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“China in South America: Argentina, Brazil and Venezuela”

Carmen Amado Mendes

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Abstract The growing presence of the People's Republic of China (PRC) in South America highlights its domestic priorities. On the economic side, high levels of development, source of political stability and international recognition, exacerbate the need of importing natural resources and exporting manufactured products. Politically, the policy of national reunification, which is also an important provider of stability drawn from nationalism, demand strengthening relations with countries in areas attracted by Taiwan, isolating the island in the international arena. Beijing is actively working to increase its political leverage and shape the agenda of international politics giving South-South cooperation a strategic dimension well beyond mutual development. This fits South American objectives, namely the ones of Brazil, Argentina and Venezuela, that aim at diversifying international partnerships and perceive China as an alternative to the traditional orientation towards Latin America, the US and Europe. Positioning itself as a stakeholder, China creates the basis for an alternative international order using persuasion. The Chinese soft power in South America may be a drop of water in a much broader strategy.

Keywords Argentina, Brazil, Venezuela, China's foreign policy · South-South cooperation · Beijing consensus · Washington consensus

The growing presence of the People's Republic of China (PRC) in South America highlights its domestic priorities. On the economic side, high levels of development, source of political stability and international recognition, exacerbate the need of importing natural resources and exporting manufactured products. Politically, the policy of national reunification, which is also an important provider of stability drawn from nationalism, demand strengthening relations with countries in areas attracted by Taiwan, isolating the island in the international arena. Moreover, the

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priority of obtaining support to the one China principle and other domestic issues, such as human rights, Tibet and Xinjiang, leads to the reinforcement of the Chinese geopolitical presence in different areas of the world. China's foreign policy towards South America reflects these dynamics. On the one hand, the region is a very attractive market for Chinese cheap industrial products, due to the size of its population; in exchange, it sells commodities and allows China to invest in the non-renewable resources sector. The main Chinese energetic companies, China National Petroleum Corporation (CNPC), China Petroleum & Chemical Corporation (Sinopec) and China National Offshore Oil Corporation (CNOOC) have been reinforcing their presence in the region. On the other hand, most countries that recognize Taiwan as a sovereign state are traditionally in Latin and South America and many of them have been shifting recognition towards the PRC. This allows China to have a bigger number of allies (and votes) in international organizations, such as the United Nations, and to consolidate its status as a world power.

To strengthen its presence in the Southern hemisphere Chinese diplomacy uses soft power, the ability to influence through persuasion and not coercion, including all activities that are beyond the security realm, such as culture, humanitarian aid, trade, Foreign Direct Investment, bilateral and multilateral diplomacy. Beijing uses specific diplomatic instruments such as the Five Principles of Peaceful Coexistence: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. Following these principles, Chinese politicians adopt a no-strings-attached policy and provide unconditional aid, not demanding the respect for human rights or norms of good governance. The impact that these principles "with Chinese characteristics" have outside China is known as Beijing Consensus, as Beijing presents a formula towards development dramatically different from the proposed by the Washington Consensus, calling for total independence, sovereignty and equality of the developing world.

This development approach is an important soft power instrument manipulated by Chinese officials to manage their interests in South America, through the establishment of a direct relationship with the political elites. By spreading its own economic model, dissociated from political democratization, Beijing is perceived by South American leaders as an alternative to the West, namely Washington. China presents itself as the biggest developing country in the world, willing to help others in the path towards development: a partner and not a guide that dictates the rules of relationship. The Chinese presence in the region grew after 2001, as in the aftermath of 9/11 the US became less involved in its traditional backyard. The Beijing Consensus spread against the Washington Consensus, backed by the negative perception around social consequences of the implementation of neo-liberal policies in the 1990s imposed by the Bretton Woods institutions. The great disillusion regarding the political and economic conditionality of the aid of Western donors, imposed by the World Bank and the International Monetary Fund, made South America believe that countries can reach economic development without the required political openness, following different models from the ones advocated by the West.

Within this context China frames its presence in South America within South-South cooperation, i.e., cooperation between developing countries, including several areas besides economy, trade and energy security. This framework has received

strong political support and a strong impetus with the increase of trade and investment among the South, allowing these countries to minimize the effects of the international crisis and achieve impressive economic results. Although these economic and financial interests do not result in other converging points, and the absence of a well established agenda for firm cooperation carries some fragility, South-South relations allow these countries to claim for a new international order, based in a normative informality that does not impose shared values. The emergence of new “anti-status quo” actors puts the hegemonic power into a new equation, reorganizing the hierarchy of powers. Being part of multilateral forums, Southern countries are familiar with norms of good governance, sustainable development and environmental protection but do not necessarily respect them neither expect others to do so: the South can develop economically with models different from the ones of the North.

Western countries fear that the Chinese developing model and diplomatic principles, which reject involvement in domestic affairs, encourage policies of development that support rogue states. Beijing replies to this criticism with the sacred principle of non-interference in order to respect other states sovereignty and to guarantee international peace, opposing the Western approach of “disrespect” for sovereignty. By ignoring universal norms and imposing others with “Chinese characteristics” inspired in the Principles of Peaceful coexistence, the PRC has reinforced its presence in the Southern hemisphere, perceived as an alternative to the traditional North-south relation. Challenging US interests in the region, Chinese leaders attract South American elites with the slogan of win-win relations: China aims at diversifying the origin of its energy imports while South America gains by diversifying exports’ destiny. Many South American countries believe that this relationship allows them to overlook other markets but there is the risk the Chinese investment capacity changes. They benefit if they complement the special relationship among the South with dialogue with developed countries, for instance in what concerns technology cooperation. Moreover, many aspects of cooperation with China repeat typical North-south relations: China is part of the North, not only geographically but also economically and in terms of capabilities and influence of the international order.

South America cannot be perceived as a single unity in the relationship with China – as it does not have a common approach regarding other actors either. Several countries of the region participate in multilateral institutions, such as the G20, but the bilateral channel is clearly preferred in South-South cooperation. This Special Theme selected key case studies that highlight the variety of relations that China develops with South American countries. Brazil, Argentina and Venezuela not only promote multilateral South-South cooperation but also signed bilateral strategic partnerships with Beijing. From China’s point of view, the three countries analyzed have been the priority in its foreign policy towards South America: big countries that are economically strong and politically moderated. Common to these three cases is the fact that tensions with China increase as their industrialization processes evolve. Interested in adding more value to their exports and trying to ensure local labor, those countries start to adopt protectionist measures against Chinese manufactured products that avoid development of local industry, leading to unemployment. China stimulates economic *primarization* of these countries, buying raw material in exchange of manufactured goods. Even if the balance of payments with China is favorable, bringing short term benefits, the quality of trade is highly damaging in the long term,

as countries do not invest in their own industrialization and get deprived of non-renewable resources, needed for future development. Thus, if China's presence in South America may be considered as positive – China as a partner towards development, sharing its experience and its model of economic success – for others it is negative: competitor, that does not consider local needs and only worries with obtaining short term resources, or a neo-colonizer, with a long-term strategy to replace traditional Western orientation.

This Special Theme sheds light in the negotiating framework between China and the three selected countries: while relations with Argentina and Venezuela are deeply asymmetrical, with Brazil they occur on an equal basis. The Chinese relationship with Argentina, a traditional raw materials supplier, has a stronger economic dimension, in which trade complementation alternates with tensions, resulting of the governmental dilemma regarding the use of its natural resources. Sino-Venezuelan relations received a strong impulse with the presidency of Hugo Chavez that tried to complement energetic cooperation with the ideological element of the revolution to counterweight the United States, although Beijing has been cautious not to damage relations with this special partner. Brazil is China's most important partner in South America and China became Brazil's top trading partner and investor.

China and Brazil established diplomatic relations in 1974, are strategic partners since 1993 and signed a Joint Action Plan in 2009 to frame cooperation until 2014 in several areas, such as economy, culture and science. The relationship evolved as China became a net importer of commodities and joined the World Trade Organization in 2001, offering better access to its domestic market. China mainly exports manufactured products and imports iron ore, soybeans and oil, and invests in infrastructure projects to support production, extraction or transportation of natural resources and commodities. This situation worries the Brazilian government and the industrial sector as the high value of the Real (Brazilian currency) and low value of the Yuan (Chinese currency) result in difficulties for Brazilian producers to compete with cheap Chinese industrial imports. This trade competition is felt in other areas besides the Brazilian market, such as Latin America and (mainly Portuguese-speaking) Africa. Moreover, Beijing did not support Brasilia's intention to get a permanent seat in the Security Council and Brazil did not give China the market economy status. Despite these tensions, the two countries show convergence in BRICS political summits and technical meetings, along with Russia, India and South Africa, expressing their views regarding global governance.

With the US decline and the world economic crisis, countries of the South have for the first time the opportunity to influence global governance. The G20 summits, an important example of South-South cooperation that connects different regional powers, reflect the new paradigm full of symbolism where emerging powers want to lead its own developing process. The Chinese position in these summits suggests the role of leadership that Beijing is willing to undertake. China frames cooperation with the South within its perception of the international system, contesting the hierarchy of power in main political and economic forums, such as the UN and WTO, in a clear opposition to US unilateral dominance. Beijing is actively working to increase its political leverage and shape the agenda of international politics giving South-South cooperation a strategic dimension well beyond mutual development. This fits South American objectives, namely the ones of Brazil, Argentina and

Venezuela, that aim at diversifying international partnerships and perceive China as an alternative to the traditional orientation towards Latin America, the US and Europe. China is not happy with the place it occupies in the international system and is interested in ignoring many of the Western norms. Positioning itself as a stakeholder, China creates the basis for an alternative international order using persuasion. The Chinese soft power in South America may be a drop of water in a much broader strategy.

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