

## THE SIGUR CENTER FOR ASIAN STUDIES

### ASIA REPORT

FEBRUARY, 2009

## CHINA ENGAGES LATIN AMERICA: MOTIVATIONS, MANIFESTATIONS, AND PROSPECTS

As the influence of the People's Republic of China in world affairs has grown over the past few decades, one of the more recent manifestations of this trend to draw the attention of scholars and policy makers is the expanding relationship between China and Latin America. China's interest in Latin America has increased substantially. Diplomatic ties have been evolving as well. Both President Hu Jintao and Vice President Xi Jinping toured Latin America in 2008, and lower profile inter-party exchanges have occurred with increasing frequency.

### The Nature of Relations

Professor Jiang Shixue addressed several facets of Sino-Latin American relations. First and foremost, he believes China's interest in Latin America is primarily economic. In order for China to continue its rapid growth, it needs to import vast amounts of natural resources, many of which can be obtained in Latin America. In addition, the Latin American market is also a viable destination for Chinese products, with over 560 million prospective customers. Trade figures reflect these interests accordingly. Bilateral trade increased from 12.6 million to 120 million dollars between 2000 and 2008. Chinese direct investment reached 25 billion dollars by the end of 2007, making Latin America

the second largest target for Chinese foreign direct investment.

Chinese political and diplomatic ties to Latin America have increased in a corresponding manner. Over the past decade, China has entered into various types of partnerships with several Latin American countries, in addition to engaging in free trade agreements and fostering inter-party relations between the Communist Party of China and over eighty political parties in Latin America. Other types of exchanges, such as scientific, technological, cultural, and military exchanges, are frequent.

In the military sector, relations have involved weapons sales, high-level visits, training, and educational exchanges. China conducts these bilateral relations on the basis of three main principles:

- pursuit of increased military understanding and professional expertise
- no intention to target a third party
- no desire to influence regional stability

### Prospects and Controversy

Professor Jiang also pointed out the controversy over China's relationship with Latin America. Chinese involvement in Latin America has met with some difficul-

### PANEL DISCUSSION FEBRUARY 18, 2009

#### FEATURED SPEAKERS

**Jiang Shixue**, Professor, Institute of Latin American Studies, Chinese Academy of Social Sciences

**Gonzalo Paz**, Lecturer, The Elliott School of International Affairs, The George Washington University

*Chaired By*

**David Shambaugh**, Professor of Political Science and International Affairs, The George Washington University

“IN ORDER FOR CHINA TO CONTINUE ITS RAPID GROWTH, IT NEEDS TO IMPORT VAST AMOUNTS OF NATURAL RESOURCES, MANY OF WHICH CAN BE OBTAINED IN LATIN AMERICA.”

ties, some of which are due to linguistic and cultural barriers. Additionally, Latin American critics of relations with China argue that the export of raw materials to China and import of value-added Chinese manufactured goods places Latin America in a disadvantaged trade position. Some countries have implemented anti-dumping policies to protect their markets from inexpensive Chinese goods.

However, many benefits of the increased economic relations were noted by Professor Jiang. China's large market presents an opportunity for Latin American businesses. Also, Chinese demand for raw materials is driving prices higher, benefiting Latin American extractive industries. Indeed, partly as a result of increased trade relations with China, Latin American economies have experienced six years of high growth.

The trend of increasing Sino-Latin American ties has raised concerns in the U.S. as well. Some view the Chinese advance into Latin America as a challenge to U.S. power in the Western Hemisphere. It is also seen as interfering with America's ability to pur-

sue various human rights and free trade agendas in the region. However, Professor Jiang asserted that the U.S. need not be concerned, because U.S.-China relations are a priority for China. China's relations with Latin America are for economic purposes, and there is no agenda to challenge U.S. power in the region.

Professor Gonzalo Paz noted that China has been tactful in conducting its engagement in Latin America, making U.S. concerns a top priority. International dialogue has been established to bring greater transparency to the development of Sino-Latin American relations. Chinese diplomatic maneuvers have also been geared towards reassuring the U.S. In dealing with countries, such as Venezuela, with whom the United States has difficult relations, China has been careful to make clear its neutral intentions.

Finally, Professor Jiang addressed the issue of the current economic downturn. Trade relations have remained strong between China and Latin America despite the downturn, as Chinese demand for raw materials is still strong, and exports of manufactured

products to Latin America have been affected less than those to other regions. The crisis may even present opportunities for further cooperation between both sides. China and Latin America may be able to work together to reform the international financial system, strengthening regulation, empowering developing countries, and working to increase liquidity. He also believes that the downturn may increase trade between the two sides, as well as foreign direct investment. Overall, his prognosis for future relations was optimistic.



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