

# China's New Foray Into Latin America

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WASHINGTON: History might mark the November 15 meeting of Group of 20 nations in Washington as formal anointment of China as a major world economic power. On the heel of the historic meeting, Chinese President Hu Jintao heads south to Latin America to mark another milestone in China's growing power and influence.

While the principal purpose of the trip is to join 21 other leaders at the annual Asia-Pacific Economic Cooperation conference in Lima, Hu's tour highlights China's growing ties in the region. Since his last Latin American tour in 2004, China has burst onto the regional stage with a flurry of investments, trade, military exchanges and diplomacy. The priority attached to Latin America was highlighted in a recent policy paper by China's Foreign Ministry.

Latin American countries also embrace China as part of their new multidirectional diplomacy. No longer content being the "backyard" of the United States, Latin nations have reached out to Europe, Asia, Africa, the Middle East and one another in recent years. This diversified diplomacy has introduced a

new set of relationships in world affairs, and China's rapid rise in these regions has made Beijing a truly global actor, if not a global power. As such, among other consequences, the US-China relationship has become more global, with Beijing's and Washington's interests intersecting in unforeseen ways.

Before arriving in Peru, Hu will visit Costa Rica and Cuba. His stop in San José, Costa Rica's capital, rewards that nation's break of diplomatic relations last year with Taiwan and could entice others in the region to follow suit. Eleven of the remaining 23 nation-states in the world that diplomatically recognize Taiwan lie in the Caribbean and Central America – the other nine are in Africa – with Paraguay and Nicaragua on the verge of changing, which could set off a cascading effect for the remaining Central American republics.

Hu's stop in Havana is indicative of close ties between the two nation's ruling communist parties. The relationship goes back to 1960, when Cuba was the first Latin country to recognize Beijing. Despite shallow ties during the Cold War, over the past quarter century, China has become a major – perhaps the major – international supporter of Cuba. Beijing extends extensive aid to Cuba's lagging economy, has fairly extensive trade and military ties with the island – including reported use of intelligence communications facilities built by the Soviets at Lourdes and Bejucal – and engages in regular party-to-party diplomacy with the socialist state.

China's ties with Central and South America are anchored in trade and driven by an insatiable hunger for natural resources. Trade soared eightfold from \$12.6

billion in 2000 to \$102.6 billion in 2007; with growth of 47.2 percent during the first half of this year, it's likely to be in the range of \$150 billion for 2008. In 2007 China's top 10 trade partners in the region were Brazil, Mexico, Chile, Argentina, Peru, Venezuela, Panama, Columbia, Costa Rica and Cuba.

China's main exports are computers, telecommunications equipment, clothing, shoes, electronics, motorcycles and cars, while most imports are in raw material commodities – iron ore, copper, tin, tungsten, molybdenum, aluminum, nickel – but also agricultural goods. Venezuela is the seventh largest source of Beijing's external oil supplies. During his October visit to Beijing, his fifth, Venezuelan President Hugo Chavez agreed to double his country's daily exports of oil to 200,000 barrels per day.

China also builds roads, rail lines, refineries and ports to facilitate exports to China – aid that comes with "no strings attached." Data are not reliable, but estimated at \$600 million per year, although various lines of credit could bring it near \$1 billion.

The line between Beijing's aid and direct investment is a fine one. China's regional investments totaled \$1.89 billion in 2007, according to a Chinese government source, much related to the infrastructure building. Billions more of Chinese funds are parked in offshore bank accounts in the British Virgin Islands and Cayman Islands. Facilitating trade and investment is the fact that 15 Latin American countries have granted Beijing "Market Economy Status." China signed free-trade agreements with Chile and Peru, with more in the offing.

Science and technology agreements with 13 Latin states have stimulated more than 100 cooperative research projects in agro-, bio- and information technology. The most significant is an earth-resources satellite project with Brazil, with three satellites launched to date.

China's has strong bilateral and multilateral ties in the region. Two weeks ago Beijing became full member of the Inter-American Development Bank and has had official observer status in the Organization of American States since 2004. China has held 17 dialogue rounds with the Rio Group and established a dialogue mechanism with the Mercosur common market group, the Caribbean Community, the Latin American Conference among others.

The rise to power of leftist governments in Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay and Venezuela has strengthened bilateral diplomatic relations. China established a series of "strategic partnerships" and "strategic dialogues" with a number of Latin states, and also shares a common "South-South" perspective on many global issues, particularly with Brazil.

Beijing maintains extensive party-to-party ties with political parties across the continent. Led by the Chinese Communist Party's International Department, this active feature of Chinese diplomacy abroad goes unpublicized.

Military ties are extensive, but quiet. Four members of China's leading Central Military Commission visited the continent in the last two years – more than any

other region in the world – while a steady stream of Latin defense ministers visit Beijing. China also trains Latin officers in its staff academies and sells arms to Latin countries: helicopters, artillery, anti-air and anti-ship missiles and light assault weapons, while buying anti-tank, anti-air missiles and avionics from Brazil.

Educational exchanges are needed, as Latin publics and governments remain woefully unknowledgeable about China. Only two bona fide university programs in Chinese studies exist in the region – Mexico City and Buenos Aires. Beijing's community of Latin American experts in universities, think tanks and government far outstrip their Latin counterparts, and the dearth of expertise means that Latin governments lack Chinese speakers and specialists to cope with Beijing's blitz into the region.

So China develops cultural ties, establishing six Confucius Institutes across the region and providing 100 university scholarships for South American students each year. People-to-people exchanges are also growing: Chinese tourists pour into Latin America, as the result of 19 group tourism accords. Peru, Brazil and Argentina have large indigenous ethnic Chinese communities, totaling perhaps one million, who are increasingly involved in China trade. Ethnic Chinese already dominate certain sectors of local economies, such as supermarkets and retail sales in Argentina.

While ties expand rapidly in many spheres, not all is positive from the Latin American perspective. Having unwittingly received "market economy status"

from more than half of Latin countries, Chinese goods are dumped without duties into many markets, with Mexico and Argentina particularly hard hit by China's flood of low-end manufacture exports. As a result, as in other parts of the world, anti-China sentiments are rising in the region.

Positive or negative, China's presence in Latin America is here to stay. While Western specialists on Latin America have been quicker than China watchers to notice this phenomenon, it merits careful monitoring by the region's own, albeit very few, China specialists. If Latin American countries do not develop their own expertise, they cannot deal with the multiple challenges China will present in the coming years.

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