |
| 1994 | 93    | 215   | 429    | 64    | 814   | 220   |       | 86    |     |
| 1995 | 118   | 315   | 929    | 56    | 1,017 | 0     | 100   | 1,476 | 100 |
| 1996 | 252   | 292   | 1,206  | 58    | 1,206 | 14    | 931   | 329   | 38  |
| 1997 | 356   | 285   | 1,406  | 70    | 1,409 | 2     | 2,181 | 619   | 17  |
| 1998 | 277   | 237   | 1,535  | 161   | 669   | 0     | 722   | 414   | 114 |
| 1999 | 210   | 177   | 1,200  | 191   | 617   | 0     | 1,000 | 714   | 67  |
| 2000 | 331   | 284   | 2,923  | 310   | 1,274 | 390   | 1,028 | 1,400 | 38  |
| 2001 | 466   | 532   | 3,274  | 427   | 1,217 | 712   | 361   | 952   | 76  |
| 2002 | 453   | 685   | 3,977  | 691   | 171   | 1,542 | 167   | 1,429 | 48  |
| 2003 | 1,028 | 1,238 | 5,958  | 1,476 | 1,943 | 8,356 | 500   | 3,905 | 286 |
| 2004 | 1,314 | 1,424 | 10,361 | 1,494 | 3,543 | 9,508 | 694   | 6,571 | 262 |

Note: Index tables were compiled using the *Direction of Trade Statistics* database, published by the IMF. The index represents the change in value of exports to China for each Latin American country over the period 1990-2003 (Ecuador and Panama begin at 1995). The countries are (in order shown) Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

## Appendix

**Table 8. Latin American Countries' Imports from China, Base: 1990 (=100)**

|      | Arg   | Bra   | Chi   | Mex   | Per   | Ven     | Ecu    | Col    | Pan    |
|------|-------|-------|-------|-------|-------|---------|--------|--------|--------|
| 1990 | 100   | 100   | 100   | 100   | 100   | 100     | 100    | 100    | 100    |
| 1991 | 1,567 | 37    | 167   | 0     | 287   | 500     | 213    | 161    | 167    |
| 1992 | 1,417 | 25    | 258   | 0     | 242   | 3,500   | 375    | 556    | 283    |
| 1993 | 1,792 | 84    | 374   | 162   | 1,274 | 1,200   | 1,125  | 1,611  | 267    |
| 1994 | 1,808 | 228   | 493   | 196   | 1,145 | 3,250   | 313    | 5,067  | 350    |
| 1995 | 4,767 | 510   | 684   | 239   | 2,871 | 200     | 50     | 2,167  | 1,117  |
| 1996 | 5,817 | 554   | 904   | 348   | 1,516 | 200     | 100    | 7,278  | 1,033  |
| 1997 | 8,392 | 583   | 1,156 | 572   | 2,048 | 100     | 5,625  | 10,167 | 950    |
| 1998 | 9,642 | 502   | 1,321 | 833   | 1,790 | 13,500  | 8,250  | 12,556 | 2,200  |
| 1999 | 8,267 | 425   | 1,156 | 880   | 2,048 | 0       | 5,500  | 12,667 | 2,667  |
| 2000 | 9,642 | 600   | 1,667 | 1,320 | 2,887 | 93,500  | 10,250 | 9,556  | 3,500  |
| 2001 | 8,883 | 652   | 1,779 | 1,846 | 2,339 | 174,000 | 18,500 | 26,389 | 4,167  |
| 2002 | 2,750 | 763   | 1,933 | 2,876 | 4,210 | 113,500 | 26,750 | 29,556 | 6,833  |
| 2003 | 6,008 | 1,123 | 2,261 | 4,309 | 5,097 | 110,000 | 32,875 | 38,278 | 8,000  |
| 2004 | 7,992 | 1,822 | 3,240 | 6,588 | 5,774 | 0       | 90,250 | 59,333 | 12,000 |

Note: Index tables were compiled using the *Direction of Trade Statistics* database, published by the IMF. The index represents the change in value of imports from China for each Latin American country over the period 1990-2003. The countries are (in order shown) Argentina, Brazil, Chile, Mexico, Peru, Venezuela, Ecuador, Colombia, and Panama.

**Table 9. Public Opinion Perceptions of China (November-December 2004)**

|           | China's Influence in the World |          | China's Growing Economic Power |          | China's Growing Military Power |          |
|-----------|--------------------------------|----------|--------------------------------|----------|--------------------------------|----------|
|           | Positive                       | Negative | Positive                       | Negative | Positive                       | Negative |
| Chile     | 56                             | 15       | 48                             | 23       | 21                             | 53       |
| Brazil    | 53                             | 32       | 48                             | 35       | 31                             | 50       |
| Argentina | 44                             | 26       | 30                             | 41       | 14                             | 58       |
| Mexico    | 33                             | 28       | 54                             | 18       | 33                             | 37       |
| USA       | 39                             | 46       | 46                             | 45       | 19                             | 75       |
| Japan     | 22                             | 25       | 35                             | 23       | 3                              | 78       |

Source: PIPA, "22-Nation Poll Shows China Viewed Positively by Most Countries Including Its East Asian Neighbors," <http://www.pipa.org/OnlineReports/BBCworldpoll/030505/html/bbcpoll3.html>.



## Appendix

**Table 10. Taiwan's Formal Relations with Latin American Countries, 1985 and 2006**

| January 2006                 | December 1985          |
|------------------------------|------------------------|
| Belize 1989-                 |                        |
| Costa Rica 1959-             | Costa Rica             |
| Dominican Republic 1957-     | Dominican Republic     |
| El Salvador 1961-            | El Salvador            |
| Guatemala 1960-              | Guatemala              |
| Haiti 1956-                  | Haiti                  |
| Honduras 1965-               | Honduras               |
| Nicaragua 1962-85, 1990-     |                        |
| Panama 1954-                 | Panama                 |
| Paraguay 1957-               | Paraguay               |
| St. Kitts-Nevis 1983-        | St. Kitts-Nevis        |
| St. Vincent-Grenadines 1981- | St. Vincent-Grenadines |
|                              | Dominica 1983-2004     |
|                              | St. Lucia 1984-1997    |
|                              | Uruguay 1966-1988      |

**Table 11. Summary Judgment: China's Stakes in Latin America**

|           | Strategic Value | Political Accord | Economic Value | Military Value | U.N. Votes Agree | Public Opinion Support | Latin American Government Professionalism | General Rank |
|-----------|-----------------|------------------|----------------|----------------|------------------|------------------------|---|--------------|
| Argentina | 3               | 4                | 4              | 2              | 6                | 4                      | 4   | 4            |
| Brazil    | 1               | 1                | 1              | 1              | 4                | 2                      | 1   | 1            |
| Chile     | 5               | 5                | 3              | 0              | 5                | 1                      | 2   | 3            |
| Cuba      | 6               | 3                | 6              | 0              | 1                | N.A.                   | 3   | 6            |
| Mexico    | 2               | 6                | 2              | 0              | 2                | 3                      | 5   | 2            |
| Venezuela | 4               | 2                | 5              | 0              | 3                | N.A.                   | 6   | 5            |

Note: "Strategic Value" follows China's formal classification; ranking within the "strategic partner" category is my own judgment. "Economic Value" relies on Tables 1 and 2 supplemented by my own judgment. "U.N. Votes Agree" relies on Figures 3-5. "Public Opinion Support" draws on Table 9 and my own judgment. "Political Accord," "Military Value," "Latin American Government Professionalism" in its relations with China, and "General Rank" are all my own judgments. "N.A." means not available.



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