CQ Global Researcher
Exploring International Perspectives
JUNE 5, 2012 VOLUME 6, NUMBER 11 PAGES 257-280 WWW.GLOBALRESEARCHER.COM

China in Latin America

CAN LATIN AMERICA SURVIVE THE CHINESE ECONOMIC JUGGERNAUT?

China's global expansion has reached Latin America and the Caribbean, where the Asian giant has been pursuing an aggressive trade policy for a decade. Besides investing heavily in the region's abundant natural resources and shipping huge quantities of cheap industrial goods into the area, China is also interested in buying Latin America's food commodities — especially soybeans. While trade with China has provided a historic bonanza for Latin producers, a growing trade imbalance — favoring China — has soured the initial euphoria. In exchange for Latin America's raw materials, China exports manufactured goods that are clobbering Latin competitors, threatening to return the region to its 1970s-era over-dependence on commodity exports. China also has emerged as a major investor — and financier — for the region, helping it to weather the 2008-09 global recession. China's sudden emergence as a significant player in the hemisphere also has sparked concern that China might eventually undermine U.S. influence and interest in the vast region — a fear that Beijing carefully tries to assuage.

Demonstrators in São Paulo on April 4, 2012, blame Brazil's "deindustrialization" on the influx of cheap manufactured goods from China. The banner reads, "Congratulations to Brazilian politicians for jobs creation . . . in China."

PUBLISHED BY CQ PRESS, AN IMPRINT OF SAGE PUBLICATIONS, INC. WWW.CQPRESS.COM

CHINA IN LATIN AMERICA

THE ISSUES

BACKGROUND

CURRENT SITUATION

OUTLOOK

Cover: Reuters/Nacho Doce

SIDEBARS AND GRAPHICS

FOR FURTHER RESEARCH

CQ Global Researcher
EXPLORING INTERNATIONAL PERSPECTIVES

June 5, 2012
Volume 6, Number 11

MANAGING EDITOR: Kathy Koch
kkoch@cqpress.com

CONTRIBUTING EDITORS: Thomas J. Billitteri
tjb@cqpress.com; Thomas J. Colin
tcolin@cqpress.com

CONTRIBUTING WRITERS: Brian Beary, Roland Flamini, Sarah Glazer, Reed Karaim, Robert Kiener, Jina Moore, Jennifer Weeks

DESIGN/PRODUCTION EDITOR: Olu B. Davis

ASSISTANT EDITOR: Darrell Dela Rosa

FACT CHECKER: Michelle Harris

SAGE | CQ PRESS

Los Angeles | London | New Delhi
Singapore | Washington DC

An Imprint of SAGE Publications, Inc.

VICE PRESIDENT AND EDITORIAL DIRECTOR, HIGHER EDUCATION GROUP:
Michele Sordi

DIRECTOR, ONLINE PUBLISHING:
Todd Baldwin

CQ Global Researcher is printed on acid-free paper. Published twice monthly, except: (Jan. wk. 5) (May wk. 5) (July wk. 5) (Oct. wk. 5). Published by SAGE Publications, Inc., 2455 Teller Rd., Thousand Oaks, CA 91320. Annual full-service subscriptions start at $575. For pricing, call 1-800-834-9020. To purchase a *CQ Researcher* report in print or electronic format (PDF), visit www.cqpress.com or call 866-427-7737. Single reports start at $15. Bulk purchase discounts and electronic-rights licensing are also available. Periodicals postage paid at Thousand Oaks, California, and at additional mailing offices. POSTMASTER: Send address changes to *CQ Researcher*, 2300 N St., N.W., Suite 800, Washington, DC 20037.

China in Latin America

BY KENNETH J. STIER

THE ISSUES

From a control center at a Venezuelan military base, President Hugo Chávez watched as his country's first satellite blasted off into space. But Chávez had to watch it on a TV screen — the launch occurred half a world away in Sichuan, China. At his side for the Oct. 29, 2008, event was Bolivian president Evo Morales, another leftist leader who also has developed strong ties with Beijing in recent years.

The $400 million Simón Bolívar satellite (Venesat-1) relays Internet and television transmissions, including TeleSUR — the TV network Chávez hopes will rival CNN in the Caribbean and Central and South America. It was built by the China Great Wall Industry Corp., one of China's biggest space contractors, with 110,000 employees. A second Venezuelan satellite — to be constructed jointly in Venezuela by Chinese and Venezuelan firms — will carry out surveillance and strategic reconnaissance. [1]

AP Photo/Marco Ugarte

A street peddler in Mexico City sells sneakers made in China. While inexpensive Chinese imports are good for Latin American consumers, they harm local manufacturers, who must compete with lower-wage Chinese companies. Central American textiles and low-tech manufacturing in Mexico have been especially hard hit. As China ratchets up the sophistication of its exports, it is undercutting a wider and wider swathe of Latin American businesses.

Both satellites are part of China's roughly $40-billion investment in Venezuela, which helps to prop up the virulently anti-American leader. But it is only a fraction of the expanding profile China has been quietly carving out for itself throughout the region in the past decade.

China's trade with Latin America has been growing at an astonishing 30 percent or more per year, mostly driven by the Asian giant's voracious demand for metals, oil and food. In 2011, Chinese-Latin American trade reached $237 billion, up from $180 billion just the year before. [2] China's share of the region's trade reached 20 percent in 2010, up from just 1 percent in 1995. [3] China today is the top trading partner for Brazil, Argentina and Chile, and a leading partner for many other countries in the region.*

China's dramatic arrival in the region has triggered a flood of U.S. congressional hearings and think-tank reports — not to mention hand-wringing — about the potential erosion of American influence in its own hemisphere. Chinese diplomats repeatedly affirm that Beijing is only interested in "peaceful development," a mantra designed to divert U.S. and other powers from trying to thwart China's rise. [4] To that end, China scrupulously has avoided being linked to Chávez's anti-Washington rhetoric, even as it angles for a favored position in the rush for Venezuela's massive oil reserves.

China has tried to soft-pedal its activities in the area. But a Chinese policy paper on Latin America and the Caribbean — released the day after Barack Obama was elected U.S. president — clearly indicates that China has launched a full-court press in the region, including cultivating military ties with nearly half of the area's more than 40 countries. [5]

Meanwhile, because of its mammoth size, China's demand for imported resources has driven up world prices for Latin America's commodities such as oil, soybeans and copper, spurring dramatic growth. Between 2002 and 2010, the number of Latin Americans living in poverty — those earning less than $2 a day — dropped from 221 million people to 180 million, or from 44 percent of the population to 32.1 percent. [6]

China is also becoming a significant regional investor and banker. Its direct investment surged from a mere $48.9 million in 2008 to a total of more than $73 billion by the end of 2011. [7] In 2010 Chinese development banks extended $37 billion worth of credit in the region — more than the World Bank, the Inter-American Development Bank and the U.S. Export-Import Bank, combined. [8]

The Chinese now seem to be everywhere in Latin America — doing everything from building highways, dams and bridges to opening restaurants and retail shops. Beijing is also

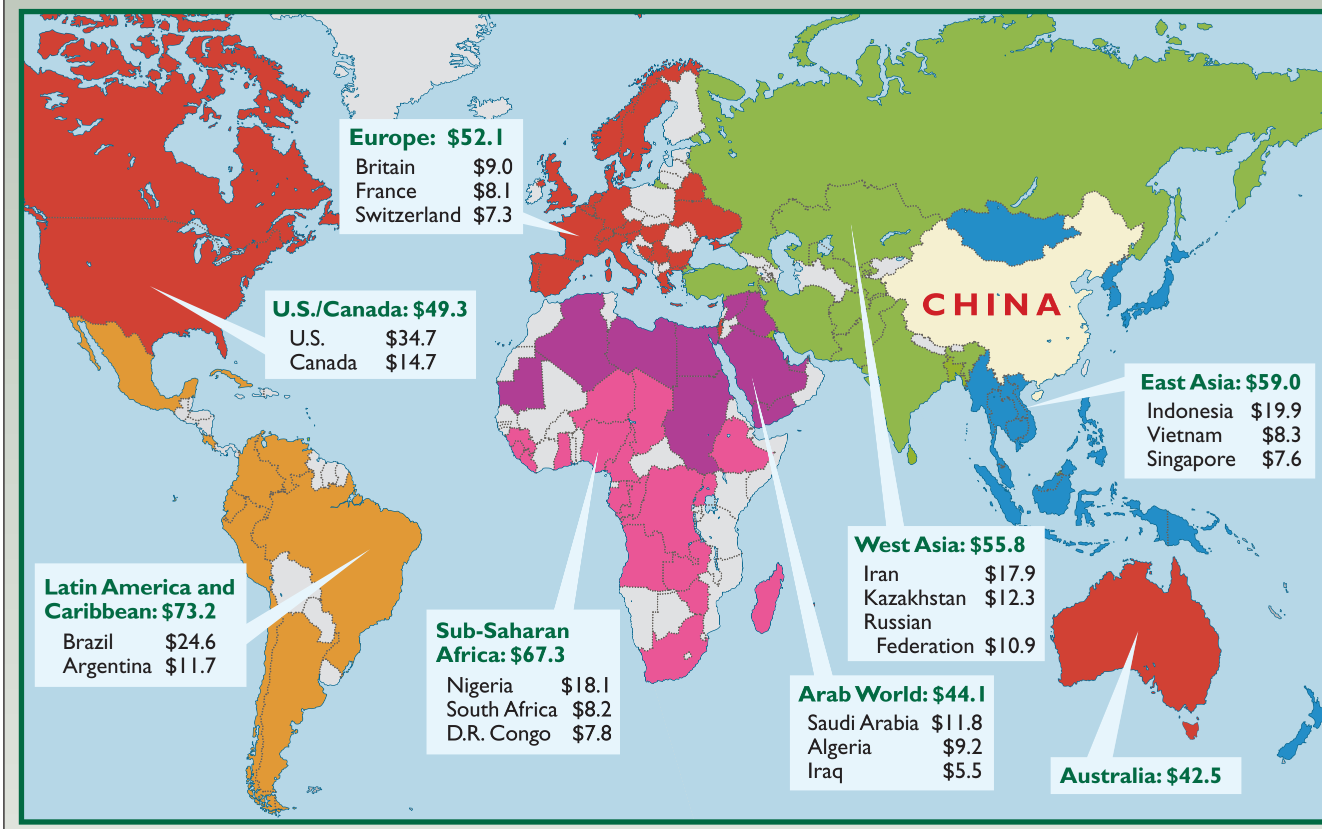
* This report deals with South America, Mexico, Central America and the Caribbean countries.

Latin America Is Biggest Investment Target for China

Chinese companies invested more than $73 billion in Latin America and the Caribbean between 2005 and 2011 — more than in any other region. Sub-Saharan Africa, with just over $67 billion, received the second highest amount. Australia received more than any other individual country, while the United States and Canada together ranked sixth, with about $50 billion.

Chinese Investment Worldwide, by Region, as of January 2012*

(in $billions)



* *Does not include Chinese government loans or bond investments*

Source: "China's Worldwide Reach," The Heritage Foundation, January, 2012, www.heritage.org/research/projects/china-global-investment-tracker-interactive-map. Map by Lewis Agrell

funding Confucian Institutes, which teach Mandarin language and Chinese culture, adding to the existing private and university-based language programs.

And the Chinese immigrant population is swelling with newcomers from the mainland. In Argentina, the Chinese population doubled between 2005 and 2010, to 120,000. Buenos Aires alone has some 10,000 Chinese-owned grocery stores. [9]

However, the rosy glow associated with China's expansion into Latin America is beginning to fade. The recent windfall trade income, for example, threatens to return the continent to an over-dependence on commodity exports, the prices of which fluctuate wildly.

This is not the first time Latin America has tried to escape the commodities trap. As occurred in past trading relationships with Western partners, Latin America is trading its raw commodities for manufactured goods. While inexpensive Chinese imports are good for Latin consumers, the cheap imports hurt Latin competitors of Chinese manufacturers. And as China ratchets up the sophistication of its exports, it is undercutting a wider and wider swathe of Latin American businesses. Hardest hit have been Central American textiles and low-tech manufacturing in Mexico, where wages are substantially higher than in China. [10] But even regional powerhouse Brazil is suffering losses.

"They're beating the pants off the Brazilians all over the planet, and the longer-run danger is that it could kick a country like Brazil back to the 19th century," says Kevin Gallagher, an international relations professor at Boston University and co-author of *The Dragon in the Room: China and the Future of Latin American Industrialization*. "Brazil basically spent the past 200 years trying to move away from having a handful of commodities be the rudder of its growth into diversifying, into manufacturing and services."

The situation has triggered powerful protectionist impulses in Brazil and elsewhere, which economists warn will only torpedo Latin America's long-term competitiveness and eventually trigger a fiscal crisis. But the problem goes beyond economics to its root in China's singularly mercantilist economic model, in which state-owned enterprises, enjoying robust government backing, control two-thirds of the country's economy. [11]

"Sometimes you don't know whether the investments are looking for Brazil as a market or whether they correspond to strategic purposes of the Chinese government," said Sergio Amaral, chairman of the China-Brazil Business Council, which promotes bilateral ties. Most Chinese firms investing in Brazil are state-owned but even private firms have close ties to the government, he noted. [12]

China's pursuit of Latin America's vast mineral and agricultural resources has touched a nerve. "The Chinese have bought Africa and now they are trying to buy Brazil," warned former finance minister, Antônio Delfim Netto, suggesting it would be a "grave mistake" to allow a foreign state to buy Brazil's natural resources. [13]

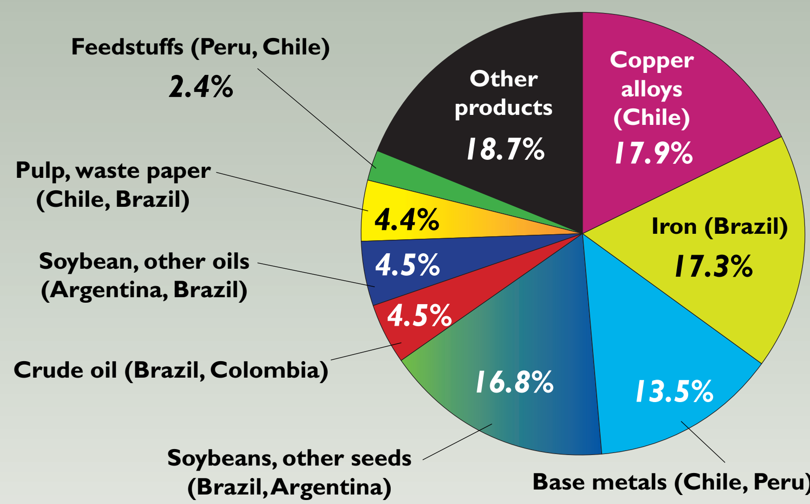
In addition to China's voracious resource appetite and vast language and cultural differences, there are other sources of friction. Mexican relations with China, for example, are the worst since diplomatic ties were established 40 years ago, according to Enrique Dussel Peters, coordinator of the Center for Chinese-Mexican Studies at the National Autonomous University of Mexico, in Mexico City.

The biggest irritant is Mexico's crushing trade deficit with China, running at more than 14 imports to one export — which has devastated Mexico's labor-intensive industries. [14] But there is also no binational agenda, which Dussel Peters blames on both the Mexican and

Metals Dominate Exports to China

Metals — including base metals, iron and copper alloys from Brazil, Chile and Peru — accounted for nearly 50 percent of Latin America's commodity exports to China in 2009. Soybeans and other seeds — mostly from Brazil and Argentina — represented nearly 17 percent of the total.

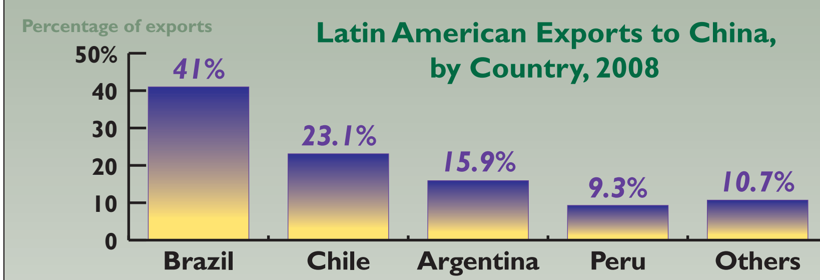
Latin American Exports to China, 2009



Four Countries Are China's Biggest Suppliers

Nearly 90 percent of Latin America's exports to China in 2008 came from four countries.

Latin American Exports to China, by Country, 2008



Source: Katherine Koleski, "Backgrounder: China in Latin America," U.S.-China Economic & Security Review Commission, May 2011, p. 6, www.uscc.gov/Backgrounder_China_in_Latin_America.pdf

Troubled Copper Mine in Peru Teaches China a Lesson

Firms are now more sensitive to improving their image.

Chinese firms are flocking to Peru for its large copper deposits — the second-largest in South America, behind Chile. China is the world's largest consumer of copper, prized for its electrical conductivity and essential in computers, cars and air conditioners — all important Chinese exports.

China's first mining investment in Latin America — by the Shougang Group, a major steel company — started off promisingly but soon became a case study in all that can go wrong in the extraction industry.

In 1992 the Beijing-based firm acquired the Marcona Mine, an open-pit iron operation on Peru's southern coast, in what was the first privatization of a Peruvian mining company under then President Alberto Fujimori. The mine had been opened by Americans in the 1950s before being nationalized by the leftist military regime in the 1970s. Besides paying $118 million, the state-owned Shougang agreed to assume $42 million in debt and invest an additional $150 million over the next three years in the community. [1] The company won extra points for entering a remote area still contested by the Shining Path, a violent Maoist-inspired guerrilla group.

But the honeymoon did not last long, particularly for the miners, whose ranks were promptly slashed by nearly half. The company set wages at $14 a day, less than half the industry average of $33, according to Peru's National Society of Mining, Petroleum and Energy. Living conditions deteriorated, particularly housing. Instituto de Peru director Miguel Santilla called them "a disgrace." There was minimal investment in the nearby town, San Juan de Marcona, home to some 13,000 miners.

"We quickly realized that we were being exploited to help build the new China, but without seeing any of the rewards for doing so," union official Honorato Quispe told a *New York Times* reporter in 2010, when there were repeated strikes and clashes with police. [2]

Shougang was repeatedly fined for breaches of health, safety and environmental regulations, including pumping waste water into a port and contaminating water supplies. But the fines levied often seemed inadequate ($30,000 for contaminating water supplies) and it's unclear whether the fines were actually paid. A national government commission found the company had only spent $35 million of the $150 million it had committed to spend. Instead, it opted to pay a fine of $14 million. [3]

"At the local level, Shougang has had a significantly negative impact on development," concluded Ruben Gonzalez-Vincente, whose doctoral dissertation examined Chinese mining in Peru. [4] Peruvian authorities were reluctant to get tougher on Shougang, he found, because it was owned by the Chinese government, and Lima did not want to impair bilateral relations or discourage further Chinese investments.

"Nonetheless, as China's regional policy has been progressively drawn, and as Peru has increasingly democratized, Shougang's developmental impact has begun to show signs of improvement," said Gonzalez-Vincente.

By 2008 Shougang's investment had been dwarfed by the $2.1 billion purchase of the Peruvian Toromocho copper mine by Chinalco (Aluminium Corporation of China), one of the world's largest aluminium firms. For two years Chinalco left intact the Canadian management of the firm, Peru Copper, including the Canadian president. The new Chinese owners conducted an environmental impact assessment and held public hearings with the local community, something Shougang had never countenanced. Chinalco is also improving the local community's infrastructure and working with nongovernmental organizations to help the local community.

The difference between the operation of the two mines stems from improved worldwide industry standards, stronger enforce-

Chinese leadership. "From a Mexican perspective, we are not well prepared for China — the best thing would be to say, look, give me a 10-year window and then we meet in 10 years. Unfortunately, that's not going to happen. China is not going to wait for anyone."

Likewise, Brazil is scrambling to develop a China policy. "For the past 150 or 200 years, Brazil has been used to three main economic, political and diplomatic partners — Latin American countries, the United States and Europe — with whom we have historical and cultural links," says Joao Augusto de Castro Neves, an analyst with the New York City-based Eurasia Group consultancy. "Then all of sudden there's this new actor in the region, and you don't quite know what this player wants, so Brazil is basically learning how to engage, to figure this out."

The timing of China's robust new engagement with Latin America also has set off some alarm bells in Washington, because it kicked into high gear just as the Sept. 11, 2001, terrorist attacks shifted U.S. attention to Afghanistan and global terrorism.

But China sees its rising presence in Latin America as part of the country's return to its natural global prominence after a "century of humiliation" suffered at the hands of foreign powers — the period from the mid-19th century until Mao Zedong's communist forces defeated the Kuomintang (Chinese Nationalists) in 1949. In 1820, China accounted for nearly 33 percent of the world's gross domestic product (GDP); by 1980 Latin America's collective GDP was seven times larger than China's. Now China's output is larger than all of the Latin American economies combined. [15]

ment by local governments and the fact that Chinalco is a public company listed on the New York Stock Exchange and others. Investor-owned companies must withstand more scrutiny, so they tend to adopt defensible standards or face reputational risk, said a report by the Peterson Institute for International Economics.

In addition, China is now much more sensitive to the need to improve its image, particularly following widespread criticism of its performance in Africa. [5] Some changes have emanated from the Beijing-based Assets Supervision and Administration Commission (SASAC), which manages more than 100 key state-owned enterprises. [6] China's Export-Import Bank, which is backing Chinalco, has offered guidelines.

Although China seems increasingly mindful of risks to its reputation, it appears determined to raise standards on its own — not at the bidding of others. For instance, China has not signed on to either of the two most important international initiatives aimed at improving mining standards and preventing government corruption in resource-rich countries — the International Council on Mining and Metals and the Extractive Industries Transparency Initiative. [7] Shougang and Chinalco also are not members of either.

"The rationale seems to be that [the Chinese] don't like other bodies telling them what to do, particularly those they think are dominated by the U.S.," says Barbara Kotschwar, one of the authors of the Peterson report.

There may be some justification for concern about Western influence in these industry groups. Developed countries account for 80 percent of the accumulated foreign direct investment in Peru's mining sector in 2010, led by the United Kingdom (45 percent), the United States (19 percent) and Brazil (15 percent).

China accounts for just 3 percent. [8]

— Kenneth J. Stier

AFP/Getty Images/Eitan Abramovich

Peruvian workers for China's Shougang mining company protest job cuts in the capital, Lima, on April 25, 2007. Shougang, China's first mining venture in Latin America, slashed its local workforce by nearly half and paid substandard wages when it first took over the mine, and has since been repeatedly fined for health, safety and environmental violations.

[1] Information in this section comes largely from Barbara Kotschwar, Theodore H. Moran and Julia Muir, "Chinese Investment in Latin American Resources: The Good, the Bad and the Ugly," Peterson Institute for International Economics, February 2012, www.piie.com/publications/wp/wp12-3.pdf.

[2] Simon Romero, "Tensions over Chinese Mining Venture in Peru," *The New York Times*, Aug. 14, 2010.

[3] Kotschwar, Moran and Muir, *op. cit.*

[4] Ruben Gonzalez Vicente, "The Developmental Impact of China's Investment in South America's Extractive Industries," (in partial fulfillment of the requirements for the degree of master of philosophy), Department of Asian and International Studies, City University of Hong Kong, September 2009.

[5] For background, see Karen Foerstel, "China in Africa," *CQ Global Researcher*, Jan. 1, 2008, pp. 1-26.

[6] For background, see Jason McLure, "State Capitalism," *CQ Global Researcher*, May 15, 2012, pp. 229-256.

[7] For background, see Jennifer Weeks, "The Resource Curse," *CQ Global Researcher*, Dec. 20, 2011, pp. 597-622.

[8] Kotschwar, Moran, and Muir, *op. cit.*

As Latin America, China and the United States deal with the region's changing economic landscape, here are some of the issues being debated:

Is Latin America benefiting from China's new engagement in the region?

With China purchasing huge quantities of Latin American commodities, the region has enjoyed a giant windfall in recent years. About 90 percent of its exports — mostly copper, iron, petroleum and soy — originate in the so-called Southern Cone, which includes Argentina, Chile and Uruguay, as well as from Brazil. [16]

The sheer scale of China's imports has sent global commodity prices skyrocketing. That so-called China effect has boosted producers' incomes globally. And in 2007 alone, it increased earnings for Latin America's top 15 commodities by \$56 billion — or 21 percent — according to Rhys Jenkins, a professor of international development at the University of East Anglia, Norwich, U.K. [17]

In addition to 40 million Latin Americans being raised out of poverty between 2002 and 2010, per capita income in the region could double by 2025 if annual growth rates continue at the current average of nearly 5 percent, said Luis Moreno, president of the Inter-American Development Bank. [18]

The timing of China's arrival helped Latin America weather the global financial crisis of 2008-2009. In 2009, as the value of Latin American and Caribbean exports plunged 28.5 percent, exports to China grew 12.4 percent, helping to consolidate an important structural shift in trade. [19] By 2015, experts say, China will likely displace the European Union (EU) as Latin

America's second-most-important trading partner after the United States.

"That has reinforced the impression that China really matters in a way it did not before," says Peter Hakim, president emeritus of the Inter-American Dialogue, a Washington think tank.

However, as China was making inroads, much of Latin America was becoming dangerously dependent on a narrow range of mostly unprocessed, low value-added exports. Primary product exports to China, which accounted for 35 percent of Latin American exports in 1995, rose to 62.5 percent by 2006. [20] And that dependency could deepen, because China's foreign direct investment and much of the accompanying cheap financing from its state-owned development banks — both welcomed by the Latin Americans as net benefits — are focused primarily on exploiting Latin America's natural resources. [21] State-subsidized loans from China's development banks throughout the region reached $75 billion between 2005 and 2010. [22]

"China's economy is resource-intensive and relatively inefficient, and in order to protect employment and ease social tensions Chinese enterprises will in all likelihood intensify their resource imports from abroad," said Jiang Shixue, former vice president of the Chinese Association of Latin American Studies in Beijing. [23]

The imbalance in Sino-Latin American trade is another major concern. In exchange for Latin American commodities, China sends manufactured goods to Latin America. After a slow start, China's exports to the region are growing faster than its imports, creating a sizeable and growing trade deficit for the region.

China's exports also are clobbering Latin American manufacturers in both domestic and foreign markets, especially in the vital U.S. market. For instance, in 2001 China and Central America each had 12 percent of the U.S. market for labor-intensive, low-tech exports such as textiles and apparel. By 2009, China's share had risen to 38 percent while Central America's had dropped to 8.7 percent. [24] More than 80 percent of Mexico's manufactured exports to the United States — textiles, televisions, video recorders and industrial machinery — are competing with Chinese goods, which started taking market share when China joined the World Trade Organization (WTO) in 2001. [25] Membership in the WTO means reduced trade barriers among members, which includes most of the world's countries.

"Developments in China have seriously compromised Latin America's capacity to achieve export-oriented growth through the upgrading of its own light and medium manufacturing," laments Dussel Peters, the Mexican economics professor.

On the positive side, however, most Chinese exports to Latin America are cheaper intermediate, or capital, goods, such as steel or car engines, which enable local businesses to improve efficiency. In both Brazil and Mexico, less than 10 percent of Chinese imports are consumer goods; in Brazil close to 70 percent are equipment and other inputs for local businesses. [26]

"This reality has been effectively masked from public perception by the persistent efforts of Brazilian textile, toy, machinery and shoe producers to publicly blame their waning competitiveness on cheap Chinese manufactured imports," argued Rodrigo Tavares Maciel, a former executive secretary of the China-Brazil Business Council, in Rio de Janeiro, a lobbying and public relations campaign promoting protectionist measures. Such measures, he says now, would eventually harm local businesses' competitiveness and raise prices for local consumers. [27]

Does China threaten U.S. influence in Latin America?

The U.S. government has largely acquiesced to China's new engagement with Latin America, partly because there isn't much the United States can do about it and partly because officials don't think China's current economic focus is a threat — yet.

"At the conceptual level, the United States has tacitly accepted that China's evolving role in Latin America reflects the increasingly complex mosaic of international relationships that is a product of a globalized world," said Daniel Erikson, then director of Caribbean programs at the Inter-American Dialogue. He has since joined the State Department as policy adviser in the Bureau of Western Hemisphere Affairs. [28]

In short, Washington believes China's commercial relations are a net positive for the region. However, the U.S. belief that trade in Latin America is not a zero-sum game conflicts with *realpolitik* impulses that occasionally lead U.S. politicians to describe China's presence in the region as a threat to American interests. [29]

For its part, China emphasizes that its predominantly commercial engagement benefits the United States and Europe by reducing Latin America's need for more aid. [30] Beijing's policy paper on China's regional engagement was an attempt to reassure through transparency. In addition, Chinese academics continue to acknowledge that the region is Washington's "backyard." [31]

"Based on Chinese national interests, Beijing has no incentive to compete against the U.S. in the Western hemisphere," argued Minxin Pei, director of the Keck Center for International and Strategic Studies at Claremont McKenna College in Claremont, Calif. "Such competition would be costly and have meager geopolitical benefits. It will divert precious resources from China's efforts to defend its interests closer to home — in East Asia." [32]

But, in a post-Cold War world, global competition is defined by economic might almost as much as by military strength. Thus, China's arrival in the region has strategic implications even if they can be only dimly perceived at this point.

America's economic stake in Latin America, developed over more than 200 years, is not easily displaced, even by such a vigorous newcomer as China. China's share of Latin American trade is still only about a quarter of the United States,' which currently is approaching $700 billion per year and growing. U.S. investment in Latin America, meanwhile, is $350 billion, second only to Europe's $620 billion. China's investment in the region — on the other hand — increased rapidly through 2011, but still is only $73.2 billion. [33]

Until recently U.S. and Chinese businesses in Latin America did not compete head-on, but that seems to be changing. The playing field, however, does not appear to be level. Chinese firms often benefit from cheaper, state-subsidized financing. Major U.S. firms lost their position in Argentina's telecommunication sector, for example, to Chinese firms offering larger, lower-cost loans through Chinese development banks. [34]

"Complacently watching as established markets are captured by others is inexplicable, particularly when some of those markets were originally developed by years of patient, taxpayer-financed efforts to reduce violence, build capacity and support democracy," complained Eric Farnsworth, vice president of the Council of the Americas, a New York City-based business organization, founded by David Rockefeller in 1965, that promotes free trade, open markets and democracy. "Just when the U.S. should be reaping the reward, others are swooping in to gain the advantage." [35]

After 15 years of effort, China finally was approved to join the Inter-American Development Bank (IDB) in 2008, enabling Chinese firms to bid on the multimillion-dollar contracts issued each year by the institution. In March 2009, shortly after formally joining the IDB, Beijing used the occasion of the IDB's annual meeting to announce a $10.2 billion loan for Argentina — denominated in *renminbi* — in a bold effort to promote use of the Chinese currency abroad. [36] In March 2012 China's Export-Import Bank launched a new $1 billion equity fund, in conjunction with the IDB, to promote Chinese investments in Latin America and the Caribbean. [37] And where Chinese firms are not particularly strong they set up alliances, such as with Spanish banks with long-established Latin American networks. [38]

The emergence of leftist regimes — notably in Venezuela, Ecuador and Bolivia — indicate some erosion of U.S. influence in the region, and China is deeply involved with leftist governments in Nicaragua and Cuba. [39] Although Beijing has been careful not to be seen as endorsing the anti-U.S. rhetoric popular in those capitals, its financing has been crucial for sustaining those governments. In return, China has won valuable investment positions. All of those countries except Nicaragua have substantial petroleum resources.

In 2008 Ecuador defaulted on $3.2 billion in government bonds held by international investors, and the country was effectively shut out of international credit markets. China quickly stepped in with billions in loans — totaling $7.25 billion by 2012 — to cover Quito's budget shortfall, often secured with access to future Ecuadorian oil. [40]

Chinese firms are now seeking contracts for four dams and hydroelectric projects in Ecuador worth more than $3 billion as well as part of a $12.5 billion refinery project. [41]

The scale and suddenness of China's rise has added to the mystique of China and the riches it can shower on compliant governments. As a result, Latin American governments may think twice about cooperating with the United States, even on police or security matters, if they think the American presence could jinx a major purchase or investment from China, argues R. Evan Ellis, an expert

Chinese Imports Outpace Regional Purchases

China accounted for nearly 16 percent of all manufactured goods imported by Latin America in 2009, up sharply from 2 percent in 1996. During the same period, the share of manufactured goods imported by Latin American countries from within the region rose only two percentage points — to about 16 percent, the same as China's share.

Sources of Latin America's Manufactured Imports, 1996-2009

Source: Mauricio Mesquita Moreira, "Manufacturing — Shuttered," China Economic Quarterly, *September 2011, p. 22* on China in Latin America at the Center for Hemispheric Defense Studies at the National Defense University in Washington.

That calculus may have been in play in 2009, he argues, when Ecuador decided to deny U.S. access to an airfield in Manta. American forces had used the airfield for decades to support anti-narcotics military operations and surveillance flights against Colombian drug cartels. They may have figured cutting off U.S. access was a "necessary step" before inviting China to develop an aviation hub for trans-Pacific flights, even if it was probably never demanded by the Chinese, Ellis suggests. [42]

China's growing influence could also dilute anti-corruption efforts, a key U.S. focus in the region for years. Financial aid from China is still, after all, strictly a state secret in China. For instance, when Costa Rica switched its diplomatic recognition from Taipei to Beijing in 2007, the Central American country received a substantial aid package (including an $83 million soccer stadium, a $300 million bond purchase and $650,000 to attend a Shanghai trade fair), details of which the governments tried to keep secret, according to a leaked diplomatic cable released by WikiLeaks. [43]

"China is not a democracy, and I don't think China has a particular interest in strengthening democratic institutions," says Charles S. Shapiro, a former U.S. ambassador to Venezuela. "It may be too strong to say they are thwarting democracy in Latin America, but they certainly aren't working to promote it. That's not what they're up to."

Does China threaten Latin America's current economic model?

China's new economic embrace of Latin America is reopening an old debate — last settled in 1950s — about the best economic model for the region. In particular, leaders and economists are discussing how much to depend on Latin America's bountiful natural resources.

For many, trade with China is uncomfortably reminiscent of old-style global trade in which Latin America exported raw commodities and imported increasingly expensive manufactured goods from industrialized countries. The model was discredited in the 1950s by Argentine economist Raúl Prebisch, the second director of the United Nation's Economic Commission for Latin America and the Caribbean (ECLAC). Prebisch's own country's history, he pointed out, exemplified why this model did not work: Argentina was once among the world's richest countries until commodity booms went bust.

Prebisch's analysis prevailed and set the stage for the "import substitution" industrialization model popular from the 1950s through the '80s, which called for high import tariffs to protect local manufacturers from international competition. The strategy produced mixed success in Mexico and Brazil but eventually led to economic stagnation throughout the region. In the 1980s, after watching the celebrated "Asian Tigers" (Hong Kong, Singapore, South Korea and Taiwan) achieve dramatic growth by lowering tariffs and exporting value-added manufactured goods, Latin American countries adopted similar measures.

Then, along came China, whose relentless industrial policy and sheer size not only dwarfed the Tigers but also began chipping away at Latin Americans' new faith in market forces. Among China's implacable advantages: the 600,000 engineering graduates it churns out each year (compared to 60,000 in Brazil and 38,000 in Mexico). China also saves or reinvests 40 percent of its GDP — twice what Latin Americans muster. [44]

China threatens "to bury, once and for all, any promise of endogenous [home-grown] Latin American development," warned Alexandre de Freitas Barbosa, a professor of economic history at the Institute of Brazilian Studies of the University of São Paulo. [45] Thwarting this would require a return to state intervention, such as heavy protectionism, which didn't work very well over the long term. It's also anathema to the free-market "Washington Consensus" approach advocated by the IMF, World Bank and other international institutions, which still holds sway in most of the region. [46]

As hopes for regional manufacturing growth have dimmed, some are looking more hopefully again at commodities, which have enjoyed a "super cycle" of higher-than-normal prices since the early 2000s, when the huge emerging Chinese and Indian markets began buying large quantities of commodities.

"Argentina would do well to realize that in the economic environment of the future, it is not the buyer who should set the rules . . . it is Argentina and other exporters that control the supply of increasingly indispensable raw materials," argued Jorge E. Malena, director of the Contemporary China Studies Program at the Universidad del Salvador's School of Oriental Studies in Buenos Aires. [47] Others dream of establishing OPEC-like cartels among regional producers, such as a "Soybean Republic" of soy growers. [48]

But such an approach, experts point out, would mean incurring the ecological and social costs of significantly expanding the region's food and meat production. Brazil's soy production has more than quadrupled in recent years while employment shrank with mechanization, and more than 203,000 square miles of Amazon rain forest has been deforested. [49]

Such a commodities-led path could also suffer if China's economy cools. China's GDP growth is expected to dip below 8 percent this year for the first time since 1998. "Brazil must recognize that the era of easy growth in emerging markets and high commodity prices is ending," Ruchir Sharma,

Continued on p. 268

Chronology

1400s-1930s

Chinese explorers reportedly discover the New World. Indentured Chinese workers seed worldwide communities that still flourish.

1405-1435
Chinese Adm. Zheng He discovers the Americas some 70 years before Columbus, according to a controversial interpretation of a 1418 Chinese book, *The Marvelous Visions of the Star Raft.*

1575-1815
A "silk-road by sea" nourishes China and Latin America, with 20-60 ships a year plying between Mexico and China.

1847
European ships carry unskilled Chinese workers to Cuba. By mid-19th century roughly half a million Chinese are scattered throughout Latin America and the Caribbean.

1890s-1930s
Chinese laborers from the United States work on Mexican railroads. . . . Anti-Chinese backlash develops in Mexico during Great Depression. Many Chinese flee to Latin America during Chinese civil war and World War II.

1950s-1970s

Communist China takes new interest in developing countries; vies with Cuba for influence, especially in Africa; pursues relations with newly independent military regimes.

1954
Panama is first of many Latin American countries to recognize Taiwan as the rightful representative of the Chinese people.

1960
Cuba becomes first Latin American country to recognize People's Republic of China (Mainland China). The next year China establishes Institute of Latin American Studies at the Chinese Academy of Social Sciences in Beijing.

1970s-1980s

China widens relationships in Latin America with flurry of bilateral agreements.

1970
Chile's socialist president Salvador Allende recognizes the communist government in Beijing, followed by other countries, including rightist military regimes.

1978
Chile and China form a binational commission to extend commerce, scientific, technical and cultural relations.

1980
Gen. Jorge Videla is the first Argentine president to visit China.

1988
China signs first of several agreements with Brazil on satellite development; launches occur in 1999, 2003 and 2007.

2000s

China steps up diplomatic engagements in Latin America. Trade soars. China boosts its investments in the region.

2001
Chinese Premier Jiang Zemin visits Venezuela, Cuba, Brazil, Uruguay, Argentina and Chile during 13-day tour.

2004
President Hu Jintao visits Latin America and promises $100 billion in investment by 2010; the government later clarifies that he meant "trade" rather than "investment." China deploys peacekeepers for the first time in the Western Hemisphere, joining the United Nations in Haiti.

2005
China signs its first free-trade agreement in the region — with Chile. At least seven others follow and many more are under negotiations.

2008
Sino-Latin American trade soars to $143 billion pre-recession peak; Beijing releases a policy paper about its engagement with Latin America, with peaceful coexistence and "South-South" cooperation as underlying themes.

2009
As China is being inducted into the Inter-American Development Bank it signs $10.2 billion loan for Argentina.

2010
China becomes largest trading partner for several Latin American countries and an increasingly important investor, especially where there are rich lodes of natural resources. China becomes Brazil's largest investor for the year.

2011
Chinese state-owned firms increase their large investments in Latin American manufacturing and commodities to serve local markets, establish regional export platforms and secure long-term food sources.

In Clash Over Shipping, Brazil Backs Down

"This is a real tug-of-war, and China is playing very tough."

The complex, competitive dynamic being played out in Latin America can be seen in China's dealings with the Brazilian firm Vale, one of the world's largest metals and mining companies.

Vale embraced China after the Asian giant began buying large quantities of iron ore in the early 2000s. In 2004, Vale announced it would participate in a $3 billion joint venture with Shanghai-based BaoSteel, the world's second-largest steel company.

Brazilian-Chinese relations had never been better. In a speech that year before the Brazilian parliament, Chinese President Hu Jintao promised $100 billion in investments for the region, with Brazil as a key recipient. [1] At a dinner honoring Hu, Brazilian President Luiz Inácio Lula da Silva said that the $7 billion of Chinese investments targeted for Brazil "will help the country regain its competitiveness in strategic sectors such as infrastructure, energy, steel and telecommunication." [2]

But after five years of negotiations, the BaoSteel-Vale venture was abandoned, and Brazil morphed from being an enthusiastic supporter of Chinese investment to a disappointed partner to — today — a deeply skeptical doubter. Meanwhile, Vale has turned against potential Chinese competitors, particularly those challenging its commanding position in mining, and Brazil's parliament is considering a new law that would restrict land purchases by foreigners. [3]

Vale's troubles with China stemmed in part from a protracted tussle over shipping, which is a significant expense in the iron ore business. In 2008, in a cost-saving move, Vale ordered a fleet of super-large ore carriers that would allow it to cut shipping costs by about 25 percent. [4]

To the dismay of the Brazilian government, Vale decided to have the huge, 400,000-deadweight-ton Valemax ships built at Chinese and South Korean shipyards. But Chinese shippers then complained that Vale was out to monopolize the trade, although Vale said it was just trying to remain competitive against closer suppliers, such as Australia.

"We don't want to be a major freight operator or make money out of our shipping business. We just want to make sure that our freight cost doesn't shoot up," Vale's global marketing director Pedro Gutemberg told Reuters last September.

"Whenever they understand better our strategy, we believe they will accept it and negotiations will be finalized." [5]

But Shouguo Zhang, vice executive chairman of the China Shipowners' Association, demanded that Vale "immediately stop its ambitious fleet expansion plan." [6] And on Jan. 31, China's Ministry of Commerce moved to protect the domestic freight industry, banning dry bulk carriers exceeding 300,000 tons from entering Chinese ports. [7]

Now, in a reversal, Vale intends to sell or lease its new fleet of carriers, most likely to Chinese state-run shipping companies with long-term charter contracts.

"This is a real tug-of-war, and China is playing very tough," said Bernardo Lobao, a steel and mining analyst at Studio Investimentos, a Rio de Janeiro-based investment fund. "China's attitude is pretty amazing when you consider that Vale went against its own government, which wanted the ships built in Brazil, and decided instead to build them in China to please its steelmaking clients." [8]

— Kenneth J. Stier

[1] Chinese officials later claimed that President Hu was misquoted and had been speaking about trade (not investment) reaching $100 billion by 2010, a climb-down that caused consternation in a region that was eager to receive the investments. It did not help that Beijing took more than a year before offering this "correction." See Daniel Erikson, "Conflicting US Perceptions of China's Inroads in Latin America," in Adrian Hearn and Jose Luis León-Manríquez, eds., *China Engages Latin America: Tracing the Trajectory* (2011), p. 122.

[2] Quoted in Rodrigo Maciel and Dani Nedal, "China and Brazil: Two Trajectories of a 'Strategic Partnership,' " in Hearn and Leon-Manriquez, *ibid*., p. 249.

[3] Mario Sergio Lima and Juan Pablo Spinetto, "Brazil Said to Require Local Content on New Mining Contracts," *Bloomberg Businessweek*, Feb. 6, 2012, www.businessweek.com/news/2012-02-14/brazil-said-to-require-local-content-on-new-mining-contracts.html.

[4] Silvia Antonioli, "Interview: Vale mega ships to cut freight costs by 20-25 pct," Reuters, June 17, 2011. More background is available at http://en.wikipedia.org/wiki/Valemax.

[5] Silvia Antonioli and Jonathan Saul, "Exclusive: Vale in talks to sell giant ships to China," Reuters, Sept. 5, 2011, www.reuters.com/article/2011/09/05/us-vale-shipping-idUSTRE78434U20110905.

[6] "China Shipowners' Association's Comment and View on Vale's Construction of Transshipment Hub and Distribution Centre in Philippines and Malaysia to Transport Iron Ore Imported by China," China Shipowners Association, http://eng.csoa.cn/Reports/201112/t20111206_1162695.html.

[7] "China bars Brazil's bulk carriers from its ports; clash over iron ore shipping rates," Mercopress, South Atlantic News Agency, Jan. 31, 2012, http://en.mercopress.com/2012/01/31/china-bars-brazil-s-bulk-carriers-from-its-ports-clash-over-iron-ore-shipping-rates.

[8] *Ibid.*

Continued from p. 266

head of emerging markets and global macro at Morgan Stanley Investment Management, warned in a recent *Foreign Affairs* article. [50]

Developed economies with innovative industries built around a strong natural resource base — such as Canada or Australia — might be a middle path. "There is no reason why a company like Monsanto cannot emerge in the region, but that will not happen in an environment where good engineers are scarce and there is little incentive or resources for R&D," argues Mauricio Mesquita Moreira, an Inter-American Development Bank (IDB) economist promoting this path. [51] ■

Background

Early Chinese Trade

During the late 16th century, a "silk road by sea" developed between China and Latin America. Some 20-60 ships traveled between China and the Spanish colony of Mexico (now the resort city of Acapulco) each year between 1575 and 1815. The Mexicans exported shoes, hats, wine, olive oil and other foods, while the Chinese sent gun powder, jewelry, food, cotton cloth and silk. Eventually, British exports displaced Chinese goods, and by 1815 China had shut down the trade. [52]

However, the New World's need for labor prompted the importation of large numbers of Chinese workers for the mines and plantations in Mexico, Cuba, Peru, Panama, Chile and Brazil. By 1873 nearly 500,000 Chinese were in the region. [53] The workers, who lived much like African slaves, were conscripted for eight years, but many stayed on; their descendants comprise the region's modern Chinese communities, mostly in Peru, Brazil and Cuba. [54]

Mixed Welcome

Although largely integrated into their host country populations, Chinese communities in Latin America retained a distinct, or at least mixed, identity. Havana's sprawling Chinatown (Barrio Chino), for instance is the largest in Latin America, rivaling those in San Francisco and New York. [55]

Thousands of Chinese fought in Cuba's war of independence against Spain. [56] And six weeks after Fidel Castro's 1959 revolution, the José Wong Brigade, a Mandarin-speaking Cuban military unit, cracked down on black-market trading, gambling, prostitution and opium trafficking in Barrio Chino. Cuba's revolutionary government recognized the People's Republic of China (instead of non-communist Taiwan). It also nationalized Chinese businesses, prompting many Chinese Cubans to emigrate to the United States. [57]

Today more than 100,000 mixed-race Chinese still live in Cuba. And while they may not speak Chinese, they retain connections to their culture. And since official discrimination is prohibited, Chinese-Cubans can advance. [58] In the mid-1990s, Brig. Gen. Moises Si Wong of the Cuban Revolutionary Armed Forces became a key interlocutor between the Chinese Embassy and the Cuban government in efforts to revitalize Chinatown and accommodate local Chinese business interests in developing ties with the motherland.

In Mexico, the first Chinese settlements were established by railroad workers imported from the United States during the 1890s. Laborers were later brought over from Hong Kong and Macao to cut sugarcane and pick cotton. In the 1920s Chinese-owned mining, construction and agriculture firms imported some 50,000 workers.

Chinese traders soon dominated the local economies in Baja, Calif., and later Mexico's Sonora and Sinaloa states. As light manufacturing developed, much of western Mexico's commercial infrastructure was created by the Chinese.

But their success engendered resentment, which peaked in the 1930s as the Great Depression compelled thousands of Mexicans workers to return home from the United States. A virulent anti-Chinese campaign emerged — using the slogan "Mexico for Mexicans" — led by then-President Plutarco Elías Calles and his son. It led to a ban on intermarriage, forced Chinese businesses to close and eventually expelled thousands. Hundreds were reportedly killed.

"Mexico has . . . fantastic conditions for xenophobia and Sino-phobia, as happens, by the way, in other countries of Latin America and . . . even in the U.S.," says Dussel Peters at the National Autonomous University of Mexico. "And this is what scares me."

Since 1978 Beijing has reached out to Chinese communities overseas as "connecting bridges" to the rest of the world, a policy initiated by then-Premier Deng Xiaoping. [59] In Latin America the effort has been complicated, because many Chinese immigrants fled the mainland during civil-war fighting and because of the 1949 victory by Mao Zedong's Communist Party, which continues its one-party rule.

"Overseas Chinese in Latin America are generally pleased to see China's rise on the world stage," said Jiang Shixue, a prominent Chinese Latin America expert. With their knowledge of local markets, language, business networks and long-established informal relationships with local governments, they have been "extremely useful for Chinese investors wishing to develop projects in Latin America." [60]

While Latin American officials generally appreciate the help their local Chinese communities provide in developing closer ties with China, many are ambivalent about whether and how to promote these connections. Often Chinese immigrant dealings with business partners in China are regarded as a threat to national interests. And the local media, particularly in Mexico, often stoke stereotypes and prejudices, sometimes triggering violence. [61]

"The stronger the hostility against Chinese communities, the more likely it is that they will defend themselves by strengthening internal loyalties and ethnic protectionism," write authors of a chapter on China and Mexico in *China Engages Latin America: Tracing the Trajectory.* [62] One of the authors, Adrian Hearn, who has studied Chinese communities in Mexico and Cuba, advises governments to harness local ambitions into culturally appropriate regulations. So far, said the University of Sydney anthropologist, the two governments are bungling their approach. "In both cases, national policy is out of step with local reality," he writes, "impeding genuine engagement with Chinese communities and neglecting potentially useful sources of economic growth and political support." [63]

Balancing U.S. Hegemony

China's relations with Latin America have been nothing if not pragmatic.

Economic relations got under way shortly after the Chinese Communist victory in 1949, but only simmered for the next decade. Then, when Castro's communist regime came to power in 1959, Cuba became the first Latin American country to establish diplomatic ties with the People's Republic.

Chile's socialist President Salvador Allende followed suit in 1970, but relations cooled after he was deposed in a military coup three years later. By 1978, China and Chilean military leaders were creating a commission to develop scientific, cultural, technical and commercial relations.

In 1974 Brazil's military dictatorship established diplomatic ties with China, and in 1978 China signed an economic and trade agreement with Argentina's military regime, whose relations with the United States soured after President Jimmy Carter's administration (1977-1981) adopted a tough pro-human rights foreign policy and began publishing annual reports on the status of human rights across the globe. [64] Latin America's military regimes were more comfortable with China's hands-off approach to human-rights issues.

Latin American leftists also welcomed China's political heft as a counter-balance to U.S. influence in the region. "The wide South American consensus on behalf of improved relations with China [in the early 2000s] owes much, therefore, to the patterns first set in the 1970s: There is a 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," noted one of the first serious American studies about China's new engagement with Latin America, funded by the Japanese foreign ministry. [65]

Similarly, China was "indifferent to the form of the political regime so long as there were political and economic gains to be made," noted a report by the Inter-American Dialogue. [66]

Charm Offensive

China's modern era of engagement with Latin America is generally seen as having been kicked off by a 13-day tour of the region in April 2001, when then-Chinese premier Jiang Zemin visited Venezuela, Cuba, Brazil, Uruguay, Argentina and Chile.

A stream of high-level official visits soon followed, in both directions, a mutual courtship that — coming on the heels of the 9/11 attack in the United States — struck some U.S. observers as opportunistic, if not worrisome.

But well-timed and increasingly high-level diplomatic visits by Beijing officials had, in fact, begun in the early 1980s, when Beijing began training a core cadre of diplomats to manage regional relations. [67] China also invested in think tanks focusing on Latin American studies at the Chinese Academy of Social Sciences in Beijing and a Latin American department within the Communist Party's Department of Studies.

By contrast, Latin American countries are just now developing expertise on China — even after 30 years — and their efforts are less organized or systematic. Of the 55,251 foreign students studying at Chinese universities in 2010, only 771 were from South America, compared to 6,065 from North America, according to Chinese education ministry figures. [68]

The Chinese investment has yielded what the Inter-American Dialogue study called "an impressive systematic long-term strategy." When President Hu Jintao spent two weeks in the region in 2004, considered another high-water mark in relations, he "harvested the blossoms from the seeds planted in decades past." [69]

Nonetheless, there are growing signs that relations are not so sturdy. Beijing has consistently insisted that China's new global prominence is a "peaceful rise" aimed at developing a "harmonious world" based on mutually beneficial South-South relations. [70] These declarations were aimed at countering the specter of a "China threat," particularly as China aggressively invests overseas. [71]

But Latin Americans are "not buying" that argument any longer, says He Li, a Chinese political scientist at Merrimack College in North Andover, Mass. "It is ridiculous to call yourself a 'South' country when you are the world's second-largest economy, you are sending up satellites and hosting the Olympics."

Harvard professor Joseph S. Nye, Jr., author of the 2004 book *Soft Power: The Means To Success In World Politics*, says despite Beijing's $8.9 billion investment (in 2009-2010) in external publicity efforts — including a 24-hour cable news channel — the campaign has had "limited return on its investment" because its message is undermined by China's suppression of human rights and the private sector.

There is a more prosaic reason why China's charm offensive has lost its sheen. As Chinese investors deal with mundane local matters — such as regulations, taxation, militant labor, indigenous peoples' rights or environmental protection — the more potential there is for daily friction. [72]

"As China mixes it up in Latin America . . . you're going to have three simultaneous things going on: an acceleration of learning on both sides, an acceleration of conflicts and the acceleration of Chinese influence," says Ellis, of the National Defense University, "the net balance of which remains to be seen." ■

Current Situation

Infrastructure Transformation


AFP/Getty Images/Yuri Cortez

About 600 Chinese engineers and workers helped to build Costa Rica's new National Stadium in the capital, San Jose. The Chinese paid for construction of the stadium, completed in 2011, after Costa Rica established diplomatic relations with China in 2007. China is building dozens of infrastructure projects in Latin America, with tens of thousands of Chinese workers helping to build roads, railroads, refineries, dams, ports, pipelines and power plants.

China's new presence in Latin America has produced an explosion of infrastructure projects in just about every country in the region. Tens of thousands of Chinese workers are building roads, rails, refineries, dams, ports, pipelines and power plants. And wherever there are legions of Chinese workers, Chinese traders and small businessmen are there to serve their needs.

An estimated 40,000 Chinese are in Suriname (formerly Dutch Guyana) — roughly 10 percent of the population — carving new highway and rail links through the jungle from Brazil's vast interior to a new Caribbean gateway at Suriname's deep-water port, also being built by China. [73] Similar avenues are being punched through the Amazon over the Andes to Pacific ports in Ecuador and Peru. [74]

The influx of Chinese workers has not occurred everywhere. Many Latin American governments have restricted the number of Chinese workers that can be imported, reflecting the region's much stronger, sometimes even militant, labor movements.

Most projects would enable China to exploit Latin America's natural resources. Ports and rail connections are being built, for instance, so copper can be exported from Chile and Peru. [75] Argentina received more than $10 billion to upgrade railways connecting Buenos Aires to key soybean producing areas. [76] Chinese firms in Venezuela are building infrastructure projects worth $25 billion, some of which will service Venezuela's bitumen deposits — the world's largest — to which China has favored access. [77]

Chinese firms also are building various national development projects — infrastructure and industrial projects designed to enhance long-term economic prosperity — often because of low-cost Chinese government financing.

After buying several Brazilian electric utility companies for nearly $1 billion, China's state-owned State Grid Corp. — the world's largest electric utility company — is expected to have a lucrative role in distributing the power generated from a series of 20 dams, including the Belo Monte Dam, the third-largest hydroelectric project in the world. The dams have been controversial because they are expected to flood an area of the Amazon River basin more than 100 times the size of Manhattan. Another 20 dams are on the drawing boards. [78]

Not everyone is thrilled about the projects. "There are so many reasons these dams don't make sense," said Celio Bermann, a University of São Paulo engineering professor and a leading critic of the projects. [79] His major criticism is that the dams reinforce the reshaping of Brazil's economy into an exporter of low-priced primary products, rather than of higher-value manufactured exports. [80]

Chinese companies are also bidding on regional projects, such as a $7.6 billion railroad link between the Atlantic and Pacific coasts in Colombia, and China wants to participate in the planned expansion of the Panama Canal. [81]

China's infrastructure improvements could significantly boost growth in the region, according to Barbara Kotschwar, a researcher at the Peterson Institute for International Economics in Washington, because inadequate transportation infrastructure has prevented Latin American countries from taking advantage of "the multitude of regional, bilateral and multilateral trade agreements signed in the past decade-and-a-half." [82]

Hardball Tactics

Even with huge, new infrastructure improvements, Latin America still must figure out how to leverage China's new engagement to achieve strong growth and sustainable prosperity — something that has eluded the Latin American and Caribbean region for more than a century. [83] Economists generally agree that the region needs to maximize earnings from natural resources while boosting technological sophistication.

But Latin America's record on making that transition is mixed so far: While its share of the world "worked" metals market has increased eightfold in about 30 years, the region's overall productivity growth — which was virtually zero from 1960-2000 — has begun to pick up only in the past decade. [84]

However, some worry that China's hardball trade tactics could throttle Latin America's growth. For example, in 2009 after Argentina filed 18 complaints against China with the WTO — claiming China was dumping cheap shoes, toys and steel pipes — China abruptly stopped ordering Argentina's soybean oil. The cancelled orders amounted to far more than the value of Chinese goods affected by the anti-dumping complaints.

Although Argentina was able to find other buyers for its soybean oil, the incident highlighted Argentina's growing dependence on China. The value of Argentina's soy exports had skyrocketed from $57.4 million in 1995 to $2.4 billion a decade later — largely on the strength of Chinese demand. And shortly after Argentina argued its case the Chinese vice minister of trade showed up in Buenos Aires to admonish officials to take a "more cautious approach dealing with trade issues." [85]

Two years later, the issue still rankles Argentines and appears to have reinforced China's determination to build up its own oilseed-crushing industry in order to capture more of the value-added market. To control costs and boost profits, China plans not only to grow its own food but also to process and ship it.

"The Chinese are systematically trying to decouple themselves from the international grain companies — as we have seen them do in other industries," says Mariano Turzi, a professor at Torcuato De Tella University in Buenos Aires.

The scale of China's ambitions — and needs — is staggering. A Chinese firm has leased about 740,000 acres of private farmland in Rio Negro province in Argentina's northern Patagonia — one of the last uncultivated temperate-climate valleys in South America. [86] The company, the Heilongjiang Beidahuang Nongken Group — or the Great Northern Wilderness Land Reclamation Co. — already farms nearly 5 million acres outside China and has said it wants to buy another 490,000 acres this year in Latin America. [87]

Although the land was privately owned, Great Northern cut the deal with the provincial government, prompting national legislation last December limiting land purchases to foreign individuals and companies. [88] Brazil is also working to close loopholes in land ownership rules. [89]

Many local residents worry about how the huge soy plantations will affect indigenous peoples' lands and habitat. "Soy and other industrial crops will not be welcomed under the conditions created by this agreement, which clearly jeopardizes the future of Rio Negro residents," said the provincial Pastoral Care Ministry of the Catholic Church. [90]

Likewise, the Foro Permanente por una Vida Digna (Permanent Forum for Dignified Life) calls the project a "land grab."

"We oppose the agricultural export megaproject . . . which jeopardizes 320,000 hectares [791,000 acres] of land and nature in our province by handing it over to . . . China to do with it as it sees fit," said the group. "This violates our sovereign laws, posits a future of farming without farmers, and contaminates us with pesticides. It is a project that does great harm to this generation and the ones to come." [91]

To ease such criticisms, Chinese investors have begun leasing land or forming joint ventures with local companies. Beidahuang formed a joint venture in 2011 with one of Argentina's top agricultural firms, Cresud S.A., which controls 2.47 million acres for grain, cattle and dairy production. [92] Chongqing Grain Group Co., Ltd. — a leading state-owned Chinese grain company — announced plans in April 2012 to invest $1.2 billion to develop soybean, corn, and cotton farms in Argentina, part of $6 billion it plans to spend in overseas land acquisitions this year. [93]

Commodities produced by these Chinese-driven companies are expected to be cheaper than those purchased through international grain dealers. Great Northern's president explained why: "Under the guidance of the [Chinese] government, we plan to build a comprehensive industrial chain," which will offer financial services, storage, logistics, agricultural production and distribution. [94]

Meanwhile, Argentine farmers complain that their government treats the export sector as the country's golden goose, taxing exports up to 70 percent without investing in public infrastructure. [95] The government has collected $48 billion in export taxes over the past eight years, leaving precious little for farmers to invest in new processing technology, says Alberto Rubio, dean of the graduate school at the University of Belgrano in Buenos Aires. [96]

Coping with the Juggernaut

While reeling from hugely lopsided trade imbalances with China, Latin American countries continue to lag in their scramble to devise national strategies to cope with the Chinese economic juggernaut.

For instance, China and Brazil have been strategic partners since 1993, but a China-Brazil binational commission reconvened in early April for the first time in two years. And Brazil recently revived a dormant interagency working group created to devise a coherent national strategy for trade with China. Both are part of Brazilian Presi-

Continued on p. 274

At Issue:

Is China a threat to Latin America's manufacturing base?

MAURICIO MESQUITA MOREIRA
PRINCIPAL ECONOMIST, INTEGRATION AND TRADE SECTOR, INTER-AMERICAN DEVELOPMENT BANK

WRITTEN FOR CQ *GLOBAL RESEARCHER*, JUNE 2012

yes

Export-oriented manufacturing is no longer a viable growth path for most of Latin America. That door has been shut by China and other major exporting countries such as India.

The best option for South America is to make the most of its comparative advantages in natural resources, avoid the resource curse and promote alternative forms of employment. Resource-poor Mexico and Central America must take advantage of their proximity to the United States and other regional markets through massive investment in transport and logistics.

Given the size of Latin America's most industrialized economies, manufactured exports cannot be a major source of growth unless they capture a substantial share of world markets. That is not happening. Latin American manufacturers saw some gains in market share in the late 1990s, but their modest position deteriorated in the early 2000s.

Latin America's misfortunes contrast sharply with China's breakneck performance. In little more than a decade, China roughly tripled its market share in the United States and the world, helping to reduce manufacturing's share of GDP in Brazil and Mexico to less than 20 percent and accentuating a decline that began when trade was liberalized in both countries.

The sheer size of the Chinese economy and the strength of its comparative advantages — a vast, cheap labor pool, education levels comparable to those in Latin America and a relentless industrial policy — mean that the manufacturing road to development has become highly congested and particularly hazardous for countries that don't have an abundance of skilled workers. India, another populous, resource-scarce economy with even lower wages than China's, already exports more manufactured goods than Brazil.

If Latin America tries to force manufacturing growth by adopting the failed protectionist tools of the past, it will return to 1980s stagnation. Yes, economies specializing in natural resources are risky, but it's riskier to ignore market signals, comparative advantages and the limitations of government intervention.

As Latin America moves into uncharted waters, it must devise a new route to development that relies on natural resource exports, some manufacturing and reforms and investments to enhance the region's competitiveness. A glance at China and India's desperate need for land and natural resources suggests that the "super cycle" that commodities have experienced since the early 2000s may be more of a structural trend. So the risk of specializing in natural resource exports is not as high as history may suggest.

DANI NEDAL
RESEARCH FELLOW, UNIVERSITY OF BIRMINGHAM (U.K.) AND MEMBER, INTER-AMERICAN DIALOGUE'S WORKING GROUP ON CHINA AND LATIN AMERICA

WRITTEN FOR CQ *GLOBAL RESEARCHER*, JUNE 2012

no

There is a prevailing perception that China-Latin America trade endangers regional industrial development. But the impact of this trade on individual countries is markedly heterogeneous and not conclusively dire. In other words, the impact of China has been uneven, and the winners and losers within countries have varied greatly.

Generally, China's effect on domestic industries and exports varies according to the country's resources, labor and capital and whether the government hampers doing business or constrains labor markets and capital mobility.

Trade with China has clearly benefited extractive industries in Brazil, Peru, Venezuela, Argentina and Chile, but Chinese exporters have outcompeted those countries' manufacturers, especially in low-skill, labor-intensive sectors.

Increasingly, that is also true for more capital-intensive goods. However, while alarmists like to point out that Latin firms are losing market share to Chinese companies, they fail to mention that Latin firms often are producing and selling more, even though the Chinese exports are growing even faster.

These companies might eventually get pushed out altogether, but the data so far don't support such gloomy predictions. Brazil's machinery sector, for instance, generally cited as under threat from China, keeps posting export growth rates among the highest in the world (30 percent in 2011), with rising revenue and employment. Studies also have shown that in some countries — such as Costa Rica, Nicaragua and Brazil — losers in the low end of the value chain have moved onto higher value-added goods, partly because they have had access to cheap, Chinese capital goods. The few econometric studies that have looked for links between Chinese import growth and manufacturing job losses in Argentina and Brazil have found them to be negligible.

This more nuanced and optimistic account of China-Latin trade does not, however, negate the profoundly sound advice (offered by Mauricio Mesquita Moreira) that countries should make the most of their natural-resource endowments and leverage revenue from those resources to upgrade their infrastructure and human capital. However, that advice will likely go unheeded, especially in Brazil and Argentina, where changing course would entail steep political costs because the leaderships and societies are still enthralled with outdated theories of dependency and development and an obsession with manufacturing. China's success has only intensified that predicament.

Continued from p. 272

dent Dilma Rousseff's renewed focus on relations with China, its biggest trading partner and a growing investor.

"China's growth is so complex that if you don't have a well-defined strategy it can be a disaster," explains Maciel, the former executive secretary of the China-Brazil Business Council. "There are many different interests on the table, but no one is selecting which ones are more important and saying 'let's focus on this.' No, we are doing it by the moment, depending on which industry is being most affected from China, and then the agenda is built around this," he explains. "[But] Brazil has more to lose than China, so it's our duty to be more proactive in this relationship."

Instead, Brazil has given in to an old reflex — protectionism. Before liberalizing its trade in 1990s, Brazil's high import tariffs meant that only 5 percent of its consumer goods were imported. The protected local Brazilian car industry produced vehicles with nearly 90 percent local content, but at almost four times the prevailing international price. [97]

Chinese carmakers want to tap Brazil's market, which buys 3.5 million new vehicles a year. Last July China's state-owned Chery Automobile Co. — which assembles 1 million cars in 11 countries — broke ground on a $400 million plant near São Paulo. "This is our biggest investment outside China and will be the base of exports for all of South America," Chery President Yin Tongyue told reporters.

"This factory is a symbol of the quickly developing relationship between China and Brazil," added China's ambassador to Brazil, Qiu Xiaoqi. [98]

But soon afterward, the Brazilian government abruptly hiked taxes by 30 percent on cars with less than 65 percent local content, torpedoing Chery's plans to build an assembly plant using imported parts. [99] Eventually, Chery decided to set up a complete supply chain of components, using Chinese suppliers who will set up shop inside Brazil. [100]

However, the move still concerns free-marketers. "We are in favor of international trade, however, we reject unfair trade practices, as practiced by China, [and] China is not a market economy," said Paulo Skaf, president of the powerful Federation of Industries of São Paulo. In addition, he complained, the Brazilian government's recognition of China as a "market economy" undercuts the ability to impose sanctions against "unfair" Chinese imports. [101]

Some economists view Latin American governments' response to China's economic expansion as falling backwards on a slippery slope. "They seem to want to bring back the whole protectionist apparatus," says the IDB's Moreira, a Brazilian. "We need fresh thinking to deal with these challenges. But the pressure to expand protection to all sectors is huge. The end result is going to be another fiscal crisis like we've had before, no doubt about it." ■

OUTLOOK

Rivalry vs. Cooperation

As the global economic center of gravity shifts toward Asia, competing — and possibly adversarial — trade regimes are emerging.

As part of its global reorientation toward Asia, the Obama administration has been promoting the so-called Trans-Pacific Partnership, a free trade pact between Asia and the Americas. Trade barriers would be lowered, and China — should it decide to join — would have to open its economy to more imports and investment from Latin America.

Beijing has balked, however, because it would have to reduce the role of its state-owned enterprises, which dominate roughly two-thirds of China's economy. Instead, China has forged its own trade pact with Southeast Asia and has proposed another with its northeast Asian neighbors.

In Latin America, China has negotiated separate "free trade agreements" with individual countries. [102]

"Latin America has long talked about a collective response to China," but it has never really materialized, making them "easy pickings for the Chinese," says Ellis of the National Defense University. "China has everything to win by a divided global response to its rise."

To counter China's divide-and-conquer strategy in Latin America, he says, the United States should leverage its close ties with other Asian countries to help Latin America forge better trade ties with China. "We could really help Latin America best take advantage of the promises represented by doing business with Asia while avoiding some of the pitfalls," Ellis says. "And that would collectively give Latin Americans a stronger hand vis-à-vis their own negotiations with China."

Whether that comes to pass depends on improving relations between Brazil and the United States. Although the United States and Brazil are the two biggest economies in the Americas, they have not signed a major economic pact in two decades, during which time the United States signed trade deals with 11 other Latin American countries.

The main challenge is recalibrating bilateral relations to reflect Brazil's new stature as the world's sixth-largest economy — up from 12th in 2004 — which has happened while the United States was deeply distracted by the Middle East. [103]

Brazil complains the United States has not acknowledged this power shift and even tries thwarting it by, for instance, favoring India's bid for a U.N. Security Council seat but opposing Brazil's. [104] For its part, Washington feels that Brazil often goes out of its way to obstruct U.S. efforts on key global issues, just to assert its new influence. [105]

"Brazilians and American talk a great deal about the desirability of a 'strategic' relationship between their countries, but neither does much to achieve it," the Inter-American Dialogue's Hakim wrote in April, just before Brazilian President Rousseff visited Washington. "Still, it is time for the U.S. to consider dropping its ambivalence over Brazil's international ambitions and acknowledge — more than half-heartedly — its emergence as a powerful nation." [106]

Nevertheless, for better or worse, Latin America is not a vital strategic priority for either China or the United States, reducing the likelihood of Sino-U.S. conflicts in the region. In the resultant power vacuum, Brazil has become the region's economic heavy weight.

Nevertheless, Brasilia's relations with Beijing — and Washington — will be vital for the whole region, says Dani Nedal, a Brazilian research fellow at the University of Birmingham (U.K.), because, "Brazil has neither China's deep pockets and competitive edge nor U.S. strategic assets." Thus, he says, Brazil "would be hard pressed to compete on an equal footing to maintain a preeminent position in the region." ■

Notes

[1] Gonzalo Sebastian Paz, "China and Venezuela: Oil, Technology and Socialism," in Adrian H. Hearn and José Luis León-Manríquez, eds., *China Engages Latin America: Tracing the Trajectory* (2011), p. 229.

[2] "Trade: China-Latin America," in "Direction of Trade Statistics," International Monetary Fund.

[3] Enrique Dussel Peters, "China's Challenge to Latin American Development," in Hearn and León-Manríquez, *op. cit.*, p. 95

[4] Eric C. Anderson and Jeffrey G. Engstrom, "China's Use of Perception Management and Strategic Deception," U.S.-China Economic and Security Review Commission, Science Applications International Corporation, November 2009, www.uscc.gov/researchpapers/2009/ApprovedFINALSAICStrategicDeceptionPaperRevisedDraft06Nov2009.pdf.

[5] "China's Policy Paper on Latin America and the Caribbean," Ministry of Foreign Affairs, People's Republic of China, Nov. 5, 2008, www.fmprc.gov.cn/eng/zxxx/t521025.htm.

[6] Luis Alberto Moreno, "The Decade of Latin America and the Caribbean: A Real Opportunity," Inter-American Development Bank, September 2011, pp. 35-36.

[7] Mauricio Mesquita Moreira, "China, Latin America, and the United States: The New Triangle," Woodrow Wilson International Center for Scholars, January 2011, p. 12, www.wilsoncenter.org/sites/default/files/LAP_120810_Triangle_rpt.pdf. Also see "China Global Investment Tracker," The Heritage Foundation, January 2012, www.heritage.org/research/projects/china-global-investment-tracker-interactive-map. See also Derek Scissors, "Chinese Outward Investment: Slower Growth in 2011," The Heritage Foundation, Jan. 9, 2012, http://report.heritage.org/wm3445.

[8] Kevin P. Gallagher, Amos Irwin and Katherine Koleski, "The New Banks in Town: Chinese Finance in Latin America," Inter-American Dialogue, February 2012, p. 1, http://ase.tufts.edu/gdae/Pubs/rp/GallagherChineseFinanceLatinAmericaBrief.pdf.

[9] Janie Hulse Najenson, "Argentina's New Melting Pot," *Americas Quarterly*, Winter 2012, p. 87.

[10] Mauricio Mesquita Moreira, "The Big Idea. China and Latin America: Manufacturing — Shuttered," *China Economic Quarterly*, September 2011, p. 23.

[11] For background, see Jason McLure, "State Capitalism," *CQ Global Researcher*, May 15, 2012, pp. 229-256.

[12] Solana Pyne, "China's Brazilian shopping spree," globalpost.com, Nov. 22, 2010, www.globalpost.com/dispatch/brazil/101118/china-foreign-investment-trade.

[13] Tom Phillips, "Brazil's huge new port highlights China's drive into South America," *The Guardian*, Sept. 15, 2010.

[14] According to Mexican statistics; Chinese statistics show a smaller deficit. Adrian Hearn, Alan Smart, Roberto Hernandez Hernandez, "China and Mexico: Trade, Migration and Guanxi," in Hearn and León-Manríquez, *op. cit.*, p. 140.

[15] Jerome Cukier, "China: back to the future," OECD Factblog, Organisation for Economic Co-operation and Development, March 24, 2010. Also see Kevin Gallagher, "China and the Future of Latin American Industrialization," Issues in Brief, Frederick S. Pardee Center for the Study of the Longer-Range Future, October 2010, www.bu.edu/pardee/issues-in-brief-no-18/.

[16] Mauricio Mesquita Moreira, "Ten Years After the Take-off: Taking Stock of China-Latin America and the Caribbean Economic Relations," Inter-American Development Bank, Integration and Trade Sector, September 2010.

[17] Rhys Jenkins, "The 'China Effect' on Latin American Export Earnings," *CEPAL Review #103*, Economic Commission for Latin America and the Caribbean, April 2011, p. 82, www.eclac.cl/publicaciones/xml/1/44061/RVI103Jenkins.pdf.

[18] Moreno, *op. cit.*, p. 36.

[19] Moreira, "Ten Years After the Take-off: Taking Stock of China-Latin America and the Caribbean Economic Relations," *op. cit.*, p. 7.

[20] The United Nations Economic Commission on Latin America and the Caribbean (ECLAC). In Spanish, www.cepal.org/comercio/serieCP/eclactrade/serie_spanish_110.html. (Roll cursor over the bar graph to get percentages.)

[21] Gallagher, Irwin and Koleski, *op. cit.*

[22] *Ibid.*

[23] Jiang Shixue, "Ten Key Questions," in Hearn and Leon-Manriquez, *op. cit.*, p. 52.

[24] Gallagher, *op. cit.*, p. 6.

[25] Kevin Gallagher and Enrique Dussel Peters, "NAFTA's uninvited guest: China and the disintegration of North American Trade," submitted to CEPAL Review (*Economic Journal of the U.N. Economic Commission for Latin America and Caribbean*). Mexico's share of U.S. imports was cut in half from 13.22 percent in 2000 to 6.51 percent in 2010, during which China's share rose from 12 to 42 percent, according to U.S. International Trade Commission 2011 data.

[26] Interviews with Dussel Peters and Rodrigo Maciel.

[27] Rodrigo Maciel and Dani Nedal, "China and Brazil: Two Trajectories of a 'Strategic Partnership,' " in Hearn and León-Manríquez, *op. cit.*, p. 248.

[28] Daniel Erikson, "Conflicting U.S. Perceptions," in Hearn and León-Manríquez, *op. cit.*, p. 133.

[29] See Hilary R. Clinton's keynote address and town hall meeting, "Foreign Affairs Day," U.S. Department of State, May 1, 2009, www.state.gov/secretary/rm/2009a/05/122534.htm.

[30] Zhang Mingde, "Much in Common," *Americas Quarterly*, Winter 2012, p. 78, http://americasquarterly.org/Mingde.

[31] Jiang Shixue, "Three Factors in Recent Development of Sino-Latin American Relations," in Cynthia Arnson, Mark Mohr and Riordan Roett, eds., "Enter the Dragon? China's Presence in Latin America," Woodrow Wilson International Center for Scholars, undated, p. 48, www.wilsoncenter.org/sites/default/files/EnterDragonFinal.pdf.

[32] Minxin Pei, "Ask The Experts: China's Global Rise," *Americas Quarterly*, Winter 2012, p. 115.

[33] Monthly 2011 figures are at www.eclac.org/cgi-bin/getprod.asp?xml=/publicaciones/xml/3/46553/P46553.xml&xsl=/comercio/tpl/p9f.xsl&base=/comercio/tpl/top-bottom.xsl.

[34] Janie Hulse, "China's Expansion into and U.S. Withdrawal from Argentina's Telecommunications and Space Industries and the Implications for U.S. National Security," Strategic Studies Institute, September 2007, www.strategicstudiesinstitute.army.mil/pdffiles/pub806.pdf.

[35] Eric Farnsworth, "Memo to Washington: China's Growing Presence in Latin America," *Americas Quarterly*, Winter 2012, p. 81.

[36] Hearn and León-Manríquez, *op. cit.*, p. 58. See also R. Evan Ellis, "Chinese Soft Power in Latin America: A Case Study," *Joint Force Quarterly*, First Quarter, 2011, p. 88, www.ndu.edu/press/chinese-soft-power-latin-america.html.

[37] "China Eximbank further advances in the creation of equity investment platform for Latin America and the Caribbean," Inter-American Development Bank, March 19, 2012, www.iadb.org/en/news/news-releases/2012-03-19/china-latin-america-equity-investment-fund,9894.html.

[38] "Spanish Banks: Embracing Globalization and Leveraging Latin America's Ties with China," Knowledge@Wharton, May 4, 2011, www.wharton.universia.net/index.cfm?fa=viewFeature&id=2062&language=english.

[39] For background, see Roland Flamini, "The New Latin America," *CQ Global Researcher*, March 1, 2008, pp. 57-84.

[40] Nathan Gill, Bloomberg, Jan. 24, 2012, www.bloomberg.com/news/2012-01-24/ecuador-borrows-from-china-seeks-bond-sale.html.

[41] R. Evan Ellis, "The Expanding Chinese Footprint in Latin America: New Challenges for China, and Dilemma for the U.S.," *Asie Visions #49*, Center for Asian Studies, Institut Francais des Relations Internationales, February 2012, p. 12, www.ifri.org/?page=contribution-detail&id=7014.

[42] For background see Joshua Partlow, "Ecuador Giving U.S. Air Base the Boot," *The Washington Post*, Sept. 4, 2008.

[43] "Costa Rica and China Explore an Evolving Relationship," U.S. Department of State cable, http://wikileaks.as50620.net/cable/2009/12/09SANJOSE985.html.

[44] Moreira, "The Big Idea. China and Latin America: Manufacturing — Shuttered," *op. cit.*

[45] Alexandre Freitas Barbosa, "The Rise of China, Its Impacts on Latin America and the Main Challenges Faced by the Region's Labour Movement," www.global-labour-university.org/fileadmin/GLU_conference_Unicamp_2008/Submitted_papers/The_Rise_of_China....by_Alexandre_de_Freitas_Barbosa.pdf.

[46] See John Williamson, "Is the 'Beijing Consensus' Now Dominant?" *Asia Policy 13*, National Bureau of Asian Research, January 2012, www.nbr.org/publications/element.aspx?id=571.

[47] Jorge E. Malena, "China and Argentina: Beyond the Quest for Natural Resources," in Hearn and León-Manríquez, *op. cit.*, p. 275.

[48] Mariano Turzi, "The Soybean Republic," *Yale Journal of International Relations*, Spring-Summer, 2011, pp. 59-68.

[49] Gallagher, "China and the Future of Latin American Industrialization," *op. cit.*, p. 4. For background, see Doug Struck, "Disappearing Forests," *CQ Global Researcher*, Jan. 18, 2011, pp. 27-52.

[50] Ruchir Sharma, "Bearish on Brazil: The Commodity Slowdown and the End of the Magic Moment," *Foreign Affairs*, May-June, 2012. See also "China Slows Down, and Grows Up," *The New York Times*, April 25, 2012.

[51] Moreira, "Manufacturing — Shuttered," *op. cit.*

[52] Jiang Shixue, "On the Development of Sino-Latin American Relations," Institute of Latin American Studies, Chinese Academy of Social Sciences, July 20, 2009, http://blog.china.com.cn/jiangshixue/art/915285.html.

[53] Adrian H. Hearn, "Harnessing the Dragon: Overseas Chinese Entrepreneurs in Mexico and Cuba," *The China Quarterly*, 2012, Vol. 209, pp. 111-133.

[54] Lisa Yun, *The Coolie Speaks: Chinese Indentured Laborers and African Slaves in Cuba* (2009).

[55] Hearn, "Harnessing the Dragon," *op. cit.*

[56] Shixue, "Ten Key Questions," *op. cit.*, p. 60.

[57] Hearn, *op. cit.*

[58] Brian Latell, *After Fidel: The Inside Story of Castro's Regime and Cuba's Next Leader* (2005).

[59] Shixue, *op. cit.*, p. 60.

[60] *Ibid.*, p. 61.

[61] Hearn, *op. cit.*

[62] Hearn, Smart and Hernandez, *op. cit*, p. 146.

[63] Hearn, *op. cit.*

[64] Jorge Dominguez, "China's Relations with Latin America: Shared Gains, Asymmetric Hopes," Inter-American Dialogue, June 2006.

[65] *Ibid.*, p. 6.

[66] *Ibid.*, p. 5.

[67] *Ibid.*, p. 21.

[68] Rachel Glickhouse, "Studying Abroad in China," *Americas Quarterly*, Winter 2012, p. 57.

[69] Dominguez, *op. cit.*, p. 22.

[70] Zheng Bijina, "China's Peaceful Rise to Great Power Status," *Foreign Affairs*, September/October 2005.

[71] China's "Go Out Policy" (known as the Going Global Strategy) was initiated in 1999.

[72] Ellis, "The Expanding Chinese Footprint in Latin America," *op. cit.*

[73] Simon Romero, "With Aid and Migrants, China Expands Its Presence in a South American Nation," *The New York Times*, April 11, 2011, www.nytimes.com/2011/04/11/world/americas/11suriname.html.

[74] R. Evan Ellis, "Strategic Implications of Chinese Aid and Investment in Latin America," *China Brief*, Vol. 9, Issue 20, Oct. 7, 2009, www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=35590.

[75] "Sinopec finishes 1,377-km GASENE pipeline in Brazil," Alibaba.com, April 9, 2010, http://news.alibaba.com/article/detail/business-in-china/100274645-1-sinopec-finishes1%252C377-km-gasene-pipeline.html.

[76] Neil Denslow, "China Backs $12 Billion Argentina Rail Projects to Ease Commodity Supplies," Bloomberg, July 14, 2010.

[77] Cynthia Watson, "The Obama Administration, Latin America, and the Middle Kingdom," in Hearn and León-Manríquez, *op. cit.*, p. 106.

[78] Michael Smith, "Brazil Be Damned," Bloomberg

About the Author

Kenneth J. Stier is a freelance writer who has worked for various wire services, newspapers and news organizations on several continents, including *TIME*, *Newsweek*, *Fortune* and CNBC. He has lived in several countries in Asia, including Vietnam where he opened a news bureau in Hanoi for dpa, Germany's main news agency, as part of the first group of Western reporters allowed to reside in the reunified country after the Vietnam War. He has also spent extended periods of time in Latin America and the Caucasus, where he was in Tbilisi for Georgia's Rose Revolution. He lives in Brooklyn, New York.

Markets, May 2012, pp. 90-102.
[79] *Ibid.*, p. 95.
[80] Francis McDonagh, "Brazil: Energy policies under spotlight," Latin America Bureau, Nov. 21, 2011, www.lab.org.uk/index.php?option=com_content&view=article&id=1137:brazil-energy-policies-under-the-spotlight&catid=66&Itemid=39.
[81] Ellis, "The Expanding Chinese Footprint in Latin America," *op. cit.*
[82] Barbara Kotschwar, "Going Places," *Americas Quarterly*, Winter 2012, p. 35.
[83] Augusto de la Torre, "Latin America and the Caribbean's Long-term Growth — Made in China?" World Bank, September 2011.
[84] *Ibid.*
[85] Malena, *op. cit.*
[86] Janie Hulse Najenson, "Chinese Want Strategic, Long-Term Ties to Argentina," *Americas Quarterly* blog, Oct. 4, 2011.
[87] For background, see Jina Moore, "Resolving Land Disputes," *CQ Global Researcher*, Sept. 6, 2011, pp. 421-446.
[88] Mark Keller, "Argentina's Land Law Seeks to Limit Foreign Ownership," *Americas Society*, Dec. 19, 2011, www.as-coa.org/article.php?id=3860.
[89] Official records show foreigners own 10.6 million acres of Brazilian land, but it could be up to three times that, according to "Brazil to further limit foreign ownership of land, says local media," Mercopress, Nov. 21, 2011.
[90] GRAIN, *The Great Food Robbery: How Corporations control food, grab and destroy the climate* (2012), p. 151. For more see "Land grab in Latin America: Meeting in Buenos Aires, social movements criticize a recent report on land-grabbing by the UN's Food and Agriculture Organisation (FAO)," Latin America Bureau, May 16, 2012. Also see Saturnino M. Borras Jr., *et al.*, "Land grabbing in Latin America and the Caribbean viewed from broader international perspectives," U.N. Food and Agriculture Organization, www.tni.org/sites/www.tni.org/files/download/borras_franco_kay__spoor_land_grabs_in_latam__caribbean_nov_2011.pdf.
[91] *Ibid.*, p. 151.
[92] Shane Romig, "Argentina limits farmland foreign ownership," Gateway to South America, Dec. 12, 2011, www.gatewaytosouthamerica-newsblog.com/2011/12/29/argentina-limits-farmland-foreign-ownership. Also see Alejandro J. del Corro, "China Invests billions in South American Farmland Improvements," Gateway to South America Newsblog, July, 19, 2011, www.gatewaytosouthamerica-newsblog.com/2011/07/19/china-to-invest-billions-in-south-american-farmland-improvements/.

FOR MORE INFORMATION

Centro de Estudios China-México, Universidad Nacional Autónoma de México; Av. Universidad 3000, CU, Circuito Escolar Edificio B de la Facultad de Economía, C.P. 04510, México, D.F.; +52 56222195; www.economia.unam.mx/cechimex/. A comprehensive source for Mexican research about China.

China-Brazil Business Council, Seção Brasileira, Rua Araújo Porto Alegre, 36, sala 1201, Rio de Janeiro RJ 20030-902; +55 21 32.12.43.50; cebc@cebc.org.br. A nonprofit organization that promotes Brazil-China trade and investment.

China Institutes of Contemporary International Relations, A-2 Wanshousi, Haidian District, Beijing 100081, China; +10 68.41.86.40; www.cicir.ac.cn/english/. A think tank affiliated with China's intelligence community that has 11 institutes and 10 research entities staffed by 150 research professionals.

Chinese Academy of Social Sciences, Institute of Latin-American Studies, 5, Jianguomennei Dajie, Beijing 100732, China; +10 85.19.59.99; www.cass.net.cn. A key hub for China-based research on Latin America.

The Heritage Foundation, 214 Massachusetts Ave, N.E., Washington DC, 20002-4999; 202-546-4400; www.heritage.org/places/asia-and-the-pacific/china. A conservative think tank that tracks China's growing economic, military and diplomatic capabilities. Maintains an interactive map that tracks China's global investments at: www.heritage.org/research/projects/china-global-investment-tracker-interactive-map.

Institute of the Americas, China-Latin America Program, 10111 N. Torrey Pines Rd., La Jolla, CA 92037; 858-453-5560; www.iamericas.org/en/programs/china-latin-america. An independent think tank, dedicated to enabling dialogue among Western Hemisphere leaders, that is working with the China Institutes of Contemporary International Relations (above) to help strengthen relationships between China and Latin America.

Inter-American Dialogue, China and Latin America Program, 1211 Connecticut Ave., N.W., Suite 510, Washington, DC 20036; 202-822-9002; www.thedialogue.org. Engages and informs academics, policymakers and private-sector leaders on evolving themes in China-Latin America relations.

[93] "CCM International: Chongqing Grain Group Seeking More Overseas Investment in China," *China Business News*, April 14, 2012, www.cnchemicals.com/PressRoom/PressRoomDetail_w_1012.html.
[94] *Ibid.*
[95] Eugenio Aleman, presentation at "Intellectual Capital Conference 2012," Legg Mason Investment Council, May 2, 2012.
[96] "A Numbers Game: Can Argentina's Government and Its Agricultural Sector Find Common Ground?" Knowledge@Wharton, Dec. 14, 2011, www.wharton.universia.net/index.cfm?fa=printArticle&ID=2146&language=english.
[97] Mauricio Mesquia Moreira, interview.
[98] Paulo Winterstein, "China's Chery Will Build Cars in Brazil," *The Wall Street Journal*, July 19, 2011.
[99] "Brazil's trade policy: Seeking protection," *The Economist*, Jan. 14, 2012. The magazine called the tax increase "an unusually blatant act of protectionism" that probably violates WTO rules.
[100] Joey Wang, "Chery: Brazil supply chain to aid local production," *Car News China*, April 9, 2012.
[101] Ricardo Leopoldo, "Fiesp wants to exclude China as market economy," *O Estado de Sao Paulo*, Feb. 12, 2011, http://economia.estadao.com.br/noticias/economia,fiesp-quer-excluir-china-como-economia-de-mercado,55934,0.htm.
[102] Osvaldo Rosales, "People's Republic of China and Latin America and the Caribbean: Ushering in a new era in the economic and trade relationship," Economic Commission for Latin America and the Caribbean, June 2011, pp. 29-32.
[103] Peter Hakim, "A U.S.-Brazil Respect Deficit," *Los Angeles Times*, April 9, 2012, http://articles.latimes.com/2012/apr/09/opinion/la-oe-hakim-brazil-policy-20120409.
[104] For background, see Brian Beary, "Brazil on the Rise," *CQ Global Researcher*, June 7, 2011, pp. 263-290.
[105] Moises Naim, "Rousseff should leave the US with a trade deal," *Financial Times*, April 8, 2012, www.ft.com/intl/cms/s/0/9311c644-7da4-11e1-bfa5-00144feab49a.html#axzz1vWVaHk6t.
[106] Hakim, *op. cit.*

Bibliography

Selected Sources

Books

Ellis, R. Evan, *China in Latin America*, Lynne Rienner Publishers, 2009.
An assistant professor of National Security at the National Defense University in Washington — an expert on China's presence in Latin America — provides an acute, but not alarmist, analysis.

Gallagher, Kevin, and Roberto Porzecanski, *The Dragon in the Room: China and the Future of Latin American Industrialization*, Stanford University Press, 2010.
An associate professor of International Relations at Boston University (Gallagher) and a pre-doctoral fellow at the Global Development and Environment Institute at Tufts University analyze the economic threat China poses for Latin America.

Hearn, Adrian H., and Jose Luis León-Manríquez, *China Engages Latin America: Tracing the Trajectory*, Lynne Rienner Publishers, 2011.
A University of Sydney sociology professor (Hearn) and a professor of international and East Asian studies at the Metropolitan Autonomous University in Mexico argue that China has a coherent strategy in Latin America but the region's governments have no such plan.

Moreno, Luis Alberto, *The Decade of Latin America and the Caribbean: The Real Opportunity*, Inter-American Development Bank, 2011.
The president of the regional development bank offers a broad-based assessment of the most important trends buffeting the region.

Roett, Riordan, and Guadalupe Paz, eds., *China's Expansion into the Western Hemisphere*, Brookings Institution, 2008.
Drawing on lessons from China's presence in Africa and Southeast Asia, scholars examine what China's dramatic arrival in Latin America means for the region.

Subramanian, Arvind, *Eclipse: Living in the Shadow of China's Economic Dominance*, Peter G. Peterson Institute for International Economics, 2011.
A senior fellow at the Peterson Institute for International Economics says China's global dominance could soon match the reach of the British Empire at its peak, a transition that is further along than generally acknowledged.

Weitzman, Hal, *Latin Lessons: How South America Stopped Listening to the United States and Started Prospering*, John Wiley & Sons, 2012.
A *Financial Times* Andes correspondent says the United States must become a team player if it is to remain relevant in rapidly changing Latin America.

Articles

Romero, Simon, "With Aid and Migrants, China Expands Its Presence in a South American Nation," *The New York Times*, April 11, 2011, www.nytimes.com/2011/04/11/world/americas/11suriname.html.
Drawing on some of its $3 trillion in international reserves, China is building infrastructure and investing in Suriname.

Sharma, Ruchir, "Bearish on Brazil: The Commodity Slowdown and the End of the Magic Moment," *Foreign Affairs*, May-June 2012, www.foreignaffairs.com/articles/137599/ruchir-sharma/bearish-on-brazil.
A Morgan Stanley fund manager and financial columnist says that as the commodity boom winds down Brazil should open its manufacturing sector to global competition.

Turzi, Mariano, "The Soybean Republic," *Yale Journal of International Relations*, Spring-Summer 2011, www.ucema.edu.ar/conferencias/download/2011/10.14CP.pdf.
A political science professor at Torcuato Di Tella University in Buenos Aires says soybean growers should create a cartel to protect themselves from fluctuating prices.

Reports and Studies

Arnson, Cynthia, Mark Mohr and Riordan Roett, eds., "Enter the Dragon: China's Presence in Latin America," Woodrow Wilson International Center for Scholars, www.wilsoncenter.org/sites/default/files/EnterDragonFinal.pdf.
Seven leading scholars discuss the rapidly evolving economic and political relationship between China and Latin America.

Ellis, R. Evan, "The Expanding Chinese Footprint in Latin America: New Challenges for China, and Dilemmas for the U.S.," *Asie Visions 49*, Institut Francais des Relations Internationales, February 2012, www.ifri.org/?page=contribution-detail&id=7014.
A report by a Brussels-based think tank examines the implications of Chinese wealth transforming Latin American infrastructure.

Mesquita Moreira, Mauricio, "The Big Idea — China and Latin America: Manufacturing — Shuttered," *China Economic Quarterly*, September 2011.
Latin American policymakers should embrace the region's comparative advantage in natural resources rather than trying to compete with China's manufacturing juggernaut.

The Next Step:

Additional Articles from Current Periodicals

Economic Growth

"China Official Praises Rapid Development," Xinhua News Agency (China), Sept. 21, 2011.
A Chinese foreign ministry official says trade between his country and Latin America has helped the region's countries deal with the world financial crisis.

Kuroda, Haruhiko, and Luis Alberto Moreno, "An Asia-Latin America Era of Progress," *New Straits Times* (Malaysia), May 5, 2012, p. 15.
Trade and investment between China and Latin America has led to economic improvement and poverty reductions in both regions, say the presidents of the Asian and Inter-American development banks.

Whitefield, Mimi, "Latin America Better Prepared to Weather Economic Storms," *Chicago Tribune*, Dec. 13, 2011, p. C3.
Latin American countries are prepared to handle global economic downturns because of their continuous trading relationships with China and other Asian nations.

Natural Resources

Hill, Patrice, "China's Appetite for Commodities a Boon for Businesses," *The Washington Times*, Feb. 26, 2012, www.washingtontimes.com/news/2012/feb/26/chinas-appetite-for-commodities-a-boon-for-busines/?page=all.
Commodity producers in Latin America are benefiting from China's growing demand for natural resources.

James, Ian, "China Pours Billions Into Latin America," *Los Angeles Times*, June 19, 2011, p. A9.
China is investing tens of billions of dollars in Latin America in exchange for a guaranteed flow of natural resources.

Knight, Julian, "They've Got an Awful Lot of Potential in Brazil — And Not Just in Coffee," *Independent on Sunday* (England), March 4, 2012, p. 92, www.independent.co.uk/money/spend-save/theyve-got-an-awful-lot-of-potential-in-brazil--and-not-just-in-coffee-7503102.html.
Brazilian and Chinese economic growth are inextricably linked because China imports an abundance of raw materials from Brazil.

United States

Purcell, Susan Kaufman, "What Hugo Chavez's Illness Means for U.S., China," *The Miami Herald*, Dec. 13, 2011, www.miamiherald.com/2011/12/13/2544999/what-hugo-chavezs-illness-means.html.
Venezuelan President Hugo Chávez's cancer could diminish China's influence in Latin America, in favor of the United States.

Romero, Simon, and Jackie Calmes, "Brazil and U.S. Accentuate the Positive," *The New York Times*, April 10, 2012, p. A10.
At one point this year, the United States surpassed China as Brazil's top export market, thanks to rising U.S. purchases of Brazilian oil and manufactured goods.

Weeks, Gregory, "Don't Blame U.S. for the Changes in Latin America," *The Miami Herald*, Dec. 8, 2011, www.miamiherald.com/2011/12/08/2537859/dont-blame-us-for-the-changes.html.
China is more directly responsible for the economic and political changes occurring in Latin America than the United States is, says a University of North Carolina political scientist.

Worker Rights

"Cultures Clash as Chinese Businesses Make a Push in Labor-Friendly Brazil," Fox News Latino, May 29, 2011, latino.foxnews.com/latino/lifestyle/2011/05/29/cultures-clash-china-makes-push-brazil/.
Brazil and China hold vastly different expectations about the role of employees, unions and government regulations.

Romero, Simon, "Amid Brazil's Rush to Develop, Workers Resist," *The New York Times*, May 6, 2012, p. A6, www.nytimes.com/2012/05/06/world/americas/brazils-rush-to-develop-hydroelectric-power-brings-unrest.html?pagewanted=all.
Brazilian laborers furious over substandard wages and living conditions set fire to the construction site of a dam being partially built by the Chinese.

Citing *CQ Global Researcher*

Sample formats for citing these reports in a bibliography include the ones listed below. Preferred styles and formats vary, so please check with your instructor or professor.

MLA STYLE

Flamini, Roland. "Nuclear Proliferation." CQ Global Researcher 1 Apr. 2007: 1-24.

APA STYLE

Flamini, R. (2007, April 1). Nuclear proliferation. *CQ Global Researcher*, 1, 1-24.

CHICAGO STYLE

Flamini, Roland. "Nuclear Proliferation." *CQ Global Researcher*, April 1, 2007, 1-24.

Voices From Abroad:

JOAO PEDRO FLECHA DE LIMA
Operations Director for Brazil, Huawei, Brazil

A learning curve

"They [Brazilian businessmen] are starting to get China, but still at a very preliminary level. Very few get to go there and visit the country, to spend time to understand the culture, the tradition, the history, the business practices."

The Washington Post September 2011

GUSTAVO CISNEROS
Chairman, Cisneros Group, Venezuela

A second option

"What they're [Chinese government investments in Latin America] doing is gigantic, but it's only a small part. They have to put those dollars to work. I think and I believe they want to do it in Latin America because they believe in Latin America."

Bloomberg, September 2011

HONG LEI
Spokesperson, Chinese Foreign Ministry

Parallel paths

"China and Latin America have innovated ways of cooperation, realized rapid development of trade cooperation and robustly boosted their respective economic growth. . . . Trade and investment are equally valued when developing China-Latin trade relations."

Xinhua news agency (China) September 2011

ANTONIO BARROS DE CASTRO
Former President, Brazilian Development Bank, Brazil

A different continent

"They [Chinese businessmen] know that here they have to work mostly with Brazilian laborers, the government has made that clear. In places like Africa, they resolved work force problems by ignoring the problem, by working with Chinese workers."

The Associated Press, May 2011

DAVID FLEISCHER
Professor of Political Science, University of Brasília, Brazil

Filling a void

"After [George W.] Bush took over, Latin America was totally forgotten. A lot of Latin Americans thought that was great: better to be forgotten than be taken care of too much. The U.S. opened a void, and the Chinese came right in. . . . There are cases of Chinese imports wiping out Brazilian firms, then the Chinese came to Brazil and recruited the unemployed shoemakers and brought them to China."

Los Angeles Times, July 2011

ERNESTO FERNANDEZ TABOADA
Director, Argentine-Chinese Chamber of Production, Industry and Commerce Argentina

For the long term

"For China, this is a strategic, long-term investment. They're thinking in the future, not just in the moment. These oil investments, for example, are for 15 to 20 years."

The Associated Press, June 2011

CHEN PING
Political Counselor Chinese Embassy Venezuela

Mutual help

"Venezuela has what we need. And we also have what they need, for example technology. . . . Therefore we can help each other mutually."

Los Angeles Times, June 2011

JULIO GUZMAN
Deputy Industry Minister Peru

Strengthening further

"From the step we have taken with the free trade agreement [with China], we are going to strengthen our relations in other areas, such as international cooperation, technical assistance and investment, and we look forward to diversifying exports of value-added products."

Xinhua news agency (China) November 2011

RUBENS BARBOSA
Former Ambassador to the United States, Brazil

A principal partner

"With trade, we have a problem because the aggressiveness of Chinese companies is very strong. But the government still has a lot of interest in these relations with China. China is now the principal partner of Brazil."

The Associated Press, June 2011

La Prensa, Panama/Arcadio Esquivel