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## REVIEW ESSAYS

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### CHINA, LATIN AMERICA, AND THE UNITED STATES: CONGRUENT INTERESTS OR TECTONIC TURBULENCE?

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**China in Latin America: The Whats and Wherefores.** By Robert Evan Ellis. Boulder, CO: Lynne Rienner Publishers, 2009. Pp. xiii + 329. \$24.50 paper. \$65.00 cloth.

**The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century.** By Stefan Halper. New York: Basic Books, 2010. Pp. 312. \$28.95 cloth.

**China's and India's Challenge to Latin America: Opportunity or Threat?** Edited by Daniel Lederman, Marcelo Olarreaga, and Guillermo E. Perry. Washington, D.C.: The International Bank for Reconstruction and Development and the World Bank, 2009. Pp. xxviii + 331. \$35.00 paper.

**China's Expansion into the Western Hemisphere: Implications for Latin America and the United States.** Edited by Riordan Roett and Guadalupe Paz. Washington, D.C.: Brookings Institution Press, 2008. Pp. viii + 276. \$26.95 paper.

China's rapid emergence as a commercial powerhouse has sparked wide debate as to the influence that it is likely to have on the international economic system and global geopolitics in the coming decades of

the twenty-first century. With its 1.3-billion-strong population, apparent political stability, and impressive social discipline, is China a conservative or a revisionist force? Can existing international institutions, modestly reformed, accommodate China's interests, or will China demand a new world order? Will it be content with regional hegemony in Asia, or will it seek global preeminence? Most important, will China's seemingly inevitable rise be relatively smooth and benign, or will it spark fierce rivalry with the United States and other Western powers for systemic domination?

Some realists posit that conflict, even of a violent nature, is unavoidable between rising and declining powers, citing as examples the twentieth-century wars between Germany and the Allied powers, and between China and Japan. The transfer of dominance from Great Britain to the United States was more peaceful but facilitated by common political institutions and similar visions of the desirable international order, and by a demographic overlap that is largely absent from U.S.-China relations. Jack S. Levy argues that traditional power-transition theorists speak of a single, hierarchical, international system and neglect key issues in global-regional interactions. Specifically, he asks, Will China compromise core strategic interests of the United States at the regional level, including in the Western Hemisphere? The simple fact of geographic distance eases the dangers that China might pose to the interests of the United States or, for that matter, of Latin America.

Further, as the liberal institutionalist G. John Ikenberry suggests: "The United States is a different type of hegemonic power than past leading states—and the order it has built is different than the orders of the past. It is a wider and deeper political order than the orders of the past." In this more optimistic view, China will surely seek a greater voice in global institutions such as the International Monetary Fund and the World Trade Organization; but so long as the reigning powers are flexible and accommodate legitimate Chinese interests, tensions stemming from China's rise can be managed, and China can be integrated into the existing world system as a "responsible stakeholder," in the words of former U.S. Deputy Secretary of State Robert Zoellick. Ultimately, human agency matters: How will individual leaders in Beijing, Washington, Brasília, and other Latin American and world capitals interpret their own long-term interests, and how will they reconcile them with the interests of others? Will they imagine zero-sum games and thereby deepen the challenges to security inherent in an anarchic international system, or will they seek to avoid mutually destructive conflicts by adjusting to new power relations and by strengthening consensual international norms?

China's rapid entry into Latin America during the past decade has also sparked debate between those who predict conflict and rivalry and those who instead see an overwhelming complementarity in Chinese and Latin American economic interests, and few reasons for U.S. diplomats to fret

over a greater Chinese presence in the region. The books reviewed here offer ample evidence for both positions, but the predominant and more persuasive arguments are summarized as follows:

- Economically, Chinese and Latin American interests are complimentary in many but not in all markets. Commercial exchanges and investments promoting primary commodity production are yielding win-win outcomes, although Chinese exports are harming Mexican and Central American producers in some manufacturing lines.
- Ideologically, China's startling success has prompted a rethinking of the state's role in industrial development, even as Chinese authoritarianism is not attractive to most Latin Americans.
- Geostrategically, China appears to be cautious, not interested—at least not yet—in directly challenging U.S. strategic interests in the region; however, its hardheaded mercantilism has irritated Latin Americans, just as some of its commercial policies threaten to undercut efforts by the United States and some regional actors to uphold high standards on a range of issues from democratization to environmental protection.

#### ECONOMIC COMPLEMENTARITIES AND GLOBAL COMPETITIVENESS

In *China's and India's Challenge to Latin America: Opportunity or Threat?*, the various contributors—World Bank economists and consultants, including renowned specialists in international trade—come down solidly on the side of opportunity. This is not surprising: in the neoclassical (or neoliberal) paradigm dating back to Adam Smith and David Ricardo, and widely accepted among trained economists, market-generated economic exchanges typically produce mutually beneficial gains, and any losers can be compensated from the resulting surplus. In contrast to the security games realists imagine, in which there are triumphant winners and vanquished losers, economics is not a zero-sum game! In the arena of trade, the expanding Chinese economy is creating both direct and indirect gains for Latin America: direct gains as China sucks in massive quantities of raw materials (e.g., iron ore, copper, petroleum, soybeans and other grains) and indirect gains from the rising price of natural resources (commodities in which Latin America and especially South America have a comparative advantage) and from spillovers in third markets (e.g., demand from China bolsters the U.S. economy, which in turn can purchase more Latin American products at higher prices).

Some of the empirical methods used in *China's and India's Challenge to Latin America* are nevertheless imperfect: trade data are somewhat outdated and insufficiently disaggregated to drill down to the level of particular products; there are possibly problems of endogeneity bias and reverse causality (as noted in the footnotes to page 32); and some trade models employ dangerously simplifying assumptions. However, the evidence is overwhelming that a burgeoning Chinese economy has given Latin America a measurable boost.

At the same time, the volume is not oblivious to the threats that China's economy poses to certain countries and sectors in Latin America. The impact is varied, clashing most directly with producers of manufactured goods. Chinese exports directly compete with Mexican textiles, electronics, and telecommunications equipment in third markets, notably in the United States. The removal of quotas for textiles and apparel (a change the volume does not fully capture) has hit *maquilas* in Central America and the Caribbean hard, as efficient Chinese firms employing cheap labor seize a greater share of global markets. A particularly interesting and innovative chapter by Robert C. Feenstra and Hiau Looi Kee argues that every 1 percent increase in the variety of Chinese exports reduces that of Mexican exports by 0.5 percent (table 8.3, 258). China's expansion constrains the dynamic gains that might otherwise be available to Mexico as a result of U.S. tariff liberalization under the North American Free Trade Agreement. This adverse impact is of particular concern because the growth of export varieties benefits aggregate productivity in the exporting country. However, the dominant constraint on Latin American manufacturing exports comes not from Chinese competition but from domestic shortcomings. Examining Argentina, Brazil, Mexico, and Chile, Gordon H. Hanson and Raymond Robertson point to local constraints on manufacturing growth, such as relatively high energy prices, poor telecommunications infrastructure, and slow growth in the supply of skilled labor.

In response to those problems, the editors of *China's and India's Challenge to Latin America* propose a series of policies. Latin American workers who lose their jobs to Chinese imports should be retrained, and countries should focus on innovation and expanded capabilities in science and technology—admittedly, improvements easier said than done. In this regard, cooperation with China might be a good option, as the joint Brazilian-Chinese program in satellite development exemplifies. But Latin Americans should eschew protectionism; rather, firms should seek integration into global production networks, including those that involve Chinese (and Indian) firms. Some countries can concentrate on sectors in which geographical proximity gives them an edge, such as tourism and health-care services.

In his contribution to *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*, Robert Devlin accepts that China is more opportunity than threat; nevertheless, he is agitated by the threat and daring in the policies that he proposes. The prowess of the Asian giant is a loud wake-up call for the region, Devlin warns, and a motivation for Latin America to make better and more systematic use of its inherent advantages. A former manager at the Inter-American Development Bank, Devlin does not want Latin America to return to heavy-handed statism of the sort that generated gross inefficiencies in the earlier era of import substitution; but he does see an important lesson in the success of East Asia

and China: after the market-oriented reforms of the Washington Consensus, the state should be brought back into development strategy. Devlin attributes China's economic success to the ability of the state and major enterprises to adopt long-term strategic visions, manifested in a persistent drive to diversify and upgrade products and exports by accumulating new knowledge. Unlike Latin American countries, where public policy regularly swings between extremes, China introduces reforms in gradual, evolutionary ways, with incremental changes led by pilot programs subject to the empirical evaluation of results. And whereas public-private relationships are generally harmonious and cooperative in East Asia, government-business interactions in Latin America are characterized by "too many ad hoc carrots and too little sticks (resulting in state capture)" (142). Latin America must therefore develop public agencies with sufficient technical capacity and independence to engage the private sector, build consensus, and develop coherent support for exports. If Latin America is to respond successfully to China's challenge, it needs smart industrial policies that are up to the competitive dynamics of the twenty-first century.

#### WHICH CONSENSUS—WASHINGTON OR BEIJING?

The startling success of the Chinese model—labeled "market authoritarian" by Stefan Halper—comes at a moment when the U.S. version of free-range capitalism has exhibited several serious flaws, including stunning inequalities in income and wealth, and the extreme volatility of financial markets, which has upended the real economy. Does this mean that China offers a serious ideological alternative to democratic capitalism for Latin America, one that goes well beyond the modest state interventionism Devlin proposes?

In *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century*, Halper argues that China indeed offers an alternative to the market-oriented Washington Consensus and to the values espoused by the United States more generally. China appears, moreover, to refute the facile assumption that market economies produce independent entrepreneurs and a restless middle class that will inexorably unseat autocrats and demand pluralistic democracy. Instead, China's emerging middle classes seem content with Western-style consumerism, yet they are also ready to absorb the Communist Party's aggressive nationalism. In the realm of strategy, Halper argues that, with its growing economic power, China can be not only an ideological inspiration but also a powerful financial ally to like-minded, illiberal governments in the developing world. At a minimum, China upholds distinct values and seeks to reduce U.S. influence; at most, China seeks to revise and remake the international system. A former U.S. diplomat with conservative ties, Halper has a breezy style, and his methodology is far from the precepts of academic rigor. But

coming at a time of diminished prestige for Western values and institutions, one must give scrutiny to his argument that “China is the protagonist in a clash of values, governance, and two versions of modernity in the 21st century” (2).

Is China’s market authoritarianism gaining ground in Latin America? Devlin argues that the success of China and other East Asian nations has relegitimized state interventionism in the economy, but this partial revisionism is a far cry from Halper’s claims for an all-encompassing “Beijing Consensus.” Certainly, for social-democratic governments in the Southern Cone and Central America and for progressive Latin American social scientists, European models of social and Christian democracy are much more relevant and appealing. It is to Europe’s experience—and not to Asian authoritarianism—that reform-minded economists aspire when they argue that governments should use taxation and social expenditures to correct the market-generated inequalities, so as to create more equal incomes and opportunities. Moreover, according to a 2007 Pew Research Center opinion poll that Halper cites, China is remarkably unpopular in the three major Latin American countries (Brazil, Mexico, Argentina), where, by a two-to-one margin, respondents view its influence as more bad than good (table 7.2, 234).

In contrast, President Hugo Chávez has assiduously courted Chinese investment in Venezuela’s petroleum industry, and he periodically threatens to divert oil exports from the United States to China. According to the same Pew poll, a majority of Venezuelans view Chinese influence as a good thing. Nevertheless, Chávez’s so-called socialism for the twenty-first century is a loose amalgam of familiar Western concepts and Latin American caudillismo, with nary a reference to Chinese or Asian ideas. Certainly, Cuba has more intellectual and political influence in Caracas than does China.

Cuba is that special case in Latin America where the Beijing Consensus might prove more relevant, for its leadership faces the same dilemma as their Chinese counterpart: how to liberalize the economy without surrendering to liberal politics. Yet even though China has shown keen interest in Cuban sugar, nickel, and petroleum, there is little political counseling visible between the two nations’ Communist Parties. The cultural styles of China and Cuba could not be more distinct. China may not want to irritate the United States. And it may consider that securing an authoritarian state in the Caribbean is quite a different proposition from prevailing in the western Pacific.

#### GEOPOLITICS: NEW STRATEGIC ALLIANCES?

Halper correctly points out that aspects of the Chinese narrative coincide with long-standing principles of Latin American diplomacy: nonin-

tervention and national sovereignty, the juridical equality of states, and antihegemony. This congruence of traditions and aspirations gives China a certain currency in Latin American diplomatic circles. But beyond such high-toned abstractions, just what are China's goals in the region, and how might they fit into broader Chinese strategies?

*China's Expansion into the Western Hemisphere* juxtaposes two interpretations of China's intentions, both written by Chinese authors: Jiang Shixue works in the Chinese Academy of Social Sciences in Beijing, and Xiang Lanxin is a professor at the Institut de Hautes Études Internationales in Geneva. Jiang notes tensions in Chinese diplomacy between those who prefer a low profile and those who advocate more aggressive action. At the same time, he emphasizes that China is still very much a developing country and therefore has a long way to go before it can hope to wield significant influence internationally. Echoing official views, he writes: "China is well aware of the fact that the United States considers Latin America its backyard, and China has no intention of challenging U.S. hegemony in the region" (40). For his part, Xiang agrees that Beijing has yet to define clear strategic goals in Latin America, beyond the search for raw materials and markets. He notes that China has declared strategic partnerships in Brazil, Mexico, Argentina, and Venezuela, but it defines those ties narrowly to refer primarily to commercial and energy interests. He agrees with Jiang that Beijing has thus far sought to avoid any geopolitical consequences—meaning conflict with the United States—as a result of expansion into Latin America. Yet Xiang wonders out loud why China is making such a concerted effort to court favor and gain influence in the region. Possible motives range from "an alleged desire by China to create a global anti-American coalition to the idea that China's corrupt elite are simply looking to meet their money laundering needs" (55). Xiang concludes with the notion that China and Latin America might experiment with a new transpacific model of international relations—but he does not flesh out this tantalizing concept with substantive content.

In *China in Latin America: The Whats and Wherefores*, Ellis exhaustively inventories, country by country, China's rapidly expanding commercial and diplomatic presence throughout Latin America and the Caribbean. Marshalling extensive field research and interviews, Ellis makes clear that China is taking Latin America seriously and is engaged not only in building commercial ties but also in laying a foundation for extensive, multifaceted influence and durable relations. His is not a hysterical battle cry that "the Chinese are coming"; on the contrary, he concludes with an appeal for the United States and China to collaborate on shared interests in the region and on projects that also serve Latin America. But Ellis does darkly hint at Chinese motives that stretch beyond the mere commercial, suggesting that Beijing is plotting to subvert Washington's historic hege-

mony in the Western Hemisphere. The security specialist qualifies the hypothesis that “it is doubtful that China wishes to establish client states in Latin America” with the phrase “in the near term” (17). Ellis perceives China as seeking to position itself globally, “while avoiding crises that could create an *unwanted*, or *premature*, conflict with the United States” (19, emphasis added).

Frustratingly, Ellis does not offer a theory of international relations or power transitions to give shape to his voluminous but anecdotal observations of Chinese activities, and hence he does not provide a framework for predicting future behavior. He also largely ignores the questions of whether China is conservative or revisionist, and of whether it will be content to lead in Asia or instead reach for global preeminence. We cannot be certain of China’s intentions; quite probably they will continue to evolve over time. But a fruitful discussion of its goals in Latin America must begin with an assessment of its broader geopolitical ambitions.

As both Halper and Ellis underscore, however, one of China’s goals is clear: to wean Latin America and the Caribbean away from Taiwan. Of the twenty-three countries in the world that still recognize Taiwan as the legitimate government of China, twelve are found in Central America and the Caribbean. Around the time that Costa Rica switched diplomatic recognition from Taiwan to China in 2007, Beijing promised \$73 million for a new forty-thousand-person national soccer stadium, according to Ellis. The two countries had inked a bilateral free-trade agreement by the end of President Óscar Arias’s administration.

China also has an obvious interest in Venezuelan oil, and Chávez has visited China six times in his drive to win Chinese investment and energy purchases, and thereby create a soft balance to U.S. power. Yet by all accounts (i.e., Ellis and Halper), Beijing has been cautious in building relations with the volatile Venezuelan caudillo. Chinese investment in Venezuela’s energy sector remains modest, and its purchases of Venezuelan crude continue to fall well below the ambitious goals set by Chávez. As Luisa Palacios points out in her essay in *China’s Expansion into the Western Hemisphere*, there are technical obstacles: Venezuelan heavy crude is incompatible with existing Chinese refineries, whereas geographic proximity to the United States makes it the more natural market for Venezuelan oil: travel time by tanker to the U.S. Gulf Coast is only five days, compared to forty days to reach China. Moreover, there is some evidence that China wants to avoid becoming embroiled in Venezuela-U.S. tensions and considers the confrontational Chávez something of a risky bet. Overall, Palacios concludes that, although Chinese natural resource companies are slowly gaining a foothold in Latin America as part of their global drive to diversify their energy portfolios, the region is not poised to become a significant supplier of oil to China.

## LATIN AMERICA: HETEROGENEOUS INTERESTS

In *China's Expansion in the Western Hemisphere*, two leading Latin American theorists of international relations, Juan Gabriel Tokatlian and Monica Hirst, contribute separate essays on the region's reaction to China's dazzling entry. Tokatlian begins with the perceptive observation that relations among China, Latin America, and the United States cannot constitute a strategic triangle because, whereas China and the United States are unitary actors, Latin America is a mosaic of independent polities. But rather than exploring the impact of China's growing presence on Latin American diplomacy, Tokatlian engages in a discussion of China's interests, on the one hand, and seeks, on the other hand, to counter the hawks in Washington who announce a growing threat to U.S. security. He argues that China's expanding energy ties do not appear to have anti-U.S. connotations, and he concurs that China does not seem interested in a high-profile relationship with Hugo Chávez. Overall, China's cautious behavior "has been far from that of a revisionist power" (78). He also suggests that China could contribute to a peaceful transition in Cuba, yet he does not specify how. In light of Tokatlian's prior writings, one might have expected the argument that China could foster a more multipolar world, allowing Latin America greater independence from the United States. Perhaps the Buenos Aires-based professor did not want to further alarm Washington.

Titling her essay "A South-South Perspective," Hirst counsels against "the illusion of a fertile terrain of common interests" between China and Latin America. Concentrating on Sino-Brazilian relations, she notes the two countries' disagreement on reform of the UN Security Council and on international trade policies: to protect its home market, Brazil has initiated numerous antidumping cases against Chinese industrial products, and it is upset that China has limited market access for Brazilian meat and higher-value-added industrial products. Most recently, Brazil joined the United States and other industrial nations in criticizing China's exchange-rate policies. Nevertheless, in 2009, bilateral trade ballooned to \$36 billion, making China Brazil's single biggest trading partner. Chinese banks and firms are also helping Petrobras develop its massive offshore oil reserves. Hirst concludes that significant commonalities of interest exist between the emerging economies of the two large countries, such that they may yet negotiate an effective strategic alliance in the coming decades.

Although Latin America naturally welcomes China's large appetite for its commodities, Ellis worries that the region may again become dependent on boom-and-bust markets. This too-familiar pattern of trading primary materials for industrial goods and equity capital is more of the old North-South model than of South-South equal exchange. Furthermore, Ellis suggests, large-scale Chinese investment in infrastructure is dan-

gerously distorting: to transport raw materials and agricultural goods to feed the hungry Chinese economy, a new East-to-West infrastructure has caused Pacific Coast ports from Mexico to Chile to expand rather than having prompted the region's economies to integrate. Increasingly, one hears complaints from Latin Americans about Chinese mercantilism and the ruthless pursuit of national economic goals—trade surpluses, secure supplies of energy and commodities—irrespective of potentially adverse impacts on trading partners. Chinese diplomats may be alert to Latin American (and U.S.) sensibilities, but Chinese merchants are singularly focused on economic gain.

#### U.S. INTERESTS AND CHINESE PRACTICES

An illuminating discussion of what all this means for U.S. interests in Latin America would center not on an awkward effort to apply the Monroe Doctrine to the encroachment of Asian powers but on the implications of Chinese behavior for more contemporary inter-American concerns: the consolidation of democracy and human rights, the transparency of public budgets and private financial transactions, environmental protection and climate change, gender equity, and international labor standards. As Halper and Tokatlian underscore, China's domestic practices are deficient—modestly to outrageously—on many of those counts. Already in sub-Saharan Africa, China's disregard for international standards and local interests (not to mention its overt support for outlaw governments) has generated a popular backlash, according to Halper.

In the periodic talks held between U.S. and Chinese diplomats specializing on Latin America, U.S. officials have assured their interlocutors that Washington views China's growing commercial presence in Latin America through the rosy lens of mutual benefit. As Arturo Valenzuela, the assistant secretary of state for Western Hemisphere affairs, acknowledged at the 2010 meeting of the Latin American Studies Association: "The region's current growth rate is expected to exceed five percent this year, and much of South America is benefiting from the commodities boom generated by increasing levels of trade with Asia, especially China." At the same time, U.S. diplomats have communicated to the Chinese that their behavior must take care not to undermine U.S. and multilateral efforts to safeguard the region's democratic progress and to advance high standards in transparency, clean energy, and labor rights. These are matters that reach beyond Latin America and that take us back to first questions: will an ascendant China be a responsible stakeholder, helping advance international norms and cooperating in managing the global commons, or will it aggressively pursue its own sense of destiny, as Western powers have done before it, and seek to refashion the world order dramatically in its own self-image?