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CHINA'S EXPANSION INTO THE WESTERN HEMISPHERE:  
IMPLICATIONS FOR LATIN AMERICA AND THE UNITED STATES

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## P R O C E E D I N G S

MS. NEGROPOINTE: Ladies and gentlemen welcome.

Two years ago Richard Devah came out with a book which described in the title, *Chinese Presence*. Now it's Chinese expansion that is two years later and the question will be, what is the role of the Middle Kingdom when the book is published in 2010? There is obviously a progression here.

This afternoon we have the author in fact, both authors of the book *China's Expansion*, which is for sale in our bookshop outside after this lecture.

We have the author and editor of the book, Riorden Roett, Professor of Western Hemisphere Studies and Director at the SAIS, John Hopkins University down the road as well as Guadalupe Paz who is the fellow editor and Francisco Gonzalez who has contributed a chapter to this book.

To comment on the book we have our own Richard Bush, the Director for the Northeast Asia Center here at Brookings and I want to take this opportunity Richard to thank you and the Thornton Center for hosting us this afternoon. Richard has both written about US-China relations and has examined over a period of time both from within the government as well as a scholar from outside the dynamic of China's presence across the Pacific as well as across the Taiwan Straits.

Cynthia Arnson is the Director for Latin American Studies at

the Woodrow Wilson Center for International Scholars. And she has broken the traditional lines of study at Woodrow Wilson by bringing Latin American Studies into hemispheric issues and within the United States, the study of polling habits among the Hispanic community here. Political preferences among the Chicano groups and has clearly shown that she is not prepared to remain limited to just Latin America or South America.

This afternoon the author will talk for approximately 15 to 20 minutes about the book, after which we will have the commentaries from both Richard Bush and Cynthia Arnson and then open up to a dialogue with all of you. Let me start with Riordan Roett.

MR. ROETT: Thank you Diana, I'm delighted to be here. Thank you to Brookings for hosting us and to Mr. Bush for joining us and I'm particularly pleased that Cindy Arnson had time to join us and she very kindly invited me to take part in her project, Enter the Dragon? China's Presence in Latin America and there's still copies available I hope at the Woodrow Wilson Center, good. That's important.

I need to also thank the Tinker Foundation in New York City which provided a two year grant for both our travels to China, as well as for the project. The original book authors meeting as well as seminars that we have held over the past two years to finally bring to fruition China's expansion into the Western hemisphere.

What I thought I would do today is make some very brief

remarks in 15 or 18 minutes then give obviously time to the commentators and then really room for discussion since the issue of China has become such an interesting one and looked at from very many different angles here in Washington in particular, but also increasingly globally. You probably all know that the World Bank announced at its Spring Meetings here in Washington that China has now passed Japan to become the world's second largest economy in relative purchasing power. India is now in fourth place, Germany is in fifth place.

The developing nations, the Bank said at the meetings, account for 41 percent of total global economic output in 2006, up from 36 percent in 2000. China is a major component of that and will remain and it will become an even more important component of world trade and world growth over the next decade or so.

Why China in Latin America? In part, the government of China and Beijing, the People's Republic have had relations with Latin American countries for a number of decades. Not particularly intense, somewhat stronger on the side of Brazil and China because of the extraordinary professionalism of the Brazilian Foreign Service, but in general China was a very long shot in terms of Latin American foreign policy or interests. Although, doing the research we discovered that there were a number of relatively high ranking visits from China to Latin America through the '60s, '70s, and '80s. The Cold War limited the expansion of

China, but really what changed things of course, was the opening in China of the economy becoming much more of a market oriented economy in terms of natural resources, raw materials, trading partners, and as the Chinese economy grew to be the second largest in the world its diplomacy and its reach overseas became increasingly clear.

So we thought we would bring together and driven in part by the first hearings in the US House, the Western Hemisphere Subcommittee where I testified two and half years ago in which there was a great deal of dismay on the part of the Republicans in particular about the arrival of China in the region. And the one question I received from a then Congresswoman, no longer a Congresswoman from Florida was, didn't I think the Chinese presence in the region was a violation of the Monroe Doctrine? And I explained that if we were two centuries ago I think it probably would have been, but in the 21<sup>st</sup> Century I didn't think we need to be worried about that.

That drove SAIS to begin looking at a project on China in Latin America and we assembled as you will see from the book, three Chinese authors, four Latin American authors, one British author, and four American authors. I thought it was very important to get different perspectives on this very new phenomenon in the Western hemisphere on the arrival, expansion of China in the region and what are the implications.

So what I thought I would do today is take a look first at the

implications for the United States, of China's arrival in Latin America. Should policymakers of either political party, the think tanks and others in Washington who drive our foreign policy and its national relations discussion be concerned? Or better put, should they be interested in what is happening?

Clearly, we all know and Dr. Bush can comment on this better than I, and there are people in the audience who can certainly help us look at this issue, that the China-US relationship is extraordinarily important. The Taiwan Relations Act of 1979 put the US right in the front of a major foreign policy question for China. In my visit to China the Taiwan issue comes up all of the time. And of course it's not irrelevant that 12 of the 24 countries that still recognize Taiwan are in the Western hemisphere and part of the diplomatic effort of China in the Western hemisphere is to have those 12 countries withdraw recognition from Taiwan and transfer it to Beijing. So the Relations Act is a very important one.

There are also some very important security issues that the Pentagon is concerned about and we have one quote in here from the annual Quadrennial Defense Review in which China is judged to be the country with "the greatest potential to compete militarily with the United States". Port elaborates by explaining that China is the world power most likely to "field disruptive military technologies that could offset traditional

US military advantages". So clearly in different parts of town there is a growing recognition of the fact that China is expanding, reaching out, becoming more important. Clearly if you are the US Treasury Secretary and having to manage the strategic dialogue with China you understand our dependence on China in terms of their vast wealth and our vast dependence, deficits speak louder than words very often.

In the book as well we have a very interesting chapter on China in Southeast Asia in which you can make the argument that the Chinese governments in Southeast Asia are to squeeze out or to neutralize the presence of the United States and that too may become an important issue.

I was in Singapore for the 2006 IMF World Bank meetings in which the chairs and shares, Fred Bergsten across the street, famous phrase, we're reorganizing the structure of the Bretton Woods Institutions in which China, South Korea, Turkey, and Mexico received slightly more shares and perhaps half a chair at the table. But Stan Fischer, formerly of the IMF and now the Governor of the Israeli Central Bank spoke at a lunch and he said this meeting in Singapore is the historic shift from West to East. And the implications are that the major actor in that shift will be China. There are many reasons why the United States needs to cooperate with China. I mentioned obviously Taiwan and our treaty obligations under the Taiwan Relations Act. The very clear position in

Beijing is that Taiwan will return to China at some point.

In my last trip I thought it very interesting that the fourth generation of leadership will soon be replaced by a much younger fifth generation and I found them to be a good deal more aggressive with regard to the issue of Taiwan's return to China. I would have thought exactly the opposite since they are somewhat more worldly and better traveled.

It's also been reported, I think you've seen in the press just in the last couple of months that by the end of this decade it is guesstimated by Pentagon officials that China will have more submarines than the United States. China now has more submarines than Russia. The new Song class nuclear power attack submarine is top of the class and reasonably in 2007, you know, China successfully tested an anti-satellite missile. It is argued by some that China will have a two ocean Navy by 2020.

There are other important issues, of course, as China moves out and becomes an extraordinarily powerful purchaser of raw materials and commodities. Just a few months ago the Aluminum Corporation of China, Chinalco, spent \$14.1 billion in conjunction with Canada's Alcoa to purchase a stake in the mining giant Rio Tinto. Chinalco's purchase is the largest ever single Chinese investment offshore in the history of China.

So the United States, of course, is deeply concerned with



the movement of goods and people around the world. We're also, of course, the major military power in the world, I'm not sure we're unipolar any longer. Now but the rise of China both in terms of diplomatic concerns, Taiwan, in terms of our need of China to deal with the North Korean issues, the deficits which drive the relationship to a large degree. The fact that China will play a larger diplomatic and political, as well as economic and financial role are very important.

That in a sense, is a quick crosscut that we look at in the book in terms of where the US-China relationship is going. Extraordinarily important and powerful, but is it becoming increasingly favorable towards China as we move through the 21<sup>st</sup> Century and how does that then inform China's presence in the Western hemisphere?

The second set of relationships we take a look at is, of course, the United States and Latin America. You know, is there room for China in Latin America and if there is for what? And as we know, in a very bipartisan set of comments, the US-Latin American relationship is not in a particularly healthy state. The Initiative for Free Trade of the Americas has basically collapsed. The existing institutions like the OAS are not playing a particularly constructive or important role in many of the very, very serious diplomatic and political issues. The failure of the so-called Washington Consensus of Economic Reforms of the 1990s has led to a series of neo-populist governments ranging from Hugo Chavez in

Venezuela, to our latest contender for membership in that group Bishop Lugo in Paraguay elected just a few days ago in Paraguay and knocking the Colorado party off its pedestal for the first time in decades.

There's a stalemate at the World Trade Organization Doha Round and that stalemate is driven in large part by Brazil and other agricultural supporters, both in Latin America and elsewhere against the subsidies of the United States and the European Union. There are also mostly unnoticed in Washington since it doesn't involve us, a series of new institutional arraignments in Latin America that need not be looked at as anti-American but they are certainly not pro-American.

One, of course is teleSUR, which is a TV network that will operate much more like Al Jazeera. There is UNASUR or Unasul depending on whether you say it in Portuguese or Spanish, that will meet in Brasilia on May 23 this month to adopt the new constitution for the new Union of South American States. A very important issue that has been developing for four or five years, about which we don't know a great deal in the United States. There is the Bank in the South, put together in December of 2007 in Buenos Aires to compete with the International Monetary Fund, \$7 billion pledged to begin the Bank of the South.

And just recently, the Brazilian Defense Minister made it clear to our National Security Council advisor and our Secretary of State in Brasilia that new initiative, the Council for South American Defense is not

to be touched by the United States. We're not to be included in the new Defense Council of South America. So there is room obviously, given the difficult relationship of the United States with the hemisphere for China to become an increasingly important diplomatic participant in the region.

Taiwan issue: 12 countries out of 24. The Chinese are very, very interested in moving that 12 down to zero. South-south diplomacy, a very interesting chapter in our book by one of my colleagues about south-south diplomacy in which the Latin Americans share a great deal of interest with China as well as India, South Africa, and other countries in terms of reshaping the diplomatic agenda over time. Not tomorrow morning, but over time.

If you went back a took a look at the debate around the Second resolution over Iraq before the invasion of Iraq at the United Nations and you took a look at the position of the two Latin American countries, Chile and Mexico at that point. Not now. Their position in the debates is closest to whom? China. Not clearly the United States nor clearly the European countries. Tourism is on the increase. Cultural exchanges, Confucius centers in the regions and one of authors, Xiang Lanxin, in our book argues Is there room for a new trans-Pacific model as the trans-Atlantic model collapses. In part that would indeed bring in South America very importantly.

Monica Hirst, a Brazilian-Argentine scholar who has a

chapter in our book raises the possibility in the 21<sup>st</sup> Century of a strategic alliance between China and Brazil. For many Brazilians there already is a strategic alliance between Brasilia and Beijing, but Monica raises the issue that in the absence of strong leadership from the United States and a drop in mutual interests of US-Latin America and a rise, not just in terms of trade, commodities, some small investment between China and the major countries of South America, there will be indeed an important set of changes in the diplomatic rules of the game.

In particular, given the dramatic changes we've seen in Brazil in terms of energy just in the last six months, finds that have marvelous names like Tupi and Jupiter and Carioca means that Brazil within eight to ten years will become one of the five or six most important energy countries in the world. China is desperately in need of energy and that relationship will in part be driven by the energy connections.

Most of the time we see that there are winners in a Chinese-Latin American relationship. Francisco Gonzalez, my colleague has a chapter in the book in which there are losers. Mexico is a loser. So there has to be adjustments as China becomes an increasingly active participant in the economies of the countries in the region. Those that are winners have large trade surpluses, but as Brazil is learning this year, it's trade surplus will be negative with China because of a very large export from China to Brazil of cheaply made, very high quality materials. The

Brazilians can't keep up with the export of iron ore and soy beans in terms of the trade advantage. Will there be other advantages? We don't know.

We also have a very interesting chapter in the book, by my British colleague Chris Alden on Africa and China. And as the *Financial Times* just reported just a few months ago, here drawing the contours of a new world in which China is replacing the European Union in Africa and that clearly is going to become an important paradigm as China moves through Asia and the interesting question we raise in the book and we can't answer, is that indeed going to be the issue for Latin America as well?

Those who are pessimistic, argue as the *Economist* just said last month, you know, a ravenous dragon. A special report on China's quest for resources and that is where, of course, the Western hemisphere comes in at a very important way in terms of both food stuffs, commodities, raw materials and particularly iron ore and soy beans which are critical to the development of the Chinese economy.

So the triangle is an interesting one and it's a moving target all the time in which clearly, the US-China relationship with the SU being the most powerful military country in the world with the largest economy, but China is now the second largest economy and growing far faster than we are. A whole set of diplomatic and geopolitical concerns between China and the United States and we have two Chinese authors, one of

whom is quite benign about the arrival of China in the hemisphere understanding, he says that this is the backyard of the United States. I'm not quite sure that's accurate any longer, but he is certainly free to argue that. The second Chinese author being a bit more in our face, he is the one who raises the idea of a Trans-Pacific Alliance or coalition replacing older alliances as we move through the 21<sup>st</sup> Century.

So as the US tries to manage the relationship with China, China in Latin America, while not a major policy question now, certainly is far more important now than it was some time ago. That has to be seen in the context of the second leg, US-Latin American relations, US-Western hemisphere relations which are, some would say in tatters. Some would say certainly on hold, other would say stalemated. I don't hear many people saying that they're either healthy or that they're going to improve anytime soon given the continual rise of anti-American or at least not pro-American populist regimes who reject most of the initiatives coming out of Washington.

And finally, China-Latin America. Growing, small China is moving with great care. It's upgrading its embassies. It is clearly following an important cultural exchange program. It clearly has diplomatic and geopolitical interests as well in the region and I think will continue to pursue those. How the United States views those relatively modest goals and objectives now are important, I think, to China. At least my

impressions from my conversations in Beijing and Shanghai indicate that they are. It's also a good sign, it will be a sign to the Chinese leadership how the United States, no matter who wins in November and becomes President in January deals with these kind of multilateral questions and concerns in which there is an increasing convergence, but I don't want to push that too far, but an increasing convergence from a very low level between Latin America and China. Is that to be seen as inimical to United States interests, either with China or in Latin America that remains the important question for which we're not going to have an answer for a couple of years, at least a decade.

But the fact that China is now the second largest economy in the world, that it has moved with a great deal of sophistication in the region both diplomatically, politically, economically, financially means that they are looking very carefully at this relationship. Understanding as one of our authors said, that the US is always concerned about outside operations in the hemisphere that the United States doesn't control, but that China is now becoming an important, increasingly global player. Far more important than Africa, possibly and in Southeast Asia and the issue is then where and when will Latin America become a more important part of that very interesting sophisticated and complicated outreach.

Thank you.

MR. BUSH: Thank you all for coming today. In a previous

life when I would be on Capitol Hill by some stroke of good luck I got to work on Latin America as well as working on East Asian issues so I traveled to the region a fair amount and actually learned a great deal about a subject that I didn't expect to learn about and so I appreciate this opportunity to return to my past. It was during that period that Cindy Arnson and I had some pleasant interaction. And I really enjoyed reading this book.

I don't know who picked the title, China's Expansion, et cetera. Any book that includes the words China and expansion together would be sure to attract the attention on NeoCons in the China Threat crowd. I think those folks will be disappointed because I think when they read the book they will find balance and nuance. They will find thoughtful analysis, they might even learn something.

Take for example the chapter by Professor Francisco Gonzalez on China-Latin America economic relations. I didn't know he would be here when I sort of prepared this little section. He applies the idea of the commodity lottery. That idea is that different countries in Latin America have positive or negative trade relations with China overall depending on the commodity mix of their trade with China. Countries that are strong in natural resources do well, those whose strong point is manufactured goods and therefore compete with China have a negative relationship. And for them Professor Gonzalez offers policy ideas on how



to make their economies more competitive.

Take for another example, the chapter by Robert Devlin, he focuses on the reasons for China's economic boom and then artfully shows how some of those lessons might be applied with due regard for local realities to Latin America. Or take the chapter by Luisa Palacios, she downplays the impact of China's global demand for oil. Often or sometimes a point of alarmist thinking, the impact of China's global demand for oil from Latin America. She points out that Latin America will continue to be a residual supplier for China after the Persian Gulf, Africa, Russia, and Central Asia. And she makes the important observation that we need to distinguish between the Chinese government on the one hand and Chinese energy companies on the other even though they are state owned.

The energy companies operate according to their business interests and business logic increasingly. And they sometimes create issues for the Chinese government, something US oil companies would never do. That's a joke.

Now why this volume is important for me is what it contributes to our broader understanding of the rise of China and America's response. China's power is growing rapidly as its economy expands at about 10 percent per year. China's leaders and diplomats are translating economic clout into global political leverage. And their military,

the People's Liberation Army is gradually gaining impressive strength. Now China's rise will likely pose the most important foreign policy challenge to the United States in the 21<sup>st</sup> Century assuming China surmounts some massive internal challenges and becomes a superpower.

Economically we already share an uneasy co-dependence. Militarily the projection of Chinese military power eastward will bump up against existing American deployments at least in the Western Pacific. Politically China's authoritarian system remains at odds with American liberal democratic values. American's suspicion that China's rise challenges US leadership in East Asia combines with Chinese concern about US intentions to create a climate of uncertainty.

And as we know, international conflict is likely when regional and global power balances shift quickly when a rising power challenges the status quo in the position of the state or states that guard the established order. And we all know the 20<sup>th</sup> Century examples of that for the 21<sup>st</sup> Century, I think, if we the United States treat China as the enemy we will acquire an enemy.

Now strategists usually focus on military capabilities and their build up when they consider this cycle of challenge and response. They study how fast the PLA's modernizing when they think about the Chinese challenge. What capabilities the PLAs acquiring, the likely strategy behind the acquisitions and so on. Other specialists, particularly

in China study changes in US military capabilities. Geographically there is no question that East Asia and the Western Pacific will be the primary arena in which this interaction takes place. I would argue that actually the Eastern Pacific is not a place we are going to see sort of friction between our two militaries for a long, long time if ever.

But I think there is a strong case to be made that military build ups and how they're perceived is only part of the picture. As a rising power and a status quo power in Iraq on specific issues where they have friction, they learned lessons about each other and form images about each other and their relationship for good or ill. That's certainly true of the United States and China regarding the Taiwan Strait issue, which has been a source of tension since 1950 and particularly since 1995. For the most the lessons learned by each side have reinforced negative images of each other. There may now be a chance for an alternative trend, one based on cooperation rather than conflict or potential conflict.

Similarly, and here's where I get back to the book, Latin America, I think is an arena where the United States and China are learning lessons about each others long term intentions. These lessons can reinforce deeply imbedded ideological stereotypes. Alternatively they can arouse US concerns about Chinese intentions, dependent trade in "its backyard". And Chinese concerns that the US wishes to contain its peaceful rise at every turn. Or each can act in ways that reassure the

other that its respective intentions are benign. Or because each of our societies is fairly pluralistic, they can do all of these things at the same time.

One example of the different directions that learning can take place is the curious case of what Chinese President Hu Jintao supposedly promised about Chinese investment in Latin America during his November 2004 trip to the continent, and serious scholars have repeated as truth that a president who committed to a figure of \$100 billion in investment over 10 years. Some observers have subsequently offered the image of a predatory China. Other analysts, including in this volume, have noted that China's been slow to invest, which suggests a China that reneges on its pledges. But as Jiang Shixue accurately points out in his essay in the volume, the \$100 billion figure was what trade should reach in 2010, growing 2.5 times; as far as investment was concerned, it should only double. So it's all a huge misunderstanding and thanks to Mr. Jiang for correcting the error.

Another example of this issue of mutual learning is whether to apply the constrict of strategic triangle to China, U.S., Latin America relations. It's worth noting here that strategic triangle is an intellectual concept. It doesn't have meaning in international politics unless statesmen give it meaning, as Richard Nixon and Henry Kissinger, for example, did when they applied it to the relations among the United

States, China, and the Soviet Union in the late 1960s. In that case, it was probably justified and the policies and actions that flowed from it served at least American and Chinese interests and global peace and stability. But one can imagine that if political leaders apply such a concept to circumstances where it's not appropriate, then you might have negative consequences. In the current case, to make a somewhat esoteric point more concrete, I was very pleased to see that Professor Juan Tokatlian based his analysis on the very careful assumption that the nature of the Sino-Latin America-U.S. relationship does not constitute a strategic triangle. He thus avoided a sterile balance-of-power analysis and instead disaggregated Latin America into its various components, and disaggregated the types of issues that China, the United States, and Latin American countries will face. Although the jury is certainly still out, none of these issues should necessarily induce conflict between the United States and China. For each there's an obvious mode of positive adjustment. Thus to return to my theme, Latin America will be an arena in which the lessons -- or Latin America can be an arena in which the lessons each learns about the other's intentions will be positive and not the other way around.

In short, in examining the rise of China and its expanding role in Latin America, it's first of all important for all parties to get their facts right.

Second, it's imperative that we make sober implications about the

motivations of China's growing relationship with Latin America, and more broadly the trajectory of China's rise, and we should be alert to the underlying lessons that all parties are learning about each other. I'm happy to say that this volume helps us do that. Thank you. (Applause)

MS. ARNISON: Thanks Diana and thanks Dr. Roett and Guadalupe for this wonderful invitation to participate. Unlike Richard Bush, I did travel frequently to Latin America in the 1980s when we were Congressional aides together; however, I never made it to Asia. So a lot of what I know about Asia's involvement in Latin America I've learned from this book, and I've learned in other writings and testimonies that Riordan Roett has compiled over the years. And I would like to congratulate really both of you for taking an issue that existed in this sort of netherworld. People were aware that China's growing influence was important, but you went about systematically to research it and produce a book. And we all know that academic books have a fairly long, sort of pipeline, but produce something that is extremely relevant to current debates, and I expect that there will be a very fervent audience for this kind of publication.

What I'd like to focus my remarks on, I think, is what it means for Latin America that China has become a more important actor. And I'll throw out some figures which are reflected in the various chapters in the book, particularly in Robert Devlin's chapter and also in the introduction. Just to give you a sense of the dimension, because I think

for me when I was trying to come to grips with what it all meant, quantifying certain relationships was very important to help me understand what was and what wasn't. So let's take two reference points: One, 1975, and then 2005, 30 years later. In 1975, the trade between China and Latin America totaled \$200 million for the whole year. That figure 30 years later in 2005 had jumped to \$47 billion. That figure alone is projected to double over the next two to three years by 2010. Trade between China and Latin America has grown since the early 1990s at an annual rate of 24 percent. That's almost three times the rate of growth for all trade in the Latin American region. As the book points out, and as a number of the authors indicate, China mostly exports manufactured goods to Latin America. And its imports consist of agricultural products, mostly soy beans and soy products, as well as raw materials, things such as copper, iron ore, and oil. In 2005, another -- I mean despite these large numbers, it's important to keep them in perspective. In 2005, the total trade -- China accounted for only 3½ to 4½ percent of the total trade of Latin America. So on the one hand you have it growing at great rates, both absolutely and relative to trade with other regions, and yet China is only a small trading partner for the entire region. Yet in individual economies, the imports that China has for agricultural imports have had a major impact on the economies of particular countries. Chile's second largest export market is China. One-fifth of Chilean -- excuse me, I stated that wrong,

improperly. China imports one-fifth of its copper and 45 percent of its wine and grapes from Chile. Brazil alone provides about 45 percent of China's soy bean imports, another 23 percent or so come from Argentina. Peru and Chile provided together something like 80 percent of Chinese imports of fish meal. So for particular economies, with the major trading partners being Argentina, Brazil, Peru, Panama, and Chile, China's involvement in particular sectors has been extremely important. And as we know from Francisco's chapter and others, the majority of the trade between Mexico and other countries and China is in the area of manufactured goods, where China is, in fact, an important competitor.

Many questions emerge, as Riordan Roett has pointed out, as to the importance or the implications of China's growing involvement, what it means for the United States, what it means for Latin America. And I think one of the principle ones that this book doesn't answer, but certainly gives us many ways of understanding more fully and answering in a more intelligent way, is whether Latin American and Chinese economic interests are complimentary as many have argued, the benign view of Chinese involvement, or is it predatory, the word that we just heard, or is the competition by Chinese manufactured exports to the region threatening to local production, not only in countries like Mexico which have a significant manufacturing base, but also in countries which aspire to have that. An important question to me, I think, is whether



China's imports from the region of raw materials and of food stuffs do condemn Latin America to its long-term and perhaps eternal status as an exporter of raw materials. As the introduction points out, this is the so-called resource curse. It's a form of mercantilism that I think has existed in Latin America's relations with the United States and with Europe since the early Colonial era. In an era of high commodity prices, is the incentive for Latin American countries to export to China fueling a process of de-industrialization. I mean, are countries going to be capable of taking the windfall profits from high commodity prices and channeling them in ways that increase industrial production and also increase competitiveness? And again, I think the Devlin chapter goes into that in great depth. And also are Latin American countries, you know, having too many illusions, if not delusions, about the utility for them in cultivating expanded ties with China as a way of undercutting U.S. economic and political influence in the region? And I think those are some of the major questions that emerge.

I'd like to end by insisting that it's important to keep Chinese involvement in Latin America in perspective. In a sense, deciding what is new about Chinese involvement and what is different. I think what is very different, picking up on some earlier comments about the kind of regimes that exist in Latin America with which China is engaging, what is new is that there is a new left in Latin America. Some of it, and I guess I disagree

with the characterization of the good and the bad or the kind of value judgments placed on the different kinds of lefts, but there is a left that reflects the maturation of democracies and the embeddedness of left political parties in political systems such as Brazil, Chile, Uruguay.

There's also the rise of a populist left that has emerged out of the crisis of party systems and, in fact, the collapse of party systems. And so there is a different scenario in which China becomes involved in the region. And those countries, both the ones that are the more mature democracies as well as the ones that have a more populist and even anti-U.S. bent, a common goal is to diversify their partners, not only economically but in terms of their foreign policies. And so China has emerged in a sense as a convenient vehicle for the realization of that goal. What I think is not new, as I mentioned earlier, is the importance of commodity exports for Latin American development. And again, I think it's a key challenge for Latin American countries to use the surpluses generated by high commodity prices, fueled in large part or in significant part by Chinese demand, into other projects that will develop, infrastructure and innovation and public and private partnerships that can further put the region on a more sustainable path for development. I also think that what's not new is that Latin America in a way is a sideshow, as it always has been. In U.S. foreign policy engagement with another major partner, in this case China, the main drivers of the relationship between the United States and China,

the economic and political and security drivers, have little or nothing to do with Latin America. Juan Tokatlian and others made frequent reference to this notion of a triangle, of a strategic triangle -- I'm not sure that it really exists, and I think that Juan really put his finger on it when he said that China and the United States are unitary actors. Latin America is a bunch of different countries and there are great asymmetries, but once again, the importance to the United States of Chinese involvement in Latin America has more to do with the overarching U.S.-China relationship and much less to do with Latin America.

So I'll end by saying that I think it's very important for Latin American countries to manage the relationship with China and make sure that what China is doing, very much in its own self interest, contributes to the self interests of Latin American countries. Richard mentioned a moment ago President Hu Jintao's visit to Latin America in 2004 when he promised a \$100 billion in direct foreign investment over the next 10 years. And I think -- I'm not sure whose chapter it was that mentioned that only 1 percent of Chinese foreign direct investment in the world goes to Latin America. So there's this constant, I think, disconnect between what is stated or what is imagined and what is. And I think that it will be very important, again, for Latin American countries to make use of the opportunity that is provided by Chinese economic growth and demand for

food and resources in order to channel its own development strategies.

Thank you.

(Applause)

MS. NEGROPONTE: Would you like to answer the commentators now or would you like to give an opportunity for the audience to hurl their questions at you and at the other commentators?

MR. ROETT: As a true democrat, I'll open it up to the audience.

MS. NEGROPONTE: I'm going to take privilege of the chair to ask you --

Mr. ROETT: But you're not the audience.

MS NEGROPONTE: But believe it or not, since I didn't speak, I can claim to be a listener!

In the face of not only the purchase of raw material, but also increasing joint ventures for the acquisition of ore and various minerals, what is the capacity? Let's take Chile and in contrast, Brazil, to regulate the activities of Chinese mining companies for environmental and for health and safety purposes.

MR. ROETT: That really is a concern of the very well meaning and not well organized jingoes in the region. We know that, and again why the chapter I think of Chris Alden on Africa is very important and you follow the reporting on China and Africa, there is now a reaction

to the lack of interest on the part of the Chinese companies operating in Africa, Chinese workers and environmental standards, labor rights, these kinds of things. So quite clearly, there has been -- I wouldn't call it a backlash, although as I mentioned or the *Financial Times* mentioned just a few weeks ago, the whole relationship is changing in that the Europeans are being sort of marginalized in Africa, China is taking their place. Is that going to change the dynamic in things like labor and environmental rules? Short-term, no; longer term, we'll wait and see.

MS. ARNISON: Diana, can I contribute to that? I know this only anecdotally, but I think, you know, in the mining sector, for example, in Peru, the Chinese investments are considered to be among some of the dirtiest and the most environmentally degrading of any country. And this is why I think that as Latin American countries become eager about the possibilities that China represents, both in terms of investment and trade and whatever, they have to be very careful about what kind of bargain they're getting into. Environmental preservation has not been a significant objective of Chinese economic development domestically, and those practices are certainly exported. I'd be curious to know at some point in the short-to-medium term, whether the kinds of concerns that have been raised about the safety of products imported into the United States also arise in Latin America which, as we all know, has a notoriously lax regulatory regime and a very underdeveloped government apparatus for

insuring consumer safety. And I'll be curious to see whether some of those same concerns begin to emerge in Latin America.

MS. NEGROPONTE: Thank you. Let's open it up to the floor. I'd be very grateful if you would state your name. Thank you.

QUESTIONER: Thank you. I'm Dan Erickson with Inter-American Dialogue. I want to congratulate, again, the editors and the authors on an excellent book. I was very intrigued by Richard Bush's statement that the United States and China are learning about each other in terms of their contact with Latin America. And I want to ask the other two panelists if they agree, and if so, what is China learning about the United States in the Latin American context, and vice versa? And then my second question was, as I understood the comments that this seems to be -- the China-Latin American relationship seems to be led first by economics, secondly by politics, and then security or military contact lags behind as a far third. And I was wondering if I understood that correctly, and do you see anything that makes China's military or security involvement in Latin America as anything more than a mirage or something the U.S. should be concerned about? Thank you.

MS. NEGROPONTE: Thank you Eric. Richard, will you answer the question about your statement?

MR. BUSH: Well, he didn't ask me, but -- what has China learned about the United States? First of all, it should have taken the

point that the United States has not blocked Latin American countries from switching diplomatic relations from the Republic of China to the People's Republic of China. We have always said that that is not a decision for us to make. Second, there is the issue of purportedly Chinese companies in Panama and doing operations in the Panama Canal Zone. Hutchinson Whampoa Ltd. to be specific, that is actually an international company based in Hong Kong. Its desire to be active in Panama set off a lot of concern in Congress, unjustified to my way of thinking, and Professor Tokatlian exposed the reasons in his chapter why this concern was unjustified. But I'm sure it triggered some suspicions in China of how the United States might be trying to block China's reasonable sort of economic activities or reasonable Hong Kong activities in Latin America. I mean, those are the things that come to mind immediately.

MS. NEGROPONTE: Riordan, Eric's priorities. Is he right?

MR. ROETT: The one person who should know was in South America in 2004. As Jiang Shixue in his chapter points out, there were three principle goals for the future relationship after the state visit. First, strengthening strategic ties and enhancing mutual political trust; second, taking practical and creative steps to tap the potential for economic cooperation; and third, attaching greater importance to cultural exchanges to deepen mutual understanding. I think those are more or less the way that China has moved since the 2004 visit by Hu Jintao. And

if you really want to see a superb contrast in the way in which China moved into Latin America in the 2004 visit, revisit the Hu Jintao arrival and presence in Argentina, which was quite a disaster, and the arrival of Hu Jintao and his entourage in Brazil -- five days of a state visit -- a love fest between the Chinese, President Hu Jintao and President Lula da Silva. In other words, the Chinese are practical, pragmatic, and I think they realize they need to choose their partners with some care in the region. And in the case of Brazil, they're moving forward on almost all three of those fronts. We had a very interesting all-day seminar here yesterday on Brazil's rise as a super power or something like that. And the great question remains, given the terrible state of physical infrastructure in Brazil, why China needs the physical infrastructure to take the exports back to China hasn't really begun to put in foreign direct investment into ports and roads. That it seems to me will be a very important turning point, if and when the Chinese decide all right, we only promised \$100 billion of trade, let's push that FDI number for our own advantage, but also for Brazil's, in terms of physical infrastructure. That will then begin to involve China in Brazil, if not other countries, the way they have become involved in Africa. You have raised the question of Chinese workers, Chinese companies, construction companies, and how the Latin Americans respond to that. Well, again, as you said, we had an interesting learning process for the United States and for China.



MS. NEGROPONTE: Riordan, following up on that, Memorandums of Understanding between the Chinese government and the Brazilian government and the Argentinean would indicate interest in building the ports and the roads. We haven't seen any money down on the table. Is it paper thin?

MR. ROETT: I think the Chinese, as we have learned in this project, move very very carefully. They were considering elevating or strengthening their ties with Latin America a decade or two before they made the first move. That we learned in our visit to Shanghai and Beijing a couple of years ago. The archives and data bases on Latin America in China are extraordinarily impressive. They've been collecting materials, they know with whom they are dealing, in some ways much more than do the Latin American countries. There's only one person who speaks Mandarin in Buenos Aires, my graduate student has confirmed on the aisle here, Mr. Duche. But the Brazilians have a number of Mandarin speakers because the Brazilians, again, quite a while ago understood at some point China might be, not necessarily would be, but might be a strategic partner and prepared themselves, which is why the China-Brazilian relationship is such a strong one, as it has developed in Chile. What was interesting is -- I mentioned the upgrade of diplomacy, Chinese diplomacy, I gave a series of lectures on the book last year in Chile and the first one was in Santiago, and one of the first people to arrive was the

new Chinese Ambassador in Chile, a young woman, in her forties, fluent in Spanish and English. All of her aides who came with her, three aides were all in the thirties. This is a sea change in terms of the Chinese diplomatic presence in the area. I would note also that nobody bothered coming from the United States.

(Laughter)

MS. ARNISON: Sure, if I could -- Dan, you've done a lot of your own writing on the China-Latin America relationship, and I guess I would have to fully agree with your sort of hierarchy of interest, starting with the economic and the political and on the military, but you asked a question about whether there's anything that China could do in the military or security sphere that the United States would consider threatening. And I find it hard to imagine that there's much, but I can imagine a few flashpoints. For example, if China were to provide advanced military aircraft to one particular country, not necessarily a country that had bellicose or expansionist ambitions, but would raise the specter of setting off a regional arms race given historic competitions between Brazil and Argentina or Chile and Brazil. I think that, you know, if they provided certain forms of advanced computer technology to Venezuela, that would raise the possibility that Chavez would be able to use those kinds of computers, you know, to further monitor and crack down on internal opposition. I think that would also, you know -- although an internal

security matter -- would also, I think, be of great concern. And then finally, if the Chinese abandoning their sort of traditional caution and pragmatism were to be tempted to step into the nuclear market with any country perhaps other than Chile, which has probably flirted with nuclear energy more actively than almost any other country in the region, I think that that would set off some alarm bells here, mostly because of the fear that someone like Hugo Chavez, for example, or others who shall remain nameless, you know, could possibly parlay that into an ambition to develop, you know, a nuclear weapon. And the fact that the Iranian government is establishing diplomatic relations and also has an expanded economic and political presence, I think would make the nuclear issue a particularly complicated one.

DR BUSH: On this point, I think it would be important to disaggregate, sort of, the Chinese government, you know, one can't rule out something like this happening, but the explanation is more likely to be that this is the left hand not knowing what the right hand is doing than the state operating as an integrated entity. More and more, in cases where coordination occurs, the -- you see reflected China's understanding of its commitment to international norms and international regimes when it comes to things like nuclear energy. And if not that, then the understanding of the primacy of its relationship with the United States, and so these things get balanced out and usually work out in a way that does

not end up sort of hurting U.S. interests, if people in the Chinese government are talking to each other, but often they don't, sometimes they don't.

MR. ROETT: The military side, as Cindy just mentioned, is terribly important now that I'm into China. It's amazing how much, if you read carefully, the international press. There is concern about military analysts in the United States and, in deed, in the Pentagon, with the extraordinary rapid investment in the military sector by China. China now has more submarines than Russia. China will have more submarines than we have by 2010. They now have the capacity to use those submarines, in fact, they surrounded and circled a U.S. aircraft carrier in a stretch of Taiwan; the aircraft carrier didn't know it. Demonstrating what? If, in deed, there are conflicts, they have the capability, if they wish to use it, to take out our ships. So the military aspect, which has not at all touched Latin America yet, but Cindy raises a very important point. Will that be one of those trip wires in which the Chinese begin to become overly ambitious in terms of looking at the negative neo-populist in the region as a way of just -- in a way of putting the pencil into the jaw of the United States in terms of do you see what we can do and you can't stop us? I don't think they will do that, but that possibility, as Cindy raises the issue, is always out there. And the neocons that Dr. Bush mentioned, that is exactly what they fear. This is, in a sense, the soft underbelly of U.S.

defense and the Chinese understand that, and that may well then be their target. I don't agree with them, but that argument, that position, is here very strongly in many think tanks in Washington.

MS. NEGROPONTE: Dan, you have set us up on a lively debate, which can continue at the Inter-American Dialogue please. Somebody here has a question.

QUESTIONER: My question -- I think Mr. Roett just mentioned about an impact to Latin American nations with this China expansion depends on the nation has a relationship with Taiwan or not. My question to Dr. Bush is does this China expansion change those nations' possible relationships with Taiwan or not? If so, does United States like to see it or not? Thank you.

MR. BUSH: Okay. As I suggested, this question of whether a third country chooses Taipei or Beijing is one that we don't take a position on. In recent years, Beijing has taken away some of Taipei's diplomatic partners, and this has been a symptom of Beijing's attitude towards the Chunchin government. I believe that if it continues to do this, it hurts Taiwan's newly elected president, Ma Ying-jeou, and it probably hurts Beijing's own interests to win the hearts and minds of Taiwan people. It undermines Ma Ying-jeou's argument about how best to promote Taiwan's interests.

MS. NEGROPONTE: Richard, we did have evidence of Beijing's pressure at the U.N. over the issue of peacekeepers in Haiti. Perhaps you could take us through that process?

MR. BUSH: Haiti for ages has had diplomatic relations with Taiwan, and China's foreign ministry ever since 1950 has been on a campaign to convert Taiwan's diplomatic partners to its side. There are a number of reasons for that, but this is an extension of the civil war that occurred between the Communist Party and the Nationalist Party. Beijing will look for whatever point of leverage it has in this fight, and so the question of peacekeepers in Haiti provides --

MS. NEGROPONTE: And the number of peacekeepers.

MR. BUSH: -- provides a point of leverage because obviously this is something important to the international community and they can say, why should we support this venture if the government that it's supposed to benefit is, in their language, has relations with separatists? They did the same thing with Guatemala. One would hope that in a situation where there's a new president of Taiwan that's more to their liking, that they would lighten up a little bit.

QUESTIONER: Hi. I'm Kay Brant from the University of Cambridge, and I wanted to thank you all again for being here. This has been a really interesting discussion. My question is sort of a follow up in the area of strategic relations again. Firstly, do you all think that Chinese

intelligence presence in Cuba is a strategic threat to the United States? And secondly, if we were to see a situation in which Venezuela were to potentially destabilize the region, could you see China and the U.S. partnering to try to create stability?

MS. NEGROPONTE: Riordan, would you like to start that?

MR. ROETT: So far, I don't believe the Chinese intelligence forces have tapped my telephone, but it may well be they have found more important targets.

This is an interesting issue that comes up all the time, and last time I testified, one of my colleagues on the very conservative side of the spectrum made this assertion. I do not have any evidence. Do you have any evidence of Chinese intelligence operating in Cuba? I mean Cindy and I follow these things with some care. Dr. Bush does as well. This is one of those canards that the right throws out entirely all the time to discredit China. I mean, the Chinese are a little smarter, I think, than to start putting up whatever you do to collect intelligence on the island of Cuba.

The other is -- when I was in China two years ago, Mr. Chavez was making his fourth state visit. And Hugo Chavez when he arrives is like the man who came to dinner and never leaves. And this was on either the fourth or fifth day of his visit, and I opened the local newspaper, the English version of the Chinese paper, the English version

of the paper, and there was a little paragraph on page 4. So I asked my hosts, isn't this a big deal, here's Hugo Chavez in China? And they just sort of rolled their eyes and said he never goes home.

And I think that, in a sense, is the sense of Chavez who uses China to expand his own importance. And those who do follow the region believe that Hugo Chavez is having some serious problems at home with food shortages and with dropping oil production and with rising inflation and with bombastic language against his own people, that he may not have a lot of room to further the interests of China in South America. Destabilizing South America? I don't think it's going to happen.

I think Latin America has a number of very difficult policy questions to debate. I think it is probable we will see the new Paraguayan government withdraw recognition of Taiwan and move to Beijing. That will set off again oh, my God, the Chinese are taking over South America, but it's just a regime change in Paraguay that is going to reflect the political interests of that new regime in Paraguay. I can't predict President-elect Lugo will do that, but one would imagine from his rhetoric so far, he would be in charge of that. So a Chinese-American consortium to contain Hugo Chavez would certainly help out Charlie Rose and others in terms of their broadcasting, but I don't think it has much of a sense of reality at the present time.

MS. NEGROPONTE: Cindy?



MS. ARNISON: I would agree with that. First of all, I'm not sure how likely the scenario that you talk about really is in terms of its actually developing, but I would guess, and this is just sort of an educated guess, the Chinese would leave such a situation to the United States and to Latin American countries and be very reluctant to get involved in a big way. I don't see, you know, Chinese involvement as having sort of political ambitions behind it beyond, as people have pointed out a number of times, this competition with Taiwan. And I think where there's actually going to be quite a spectacular bidding war is in El Salvador. Should the FMLN win the presidential elections next March, which is I think what everybody predicts, and El Salvador is one of the, you know, Central American countries that maintains relations with Taiwan, the Taiwanese apparently have been very solicitous of the FMLN, reading the polls and emphasizing the number of development projects and that kind of thing. My guess is that the Chinese are going to get in there and that the diplomatic recognition will go to the highest bidder. And I think in a way that's the way international politics works. I mean, you know, if you want to go back to surrealist self interest, that's what it's going to be about.

MS. NEGROPONTE: Gentleman with a yellow tie.

QUESTIONER: Thank you. Good afternoon, I'm Alex Alimong representing myself today. My question was almost answered, but I'll ask it anyway. I was hoping you could talk a little bit about Cuba,

the current Chinese relationship with Cuba, if you see that being enhanced or changing now that there's been a transition there, or if that's a little bit too close for comfort because of U.S. interests in Cuba? Thank you.

MS. NEGROPONTE: Richard, you want to start?

MR. BUSH: That's for, again, -- the Chinese presence is relatively minor in Cuba. There certainly has been some financial and trade support, but not as great as in Venezuela for example. And again, I think it's an example of the caution of Chinese diplomacy, that they're not going to wave a very large flag on the island, particularly during this delicate moment, I think far more delicate for Cuba watchers in Washington than for the Cubans about whether the regime is going to collapse and whether there's going to be a great exodus or whether it's all going to blow up in their faces, which I don't think will happen. But we do have another former student of mine here who ran the interest section in Havana, and perhaps Vicki, you would like to comment on whether the Chinese will destabilize Cuba?

MS. NEGROPONTE: We've got a microphone coming to you. Vicki Huddleston is a Senior Fellow here at Brookings.

MS. HUDDLESTON: Well, when I was in Cuba from '99 to 2002, we used to have a lot of American visitors. That was when we still had a lot of American visitors from the People to People Program and they

almost always asked that question. And at that time, the Chinese were pretty heavily involved in assistance and also building some hotels, one of which never got built. But I would say that it's very minor in comparison to the Venezuelans who are subsidizing the oil and also to other trading partners such as Spain and all the tourism hotels. So overall I don't think that would be a major preoccupation. And I also agree with you, I think China's very prudent in the way it moves forward.

QUESTIONER: Could I ask just a quick question? Could all the present and former students of Riordan Roett please stand up? It's quite a few.

MR. ROETT: We packed the audience!

MS. NEGROPONTE: There's a question right at the back.

QUESTIONER: Leona Lu from VOA.

MS. NEGROPONTE: Can you speak a little louder?

QUESTIONER: Okay, sure. A Beijing-based scholar named Linda Jacobson recently came to Washington and gave a talk in which she pointed out a very interesting point to me. And she said that China's investment in Africa, especially in Sudan, has been heavily criticized by the Western countries. In fact, in Sudan, she gave an example that China's, I think, stake in the oil market in Sudan is about 40 percent, whereas India has about 25 percent, but we don't hear much criticism or anything about that. So she said that this gives evidence to some people

in China who believe that the Western countries are intent blocking China's rise. So I'm just wondering if the same thing can be said about China and India's involvement in Latin America?

MR. ROETT: India is certainly a force -- that's the wrong word -- India is an increasing presence in the region, but certainly not yet now as strong as China, but I think it will be as the Indian economy is now once again moving very very quickly and the patterns of investment are somewhat different on the Indian side than the Chinese side. The other issue is, of course, this is a great policy debate in Washington. Should we or should we not, that is the United States, have a greater concern about the Chinese presence in Africa, particularly in Darfur, their support and what, in deed, should they be doing. The most recent controversy, of course, is the arm shipment to Zimbabwe. That has now been turned back, but quite clearly if it had not been confronted, the Chinese arm shipment would have arrived in Zimbabwe to support the Mugabe regime. So no question there is some very very delicate and difficult geopolitical issues that are going to be on the table to be negotiated as China becomes an increasingly influential actor in Africa, in Southeast Asia, far more active in those two regions than they are yet in Latin America. And the presence in Africa is very different from Southeast Asia. Southeast Asia is a good deal more strategic and military, that in Africa is a good deal more extractive as more similar to what we are seeing in Latin

America. Chinese are very delicately trying to neutralize the reaction of the West to their involvement in some of these regimes; not quite clear yet whether they understand the full depth of the commitment they've made and what the implications are for going ahead, but having said that, there's no question as the *Financial Times* reports that at a recent European Union African Heads of State meeting was nothing like the 2007 Heads of State meeting between the African leaders and the Chinese in Beijing, which was an extraordinary show of diplomatic consolidation built on many years now with economic and resource cooperation.

MS. NEGROPONTE: Richard Bush wants to address your question.

MR. BUSH: I will just restate my point that it's important to distinguish between the activities of Chinese companies on the one hand. For example, investment in the oil sector in Sudan and other places and activities of the U.S. government; the two are not necessarily working together, at least at the beginning.

Sometimes the Chinese government comes in behind and then has to defend the activities of its companies. Similarly, I hope that at some point people in China will be able to distinguish the activities of Western jingoes who sort of target Chinese companies' activities in places like Darfur and sort of take advantage of the fact that China's a "Communist country" to promote their organizational objectives, and not

associate it with the country in which those jingoos operate or with the West as a whole. Thanks.

MS. NEGROPONTE: We have about 10 minutes more and there are three or four questions; I wonder if we can accumulate them together? So the gentleman on the aisle there, there is a gentleman on this side, and then in the front and back.

QUESTIONER: Hi. I'm Loren Sabrumson, student. I wanted to ask about the relationship with the Shanghai Cooperation Organization, specifically as China moves into Latin America, we see Russia cutting similar gas deals with the Hugo "Ducto" from Venezuela all the way down to Argentina being proposed, but also military aid as well.

Currently, the Shanghai Cooperation Organization -- many see that developing as an economic and military counterbalance to NATO and the U.S. I'm wondering if you think observer status or even permanent membership could ever be offered to states like Venezuela, Bolivia, Ecuador, and as these relationships expand, whether we may perhaps sometime in the next 10 or 15 years, see permanent military bases for China in certain sympathetic Latin American countries?

MS. NEGROPONTE: Thank you. There is someone to your right there. No? Then we have in the front here.

QUESTIONER: Hi. My name is (inaudible) I'm in research in the (inaudible) of Mexico. My question is about, as you know, Mexico,

USA, and Canada is NAFTA and I know Mexico and USA have a big negative trade balance. Do you know if it's available in the future on the long-term to create policies about how to trade with China, because I know the European Union and (inaudible) at least talk more about international policies, but trading with China?

MS. NEGROPONTE: Thank you, and at the back.

QUESTIONER: Hi. My name is Wei, Minister-Counselor from the Chinese Embassy. Well, as a government official, I'm not supposed to have any question about the Chinese intentions on this American –

MS. NEGROPONTE: Minister Wei, can you talk a little louder?

QUESTIONER: I said that -- I'm from the Chinese Embassy here in the U.S. So as a Chinese government official, I'm not supposed to have many questions about our intentions in Latin America.

MS. NEGROPONTE: Please make a statement, but not too long.

QUESTIONER: Just for your information, I would like to add two points. First of all, our Ambassador in Chile is yes, she is a young lady, but not as young, in her early forties, but fifties.

MR. ROETT: She looked very young to me. I guess at my age, everyone looks young!

QUESTIONER: Okay. And secondly, we are very aware of the huge importance of U.S.-Latin America policy and also within the context of developing constructive and operative -- but as to relationship with U.S., China very glad to maintain a transparent and candid dialogue communication with U.S. on Latin American affairs through the Chinese Foreign Ministry and the U.S. State Department on the record (inaudible) since 2006. Both sides have already held two rounds of consultation meetings, Director General and Assistant Secretary for the region level. And from the Chinese perspective, both of these meetings have been extremely successful and useful. I think maybe that's one additional point through which we can learn about each other. Thank you.

MS. NEGROPONTE: Thank you, thank you very much.  
The Shanghai Cooperation Council? And will you do NAFTA?

MR. ROETT: No, Francisco González will do the issue on Mexico.

MR. BUSH: On the SCO question, I think it's probably highly unlikely that countries, Latin American countries, would become part of that. There is a question about the United States becoming an observer, but there's a reason for that, but Latin America -- I think it's doubtful. China, as a matter of principle I think, opposes foreign bases. That's directed mainly at the United States, but consistent with that, it would oppose it for itself.



MR. ROETT: There is a question, of course, of the Manta Base in Ecuador. As President Correa was one of the new populist leaders, I gather is not going to extend U.S. presence in Manta. What happens to Manta is a debate; there is some discussion of it being given to the Chinese. I have no evidence that that is the case, nor do we have any evidence so far in any of the information that we have that there is the slightest bit of interest in Beijing in having a military presence anywhere in the region.

And finally, for better or for worse, most of these leftist populist regimes, if you will, are highly unstable institutionally. And while I can't predict whether regimes come or go, it's not impossible that we will have other iterations over the next two to three years in some of these countries where the geopolitical balance could, in deed, change, but the very dynamic and fluid situation, particularly in the Andean countries, with regard to organizations like the Shanghai Cooperation Agreement.

MS. NEGROPONTE: The editor has asked Francisco González to please answer the question here.

MR. GONZÁLEZ: Thanks very much. On the issue of NAFTA, I think it would make eminent sense first and foremost for Mexico to try to advance a point whereby Canada and the U.S. would somehow give Mexico some leverage over trade with China. As you know, Mexico really exports negligible things to China; it's really the other way around.

My sense is that this kind of scenario you talk about would work better in cases where the export structure of the country and the market destination makes it, you know, a win-win situation to cooperate. Example: Mining countries like Chile and Peru, if they were able to at some point not fix prices, but negotiate the deals regarding copper, regarding nitrates, zinc, they certainly would benefit and would gain clout in exporting to China.

Something similar would apply to the case of soy beans if Paraguay, Brazil, and Argentina got together and created a cartel, they would easily be able to advance their interests vis-à-vis China. The problem with the triad, Canada, Mexico, and the U.S., is that our interests and our economic structures are so diametrically different that there is, I think, little room for the U.S. or Canada to want to work with Mexico to erect barriers to trade.

Remember, I mean, at the end of the day China is first and foremost supplying this big consumer market, entire U.S., entire Canada, with all the goods that your average household consumes. They don't want that to change, so I wish I could be a bit more optimistic, and I could see how your proposal would benefit Mexico, but I can't see it happening unfortunately.

MS. NEGROPONTE: Francisco, thank you, and I would like to ask all of you to join me in thanking the editor and author of *China's*

*Expansion*, Richard Bush and Cindy Arnson for sharing and giving their time with us this afternoon.

(Applause)

MR. ROETT: Thank you, Diana, for organizing this.

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