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Abstract
Co-edited by Cristina Eguizabal, Director, LACC, FIU and Ariel Armony, Director, Center for Latin American Studies, UM, this issue examines partnerships being established, negotiated and consolidated between Latin America and Asia. Articles remind us of long-standing existing relationships between the two regions, but also discuss evolving ties and new dynamics that will likely influence interactions for years to come. The issue provides readers with a glimpse of the complexities that are shaping an important connection that the world is watching.

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Asia and Latin America: A Pacific Connection?

Latin American and Caribbean Center

School of International and Public Affairs

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IN THIS ISSUE

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Montage of international maps and financial charts/Getty Images.

FROM THE CO-EDITORS

Dear Hemisphere readers:

Florida International University's Latin American and Caribbean Center (LACC) and the University of Miami's Center for Latin American Studies (CLAS) established the Miami Consortium for Latin American and Caribbean Studies to join forces in promoting knowledge about Latin America and the Caribbean. This issue of Hemisphere, co-edited by the centers' directors, is an example of that partnership. What better theme for this issue than the partnerships being established, negotiated and consolidated across the Pacific between Latin America and Asia?

This issue also begins a broader debate on Asian-Latin American relations currently being undertaken by the Miami Consortium. The Miami Consortium works hard to leverage its strategic position at the intersection of North and South, and now it is positioning itself at the crossroads of the vast transformation happening in the global South. For example, CLAS's "Asia and Latin America in the 21st Century" series features high-profile events designed to examine and discuss the relationship between the two regions. Its "Miami's Asia Summit" brings together leaders to focus on the evolving ties between Asia and Latin America, and "Asia and Latin America: Setting the Agenda" explores new dynamics of the relationship between the two regions, sets a framework for studying their interaction in the coming decade and inaugurates CLAS's Asia-Latin America Working Group. Much work remains to be done to promote scholarship and deepen the understanding of these two world regions today.

The relationship between Latin America and Asia is not new. The two regions have been linked since colonial times. The Manila galleons known as *naos de China* sailed once or twice per year across the Pacific between Spanish-controlled Manila and Acapulco, bringing riches from both continents. Soon after Latin American independence, Chinese immigrants settled in countries throughout the region, lured by work on the railroads and ports. Japanese immigrants who chose Brazil and Peru as their new homes soon followed and today, the Japanese communities in Brazil and Peru are among the largest of the Japanese diaspora. More recently, Koreans have set their sights on Latin American countries in search of investment opportunities. Industrious Korean communities now flourish in several countries.

With prosperity after the Second World War came international projection. Japan and Taiwan became visible presences in the region and provided important sources of economic aid and technical cooperation. The transformation of the arid tropical savanna of the Brazilian Cerrado into the largest agricultural region in the southern hemisphere owes a great deal to the Japan-Brazil Agricultural Development Cooperation Program. In recognition, Brazilian researchers named the new tropical variety of soybean in the region "Doko," after the late Toshio Doko, President of Toshiba, Chairman of the Federation of Economic Organizations and a great friend of Brazil. During the same period, Taiwan has emerged as one of the largest bilateral donors to Central America at levels similar to the US and Spain.

In 2003, South Korea became the first Asian country to establish a free trade partnership with a Latin American country, Chile. India's interest and presence in the region is also steadily increasing. Over the course of the past decade, the number of Latin American and Caribbean embassies based in New Delhi has increased by a third and the number of Indian embassies in the LAC region has doubled.

During the last decade, the big Asian actor in Latin America has been – and, some would argue, will continue to be – the People's Republic of China. The current Latin American economic miracle has been, to a large extent, the result of the region's growing ties to China. Latin American exports to China are booming and Chinese investment in the region is as robust as can be. However, the complementary nature of their economies is not enough to hide tensions generated by an unfavorable balance of trade and payments in China's favor. With few exceptions, Latin Americans are reacting with caution to Chinese interest in going beyond trade and investment to build alliances with institutional players, including the military.

In the coming decades, Latin America's international economic insertion will be determined by its relationship with other emerging economies. According to the Economic Commission for Latin America and the Caribbean (ECLAC), South-South trade is the leading engine of growth in global trade. In 1985, South-South flows represented 6% of global trade; in 2010 they reached 25%, while North-North trade declined from 63% to 38%. If these trends continue, South-South trade will surpass North-North trade by the year 2018. In addition to traditional migration patterns and the recent boom in investment and trade that continue to dominate the relationship, the exchange of ideas and the establishment common positions on the world stage are shaping the complex interaction between these regions. As this special issue attests, our Consortium is paying close attention.

We would like to thank all who contributed to this issue. To the authors, our deepest gratitude for having borne our impatience so graciously, and to our Consortium colleagues, Liesl Picard, Jordan Adams and Israel Alonso, thank you for helping us in so many ways. Alisa Newman, Hemisphere's longtime copy editor, has, as usual, done a superb job. Thank you.

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Latin America and Asia: Globalization Trumps Power Politics

By Julia C. Strauss

In the past decade, Asia and Latin America have embarked on an adventure of discovery of the other, encouraging a flurry of interest in policymaking, business and NGO circles. In the past 15 years, China in particular has gone from having no presence to speak of in Latin America to being the first or second leading trade partner of such important economies as Brazil, Peru and Chile. At present, in the words of one Inter-American Development Bank (IADB) analyst, all eyes are on India as the "next big thing" for Latin America. The overwhelming dominance of business and trade in the equation raises the question, what is the political nature of the relationship

between Asia and Latin America?

In practice, the economic and political spheres so inform each other that it is difficult to conceive of one without the other. In Asia especially, politics and business are intertwined, as revealed by the strong links between government and large businesses in China, Japan, and Korea. In China especially, it is difficult to ascertain where the state ends and private businesses begin. While the factors behind the emergence of Asian-Latin American connections at this point in time may seem to be predominantly economic, therefore, political factors have also played a role. The end of the Cold War in the early 1990s and the sudden dominance of neo-liberal norms of globalization and trade interacted with domestic developments in Latin America (democratization) and Asia (the global economic rise of China and the emergence of India and Brazil) to create an economic and ideational environment in which Asia and Latin America complement and "need" each other in a global economic division of labor.

The economies of Asia and Latin America are – with a few important exceptions, such as Mexico and, in part, Brazil – largely complementary. The industrialized economies of Asia, particularly those of resource-poor countries such as Japan and South Korea, require the minerals, foodstuffs and oil that the primary commodity exporters of Latin America are able to supply. At least until now, China's oft-repeated slogan of "win-win" in a globalized world actually seems to hold true under most conditions with respect to Latin America, despite legitimate concerns about who wins (businesses and aggregate wealth vs. organized labor, the environment and local industries).

The global economic crisis of the last four years has, if anything, only intensified interest in Asian-Latin American trade. In a world in which US and European political institutions have been revealed as profoundly ill-equipped to deal with current economic challenges, it is entirely understandable that states and societies in both Asia and Latin America would find much of value in the other in political, social and economic terms, and much of common interest. For all their differences, most of the states in Asia and Latin America, with the exception of Japan, have directly experienced the humiliations of colonialism and protracted economic underdevelopment. Most identify with the developing world and have reasons to be skeptical of US hegemony.

Politics, particularly international politics, has long been conceptualized in terms of the direct pursuit of strategic interests. For a long time this kind of thinking accounted for the shallowness of political relations between most of Asia and Latin America. Separated by a vast ocean and with economies largely oriented toward the United States, Asia had little incentive to involve itself in Latin America, other than China's pursuit of formal diplomatic recognition and its attempts to isolate Taiwan. Traces of these concerns remain, particularly for China, as most of the small states that still recognize Taiwan are in Central America and the Caribbean.

A political view of Asia and Latin America in the twenty-first century must incorporate the crosscutting currents of accelerating post-Cold War globalization. The two regions are experiencing a rapid proliferation of ties of all sorts: economic ties through trade and investment, personal ties through the soft power instruments of educational and cultural exchange, and individual and family ties through sojourning and migration. In this rapidly expanding complex, politics are never far from the surface, whether the formal world of high politics; less easily discerned but perhaps more important informal, local and personal politics; and issues that link the two, such as the Chinese government's displeasure over the Dalai Lama's recent visit to Mexico.

Asia and Latin America are active participants in the extraordinary global movement toward multilateral forums and international organizations since the early 1990s. These include organizations to promote or implement free trade agreements, such as Mercosur, the Andean Community and Asia Pacific Economic Cooperation (APEC), and others intended to ensure regional security and stability, including the Organization of American States, Association of Southeast Asian Nations (ASEAN) and the Shanghai

Security Organization. A great deal of slippage has occurred between the economic and the political, however, and many multilateral organizations founded for one purpose have expanded beyond their original writ and clientele. Mercosur, for example, began to assume political functions by the mid 1990s and is now deeply committed to promoting political as well as economic integration for all of South America. ASEAN was originally founded as a security organization to contain the spread of communism from Vietnam and China, but it now includes Cambodia and (communist) Vietnam as members and frequently engages in dialogue with China and Japan. Political interest has also grown in extra-regional multilateral forums and organizations, as in the case of South Korea's (2005) and China's (2009) decisions to join Japan's long-standing presence (1976) in the IADB.

In considering the proliferation of formal and informal contacts between Asia and Latin America, two broad analytical points can aid in sorting out confusion. First, Japan's early experiences have provided a template for other Asian countries in establishing their own versions of the developmental state at home and in their pursuit of foreign influence abroad. Second, a range of soft power tools and informal relations, especially through migration and diaspora communities, play an important role and converge with formal bilateral relations and multilateral institutions in interesting ways. Brazil, for example, now hosts the largest community of citizens of Japanese descent anywhere outside of their homeland. Japan was also well positioned to capitalize on its pre-World War II ties with Latin America and develop the type of aid and investment policies that are now thought of as particularly Chinese (investment in big infrastructure projects; little attention to environmental or governance concerns). Korean businesses and migration began to flow toward Latin America in the 1990s, and the South Korean government is deeply involved in establishing academic and public policy programs in Argentina and other Latin American countries. China is not far behind, coordinating frequent bilateral visits, the establishment of soft power institutions such as Confucius Institutes, and a recently released policy paper outlining China's efforts to accelerate mutual knowledge and cooperation in Latin America in every imaginable sphere.

China's profile, important as it is, should not be viewed outside a wider Asian context. The importance of East Asia for Latin America was formally recognized in 1995 with the IADB's establishment of an Asia office in Tokyo to facilitate linkages between governments and business communities in Japan, Korea and China. The office also organizes informational and academic seminars on Latin America for the benefit of those constituencies. One can only imagine what kind of concerted effort the Indian government will make to formalize and accelerate its formal relations with Latin America to complement its increasing private investment, and how a potential Indian approach might differ from the more statist Northeast Asian response.

Asia and Latin America are pursuing political and economic linkages with the aim of, at least partially, offsetting the historic economic and political dominance of the United States and Western Europe. Yet even as they strive to deepen formal and informal, bilateral and multilateral relations, US influence provides both opportunities and constraints. Chinese political and policy journals frequently refer to Latin America as being in the United States' "backyard," despite the problematic connotations of the term for Latin Americans. In these and other ways, early twenty-first century patterns of globalization provide the currents of economic, social and political interaction between Asia and Latin America. Trade is a big part of this complex of relationships, but so too are the multitude of ways in which people, networks and concepts travel, become indigenized, and provide the raw materials for mutual understanding and cooperation. ■

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What Is China to Latin America?

By Ariel Armony

Any discussion about Latin America's economic situation today inevitably involves the topic of China. Trade between China and Latin America has grown exponentially in recent years, skyrocketing from $10 billion in 2000 to $179 billion in 2010. China's sizzling economic growth and its emergence as a global economic power have come with a rising diplomatic, cultural and even military presence in the Americas. In spite of the impressive figures, there is considerable debate about the impact of China's economic rise on Latin American development. As Kevin Gallagher and Roberto Porzecanski put it, the "dragon in the room" is the challenge China poses to Latin America's competitiveness in world and regional markets. Trade with China is also charming some countries in the region toward a path of specialization that may hurt their long-term prospects for economic development.

China had virtually no presence in Latin America only two decades ago, and its expansion has been felt as a sudden *"desembarco"* (landing). Latin Americans are still trying to make sense of this landing. Public perception of China is not as positive in the region as it is in Africa, but in recent polls a higher percentage of Latin American respondents rated China's influence on their countries as a good thing than those who could say the same about the US. These figures suggest a willingness to accept China as a newcomer in the hemisphere and to welcome deeper relations with the East Asian country.

Brazilians rehearse the Dragon dance for the upcoming Chinese New Year celebration at Liberdade Square in São Paulo, Brazil on January 19, 2010. YASUYOSHI CHIBA/AFP/Getty Images.

Upon closer inspection, of course, significant variation can be found across countries and sectors within each country. The very concept of Latin America has become gradually more diluted as countries in the region pursue different strategies of regional integration. More important, as Gallagher and Porzecanski explain, Latin America's trade with China is concentrated in only six countries and ten commodities. China's impact is uneven and poses very different challenges across the region.

For the most part, Latin American visions of China are based on an "imported Orientalism" dominated by misrepresentations of Chinese society and culture. A combination of timeworn images of China as "mysterious" and the projection of Western beliefs and interests onto China have colored Latin American conceptions of the East Asian country. The lacunae of knowledge about China in Latin America and the largely blank slate upon which the relationship is being built offer an opportunity to create a new vision to correct imported views and existing biases.

Throughout Latin America, rather than being considered a distant actor, China is increasingly

viewed as a tangible, concrete, albeit looming and problematic, presence. Although political preferences and ideology may influence media coverage in any given area, some common concerns have emerged about China's expansionism; namely, skepticism regarding the actual benefits that China brings to the region, and the long-term effects of this engagement. As expected, coverage of China emphasizes the East Asian nation's economic power, but questions have also arisen about China's commitment to fulfill its responsibilities as a rising global power. Many Latin Americans wonder about the sustainability and global impact of Chinese involvement. China's landing in Latin America has triggered new debates focused on strategic options, damage control and development models, among other issues. Most of the discussions occur in the realm of economics and politics, yet the debate over ideas, identity, rhetoric and worldviews is probably the one with the most serious implications for the future of the interaction between the two regions.

What is China to Latin America? Among other things, China represents a market, a partner and a competitor. China's need for primary commodities to feed its manufacturing growth and unprecedented urbanization entails a vast demand for everything from soybeans to copper as well as higher prices for such commodities in the international market. Latin American exports to China have skyrocketed in response to this demand in the last decade. High commodity prices and ample revenues are helping to sustain economic growth and strengthen fiscal accounts in several countries.

As mentioned above, however, Chinese demand mainly benefits commodity producers in South American countries such as Brazil, Chile, Argentina and Peru. The smaller countries of Central America and the Caribbean cannot benefit from trade with China unless they find a niche market (such as Costa Rican coffee). The reliance on primary commodities also entails the risk of resource dependency for exporting nations. This pattern of trade has clear limitations for long-term development. Among other limitations, it is not a big job creator and it does not contribute by itself (that is, without state intervention) to alleviate poverty and inequality. In brief, China is a market for Latin America, and one with great potential, but a shift from "fairy tale" to realism will have to occur if the region wants sustained benefits in the long run.

Is China a partner for Latin America? China has the potential to collaborate with Latin American countries in a number of ways: in the realms of technology, infrastructure, poverty reduction and educational programs; as a source of foreign investment and aid; and as an ally on the diplomatic front. As Juan Gabriel Tokatlian has argued, for example, China's model of international diplomacy entails some attractive notions for Latin America: multilateral politics, noninterference in domestic affairs, sovereign integrity, horizontal collaboration between "equals" and pragmatism. A concrete potential for partnership exists in this realm.

China conceives of its national security as a three-pronged approach: "National Sovereignty" (territorial integrity and national reunification), "Comprehensive Security" (preservation of its political and economic system and cultural heritage), and "Security in the Global System" (terms of insertion in the international system). To guarantee terms of insertion that could satisfy the Chinese leadership's demand for "equality, fairness, and justice," Beijing needs partners. Latin American countries can play a role in the pursuit of a common agenda oriented to counter US hegemony; just as China often perceives that the US strategy of "engagement" is actually intended to contain its rising power, Latin America has a strong preference for multipolarity.

As a major player in multilateral organizations, China understands the necessity of courting votes. Beijing pays significant attention to promoting partnerships with a wide variety of countries, regardless of their size or economic power. Confucius's phrase "One more friend, one more way" captures well this strategic

approach. Still, it is important to note that Beijing conceives of its relationship with Latin America as under the lens of US hegemonic power in the hemisphere. Accordingly, any convergence with Latin America in international politics, and particularly in hemispheric politics, is subordinate to its implications for Sino-US relations. In addition, China's external model of diplomacy may be seductive to Latin American countries, but the region's commitment to democracy – even with serious deficiencies – has defined a path that diverges from China's domestic political model. Brazil in particular will most likely have to face this divergence in the near future as it adopts a leadership role in the global South.

There is a dark side to Sino-Latin American partnership. It involves the risk that China's *zou chuqu* or "going out" strategy (official encouragement of Chinese enterprises searching for greater investment opportunities around the world, whether large, state-owned enterprises or individual and family entrepreneurs seeking business deals overseas) may bring with it traditional informal business practices and closed-door deal making. Chinese corruption is likely to find a welcoming environment in Latin America and could contribute to undermine the rule of law in the region. Similarly, China's foreign aid programs – which are touted as different from Western assistance because they have no strings attached – lack transparency and accountability. Criticism of China's foreign aid has been so extensive that in early 2011 Beijing released an official report intended to explain its foreign assistance practices, but which in fact provided only limited information on the specifics of Chinese aid programs and distribution of funds around the world.

There can be no doubt that China is a competitor for Latin America. The expansion of China's manufacturing capabilities is damaging Latin American exports in global, regional and domestic markets. Chinese exports are not only competing with domestic production in Latin American countries, they are also undermining the competitiveness of Latin American exports in third markets, namely, the United States, the European Union and the markets of trading partners in Latin America. Gallagher and Porzecanski calculate that, as of 2006, "94 percent of all Latin American and Caribbean manufacturing exports were 'under threat' from their Chinese counterparts, representing 40 percent of all [the region's] exports." Sectors such as electrical equipment, metal products and industrial machinery are facing the greatest impact.

China's emergence as a competitor is a wake-up call for Latin America. Blaming China for not playing by the rules is not enough. Chinese competition stresses the need for Latin American countries to increase spending on research and marketing, improve product quality, invest in infrastructure and reduce logistical costs. Sound policies that seek diversification and upgrade the quality of the domestic labor force are urgently needed.

Even as observers attempt to make sense of China's landing in Latin America, India is attempting to follow its model. As Jorge Heine explains in this issue, India's trade with Latin America is still modest compared to China's, but it has had a growing economic presence since 2000. Analysts expect that, as India catches up with China in terms of exports and foreign direct investment, its trade with Latin America will expand dramatically within the next decade.

We are witnessing times of extraordinary transformation. These changes pose unprecedented challenges and unique opportunities for Latin America. Deeper integration between Latin America and China (and, eventually, India) will require a combination of coherent policies, realism and innovation if these new relationships can be expected to yield positive outcomes and synergies for Latin America in the long run. ■

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Chinese Investment in Latin America: A Win-Win Situation

By Jiang Shixue

China publicly acknowledged the strategic importance of Latin America for its economic policy for the first time in a policy paper published in November 2008, but for the last decade or so, it has been developing much closer relations with the region. According to Chinese statistics, bilateral trade increased from $15 billion in 2001 to more than $200 billion in 2011. Total Chinese investment in the region grew from $4.6 billion in 2003 to $43.9 billion in 2010 – although 92%, or $40.5 billion, was concentrated in the British Virgin Islands and the Cayman Islands. Political, non-governmental, cultural and even military cooperation and exchange have also moved forward steadily. The current relationship between China and Latin America is most likely the best it has ever been since Columbus "discovered" the New World in 1492 – even if, as some scholars argue, the Chinese navigator Zheng He beat him to it in 1421.

Both China and Latin America have expressed their interest and determination to promote bilateral relations. To achieve this objective, however, both sides will need to address a number of issues. The first and most important priority is to reduce trade frictions. Cheaply priced Chinese products have posed great challenges to uncompetitive enterprises in Latin America, resulting in efforts to restrict Chinese exports, mainly through anti-dumping. Since 1989, when Brazil became the first Latin American country to levy anti-dumping tariffs against China to protect its domestic market, many of the major trade partners in Latin America have resorted to this practice. Anti-dumping tariffs can be extremely high. In the early 1990s, for instance, Mexico charged a tariff of 1105% for Chinese shoes, a rate tantamount to a total ban on imports. Most of Latin America's anti-dumping cases against China, in fact, are incompatible with World Trade Organization (WTO) rules.

According to the terms of China's admission into the WTO in 2001, the country will automatically be granted so-called market economy status (MES) in 2016. By then, many Chinese officials believe, Chinese exports might face less anti-dumping from trade partners, including those in Latin America. At the very least, China's trade partners will not be permitted to choose a third country at will for price comparison in judging whether China dumps or not. Without MES, China does not stand up well to comparison given its low labor costs.

At the same time that Latin America has courted greater Chinese investment in the region, China has been implementing a "going global" strategy, encouraging Chinese enterprises to invest abroad. To take advantage of this win-win scenario, Latin America needs to improve its investment climate. Chinese investors, in turn, must familiarize themselves with the laws of the host countries, prepare for labor strikes and adapt to local business practices. Undoubtedly, they should also assume more social responsibility.

The second issue in improving the bilateral relationship is to overcome fear of China on the Latin American side. Public opinion in Latin America often fails to recognize that, on the whole, China contributes positively to development in the region. For instance, China's demand for Latin American raw materials has pushed up the prices of these resources on the world market. No less important, cheap Chinese exports have helped curtail inflation. In April 2011, a *Financial Times* reporter found that almost every Chinese product sold at a small shop in a São Paulo favela, from lipstick and handbags to plastic figures of Buzz Lightyear, was five times cheaper than the same item made in Brazil. "It has to be," the shop owner said of the ubiquity of Chinese merchandise, "otherwise lots of people here couldn't afford it."

The third issue concerns the matter of mutual understanding to consolidate trust and defuse misconceptions. Official visits help; China's president and vice president traveled to Latin America within two months of each other in late 2004 and early 2005, and again in late 2008 and early 2009. Generally speaking, however, geographical distance and differences in language, cultural traditions, political systems, etc., have resulted in a lack of mutual understanding between the two sides.

Finally, the "US factor" is an obstacle in China's relations with Latin America. Members of the US Congress, the media and even some

academics have expressed concern at the growing Chinese presence in Latin America. In April 2006, Thomas Shannon, then the United States Assistant Secretary of State for Western Hemisphere Affairs, traveled to Beijing and discussed China's policy towards Latin America with the Chinese Foreign Ministry.

The US has no cause for concern. China understands that Latin America is in the United States' "backyard" and has neither the interest nor ability to challenge its traditional sphere of influence there. Moreover, China's relations with Latin America are part of a broader trend of South-South economic cooperation that benefits the United States as well.

Spain has offered to help China develop its bilateral relations with Latin America, taking advantage of its linguistic and cultural ties and well-established market networks in the region, and so far, the results of this triangulation are encouraging. On October 1, 2010, for instance, Sinopec, one of China's largest energy companies, announced that it would invest $7.1 billion in Repsol YPF Brasil, giving it a 40% stake in the Brazilian enterprise. If similar triangulation could be established between China, the United States and Latin America, wouldn't the result be a triple win for all three parties? ■

Jiang Shixue is a professor at the Chinese Academy of Social Sciences and vice president of the Chinese Association of Latin American Studies.

The New Banks in Town: Chinese Finance in Latin America

By Amos Irwin, Kevin Gallagher and Katherine Koleski

In the last few years, China has gone from being a non-player in Latin American finance to ranking as one of the region's leading creditors. Although individual loans have been reported in the press, no systematic studies have documented the rise of Chinese lending in Latin America and the Caribbean (LAC). The lack of public information about these loans has caused their terms and conditions to become a source of speculation and concern.

The flood of China-LAC loans has been criticized by Western observers. The *Financial Times*, for example, warns of "escalating competition over loan deals" in Latin America between Chinese banks and the World Bank. These sources argue that Chinese banks offer ultra-low interest rates to outcompete Western banks. Chinese banks, they warn, are replacing Western banks that attach policy conditions to protect social and environmental welfare. They suggest that China is exploiting LAC oil exporters with oil-backed loans, or "loans-for-oil."

Most of these claims are either unfounded or come with many caveats. Since none of these sources have access to hard data on Chinese lending to LAC, their claims are largely based on speculation. To attempt a more empirically-based understanding of these issues, we built a comprehensive database of Chinese lending in LAC and compared it to lending by other major players.

We confirm that Chinese lending to the region is large and growing at an impressive rate. Our work attempts to offer a balanced view of the implications of such lending. While others have thrown their hands in the air in praise or in fear, we see the potential for both positive and negative consequences. China's lending to LAC brings new benefits to the region, but it also brings new risks.

Most of China's international lending comes from the China Development Bank (CDB) and China Export-Import (Ex-Im) Bank. During its 1994 reforms of the financial sector, the Chinese government created CDB and China Ex-Im as "policy banks." Their loans serve the government's policy objectives of supporting infrastructure, industry and exports. Both banks have backed Jiang Zemin's "going global" policy, which encourages the internationalization of Chinese investment and trade by lending to overseas Chinese companies and business partners. In the

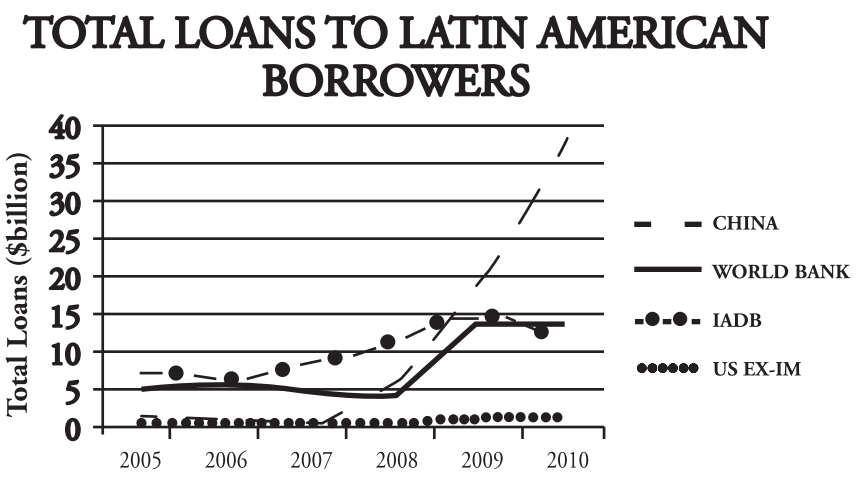


Figure 1: Comparison of Chinese, World Bank, IADB, and US Ex-Im Lending to LAC.

last few years, these banks have become leading creditors for Latin American governments.

Since Chinese banks do not issue transparent annual reports or statistics, there is no easy way to measure their loans abroad. Given the lack of data, we examined government, bank and press reports in both China and borrowing countries to compile a list of loans and their characteristics. We estimate that since 2005, Chinese "policy banks" have committed approximately $75 billion in loans to LAC. In 2010, Chinese banks committed more than the World Bank, Inter-American Development Bank (IADB) and US Ex-Im Bank combined (see Figure 1). Our estimate should not be taken as a precise sum but rather a well-documented ballpark estimate. On the one hand, we may have underestimated Chinese finance in Latin America because we do not include loans under $50 million. On the other hand, we may have overestimated the total because the parties involved could partially or entirely cancel some loans. Loan agreements, such as Argentina's $10 billion agreement in 2010, simply set an amount to be carved up into projects later and may be only partially fulfilled.

No Cutthroat Interest Rate Competition

Many Western observers have worried that Chinese banks are "competing" against Western banks with low interest rates. The *Washington Post* argues that China is using "low-ball financing" to make its export credits more attractive. "China has handed out billions of dollars at less than 1 percent interest," the editors note. "This has become a headache for Western competitors, especially members of the 32-nation Organization for Economic Cooperation and Development (OECD), which long ago agreed not to use financing as a competitive tool."

In fact, our study shows that both CDB and China Ex-Im charge higher rates on most of their loans to LAC than their Western counterparts require. China Ex-Im offers some smaller loans at lower rates but, like the World Bank, it does so to provide development aid rather than to undercut its competitors. The majority of China Ex-Im's LAC funding carries market rates.

When we compare development banks, CDB's interest rates actually exceed World Bank (IBRD) rates. For example, in 2010, CDB offered Argentina a $10 billion loan at 600 basis points above LIBOR (interest rate for loans between banks). The same year, the IBRD granted Argentina a $30 million loan at 85 basis points above LIBOR. In all the cases we found, CDB interest rates exceeded IBRD rates on similar loans.

When we compare the Chinese and American export credit agencies, China Ex-Im offers slightly lower rates than US Ex-Im on small projects and higher rates on larger projects. To compare China and US Ex-Im interest rates, we subtract the OECD's "country risk" premiums to compensate for the fact that some countries are riskier than others. While the US bank charges 1.5-2.5% above the OECD risk premium, China Ex-Im's low rates fall only slightly above the premium itself. Other than the high rate for Ecuador's Coca-Codo-Sinclair Dam, China's rates fall 1-2% below US rates.

Rather than as cutthroat competition, the low China Ex-Im rates should be viewed as development aid. Instead of offering below-market credit through its development bank, China channels it through its Ex-Im Bank. This explains both the higher CDB and lower Ex-Im rates. Since the IBRD is offering below-market interest rates, it is no surprise that CDB's interest rates are higher. It is also unsurprising that China Ex-Im Bank's concessional interest rates fall 1-2% below US Ex-Im's commercial rates.

The majority of China Ex-Im's lending, however, is unsubsidized commercial lending at much higher interest rates. Commercial loans constitute more than 80% of China Ex-Im's lending to LAC, including a $2.4 billion loan for the Baha Mar resort in the Bahamas and a $1.7 billion loan for Ecuador's Coca-Codo-Sinclair dam. China Ex-Im Bank charged 6.9% interest on the latter, about 2% higher than US Ex-Im rates even adjusting for Ecuador's high-risk premium. The evidence therefore suggests that neither CDB nor China Ex-Im subsidizes interest rates to undercut Western lenders.

Chinese Banks Give Large Loans to High-Risk Countries

One would expect Chinese banks to loan to creditworthy countries that can afford their commercial interest rates. Instead, Chinese banks dedicated 61% of their lending to the lowest-rated borrowers in Latin America, Venezuela and Ecuador. This is an enormous share considering that these countries make up only 8% of the LAC region's population and 7% of its GDP. Over the same period (since 2005), these two nations received 13% of IADB loans and virtually nothing from the World Bank or US Ex-Im Bank. Meanwhile, Chinese banks gave almost nothing to West-friendly Mexico, Colombia and Peru despite their sizeable economies and resource endowments. Only Brazil and Argentina received significant loans from both Western and Chinese banks.

Chinese loans to high-risk countries are helping compensate for the absence of sovereign debt markets. Ecuador essentially cut itself off from mainstream lending by defaulting on its sovereign debt in 2008-09. The Venezuelan government has scared off investors by violating private property rights. As a result, the sovereign debt markets charge Ecuador and Venezuela unaffordable spreads of 935 and 1220 basis points, respectively, four to six times higher than Colombian and Peruvian spreads. Chinese lending is substituting for private capital that these high-risk countries cannot afford. In Ecuador's case, Chinese lending has given the government a second chance to rebuild both the economy and investor confidence.

Chinese Banks Lower Costs by Attaching Strings: Loans-for-Oil and Purchase Requirements

How can Chinese banks offer such high-risk loans at affordable interest rates? We have seen that for the most part they do not use state subsidies to lower interest rates. The question then becomes why the cost of their loans is so low. For example, CDB offered Venezuela $20 billion at a floating rate of 50-285 basis points over LIBOR. In private sovereign debt markets, Venezuela would have to pay a spread of 935 basis points. China Ex-Im's commercial loans are also low-cost; it charged Ecuador 6.9% on its $1.7 billion export credit, well below that country's 838 basis point spread on sovereign debt.

Chinese banks lower the cost of loans to high-risk countries by attaching strings such as purchase requirements. CDB's $1.7 billion export credit to Ecuador is not actually a loan; it is a line of credit for the Ecuadorian government with Chinese state-run SinoHydro Corporation. Since the money goes straight to supporting Chinese state-owned companies, an Ecuadorian default would be far less costly to the Chinese government. We found conditions in almost every Chinese loan requiring the borrowers to use the funds for Chinese construction, oil, telecommunications, satellite or train equipment.

In addition to purchase requirements, CDB has recently begun lowering financing costs with "loans-for-oil." Such loans usually work as follows: CDB grants a billion-dollar loan to an oil-exporting country like Ecuador. Petroecuador pledges to ship hundreds of thousands of barrels of oil to China every day for the life of the loan. Chinese oil companies deposit their oil payments into Petroecuador's CDB account. CDB withdraws the interest due on the loan directly from this account. As long as the country keeps exporting oil to China, CDB will siphon out a portion of the revenues to collect interest on the loan. As CDB founder Chen Yuan notes, "backing loans with oil shipments effectively keeps risks to a minimum level." The oil-backed arrangement helps explain the low interest rate on the $20 billion loan-for-oil to Venezuela.

Many Latin American and US observers argue that the loans exploit borrowers, largely because they misunderstand the deals. Many assume that the borrowers are simply giving a set amount of oil to China to pay back the loan; however, China's loans-for-oil with Latin America use market prices. China cannot "lock in" low prices or "hedge" against world oil price fluctuations because the contracts require it to pay the daily market price.

The financing terms seem to be better for the South Americans than most people believe. Although

Ecuador's prices are based on US market prices, Petroecuador subtracts a per-barrel "differential" because its oil is of lower quality than US oil. At the same time, it charges a small per-barrel "premium" for committing to sell so much oil in advance. Far from being unfair to Ecuador, the differentials and premiums are consistent with Ecuador's other recent oil deals.

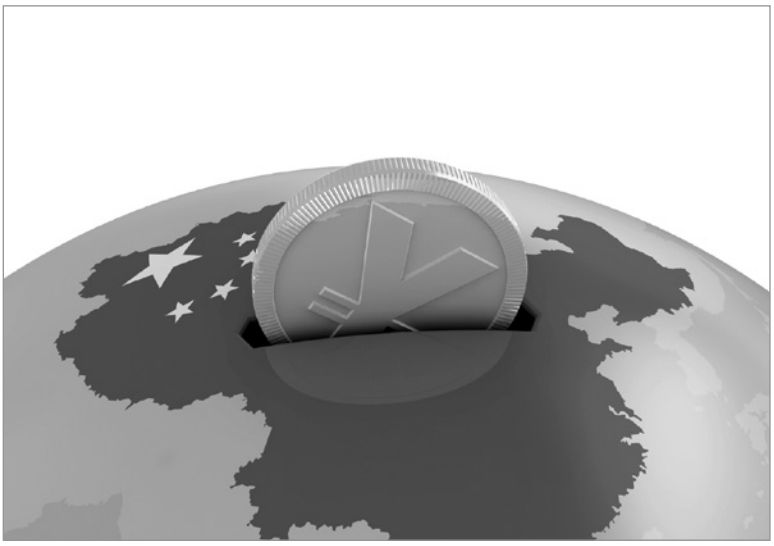
Chinese Loans: A Different Development Model

Chinese banks tend to loan money to LAC for infrastructure and heavy industry, while World Bank and IADB loans span a wider range of governmental, social and environmental purposes. The Chinese banks channel 87% of their loans into the energy, mining, infrastructure, transportation and housing (EMITH) sectors. Only 29% of IADB loans and 34% of World Bank loans go to those sectors; instead, these institutions direct more than a third of their loans toward the health, social and environment sectors in LAC, which are essentially devoid of Chinese investment.

China's lending policy obeys a different development philosophy. In contrast to the Millennium Development Goals' focus on social welfare, Chinese banks focus on economic growth. They fund projects that will create jobs and open up new economies for Chinese trade and investment. The Chinese government models its EMITH development aid on the World Bank loans of the 1950s and 1960s and Japan's loans to China in the 1970s.

Chinese Banks Roll Out New Environmental Guidelines

Critics have charged that China turns a blind eye to the environmental impact of the projects it funds. In fact, Chinese banks have adopted new environmental guidelines containing substantive requirements and standards, even if they are not as demanding as those followed by Western banks. The Chinese guidelines require projects to pass an Environmental Impact Assessment (EIA) prior to funding. Unlike their Western counterparts, however, Chinese EIAs require the project to comply with current environmental standards in the host country rather than international industry standards. Chinese banks require public consultations with communities affected by the projects but they do not include a grievance mechanism or independent monitoring and review, which are key requirements of Western banks. Like their Western counterparts, Chinese banks require an ex-post EIA. The main difference, therefore, is the emphasis on compliance with domestic as opposed to international standards and the absence of a forum to redress grievances or obtain third-party approval.



It is unclear to what extent Chinese banks will actually follow these new guidelines in LAC. China only recently began lending to the region, so we cannot measure their track record. Compliance with environmental guidelines, however, has remained a stumbling block within China, and theoretical guidelines will only translate into real reforms with the active support of the banks themselves.

It is our hope that our study and other similar research can help spark a more empirically based discussion among policymakers and scholars about China's role in Latin America. After more than a decade of significant Chinese engagement with the region, it is far too simplistic to think of China as "good" or "bad" for LAC development. China offers new benefits even as it presents new risks. ■

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Mexico and China: Competition vs. Complementarity

By Enrique Dussel Peters

In the last decade, China and Latin America have increased trade dramatically, and Chinese foreign direct investment (FDI) in the region has experienced significant growth in parallel. Research into these trends has been insufficient, especially considering that China is now the region's second leading trading partner. Adding to the confusion, Chinese and Latin American sources often report different statistics. According to recent estimates, however, Chinese FDI in the region accounted for more than $30 billion in 2010-2011.

Several negative trends are associated with this increase. Regional trade specialization with China, in the form of low value-added raw material exports and imports of higher value-added manufacturing, has resulted in technological and balance of trade limitations, as well as new development challenges. Studies of value-added chains in raw materials also show an effective process of downgrading in some cases. As a result of new Chinese regulations and pressures, Latin American exports have declined in technology, value-added and sophistication.

China's economic development has called into question the export-oriented strategy Mexico has followed since the late 1980s. China, in contrast, has pursued a long-term strategy with active public policies since the early 1980s, with special emphasis on industry, trade, regional development, education, innovation, urbanization, exchange rate and fiscal policy. Comparatively, China's socioeconomic performance has been outstanding. In 1980-2010, China's GDP increased 14 times more than Mexico's. China was able to lift more than 400 million inhabitants out of poverty, while Mexico's poverty rate increased during the same period. In 2010, China exported $45.6 billion worth of goods to Mexico, while Mexican exports to China totaled $17.9 billion, a difference of 155%.

China has become Mexico's second largest trading partner.

The average annual growth rate (AAGR) of Mexico's total exports during 1995-2010 was 9.2%, and 10% for total imports. The AAGR of its trade with China, however, was 37.1% (exports) and 34.7% (imports). As a result, the United States' share of Mexico's trade is the lowest it has ever been.

Another relevant feature of Mexico's trade with China is its 11:1 import/export ratio. In other words, Mexico has a massive trade deficit with China. The composition of Mexico's trade with China is also significant. Until 2006-2007, electronics, auto parts and automobiles accounted for more than two-thirds of Mexican exports to China. This proportion has changed drastically, and by 2010 copper, oil and other raw materials had displaced these products. In turn, Mexico imports almost exclusively manufactured goods from China, particularly electronics, auto parts and other increasingly sophisticated technological goods.

Recent research has also found that only 9% of Mexican imports from China in 2010 were in the form of consumer goods. The overwhelming bulk was intermediate and capital goods. The figures require more analysis, but they appear to contradict the perception that Chinese imports compete massively with domestic production and suggest that they could, on the contrary, improve the competitiveness of the Mexican production sector.

Trade issues, including the trade deficit, trade and non-trade barriers, tariffs and similar issues, increasingly define Mexico's overall bilateral relationship with China. Total Chinese imports, for example, pay effective tariffs of 1.89% – more than total Mexican imports, which pay 0.80% – while a small group of 204 items paid a tariff of 106% in 2008 and a maximum of 35% in 2012.

Tensions between the two countries, escalating with the AH1N1 virus in 2009, the visit of the Dalai Lama in 2011, and declarations by Mexican and Chinese officials since then, have limited new Chinese FDI in Mexico. The Economic Commission for Latin America and the Caribbean (ECLAC) estimated total Chinese FDI in Latin America at around $35 billion in 2010-2011, but Mexico accounted for less than $100 million.

To inaugurate a new stage in the bilateral relationship, the public, private and academic sectors must work together to establish priorities. It is not clear that Latin American and Mexican elites have a sense of urgency regarding trade with China; they may require another decade or so to understand and analyze the issue. Urgent high-level political support will be required to overcome existing institutional, economic and political limitations and avoid an escalation of tensions that could result in an impasse. ■

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Cuba and China: In Mixed Enterprise We Trust

By Adrian H. Hearn

China's Vice-President Xi Jinping shakes hands with Cuban President Raúl Castro on June 5, 2011 at Revolution Palace in Havana. Xi was in Cuba on a four-day official visit. China, Cuba's second largest trading partner after Venezuela and a key source of credit, has investments in transportation, oil, appliances, communications and tourism in the communist-ruled island. ALEJANDRO ERNESTO/AFP/Getty Images.

As the Cuban government eases restrictions on small trade and commerce, nobody is exploring new opportunities more actively than the island's Chinese community. Like the Chinese diaspora across Latin America, its members are seeking a head start by pursuing new sources of investment and trade with globally minded entrepreneurs in Mainland China. The community is small; its coordinating body, the Casino Chung Wah, registered 171 surviving first-generation Chinese in Cuba in 2011. Altogether, however, Havana's 13 Chinese ethnic associations boast some 3,000 second- and third-generation members of mixed ancestry who are well integrated into Cuban economic and political life and eager

to build commercial bridges across the Pacific.

In January 2012, the 125th anniversary of Havana's Min Chih Tang Association brought aspiring Chinese-Cuban entrepreneurs together with potential business partners from China who are exploring the frontiers of the island's evolving economic landscape and hoping to introduce supermarkets, electronics outlets and tourism services as they have across the Caribbean and Southeast Asia. Tight restrictions have inhibited their expansion into Cuba, but they are confident this will change under Raúl Castro's reform agenda. If they are correct, then the connections and trust they are forging with Cuba's Chinese community will serve them well.

As much as they would like to broker trade with their motherland, Cuba's Chinese associations must be careful not to overstep their bounds. Regulated by the Ministry of Justice since 1978, they are required to focus on cultural activities. The government tends to view the success of the associations' restaurants (each of which earns between $3,000-$5,000 per day, the author found in 2011 and 2012), with a blend of admiration and suspicion. The main thing, says the Ministry's Director of Associations, Miriam García, is that Cuban grassroots institutions respect the country's Law of Association, which since 1888 has ensured state oversight of their finances. "Without this guidance," she believes, "the Chinese associations would become overwhelmed by commercial aspirations. We trust them to openly comply, and in return they trust us to look after their bank accounts."

Trust between state and society has long been a topic of debate in Cuba, particularly with regard to the "social contract" that since 1959 has guaranteed citizens access to basic goods and services. Just as Deng Xiaoping abandoned China's "iron rice bowl" in the 1980s, the situation in Cuba is changing. Guaranteed rights to employment and housing are "melting into air" as the state gradually relieves itself of half a million employees and permits citizens to buy and sell houses and cars. The 313 Social and Economic Policy Guidelines published in 2011 show growing acceptance of market forces as a "complement" to Cuba's state-dominated system of trade and investment. The aim is to develop an economy that is less dependent on the state but nevertheless serves national interests, and a citizenry that trusts the political stewardship of its government.

In attempting to introduce a more mixed economy, Raúl Castro appears to have taken a page from Deng's book. Among the insights derived from China — with varying degrees of attentiveness — are the gradual implementation of reforms under a state-appointed Permanent Commission for Implementation and Development; military management of commercial activities; coordinated upgrades of industrial sectors; trial runs of reforms prior to wider implementation; and a more conciliatory approach to emigrants as a source of much-needed investment. In November 2010, Cuban National Assembly President Ricardo Alarcón visited Beijing and officially recognized the relevance of China's economic evolution for Cuba's development. Raúl Castro had already expressed this sentiment during his visits in 1997 and 2005, which focused on labor market reform and the creation of hybrid public-private enterprise.

Chinese officials have been advocating economic liberalization to their Cuban counterparts ever since Fidel Castro visited Beijing in 1995. Cuba has good reason to listen: China is now the country's second largest trading partner after Venezuela, with annual bilateral trade of $1.83 billion in 2010 (down from a high of $2.27 billion in 2008, before the global financial crisis, and up from just $314 million in 2000). The increase in trade has been accompanied by closer political ties. In June 2011, Chinese Vice President Xi Jinping and China National Petroleum Corporation President Jiang Jiemin visited Havana to establish the first Five-Year Plan for Sino-Cuban Cooperation. Among the initiatives under negotiation are Chinese investments in Cuban oil and gas; expansion of academic exchange programs (which currently accommodate some 100 Cuban and 2,000 Chinese students); and assembly of low-cost televisions, air conditioners and kitchen appliances. Other proposals include direct China Air flights between Havana and Beijing, and credits and loans for Cuba's emerging market economy.

China's Political Attaché in Havana, Yu Bo, believes that

Members of the Chinese community in Cuba wave farewell to China's President Hu Jintao during his departure from the José Martí International Airport in Havana on November 19, 2008. China's President Hu wrapped up a landmark visit to Cuba, where he brought millions of dollars in aid and promises of closer trade ties. JUAN CARLOS BORJAS/AFP/Getty Images.

Sino-Cuban cooperation will require a careful balance of market entrepreneurship and state supervision if it is to fulfill its potential. "Market-led systems demand business acumen, and state-led systems demand intelligence; we need both," he has said. Industrial upgrading, tourism development, and financial services require creativity and initiative, but they also call for long-term planning and regulatory oversight. With China's support, Cuba now appears to be on track toward a more effective balance of the two.

In the wake of the Soviet collapse, Francis Fukuyama famously argued that the key to prosperity lies in spontaneous trust among citizens and entrepreneurship uninhibited by state intervention. Since the global financial crisis, world leaders from Hu Jintao to Barack Obama have questioned the wisdom of the small government thesis, but Cuba's reformers may yet find a pearl of wisdom in Fukuyama's thinking. If their efforts to blend private enterprise with public oversight are to succeed, regulations must be developed to encourage rather than impede local initiative and trust. Havana's Chinese associations demonstrate what is at stake. Their efforts to foment cooperation and trust with business partners across the Pacific could open valuable commercial channels for the island. The key question on their members' minds is whether or not the Cuban government will trust them to do so. ■

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Taiwan: More than Checkbook Diplomacy

By Cristina Eguizábal

Until 1971, the government of the Republic of China (ROC) occupied China's seat on the UN Security Council. When Chiang Kai-shek retreated in 1949 from Nanjing after Mao Zedong and his Communist troops defeated the Kuomintang, only members of the Soviet camp recognized the newly proclaimed People's Republic of China (PRC). Sweden, Denmark and Switzerland followed suit one year later, but for the next 20 years the rest of the Western world would recognize the ROC, based in Taiwan, as the legitimate government of China. France was the first major Western country to recognize Beijing, exchanging ambassadors in 1965. Others soon followed its example and in 1971, following Washington's recognition of the PRC, Beijing went on to occupy China's UN seat.

Today only 23 countries, 12 of them in Latin American and the Caribbean, still recognize the ROC. These are, in alphabetical order: Belize, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Saint Christopher and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. However, Taiwan's status in the world's economy – nineteenth according to GDP, seventeenth major exporter and sixteenth major importer – creates ambiguous situations for most countries in the Western Hemisphere, including the United States. Taiwan's democratic consolidation, clearly demonstrated during the last presidential election, further complicates the matter of diplomatic recognition.

Members of the Taiwanese community take part in the commemorative parade for Taiwan's 100th anniversary in Guatemala City on August 7, 2011. JOHAN ORDONEZ/AFP/Getty Images.

Beijing insists that countries cannot have official relations with both China and Taiwan. To deal with this challenge, Taiwan has established a pragmatic alternative system of "external relations" that allows it to conduct formal business with most countries of the world. In 1979, for example, the US Congress passed the Taiwan Relations Act authorizing official relations with the "governing authorities on Taiwan" and honoring the validity of all previous obligations contracted with the ROC. US law treats Taiwan the same way it does any "foreign countries, nations, states, governments, or similar entities." Canada, Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru all have thriving commercial relations with the island managed by trade offices in lieu of full-fledged embassies. The Brazilian government recently announced that Foxconn, the Taiwanese multinational electronics manufacturer, plans to build five new Apple iPad assembly plants in its territory. Final negotiations with the company were held on the mainland, where Foxconn has most of its factories, during President Dilma Rousseff's official visit to China.

After years of tense relations, Beijing and Taipei have found a productive modus vivendi.

Mainland China is Taiwan's most important trading partner and Taiwan is China's most important foreign investor. With seven million visits annually across the Taiwan Strait, the two societies have become economically integrated. Despite all the advances, however, the relationship is still a work in progress.

During the Cold War, Taiwan played an important role in training Central American soldiers after the Carter administration asked Congress to cut off military assistance to the repressive governments of Guatemala, El Salvador and Somoza's Nicaragua. Taiwan no longer provides such military assistance but it still participates in military student exchanges. Development aid is aligned with Millennium Development Objectives and disbursed through the International Cooperation and Development Fund. Taiwanese cooperation focuses on strengthening the private sector, particularly small and medium enterprises, through technical assistance in communications and information technology, development of human capital and access to credit. It also supplies medical assistance after humanitarian disasters. Less transparent and more questionable are cash donations for housing projects and fancy government buildings.

Taiwanese diplomacy is not confined to the checkbook. The island is also aggressively pursuing free trade agreements. It finalized negotiations with Panama in 2003, Guatemala in 2005, Nicaragua in 2006, and El Salvador and Honduras in 2007, and is negotiating an accord with the Dominican Republic. To facilitate Taiwanese private investment overseas, Taipei has established a $250 million fund to encourage Taiwanese companies, a Central and South American research center, and several investment consulting missions. The island holds observer status at the System for Integration of Central America (SICA) and the Central American Parliament (PARLACEN) and is an extra-regional member of the Central American Bank for Economic Integration (BCIE) and Inter-American Development Bank (IADB).

Anti-China activists carry a banner as they march through the Taipei streets on September 4, 2011. About 1,000 activists chanting pro-independence slogans took to the streets, accusing Taiwan President Ma Ying-jeou of surrendering the island's sovereignty to former bitter rival China. PATRICK LIN/AFP/Getty Images.

The role of Taiwanese non-governmental organizations is also rapidly expanding. The Tzu Chi Buddhist Foundation, a humanitarian organization, operates offices in Asunción, San Salvador, Santo Domingo, Guatemala City, Tijuana, Mexicali, São Paulo and Buenos Aires.

Until recently, Beijing had not expressed much interest in competing with Taipei for the small Central American and Caribbean markets. This has been slowly changing and the PRC has begun competing with Taipei in dollar terms –and often outbidding it. Dominica switched recognition in 2004 after Beijing offered it US$112 million over six years, dwarfing Taipei's US$9 million assistance. In 2005, the PRC won Grenada's diplomatic recognition by offering to build 2,000 low-income houses and new hospital facilities, support the agricultural sector, transfer US$1 million in cash for Grenadian government scholarships, replace Taiwan's US$6 million donation to complete community projects, and provide budget support until 2009. In addition, Beijing promised financial assistance to rebuild Grenada's National Stadium for the 2007 Cricket World Cup. Before recognizing Beijing, Costa Rica insisted that it buy US$300 million in state bonds, provide US$130 million in aid plus scholarships for study in China and, most conspicuously, contribute US$74 million to build the capital's new soccer stadium.

Nobody doubts that time is on Beijing's side. In the meantime, however, self-determination remains crucial for Taiwan, and anything that can foster the legitimacy of its claims to sovereignty is key. The small Central American and Caribbean countries are important pieces on the chessboard. ■

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Japan and Latin America: New Patterns in Bilateral Relations

By Vladimir Rouvinski

Relations between Japan and Latin America in general receive little attention from domestic or international observers. Japanese overtures have been cautious due to the importance attached to Japan's strategic alliance with the United States. On both sides of the Pacific Ocean, however, key actors agree that the world is living through times of dramatic change that will eventually define the future world order. Both Japan and Latin America share some common concerns – as well as expectations – regarding the impact these changes may have on their interests in the international arena in terms of political and economic power. For the powerful East Asian nation, the whole of Latin America is "a continent in transition," as the title of a recent issue of the journal of the Japanese International Cooperation Agency (JICA) proclaims. A great deal of the differentiation Tokyo has shown in its bilateral relations has to do with its understanding of the nature of this transition.

A rescuer from the Mexican Red Cross searches for bodies with a dog in Sendai on March 16, 2011, days after a massive earthquake and tsunami devastated the coast of eastern Japan. FRED DUFOUR/AFP/Getty Images.

New Pillars of Cooperation

Several factors help illuminate the complex dynamics of Japanese involvement in Latin America. First, and most important, Japan is facing an identity crisis over its future. Only recently, many considered the country to be the leading rival to United States power, and the government's capacity to assure a bright future for its citizens was seldom questioned. The March 2011 earthquake and tsunami, however, caused damage not only to the country's infrastructure and environment but also to the confidence of the Japanese people in their government. Debate has intensified about domestic as well as foreign policy. While it is true that Latin America has not been at the center of these debates, the outcome will have an impact on Japanese foreign policy in the Western Hemisphere. After all, the key issues at the top of foreign policy debates in Japan –namely, the demise of US hegemonic power and the rise of China – are familiar topics in Latin America.

There is no doubt that Japan is closely watching the changing patterns of relationships in the Western Hemisphere and,

especially, the rise of emerging actors from Asia, such as China and India. These developments are moving Japan away from its traditional appreciation of multilateral cooperation agreements and toward the promotion of regionalism. Since signing the Trans-Pacific Economic Partnership Agreement (EPA) with Mexico in 2004, Tokyo has forged similar agreements with Chile, Colombia and Peru. Nevertheless, the itineraries of high-level Japanese officials continue to exclude most Latin American countries. In 2000-2010, Japanese prime ministers visited only those countries with an established history of relations with Japan, namely, Brazil, Peru and Mexico. The majority of Latin American presidents, in contrast, paid personal visits to Tokyo.

Trade, Investment and International Cooperation

Latin American presidents' willingness to travel long distances is easy to explain: Japan is one of the most promising foreign investors in the region and its foreign direct investment (FDI) in Latin America and the Caribbean is second only to its FDI in Asia. The first Japanese investments in Latin America date back to the 1950s and 1960s, but only since the beginning of the twenty-first century have changes in the investment policies of the large Japanese general trading companies paved the way for the appreciation of new opportunities in Latin America.

Currently, the mining sector is the driving force for major Japanese investments in the region, in addition to the automobile and electronics industries in the case of Brazil and Mexico. These new Japanese investments are possible because Tokyo has started to consider the region's long-term stability, and the promotion of democratic regimes and market economies, as key elements of its foreign policy in Latin America. To this end, Japan has adopted the "two Ds" – Democracy and Development – and is actively fomenting international cooperation, after having been a leading donor for decades.

By 2010, Japanese exports to Latin America and the Caribbean had reached US$31.4 billion, an increase of 34.8% in just five years and the highest growth of Japanese exports anywhere in the world. Japan's imports from the region also grew, to US$18.6 billion, an increase of 26.3% over 2005.

"Things happen for a reason" is a favorite Japanese saying. One of the reasons for the success of Japanese trade and investment in Latin America is the existence of an environment of trust and mutual respect in bilateral relations. This climate is the result of a long history of peaceful and mutually beneficial relations dating back as long as 400 years, in the case of Mexico. New developments have also played a role. Emergency aid from Latin America was mostly symbolic following the 2011 tsunami, but it highlighted an important feature of current Latin American relations with Japan: the existence of a human bond between these two geographically distant parts of the world.

A People's Connection

Shortly after the quake and tsunami hit eastern Japan, the Japanese consulate in Rio de Janeiro opened its phone lines for inquires. In a few short hours, the Brazilian Ministry for External Relations received about 4000 e-mails and phone calls from people with relatives in Japan. Brazilians are the largest expatriate community in Japan, second only to Chinese and Korean immigrants. The 1.5 million *nipo-brasileiros* represent a strong link between the two countries.

Until only recently, discussions about the significance of emigrant groups in Japan would likely have focused on the amount of cash they sent back to the Americas. In some cases, remittances reach several billion dollars and could be compared to the amount of Japanese exports to the region. The response to the 2011 earthquake, however, revealed some new features in the relationship. Organized Latin American communities in Japan are becoming increasingly visible and are attempting to promote a positive image. In the aftermath of the Fukushima disaster, Brazilian groups from across Japan formed a volunteer organization called *Brasil Solidário* to provide assistance to the devastated areas. A few months later, Kawamata township, which lies partially within the nuclear no-entry zone, hosted *Cosquín en Japón*, named after the famous festival in Argentina and said to be the largest Latin American event in Japan. Cultural and community events and activities are proliferating across the country and helping to build a positive image of Latin America among the Japanese, contributing to the development of stronger ties between the two regions. ■

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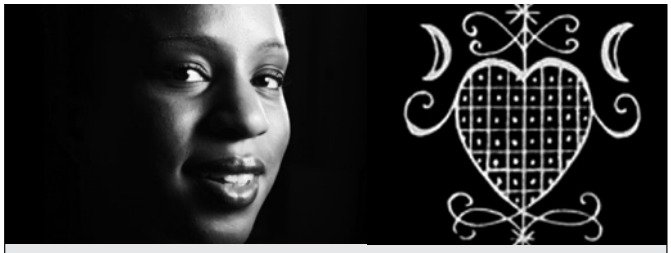
LACC SUMMER PROGRAMS



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From the Great Wall to the New World:
China and Latin America in the 21st Century

Edited by Julia C. Strauss and Ariel C. Armony
Cambridge University Press, Forthcoming May 2012

From the Great Wall to the New World: China and Latin America in the 21st Century goes beyond policy analysis and examines a wide range of "new" interactions between China and Latin America. Authors discuss transnational flows of capital and people, fluidity of perceptions between China and Latin America, stereotypes and "othering" of Latin America within China, and changing rhetorical assumptions of the top leadership for the China-Latin America relationship. With its base of primary source material from Mexico, Peru, Colombia, Brazil and China, *From the Great Wall to the New World: China and Latin America in the 21st Century* makes an important contribution to the small but emerging body of academic scholarship on China and Latin America and provides the reader with unique insight into an evolving relationship worth watching.

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In Search of Balance, Brazil Looks to Asia

By Maria Hermínia Tavares de Almeida

Brazil has had established relations with Asia since the beginning of the twentieth century, when waves of Japanese immigrants founded the largest Japanese community outside Japan. These immigrants played an important role in creating a modern and productive agricultural sector, especially – but not only – in the green belt surrounding metropolitan São Paulo. The Japanese fully integrated into Brazilian society, experiencing a successful upward mobility. Their descendants – known as Niseis, Sanseis or Yonseis – are today an integral part of the nation and its multiethnic elite.

The late 1950s and 60s brought Japanese investment as part of Brazil's efforts to become an industrialized country. Korean firms followed in the late 1970s and 80s, contributing to the development of the electronics industry. In both cases, Brazil's import substitution policies, aimed at boosting national production of industrial goods for the growing domestic market, were crucial in attracting Japanese and Korean firms. Today, two Japanese and one Korean firm are among Brazil's 50 largest enterprises. Japan and Korea are also among the country's 10 most important trading partners (see Table 1).

An elderly woman, known as a 'Nisei' in Brazil – a second generation Brazilian-Japanese – walks past a graffiti-marked wall in Liberdade, a central São Paulo neighborhood that has the feel of a Little Tokyo because of its high concentration of Japanese descendants. MARC BURLEIGH/AFP/Getty Images.

If Japanese and Korean investments are a chapter in the history of Brazil's state-led and internal market-centered industrialization, Chinese participation is much more recent and stems from dramatic changes in the South American country's economic policies. Since 1990, cautious market-oriented reforms and moderate and selective liberalization of international trade, aimed at deepening integration into the global economy, have replaced import substitution as the main strategy for economic growth. Brazil's international trade grew steadily and the country became a fully global player. In 2011, China surpassed the United States as the most important market for Brazilian imports, as Table 1 shows. Brazil provides commodities to China and buys its manufactured products.

The increasing importance of China for Brazil's international trade and the nature of the exchange have resulted in some domestic tension. Brazilian industrialists fear competition from Chinese industrial goods and have asked for market protection. Analysts and scholars of nationalist persuasion have warned that what they call unfair competition from Chinese goods risks ruining Brazil's industrial sector.

Although trade is central to Brazil's relations with China, more

Chinese Vice Prime Minister Wang Qishan and Brazilian President Dilma Rousseff talk during a meeting at Planalto Palace in Brasilia, on February 13, 2012. Wang was in Brazil to participate in the Second Plenary Session of the Chinese-Brazilian High-Level Concertation and Cooperation Commission (COSBAN). EVARISTO SA/AFP/Getty Images.

than trade is involved. Since at least 2002, Brazil's foreign policy has emphasized South-South relations to make the country not only a global trader but also a global player. South-South cooperation is meant to soft-balance the great powers, especially the United States, and widen spaces for emerging middle powers such as Brazil. Accordingly, Brazil voted in favor of China's application to join the World Trade Organization (WTO), which entailed recognition of China as a market economy, and the two countries established the High Level Chinese-Brazilian Commission for Coordination and Cooperation in 2004. The new Chinese Ambassador to Brazil is said to be the third man in the Chinese Foreign Affairs hierarchy, a demonstration of the importance that China assigns its relations with Brazil. In turn, Brazil expects Chinese recognition and support for its aspiration to play a greater role in the international arena, and especially its demand for a permanent seat on the UN Security Council.

Brazil has tried to further strengthen ties with Asia and, in particular, with India and

BRAZIL FOREIGN TRADE MOST IMPORTANT PARTNERS 2011

IMPORTS	EXPORTS
1. USA (15.1%)	1. CHINA (16.9%)
2. CHINA (14%)	2. USA (9.9%)
3. ARGENTINA (7.6%)	3. ARGENTINA (8.8%)
4. GERMANY (6.7%)	4. NETHERLANDS(5.6%)
5. SOUTH KOREA (4.7%)	5. GERMANY (3.8%)
6. NIGERIA (4.4%)	6. JAPAN (3.5%)
7. JAPAN (3.8%)	7. RUSSIA (2.5%)
8. ITALY (2.7%)	8. CHILE (2.3%)
9. INDIA (2.4%)	9. ITALY (2.3%)
9. FRANCE (2.4%)	10. SPAIN (2.1%)
10. CHILE (2.2%)	11. UNITED KINGDOM (1.9%)
10. MEXICO (2.2%)	

Table 1. Source: MIDC, Brazil, 2012.

Indian Foreign Minister S. M. Krishna and Brazilian Minister of External Relations Antonio de Aguiar Patriota shake hands prior to a meeting in New Delhi on December 12, 2011 during an official visit by a Brazilian delegation to India. PRAKASH SINGH/AFP/Getty Images.

South Africa, through the India-Brazil-South Africa Dialogue Forum, and it advanced coalition-building efforts during agriculture negotiations in the Doha Round at the WTO. Brazilian researchers Amancio de Oliveira and Janina Onuki have shown, however, that while defensive coalitions against the developed countries worked well, important differences regarding Indian and Brazilian agriculture interests still hinder concerted pro-active behavior at the WTO.

Data from surveys of Brazilian elites as part of the international collaborative project "Las Américas y el Mundo" reveal the importance these groups ascribe to Asian countries and their support for a South-South strategy. Table 2 lists the countries that respondents considered vital to Brazilian interests around the world. Three of six countries with the highest scores are Asian. Fifty-six percent of those interviewed think that trade with South America and large developing countries such as China, India and South Africa should have priority, against 19% who say that priority should be given to trade with the developed North (United States, Europe and Japan).

In brief, Brazil today looks to Asia in search of markets for its goods as well as partners in its push for a more balanced multipolar international system with greater room for emerging countries. This strategy is not merely a government policy but a more permanent state policy, widely supported by Brazilian elites. Tensions will emerge and differences will appear, but the result will be an open process that depends as much on changes in the structure of the international system as on the policy choices of emerging countries in Asia and South America. ■

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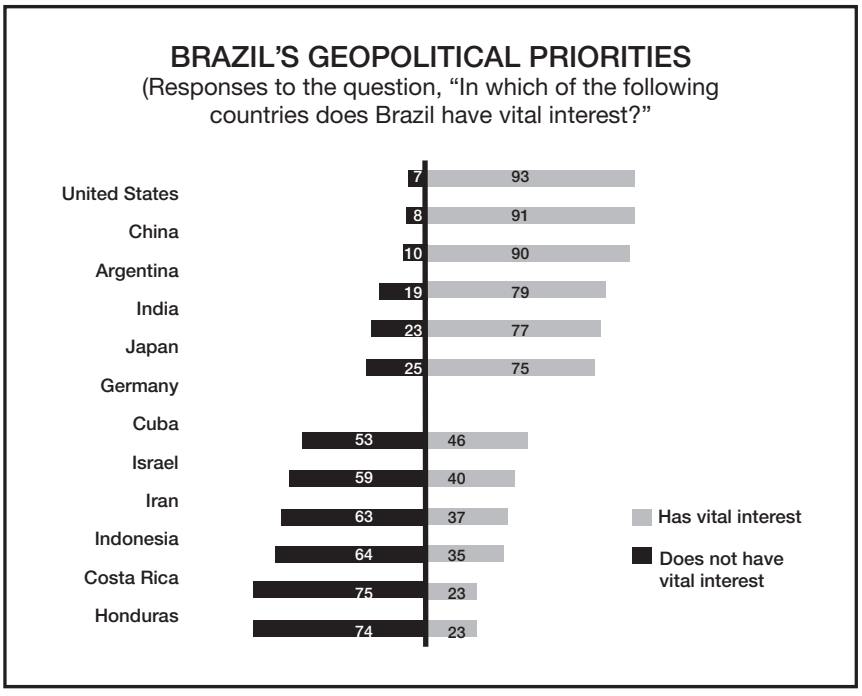


Table 2. Source: Las Américas y El Mundo Database.

The New India and the New Latin America

By Jorge Heine

Chile is widely considered to be one of the most internationally oriented and cosmopolitan countries in Latin America. With a 95% literacy rate, one of the world's most open economies and an export-driven economic development model, it is often mentioned as one of the developing countries that have made the most of globalization. To do so, it has relied on its unique "lateral" international trade policy. By signing free trade agreements (FTAs) with as many countries as possible (59 as of this writing), Chile has gained preferential access to the world's leading markets. Chile's exports grew eight-fold from 1990 to 2010, from US$9 billion to some US$70 billion. Many of these efforts at opening up new markets have been directed at Asia. Yet, amazing as it may sound, until 2005 – 58 years into Indian independence – no Chilean president had ever visited India. Forty-six years went by between the first visit by a Chilean foreign minister to India (in 1957) and the second (in 2003). Mutual indifference cannot explain this long gap: Indian Prime Minister Indira Gandhi paid a state visit to Chile in 1968, and President Shankar Dayal Sharma visited the country in 1995.

The Chilean example may be extreme, but it is by no means an isolated case. For the first 50 years of Indian independence, the subcontinent hardly seemed to exist for Latin America, and vice-versa. India and Latin America were not only far apart geographically and culturally; they also belonged to different "clubs." Once a part of the British Empire, India is a member of the Commonwealth and the Non-Aligned Movement (NAM). As former Spanish or Portuguese colonies, Latin American countries deployed their multilateral efforts within entities such as the Organization of American States (OAS) and, more recently, the Ibero-American summits. With the exception of Cuba, Latin American countries largely stayed away from the NAM. Even Asian-American organizations that crossed the Pacific divide, such as the Asia Pacific Economic Cooperation (APEC) forum, did not include India.

Fast-forward to 2012. Over the course of the past decade, Indo-Latin American relations (Indo-LAC, for short) have flourished. The number of Latin American and Caribbean embassies in New Delhi has increased from 12 in 2002 to 18 in 2012, and the number of Indian embassies based in the LAC region has doubled, from seven to 14 in the same period. Only 10 Latin American presidents visited India from 1947 to 2000, but 12 did so from 2000 to 2011. Brazil's Lula visited India three times during his eight years in office, on one occasion as India's chief guest on Republic Day, one of the highest honors the Indian government bestows on visiting heads of state. Similarly, after a long period of apparent diplomatic indifference, three state visits took place between Chilean and Indian presidents in just four years: Ricardo Lagos to India (January 2005); Pratibha Patil to Chile (April 2008); and Michelle Bachelet to India (March 2009). Far from being pro forma exercises in diplomatic protocol, these were all substantial meetings. The Chilean presidents stayed in India for five days, stretching the limit for state visits, and President Patil, India's first female head of state, included the stop in Chile as part of her first trip abroad.

What happened? The easy answer is what the Indian press refers to as "the Global Indian Takeover," by which it means the emergence of the New India in the new century. This is only partly correct. Far from being a mere reflection of the so-called "Indian miracle," the upsurge in Indo-LAC ties reflects not just the emergence of a New India, but also that of a New Latin America. Leaving behind the inward-oriented, protectionist strategies of the past, India and many Latin American countries have opened up their economies, embraced export-led development and, in the process, discovered the enormous mutual opportunities this entails.

A Burgeoning Trade

One example is the increase in trade between India and Latin America, which totaled around

Naveen Jindal, Vice Chairman and Managing Director of Jindal Steel & Power Ltd., attends a session at the World Economic Forum's India Economic Summit in New Delhi, India, on Nov. 15, 2010. Jindal is investing in iron ore in Bolivia. PRASHANTH VISHWANATHAN/BLOOMBERG via Getty Images.

US$23 billion in 2011 (up from a meager US$500 million in 1990). India has also invested some US$12 billion in the region since 2000. As Graph 1 indicates, this trade is quite concentrated, with Chile, Brazil, Argentina and Paraguay providing the bulk of exports to India, and Brazil, Peru, Colombia and Nicaragua accounting for a significant amount of imports. Preferential Trade Agreements (PTAs) with Chile and Mercosur have helped. Chilean exports to India grew tenfold from 2003 to 2007, reaching US$2.2 billion. Indo-LAC trade is projected to grow by 20% (approximately US$5 billion) in 2012, with Indo-Brazilian trade alone expected to reach US$11 billion, up from US$9.2 billion in 2011. As one Indian diplomat put it, "Indian companies will target Latin America even more vigorously in 2012 to make up for the slow growth of exports to the developed markets." India is not the only country with this strategy; Latin America's trade with the rest of the world crossed the trillion-dollar mark in 2011 and foreign direct investment (FDI) jumped to a record US$139 billion, up from US$75 billion in 2010.

Indian companies investing in Latin America include Tata Consulting Services (IT), Dr. Reddy's Laboratories (pharmaceuticals), United Phosphorus (agrochemicals), Shree Sugars, Havelis Silvania (lighting equipment), Videcon (television), ONGC Videsh (oil), and the Godrej group (cosmetics). Jindal Steel and Power has initiated a US$2.3 billion investment in Bolivia's El Mutún iron ore mine, the South American country's biggest FDI project ever. In Trinidad and Tobago, Essar Steel is establishing a 2.5 million-ton steel plant. In 2002, Tata Consulting set up a Global Delivery Center in Montevideo that put Uruguay on the global IT map. Some 35,000 Latin Americans work for Indian companies in the region, half of them for IT and IT-enabled service companies. Though still on a small scale, there is little doubt that these investments have been an important addition to local economies, contributing valuable jobs skills and technology transfer.

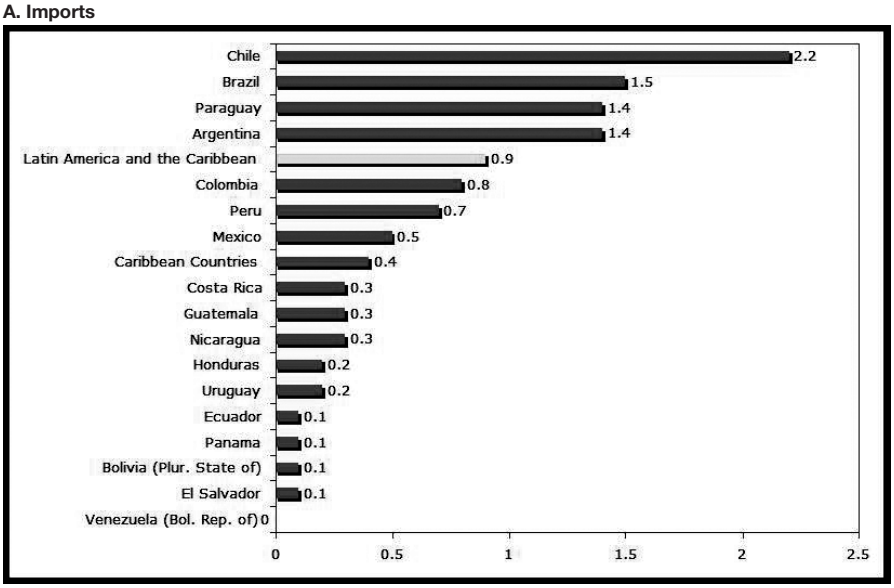
India and China in Latin America

Compared to Sino-LAC trade, valued at some US$140 billion in 2010, India's figures are relatively small. Some observers are skeptical of the possibility of a surge in Indo-LAC trade and investment, but we must keep in mind that in 2000, Sino-LAC trade was around US$12 billion. The noted Indian economist Manmohan Agarwal has pointed out that on a number of indicators (exports, openness of the economy, and outward-bound FDI), India lags some 10 to 12 years behind China, which is roughly the gap between the initiation of policy reforms and the respective opening of the Chinese and Indian economies. If this is the case, by 2020 Indian trade with Latin American could very well cross the hundred billion dollar mark. This is buttressed by projections indicating that India's growth rate could be higher than China's by then.

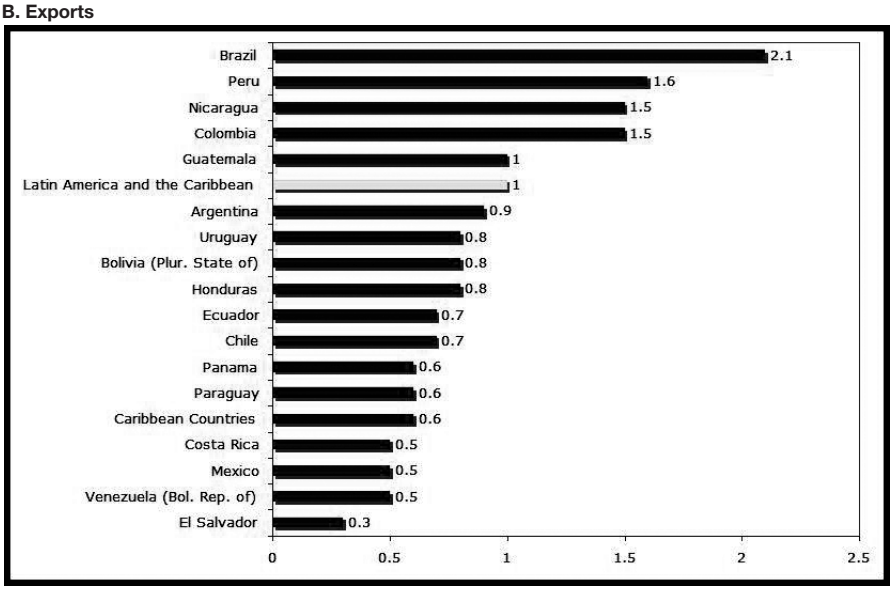
Latin America, and in particular South America, is becoming a significant source of natural resources, such as oil, copper, soy and iron ore, for India as well as for China. Some observers warn that Asian demand for these commodities could lead to the region's de-industrialization. This

Graph 1. Latin America and the Caribbean: Relative Importance of India as a Trade Partner, Annual Average, 2008-2010
(Percentages of each country's total exports and imports) [a,b]

A. Imports



B. Exports



Source: ECLAC (2011) India and Latin America and the Caribbean: Opportunities and Challenges in Trade and Investment Relations (Santiago: United Nations/ECLAC) LC/L3426, November, p. 39.

a Data are not available for Antigua & Barbuda and Honduras from 2008; Saint Kitts & Nevis and Saint Lucia from 2009; or for Bahamas, Granada, Honduras, Saint Kitts & Nevis, Saint Lucia, Trinidad & Tobago and Uruguay from 2010.

b Oil statistics were estimated by COMTRADE and may not be included for every country.

need not be the case. Demand for food will continue to expand exponentially in India, a country with significant water scarcity. Latin America has around 30% of the world's fresh water reserves, making it an agricultural powerhouse. Its producers may very well want to move up the value chain in this area and start to export more sophisticated farm products. Latin American industries also need to get into the Asian value chains that have become such a critical part of international trade.

The Indian and South American economies are among the fastest-growing and best performing in the world today and they complement each other in many ways. Despite geographic and cultural distance, these complementarities are coming to the fore. There is still a long way to go to expand and facilitate trade and investment flows, but the challenge of making South-South cooperation work is again at the top of the policy agenda – this time driven by sound economic opportunities rather than by wishful thinking. ■

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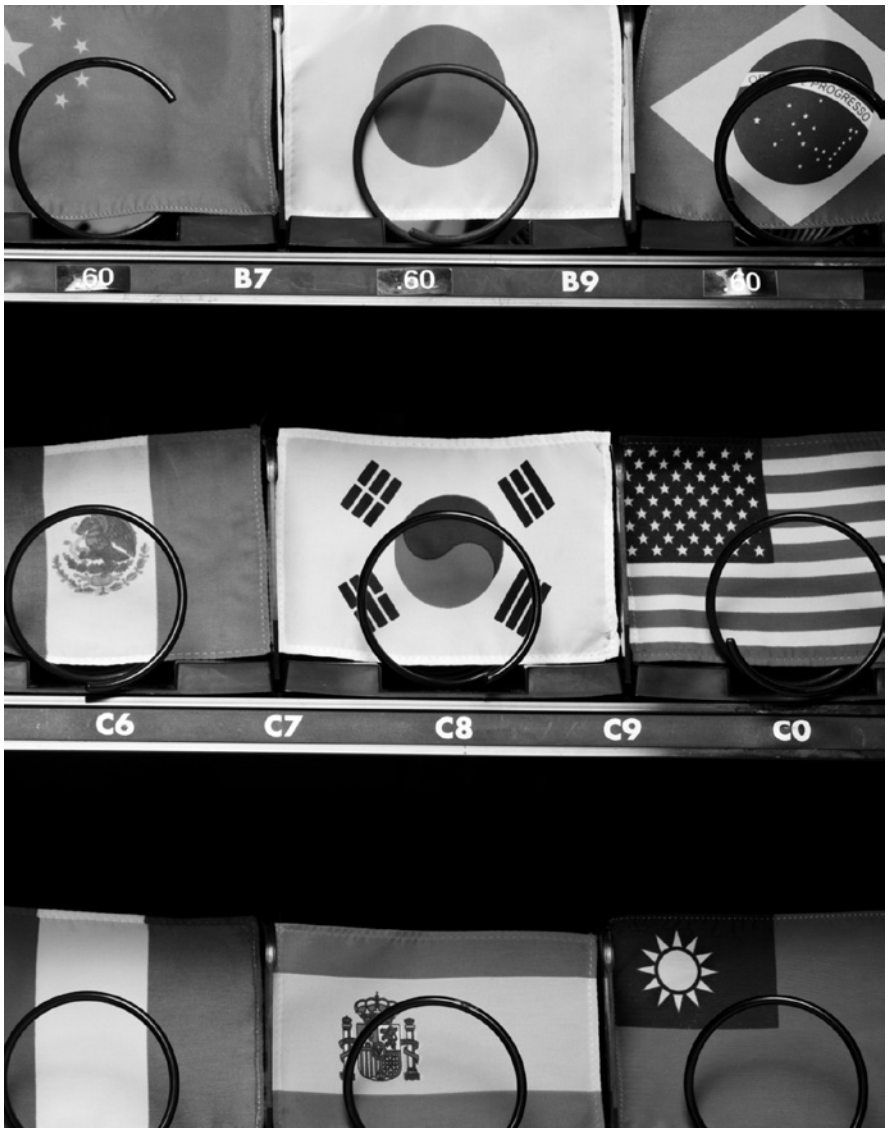
South Korea and Latin America: In the Dragon's Shadow

By Gonzalo Paz

Along with their growing interest in China, Latin American countries have expanded their relations with South Korea in recent years. The country has gained a new prominence, with the 1988 Olympics, Hyundai and Samsung gradually overshadowing lingering memories of the Korean War (to which Colombia contributed troops). The rise of China has diverted attention from this more established relationship, which has experienced quiet but steady growth. Shared values with regard to democracy and human rights underpin this relationship, as does a degree of economic complementarity. Increased commercial exchanges and investment, free trade areas, broad technical cooperation and development aid form a solid foundation for continued growth, despite the competition from China.

Korea enjoys a trillion-dollar economy, per-capita income of more than $20,000 and average 7% annual growth. As an advanced industrial country, it is an attractive partner for Latin America. In the last two decades, Latin America's trade with Korea grew 16% annually, less than trade with China (27.5%) but more than with the United States (7.4%), the European Union (7.4%) or Japan (7.7%). Bilateral trade between the region and Korea equals roughly $45 billion dollars, 2.5% of total Latin America trade (China now accounts for around 13%).

The main Korean trade partners in the region are Brazil, Chile, Mexico, Peru and Argentina. Latin American exports are poorly diversified and remain concentrated in a few mining and agricultural products, which make up roughly 75% of the region's total exports to Korea, just slightly more diversified than its exports to China.



In the region, only Peru, Argentina, Chile, Panama, Dominica and Bolivia enjoyed a trade surplus with Korea in 2000-2009.

If the 1980s were, economically speaking, a "lost decade" for Latin America, the first decade of the new

century was a period of economic gain. Strong exports led to a virtuous cycle of overall economic growth in many countries, in turn attracting more investment. In this context, it was not surprising to see South Korea become the first Asian country to sign a free trade area (FTA) with a South American country, Chile, in February 2003. An FTA with Peru followed in March 2011, and another is being negotiated with Colombia. Conversations for an FTA with Mexico have been dragging for a number of years due to the resistance of the Mexican private sector, and conversations with Mercosur have yet to show clear progress, but bilateral relations with Brazil are thriving. South Korea also wants to sign an FTA with the Central American states, although the existing United States FTA with the region could pose an obstacle to these intentions.

South Korean authorities are eager to promote private engagement in the region as part of the country's general "global Korea" strategy. Investment is on the rise, particularly in Brazil, Mexico and Peru. Hyundai will start producing cars in late 2012 in Brazil, where electronics giant LG already has three factories. Samsung runs a number of factories and facilities in Mexico (in Tijuana, Veracruz, Guadalajara, Mexico City and Querétaro). The region is also in the sights of President Lee Myung Bak's "resource diplomacy," aimed at securing sources of raw material around the globe. Of particular interest to the country's industry is lithium, some of the most important deposits of which are located in Bolivia, Argentina and Chile. Lithium is a strategic resource for manufacturing batteries for everything from smartphones and tablets to electric cars. The South Korean steel giant POSCO has plans to build lithium-ion batteries with Bolivia's Comibol and is working with LI3Energy to exploit Chile's Maricunga fields. Other economic areas with potential for growth are financial cooperation and tourism.

South Korea's political relations with Latin America have historically been positive. The region was a crucial battlefield in the two Koreas' struggle for diplomatic recognition after the peninsula was divided in 1948, a struggle that ended in 1991 when both South and North Korea joined the United Nations. UN General Secretary Ban Ki-moon is an old friend of the region, and South Korea enjoys diplomatic relations with most countries in Latin America, with the notable exception of Cuba. Several Latin American presidents have visited Seoul and the region frequently receives visits from South Korean leaders. Current President Lee Myung-Bak visited Peru and Brazil in 2008, and Panama and Mexico in 2010. In November of that year, South Korea became the first non-G-8 country to host a G-20 summit, and it will hold the Second Nuclear Summit in March 2012. Leaders of several Latin American countries were scheduled to attend both events. Each year, South Korean authorities meet with their Mexican, Chilean and Peruvian counterparts at Asian Pacific Economic Cooperation (APEC) meetings.

South Korea is also well represented in regional forums. It has been a permanent observer at the Organization of American States since 1981, and between 1999 and 2010 it contributed around $120,000 to the organization (just slightly less than China, which contributed roughly $130,000 in 2005-2010). It is also a member of both the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean (ECLAC).

The Korean presence in Latin America is not new. Korean immigrants make up one of the largest Asian communities in the region. Thriving Korean populations in Brazil (50,000), Argentina (20,000-25,000), Mexico (8,000-12,000), Paraguay (5,000-6000) and Chile (2,000) help put a face to bilateral relations. Many Koreans living in Latin America have re-migrated, engaging in *samgak imin* (triangular migration) from South and North Korea to Paraguay, Argentina and Brazil; from Argentina to Mexico and the United States; and back again to Argentina. While most South Koreans are still deeply Confucian, many decades of Christianity and modernization have created a compatible framework for understanding with Latin America.

South Korea has cultivated public diplomacy for many years, first because of the legacy of Japanese colonialism and the struggle against North Korea and, more recently, in pursuit of soft power. The Korea Foundation has mobilized people-to-people exchanges, academic cooperation and language courses. In addition to Korean food, especially kimchi, the cultural exports with the strongest impact in Latin America are taekwondo, an Olympic sport, and Korean cinema. *Hallyu*, the Korean pop culture (K-pop) movement spreading in Asia, has also found a market in the region.

South Korea and Latin America have enjoyed a decade or more of increasing trade, cooperation, political understanding and cultural exchange. The stage is set for further expansion. China may dominate Asian-Latin American relations, and Japan may try a comeback, but some fine niches and opportunities remain up for grabs for Korea. ■

Gonzalo Paz is a lecturer in the School of International Affairs at George Washington University.

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