Chinese Policy toward Latin America: Implications for Japan and the US*

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Abstract

The objective of the article is to broadly analyze the relationships between China and Latin America. The focus of the analysis is on China’s attempt over the past few years to tighten its economic relationship with Latin American countries, alongside the risks and challenges that this implies. On the other hand, the case of Japan’s emergence in the 80s, as a threat to the United States’ world supremacy, is illustrated in comparison with China’s ascendancy. Finally, Latin America has been a region traditionally under US hegemony, and the article attempts to explain how the US position is challenged by changes in the orientation of policies, especially in South America. China-Latin America political and economic relationships are developing over a very special historical context that is intended to be explained throughout this paper.

Keywords: China, Latin America, Japan, United States, Foreign Policy

I. Introduction

The increasing relevance of Latin America for China has already received a lot of interest, reflected in various books, articles, workshops, etc. The purpose of this paper is to bring some key ideas about this relationship to our discussion in order to understand present and possible future trends.

This paper focuses on the reasons and factors those focused on foreign affairs believe are behind current Chinese foreign policy towards Latin America. After a brief review of some historical context, this paper examines a recent period of time in which Latin America has been considered relevant for Chinese economic interests and to examine if there are other goals in China’s foreign policy pertaining to the Latin America region. In addition, this study aims to determine if there are some lessons or learning to

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be derived from Japan and the US foreign policy with Latin America.

Latin America is geographically distant from Chinese territory and therefore no wars or disputes over territory, cultures, or values of their very different peoples have constituted the basis of the relationship between them. Nonetheless, at least two important historical facts that are relevant for their contemporary engagement deserve mention. One of these was the existence of the Galleon of Manila, which carried out regular trade between 1565 and 1815, connecting the port of Acapulco in Mexico (then New Spain, Colony of Spain) with Manila and ports in South China and Japan. Silver and natural resources were the materials traded from Acapulco and porcelain, silk, ivory, spices, and myriad other exotic goods were imported from China to Mexico. It is estimated that as much as one-third of the silver mined in New Spain and Peru went to the Far East and we are reminded of the hypothesis that the Tokugawa government closed Japan out of fear that Mexican silver could produce an inflationary process in Japan.

The second historical fact to be considered is Chinese immigration to Latin America into the 19th century, mostly under the coolie system, which provided labor in sugar plantations, mining, railway construction and so forth. Latin America received Japanese immigrants as well in the same period of time, but an important difference was that it was conducted under government-to-government contracts.

The Galleon of Manila trips ended when Mexico achieved its independence, and the transpacific trade route remained closed until recent times. On the contrary, immigration brought Chinese and Japanese people to Latin America, who are now part of its ethnic diversity and are relevant for Latin America, China and Japan.

During this time the United States’ rose to power in the Americas after its independence from the United Kingdom. The so called Monroe Doctrine emerged more than an idea because there is a threat with the announcement that the region would not accept more foreign intervention into its future (singled out in the phrase, “America for Americans”) goes back to 1823.¹

There are other important historical highlights regarding Japan and China. In 1888 Mexico and Japan signed a Treaty of Friendship, Commerce and Navigation and later in 1899 a similar Treaty was signed between Mexico and China. Afterwards, due to changing political conditions in these countries, no significant details in their relationships occurred until the decade of the 1970s in the 20th Century, apart from the immigrant waves that arrived in Brazil, Mexico, Peru and other countries in Latin America.

II. China and Latin America after the Cold War²

When we examine the period of time since the communists seized power in China, there are three types of commitments visible in the Chinese foreign policy towards Latin

¹ US political and military power has been projected into the region since. What we have now with the increasing presence of Chinese power in the continent is to question if this could represent a new challenge or not for the American power in the region.

² This part is based on the excellent chapter written by Feng Xu (1996). There is an English version of this book. Another source for this historical review and the impact on the US is William Ratliff (2009).
America. Number one runs from the 1960s to the beginning of 1970s and its centerpiece was characterized by ideology. The main links during this period were with radical political parties, organizations and journalists and not with governments. Excepting Cuba, all countries in Latin America were seen within the orbit of American power. A change came when Sino-American relations improved in the early 1970s. China began to dismiss its focus on ideology and promote political relationships with Latin America. During this time diplomatic relations were established with a group of important countries in Latin America. Peru, Mexico, Argentina, Guyana and Jamaica established formal diplomatic relations with China between 1971 and 1972 and Venezuela and Brazil did so in 1974. It is interesting to underline that despite the fact that Chile, Brazil and Argentina had installed military governments around this period of time, China continued developing diplomatic and economic relations with these governments. Soviet threat, the isolation of Taiwan and the search for legitimacy in world order institutions were basic political motivations for China leading toward its embrace of a new foreign policy towards Latin America. In accordance with Professor Feng Xu, China applied foreign policy in two ways, with countries of the third world in one way, and that with western countries in quite another. With the former, political and normative reasons were the basis, while with western countries, strategic and economic concerns informed this new Chinese foreign policy.

The end of the Cold War, the breakup of the USSR, and the international consequences of the Tiananmen repression, created new and wide-ranging conditions for Chinese foreign policy. Politically, the world fundamentally changed and the economic international climate, with protectionism and regionalism as its new characteristics, began to arise. The Latin-American region received a more active policy from China in order to maintain the friendship forged earlier and the horizon of increased economic relations appeared during this time. Therefore, political and economic motivations were the new basis for the Chinese engagement with Latin America. Chinese president Yang Shangkun visited Mexico, Brazil, Uruguay, Argentina and Chile in May and June, 1990, and represented the first visit to Latin America from a high Chinese political figure since the foundation of the People’s Republic of China. What is clear from this period is that as Chinese economic growth surged and maintained its pace, Latin America was seen more and more as an economic partner due to its vast natural resources and consumer markets. The main difference between this period and that of the 1960s is the absence of overt anti-Americanism (Ratliff, 2009: 4-24).

Since then, relations between China and Latin America have progressed step by step. In the last five years, especially, trade has grown rapidly, but political interaction has also been very active between the two sides. So what are the factors behind this recent closer relationship between China and Latin America? Are they explained purely

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3 Cuba and Chile were the unique governments with established relations with China before China-US deal in 1971-1972. In terms of ideology, Fidel Castro and Che Guevara were much closer to the Chinese than to the Soviets. But, in the mid-1960, Castro sided with Moscow in the Sino-Soviet dispute and began attacks on Chairman Mao. See Ratliff (2009: 5). It is important to recall that Cuba remained a Soviet ally until the collapse of the USSR.

4 Aside from the exchange of ideas about the world problems, there were agreements in various economic fields.
by trade interests?

In accordance with the views of Professor Shixue Jiang (2008), who has been studying China and Latin America for some time, China considers the United States a country which uses its economic influence to exert political pressure on China. This leads China to search for diversified economic relations in the global arena. Latin America, with 500 million inhabitants and an economy of nearly USD 3 trillion is a very attractive market for Chinese merchandise. At the same time, China is facing a difficult situation regarding access to natural resources due to its huge population and rapid economic growth.

China’s interest in Latin America has matured and greatly expanded over time. President Hu Jintao expressed how this new policy is based. According to Hu, China’s primary objectives in expanding relations in Latin America are: 1) deepening strategic common consensus and enhancing political mutual trust, 2) focusing on practical work and innovation and tapping cooperation potential, and 3) valuing cultural exchanges and enhancing mutual understanding. Peace and friendship, equality, reciprocal support, mutual benefit, and common development are important issues that have been pointed to by Chinese leaders since the beginning of the 1990s. However, in my point of view, the United States’ military interventionism during the Bush presidency and the international economic crisis in 2008-2009 were events that changed political world structures and mapped out new alliances around the world. Therefore, given the political and economic weight of Latin America, the Chinese are looking to this region with much more interest than they have in the past.

Moreover, important political changes have taken place in the geopolitics of Latin America. First, the Latin America region has various leftist governments independent of the United States’ policies in the region. Second, Brazil is emerging as a world power (part of the so called “BRICs”). Third, the United States could be seen as a declining economic power in the region. A very illustrative case in point was the failed United States’ initiative on the Free Trade of the Americas (FTAA) in 2005, rejected by the majority of the countries of South America. To my knowledge, it represented the first important American policy defeat in the history of Latin America. President Bush’s main policy, which focused on the “war on terror” put aside practically all policy of interest toward Latin America. Currently, president Obama is concentrating almost all his efforts to solve the United States’ economic crisis and limit, to some extent, conspicuous previous military policy. All of these factors are contributing to frame a context in which China-Latin America relations are flourishing.

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6 In total economic output the US is still the dominant power, but the trend indicates that it is declining relatively, especially in the countries of South America.
7 In my opinion the US policy towards Cuba of maintaining the economic embargo and refusal of any political initiative of talks to remediate the historical impasse between these two countries are now a substantial part of the declining power of the US in the region. Cuba is now supported by a group of countries in Latin America and it is no longer isolated. I think change in United States’ policy regarding Cuba is the only policy that can bring them back to Latin America as a confident power.
III. Economic Relations as Centerpiece of Chinese Foreign Policy

Chinese economic relations with Latin America are concentrated on obtaining natural resources and sending manufactured goods to the region. Nevertheless, its intensity and cooperation or competence varies in accordance with each specific country in Latin America. For example, Mexico is competing against Chinese goods in the American market and has been displaced from second to the third place as a United States trade partner (it is important to highlight that China is not a formal NAFTA member). Mexico is also a major recipient of imports of Chinese goods. Mexico’s trade deficit with China is huge; in 2010 it reached nearly USD 34 billion, representing 80 percent of total Latin America trade deficit with China. The big winners in terms of balance of trade have been countries in South America with strong agriculture and abundant raw materials, while the losers have typically been Mexico, Central America and the Caribbean with local manufacturers.

The majority of South American countries are becoming important providers of raw materials and energy that are very crucial to maintain the pace of Chinese industrialization. Brazil is exporting two-thirds of its total soy production and ore mineral and 10 percent of its oil. Argentina exports 80 percent of its soy production goods and a similar percentage of Chilean copper materials are sent to China.

It is not only the timing-world economic crisis and its aftermath—but the trend in the economic relations with Latin America that need to be underlined. In 2008, total trade in China/Latin America was USD 143 billion but in 2010 it was close to USD 180 billion. This trade increase represented 51.2 percent more than trade in 2009 and twice that of the trade increase between Latin America and the United States. This trade trend between China and Latin America suggests that in the next five to ten years, Latin America will become a key world trade partner for China. The increase in trade with China helped Latin America escape from the worst phase of the world economic crisis and at the same time China became a trade partner of prime magnitude for many Latin American countries. For Chile and Brazil, China is now its first trade partner. For Argentina, Costa Rica, Peru and Cuba, the Chinese market became its second most important export market. The main problem is that this trade is very uneven; raw materials and energy going from Latin America and manufacturing goods coming from China. In the case of Mexico and Brazil, the most industrialized countries in Latin America, Chinese manufactured goods are competing in the United States against Mexican goods, and in the world markets against Brazilian goods.

Chinese strategy for a stable and secure flow of energy and raw materials is becoming a decisive factor in its investment increase into Latin America. In the year 2010 Chinese investment was USD 30 billion, a similar amount to Chinese accumulated investment in 2009 in the region. In Argentina, for example, Chinese investment came to occupy third place from 29th. Chinese investment in Argentina now exists in practically all its provinces and it covers a wide range of interests like mining, livestock framing, oil, and land rental that allows farmers to produce food directly. The Argentinean

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8 See “Rechaza País alianza con China,” Reforma, January 6, 2011.
case reflects very well the economic complementarities with the Chinese needs in acquiring natural resources, energy and food for its future economic sustainability, and illustrates the tremendous capacity Latin America has in terms of resources and raw materials.9

Chinese investments into the energy sector deserve special mention, due to the fact that it is these investments which grew the most intensely in the last five years. These are some examples: in May 2010, China and Brazil signed a ten-year credit-for-oil agreement in which Petrobras agreed to send oil to China for 10 years in exchange for a USD 10 billion loan from the Chinese Development Bank. One month earlier, China reached a similar deal with Venezuela, trading a reported USD 20 billion in loans for 200,000 barrels a day for 10 years of Venezuelan oil. Chinese loans in Ecuador since 2008 are, to date, valued at USD 6 billion for oil and infrastructure projects. Part of the deal ensures that Petro Ecuador will provide 39,000 barrels a day to Petro China over a period of two years. Moreover, China paid USD 7.1 billion in October to acquire 40 percent of Brazil’s assets in the Spanish energy firm REPSOL (Arnson and Davidow, 2011). China is already the second largest world oil consumer and the forecast for the year 2015 is that its oil consumption will reach imports in the amount of 7.1 million barrels a day, and in the year 2030, 13.1 million barrels a day. This data reflects the pressing Chinese interest in energy resources globally and in Latin America in particular.

Not only has China become a new source of export and investment demand for Latin American commodities, but China’s demand has boosted their price as well. In this way Latin Americans enjoy a higher price for their key commodities and are obtaining greater benefits. It is partly due to this that Latin America is in a very good economic shape and its regional GDP points to a strong performance for 2011 and beyond, but it raises questions, prompting Professor Gallagher (2011) to say that, in the long-run, a renewed emphasis on primary commodities production in Latin America could trigger a ‘resource curse.’ Commodities demand and high prices could drive investment away from manufacturers, push up the exchange rate, make Latin American manufacturing un-competitive, and place pressure on the natural environment. Currency appreciation is already occurring and this could lead to competitive declining. It has been shown that 92 percent of Latin American manufacturing exports are in sectors where China is gaining market share and Latin America is losing share, or where both China and Latin America are gaining ground but Latin America at a slower pace.

With this economic background, we can say that throughout this trade and investment pattern, China appears to be exerting a new form of economic colonialism over Latin America. It is desirable that Latin America, Gallagher affirms, use this economic power derived from high commodity prices to establish funds to be used in times of price volatility and to create the fiscal space in which to invest in poverty programs, industrialization and environmental protection.10

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9 A recent report on Chinese investment in Latin America shows the continuation of this trend. From June 2010 to May 2011 the Chinese investment was close to USD 16 billion with Brazil (59%) and Argentina (41%) as the main destinies of these investments. Oil is reported as being the main sector in both countries. See “Viene China tras Commodities,” Reforma, June 15, 2011.

10 Chile and Peru have these kinds of stabilization funds.
China is an emerging power, and since 2010 the second leading economic world power, with special characteristics-its huge population, rapid and high economic growth sustained over a long period of time, and an authoritarian political regime-and its behavior in Latin America must be seen in this domestic context. China’s political legitimacy relies primarily on how it handles the economy. So, access to energy, raw materials and overseas markets are the first in line for this foreign overture, which is pursued in an independent way and is autonomous from the United States’ foreign policy. That is an entire departure from Japanese diplomacy, which established its foreign policy in Latin America following the United States’ policy lead in the region, avoiding confrontation, though eventually becoming a target of American retaliation.11 The idea of Latin America as its ‘backyard’ is not an absolute paradigm informing Chinese policy in the region.12

China’s strategies and business dealings differ according with the sub-region in Latin America. With Mexico, Central America and the Caribbean, sales of its manufacturing goods are of primary interest. Chinese investment in Mexico is not concerned primarily with production of raw materials, but in its manufacturing sector and exports to world markets (United States/Latin America). Chinese practices in Mexico are following the path of Japanese and South Korean past investments experiences making Mexico a main part of the exporting networking in the North American area.13

As mentioned earlier, Mexico has-as well as the United States and Canada-a big trade deficit with China. NAFTA countries’ industrial production is losing its edge to Chinese imports, therefore the Mexican economic relationship with China should not be considered as part of Latin American trade. For example, in the energy sector, in which the Chinese are very interested in the region, Mexican oil exports are committed totally to the United States and it is politically impossible to broker an oil deal between Mexico and China.14

Brazil, on the other hand, looks to China as both a competitor and an ally. Brazilian natural resources are plentiful and its cooperation in oil projects and new energies are of enormous economic interest to China. They have joint ventures in high technologies, such as commercial airplanes and satellites. Moreover, Brazil has diversified its trade interests and is now a political and economic power which can hold deals with China from a strengthened position.15 Dilma Rousseff, the newly-elected Brazilian President,

11 The Japanese subordination to the US in Latin America has its nuances. In the decade of the 1980s, Japan had a more active foreign policy in the region in accordance with its increasing economic and political world power. Please see Matsushita (1994: 93-108). There is an English version of this book.
12 Most Asian scholars traditionally depicted Latin America as the United States’ backyard, It is a very contested concept especially now when the continent, especially its southern part, is under important political processes.
13 Chinese investment in Mexico is relatively low; from 2000 to 2010 it was close USD 130 million. Main enterprises are Huawei Technologies and Zte Corporation (telecommunications); Huaxi Group, Jinchuan Group y Golden Dragon Precise Copper Pipe Co., (mining and copper manufacturing); Lenovo Group (computers); China Worldbest Group-China Hengtian Group Co. Ltd (textiles) y Hutchison Ports Holdings (basic grains).
14 90 percent of total Mexican exports are sent to the US market. The margin of diversification is very small and is one of the trade problems of Mexico.
15 In accordance with recent studies, this paper is going to examine more Chinese “market seeking investment”
recently traveled to Beijing to shake hands with Chinese leaders along with a sizable business group of Brazilian entrepreneurs eager to make deals with their Chinese counterparts. Once in office she traveled first to Beijing, rather than Washington, a likely representation of the world political power shift. In addition, Brazil is hosting the Soccer World Cup FIFA tournament in 2014 and the Olympic Games in 2016, which means that Brazil is going to draw increasing international attention in the years ahead.

Total bilateral trade in 2010 was USD 56.4 billion, representing 14.7 percent of its total. In comparison, Brazil/United States total trade in 2010 was USD 46.6 billion or 12.1 percent of Brazilian total trade. On the political side the relationship is seen as rather supportive of the international presence that Brazil seeks, albeit there is some disappointment about the absence of firm support for Brazil in its quest for a permanent seat at the UN Security Council.

Other countries in Latin America, which had previously regarded China only in terms of the importance of its big market, are beginning to adjust their strategies-in a more cooperative way-as a consequence of the intensification of Chinese investment. This is the case with Argentina, rich in natural resources. In the case of Chile, it has been a steady exporter to China, and these countries enjoy a stable and very institutional relationship. Chile is one of the Latin American countries with a Free Trade Agreement with China.

Finally, there are other Latin American countries, like Venezuela and Cuba, who look at their relationships with China as part of their strategy of confrontation with the United States. Their economic relationship is much bigger now in both cases, and in the case of Venezuela, Chinese interest in its oil is conspicuous, as noted earlier. Despite this closer economic relationship with Venezuela and Cuba, the Chinese government has maintained that economic relations have primacy over political aims, no doubt aiming to avoid becoming a part of the Cuban-Venezuelan alliance of direct confrontation with the US (Cornejo and Navarro, 2011; Hearn, 2011).

Since the 90’s of the past century, political relations between China and Latin America regarding its agreements or disagreements with the United Nations revealed a separation of economic cooperation and political participation at this international organization. Voting patterns at the General Assembly show that there are more coincidences between China and Latin America than the United States and Latin America, but in the Security Council the United States and Latin America have more convergence voting than with China. Again, it is interesting to recall the fact that China is reluctant to support the Brazilian initiative to be a permanent member of the Security Council (Hirst, 2008: 95).

At this point and before concluding, the question remains whether or not China’s dynamic and increasing presence in Latin America should be considered as a serious challenge to United States’ primacy and status in this region of the world. China’s

by Chinese companies in Brazil into the future, and these companies involved are typically smaller, and more independent, and not necessarily SOEs. See “Chinese Investments in Brazil: A new phase in the China-Brazil relationship,” a report made by Conselho Empresarial Brasil-China, May, 2011 (http://www.cebc.org.br/sites/500/521/00001760.pdf, accessed January 2, 2012). I am grateful to Professor Robert Ellis who sent me this study and by his opinions as to how China is increasing economic, political and military power in Latin America.
economic activism in Latin America is explained by its current economic needs in order to have access to natural resources and new markets for its exports (Yuan, 2011). There are two prevailing perceptions or misperceptions widely accepted in western analyses of China’s rise and the implications for the international system. One is that Beijing will use that newly acquired power to extend its influence to undermine the positions of the West, the United States in particular, by offering economic assistance, arms sales, or blocking international intervention attempts. The other perception is that Beijing, despite its support towards international diplomacy, is not doing enough to advance the causes it claims to be supporting. Examples in this direction are Beijing’s position on North Korea’s nuclear program, or the genocide in Darfur, Sudan. But professor Yuan believes China’s goal is more modest, driven largely by its concern with maintaining social stability through continued economic growth. Yuan wonders if China’s global activism, including its growing presence in Latin America, is driven by these economic necessities.

Economic rationale has underpinned many of Beijing’s domestic and foreign policy decisions over the past several decades, and due to the fact that China has to operate within the broader confines of a largely unipolar world dominated by the United States, Beijing has maintained a pragmatic foreign policy posture focused on economic development and on its core national interests, such as the Taiwan issue. Therefore, contrary to the predictions of power-transition theorists, China seems to have recognized the costs of assuming a leadership role and shouldering more responsibilities and has largely refrained from challenging the United States’ reign. Even in the East Asia region, China could exercise more influence, while still not dominating. Here China faces potential rivals in Japan and India, which are either United States’ allies, or partners with Washington. So, China’s approach has been to develop a managed great power relationship with the United States and other key players, rather than seeking regional dominance (Yuan, 2011).

There is little evidence to demonstrate that China’s grand strategy is aimed at surpassing the US as the world’s new reigning power and indeed many analysts suggest that if anything, China is more or less a status power with limited but clearly defined goals. However, Chinese policy goals of branching out into the world to secure raw materials and resources and new markets do raise a number of questions about its perspectives on good governance and its own responsibility as a rising power (Yuan, 2011).

Latin America, especially countries with resources critical for China’s sustained economic development, and those with potential markets, are naturally becoming Beijing’s targets of the “going out” strategy. But, despite the last years’ increasing economic activities, Latin America still remains a low-profile trade partner and energy provider for China. Its strategic importance to China is nonetheless well recognized by Beijing, especially as it seeks to diversify, as well as expand its global economic activities. Are Chinese activities in Latin America, then, part of Beijing’s grand strategy to challenge the United States’ primacy in its own backyard? China’s predominant concern remains economic development. As a result, Chinese activism in Latin America has been largely driven by the needs for resources and markets and only secondarily by the diplomatic agenda of isolating Taiwan (Yuan, 2011). I believe that what we need to examine now is not simply the current situation, but how this trend of more and more economic engagement between China and Latin America (especially now that the United States and the European
Union are still experiencing economic problems) might lead to a new situation in which the China-Latin America connection could become more important.\(^1\)

**IV. Conclusion**

1. **Déjà vu in the China-Latin American Relations**

It needs to be remembered that when Japan ‘challenged’ the United States in Latin America in the decade of 80s, there were very similar analyses like those we make today about China-Latin America. Japan’s focus on economic relations and to place politics aside was for a long time a centerpiece of its foreign policy, aiming to achieve economic results. Nonetheless, as we mentioned earlier, Japan’s economic rise implied some changes and in the 1980s, in accordance with Professor Matsushita, Japan became a “maker” country and stopped being a “taker” country. “Taker”, “Shaker” and “Maker” countries were an international division to describe the weight a country has in the international arena. The Japanese transition toward being regarded as a “maker” country meant some degree of independence in the 1980s, vis-à-vis the United States in Latin America. The *Blue Book* of 1984 advocated a more active political role for Japan, recognizing its world economic power. Part of this new focus was related in Latin America with the Japanese support for democratization across the continent and the pacification process in Central America in particular. Japan’s initial reaction to the Malvinas war was another small sign of this new Japanese political change (Matsushita, 1987). Nonetheless, the Japanese key domestic powers and those in charge of its foreign policy were consistently inclined to consider Latin America as the “backyard” of the United States and consequently its problems should be managed fundamentally by the United States (Horisaka, 1994: 63). Moreover, public officials in Japan share the view that the stability and economic development of Latin American countries were decisive for the US economy and security, and therefore for Japan’s interests as well. A key example of that was Japan’s financial participation in Latin America in the 1980s conducted in cooperation with the United States and international financial institutions. Lack of international financial experience, little knowledge of Latin America, and political subordination explained part of this Japanese financial behavior.\(^1\)

2. **The Timing of Chinese Economic Activism in Latin America**

Latin America is now fundamentally different from the so called “lost decade” of the 1980s. It is important to recall that this period was characterized in Latin America

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\(^1\) As part of this trend is the visit in June to various countries of Latin America by Vice-President of China Xi Jinping to enhance China’s relations with the region. It has been predicted that Xi Jinping will replace Hu Jintao as the next President of China.

\(^1\) In 1982, total Japanese loans to Latin America represented 32 percent and in 1990, 9 percent, despite its increase in value. The “Miyazawa Initiative” in 1988 was focused around improving the debt solution scheme, but was ruled out. Instead, “Plan Brady” was adopted as the plan to solve the world debt problem and probably reinforced the role of Japan as subordinated financial power into the world sphere.
for its scant economic development, high external debts, and political instability. So, Japan’s economic rise and increased presence in Latin America coincided with this period of economic and political turbulence in Latin America. Chinese economic activism in Latin America moves in the opposite direction, not only in Latin America, but worldwide. Latin America in general is now enjoying good economic performance and it is not heavy involved in current financial turbulences. Latin America is more politically stable and economically much more diversified than before. Brazil is a member of the BRICs and South American countries (Mercosur) are trying to forge new political and economic institutions at their own initiatives. In this regard, South America is less in the “backyard” of the United States and this marks an important difference with the period of the 1980s and earlier. Last, but not least in importance, is the current role of Chinese trade as a driving force for Latin American economic growth, a role that Japan’s trade never played in the region. Japan focused more on investment, markets and exports than in heavy bilateral trade or economic cooperation, as the Chinese are doing there today.

3. US and Latin America on Divergent Paths

In 1994, when North American Free Trade Agreement (NAFTA) began to operate, many in Latin America believed that Mexico would become an economic giant in the continent, and there were some feelings with respect to Mexico because of this special treatment given by the United States. But after years of NAFTA operation Mexico’s economic results were modest, with a low rate of GDP growth, increasing dependence on the United States’ economy (in the economic crisis of 2008-2009 Mexico was the most affected country in the hemisphere) and the migration of 12 million Mexicans crossing the border to the United States in search of jobs were signs that alerted other Latin American countries to the consequences and outcomes of the possible Free Trade of the Americas (FTAA). In my opinion, NAFTA’s example and, its meager economic results, was one of the reasons behind the reluctance of South American countries to join the FTAA. Politically, as mentioned earlier, the United States under the presidency

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18 For instance, UNASUR (Union of South American Countries), founded in 2008, aimed to forge an independent foreign policy and economic integration. In a meeting of its finance ministers in Lima on August 5, 2011, the possibility of abandoning the use of the US dollar as its foreign reserve was debated (UNASUR countries have 700 billion US dollar in foreign reserves). See Ahumada (2011). On December 2-3, 2011, the nations of Latin America founded the “Community of Latin America and Caribbean States (CLACS)” which aimed to strengthen integration and political, economic, social and cultural unity. It will also seek to bolster sustainable growth in the region in the basis of solidarity, cooperation, complementarities and political consensus. The US and Canada were excluded from this new group and President Hu Jintao sent a message congratulating the founding of CLACS and offered China’s collaboration.

19 But Japan is coming to the region again. It is “rediscovering” Latin America, probably as part of the new business climate in the area and likely due to the Asian production and trade network developed in Latin America with Chinese, Japanese and South Korean enterprise links there. In the last five years Japanese trade with the region increased more than in any other region, and large investments in natural resources and manufacturing are surging again. See Kochi (2010). It seems that under the current world economic crisis not only Chinese companies are coming to Latin America, but Japanese and Korean companies as well, probably given the intensity of its industrial networking. It is a new field of research for the next years in Latin America.
of George W. Bush placed security as the main driving force in its relationship with Latin America and did not pay sufficient attention to the region’s main problems. The arrival of President Barack Obama to the White House seemed a fresh hope for the region in which the United States might set a new friendly and cooperative framework toward developing a closer relationship. But this possibility of a new United States’ foreign policy towards Latin America has been slowly vanishing. President Obama, despite having a new plan for Latin America in his platform as candidate, has been incapable of carrying out a new policy in the region. In my opinion, the very long tradition of the United States controlling Latin America (especially South America) as its “backyard” has disappeared, but the United States government is still forging its foreign policy towards the region under this type of mentality. The example of American foreign policy towards Cuba is basically what applied under the Cold War mentality. The United States has sought to replace the Castro regime as its basic policy toward Cuba.\(^{20}\) It has been the same with other regimes that have been labeled as contrary to the United States’ interests, such as Venezuela, Ecuador, and Bolivia. Professor Cynthia Arnson (2010) has said that the United States power to control, let alone prevent, the diversification of Latin American foreign relations is limited and, in some cases, non-existent. American influence will be maximized to the extent that the United States recognizes, accepts, and works to situate itself within the changed circumstances in the hemisphere (Arnson, 2010).


Professor Richard Feinberg (2011), in reviewing some books on China-Latin America relations has offered some interesting remarks. These are related to the implications of Chinese behavior in light of the current region’s concerns: the consolidation of democracy and human rights, the transparency of public budgets and private financial transactions, environmental protection and climate change, gender equity, and international labor standards. Citing analyses of the literature reviewed, it underscores that China’s domestic practices are deficient—modestly to outrageously so—on many counts. Already in sub-Saharan Africa, China’s disregard for international standards and local interests (not to mention its overt support for outlaw governments) has generated a popular backlash. In the periodic talks held between United States’ and Chinese diplomats specializing in Latin America, American officials have assured their interlocutors that Washington views China’s growing commercial presence in Latin America through the rosy lens of mutual benefit. Feinberg also takes into account what Arturo Valenzuela, the Assistant Secretary of State for Western Hemisphere Affairs, acknowledged at the 2010 meeting of the Latin American Studies Association: “The region’s current growth rate is expected to exceed five percent this year, and much of South America is benefiting from the commodities boom generated by increasing levels of trade with Asia, especially China.” At the same time, United States’ diplomats have communicated to the

\(^{20}\) In my view the only issue that could immediately change the whole political framework with Latin America would be a new American foreign policy towards Cuba. That entails a new American political treatment of Cuba and the end of the economic embargo applied to that country.
Chinese that their behavior must take care not to undermine American and multilateral efforts to safeguard the region’s democratic progress and must advance high standards in transparency, clean energy, and labor rights. Professor Feinberg concludes that these are matters that reach beyond Latin America and that take us back to first questions: will an ascendant China be a responsible stakeholder, helping to advance international norms and cooperating in managing the global commons, or will it aggressively pursue its own sense of destiny, as Western powers have done before it, and seek to refashion the world order dramatically in its own self-image?

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