

China's New Leadership and the New Development of China-Latin America Relations

Jiang Shixue

Abstract: Before China's current leadership was established at the 18th Congress of the Communist Party of China in November 2012, China's relations with Latin America had already been proceeding rapidly and steadily. The way the new Chinese leadership is promoting the bilateral relationship reflects China's increasing engagement with both developed and developing countries, aiming to generate win-win results on the basis of creating and consolidating various partnerships. In the new era, with a new partnership, a new road map, and a new forum, China-Latin America relations are expected to proceed with greater momentum. In the meantime, there will be new problems and challenges to tackle in order to realize the many visions and resolves of leaders on both sides.

Keywords: China-Latin America relations; China-CELAC Forum; foreign policy.

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At the 18th Congress of the Communist Party of China (CPC) in November 2012, Xi Jinping was elected as General Secretary of the Central Committee. At the 12th National People's Congress (NPC) in March 2013, Xi Jinping and Li Keqiang became China's President and Premier, respectively. With this, the whole process of Chinese leadership transition was completed.

The new leadership has maintained the general principle of China's foreign policy that had been implemented by Xi Jinping's two predecessors, i.e., Jiang Zemin and Hu Jintao. Given the fact that the world is always changing, however, some fine-tuning adjustments are necessary. It is believed that the new leadership have paid more attention to international diplomacy, giving the impression to the outside world that China is more active, more assertive, and more vocal on the world stage. Latin America is an important part of the world. Before Xi Jinping and Li Keqiang came to power, China's relations with Latin America had already been proceeding rapidly and steadily. Xi Jinping's two trips to the region in 2013 and 2014 as well as the first ministerial meeting between China and the Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC) in early 2015 have further upgraded the position of the region in China's diplomacy.

This paper will first present an overview of the past development of China's relations with Latin America, and then try to look at the latest progress of their bilateral ties with China's new leadership. Finally, it will analyze the new problems and challenges of this South-South relationship in the future.

New "Discovery" of the "New World"

It is well known that Christopher Columbus arrived in the "New World" in 1492. But some Chinese scholars claimed that Zheng He, a Chinese sailor, "discovered" it in 1421, seventy-one years earlier than the European explorer. Their argument was supported by Gavin Menzies, a British author and retired submarine lieutenant commander, in his controversial book titled *1421: The Year China Discovered the World*.¹

¹Gavin Menzies, *1421: The Year China Discovered the World* (New York: Bantam, 2002).

No matter who first set foot in the Americas, there is no doubt that, by the time Xi Jinping and Li Keqiang came to power, China had already developed very close ties with the region. The most notable examples include:

- Exchanges of high-level visits were frequent. President Hu Jintao and Vice President Zeng Qinghong went to Latin America within a short interval of two months at the end of 2004 and in early 2005, and President Hu Jintao and Vice President Xi Jinping did the same at the end of 2008 and in early 2009.
- In 2008, China published a policy paper concerning Latin America. In the paper, China confirmed cooperation in a wide range of fields, including international affairs, judicial and police affairs, science and technology, education, medicine, climate change, disaster relief and exchanges between militaries, legislatures, local governments, political parties and high-level officials. Prior to this, China had only published two other policy papers, one for the European Union in October 2003 and the other for Africa in January 2006.
- Bilateral trade had grown from US\$12.6 billion in 2000 to US\$261 billion in 2013.² Investment flows had also been on the rise. As a matter of fact, China had replaced the United States as the largest trade partner of several Latin American countries'. Other types of economic cooperation such as currency swap and infrastructure constructions, etc., also increased significantly.
- China joined the Inter-American Development Bank (IDB) in 2009. Founded in 1959, the IDB is the world's biggest regional development bank and the lead source of long-term financing for Latin America and the Caribbean. It has 48 member countries, of which 26 are borrowing member countries from Latin America and the Caribbean.
- In May 2004, China acquired the status of Permanent Observer to the Organization of American States, the most influential Pan-American organization in the Western Hemisphere.
- China signed free trade agreements (FTA) with Chile, Peru, and Costa Rica. In fact, the first country with which China reached an FTA was

²National Bureau of Statistics, China, *China Customs Statistical Yearbook 2000* (China Customs Press, 2001); *China Customs Statistical Yearbook 2013* (China Customs Press, 2014).

Chile. The signing ceremony took place on November 18, 2005 and it went into effect on October 1, 2006. In April 2008 an FTA covering service trade was signed between the two nations.³

- The CPC enjoys working relationships with more than ninety political parties in the region, accounting for one-sixth of all the parties that have this relationship with China all over the world, despite the different political orientations of these parties.⁴
- Government dialogue mechanism and political partnership with different labels were established between China and several Latin American countries and also such organizations as Mercosur, the Rio Group, and the Andean Community.
- The China-Caribbean Economic and Trade Cooperation Forum was set up in 2005 and the China-Latin America Business Summit in 2007.
- In October 2004, a 95-member unit of officers from China's riot police force was sent to Haiti to join the United Nations peacekeeping operation there. That was the first time China had included members of its riot police force in overseas peacekeeping missions. Its task was to support the international peacekeeping presence and local police in enforcing laws, dealing with mass public security emergencies, serving as guards on important public occasions, as well as organizing and training a local riot police.
- Military diplomacy and conventional arms sales increased. But the nature of this cooperation and exchanges was peaceful and non-strategic, posing no threat to the United States.⁵
- China launched satellites for Brazil, Venezuela, and Bolivia for non-military purposes.
- Cultural agreements were signed and people-to-people ties were flourishing. More than one hundred pairs of sister city and sister province relationships had been established between the two sides. Apart from sending artists to Latin America and organizing cultural exhibitions there, China also hosted various delegations of diplomats, government officials, military officers, journalists and scholars, etc., from the region. In

³See China FTA Network, http://fta.mofcom.gov.cn/chile/chile_xieyibeijing.shtml.

⁴http://www.china.com.cn/international/txt/2012-08/07/content_26156993.htm.

⁵Gabriel Marcella, "China's Military Activity in Latin America," *Americas Quarterly*, Winter 2012. <http://www.americasquarterly.org/Marcella>.

addition, more and more people there are learning the Chinese language with growing interest.⁶

The rapid development of the bilateral relations has stimulated much discussion in the West regarding China's motivations. Andres Oppenheimer, a columnist of the *Miami Herald*, for example, made the following remarks about President Xi Jinping's trip to Brazil, Argentina, Venezuela, and Cuba in July 2014: "Chinese President Xi Jinping promised new trade and investment deals that he said will lift China's booming economic ties with the region to new heights. Many Latin American leaders hailed it as great news amid their countries' economic slowdowns. But the latest trade figures tell a different story, and suggest that the biggest news about Xi's visit may be political, rather than economic." The American journalist even suggested that it might be China's way of telling the United States, "You move into my neighborhood, I'll move into yours." "Whatever it is, Xi's visit may turn out to be more important for political than economic reasons."⁷

China has no intention whatsoever to challenge the U.S. traditional "sphere of influence" in Latin America.

As a matter of fact, China has no intention whatsoever to challenge the U.S. traditional "sphere of influence" in Latin America. During his trip to Beijing in August 2010 for the fourth round of talks between China and the U.S. on Western Hemisphere issues under the framework of the China-U.S. Strategic and Economic Dialogue, Arturo Valenzuela, Assistant Secretary of State for Western Hemisphere affairs, and the Obama administration's top diplomat for Latin America, told reporters that "We don't see China as a threat." "It (China) certainly is not of concern, it certainly is not a threat. . . In fact, we see China providing Latin America with many more opportunities to grow their economies, to provide better jobs, to increase

⁶By early 2015 China has signed cultural agreements with nineteen Latin American countries and set up thirty-one Confucius Institute and ten Confucius classrooms in fourteen countries there. http://news.xinhuanet.com/world/2015-01/05/c_1113884997.htm.

⁷Andres Oppenheimer, "China is Flexing its Muscle in Latin America," *Miami Herald*, July 19, 2014, <http://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article1976079.html>.

the standard of living. . . We both benefit from a stable, prosperous Latin America that engages much more in world trade. . . So this is a win-win for both countries.”⁸

New Partnership, New Road Map, and New Forum

China's leadership changes at the end of the 1970s caused an abrupt policy reorientation. After Deng Xiaoping came to power in 1977, China started to implement the strategy of reform and opening up to the outside world the next year. This significant turnaround took place almost immediately after the ten-year disaster of the “cultural revolution” (1966–1976) ended. The reform and opening up of China were further deepened in the 1980s and 1990s by the subsequent leaders of the CPC and the government. The general trend remains the same despite the fact that there are some fine-tuning adjustments in some areas including foreign policy.

When Hu Jintao was elected General Secretary of the CPC Central Committee at the 16th CPC Congress in November 2002, the whole framework of China's internal and external policies had been fully institutionalized and there was no necessity to undertake a significant policy shift at that time.

In his report to the 18th CPC Congress in November 2012, Hu Jintao outlined the major principles of China's foreign policy: (1) Promoting cooperation with other countries in all fields on the basis of the Five Principles of Peaceful Coexistence;⁹ (2) participating in multilateral affairs by supporting the United Nations, the Group of Twenty (G20), the Shanghai Cooperation Organization, BRICS, and other multilateral organizations; (3) advocating peaceful settlement of international and regional disputes, rejecting all forms of hegemonism and power politics, and refraining from interfering in other countries' internal affairs; and (4) encouraging public diplomacy as well as people-to-people and cultural exchanges.

⁸Zhang Ting, “China ‘not a threat’ in L. America,” *China Daily*, August 19, 2010. http://www.chinadaily.com.cn/china/2010-08/19/content_11173376.htm.

⁹The Five Principles of Peaceful Coexistence are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

It is believed that China under Xi Jinping's leadership will continue to follow these general principles of its foreign policy. However, given the fact that the world is changing all the time, it is logical and necessary to adjust its domestic and foreign policies so as to adapt to the external conditions.

When Xi Jinping came to power, the world was still in the process of moving in the direction of multi-polarity along with the rapid development of economic globalization. However, the world is rapidly transforming, with the following phenomena affecting China's national security posture: First, with the rapid rise of its national strength in economic, political, and military terms, China has been asked by the West to undertake more global responsibility; second, the United States wishes to "pivot" or "rebalance" toward Asia; third, China's national security and territorial integrity is under threat; and finally, the emerging economies have created great impact on the formation of a new world order.

Faced with these changes in the world situation, China's new leadership seems to have undertaken a more active and more confident stance in its diplomacy. Since China's new leadership was elected at the 18th CPC Congress in November 2012, Xi Jinping and Li Keqiang have made seventeen foreign trips, setting foot on more than fifty foreign countries, and seven out of them are Latin American countries, i.e., Trinidad and Tobago, Costa Rica, Mexico, Brazil, Argentina, Venezuela, and Cuba.¹⁰ From the two visits, along with other diplomatic endeavors toward Latin America, the following new characteristics can easily be discerned.

A New Partnership

Any bilateral relationship can reach a certain degree of affinity or antagonism. In China's diplomatic vocabulary, "partnership" is the word to describe its close relations with other nations around the globe, and interestingly enough, this partnership can have different modifiers.

So far China has established seventy-two partnerships with sixty-seven countries and five regions. The highest degree in the category of relationship within China's system of designations is the so-called comprehensive strategic partnership. During his trip to Europe in May 2004,

¹⁰Xi Jinping's first official visit to Latin America took place in May 2013, and the second one within less than one year.

then Chinese Premier Wen Jiabao explained the definition of the comprehensive strategic partnership with the European Union. According to the Chinese leader, “comprehensive” indicates that the bilateral cooperation covers overall areas at different levels; “strategic” means that the cooperation entails long-term stability in spite of the differences in ideology and social system, as well as beyond the influence of any external factors; and “partnership” implies that the cooperation is based on mutual respect, mutual benefit, mutual trust, and the principle of win-win interactions.¹¹

There is no consensus on the nature of a partnership with or without the adjective “strategic.” Some say that by announcing the establishment of the strategic partnership, the whole process is already completed. But others argue that it is only a vision, not a reality. Reflecting on the “comprehensive strategic partnership” between China and the EU, a European scholar said, “The EU and China have never created [such] a strategic partnership, but it has been established as a goal, or even more, as a process, a long-term process.”¹²

When Chinese Vice Premier Zhu Rongji visited Brazil in May 1993, the two countries decided to establish a strategic partnership.¹³ In fact, Brazil was the first country in the world to be designated a “strategic partner” by China. Moreover, when Chinese Premier Wen Jiabao visited Brazil in June 2012, the two countries upgraded their ties to the level of comprehensive strategic partnership.

Apart from Brazil, China has established various types of partnership with many other Latin American countries (See Table 1).

China’s Policy Paper on Latin America and the Caribbean, published in November 2008, just a few days before Chinese President Hu Jintao arrived in Latin America, declared, “The Chinese Government views its relations with Latin America and the Caribbean from a strategic plane and seeks to build and develop a comprehensive and cooperative partnership featuring

¹¹<http://www.china.com.cn/chinese/zhuant/wjbfo/563579.htm>

¹²Fu Jing, “Time to walk the talk,” *China Daily*, October 12, 2012, http://europe.china-daily.com.cn/epaper/2012-10/12/content_15813233.htm.

¹³The former Chinese Ambassador to Brazil, Chen Duqing, recalled that Zhu Rongji said to Luiz Felipe Lamprea, Acting Brazilian Foreign Minister, “China and Brazil are two big countries. So we need to look at our relations from a strategic height.” The Brazilian host replied, “Yes, we can establish a strategic partnership.” Chen Duqing was the translator for the meeting. <http://gb.cri.cn/42071/2014/07/10/6071s4610236.htm>.

Table 1. China's Partnership with Latin America and the Caribbean Countries.

Country	Names of the Partnership
Argentina	Comprehensive cooperation partnership, April 2001. Strategic partnership, November 2004.
Brazil	Comprehensive strategic partnership, July 2014. Strategic partnership, November 1993.
Chile	Comprehensive strategic partnership, June 2012. Comprehensive cooperation partnership, November 2004.
Costa Rica	Strategic partnership, June 2012.
Ecuador	Strategic partnership, January 2015.
Guyana	Strategic partnership, January 2015.
Jamaica	Friendly partnership of common development, February 2005.
Mexico	Friendly partnership of common development, February 2005.
Peru	Strategic partnership, December 2003. Comprehensive strategic partnership, June 2013. Comprehensive cooperation partnership, January 2005.
Venezuela	Strategic partnership, November 2008. Comprehensive strategic partnership, April 2013.
Trinidad and Tobago	Strategic partnership of common development, April 2001. Comprehensive strategic partnership, July 2014.
	Friendly partnership of Mutually Beneficial development, January 2005.

Source: Chinese Ministry of Foreign Affairs. Author's summary from http://www.fmprc.gov.cn/mfa_chn/gjhdq_603914/gj_603916/.

Latin America's attitudes toward enhancing partnership with China did not change until Xi Jinping visited Brazil in July 2014.

equality, mutual benefit, and common development with Latin American and Caribbean countries."¹⁴ But it seemed that at that time Latin America was not enthusiastic about China's call for the creation of such partnership. Therefore, it was only China's own wishful thinking.

Latin America's attitudes did not change until Xi Jinping visited Brazil in July 2014. At China's suggestion, the first-ever China-Latin America and the Caribbean Summit was convened in Brasilia on July 17, 2014. In his speech at the meeting, Xi Jinping said,

"I propose to jointly announce the establishment of the China-Latin America

¹⁴"China's Policy Paper on Latin America and the Caribbean." http://www.gov.cn/english/official/2008-11/05/content_1140347.htm

comprehensive cooperative partnership of equality, mutual benefit, and common development.”¹⁵ This time the Latin American leaders responded positively. In the Joint Declaration of the Meeting between the Chinese and Latin American Leaders, it was stated that, as members of the developing world, China and Latin America are faced with the common objective of development amidst global challenges and there is a need to “declare that China and Latin America will establish a comprehensive cooperative partnership of equality, mutual benefit, and common development.”¹⁶

Indeed, building a comprehensive cooperative partnership between China and Latin America is not a one-way street. Leaders from many counties in the region have also recognized the need to strengthen their relations with China, whose growing international trade plays an increasingly important role in the situation of their economies. Economists from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the multilateral organization that exerts the greatest influence upon the region’s economic policies, acknowledge that, for Latin America and China, “[r]elations are mature enough to take new steps towards a strategic and mutually beneficial link.” They urge Latin America to take actions. “What seems to be most urgent is for governments in the region to frame a regional agenda on trade, investment, infrastructure, logistics, tourism and technology exchanges to form a basis for a strategic approach to China. This way, China’s robust economic growth could help to induce a strong, steady — and more sustainable — pattern of innovation among China and Latin America and the Caribbean: Building a strategic economic and trade relationship,” according to the ECLAC economists.¹⁷

A New Road Map

Every Chinese leader tends to make some recommendations for the development of bilateral relations between China and foreign countries,

¹⁵Chinese Ministry of Foreign Affairs, http://www.fmprc.gov.cn/mfa_eng/wjlb_663304/zjzg_663340/lmzs_664952/xwlb_664954/t1176650.shtml.

¹⁶Chinese Ministry of Foreign Affairs, http://www.mfa.gov.cn/mfa_chn/ziliao_611306/zt_611380/dnzt_611382/xzxcxhw_668266/zxxx_668268/t1175758.shtml.

¹⁷Oswaldo Rosales and Mikio Kuwayama, “China and Latin America and the Caribbean: Building a Strategic Economic and Trade relationship,” (Santiago: ECLAC, United Nations, April 2012), p. 224.

including Latin America. In his speech at the UN Economic Commission for Latin America and the Caribbean on April 6, 2001, Chinese President Jiang Zemin said that, in order to promote bilateral relations between China and Latin America, the following actions must be taken by both sides: (1) to deepen mutual understanding and mutual respect so as to become trustworthy friends; (2) to facilitate mutual consultations and support each other so as to safeguard the mutual interests on the world stage; (3) to promote mutual benefits and seek common development so as to expand bilateral economic relations; and (4) to face the future with a long-term vision so as to develop a partnership of comprehensive cooperation.¹⁸

Addressing the Brazilian Congress on November 12, 2004, President Hu Jintao proposed three measures to boost ties between China and Latin America: (1) to deepen strategic consensus and mutual trust; (2) to develop the potential of cooperation in an innovative way; and (3) to strengthen mutual understanding through more cultural exchanges.¹⁹

At the meeting with Latin American and Caribbean leaders in Brasilia, Xi Jinping also outlined China's road map of further promoting bilateral relations between China and Latin America. The strategy is composed of five elements: (1) equal treatment and sincere help for each other; (2) mutually beneficial cooperation for the purpose of common development; (3) deeper mutual understanding through more exchanges and consultations; (4) more cooperation in the international arena; and (5) more cooperation with the region of Latin America as a whole as well as with its individual nations.

The five-point road map to push the relationship forward is very detailed and specific. The most notable component is the so-called "1 + 3 + 6" cooperation framework. "1" translates to "one plan," i.e., the bilateral cooperation plan to be made for the five years from 2015 to 2019; "3" means "three engines" for economic exchanges, i.e., trade, investment, and financial cooperation²⁰; and "6" refers to "six priorities" for cooperation, i.e., energy

¹⁸Jiang Zemin's speech to the ECLAC, *People's Daily*, April 7, 2001, <http://www.people.com.cn/GB/shizheng/16/20010407/435206.html>.

¹⁹Hu Jintao's speech at the National Congress of Brazil, *Xinhua News Agency*, November 13, 2004, http://news.xinhuanet.com/newscenter/2004-11/13/content_2213620_1.htm.

²⁰as the impetus, striving to promote China-Latin America trade to scale up to US\$500 billion and the investment stock to Latin America up to US\$250 billion within ten years and promote the expansion of local currency settlement and currency swap in bilateral trade.

and natural resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies.

China agrees to make economic contributions to realize the “1 + 3 + 6” framework. President Xi Jinping mentioned three impressive numbers in his speech at the China-Latin America summit: (1) China would set up a special credit line of US\$10 billion for improving Latin American infrastructure, which would expand to US\$20 billion in the near future; (2) China would provide US \$10 billion of concessional loans for Latin American and Caribbean countries, and launch the China-Latin America Cooperation Fund with a commitment to invest US\$5 billion; and (3) China would allocate US\$50 million for a special fund for agricultural cooperation. In addition, China would establish a program for scientific and technological partnership and also an exchange program for young scientists.

According to President Xi Jinping’s speech, in order to strengthen mutual understanding in the next five years, China agrees to provide Latin America and the Caribbean with 6,000 government scholarships; train 6,000 Latin American professionals in China; enroll 400 on-job post-graduate students into Chinese universities; invite 1,000 political party officials to visit China; and launch a training program titled “the Future Bridge” for 1,000 Chinese and Latin American young people in 2015.

China has recognized the importance of promoting cooperation with Latin America on global issues. In the post-Cold War era, multilateral organizations have been playing a more important role. On the one hand, there are so many global issues facing both China and Latin America; on the other, both sides are important players on the world stage. Consequently, there are many opportunities for cooperation in the United Nations, World Trade Organization, Asia-Pacific Economic Cooperation, the Group of 20, the Group of 77, etc.

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A New Forum

Cooperation between China and the region of Latin America as a whole, i.e., multilateral diplomacy, is no less important than that between China

and the individual countries, i.e., bilateral diplomacy, particularly after CELAC came into being in December 2011.

For the first time in history, thirty-three countries in Latin America and the Caribbean set up an organization of their own.²¹ Though it is still in its infancy, its prospects are promising. In other words, it can be predicted that this regional organization will play a significant role in participating global governance as well as managing regional affairs. Therefore, it is a good idea for China to develop close relations with the organization.

The first step toward this end is encouraging. At the second CELAC summit in Havana, Cuba, on January 28–29, 2014, a special declaration on the establishment of the China-CELAC forum was approved. The declaration acknowledged that over the last decade there has been a “sustained increase in political relations, trade, investment, science and technology, culture, education and other fields” between China and Latin America and the Caribbean, which would “promote relations, based on respect, equality and mutual benefit, free of all conditionality” between the two sides.²²

China attaches great importance to this forum. Meeting with a visiting delegation of CELAC’s “Quartet”, i.e., its three rotating presidents of the previous year, current year and following year as well as the representative of the Caribbean Community, Chinese foreign minister Wang Yi said that the establishment of the forum conformed to the global trend of multipolarity and regional cooperation, and helped China and Latin American

²¹The first Summit of Latin America and the Caribbean held in Salvador de Bahia, Brazil, on December 17, 2008, and the Unity Summit, held in Cancun on February 23, 2010, decided to launch the Community of Latin America and the Caribbean States (CELAC). It was officially established by the Caracas Declaration at the first CELAC summit in Caracas, Venezuela, on December 3, 2011. The Caracas Declaration declares, “In accordance with the original mandate of our Liberators, CELAC must move forward in the process of political, economic, social and cultural integration, based on a wise equilibrium between the unity and diversity of our peoples, so that the regional integration mechanism can become the ideal space to express our rich cultural diversity and also the forum to reaffirm the Latin American and the Caribbean identity, our common history and our ongoing struggles for justice and liberty.”

²²CELAC, Special Declaration on the Establishment of The China-CELAC Forum, <http://celac.cubaminrex.cu/en/articles/special-declaration-establishment-china-celac-forum>.

countries strengthen equal and reciprocal cooperation, and maintain the common interests of developing countries.²³

Even a small country like Guyana also welcomes the birth of the China-CELAC forum. In an interview with China's Xinhua News Agency in August 2014, Guyanese President Donald Ramotar said, "China has shown great desire to be a real partner and genuine interest in developing the capacity of the people of Latin America and the Caribbean. So we see this new development and initiative as extremely important and most welcome for the people of this region."²⁴

The first ministerial meeting of the Forum was held in Beijing during January 8–9, 2015. President Xi Jinping, Costa Rica's President Luis Guillermo Solís, Ecuador's President Rafael Correa Delgado, Venezuela's President Nicolás Maduro Moros, and the Bahamas' Prime Minister Perry Christie attended the opening ceremony of the two-day meeting. According to a Xinhua report, twenty foreign ministers from members of CELAC, along with the representatives from ECLAC, IDB, and the Development Bank of Latin America (Corporación Andina de Fomento) participated in the gathering. At the end of the meeting three major documents, i.e., the Beijing Declaration, a five-year cooperation plan and functioning regulations of the Forum, were adopted. The next meeting will be held in Chile in 2018.

The most impressive point made by President Xi Jinping during his address to the forum at its opening ceremony was the projection of how China's economic engagement with Latin America would expand in the future: Within a decade bilateral trade between the two sides is expected to be US\$500 billion and Chinese investment in the region will grow to US \$250 billion in the stock. Nonetheless, given the declining economic growth rate in China and the sluggish recovery in Latin America and the Caribbean, it is by no means an easy task.

²³The Quartet comprises the current rotating chair of the CELAC, its previous rotating chair and its next rotating chair — Costa Rica, Cuba and Ecuador, respectively — as well as representatives from the Caribbean Community. "Chinese FM meets CELAC Quartet delegation." http://www.china.org.cn/china/Off_the_Wire/2014-04/04/content_32008207.htm.

²⁴"Interview: China-CELAC Forum 'extremely important' for LatAm: Guyanese President," <http://english.cntv.cn/2014/08/12/ARTI1407842950173206.shtml>.

Another interesting aspect of the Forum is related to the relations between mainland China and Taiwan. It was reported that representatives from those twelve countries that have no diplomatic relations with China attended the Forum. It is still not clear whether this Forum would generate any impact upon the cross-Taiwan strait ties in the future. But some scholars in Taiwan have expressed their concern over the issue.²⁵

The new forum might have aroused concerns of some people in the United States as well. For instance, Evan Ellis, Research Professor with the Strategic Studies Institute of the U.S. Army War College, and the most prolific author in the United States on the topic of China-Latin America relations, believes that the China-CELAC forum has posed some challenges to the United States by providing China with an opportunity to build some of its most significant relationships in the region of Latin America and the Caribbean around a core of anti-U.S. states. "As the PRC (People's Republic of China) pursues its relationships with Latin America through both multilateral forums and bilateral engagements, its actions impact the strategic position of the United States in the region."²⁶

New Problems and New Challenges

Regrettably, with the rapid growth of bilateral trade, many Latin American countries applied anti-dumping and other practices to keep Chinese products out of their markets. Actually, Latin America and the European Union are the two partners that employ most of the protectionist measures against China, although the percentage of Chinese exports affected by these measures account for a very tiny proportion.

In some cases Latin American countries do not follow the rules of the World Trade Organization when they employ anti-dumping measures. Moreover, the anti-dumping tariffs are very high. In an extreme case in the

²⁵Yang Jianping, "Lu Zhuoli Lamei Waijiao Tai Bixu Jiji Yingdui" [Taiwan Needs to Actively Deal with the Mainland's Stronger Efforts to Deepen Its Relations with Latin America] *China Times*, January 9, 2015, <http://www.chinatimes.com/newspapers/201501090001061-260310>.

²⁶Evan Ellis, "The China-CELAC Summit: Opening a New Phase in China-Latin America-U.S. Relations?" *The Manzanilla Report*, January 13, 2015, <http://www.manzillareport.com/index.php/world/945-the-china-celac-summit-opening-a-new-phase-in-china-latin-america-u-s-relations>.

1990s, for instance, Mexico charged more than 1,100% of this tariff against Chinese shoes, tantamount to banning imports totally.

Another problem involves the trade balance. Some Latin American countries reportedly suffer from a deficit in their trade with China. Yet due to the different methods of calculation, the trade balance recorded by China and that reported by Latin American companies often differ dramatically. Take 2010 for example. China Customs put the surplus for China's trade with Mexico at US\$18.4 billion²⁷; but its Mexican counterpart believed it should be US\$51.2 billion, a difference as large as almost 400%.²⁸

This large difference is related to the fact that Mexico applies "rules of origin" in identifying imports, thus taking Chinese products imported from Hong Kong, Panama, etc., as importations from mainland China. In reality, however, many of the trade deals of these products belong to the category of "intermediary trade."

Another "old" problem is the "U.S. factor." It is well-known that some people in the United States are concerned over or even vigilant against China's presence in its "backyard." For instance, Dan Burton, former House representative from the State of Indiana and Chairman of the Subcommittee on the Western Hemisphere, said at a House hearing on April 6, 2005, "The traditional goals of United States policy in Latin America have always included promoting political stability, democracy, increasing access to markets, and preventing the rise of hegemonic power. Until we know the definitive answer to this question of whether China will play by the rules of fair trade, and engage responsibly on transnational issues, I believe we should be cautious and view the rise of Chinese power as something to be counterbalanced or contained, and perhaps go so far as to consider China's actions in Latin America as the movement of a hegemonic power into our hemisphere."²⁹

An article by Mary Anastasia O'Grady, published in the *Wall Street Journal*, suggested that "[t]he rise of China in the region could complicate

²⁷Chinese Foreign Ministry, <http://mds.mofcom.gov.cn/article/Nocategory/200812/20081205968699.shtml>.

²⁸http://187.191.71.239/sic_php/pages/estadisticas/mexicojun2011/Z3bc.e.html.

²⁹Hearing before the Subcommittee on the Western Hemisphere of the Committee on International Relations, House of Representatives, http://commdocs.house.gov/committees/intlrel/hfa20404.000/hfa20404_of.htm.

U.S. efforts to control illegal immigration, weapons shipments, the drug trade and money laundering because China is cooperating with Latin countries that are not especially friendly toward those efforts. Some of these nations may try to use the Chinese alternative to challenge U.S. Hegemony.”³⁰

According to the book titled *The Dragon in the Room: China and the Future of Latin American Industrialization* by Kevin Gallagher and Roberto Porzecanski, China is simultaneously out-competing Latin American manufacturers in world markets so much so that it may threaten the ability of the region to generate long-term economic growth. They also believe that 92 percent of Latin America’s manufacturing exports are under China’s threat although China’s rise has stimulated Latin American exports significantly.³¹

The aforementioned “old” problems and challenges are still there. And, in recent years, it seems that new problems and new challenges have surfaced. “New” because these problems and challenges were not so conspicuous some years ago, but now they are increasingly noticeable.

The first “new” problem and challenge is related to the image of China

With the growth of economic relations, the mentality of “China threat” or “fear of China” is spreading rapidly across the continent.

in Latin America. With the growth of economic relations, the mentality of “China threat” or “fear of China” is spreading rapidly across the continent. This mentality has two different dimensions, soft and hard.

The soft dimension stems from economic analysis with a benign intention to improve the economic relations between China and Latin America. The most notable example is the so-called “re-commodification” of the economic structures in Latin America.

According to Osvaldo Rosales and Mikio Kuwayama, economists from ECLAC, although the economies of South America have benefited greatly from their trade links with China, as reflected in improving terms of trade, rising international reserves, and

³⁰Mary Anastasia O’Grady, “The Middle Kingdom in Latin America”, *Wall Street Journal*, September 3, 2004.

³¹Kevin Gallagher and Roberto Porzecanski, *The Dragon in the Room: China and the Future of Latin American Industrialization* (Redwood City, CA: Stanford University Press, 2010).

higher economic growth rates, the downside to this process is a marked tendency toward “re-commodification” of the export pattern, something that is detrimental to both export diversification and the incorporation of more knowledge and technology content in exports. They even proposed that “the process of halting the ‘re-commodification’ of the export structure may justify a degree of protection for manufacturing industry, particularly in those of the region’s economies where the industrial fabric is denser.”³²

The hard dimension of the mentality of “China threat” or “fear of China” is groundless accusation or criticism, not simply complaining. In recent years it is increasingly linked to Chinese investment projects. On one hand, Latin American countries wish to see more Chinese investment, a realistic call which is compatible with China’s efforts to implement the so-called “Go Global” strategy;³³ on the other, they criticize Chinese investors for degrading their environment, keeping the local businesses out of the market, relying too much on Chinese workers, not creating enough employment, etc. “Imperialismo chino” [Chinese imperialism] is the term used most frequently in the Latin American newspapers. “Fuera chinos” [Chinese go home] can be heard from the protesters against Chinese investment projects.

Another “new” problem for China’s economic presence in Latin America is the so-called “country risk.” This is a collection of risks associated with doing business in a foreign country. These risks include political risk, economic risk, social risk, etc. Undoubtedly, in the eyes of foreign investors and traders, no country is free of country risks. But it must be acknowledged that in recent years “country risks” in Latin America seem to be on the rise, posing uncertainty to Chinese business activities in the region.

One recent example of “country risks” is the cancellation by the Mexican government of the bidding process for the Mexico City-Queretaro high-speed train project. Mexican President Enrique Peña Nieto announced at the start of his term in 2012 that his government would promote several rail line infrastructure projects to help boost the economy and improve

³²Oswaldo Rosales and Mikio Kuwayama, *China and Latin America and the Caribbean: Building a Strategic Economic and Trade Relationship*, p. 96; p. 118.

³³China’s “Go Global” strategy is to encourage more Chinese investment in developed and developing countries.

communication. On November 3, 2014, the China Railway Construction Corporation (CRCC) and a handful of Mexican construction firms won the bid to build Mexico's first high-speed train project. The 50.8-billion-pesos (US\$3.7 billion) project would involve building a bullet train line to connect the national capital of Mexico City with the growing industrial hub of Queretaro to the north by 2017. Upon completion, the bullet train service would cut travel time from about two and a half hours to less than one hour, with trains traveling at a maximum speed of 300 kilometers per hour.

Everybody in China was happy to hear the news in the first place, but later disappointed when Mexico abruptly revoked the tender that was expected to be given to the Chinese company. The explanation given by the Mexican side was that President Peña Nieto wanted to avoid "any doubts about the legitimacy and transparency" of the bidding process. But media reports revealed that the Chinese company was indeed the victim of an internal Mexican political struggle. The opposition claimed that Ingenieria Inmobiliaria del Centro, a firm owned by Grupo Higa, which is associated with the Chinese-led consortium that won the contract, owns a US\$7 million mansion occupied by the presidential family. The allegations surrounding the mansion are based on documents first reported by the Spanish-language website Aristegui Noticias.

Meeting with President Peña Nieto on November 11, 2014 in Beijing, Premier Li Keqiang said that the Chinese-Mexican consortium's winning the high-speed rail project bid was in accordance with Mexican bidding procedure and on the basis of its own competitiveness. He added, "This outcome is completely just and legitimate. We regret that the Mexican government annulled the bidding outcome. In view of the positive remarks of the Mexican side, the Chinese government will continuously encourage Chinese enterprises to participate in infrastructure construction projects including high-speed rail in Mexico, and hopes that the Mexican government will be impartial to Chinese enterprises, promote relevant bilateral cooperation for early and substantive results and also create favorable conditions for bilateral higher-level cooperation."³⁴

³⁴Xinhuanet, "Premier Li 'regrets' over Mexico's Scrapping of Rail Deal," *Xinhua News Agency*, November 11, 2014, <http://news.xinhuanet.com/english/china/2014-11/11/c.133782240.htm>.

No matter how the next bidding will end, the “Mansion-gate” scandal revealed that Chinese companies need to also consider political risks before they enter the Latin American market.

Economic risk in Latin America is no small matter either. Take Argentina for example. In the 2001–2002 financial crisis, it defaulted on its US\$144 billion debt. It reached agreement with almost 93 percent of creditors to restructure its debt, but 7 percent of them refused to cooperate. This small group of “holdout” creditors, also known as “vulture funds” or hedge-funds, demanded payment of about \$1.5 billion on bonds they bought cheaply after the 2001–2002 crisis. Argentina said it could not afford to do so, and accused them of using its debt problems to make a big profit. It defaulted again as it failed to meet the deadline set by a United States judge to make the payment at 4:00 GMT on July 31, 2014.

The “vulture funds,” as the name suggests, are greedy, only seeking high returns at bargain prices. China has not suffered from the default. But the dispute between Argentina and the “vulture funds” reveals that economic risk is far from absent in Latin America.

In early December 2014 a news story about Venezuela’s attempt to repay China’s debt with an island stirred the nerves of many Chinese. Chinese netizens debated heatedly whether China should accept the island or not. Although the Chinese foreign ministry spokesperson denied the island-for-loan swap, it proves that the economic situation in Venezuela is really a concern.

Finally, social risks in Latin America are on the rise. According to the 2013 report *Global Study on Homicide*, published by the United Nations Office on Drugs and Crime, homicide caused the deaths of almost half a million people (437,000) across the world in 2012. The global average homicide rate stands at 6.2 per 100,000 population, but Southern Africa and Central America have rates over four times higher than that (above 24 victims per 100,000 population), making them the subregions with the highest homicide rates on record, followed by South America, Middle Africa, and the Caribbean (between 16 and 23 homicides per 100,000 population).³⁵ *The Regional Human Development Report 2013–2014*, published by the United Nations Development Program in 2013, revealed the

³⁵United Nations Office on Drugs and Crime, *Global Study on Homicide 2013*, p12, http://www.unodc.org/documents/gsh/pdfs/GLOBAL_HOMICIDE.Report.ExSum.pdf.

following shocking statistics: The region of Latin America registers more than 100,000 homicides per year; in 11 of the 18 assessed countries the rate is higher than 10 murders per 100,000 inhabitants; one in every three Latin Americans reported being a victim of a violent crime in 2012; in all assessed countries, more than 80 percent of inmates did not complete 12 years of schooling; most countries with an urban population growth above 2 percent per year also reported increases in homicide rates; five out of ten Latin Americans perceive that security in their country has deteriorated. The report says, without the excess mortality due to homicides, the region's GDP would have been 0.5 percent higher.³⁶

Latin America's political, economic, and social risks have become "a new normal." The best way to guard against these risks is to gain a better understanding of these risks in the first place.

Conclusions

China wishes to build the so-called new type relations with other major countries. In addition, it also seeks to promote relations with developing countries, including Latin America. As it turns out, China's relations with Latin America have been developing very rapidly, causing many people in the United States and some other places to wonder what the motivations of China's presence in the region are.

The new leadership in China since the 18th Party Congress in November 2012 has created the notion of the "Chinese Dream." To realize the dream, China must present itself to the outside world in a more confident way. Continuity in its foreign policy has been maintained, but fine-tuning adjustment has taken place. The new partnership, new road map, and new forum will further consolidate China's presence in Latin America.

To further promote bilateral relations between the two sides, China should pay more attention to the new risks as well as the old problems. The wider spread of "China threat" and "fear of China," political instability, economic insecurity, and rising crime rates in some Latin American countries will be major hindrances to the booming relationships across the Pacific.

³⁶UNDP, *Human Development Report for Latin America 2013–2014*, November 13, 2013, <http://www.undp.org/content/undp/en/home/librarypage/hdr/human-development-report-for-latin-america-2013-2014/>.