From China With Love: P.R.C. Overtures in Latin America

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Reports of China's activities in Latin America and the Caribbean have been studded with superlatives. In the decade ending in 2003, Sino-Latin American trade increased 600 percent. The $40 billion in bilateral trade in 2004 surpassed that of Japan's trade with Latin American states. There has been a proliferation in the number of Chinese language classes for Latin American children and adults and an increase in high-level visits from virtually every Latin American country to Beijing. By all accounts, China's activities in Latin America are accelerating dramatically.

This development has provoked considerable concern in the United States, in which some view China's involvement in Latin America as a potential security threat, fearful that Latin American countries will attempt to replace the United States with China as a primary benefactor. While this is likely an exaggerated fear, China's extensive interest in the area has altered the dynamics of regional economics and politics. A thorough assessment of these effects must proceed from a historical perspective on China's approach to Latin America.

A Slow Start: "Lean to One Side" and Chinese Overtures to Castro

The upsurge in interaction between China and Latin America is striking both in the rapidity of its growth and the degree to which that growth occurred, given its initial low level. Beginning in the late 1970s, Mao Zedong's successor Deng Xiaoping pushed the P.R.C. to aggressively cultivate foreign trade. The P.R.C. thus began its overtures to Latin America and the Caribbean. Commercial offices were established in 10 countries and trade agreements were reached with Chile, Peru, Mexico, Jamaica, Argentina, Brazil, and Ecuador.

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Trade offices were often the precursors of formal diplomatic recognition. Ecuador and Colombia, for example, broke formal relations with Taiwan in 1980 in favor of China. Chinese diplomatic discourse at the time reflected Beijing's interest in leadership of the non-aligned countries, emphasizing the desire for Latin American and Caribbean countries to be wary of the intentions of both the United States and the Soviet Union, the need for South-South cooperation, and the hope for the emergence of the Latin American-Caribbean region as an independent political power on the world scene. Judging from the public record, Taiwan was not a topic of discussion in this period. China also scrapped its aim of promoting communist revolutions entirely—so much so that the P.R.C. pointedly dissociated itself from the avowedly Maoist Sendero Luminoso movement in Peru.

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Official Chinese propaganda tended to emphasize real or imagined historical friendships with potential trading partners going as far back as possible. Buddhists were said to have traveled to Mexico in the fifth century. Trade between China and Latin America could, according to Beijing, be traced back to the sixteenth century, when Chinese silk and porcelain were shipped through the Philippines to Mexico and Peru. Carefully ommitted from this historical account is the fact that all were parts of the Spanish empire at the time.

China's two major regional trading partners during the 1980s were Brazil and Cuba, which jointly accounted for over 40 percent of its trade in the region. Brazil was by far the more important of the two, supplying primary goods like steel, paper pulp, chemical fibers, and cocoa beans to the P.R.C. By way of contrast, Chinese trade with Cuba consisted largely of Chinese purchases of Cuban sugar.[1]

Xinhua, the P.R.C.'s official news agency, announced with satisfaction that "the new silk road of the sea [had] become busy again": two-way trade between China and Latin America from 1980 to 1984 totaled $7.75 billion, surpassing the amount traded during the whole of the 1970s.[2] China signed numerous agreements on trade and exchange, including one on nuclear cooperation between China and Argentina. Latin American and Caribbean countries sent specialists and technicians to China in order to study agriculture, animal husbandry, fisheries, acupuncture and moxibustion, marsh gas, and small hydroelectric power stations—although one participant in such a group confided to the author that there was a strong element of disguised tourism in the "research" conducted. Foreshadowing later P.R.C. interests, China looked into oil production in several Latin American states and inspected local power plants and mining facilities.

The Pace Increases and Tensions Develop

In 1985, both the tempo and level of Chinese visits increased. Then-premier Zhao Ziyang paid what was described as a goodwill visit to Colombia, Brazil, Argentina, and Venezuela. The trip was billed as the turning of a new page in the history of economic, scientific, and technical cooperation between the P.R.C. and Latin America.

That new page in cooperation included more explicit Chinese political pressure. Here, in a meeting with representatives of Brazil's overseas Chinese community, Zhao raised the Taiwan issue. He declared his hope that the Kuomintang and the Chinese Communist Party would reopen their negotiations, enabling them to cooperate again. Latin American countries, he suggested, ought to "make useful contributions to the great cause of unifying the ancestral land."[3]

China's sway in Latin America was such that the Beijing government's harsh suppression of the Tiananmen Square demonstrators in June 1989 scarcely interrupted the P.R.C.'s dealings with Latin America and the Caribbean. Most of the criticism and sanctions against Beijing came from the developed world, and the P.R.C. suffered few substantive penalties in its relations with members of the non-aligned movement. Relations with Cuba, which were extant but wary in light of past experience, improved after 1989 when the Havana and Beijing governments felt renewed solidarity with each other after the disintegration of the Soviet empire left them in charge of two of the few remaining quasi-communist states. This aroused no particular concern elsewhere in the world; the consensus was that Deng Xiaoping's new friendship with Fidel Castro would hardly benefit either party.

By 1990, China began to shift its focus, treating Latin American countries not just as trade partners but as markets for export goods. Chinese sources regularly mentioned the P.R.C.'s trade deficit with Latin America, portraying Latin America and the Caribbean as priority areas in China's drive to diversify its overseas markets.[4] As the decade wore on, the P.R.C. took a more assertive and sometimes problematic stance. In 1996, Beijing, angry because the vice president of Taiwan had been invited to Rene Preval's presidential inauguration, threatened to use its veto in the United Nations Security Council to end a UN peacekeeping operation in Haiti. In an unusual show of unanimity that included even China's friend, Cuba, Latin American powers protested that:

> ...this mandate must be reviewed because it is what Haiti needs. Haiti has to be judged

> on its own merits and not because of a bilateral issue like its relations with Taiwan. It is for Haiti to decide in a sovereign fashion how to handle that.[5]

In the end, a compromise agreement extended the mission for four months rather than the requested six, with 1,200 troops rather than 2,000.[6]

Shortly thereafter, China actually did veto a Security Council resolution that would have sent 155 military observers to Guatemala to monitor agreements formulated to end more than 30 years of civil war. The vote had been 14 to 1 in favor. The P.R.C.'s reason for the veto was Guatemala's diplomatic ties with Taiwan—specifically Guatemala's support for Taiwan's bid for membership in the United Nations.[7] After intense negotiations, Beijing agreed to withdraw its veto in return for Guatemala's promise to cease support of Taiwan's UN candidacy. These two episodes aside, the P.R.C.'s presence in Latin America and the Caribbean did not seem threatening. A commonly expressed opinion was that China was not a major player in the area, and was unlikely to become one.

THE UNITED STATES TAKES NOTICE

This attitude changed abruptly in spring 2001. While President Jiang Zemin was visiting Latin America, a Chinese fighter plane collided with a U.S. reconnaissance plane off the South China coast, causing a major, if temporary, rift in Sino-U.S. relations. Jiang did not end his visit to deal with the crisis, either to signal his intention to downplay the incident or because of the importance he accorded to Sino-Latin American ties. Before the trip was complete, U.S. attention focused on the region as if it had just discovered what the Chinese were doing in Latin America. *The Miami Herald* ran several articles on the theme[8]; an Austin, Texas-based strategic forecasting organization devoted a special report to it[9]; and the U.S. military's Southern Command hosted a conference that produced a theater assessment.[10] A spate of congressional hearings examined the energy and military ramifications of the P.R.C.'s activities in the area, as well as their impact on hemispheric relations.

CHINA'S MOTIVATIONS

China's motivations are threefold: economic, geostrategic, and irredentist. These themes, though noticeable in the P.R.C.'s earlier activities in the region, gained definition because of the greater intensity of Beijing's interest and the increasingly higher international profile of China.

P.R.C. leaders view Latin America and the Caribbean as a source of raw materials to serve the needs of China's rapidly growing industrial sector and as a market for the finished products of that sector. Unhappy with the United States' role as the sole global superpower, Beijing also seeks to enlist Latin America as a counterweight to the U.S. government. As part of its strategy to isolate Taiwan internationally and induce it to accept unification with the mainland, Beijing seeks to persuade the remaining Latin American and Caribbean states to withdraw recognition from Taipei and accord it to the P.R.C.

By the 1990s, a public declaration of accord with Beijing's definition of the One-China policy—that Taiwan is part of China and therefore a province of the P.R.C.—had become almost a sine qua non for the establishment of economic agreements.[11] By 2006, only 12 of the 33 nations in the area retained ties with the Republic of China (Taiwan).

In November 2004, Chinese president Hu Jintao paid a dramatic visit to Latin America. Described by one Western source as "sweeping through South America with a golden pen," Hu stressed what he called the "win-win" nature of China's relations with Latin America.[12] His call for expanded political and economic ties were greeted warmly. In addition, Argentina, Brazil, and Chile extended to Beijing the much-coveted designation of market economy status (MES). No mere honorific, MES substantially diminishes the effect of anti-dumping legislation under World Trade Organization rules. Given the preponderance of non-market factors in the P.R.C.'s economy, which have led both the European Union and the United States to deny it MES, there can be little doubt that the three countries made their decision almost exclusively on the basis of China's growing political and economic influence.[13]

Skeptics warn that China's peace-and-development rhetoric is diverting attention from Beijing's geostrategic goals in the region. Its increasingly sophisticated diplomatic overtures have thus far succeeded in reinforcing this policy, which involves maintaining a peaceful international environment in order to facilitate concentration on economic development, pursuit of multipolarity, and the use of economic leverage where necessary. U.S. analysts are particularly troubled that Beijing appears to be focusing special attention on Latin American leaders who have differences with Washington. These include presidents Lula da Silva of Brazil, Castro of Cuba, Toledo of Peru, Chavez of Venezuela, and Morales of Bolivia. Relationships with the P.R.C. offer them, as well as other Latin American and Caribbean nations who

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are less antagonistic to Washington, an additional source of leverage in dealing with the United States, the erstwhile Colossus of the North. Unlike Washington, Beijing does not lecture the states of the region on issues such as human rights, fiscal prudence, and drug trafficking. The P.R.C.'s ability to calibrate attempts to form a countervailing coalition to the United States without antagonizing it will require a delicate balancing act fraught with the potential for missteps. Thus far, Beijing has established these closer regional ties under the rubric of strengthening economic interdependence. Successive U.S. administrations, which speak glowingly of the trend toward globalization and the need to make China a stakeholder in the world order, can scarcely object to this.

MILITARY LINKS AND ESPIONAGE

There is also a military dimension to China's penetration of Latin America. In 2003, Australian sources reported that China had been operating two intelligence stations out of Cuba since 1999. At Bejucal, south of Havana, a cyber warfare unit monitors computer data traffic and a large complex equipped with 10 satellite communications antennae intercepts U.S. telephone traffic.[14] In 2001, China reportedly participated in negotiations with Russia for the use of the Lourdes military base on the outskirts of Havana. This base had been the Soviet Union's front-line facility for gathering intelligence on the United States; Russian president Vladimir Putin wished to abandon it for financial reasons.[15]

In August 2005, Venezuela agreed to purchase three Chinese JYL-1 mobile air defense radar systems. A command-and-control center, technical support, and leased access to a satellite communication network were included in the contract. At least two of the radars were to replace U.S.-made models. Military analysts speculated that these and other technology transfers might lock Venezuela into systems that would increase the country's dependence on Chinese technology. President Chavez has indicated that he wants to replace U.S. F-16s with non-U.S. fighter planes.[16]

Exile sources in Miami claim that there has been cooperation among the Chinese, Cuban, and Venezuelan intelligence sources. Although there has been no official confirmation of these claims, no confirmation on such matters should be expected. Here, as elsewhere in the world, Chinese intelligence networks are active throughout the region, working through front companies, students, and visitors to procure military and commercial information to enhance the country's force capabilities and economic competitiveness.

A U.S. general informed participants in a March 2005 defense conference held in Miami that mainland military officials had made 20 visits to Latin America during the previous year, including several at the highest levels. Defense minister and vice-chair of the Central Military Commission Cao Gangchuan visited Brazil and Cuba, calling on Cuban military units and inspecting training centers there. Since the late 1990s, at least one such high-level visit to Venezuela has taken place annually. Senior Latin American military officers who used to travel to the United States for training are now going to China instead. In essence, Beijing has been able to take advantage of a void, created at least in part by Washington's decision to cut military aid to countries that refuse to exempt U.S. citizens from the jurisdiction of the International Criminal Court. For U.S. defense planners, this raises the possibility of the United States losing contact with a generation of Latin American officers.[17]

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Diplomatic Overtures

China has institutionalized its dialogue with Latin American countries through regional and sub-regional organizations. It has obtained observer status in existing regional organizations, including the Association for Latin American Integration, the Organization of American States (OAS), the Inter-American Development Bank (IADB), and the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean. China has also joined new political dialogues and consultation mechanisms, such as the Andean Community, the Rio Group, and the South American common market, Mercado Común del Sur (MERCOSUR). Most meaningful among these was the P.R.C.'s official admission to permanent observer status by the OAS in May 2004.[18]

China and Brazil have common interests in using these international forums for political purposes to increase their leverage against the industrialized countries. For example, the two nations worked together closely at the 2003 Cancun World Trade Organization ministerial meeting, organizing the G21 to bargain with the West on farm subsidies. Brazilian president Lula da Silva challenged Washington's leadership in the formation of the Free Trade Agreement of the Americas (FTAA) by strengthening MERCOSUR, which also initiated negotiations on a free trade agreement with China.

As seen in the aforementioned examples of Haiti and Guatemala, the P.R.C. has also used its position on the UN Security Council to enhance its role in Latin America. It supported Brazil's attempt to gain a permanent seat on the Security Council and has begun to take part in UN peacekeeping operations. In contrast to its 1996 opposition to the UN mission to Haiti, the P.R.C. joined the Haitian peace operation in 2004. Beijing dispatched 155 police officers to supervise Haitian police, maintain order, and help rebuild the judicial system. This kind of humanitarian assistance was designed to shore up China's image in the region and promote goodwill prior to Hu Jintao's trip to Latin America in November 2004.[19] Chinese officials occasionally arrive in Port-au-Prince to inspect the P.R.C.'s peacekeepers, using the opportunity to court Haitian government figures. These actions also provide an opportunity to erode Haiti's diplomatic ties with Taiwan.

Another important indicator of increased Chinese diplomatic efforts and influence in Latin America has been its upgrading of relations with Argentina and Chile. Hu Jintao's visit resulted in the declaration of Sino-Chilean relations as "full-range cooperative" and the elevation of the Sino-Argentine relationship from full-range cooperative to "strategic."

China uses a variety of incentives to win over Latin American states. For example, Brazil, Cuba, Argentina, and Chile were selected as "Chinese group travellers' destinations." China is among the top 10 overseas tourist consumption markets and is expected to become the world's fourth largest source of tourists by 2020. This official designation serves as a diplomatic tool for Beijing, since nations who are selected can hope to realize millions of dollars in revenue per year.[20]

COMMERCIAL INTERESTS

Over the past five years, China has signed a number of energy, natural resource, economic, and tourism agreements intended to secure access to valuable natural resources and markets, as well as to bolster its presence in the region. Chinese companies, with their access to grants and loans from the government, have significant advantages over their international competitors, who are responsible to their stockholders. According to testimony given to the U.S. Senate Energy Committee in February 2005, Chinese firms, pursuing market and strategic objectives rather than commercial ones, make uneconomic bids using generous lines of credit from P.R.C. government and financial institutions.[21]

Given China's rapidly growing consumer demand, P.R.C.-Latin American trade has expanded rapidly in recent years, with Latin American states typically enjoying favorable balances of trade. Over the last four years, China-Latin American trade has expanded even faster than China's total global trade. For example, from 2001 to 2003, the average annual growth rate of China's trade with Latin America was 25.4 percent, compared to 22.1 percent globally, and this trend accelerated in 2004 and 2005.

China's foreign trade with Mexico, Brazil, Chile, and Argentina together accounts for three-fourths of its total trade in the region. China has also been cooperating with Brazil in aeronautics and space exploration, especially in earth resource satellites. The two sides have already deployed two jointly-developed satellites and plan to further their cooperation in the international resource satellite market. In 2002, Brazil's largest industrial aviation manufacturer, Embraer, and the China Aviation Industry Corporation II (AVIC II) established the joint venture Harbin Embraer Aircraft Industry Company Limited, which was Embraer's first foreign manufacturing operation.[22]

China also has several resource claims in the region. Bolivian president Evo Morales, who considers China an "ideological ally," has invited the P.R.C. to develop his country's gas reserves, though the details are not complete. President Hu Jintao has promised to encourage "strong and prestigious" Chinese companies to invest in Bolivia. Caracas and Beijing have already signed contracts to develop Venezuelan oil fields.[23]

Much of the P.R.C.'s investment in Latin America is aimed at infrastructure construction. In a ten-year investment plan announced in November 2004, China pledged to invest more than $19 billion in Argentina, including an $8 billion investment in the expansion of the Argentine railway system and $6 billion in other construction projects.[24] Aimed at facilitating mineral and other resource exploitation, this investment is especially welcome in Argentina, since the country became unattractive to most international investors due to financial default in 2001. Furthermore, Peru and Brazil are cooperating in the construction of a road that will link Sao Paolo with Lima and, more importantly, run from Brazil's soy-growing state of Mato Grosso to Peru's Pacific ports, from whence goods can be more easily shipped to China. Currently, goods must be sent to Atlantic ports or trucked across Argentina to Chile.[25]

The Negative Effects of Chinese Influence

Flowery rhetoric notwithstanding, there are some negative aspects of the economic relationship between China and the Latin American-Caribbean region. Fearing Chinese competition, Mexico was the last country to agree to the P.R.C.'s accession to the World Trade Organization (WTO). Those fears were quickly borne out. The maquiladoras—factories that imported components and raw materials duty-free from the United States and then re-exported finished products back—were forced out of business by lower Chinese wages that produced lower-priced goods. From 2001, when the P.R.C. formally became a WTO member, to 2003, Mexico lost more than 200,000 clothing, textile, and other manufacturing jobs as factories relocated to China.[26] In almost every Mexican industrial sector, from traditional handcrafts to assembly-for-export plants, there are complaints about the penetration of Chinese goods into Mexican markets and jobs lost to low Chinese wages. Most humiliating to national pride was the discovery that virtually all of the Mexican flags and statues of the country's patron saint, the Virgin of Guadeloupe, now sold are manufactured in the P.R.C. President Vicente Fox publicly blamed China for "solving its domestic unemployment by means of authoritarian and undemocratic policy."[27]

Factories have closed across Central America for similar reasons, which affects U.S. employment since more than 70 percent of the garments made in Central America are produced from U.S. fabric and yarn. In the words of one Central American exporter who closed one of his four plants in 2004 and planned to close another in 2005, "If we go belly up, the United States will go belly up."[28] Many of the newly unemployed in Central America can be expected to immigrate to the United States. One security expert warns that the United States could become "the industrial drainage pond for Chinese investment" as economic refugees to the United States fuel the export of crime and drug trafficking.[29]

Brazil has also seen negative effects, leading to a late-2005 report on relations with China subtitled "A Chronicle of Frustrations."[30] The nation has lost several hundred thousand lower-end jobs to China. Manufacturers of higher-end products are concerned as well. After the Brazilian government agreed to recognize China as a market economy, the influential Industrial Federation of Sao Paolo criticized the action as a political decision that could leave the country's industry in a vulnerable position and bring "prejudicial consequences to various industrial sectors."[31] As if in confirmation, Brazil's trade surplus with China decreased by 51 percent in the months following its grant of MES to China. As previously noted, according market economy status to the P.R.C. will make it more difficult under WTO rules to impose penalties on the P.R.C. for dumping exports. Furthermore, Brazilian businesses worry not only about the P.R.C.'s inroads into the domestic market, but also about the crowding out of Brazil's previously successful export businesses.

Argentina, which also granted MES to China during Hu Jintao's November 2004 visit, saw its imports from the P.R.C. increase by 70 percent, while its exports expanded only 20 percent. In retaliation, Buenos Aires enacted licensing requirements on Chinese shoes and toys in August 2005.[32] In many cases, promised investment funds have not materialized. Where they have, there have been charges that the infrastructure construction serves China's needs, not those of the recipient country. There have also been complaints that the Chinese bring in their own labor rather than hire local people and that the projects are undertaken without regard for the environment.

Some Latin American economists have derided the talk of a South-South alliance as more ideological than economic. They fear that Beijing intends to use the region as a producer of commodities so as to regulate and depress prices on world markets. They stress that Latin America must avoid falling into the trap of being a supplier of commodities for the P.R.C.'s value-added manufacturing enterprises, and thus, in their view, assuming the posture of a Chinese colony. Latin American economists are concerned that while China is becoming a world power and a global manufacturing force, Latin America is falling behind in the production of manufactured goods, thus reverting to a pre-industrial model.[33]

A Spanish-language book published in 2006 accuses the Latin American-Caribbean region of allowing itself to be lulled into sinking irrelevance while China outwits it and forges ahead. Its title, *Cuentos Chinos*, is an intriguing pun. The literal translation is *Chinese Stories*, euphemistically translated by the publisher as "tall tales," but in actuality carrying the more graphic meaning of "bullshit." The book's author charges regional leaders with being more interested in selling empty ideologies than in reducing poverty.[34]

A U.S. government economist opines that Latin American and Caribbean states are at a disadvantage when negotiating with the P.R.C.: everything they produce, even oil, can be procured elsewhere.[35] Additionally, with the Beijing central government speaking as one voice and the Latin American and Caribbean governments as many, it is easier for China to play one country off against another to conclude the agreement it finds most advantageous.

A Net Assessment

International market transactions will inevitably produce winners and losers, and some will win more than others. While Brazil, Mexico, and Central America are unhappy with China, Argentina and Chile are less so; commodity-producing nations like Uruguay and Peru are happy to have the Chinese purchase their products, and soybean and wool sellers are pleased with their Chinese connections, even in countries like Brazil where industrialists and environmentalists are not.

Countervailing factors make it unlikely that China's activities in Latin America and the Caribbean will either provide a panacea for the region's economic problems or precipitate a devastating collapse of their economies. If carefully managed, job losses in certain sectors could result in a restructuring of the industrial sectors of Latin American and Caribbean countries. Rather than collapsing, they would function better and more efficiently. A Brazilian economist predicts that his country can retain an edge in a range of industries including small cars, t-shirts, bathing suits, and machinery for energy and mining. The country's remoteness and high transport costs, he believes, will protect other industries.[36] This may be overly optimistic, as a lack of careful management has been a common complaint in Latin America. Furthermore, Chinese-made t-shirts are found all over the South Pacific and in the United States, where they outsell domestic versions despite the additional costs incurred by lengthy transportation routes. Even U.S. auto manufacturers, with their longer history and larger facilities, are worried by future competition from China.[37] There are certainly steps that Latin American and Caribbean countries can take to protect themselves, but, as the author of *Cuentos Chinos* points out, they do not seem to be trying very hard.

The P.R.C. could potentially provide a source of leverage against the United States for Latin American and Caribbean countries, but it has not yet done so. While it behooves Washington to watch regional developments carefully, U.S. fears of being pushed out of regional markets appear to be exaggerated. Despite the rapid rise of China's trade with the area, it is still only ten percent of the region's trade with the United States.[38] The multipolar world that Beijing professes to desire has yet to be realized, either in the Latin American and Caribbean region or elsewhere.

Furthermore, there are limits on the ability of even the most militant Latin American or Caribbean leaders to step too far beyond what other states in the international system will tolerate. For example, shortly after his triumphant election to the presidency of Bolivia, Evo Morales received a decidedly chilly welcome to Spain; Morales's plans to give his government greater control over the energy industry ran counter to the interests of Spanish companies with significant holdings in Bolivia. Spanish officials made clear that any further investment there will have to come with a guarantee of freedom for foreign companies to conduct business without the threat of state interference.[39]

Latin American and Caribbean leaders, even avowedly anti-U.S. ones, do not so much wish to replace Washington with Beijing—in the words of Castro, to replace one form of imperialism with another—as to have another source of income and influence. Additionally, there is no certainty that the P.R.C.'s economy will continue to grow at current rates. Lower growth rates would presumably mean less demand for Latin American and Caribbean products.[40] At present, however, China is an important actor in Latin America and the Caribbean and has the potential to produce both positive and negative effects. Much will depend on the ability of the countries in this region to manage their relations with the P.R.C. and with each other.

Notes

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8. See, e.g, Jane Bussey and Glenn Garvin, "China Exerting Regional Influence," *Miami Herald*, April 15, 2001: page 1A, 13A; Bussey and Garvin, "China Has Strong Trade Presence in Latin America," *Miami Herald*, April 15, 2001: page 12 A.
9. "China Struggles for Leverage in Latin America," *Stratfor*, May 10, 2001, www.stratfor.com/home/giu/archive/051001.asp.
10. "Theater Assessment: People's Republic of China Activities in Latin America: Economic or Strategic Maneuvering?" *United States Military Southern Command* (Miami), July 1, 2001. An accompanying note explains that the term Latin America is understood to mean all areas of SOUTHCOM's responsibility, including the Caribbean.
11. Panama, where lucrative business dealings are conducted, is a partial exception. Beijing diplomats have been working hard to convince Panama to switch recognition from Taiwan to the P.R.C.
12. Sam Logan and Ben Bain, "China's Courtship of Latin America Makes Washington See Red," *Weekly News Report*, Hispanic American Center for Economic Research, September 21, 2005.
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17. General Bantz Craddock, testimony to U.S. House of Representatives House Armed Services Committee, 9 March 2005, www.house.gov/hasc/testimony/109thcongress/FY06%20budget%20Misc/Southcom3-09-05.pdf; "Beijing Forging Military Links With Latin America," Reuters (Miami), March 12, 2005.
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34. Andres Oppenheimer, Cuentos Chinos (Mexico City: Plaza and James, 2006).

35. Personal communication, January 7, 2006. The source, with many years of experience working on China, holds a doctorate in economics from a prestigious U.S. university.

36. "Brazil and China: Falling Out of Love," *The Economist* (London), August 5, 2005, quoting economist Jose Roberto Mendonca de Barros. www.hacer.org/current/Brazil077.php.

37. Jeremy W. Peters, "See the U.S.A. In Your New Car From China, Starting in '07," *New York Times*, January 10, 2006.

38. Hearn, op.cit.

39. Renwick McLean, "Bolivian Receives a Chilly Reception in Spain," *New York Times*, January 5, 2006: page A12

40. See June Teufel Dreyer, "The Limits To China's Growth," *Orbis*, vol. 48, no. 2 (Spring 2004): page 233-246, for an analysis of these factors.