

# China in Latin America

## The Development of a New Partnership or the Threat of a Rising Economic Power

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*Abstract— Latin America and the Caribbean has become an important tool for the development of China, consequently, diplomatic and economic relations have become relevant for both sides. Even when the evolution of the relationship between China and Latin America appear positive, the perspective of the Latin American countries over the presence of China maintains ambivalent. Notwithstanding, the intentions of China to achieve a peaceful a prosperous liaison with the area remains evident. Thus, the establishment of a monolithic policy for the region, resemble as an inaccurate measure towards the diverse economic markets and political ideologies in the area. This paper makes a review of how Latin America and the Caribbean (LAC) increase their importance in China's Foreign Policy through time and displays the necessity to strength Co-operation policies with the rising economy.*

**Keywords—**Latin America, China, Threat, Opportunity, Geopolitics.

### I. Introduction

The relationship between China and Latin America has developed without any major dispute or political and economic inconvenience. Currently, this relationship is mostly economic. The emergence of China as an active actor in Latin American affairs—through strong Chinese investment in infrastructure and provision of financial aid and soft loans to countries all over the region—supports the “peaceful rise” theory of former President Hu Jintao (Medeiros, 2007).

The Latin American and Caribbean countries (LAC) are finally experiencing economic progress, which is mostly thanks to China's economic presence and commercial investment in the region. However, the intensification of economic exchange and the increase in China's political influence can be perceived as either an opportunity or a challenge for the region.

Furthermore, China's engagement in Latin American affairs will have consequences not only for the primary actors but also for third parties. In this case, a dependent Latin America, which is constantly described as the backyard of the United States (US), will create a triangular relationship among the US, China, and the LAC.

This paper will present an overview of the developing relationship between China and the LAC region through time. China has developed a clear foreign policy toward the region. However, China's strategy seems to dismiss the existence of differences among the 22 Latin American countries, which might share a language and culture but differ significantly in political ideology and market specialization.

Finally, the two sides can achieve a prosperous and equal relationship through proper preparation, strategy development and the commitment of economic resources. However, sadly, Latin America seems to have a dearth of these assets.

## II. Sino-Latin America Relationship

### A. Early Sino-Latin American Relationship

The first contact between China and Latin America was established during Latin America's colonial period (1571-1810). Chinese traders heading toward Acapulco, Mexico, transported their products in small boats and stopped over in the port of Manila. After arriving in Mexico, these shipments were distributed to other ports in the area.

In the 19th century, after the independence of Latin American countries, the relationship between China and East Asia lost its relevance. At that time, Latin American countries were anxious to secure their sovereignty from their former European colonial master (Leon-Manriquez, 2010).

By 1847, China's depressed economy had created a vast migratory network, which brought Chinese workers from the Fujian and Shantou provinces to the Peruvian mines and Cuban sugar plantations (Leon-Manriquez, 2010).

The new Chinese immigrants in Latin America were brought in to improve the quality of the labor force, under the regulations of the “Coolies contracts.” The Chinese workers expected better quality of life, economic improvement, and temporary contracts. Instead, they found themselves in precarious conditions in the metal mines and sugar fields, with no opportunity to return to their country. Later on, at the beginning of the 20th century, Chinese labor became naturalized in Peru and Mexico (Johnson).

In 1949, during the Cold War era, hostile foreign policies were applied against a Communist China. The majority of the Latin American Countries (LAC), embracing Monroe's Doctrine, was reluctant to maintain Diplomatic relations with China.

Despite the influence of liberalism, Sino-Latin American relations did not cease entirely. Mexico opened discreet channels to promote primary trade with Mainland China. Moreover, Beijing actively promoted the formation of Communist parties inspired by Mao's ideology in countries like Bolivia, Brazil, Colombia, Peru, and others. (Mora, summer 1999)

After Henry Kissinger's visit to China, the policy of detente was instituted, concluding the isolation of China. Moreover, the PRC changed the people-to-people relations into a state-to-state scheme in Latin America. The economic relationship between the parties began, but it wasn't until the late 1970s that Beijing began to shift away from self-reliance and self-sufficiency, to an open-door policy.

From 1979 until 1989, Sino-Latin American relations were apparently intensified. During this period, around 10 Latin American presidents, eight prime ministers and six vice-premiers visited China. Foreign ministers from 15 Latin American nations and 30 legislative delegations, from 14 countries, also visited Beijing.

Latin America was looking for China's political support, its market share, and its scientific co-operation. By 1989, there were 20 economic trade and scientific co-operation agreements that enforced south-to-south co-operation. (Mora, summer 1999)

## ***B. Transition to a New Diplomacy and Economic Co-operation***

In the 1980s, China established an aggressive diplomatic campaign to help accelerate domestic industrialization by increasing the import of required equipment and raw materials, not available in China. The new Sino-Latin American relationship pursued technology transfers, direct investments, extension of credit, and increased trade in commodities.

Latin America's democratic governments voted for expanding and diversifying their markets and establishing economic goals that were in alignment with the Sino-Latin American relationship. Nevertheless, issues such as human rights, environmental procedures and Chinese propaganda brought distrust to Latin America (Mora, summer 1999).

According to Chinese data, the People's Republic of China (PRC) and Latin America share the same point of view. As a

matter of fact, China and Latin America voted together at the United Nations more than 80 percent of the time during the early 1990s. China also supported the integration of Chile, Mexico, and Peru into the Asia-Pacific Economic Cooperation Organization (APEC) as LAC supported China's membership in the World Trade Organization (WTO) (Sengen, 1994).

It wasn't until 2004, with the attendance of the president Hu Jintao to the summit of the Asia-Pacific Economic Forum, that LAC was presented as a valuable asset to China. In this Summit, the First Policy Paper of China written in Latin America and the Caribbean on 2008 was presented (Affairs, 2008).

The white book in China was written to define the objectives of the most important foreign policies in the country, and had been previously published in reference to the European Union, Africa, and Latin America. This publication manifests the importance that China is giving to Latin America.

The LAC white book pursues the three principles established by Former President Hu Jintao in 2004: increase the strategic ties and mutual political trust between the parties, cooperate with and follow creative and practical directions, and improve ties of cultural exchange and mutual understanding. (Build Towards a Harmonious World of Lasting Peace and Common Prosperity, September 2005).

With regard to the settlement of the current Chinese foreign policy, it's clear that the PRC doesn't rely exclusively on a bilateral diplomatic and trade agreement. Furthermore, China seeks the benefits of multilateralism, which helps as a platform to expand its influence in the area. The integration of China in the different Latin American institutions is highly relevant:

- Since 1997, it has been a member of the Caribbean Development Bank.
- On May 26, 2004, it became a permanent observer of the Organization of American States (OAS).
- On January 12, 2009, it became a member of the Inter-America Development Bank (IADB)
- China and the Caribbean have hosted three meetings on the China-Caribbean Economic and Commercial Co-operation Forum in honor of seeking trade and economic co-operation for common development.
- China and 18 Latin American countries participated in the East Asia-Latin American Co-operation Forum, with members of the Asian-Pacific Economic Co-operation (APEC)
- Since 1990, China has been an observer in Regional Organizations of Latin American Countries, including the

Group of Rio, The Andean Community (CAN), and the Southern Common Market (MERCOSUR).

- Beijing has initiated a series of forums with the region, including the China-Latin America Forum and the China-Latin America business Summit.

As a conclusion, China's contemporary foreign policy towards Latin America and the Caribbean has been shaped into the international system, placing emphasis on creating regional alliances. China has proposed from the beginning a conciliatory partnership instead of commanding an imperial power.

Cannot leave aside the growing interest towards the increase of cultural ties. Furthermore, the establishment of around Nine Confucius Institutes in Several Countries of Latin America, and the access of Scholarships to Latin American students to study in China are clearly examples of the rising influence of the PRC in the region.

However, what is not totally outspoken is what is the view of Latin America towards the current presence of China in the area. Many Latin American countries are also willing to take advantage of the integration with the Chinese investment in the region, and a clear interdependence between them is starting to grow.

### **III. China Changing Latin American Geopolitics**

China pursued a foreign policy towards Latin America as a region. However, the integration of China as a business partner into the area brings several fronts. Osvaldo Rosales, chief of the Division of International Trade and Integration of the ECLAC (Economic Commission for Latin America and the Caribbean), explains a clear diversification in the region in the economic and political strategy towards China (Osvaldo Rosales, 2011). The economic development of these countries in trading and specialization in commodities and manufacture make this diversification possible.

Furthermore, R. Evan Ellis maintains that the expansion of China in Latin America defines different roles of the PRC in each country depending on their national policies. The current Sino-Latin American relationship is based on Chinese investment and business orientation. In that case, the relation with countries as Venezuela, Bolivia, and Ecuador, which have adopted a socialist approach in their National Policy, would be different from more traditional market-oriented policies applied in Chile, Colombia and Peru.

In that direction, countries like Mexico provides evidence of diplomatic and economic upheaval over China's presence in

the country. Moreover, the closure that Mexico has with USA, not only in cultural influence, but also on economy dependence, can be a bias against China.

Ecuador, Bolivia and Venezuela, on the other hand, possess an ideology appealing with China. This example might show the success of China in terms of increasing its economic and diplomatic power.

Finally, Chile, Argentina and the special case of Brazil maintain the successful evolution of trading with China. Moreover, these countries have proven the use of a major research and application of strategies towards the Chinese liaison.

A notorious variation of Chinese engagement exists in Latin America. Latin America is recognized as a homogeneity area because of the share of culture and language, but the background of the development of the relationship with China follows different tendencies. As mentioned, countries that specialize in manufacturing usually suffer economic dependency towards the U.S. for those who might possess an anti-Chinese sentiment. On the other hand, the engagement of China is easier in countries with the same political ideology. Finally, countries like Chile, who has a relationship based on trading, can also lead to cooperation.

### **IV. China: Challenge or Opportunity for Latin America**

#### **A. *Triangular relationship: China, U.S., Latin America and China's challenge for Latin America***

The existence of a possible triangular relationship between China, US, and Latin America as a region is directed to the concept of the "Peaceful Rise of China." The U.S., as a current Hegemon, might consider China's rise as a superpower or a threat. Latin America, the former backyard of the U.S., might consider China as another rising power that will contain the growth of their economy. However, China has demonstrated vigilance in the integration within the area, clarifying the importance of the US relationship over Latin America.

John Mearsheimer, one of the principal exponents of Realism, has a theory that China's rise will not be peaceful. In an anarchic world, China needs to maximize its power to become a regional hegemon for political and security reasons (Mearsheimer, 2006).

On the other hand, for Yan Xuotong, Maersheimer's theories only compare China to the West, with a focus on the American way of thinking when considering what an Hegemon means. Additionally, China follows the ideal of becoming an older brother to its neighbors and collaborators, where economic ties have more influence than power.

But how does this affect the LAC relationship with China? If China is becoming the new hegemon, Latin America won't be considered a co-operative partnership anymore. It would be considered only as a commodity provider, and it would stop developing eventually. More importantly, if the LAC maintains a high dependency on the new superpower, it won't develop the economic independence it has been seeking for so long.

Latin American scholars, such as Adrian H. Hearn, Jose Luis Leon Manriquez and Hernandez Hernandez are more concerned with analyzing the presence of the Asian country in the region and focusing on whether China represents a threat to sustainable development in Latin America. In this case, the possible consequences for the LAC, concerning Chinese investment, are the following:

- As China has pursued a strategy of securing food, energy, and raw materials from the region, Latin American countries could face the challenge of reorienting their trade specialization toward commodities and goods that have traditionally been characterized by price volatility.
- Chinese exports of manufactured goods, such as shoes, textiles, electronics, and other appliances, pose the greatest challenge to countries in the Caribbean and Mexico, where the maquila is the main source of income. Some Latin American economies are not as diversified as China's and rely on the establishment of systems such as the maquila, which was developed as a domestic industry through interactions with the North American market. The triangular relationship starts in this market (Hernandez, 2012).
- The subsequent shortfall in Chinese demand versus consumption has to be made up for by the acquisition of resources from external sources. Latin America has struggled to balance between market liberalization and the application of protectionist regulations (Brenan).
- China's environmental crisis is one of the most pressing challenges to emerge from its rapid industrialization. China already has a homegrown environmental problem, but with Chinese investment in infrastructure and industry in Latin America, the environmental crisis may spread to other areas, as well.

- The lack of preparation of Latin American countries in dealing with Chinese competition is the greatest challenge for the region.

## ***B. China as an opportunity to LAC***

China follows Confucianism ideals, which bring different moral standards compared to the United States. The main argument explains that China's peaceful rise is directed to the win-win relationship that is developing in the search of reciprocal economic opportunities (c., 2004).

In this case, the approach of China to the Latin Area may be directed to the creation incentives for economic, social, and cultural interaction across borders. The following is a partial listing of the types of China's 2008 foreign assistance projects in Latin America:

- The People's Republic of China (PRC) government sponsored a loan to fund a power plant and below market loan for oil exploration in Brazil.
- PRC granted below-market loan and joint venture credit lines to fund ports, shipping, and mining investments in Chile.
- PRC made a donation to fund a stadium and oil refinery in Costa Rica.
- In Cuba, it executed a below-market loan for hurricane relief and hospital repairs.
- In Grenada, it also granted a below-market loan to build a tourist marina.
- Venezuela also received a below-market loan to supply infrastructure, electricity, health and education investments.
- In Bahamas, China helped in the construction of a new airport highway and development projects based on a loan below the market.
- Costa Rica also received a donation of two hundred police patrol cars. (Programs, 2009)

Moreover, Ariel C. Armory, author of the book "From the Great Wall to the New World: China and Latin America in the 21st Century," makes an exhaustive analysis of the current assimilation of China into LAC. This study explains that beyond all the divergences, similarities also exist between China and Latin American countries, as follows:

- Both share good relationships in history, not having any confrontations, wars, or inconveniences.
- Both share anti-American and anti-imperialist sentiments, albeit perhaps for different reasons.
- The political informality from both sides is a great convergence, more attached to the manner of making business.

World Bank economists report that the rise of China has brought benefits to Latin America through higher commodity prices, cheaper industry inputs, and growing capital inflows. Even more, if Latin America becomes successful in negotiating the FTA agreements, it can have more opportunity to integrate into the Asian-linked global production. (Feingberg, 2007)

A closer look at three common perceptions of China's impact on emerging markets can help to clarify how Latin American countries benefit from the ongoing shifting power equation in the world economy:

1. *The main source of China's competitive advantage is cheap labor, which is significant, but the wide availability of capital in LAC, coupled with very high productivity growth levels, are equally important in explaining China's high competitiveness.*
2. *China has a negative impact on FDI flows to other emerging markets, but most Latin American economies do not compete for the same type of FDI that China receives.*
3. *Economic analysts from the Organization for Economic Cooperation and Development (OECD) explain that China's rise offers opportunities in keeping and sustaining a manufacturing sector (Angel Alonso Arroba, 2008).*

Latin America can be presently considered an essential area for Chinese foreign policy, even when the PRC has maintained a low profile in the region, with the intention of not affecting their economic and political strategy towards the United States. But, in the direction of expanding their trade and business connections, they also increase their military or political ties. Many economists tend to match this approach to the most notorious consideration of a side-step of Latin America towards the Washington Monroe's Doctrine. In this case, China stands to gain international prestige by offering an alternative model for Latin American economic development.

## v. Conclusion

The increasing presence of China in Latin America is still developing. A definition of the position of both parties is still being built. Even when it has a mostly economic liaison, there are some controversies in the area that are connected to the influence of China in the decision-making.

The integration of China in the region is emerging in a level where economic interest is the mainstream focus. However, even when the threats of de-industrializing the region seem possible, Latin America is still in time to establish and negotiate the boundaries and necessary regulations to protect

their market. Eventually, it is also possible to have a winning position on the negotiation table, which has started to look very successful in countries like Brazil.

The major challenge of LAC is the lack of strategy and domestic expertise to handle effectively China's growing influence. Even more is evident that in the university classrooms or political forums, one never hears people talk about China or Asia in general; they are limited to formerly powerful influences, USA or Europe. Instead, China is stepping forward in a silent and progressive process to masteries how to manage its policy and with that the region.

Therefore, the real question that remains is whether Latin America would be adequately prepared to manage expanding relationships with China. In consequence, if the LAC ensures a foreign policy towards China, it is possible for them to obtain the proper benefits of forging an alliance.

However, in this case, a possible lose-win relationship might result not from China as a threat for the region, but for the nonexistence of strategy towards the present challenge.

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About Author (s):



***“THE CURRENT SINO-  
LATIN AMERICAN  
RELATIONSHIP IS BASED  
ON CHINESE  
INVESTMENT AND  
BUSINESS  
ORIENTATION”.***

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