

# Overcoming the Greatest Distance: China in Latin America

Written by Benjamin Creutzfeldt

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On China's map of the world, the space least charted is the region of Latin America and the Caribbean (LAC). It lies the farthest from Beijing and the acquaintance of one with the other was historically limited. Yet, this trans-Pacific relationship has transformed into one of the most dynamic since President Jiang Zemin's visit to seven countries in the region in 2001. His overture was followed by a series of trips by his successor Hu Jintao in 2004 to Brazil, Argentina and Chile, Costa Rica, Cuba and Peru in 2008, bringing in his wake a large entourage of Chinese officials and business people. This awakened the continent to the new possibilities of trans-Pacific contact. Since 2009, top leadership visits from China have become an annual event, and leaders of LAC countries have reciprocated to varying degrees. Bilateral trade has grown in value from \$10 billion in 2000 to almost \$280 billion in 2015 (cf. ECLAC 2016), and LAC countries represent six percent of China's global imports. Chinese loans and foreign direct investment in the region have also grown exponentially and enabled substantial economic growth even after the financial crisis of 2008.

What makes the relationship particularly interesting for students and scholars of IR is how it fits into Beijing's adaptive but principled foreign policy strategy (see Cui and Pérez García 2016, and also Gallagher 2016). Not only do LAC countries hold the very resources and fertile lands China needs to guarantee its sustainable development, but they are also a grouping of nations with strong potential for market growth and, more interestingly, for social and political advancement within a new global framework. LAC countries have long been within the US's immediate sphere of influence, but since the mid-20<sup>th</sup> century the approach of the 'northern hegemon' has tended to be one of benign neglect. Today, most LAC countries are characterised by alarming inequality in terms of income and opportunity, limited government control over outlying areas, and weak regional integration. Powerful elites dominate politics, the economy, education and land ownership, and frequently sacrifice national interests and environmental concerns for their own priorities. China's involvement with this region has the potential to either exacerbate or mitigate these tendencies.

This chapter offers some key points of reference in the trajectory of the Sino-Latin American relationship, outlines the current patterns of engagement, and concludes with a view on future developments. The scholars referenced are the most consistent observers of this relationship over the past ten years and are recommended as sources for further reading.

### History and the Shadow of the Monroe Doctrine

Historically traceable contact between China and LACs began with trade during the early Spanish colonial empire in the second half of the 16<sup>th</sup> century and continued for more than three centuries by means of the Manila Galleons that carried Mexican silver to the Philippines which then paid for goods from China and shipped to Europe (Connelly and Cornejo 1992). Documented contact between China and the countries of Latin America dates to the Qing Empire in the century of its gradual decline, which coincided with a newfound independence of most of Latin America. Foreign

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influence continued to be strong in economic, political and sometimes even military terms, for the liberators, educated in the European tradition, continued to look to the West, principally to the United States. In 1823, shortly after the Spanish and Portuguese had been driven out, the government in Washington pronounced the Monroe Doctrine, which proclaimed the region as its sphere of influence.

Nonetheless, the nineteenth century saw the first occasion for the China of the Qing dynasty and a number of Latin American countries to look each other in the eye: a confluence of trends led to the emergence of the 'coolie trade' from China to the plantations and early infrastructure projects of Latin America. The first trend was the chaos, poverty and death of tens of millions in rural China, due to social crises exacerbated by foreign intrusion. The second was the need for cheap labour in Latin America as a consequence of the phasing out of black slavery. The land-owning elites were in need of someone to do the hard labour they were unwilling to do themselves, leading to the importation of several hundred thousand 'coolies' from South China (McKeown 2001): forced emigration of almost exclusively male workers for the sugarcane plantations of Cuba and Jamaica, the silver mines, coastal plantations and guano collecting industry of Peru, and a little later, the Panama Canal project. The miserable treatment many suffered during transport and at their destination forced a reluctant and inward-looking Qing government to negotiate its first formal relations with several Latin American countries: the first of these was Peru in August of 1875, followed by Brazil in 1881, and Mexico in 1899. After the foundation of the Republic of China in 1912, the new government inherited the relations established, and these remained firmly in the hands of Nationalist China even after it fled the People's Liberation Army to Taiwan in 1949.

Following the establishment of the PRC, Cuba was a distant first in the region to recognise Communist China. In 1960, President Osvaldo Dorticos Torrado became the first Latin American head of state to pay an official visit to Beijing. The relationship also led to commercial exchanges, with Cuba in the 1960s representing over three-quarters of China's trade with Latin America. On the flipside, Cuba's political position undermined relations with the remaining countries of the region, most of which were decidedly anti-communist. Contact with other countries in the region was limited to cultural diplomacy: acrobats and dancers left a deep impression on generations of the Latin American public, while political groups of all persuasions were invited to Beijing and were enthralled to shake hands with the Communist Party's top leadership. Left-wing insurgents were inspired by Mao Zedong's guerrilla warfare techniques, but there seems to have been no open engagement or training in the 1960s or 70s. China also sponsored the translation and publication of Chinese literature and political texts into Spanish, and of selected Latin American writers to a Chinese reading public. The Institute of Latin American Studies (ILAS) was founded in Beijing in 1961 to advise the government and has established itself as the key institution in China for the analysis of the situation in Latin America. It was closed in 1966 along with all other Chinese academic institutions, and only reopened cautiously in the late 1970s. It publishes the Chinese-language *Journal of Latin American Studies*, in six annual issues.

The thawing of relations between China and the US after 1971 had immediate repercussions in Washington's 'backyard', by implicitly allowing governments to engage more openly with Beijing. Peru, Chile, Argentina and Brazil were among the first in the region to establish formal diplomatic relations with Beijing. China's approach in the 1950s was founded on the principle of non-interference and aimed at building relationships with governments and oppositions regardless of party colour. As a result, not only did left-leaning governments such as Peru and Chile engage with the PRC, but so did right-wing autocrats. Many waited until the 1980s, after the US had recognized Beijing diplomatically. As of 2018, all but nine LAC countries had relations with Beijing.

## Opening-up and the One-China Policy

Between the beginning of Deng Xiaoping's market-oriented reforms in the late-1970s and 2016, China's GDP grew from less than one percent of the world economy to over 15%, and its share of global trade increased from less than one percent to almost 12% (Wu 2013). This growth has been taken by many as evidence that rapid and sustained economic development under non-democratic leadership could both dramatically reduce poverty levels and improve living standards for hundreds of millions of people – and do so more effectively than democratic countries. China's experiences with economic development stand in stark contrast to the absence of such sustained and positive growth in Latin America over the same time period (Kay 2002). With growing confidence, China began to actively nurture its relations with Latin America and welcomed the gradual shift in official recognition from Taipei to Beijing

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from most remaining South American countries, regardless of the ideological leanings of individual governments. At the end of 1985, Premier Zhao Ziyang embarked on what was the first high-level leadership visit from China to Latin America, visiting Colombia, Venezuela, Brazil and Argentina. His discourse was couched in terms of 'Third World' friendship and emphasised the need to strengthen South-South dialogue, while reiterating a commitment to the Five Principles of Peaceful Coexistence. This rhetoric continues to define the political discourse to this day.

Despite these developments, the physical distance and the incipient diplomatic relations, alongside the relative sway that Taiwan has continued to hold over the majority of Central American and Caribbean countries, meant that commercial and political exchange grew only very gradually. Even after the end of the Cold War, the United States has continued to be wary of left-wing governments in Latin America, and China's 'no-strings-attached' policy for loans and investment has been perceived as tacit tolerance of those governments antagonistic to the US. While commercial activities are wide-ranging and move in both directions, the investment has been largely unilateral, from China to the region. China's earliest inroad to large-scale overseas investment was the acquisition of Latin America's largest iron mine, Hierro Peru, in 1992 (Ellis 2014). For almost two decades, the purchase was China's largest outlay of foreign direct investment in Latin America, and Peru's first large-scale privatisation. This endeavour notwithstanding, at the beginning of the millennium Latin America was the least important region of the world in terms of Chinese overseas investment, but this situation has changed dramatically in the following decade. China was soon seen to have a largely positive impact: both directly, through an export boom, and indirectly, through better terms of trade (Creutzfeldt 2012).

## Nurturing Diversity with a Single Strategy

Since these cautious beginnings, the relationship between the People's Republic of China and Latin America has grown apace. At the end of 2008, Beijing published its first policy paper on Latin America and the Caribbean, a canvas of intentions that set out broad terms for bilateral cooperation, invariably described as a 'win-win situation' (Roett and Paz 2016). The Chinese leadership has made numerous overtures to the governments of the region in the past few years. One of the most noteworthy was the speech by Premier Wen Jiabao at the UN's Economic Commission for Latin America and the Caribbean on 26 June 2012. Wen's address, under the heading 'Trusted Friends Forever', raised the character of the transpacific relationship to an almost poetic level. He reached back to the Inca and Aztec cultures to draw parallels with China's own millennial history and quoted great literary figures. He then laid out four proposals for furthering cooperation: political links, economic development, food security, and human and scientific exchange. These proposals were backed up with loans, funding, and financial targets.

The government of Xi Jinping has continued the pattern of annual visits to the region, and augmented incentives for cooperation and the targets for trade and investment. In the course of the year 2014, the most emblematic institution of the ever-closer relations between China and Latin America came into being, in the form of the China-CELAC Forum, and in January 2015, Xi hosted the inaugural ministerial summit in Beijing. Political institutional linkages have been growing in parallel, the People's Republic is now a member of the Asia Pacific Economic Council (APEC) which also includes Chile, Mexico, Panama and Peru, and became a shareholder in the Caribbean Development Bank in 1998 and the Inter-American Development Bank (IADB) in 2009. China enjoys observer status in the Latin American Integration Association (ALADI), the Latin American Parliament, the UN's Economic Commission for Latin America and the Caribbean (ECLAC), and the Pacific Alliance. It is also in permanent dialogue with regional economic organisations: Mercosur, the Community of Andean Nations (CAN) and the Caribbean Community (Caricom). The Chinese government has initiated bilateral dialogue forums, such as the China-Latin America business summit (since 2007, under the auspices of the China Council for the Promotion of International Trade, CCPIT), the China-Latin America Think Tank Forum (since 2010, sponsored by the Institute of Foreign Affairs, CPIFA), and perhaps most significantly, the China-CELAC Forum.

Accompanying this thickening of contacts persists a sense of competition, more acutely felt in countries with a significant manufacturing sector such as Mexico, Brazil, and to some extent Colombia. This has led to concerns by analysts and policy-makers over a renewed deindustrialisation of Latin American economies and an over-reliance on low value-added commodity exports (Strauss and Armony 2012). Others point out that natural resources are not a curse, but constitute a significant asset if revenues are reinvested to physically link their economies by investing in

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infrastructure, and education can be channelled into value-added industries (see Ray et al. 2016). Questions linger over whether Latin American governments are in fact able to take proper advantage of the opportunity (Ferchen 2011). The perceived threat versus potential is complicated by xenophobic fear-mongering; something Enrique Dussel Peters has noted is that a growing racism towards persons of Chinese descent is evident in Latin America and Mexico, especially in entrepreneurial circles (Dussel Peters 2015).

## The Road Ahead

Shortly after the US electoral upset in November 2016, Beijing made public its second policy paper for engagement with Latin America and the Caribbean, intending to send the world a reassuring signal in times of turmoil. The new document is a third longer than its predecessor and builds on the strength of many years of growing investment and bilateral trade, new multilateral institutions, strategic frameworks and forums for better cooperation instigated by China (2016).

The text is emphatic about the idea of collaboration and makes explicit the desire to work together in every field of human activity, ranging from industrial and technological development to military, political, cultural, educational and environmental efforts. China's foreign policy is consistently driven by its domestic needs: political stability, sovereign security, and sustainable development. Its Latin America strategy is no exception: it underscores that the development of China is possible only if other developing countries share this goal and are part of a joint process (Myers and Wise, 2016). It conjures up a 'new phase' that reflects Beijing's goal of sharing its development experience with another region of the world, combined with a drive to transfer its excess financial and industrial capacity abroad.

Both of these goals should be welcomed by Latin American governments. Apart from the proven Chinese expertise in the building of roads and railways, ports and energy plants – undeniable necessities for economic and social progress – China is now at the forefront globally in renewable energy sources and industry guidelines for sustainable development. The environmental standards set by the Chinese industry groups are now among the most stringent in the world, and Chinese officials are actively exploring new approaches and standards for corporate social responsibility and political risk analysis.

Latin America, despite the physical distance, has been officially included in the Belt & Road Initiative. The now annual leadership visits include countries from across the political spectrum, with Premier Li Keqiang visiting both Colombia and Cuba in May of 2015, and the November round of countries including both Pacific Alliance and ALBA member nations; in Ecuador, President Xi inaugurated the Coca-Codo hydroelectric dam and signed a new investment agreement with President Rafael Correa; in Peru he met with newly-elected president Pedro Pablo Kuczynski after the two-day APEC summit hosted there; and in Chile, alongside his counterpart Michelle Bachelet, he oversaw the signing of a dozen cooperation agreements.

China trades in many things, but continuity and words backed by a record of strong economic data, are importantly amongst them. At a time of instability in global politics and with the new leadership of the United States questioning fundamental premises of the international system, the continuity of China's declared commitment to the socioeconomic advancement of countries in Latin America, the Caribbean, and elsewhere, offers some cause for optimism.

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