

China and Latin America

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Preface

The leading role that China has been gaining in world commerce has had a great impact on global economy, and of course, on the economies of Latin American countries.

It is not risky to say that China has seriously laid eyes on Latin America, not only as a market for its manufactured products, but as an important source of raw material for its industries, and food for its population. Currently, China grants Latin America a privileged place as part of its relationships with the developing world. For the Asian country, the insertion in this region is part of the building process and accumulation of the power developed in the frame of the Pacific strategy as a rising world power. A closer relation strengthens its influence upon it, traditionally dominated by the United States.

The loss of political influence and capacity of the United States to impose a world agenda is one of the parameters upon which China designs its politics towards Latin America. A tight evaluation of the political reality shows that Latin-American countries tend to design more independent foreign politics than Washington, thus the gain of external autonomy, and the search for new partners.

Generally there are no conflicts of interest between China and Latin American countries; they find themselves in similar situations, and they complement each other economically. Both regions recognize the importance of South-South diplomacy. Chinese influence on the region is growing, while the United States' is diminishing, due to the focus of attention that Washington has set on Afghanistan and Iraq.

Until December 2009, the Asian giant had established diplomatic relationships with 21 countries in the region, and economic and commercial relations with others. Additionally, China has sought to expand its influence in the zone by trying to persuade Central American countries, Panama, Paraguay, and some Caribbean countries to cut diplomatic relationships with Taiwan. Together with the development of bilateral relations with these countries, China has intensified political consultation and dialogue with continental organizations and institutions, to the point of becoming a permanent observer of the OAS¹.

Historical background

¹ Baisheng Tang and Linchang Yang. Chinese Diplomacy. Intercontinental China Press. Beijing, 2004, p.119.

The first contact made between China and Latin America was made in the 16th century thanks to the trips of the Manila Galleon, which covered routes from Asia to Philippines, Mexico, and Peru for the transportation of silk, pottery, porcelain, and gun powder; bringing back gold, silver, corn, and tobacco².

The second interaction occurred in the 19th century, when in 1847 the Chinese “coolies” workers trade started. (*coolí*: word used by foreigners; *nūgong* or *xiaogong* : Chinese word) with Latin America and the Caribbean in order to substitute the African labor force after slavery abolition. The greatest number of emigrants came from the provinces of Guangdong and Fujian, and the main shipping port was Amoy (Xiamen) from where the first lot set sail in 1847³.

The coolies arrived to Cuba and worked in sugar, tobacco, and coffee plantations; in the early 1850s, worked in the construction of the Panama canal; Peru was the first country to receive Chinese migrations in South America, for the exploitation of guano mines and sugar cane plantations. Some other countries like Brazil, also received a small group of Chinese workers.

It is confirmed that between 1847 and 1874, around 250 thousand Chinese came to the region⁴.

Until the foundation of the People’s Republic, the relations between china and Latin America, as stated by Montt⁵, were “casual and intermittent” and none of the parties found the other one particularly important even though certain countries, such as Peru, Brazil, Mexico, Cuba and Panama established relations with the Qing Government (last dynasty of China). Later on, Chile, Bolivia, Nicaragua, Guatemala, Dominican Republic, Costa Rica, Argentina and Ecuador did the same with the republican Government (Republic of China).

The third approach initiated with the People’s Republic of China’s foundation in 1949. Back then, the Asian country didn’t have diplomatic relations with Latin American nations. This situation lasted throughout the 50s, even when China was present in the region through the so called “cultural diplomacy”. With the victory of the revolution led by Castro, Cuba was the first Latin American country to establish diplomatic relations with China in 1960. Later, when Salvador Allende was elected president, Chile followed the example and established formal relations with China in 1970. As a result of President Nixon’s visit in 1972, other countries also decided

² María Montt Strabucchi. The PRC, Cultural Diplomacy Towards Latin America in the 1950s and 1960s. MA Dissertation. School of Oriental and African Studies. University of London, 2007, p.1.

³ Connell Marisela and Cornejo Romer. China América Latina génesis y desarrollo de sus relaciones. (China and Latin America the genesis of a relationship). México, El Colegio de México, 1992, p.22.

⁴ Idem

⁵ M. Montt Strabucchi, Op. quote., p.15.

to establish relations. Colombia, among them, established them in February 1980. Currently, with the sole exception of Paraguay, the rest of South American countries maintain formal relations with China, thus they adhere to the just one China politics. However, there is still a significant number of countries in Central America and the Caribbean that recognize Taiwan: 12 out of 23.

Besides formal diplomatic relationships, China keeps on exercising its “cultural diplomacy” or “parallel diplomacy” through the Chinese People’s Friendship Abroad Association, an also through activities carried out by the China’s Communist Party’s liaisons department, known as party to party diplomacy. More than ninety political parties in the region from all ideologies have established relations with the CHCP⁶.

Relationship Classification

The People’s Republic of China has developed a way to classify relationships with other States, as well as with countries in the region. For that purpose, it takes into account three fundamental aspects:

- Relevance of the country and its bilateral relationship with China.
- Cooperation significance between the two countries.
- Whether it is a decision to grant the other country the partner status or not.

As a result, China applies the three following categories⁷ according to level of importance:

- Strategic partner.
- Cooperation partner.
- Relations of friendly cooperation.

China grants the strategic partner status only to those countries that are important, and who are also prepared to reinforce their relationship with China in all fields.

⁶ Riordan Roett y Guadalupe Paz: China’s Expansion into the Western Hemisphere. Washington, Brookings Institution Press, 2008, p.35.

⁷ Jorge I. Domínguez. China’s Relations with Latin America: Shared Gains, Asymmetric Hopes, Inter-American Dialogue Working Paper. Washington, 2006, p.23.

Brazil received this denomination in 1994, Venezuela in May 2001, and Argentina and Mexico in November 2004.

Notice that China keeps on classifying relations with Chile as cooperation partner, even though Chile's trade is greater than Argentina's. Probably this is because Argentina has openly declared its disposition to strengthen political relations with the Asian country.

The situation with Venezuela, which still has a relatively modest trade with China, is explained by the intense lobbying done by president Chávez, during his frequent visits, and the potential that Venezuela represents to the Asian giant as oil provider.

Cuba's situation is different. It is only classified under the category of relations of friendly cooperation. The bilateral trade is small for China, even though important for Cuba. The political aspect seems to have little incidence as to rise China's relation with the Caribbean country.

Trade is China's main interest in Latin America

According to Chinese statistics, in 2008, trade between China and Latin America exceeded 140 thousand million dollars (official figure for 2009, not yet published, although a reduction around 20 per cent is estimated due to world crisis). As a result, trade is a very important aspect for relations between China and the region.

Chinese imports

The amount of Latin American products imported by China during 2008 exceeded 71 thousand million dollars. The Asian giant desperately needs suppliers of raw material, energy, and food like soya, sugar, and wheat which are produced in Latin America. In fact, China has become an important export market for some countries: It is second for Peru (mainly fishmeal), the third for Brazil (soya and iron ore), the third for Chile (copper, cellulose, and fishmeal), and fourth for Argentina (flour and soya). China is currently one of the major raw material consumers in the world.

Exports

Exports is the engine of Chinese economy, and Latin America with a population of about 550 million, offers a very attractive market for its manufactured products

which make for 90 per cent of Chinese total exports. Toys, textiles, confections, and electronic goods show the greatest increase.

The importance of trade among the regions explains some countries' interest to negotiate free trade agreements with China. Chile was the first, followed by Peru, and surely Costa Rica will be next, since the first round of conversations has concluded satisfactorily. These agreements could facilitate the access of China to the United States' market.

China's fast growth and its exports' success have been cause of concern among business communities and Latin American governments. China is forcing the region to restructure some of their productive sectors to protect their position in international markets. It can be asserted that China is driving the region to reinforce its innovation capacity and to refine the exports sector.

Apart from commerce, China has also shown interest to invest in Latin America even when some of the most important projects have not materialized yet. The region is still a minor destination for Chinese investments abroad. However, cooperation projects with Brazil have to be mentioned, since the country is China's most important strategic partner in South America, especially for the high technology industry (aviation, space satellites). It's worth observing that China is becoming an important oil producer in Peru and Ecuador, and is now investing in energy in Bolivia, Brazil, Colombia, and Venezuela.

Trade between China and Latin America

(Million dollars)

Year	Chinese Exports	Chinese Imports	Total Trade
2003	11,880	14,920	26,800
2004	18,238	21,762	40,000
2005	23,682	26,774	50,457
2006	36,030	34,190	70,220
2007	51,543	51,068	102,611
2008	71,480	71,910	143,390

Source: Chinese Statistics Yearbook

China's presence in Latin America does not represent a military threat to other countries

There is no evidence that the presence of China in the region has a military purpose directed against other countries. China's presence in Latin America is pragmatic, not motivated by ideological factors or meant to affect other countries, especially the United States in a predictable future. On the contrary, China avoids unpleasantness when expanding its relations with Latin America.

There is no evidence either that China is involved in alliances with countries in the region against the United States' interests. China's priorities are in Asia and in the integration of its neighbors, with the purpose of achieving consolidation as an Asian power. To sum up, the presence of China in Latin America must not be, militarily speaking, a reason for the United States to worry. It is an expression of China's major need of raw materials, energy, and food, and it must be viewed as an opportunity rather than a threat. It can be stated that the main object of China in the region is to strengthen its relations with Latin American countries, by means of applying low profile politics, without causing concern to Washington.

The relevance of cultural aspects

Apart from the geographic distance between China and Latin America, it is necessary to take into account that cultural aspects like language, the most important means of communication, local idiosyncrasies, and the way of making business are obstacles that prevent a tighter relation among regions.

The Chinese Government is promoting Chinese culture, and knowledge of the language, in an effort to overcome the obstacles mentioned before. That is why in 2004, a world program aiming to establish the Confucius Institutes (equivalent to Alliance Française, the German Goethe Institute, British Council, Spanish Institute Cervantes) started. At the end of last year there were 282 institutes in 88 countries and regions, 21 of them located in Latin America (Argentina, Brazil, Barbados, Chile, Colombia, Costa Rica, Cuba, Jamaica, Mexico, and Peru). Hanban, the executive body of Chinese Language International Council, is responsible for the project, hopes to have a thousand institutes by 2020⁸. Without a doubt, it is one of the most ambitious programs for cultural penetration ever done.

Taiwan, a key issue

As it was previously mentioned, 12 Latin American countries out of 23 in the world still recognize Taiwan; Paraguay in South America, and the rest in Central America

⁸ La tercera.com, disponible en: www.latercera.cl, consulta: 27 de abril de 2008.

and the Caribbean. The most populated countries of the world who recognize the Chinese Republic (Taiwan) are the Dominican Republic, Guatemala, and Paraguay. Trade maybe makes Panama the most important (China as well as Taiwan export to other countries through established foreign trade zones). Taiwan's issue is a key factor for Chinese diplomacy, since Beijing competes with Taipei for the region's small countries recognition, to allow them peaceful reunification of the nation.

Conclusion

In recent years, due to the great Chinese demand, South American countries have benefited from higher prices and greater sales volumes for their raw materials. China needs to guarantee a stable and constant flow of raw material coming from Latin America in order to maintain its current economic growth level.

Mexico and Central American countries that manufacture and export products similar to the Chinese, on the contrary, have faced a fierce competence at intensive labor-force sectors, which has affected their sale prices considerably and they have greatly suffered by the Chinese presence in the Western Hemisphere.

An important percentage of Latin American exports to China are made of primary products and manufactures made of natural products. China is the opposite case. It mainly exports middle and high technology goods to the region. This linking pattern and its projection in time is at the heart of discussion and debate among those who perceive an outlook of long-term opportunities, and those who choose to be cautious for fear of facing a powerful and aggressive competitor against which Latin America has little possibilities.

It is important for Latin America to make the most of the opportunity to relate trade and investment. Availability of natural resources must be used to make productive and technological bonds grow stronger; attract Chinese investment to the region; dare to invest in China and become inserted in regional chains of value that are structures in China, as is the case of the Association of Southeast Asian Nations .

Latin America's social and economic problems will reduce if, from within the region or from within each country, a global strategy of competition and association with China is designed. It is an undeniable fact that this country is taking giant steps towards social and economic progress. According to growth and development expectations, China will require production resources, industrial goods, and food that the region is able to supply. Will the different Latin American countries, as a whole, be able to understand this situation? It's very likely, given that China is

progressively increasing its economic influence level in Latin America, and as a result, their economic and probably even their political systems will become more related.

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