



Pontificia Universidad Católica de Valparaíso
Centro de Estudios y Asistencia Legislativa

**A Tiger amongst Condors:
China's strategies of influence and engagement in Latin America**

*“Un tigre entre Cóndores:
Las estrategias de influencia y compromiso de China en la región de América Latina”*

Elanya Kriegman Chin

Profesor Guía: Manfred Wilhelmy von Wolff
Profesor Colaborador: Juan Pablo Glasinovic

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Dedication

I dedicate this final work to my grandfather, Samuel M. Kriegman. He opened up the world to me and made this entire experience possible.

Abstract

China is a singular player on the world stage, particularly in economic trade and increasingly in cultural outreach. China integrates itself with other countries and regions through a multi-platform approach that implements partnerships and cooperation through trading blocs, state-to-state agreements, and regional forums. This investigation will examine how China exerts power and influence in the Latin American region through evolving tactics that fall under the category of smart power and soft power. Smart power policies that China carries out in the region, such as the creation of free trade agreements, foreign direct investment, and infrastructure development, plays a huge role in strengthening relationships, cooperation, and exchange between governments. Strategies of soft power include opening Confucius institutes, promoting Chinese cuisine, and funding education exchanges in order to foster public diplomacy and goodwill from the local to national level between China and Latin American countries. In addition, this paper will illustrate current trends in U.S. policy that serve to strengthen the relationship between Latin America and China. Finally, identifying the challenges and opportunities for future China-LAC cooperation will provide perspective on how LAC can respond to China's ever increasing entanglement in the region.

Glossary of Abbreviations and Terms

AIIB: Asian Infrastructure Investment Bank

ALADI: Asociación Latinoamericana de Integración / The Latin American Integration Association

APEC: Asia-Pacific Economic Cooperation

BRI: Belt Road Initiative¹

BRICS: Brazil, Russia, India, China, and South Africa²

CCP: Communist Part of China / Chinese Communist Party

CCTV: China Central Television

CELAC: Community of Latin American and Caribbean states

CDB: China Development Bank

China ExIm Bank: Export-Import Bank of China

CMFA: China's Ministry of Foreign Affairs

CPATPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership

EU: European Union

FDI: Foreign Direct Investment

G20: Global Forum for economic, financial, and political cooperation³

G77: Group of 77 developing nations at the United Nations

GDP: Gross Domestic Product

GFDI: Greenfield Foreign Direct Investment

IADB: Inter-American Development Bank

¹ Used interchangeably with "One Belt, One Road" (OBOR)

² Association of five major emerging national economies

³ Members include: European Union + Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States. Spain is a permanent invited guest to G20 meetings.

ICT: Information and Communication Technologies

IFIs: International Financial Institutions

IMF: International Monetary Fund

LAC: Latin America and Caribbean

M&A: Mergers and Acquisitions

Mercosur: Mercado Común del Sur / Southern Common Market

MOFCOM: China's Ministry of Commerce

NAFTA: North-America Free Trade Agreement

OAS: Organization of American States

ODI: Outward/Overseas Direct Investment

OBOR: "One Belt, One Road" initiative⁴

PA: The Pacific Alliance

PPP: Purchasing Power Parity

PRC: People's Republic of China

PYMES: Pequeña y mediana empresas⁵

SOEs: State-Owned Enterprises

TPP: Trans-Pacific Partnership

UN: United Nations

UNASUR: Unión de Naciones Suramericanas⁶

UNECLAC: United Nation Economic Commission for Latin America and the Caribbean⁷

WTO: World Trade Organization

⁴ Used interchangeably with "Belt Road Initiative" (BRI)

⁵ SME: Small and medium sized enterprises

⁶ USAN: Union of South American Nations

⁷ CEPAL: Comisión Económica para América Latina y el Caribe

1. INTRODUCTION

The original “trabajo final de graduación” for the Masters was titled, “Chile and the region’s turn towards the Pacific: the evolution of power dynamics between Latin America, China, and the USA.” However, this project has shifted and evolved multiple times before reaching its final iteration. This paper will focus specifically on China’s engagement in Latin America, and how its outsized involvement in the region, from infrastructure to government lending, has helped to shape the current state of Latin America. In turn, this paper will seek out answers on how Latin America engages with China, both as a region and also spotlighting individual countries, such as Chile and Venezuela. In order to measure the influence that China has in LAC nations, strategies that fall under the category of smart power and soft power will be analyzed and assessed. Both the challenge and the opportunity of this paper pertains to how contemporary and ever-changing this topic is, from all sides. Recent developments in China, the USA, and individual nations in Latin America means constantly adjusting and refining the factors that go into formulating and answering this paper’s hypothesis. The investment, extraction, and exchanges that constantly flow between China and the region continues to increase and China shows no sign of scaling back or disengaging anytime soon. Because of the absolute entwinement between China and Latin America, with the visible, but receding presence of the United States, the power plays between world leaders has both short-term and long-term repercussions.

In order to understand why this ever expanding and intertwining relationship between China and Latin America is so relevant in today’s sphere of international relations, it is essential to understand the motivations of China and the Latin America region, individually. China has a population of over 1 billion citizens and covers quite a large territory of land. However, China lacks rich natural resources and fertile land, something that Latin America possesses in abundance. For better or worse, China also has the luxury of creating policies and legislation based the politburo’s decision rather than the will of the population. This is extremely useful when deciding which countries it will loan, trade, and invest in. While there are private enterprises in China, the state maintains majority control over banks and can influence business practices in their favor, taking much bigger liberties and risks on their own rather than abiding by World Trade Organization or World Bank guidelines.

When observing China’s growth on a global level, it is almost instinctual to compare its expansion to that of the United States. However, it is very important to distinguish the nature and evolution of U.S. foreign policy versus that of China’s. Currently, the U.S. and China are both led by unprecedented heads of states. President Donald Trump, a businessman by vocation, ran on a campaign of protectionism and nativist ideals. After only a little over a year in office, he has enacted a renegotiation of the North American Free Trade Agreement with Canada and Mexico as well as proposed new tariffs on steel, aluminum, and solar panels among other goods. In addition, he has enacted immigration blockades against specific countries, including Venezuela, and threatened to revoke protections for immigrants who were brought to the United States as young

children, with the worst case scenario being mass deportations and the separation of families. All of these radical measures have created animosity, anxiety, and resentment found at the individual and federal level in countries across Latin America.

On the other hand, Xi Jinping, the leader of China has also taken bold steps on a national and global level. Questions first began to arise in November 2017 after no successor was announced for Xi at the start of his second term as general party secretary at the 19th annual National Congress of the Communist Party of China. Then, the end of February 2018, the politburo proposed a constitutional amendment to remove term-limits on the presidency, immediately alarming world leaders and international watchdogs who fear a decline in checks and balances and transparency. State-media justifies this action as necessary to “guarantee stable leadership” as China enters a crucial period “to restore the country to its rightful place as a global power.”⁸ According to Xi, becoming a global leader with unquestioned international influence includes strengthening military force, securing a “One China” policy through crushing dissidents in Hong Kong and Taiwan, and continued economic growth.

It is important to acknowledge that what drives China to persistently engage in international relations with nations across the world, has a large part to do with the need to maintain a semblance of peace and stability domestically. China sees trade, cooperation, and exchange as the most lucrative and beneficial option for protecting its own interests. On top of that, China commits to two principles before entering into any trade agreement: first, the potential trade partner must recognize the “One China policy”⁹ and second, that China vows not to intervene in its trading partners domestic affairs. This attitude towards trade allows China the freedom to negotiate with nearly any and all nations. Whereas the United States and the European Union can claim to restrict their trading partners based off of human rights violations or sanctions¹⁰ that go against democratic principles, China is not burdened by any of those pretenses. Though it claims, in posturing to the UN and other international organizations, to want to promote steps that bring about a more transparent, ethical, and responsible practices- it has basically pursued a path of unfettered partnerships.

This paper does not intend to judge the policy practices of China, nor the individual governments of Latin America and the region in general. Instead, this work seeks to lay out, category by category, how China and Latin America are engaged in an increasingly inextricable bond- and the possible consequences of this relationship. For a majority of the development stages of this final work, the focus was on Latin America’s turn towards the Pacific and the evolving power dynamics between China, the United States, and Latin America. However, as more information was

⁸ Wen, Phillip & Kang, Benjamin Lim (2018). “China Xi’s expansive agenda gets boost with move to end term limits.” *Associated Press*. [Web Access: 1 March 2018] <<https://www.reuters.com/article/us-china-politics/china-xis-expansive-agenda-gets-boost-with-move-to-end-term-limits-idUSKCN1GC10T>>

⁹ One China policy: Trading partner must cut diplomatic ties with Taiwan in order to form bilateral trade agreement with China.

¹⁰ Exceptions: Saudi Arabia, China, etc.

collected, more experts interviewed, and more nuances revealed, it became obvious that the scope of the investigation needed to be narrowed. Rather than attempting to analyze the triangulation of power between two countries and an entire region- it made more sense to focus on the flow that runs between China and Latin America, specifically focusing on the major economies of Chile, Peru, Argentina, and Brazil.¹¹

1.1 Problematization

- How has China’s involvement in Latin America shaped the current economics and politics of the region?
 - Measuring the success of China’s engagement through instruments of soft power and smart power.

The ties that connect Latin America, China, and the US are as economic as they are political in nature. The “China Dream” put forth by the reigning president, Xi Jinping, places an interesting complement and contrast to the hybrid foreign and domestic policy of “America First” under the administration of President Trump. Latin America especially, but not limited to the countries along the Pacific, is located in a crucial area to take advantage of the change in power dynamics between China and the US. Latin America is a region that has the benefit of geopolitical importance as well as strategic offerings for present and future trade and investment.

The presence of China in Latin America is felt through investments, trade, and huge infrastructure projects could be perceived as an obstacle or interference to the historic and controversial involvement of the US in the region. Despite China taking the reigns as the biggest trade partner of Chile, Peru, and many regional neighbors, the lasting links between LAC and the US are maintained in terms of language, migration, and transnational transactions. Latin America as a region can take on a symbiotic role in dealing with China and the US.¹² This investigation will work to show how Latin America has everything to gain from maintaining close links with both its neighbors to the north and across the Pacific.

It is important to emphasize Latin America as an active partner, not simply a passive recipient of China’s growth and development. What do the countries in Latin America have to say about the soft power and smart power tactics that China continues to rollout? The difficulty in a topic like this is creating a fair balance between China and Latin America. It is fairly straightforward to outline and define China’s ambitions, policies, and attitude towards partnership with Latin America. However, Latin America is an entire region composed of individual countries with particular values and capacities that do not always align with each other. The existence of the Union of South American Nations does not account for Central American and Caribbean nations.

¹¹ Though other nations will be touched on, including: Venezuela, Mexico, etc.

¹² Larraín, Fanor (14 November 2017). *Programa Asia Pacífico de PUCV*. Valparaíso. Personal Interview.

However, the Community of Latin American and Caribbean States (CELAC) goes further to create a unified front to “strengthen the political, social and cultural integration of the region.”¹³

1.2. Objective of Analysis

The objective of this investigation was initially more critical: to gauge the effectiveness of trade deals, regional organizations, and power strategies for conducting trade between different countries. These themes will still be included in the research, however they will serve more as explanatory factors for how the dynamic is shaped between Latin America and China, rather than the end goal. Now the objective is to create a coherent picture of the present, short-term, and medium-term characteristics of China’s presence in Latin America, and Latin America’s active interaction with this Pacific power. To avoid designating Latin America as a passive actor that merely receives and absorbs the actions of China, it will be crucial to recognize the particular effects that impact countries choosing to engage with China, and how the region can respond to the results wrought from investment, lending, and trade. A component of this particular analysis will tie in the United States. As is commonly known in the world of international relations: “nature abhors a vacuum.” It will be imperative to see how the United States’ past actions and current apathy towards its neighbors play a part, intentional or not, in the rise of China’s dominance and reception in the Latin America region.

1.2.3. General Objectives

The general objective of the analysis is to assess the measures China has taken and the strategies it has implemented in cooperation with Latin American governments, in order to exert influence in the LAC region. Assessing the effectiveness of China’s tactics is fundamental to understanding how this shapes regionalization, globalization, and trans-national partnerships between China and Latin America. Both the challenge and opportunity of aiming for this objective lies in the fact that this relationship is dynamic and constantly changing due to internal and external factors. As we have seen in the United States, policy can change alarmingly quickly based off the whims and attitudes of leaders in power. With a mixed cast of rotating heads of state (in democratically elected regimes) paired with enduring leaders (like Venezuela, Bolivia, Nicaragua, and potentially China), the possibilities of partnership and progress are simultaneously endless and tenuous.

1.2.4. Specific Objectives

In an attempt to avoid creating a triangular concept that subordinates Latin America as a “unitary actor” being “managed” between the United States and China, I decided to narrow the scope of

¹³ Nuclear Threat Initiative (2017). “Community of Latin American and Caribbean States (CELAC).” [Web Access: 3 January 2018] <<http://www.nti.org/learn/treaties-and-regimes/community-latin-american-and-caribbean-states-celac/>>

this investigation.¹⁴ While there will be a section designated to understanding the shifting tides between Latin America, US, and China, the primary focus will be on the relationship between China and the LAC region. Limiting the range even more, this investigation will discover and explain how China promotes its interests *and* interacts with various countries in the region through a kaleidoscopic approach of soft power and smart power.

- Define China's goals alongside / vs. LAC goals.
- Assess the types of strategies China uses to promote interests in order to exert influence and power in LAC.
- Evaluate the new opportunities that the LAC region has with the change of political / economic weight between the USA and China.
- Evaluate the most effective strategies for inextricable integration (soft / smart power instruments) in the private and public sector.
- Analyze the most efficient trade blocs / bargaining tools Latin America has to assert itself towards China.
- Show examples of particular LAC countries and/or particular blocs and organizations taking an active role towards China (and the US).
- Investigate the potential efficiency of international/regional institutions like CELAC, APEC, AIIB to exert mutual or unilateral influence.
- Identify challenges that confront both China and Latin America as cooperation continues into the 21st Century.

1.3. Theoretical Framework

The theoretical framework of complex interdependence is most suitable for guiding the investigation of China's influence in Latin America because this theory takes into account the potency of utilizing multiple platforms, actors, and strategies to promote a nation's interests in world politics *and* when engaging with other countries. Point by point, China's actions align with the defining characteristics of complex interdependence as it becomes increasingly involved and inextricable from Latin America's economic policies and development in general.

Joseph Nye and Robert Keohane developed the theoretical framework of complex interdependence as a response to the realist school of thought. Nye and Keohane depict the realist vision with assuming that: "states as coherent units are the dominant actors in world politics"; "force is a usable and [the most] effective instrument of policy"; "'high politics' of military security dominates the 'low politics' of economic and social affairs."¹⁵ The realist assumptions define an "ideal type of world politics" where "political integration among states" are only maintained if

¹⁴ Ellis, R. Evan (2012): "The United States, Latin America, and China: A 'Triangular Relationship'?" *Inter-American Dialogue*. [Web Access 28 November 2017]: <<http://www20.iadb.org/intal/catalogo/PE/2012/10211.pdf>>

¹⁵ Keohane, Robert O. & Nye, Joseph S. (1989). "Power and Interdependence." *World Politics in Transition*, 3rd ed. New York: Longman, 2001, pp. 20-28. *Reprinted* in "Conflict after the Cold War: Arguments on Causes of War and Peace." Pearson Education, Inc. Glenview, IL. P.167.

they serve the most powerful states' national interests.¹⁶ In challenging the realist assumptions, Nye and Keohane subsequently create the defining characteristics of complex interdependence. According to the authors, complex interdependence provides a "better portrayal of reality" because it assumes three main characteristics: "actors other than states participate directly in world politics"; "a clear hierarchy of issues does not exist"; "force is an ineffective instrument of policy."¹⁷

The first characteristic of complex interdependence acknowledges that multiple channels include but are not limited to various formal and informal ties that connect governmental and non-governmental elites as well as transnational organizations.

"These channels can be summarized as interstate, transgovernmental, and transnational relations. Interstate relations are the normal channels assumed by realists. Transgovernmental applies when we relax the realist assumption that states act coherently as units¹⁸; transnational applies when we relax the assumption that states are the only units.^{19,20}

True, China's engagement in Latin America is mainly funneled through state-owned and state-sponsored initiatives. However, the manifestation of China's participation in Latin American culture, economies, and politics involves multiple channels beyond state-actors. China also relies on representatives from the world of arts, education, media, and gastronomy to promote public diplomacy. This provides a type of goodwill "gloss" to temper the relentless investments and extraction that China levies from the region.

The second characteristic of complex interdependence asserts that the agenda of interstate relationships do not have a "clear or consistent hierarchy" of issues which implies that "military security does not consistently dominate the agenda."²¹ Domestic policy and foreign issues are not mutually exclusive, often there are multiple departments that consider policy coordination on an array of issues from environmental security to economic outreach. This speaks directly to the way that China coordinates its methodology for extending partnerships and exchanges abroad. Domestically, there is a hierarchy of values that the PRC abides to: unity, non-interference, etc. However, when it engages with other nations, China is careful to use a multi-pronged approach to address multiple issues and sectors that go beyond military concerns to include issues regarding economy, culture, and education.

Nye and Keohane do not deny that military force is a "central component of national power" but "when complex interdependence prevails," military force is not used to resolve disagreements,

¹⁶ Keohane, Robert O. & Nye, Joseph S. (1989). P. 167.

¹⁷ Ibid. 167-1668.

¹⁸ This implies that state actors and elites may not always act in line with the state, thus negating the idea that states always act as coherent units.

¹⁹ This accounts for the influence and power of non-government entities such as businesses and banks.

²⁰ Ibid. 168.

²¹ Ibid. 168.

especially with partners and allies.²² The “intense relationships of mutual influence [that] exist between” industrialized, pluralist countries makes military force not only an inappropriate way of achieving goals, but oftentimes “irrelevant or unimportant as an instrument of policy.”²³ Far more relevant than the actual execution of military force is the “threat of force to deter attacks” that creates an “indirect, protective role” which can also be used as a bargaining tool.²⁴

During the Chinese Communist Party’s (CCP) 19th Party Congress, Xi Jinping, who serves as both president and the chairman of the Central Military Commission (CMC), outlined goals for China. He focused specifically on the military, emphasizing the importance of modernization, preparation for war, and consolidating “unity” between the army and civilians.²⁵ “The Chinese dream of a strong military” aligns with Xi’s goal for China to become a world-class military power by 2050.²⁶ China’s strong posturing is mostly meant to deter Taiwan and Hong Kong from rebellion, but also sends a strong signal to the rest of the world that the PRC has the capacity and the intention of becoming as strong a military force as it is an economic giant. However, this realist vision of deterrence as the most effective strategy for security, does not apply to China’s relationship with Latin America.

The third characteristic of complex interdependence- that force is an ineffective instrument of policy- can actually be interpreted positively for Latin America. The question of deterrence is not an issue when discussing the influence of China in Latin America because there is no competition. First, China does not see Latin America as threatening its unity or territory so it has no reason to flex its military muscle in this region’s direction. Second, the Treaty for the Prohibition of Nuclear Weapons in Latin America (also known as the Treaty of Tlatelolco) “obligates Latin American parties to not acquire or possess nuclear weapons, nor permit the storage or deployment of nuclear weapons on their territories by other countries.”²⁷ This regional commitment to non-proliferation of nuclear weapons assures that it cannot pose a devastating threat to China’s national security. This mutual understanding allows China and Latin America to focus on the “softer” side of military exchanges and cooperation. China’s investment and participation in providing military support and technical training will be examined more in-depth when reviewing its “smart power” tactics later in the investigation.

²² Keohane, Robert O. & Nye, Joseph S. (1989). Pp. 168-169.

²³ Ibid. 169.

²⁴ Ibid. 169.

²⁵ Gao, Charlotte (2017): “3 Major Takeaways from Xi Jinping’s Speech at the 19th Party Congress.” *The Diplomat*. Web Access <<https://thediplomat.com/2017/10/3-major-takeaways-from-xi-jinpings-speech-at-the-19th-party-congress/>>

²⁶ Ibid.

²⁷ U.S. Department of State (1967). “Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (Treaty of Tlatelolco).” *Bureau of Western Hemisphere Affairs*. [Web Access 1 March 2018] <<https://www.state.gov/p/wha/rls/70658.htm>>

1.4. Hypothesis

China is poised to become Latin America's largest trading partner and geopolitical influence due to the steady escalation of deals, investments, and exchanges enacted by China in the region. Different tactics that operate out of the basis of smart power and soft power strategies are effective tool for executing meaningful agreements that ensure China will continue to play a major role in Latin America for the short, medium, and long-term.

In contrast to China's vigorous approach to working with Latin American nations on the local, national, and regional level, the recent posturing and policies put forth by the current US administration encourages the LAC region to look elsewhere²⁸ as it continues to expand and diversify its markets. China leads in Latin America with economic initiatives that can be classified as smart power strategies. The implementation of complementary soft power strategies helps to promote its interests and goodwill in the region. Regardless of actual intention, China puts strong emphasis on developing proposals based on the premise of partnership, collaboration, and exchange. This paper will first attempt to show how effectively China expands its geopolitical reach in Latin America. It will then be possible to hone in on the impact China's increasing development, investment, and outreach has on the economic and political landscape of the Latin American and Caribbean community in the present and future.

1.5. Methodology

This paper is both investigative and descriptive in nature. Understanding and soundly presenting China's interests in the LAC region requires a balanced approach between discovery (investigative) and explanatory (descriptive) devices. The methodology for answering the hypothesis aims less to predict, and more to guide this research in terms of explaining *why* China is so intertwined in this region, *how* its interests are reflected through instruments of soft and smart power, and *what* that means for Latin America in the short, medium, and long-term. This is a dynamic investigation that does attempt to operate chronologically. However, within a loose timeline, the body of this research branches out to include diverse factors that all play a consequential role in explaining how China has grown to become an inextricable presence in Latin America and the Caribbean.

1.5.1. Informing the Methodology

Though it may not be obvious throughout this paper, the hermeneutic method was a touchstone for making sense of all the research collected during this investigation.²⁹ Applying principles of the hermeneutic method were essential to understanding the deeper motivations that drive actions by

²⁸ Elsewhere means specifically away from the US and towards potential partners in the Pacific.

²⁹ Bernal, César A (2010). "Metodología de la Investigación. *Pearson*. Tercera Edición. P. 37-38.

China and Latin America. The texts that were used to inform this paper come from state-sanctioned forums, government publications, reports from non-governmental organizations, interviews with distinguished academics and experts, and internationally credible news sources. While synthesizing the abundance of information on this subject, my task was to assess the legitimacy of information while simultaneously reserving personal judgment as I extracted particular details and insights found in the literature. The hermeneutic methodology was extremely useful for assessing and evaluating each text.

1. “Who (is the author) (*quis/persona*)?”
2. What (is the subject matter of the text) (*quid/materia*)?”
3. Why (was the text written) (*cur/causa*)?”
4. How (was the text composed) (*quomodo/modus*)?”
5. When (was the text written or published) (*quando/tempus*)?”
6. Where (was the text written or published) (*ubi/loco*)?”
7. By which means (was the text written or published) (*quibus facultatibus/facultas*)?”³⁰

Though this investigation does aim to understand and interpret the actions of China and Latin America through an intersubjective model,³¹ it is not completely anchored by the guidelines of the hermeneutic method. This paper still seeks to explain and organize the tactics and strategies carried out by China in a structured format that focuses on identification, definition, analysis, and explanation. Beginning with a summary of the context for China and Latin America’s current relationship, it is then possible to define starting points for investigating China’s turn towards Latin America and how Latin America responds. From there, it will be imperative to distinguish the particular methods of engagement that China employs,³² the relevant groups and bloc involved,³³ and how they operate.³⁴

1.6. Guiding Questions

- Why does China’s increasing involvement in Latin America and the Caribbean matter in the world of international relations?
- How should we modify our expectations of China following the 19th National Congress?
- What are the positive and negative aspects and implications of a growing complex interdependence between China and Latin America?
- What are examples of soft power and smart power strategies that China utilizes in the region?

³⁰ Detel, Wolfgang (2011). *Geist und Verstehen*, Frankfurt am Main: Vittorio Klostermann. Cited in: Mantzavinos, C. (2016). "Hermeneutics." *The Stanford Encyclopedia of Philosophy*. Edward N. Zalta (ed.) [Web Access February 18 2018] <<https://plato.stanford.edu/archives/win2016/entries/hermeneutics/>>

³¹ Bernal, César A. (2010). Pp. 37-38.

³² Outlined in China’s 2008 and 2016 white policy papers on Latin America and the Caribbean.

³³ For example: Pacific Alliance; CELAC; APEC Summit; “One Belt, One Road” initiative, etc.

³⁴ Operate is taken to mean in terms of actions categorized as soft power and/or smart power tactics.

- Is it possible to define the most effective strategy employed by China?
- What sectors could LAC and China improve to become more competitive and balanced?
- Is the rate of export/import growth sustainable between LAC and China?
- What is the effectiveness of forming groups like the Pacific Alliance, AIIB, etc.?
- What are the advantages/disadvantages of negotiating trade deals through bilateral deals vs. trade blocs?
- Are China and the US complementary or contrary trade partners for LAC?
- What are the challenges that confront China vs. LAC?
- Are there any opportunities to explore for the future development of China-LAC relations?
- What does a “Latin America Dream” look like?

2. PAST, PRESENT, and FUTURE of CHINA'S GUIDING PRINCIPLES

2.1. China: Reclaiming the "Middle Kingdom"³⁵

To set the stage for how China initiates relations with Latin America, it is important to establish the base for Beijing's "larger framework of advocating its version of 'democratizing international relations' i.e. creating a multipolar economic and political international order wherein the Middle Kingdom revives its customary position at the core of international affairs."³⁶ It appears that China, in its earliest context, emerges at a point of reestablishment, not creation. The idea that there is no discernible age of infancy, rather, it "strides into the historical consciousness as an established state requiring only restoration, not creation" helps paint a picture of China's natural cycle.³⁷ This pattern of a figurative pendulum that swings in perpetuity between "harmony" (striving for continuity) and "disunity" (periodic "calamity") contributes to China's strong sense of "self" because of the opportunity to reassert and reclaim its true identity as the "Middle Kingdom" over thousands and thousands of years. Whenever China lost a war or was dealt a blow, there was an underlying assurance that all could be "overcome, in the end, by China's endurance and superior culture."³⁸ The survival of China's culture is derived from its "community of values" and belief that the Way to fulfill a "just and harmonious society" has already been discovered, so the goal is "rectification, not progress."³⁹ The fact that China has "such an intimate link to its ancient past and classical principles of strategy and statesmanship" is crucial to understanding the principles that guide China in terms of political, economic, and diplomatic policies in the 21st Century.⁴⁰

The role of the Emperor as "both a political ruler and a metaphysical concept" symbolizes the enormous pressure to maintain sovereignty and order to preserve the "Great Harmony."⁴¹ The Emperor was expected to prevent "All Under Heaven" from falling into chaos- and if he was perceived as having failed to maintain this order, the existing dynasty would seem to lose the rights to govern and a "new dynasty would restore the Great Harmony of the Universe."⁴² Conduct, rituals, and even punishments were seen as viable correcting features to sustain harmony. This insight helps explain a current issue that China (mainland Beijing) confronts with the defiant territories of Taiwan, Hong Kong, and Tibet. Following the 19th National Congress of the Communist Party of China in October 2017, Chairman Xi Jinping echoed the principles of unity and harmony that run throughout its history. Promising that China would "never allow" Taiwan

³⁵ Modified excerpts of this section previously appeared for the bibliographic essay detailing Henry Kissinger's book, *On China*. I originally wrote portions of this analysis for Professor Manfred Wilhelmy's *Asia Pacific* class, December 2017. RRII Magister, PUCV.

³⁶ Das, Shaheli (2016). "Is Latin America of Strategic Importance to China?" *The Diplomat*. [Web Access: 2 February 2018] <<https://thediplomat.com/2016/12/is-latin-america-of-strategic-importance-to-china/>>

³⁷ Kissinger, Henry (2011). "On China." *Penguin Press*, New York. Chapter 1, P. 5.

³⁸ Ibid. 11.

³⁹ Ibid. 14.

⁴⁰ Ibid. 2.

⁴¹ Ibid. 15.

⁴² Ibid. 15.

(or any of its territories) to separate from China, he backed up his claim by adding that China would “strive to fully transform its armed forces into a world-class military by the mid-21st Century.”⁴³ Principles that place particular value on unity are matched with hard power policies to legitimize the party’s leadership stance when it comes to enforcing a “One China” position at home and abroad.

Despite international surprise and wariness at China’s most recent moves to elevate Xi Jinping to new heights as the leader of the PRC, these steps actually align completely with China’s historical expectation that the Emperor is responsible for executing harmony and order. The first sign that Xi Jinping’s power was taking new precedence came during the previously mentioned 19th National Congress. Typically, a successor will be named or at least present at the beginning of the Chairman’s second-term, however an obvious heir was missing from the pageantry. In addition, “Xi Jinping Thought” was officially indoctrinated in China’s constitution which provoked comparisons to the enshrined policies of Mao Zedong. Then, at the end of February 2018, the Communist Party-controlled media announced that China’s National People’s Congress was contemplating a plan to abolish presidential term limits, thus “making it possible for President Xi Jinping to stay in power indefinitely and cementing a dramatic shift in Chinese politics.”⁴⁴ On 11 March 2018, nearly 3,000 delegates cast their votes with 2,958 in favor of the constitutional amendment to eliminate presidential term limits. Though it has not been explicitly proclaimed, the approval to end term limits “is the clearest evidence yet that Xi plans to rule beyond the end of this second term, in 2023, taking China back to the era of one-man rule.”⁴⁵

Reserving any judgements of this decision as “good or bad,” this particular investigation puts priority on assessing the strategies already being enacted by President Xi and the possible outcomes that can arise from this development. If Xi is to remain in power indefinitely, how will his policies impact the Latin American (and beyond) nations that have grown ever-increasingly intertwined with China? We can start by reviewing “Xi Jinping Thought” which now dictates China’s policy and platforms when engaging with its citizens and the world at large. Officially known as “Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era,” the doctrine is a “blueprint for consolidating and strengthening power at three levels: the nation, the party and Mr. Xi himself.”⁴⁶ Harking back to “ancient prominence and glory,” Chairman Xi has vowed a “great rejuvenation” that advances China’s political power alongside its established

⁴³ Shepherd, Christian & Qiu, Stella (2017). “China’s Xi lays out vision for ‘new era’ led by ‘still stronger’ Communist Party.” *Reuters*. Web Access: <https://www.reuters.com/article/us-china-congress/chinas-xi-lays-out-vision-for-new-era-led-by-still-stronger-communist-party-idUSKBN1CM35L>

⁴⁴ Rauhala, Emily (2018). “Xi cleared to rule indefinitely as China officially scraps term limits.” *The Washington Post*. [Web Access 12 March 2018] <https://www.washingtonpost.com/world/china-approves-plan-to-abolish-presidential-term-limits-clearing-way-for-xi-to-stay-on/2018/03/11/973c7ab2-24f0-11e8-a589-763893265565_story.html?utm_term=.e2ef90f7b934>

⁴⁵ Ibid.

⁴⁶ Buckley, Chris (2018). “Xi Jinping Thought Explained: A New Ideology for a New Era.” *The New York Times*. [Web Access: 26 February 2018] <<https://www.nytimes.com/2018/02/26/world/asia/xi-jinping-thought-explained-a-new-ideology-for-a-new-era.html>>

economic might. Besides modernizing the military and building military installations in contested waters of the South China Sea, the \$1 trillion international trade initiative known as “Belt and Road” directly impacts Latin America, especially as the current United States administration assumes protectionist policies and upends decades of established foreign policy practices.

In the days leading up to the official vote to end presidential term-limits, China’s Foreign Minister, Wang Yi, encouraged the idea that the “world can only benefit as China marches toward ‘irresistible’ national rejuvenation” and assumes greater global leadership under President Xi Jinping.⁴⁷ While Minister Yi stood by China’s commitment to non-interference, he also acknowledged and welcomed China’s more pro-active foreign policy advocated by President Xi Jinping. Making it clear that China and the United States “can compete without necessarily being opponents,” he also expressed China’s readiness to play a “more active role in resolving hot issues in the region and the world.”

2.2. China Abroad: How to Win Trade Partners and Influence Economic Practices⁴⁸

Before delving into China’s strategies for exerting influence in Latin America, it is imperative to examine the dynamic arising between China’s practice of sovereign containment (“One China” policy) while simultaneously expanding its presence overseas through economic gestures. Centuries ago, China’s relative isolation and self-sufficiency contributed to other region’s “only peripheral comprehension of its vastness and its wealth.”⁴⁹ China’s conviction that “the most valuable possessions and intellectual achievements” were to be found within itself might explain its practice of striving for other (tributary) states to recognize China’s “special status” in return for trading rights and other benefits.⁵⁰ During the Ming Dynasty (1405-1433), “China launched one of history’s most remarkable and mysterious naval enterprises” helmed by Admiral Zheng He.⁵¹ Yet contrary to the age of European exploration that would follow over 150 years later, China displayed no territorial ambition, rationale for colonial expansionism, or practice of proselytizing. It seems the only goal was to have others proclaim China’s greatness and at most, create “favorable conditions for Chinese merchants.”⁵² In fact, when China was threatened by invaders from the north, the fleet was disbanded and the expeditions were never reinitiated. This seems like a reprioritization of missions that strongly adheres to the core tenet of unity. When there was peace, there was time to expand, but when stability and harmony were threatened, China turned inwards. This behavior is a departure from China’s tendencies in the 21st Century. The two-pronged

⁴⁷ Shih, Gerry & Bodeen, Christopher (2018). “China eyes greater global leadership role, downplays fears.” *Associated Press*. [Web Access: 8 March 2018] <https://www.washingtonpost.com/world/asia_pacific/china-pushing-to-be-more-active-in-region-global-diplomacy/2018/03/08/b531c068-228e-11e8-946c-9420060cb7bd_story.html?utm_term=.b512328f2e1e>

⁴⁸ This is a play on words from the classic book: “How to Win Friends and Influence People” by Dale Carnegie.

⁴⁹ Kissinger, Henry (2011). P. 11.

⁵⁰ Ibid. 17.

⁵¹ Ibid. P. 8.

⁵² Ibid. P. 9.

approach of forging new trade agreements while exporting its culture is a strategy to promote public diplomacy and create goodwill in the midst of large-scale bilateral trade deals. Whereas before, China preferred to be sought after rather than to engage in the pursuit of others- its stance has now changed, understanding that soft power tactics help to conjure a sense of benevolence between nations and trade partners. For the sake of economic prosperity, which contributes to domestic stability and harmony, China is willing and even enthusiastic about advancing its culture abroad through gastronomy, Confucius Institutes, and many other cultural initiatives.

As China has grown into a prodigious economic force by all international standards, it has been able to use this weighty asset to tip the scales in diplomatic and military negotiations. Kissinger's concise description of Sun Tzu's classic, *The Art of War*, provides the context for appreciating the tactics China employs to achieve foreign policy goals. Contrasting the Western ideal of "total victory" versus the Chinese concept that stresses "subtlety, indirection, and the patient accumulation of relative advantage," we come to understand the elegance behind the game of "wei qui."⁵³ The purpose of this game is to gradually mitigate the potential of the opponent's pieces which generates "strategic flexibility" and encirclement.⁵⁴ An advocate for the virtue of prudence, Sun Tzu asserts that in conflict, "psychological and political elements over the purely military" cultivate far more favorable results. Formulating a strategy that undermines an "enemy's morale" or maneuvers him "into an unfavorable position from which escape is impossible" is advantageous in that it is the most effective way to preempt and prevent direct conflict.⁵⁵ If one can understand China's view of history (as interpreted by Kissinger) as a "cyclical process of decay and ratification" it makes sense why China prefers a strategy that builds up positions of strength in order to deter rather than violently confront exterior threats.⁵⁶ China perceived a perennial danger hanging over it with the fear that its "vaunted centrality and material wealth would turn on itself and into an invitation for invasion from all sides."⁵⁷ Understanding that direct confrontation and battle was at times inevitable, China realized it was far more fruitful to exploit weakness and divisions amongst their perceived enemies to create a "compliant, divided periphery rather than one directly under Chinese control."⁵⁸

In modern times, China's employment of psychological strategy to gain the upper-hand in the sphere of geopolitical conflicts is incentivized by economic enticements. China understands that a strong economy is the backbone of national and regional stability. By investing heavily into foreign infrastructure, they are emulating a type of modern "Golden Arches" theory. The idea put forward by Thomas Friedman argues that any nation with a McDonald's fast-food chain will not go to war

⁵³ Kissinger, Henry (2011). Pp. 22-23.

⁵⁴ Ibid. 22-23.

⁵⁵ Ibid. 25-28.

⁵⁶ Ibid. 30.

⁵⁷ Ibid. 19.

⁵⁸ Ibid. 21.

with any other country that also has a McDonald's.⁵⁹ The fact that both have this restaurant is a symbol of economic development and global interdependence. Though this theory has since been debunked (for example, Russia's annexation of Crimea from Ukraine), a similar framework can be applied to China's global strategy.⁶⁰ China's genuine disinterest in proselytizing has worked to its extreme advantage by allowing it to strike deals with the complete spectrum of state actors, from Venezuela to the United States to North Korea. By genuinely not discriminating against another nation's political and religious ideology, China is able to be present and involved in virtually all economies, big and small.

Though other nations may complain or worry about China's growing hand in the international markets, the escalating dependence on China for manufacturing, investment, and debt consolidation aligns perfectly with *wei qui's* design to encircle the opponent. In addition, many nations in the world, including Latin America, appreciate China's refrain from meddling in domestic affairs *and* its ability to deliver on projects and loans without all of the "red tape" and strict conditions implemented by other international organizations like the WTO and IMF. Through trade, China is strategically positioning itself as an unavoidable, logical, and valuable partner that continues to accumulate credibility as a world superpower.

3. QUANTIFYING CHINA'S INTERESTS in LATIN AMERICA

Three factors: active partnerships (relevancy), measurable influence (data), and direct expression of interest (state-sanctioned publications) guided my decision to start the paper's focus on China's engagement in Latin America beginning at the turn of the 21st century. Honing in on the past two decades up to the present time, relations between China and the Latin America region have increased rapidly since the PRC's accession to the World Trade Organization (WTO) in 2001 and the country's adoption of the "going out" strategy to increase growth and trade.⁶¹ A notable launching point of China's turn towards Latin America can be marked by China's first policy paper on the region.

On 5 November, 2008, the Chinese government published its first policy paper on Latin America and the Caribbean following the release of policy guidelines for Europe in 2003 and Africa in 2006. This publication was particularly shrewd because "the region had been historically perceived as being under the United States' sphere of influence."⁶² Yet, in the years since its publication,

⁵⁹ Friedman, Thomas (1996). "Foreign Affairs Big Mac I." New York Times. Web Access: <<http://www.nytimes.com/1996/12/08/opinion/foreign-affairs-big-mac-i.html>>

⁶⁰ Luce, Edward (2015). "The end of the Golden Arches doctrine." *Financial Times*. Web Access: <<https://www.ft.com/content/1413fc26-f4c6-11e4-9a58-00144feab7de>>

⁶¹ Das, Shaheli (2016). "Is Latin America of Strategic Importance to China?" *The Diplomat*. [Web Access: February 1] <<https://thediplomat.com/2016/12/is-latin-america-of-strategic-importance-to-china/>>

⁶² Council on Hemispheric Affairs (2009). "China's Policy Paper on Latin America and the Caribbean." [Web Access: February 3 2018] <<http://www.coha.org/china%E2%80%99s-policy-paper-on-latin-america-and-the-caribbean/>>

China has effectively rolled out a strategy for growing their presence in Latin America through economic initiatives and public diplomacy without provoking consequential backlash from the US. This section will summarize the most *relevant* parts of the policy papers that have made *measurable* impacts on Latin America. This means reviewing the proposals that China put forth in both 2008 and 2016, then investigating which steps have actually been implemented and how LAC governments and citizens have *responded* to the increased presence of Chinese influence in the region. With the new policy paper of 2016, it will also be necessary to discuss the evolution of China's interest in the Latin America region during the eight-year interim between publications.

3.1 2008: China's policy paper on Latin America and the Caribbean

The Policy Paper on Latin America and the Caribbean begins by framing China as the largest developing country in the world, and “committed to the path of peaceful development and the win-win strategy of opening up.”⁶³ The motive for this paper is to “further clarify the goals of China’s policy” in Latin America in order to outline “guiding principles for future cooperation between the two sides” that suit their “national conditions.”⁶⁴ The most relevant parts of the paper are in Section III and Section IV. In the third section, “China’s Policy on Latin America and the Caribbean” is based on the “Five Principles of Peaceful Coexistence” that include vague declarations such as: treating each other with mutual respect and trust; expanding strategic common ground; and showing understanding and support on issues involving each other’s core interests.⁶⁵ The paper expresses enthusiasm for becoming “each other’s partner in economic cooperation and trade for mutual benefit and common development” and carrying out more cultural exchanges.” All of these niceties set the stage for China to put forth an indispensable condition for creating partnerships and cooperation “based on mutual respect and trust”: adherence to the One China principle. This is important to note because despite the growing number of trade agreements and partnerships between China and the Latin America region, there are still a significant amount of governments that maintain diplomatic ties with Taiwan, including: Belize, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Paraguay, and Nicaragua.⁶⁶ These small economies may seem trivial compared to other nations in the region, but as a matter of policy, the Chinese government is adamant about establishing and developing “state-to-state relations with all Latin American and Caribbean countries based on the one China principle.”⁶⁷

The fourth section provides more specific actions for how to “strengthen China’s comprehensive cooperation with [the] Latin American and Caribbean region.” There are four main categories

⁶³ People’s Republic of China (2008). “China’s Policy Paper in Latin America and the Caribbean.” *USC US-China Institute*. 20 April 2009. [Web Access: 12 February 2018] <<http://china.usc.edu/chinas-policy-paper-latin-america-and-caribbean>>

⁶⁴ Ibid.

⁶⁵ Ibid.

⁶⁶ Costa Rica and Panama are the most recent LAC countries to switch allegiance to the PRC.

⁶⁷ People’s Republic of China (2008). Ibid.

China details: the political field, the economic field, the cultural and social aspects, and peace, security, and judicial affairs.⁶⁸

Political field: high-level exchanges between legislatures and parliaments “at multiple levels and through various channels on the basis of respecting each other.”

- Exchanges between political parties: “on the basis of independence, full equality, mutual respect and non-interference in each other’s internal affairs to learn from each other.”⁶⁹
- Cooperation in International Affairs: maintain regular consultation on major international and regional issues, like sovereignty and territorial integrity.
- Local government exchanges: support twinning of provinces/states/cities between China and LAC; exchanges and cooperation in business, science, technology, culture, etc.

Economic Field: work on the basis of mutual benefit and win-win cooperation.

- Investment cooperation: welcome FDI from LAC in China⁷⁰ while encouraging qualified Chinese companies to invest in LAC.
- Financial Cooperation: encourage financial institutions and commercial banks to step up exchanges and open branches in LAC.
- Infrastructure construction: strengthen practical cooperation in transport, information and communications, water conservancy, hydropower and other areas of infrastructure development to scale up project contracting in the region.
- Resources and Energy Cooperation: create bilateral frameworks to increase resources and energy cooperation
- Tourism: make “vigorous efforts”⁷¹ to promote visits by Chinese tourist groups to LAC
- Debt Reduction and Cancellation: discuss ways to relieve their (LAC) debts as China’s ability permits; China will call on international community to reduce and cancel debts owed by LAC.
- Economic and Technical Assistance: continue to provide assistance “without attaching any political conditions” and gradually increase assistance.⁷²
- Multilateral cooperation: view to promoting South-South cooperation; “bringing about a more just and equitable multilateral trading regime and ensuring a bigger say and greater role in decision-making for developing countries in international trade and financial affairs.”⁷³

Cultural and Social Aspects:

- Cooperation in Science, Technology, and Education: enhance exchanges through bilateral committee; focus on aeronautics, bio-fuel, resources, marine technology, and other areas of shared interest; provide LAC with technical training, services, and demonstration; work for agreement on mutual recognition of diplomas and academic degrees and increase scholarships for LAC countries.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ This issue will be addressed in the section regarding challenges for China and LAC.

⁷¹ People’s Republic of China (2008). Ibid.

⁷² Ibid.

⁷³ Ibid.

- Media cooperation: increase mutual understanding and ensure comprehensive and unbiased reports of each other.
- People-to People exchanges: advance friendly relations between China and LAC; strengthen interaction with youth organizations; deepen friendly interactions with women's organizations at all levels to build gender equality and the advancement of women.⁷⁴

Peace, Security, and Judicial Affairs:

- Military exchanges and cooperation: “Chinese side will, as its ability permits, continue to provide assistance for the development of the army in Latin American and Caribbean countries.”⁷⁵
- Judicial and Police affairs: focus on judicial affairs, judicial assistance in criminal and civil matters and extradition. Sharing information, penalty enforcement and legal services will be strengthened; jointly combat transnational organized crimes; strengthen intelligence and technological exchanges to share information on illegal immigration.

The list of sectors that China targets fall under the categories of soft, strong, and smart power and take a comprehensive approach towards strengthening cooperation with Latin America. The optimistic and ambitious strategy that China put forth came during a tempestuous time in the world. “Released against the backdrop” of the 2008 financial crisis that hit the U.S. and Europe and negatively impacted Latin America, this “publication deliberately coincided with the emergency G-20 meeting in Washington that was about to take place to discuss the economic crisis.”⁷⁶ Shortly after this policy paper was published, President Hu Jintao, the predecessor of Xi Jinping, visited Peru for the November 2008 Asia-Pacific Economic Cooperation summit, and took this opportunity to present China’s policy towards LAC. With this context in mind, China effectively presented itself as a strong option for “countries seeking to diversify their export markets and decrease their dependence on declining foreign direct investment from the US and Europe.”⁷⁷ The 2008 financial crisis and its consequences provided an opening for “China to assert its policy towards Latin America without instigating ruffled feathers on the part of the US, the hemisphere’s traditional hegemon.”⁷⁸

Prior to this policy paper, China had already become a permanent observer of the Organization of American States (OAS) in 2004, and its integration in the region has only accelerated and deepened since clarifying its commitment to developing and investing in LAC countries. In January 2009, China successfully joined the Inter-American Development Bank (IADB) and offered an initial contribution of US \$350 million that was well received.⁷⁹ At the first Summit of Leaders of China and Latin America and the Caribbean in 2014, Xi Jinping proposed the “1+3+6” framework for

⁷⁴ People’s Republic of China (2008).

⁷⁵ Ibid.

⁷⁶ Council on Hemispheric Affairs (2009).

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ibid.

the 2015-2019 period.⁸⁰ The “1” signifies unified strategic cooperation; “3” refers to engines of growth in trade, investment, and finance; “6” prioritizes sectors including energy resources, infrastructure, agriculture, manufacturing, technical innovation, and information technology.⁸¹ More in-depth analysis of China’s tangible efforts to increase “win-win” scenarios in partnership with LAC will be examined in the “smart power” section of this investigation. For now, it is sufficient to say that China made good on its commitment to step up integration and development following the public policy paper of 2008.

3.2. 2016: China’s Policy Paper on Latin America and the Caribbean

China begins the 2016 policy paper on Latin America and the Caribbean by describing the rise of emerging markets as an “irresistible trend” that is complemented by the “great rejuvenation of the Chinese nation.” These two words are important because “irresistible” implies an inevitability to China’s rise, and “rejuvenate” connects back to China’s idealism of restoring its place as the “Middle Kingdom.” China explains that it has been “actively promoting the construction of a socialist market economy, socialist democracy, advanced culture” etc. in order to build a “moderately prosperous society” by 2020 with the goal of “turning the nation into a modern socialist country” by the mid 21st century.⁸² While it is clear that in 2016, China is bolder and more assertive in stating what future it envisions for itself, the PRC is still careful to include that fulfilling its destiny “cannot be possible without the development of other developing countries, including countries in Latin America and the Caribbean.”⁸³ The tone of this second policy paper takes on a more innovative and singular approach, proposing the “construction of a new type of international relations with win-win cooperation at its core.”⁸⁴ Themes of cooperation, trust, respect, and exchange were repeatedly used in the 2008 policy paper. The major initiatives and measures that stemmed from the initial paper has “provided new development goals and new driving forces” that China seeks to build upon in its release of the second policy paper.⁸⁵

It is important to note the particular tone that China utilizes in the second policy paper. This publication is clearly meant to inspire and excite Latin America through flattery. China starts by naming Latin America and the Caribbean as “A Land Full of Vitality and Hope” that “boasts huge development potentials and bright prospects.”⁸⁶ China continues by classifying LAC as a “rising force in the global landscape,” and together they can forge a “blueprint for the future” of a “new

⁸⁰ Das, Shaheli (2016).

⁸¹ Xiang Lanxin (2016). “China goes Geopolitical in its Strategic Partnership with Latin America.” P. 67. *Printed in: Roett, Riordan & Paz, Guadalupe* (2016). “Latin America and the Asian Giants.” *Brookings Institution Press*. Print.

⁸² Ministry of Foreign Affairs of the People’s Republic of China (2016). “China’s Policy Paper on Latin America and the Caribbean.” [Web Access: 2 February 2018]

<http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1418254.shtml>

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ Ibid.

era.”⁸⁷ This sort of hyperbolic language immediately strikes a different tone from the first policy paper and should not be ignored. The outsized role that China plays in Latin America’s import-export market, infrastructure, and foreign investment is unquestionable. However, China’s insatiable quest for “cooperation” and “respect” to bring about “win-win” results for both sides *does* need to be questioned. Though this is a contemporary topic with many moving parts, it is appropriate to review how China’s vision described in the 2016 paper has evolved from the policy paper in 2008. While the goals outlined in 2008 were direct if not a bit unimaginative, the 2016 paper elaborates on many of the similar points while adding new emphasis on international collaboration and people-to-people exchanges. It’s important to pay attention to the policy goals outlined in the newest paper, especially given the current circumstances. The first policy paper was administered under the guidance of Hu Jintao, whereas the second paper comes from the administration of Xi Jinping who has significantly bolder goals for the direction of China as an international power.

Part II of the policy paper introduces a “new stage of comprehensive cooperation” between the PRC and LAC region that has been made possible by the “concerted efforts of several generations” through a “remarkable journey.”⁸⁸ The paper points to the creation of the Forum of China and the Community of Latin American and Caribbean States (China-CELAC Forum) in 2014 as a turning point for a “new stage of comprehensive cooperation.”⁸⁹ This platform has spurred “rapid development in trade, investment, finance” and “increasingly close cultural and people-to-people exchanges,” setting the course for “simultaneous and complementary development of bilateral and collective cooperation” between both sides.⁹⁰ China makes a point to emphasize common development that does not “target or exclude any third party.”⁹¹ However, the PRC’s firm refusal to initiate trade agreements with nations that do not recognize the “One China” principle means that so long as Paraguay and various Central American and Caribbean countries maintain diplomatic ties with Taiwan, there will be inevitable exclusion.

In Part III, the paper focuses on bring the partnership to “new heights” through “five salient features” that will encourage the two sides to “join hands in development” to create a community with a shared future. The five features listed are:

1. Sincerity and mutual trust in the political field
2. Win-win cooperation on the economic front
3. Mutual learning in culture
4. Mutual reinforcement between China’s cooperation with the region as a whole
5. Bilateral relations with individual countries in the region⁹²

⁸⁷ Ministry of Foreign Affairs of the People’s Republic of China (2016). Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² Ibid.

Adding to the “1+3+6” model, China plans to “actively explore the new ‘3x3’ model for capacity cooperation,⁹³ and speed up quality improvement and upgrading of the cooperation” between both sides.⁹⁴ In the 2016 document, China updates plans it outlined in the 2008 paper in the political field, economic field, social aspects, and peace, security, and judicial affairs. In addition, the newest paper takes dramatic strides to launch new forms of cooperation, writing in completely new sections on international, collective, and trilateral cooperation as well as a separate, defined section on cultural and people-to-people fields. China puts special emphasis on developing a plan for exchanges and cooperation in press and publication by advocating for the “signing of bilateral agreements on radio, film and television” and encouraging the “mutual translation of philosophical and cultural classics.”⁹⁵ This is a straightforward push to utilize soft power tactics to cultivate more knowledge and recognition of Chinese media and arts in the LAC region’s consciousness. In the section on international collaboration, China includes claims on how it will work with LAC to strengthen global economic governance, implement the UN 2030 Agenda for Sustainable Development, and build cyber security systems. In the section on collective cooperation, China focuses on upholding the principles of mutual benefit and “unconditionality” to promote cooperation under the China-CELAC forum. China is careful to emphasize that it “welcomes the active participation of regional organizations and multilateral institutions” of LAC rather than simply focusing on bilateral and state-to-state negotiations.⁹⁶ The final section, trilateral cooperation, expresses interest in carrying out ventures in “economic, social and cultural fields” with “relevant countries outside the region and international organizations” so long as it is “agreed upon and dominated by countries in the [Latin America] region.”⁹⁷

It is clear that the PRC is dedicated to launching directives that address all parts of Latin American culture and society beyond simply engaging in trade and financing. What China is effectively announcing is that they see a partnership with Latin America not simply as a short-term or medium-term engagement, rather a long-term investment in cooperation that will cement a strong foundation of “friendship from generation to generation.” The lofty rhetoric used throughout the policy paper is undoubtedly a strategy to cast a wider net that aims to include the general population in this idea of a “harmonious coexistence” between “different civilizations in the world.”⁹⁸ China is making an appeal to people’s hearts and minds, literally promising to “actively hold dialogues” that will “bring the hearts of our peoples closer.”⁹⁹ Never mind that in China, no president is democratically elected, term-limits have just been abolished, and the PRC practices the principle of non-interference in other countries’ domestic affairs, regardless of autocracy.

⁹³ This refers to the policy papers’ aim to: “jointly building the three major passages of logistics, electricity and information, enabling health interactions among the enterprise, society and government, and expanding the three financing channels of funds, credit loans and insurance.”

⁹⁴ Ministry of Foreign Affairs of the People’s Republic of China (2016).

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ Ibid.

Somehow, the PRC claims it is committed to “safeguard[ing] the international order and system with the purposes and principles of the UN Charter as its core.”¹⁰⁰

The last two sentences are not meant to be a critique or value judgement towards China. Rather, I point this out because it is important to keep in mind that the standards and expectations written in a policy paper do not always match the actions that are carried out in actual agreements and exchanges between China and the LAC region. When orchestrating a bilateral or multilateral agreement between countries and regions- there will always be a tradeoff, if not in the short-term, then in the long-term, or vice versa.¹⁰¹ Flattering rhetoric and noble promises aside, Latin American leaders, companies, and consumers already know that there is a huge dependency on China as far as trade, loan, and investment is concerned. At this point, there is not a single nation on earth that is completely self-sufficient or closed off from the world. All countries, even North Korea, trade and depend on the exports and imports of regional and international partnerships. The purpose of this investigation is to measure how exactly and effectively China is following through on its commitments to strengthen cooperation with Latin America in the political field, economic field, area of social development, and international collaboration. Taking into account its methods of influence and involvement in the region, the final step is to evaluate and determine *what exactly* does this intertwined partnership look like for the future of Latin America as a region, trading bloc, and rapidly developing continent. What is concerning is that while China seems to have a clear idea of how it would like to conduct business and relations with Latin America, many critics claim that the LAC has “no coherent strategy in dealing with China.”¹⁰²

4. QUANTIFYING LATIN AMERICA’S INTERESTS

The trade relations between China and Latin America predate modern trade agreements and can find roots in the “Silver Way” route that followed the famed “Silk Road” of ancient times. The Silver Way “was the Pacific leg of the first global trade route, extending to Mexico and thence to Spain and Europe.”¹⁰³ Along this path, “goods from all corners of the globe were for the first time connected in a single global exchange.”¹⁰⁴ The Silk Road and Silver Way “provides a sort of template for enhanced multilateral cooperation, regional development and integration of Asia and Latin America” that are not based on the “Anglo-Saxon economic dominance resulting from the

¹⁰⁰ Ministry of Foreign Affairs of the People’s Republic of China (2016).

¹⁰¹ Calamur, Krishnadev (2018). “Tillerson to Latin America: Beware of China.” *The Atlantic*. [Web Access: 28 February 2018] <<https://www.theatlantic.com/international/archive/2018/02/rex-in-latam/552197/>>

¹⁰² Xiang Lanxin (2016).

¹⁰³ Muñoz, Germán (2015). “How a historic Pacific trade route can foster better China-Latin America ties.” *South China Morning Post*. [Web Access: 10 February 2018] <<http://www.scmp.com/comment/insight-opinion/article/1783446/how-historic-pacific-trade-route-can-foster-better-china>>

¹⁰⁴ Ibid.

Industrial Revolution.”¹⁰⁵ This anecdote by Germán Muñoz, the president of the Mexican Chamber of Commerce in Hong Kong and director at the board of The Pacific Basin Economic Council, is but one of many calls by leaders in the LAC region to form closer ties with China through various initiatives and trade agreements such as “One Belt, One Road.” Yet, despite the enthusiasm that individual nations and the CELAC organization expresses at the chance to engage with a “champion of world trade and engine of global commerce,” the member countries have not taken the initiative to “leverage the boom” of incoming investment and development.¹⁰⁶

China establishes a clear focus of how and why they would like to continue developing their influence in the region. The path towards deeper cooperation and exchange is laid out in China’s two consecutive policy papers on Latin America. It is unmistakable from their declarations and actions that “China’s increasing regional influence is creating important new areas of engagement in energy, trade, investments, and particularly, in infrastructure” in Latin America.¹⁰⁷ However, the region has yet to develop its own “detailed short-, medium- or long-term cooperation agenda vis-à-vis China.”¹⁰⁸ Former Brazilian ambassador to Beijing, Luiz Augusto de Castro Neves, elaborated this point, saying that “China knows what it wants from South America. But other than make a lot of money exporting commodities, South America still doesn’t know what it wants from China.”¹⁰⁹ This blunt claim is evidenced by the fact that Chile is the only Latin American country that has formally responded to China’s MFA white paper publication.¹¹⁰

4.1. Understanding Latin America as a Region

The difficulty in defining Latin America’s interests in China begins with acknowledging a fundamental point: Latin America is not a unitary actor.¹¹¹ Attempting to compare Venezuela’s foreign policy towards China with that of Peru’s or Brazil’s would not only be careless but incompatible. For many countries in the region, “the most important issues and external relations are with each other.”¹¹² Another obstacle in quantifying Latin America’s interest in China, is established by the perspective that “Latin American nations themselves” do not define their external relations in terms of the US and China, rather they look towards “the world in terms of a *plurality* of actual and potential partners.”¹¹³ That is not to say that China does not play a part in

¹⁰⁵ Muñoz, Germán (2015).

¹⁰⁶ Margolis, Mac (2017). “Latin America Needs a China Strategy.” *Bloomberg Business Week*. [Web Access: 20 December 2017] <<https://www.bloomberg.com/view/articles/2017-12-14/latin-america-needs-a-china-strategy>>

¹⁰⁷ Peters, Enrique Dussel (2015). “China’s Evolving Role in Latin America: Can it be a Win-Win?” *Atlantic Council*. P. 23. [Web Access: 23 January 2018] <<http://publications.atlanticcouncil.org/chinalatam/>>

¹⁰⁸ Ibid. 23.

¹⁰⁹ Luiz Augusto de Castro Neves, quoted in: Margolis, Mac (2017). “Latin America Needs a China Strategy.”

¹¹⁰ Soutar, Robert (2017). “Latin America is fragmented-countries must improve China relations bilaterally.” *China Dialogue*. [Web Access: 30 November 2017] <<https://www.chinadialogue.net/blog/10213-Latin-America-is-fragmented-countries-must-improve-China-relations-bilaterally/en>>

¹¹¹ Ellis, R. Evan (2012). P. 4.

¹¹² Ibid. 3-4.

¹¹³ Ibid. 4.

these shifting intra-regional dynamics. Despite the centuries of “connection in immigration and trade, a substantively new, and deeper, relationship has emerged since 2000” between China and Latin America.¹¹⁴ China’s increasing trade with Pacific *and* Atlantic-facing countries in Latin America spills over to impact the infrastructure, transportation, and regional trade amongst the LAC nations. Though China is accustomed to, and perhaps most comfortable, negotiating with countries through organizations like the OAS or the European Union, with Latin America this has proven more difficult because of the individual dialogues that each country emotes.

This unprecedented growth and open-ended possibility of cooperation and exchange between the two sides calls for a plan of action. At the two-day “Foro Académico de Alto Nivel CELAC-China” hosted at CEPAL in Santiago Chile in the Fall of 2017, representatives from China and all over Latin America and the Caribbean presented findings and predictions on the future of relations between China and the region. Foreign Minister of Chile, Heraldo Muñoz, gave the inaugural address. He highlighted three major points that helped clarify Chile and much of the region’s attitude towards working with China. First, he recognized that “we do not have to agree on everything in order to move forwards,” rather China and the region can focus on common platforms and identify new areas of common interest.¹¹⁵ Then he highlighted the technology and trade sector as well as further integration of small and medium-sized enterprises as promising areas where Latin America and China can work together to promote meaningful development.¹¹⁶ Lastly, he acknowledged that “globalization has left some behind,” in turn, provoking a wave of nationalist and protectionist tendencies in the world. However, he strongly affirms Chile and the regions’ commitment to a world and system of trade that is “open and without obstacles.”¹¹⁷ At the following CELAC meeting in January, 2018, Minister Muñoz left no question as to Chile and the region’s focus for the future. Besides embracing China’s interest in becoming the “most trustworthy partner in Latin America and the Caribbean,” he also declared the meeting as a “categorical repudiation of protectionism and unilateralism.”¹¹⁸

Therefore, instead of simply reacting to the contracts, proposals, and policies put forth by China, Latin America has a real opportunity to use trading blocs such as the Pacific Alliance, custom blocs like Mercosur, and regional institutions, like CELAC, to form a consensus on the levels of entanglement that it is willing to pursue towards China. Admittedly, this is an imperfect method but it serves as a feasible supplement in addition to bilateral negotiations for maintaining and

¹¹⁴ Peters, Enrique Dussel (2015). P. 3.

¹¹⁵ Muñoz, Heraldo (2017). “Foro Académico de Alto Nivel CELAC-China.” ONU CEPAL. *Apuntes de la Conferencia*: 17 y 18 October 2017. Santiago.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

¹¹⁸ Cambero, Fabian & Sherwood, David (2018). “China Invites Latin America to take part in One Belt, One Road.” *Reuters*. [Web Access: 27 January 2018]

<<https://www.reuters.com/article/us-chile-china/china-invites-latin-america-to-take-part-in-one-belt-one-road-idUSKBN1FB2CN>>

demonstrating how Latin America is increasingly open to foreign investment, infrastructure development, and multilateral trade agreements with not only China but the entire Pacific region.

5. DEFINING POWER

Defining the terms “soft power,” “smart power,” and “hard power” is a foundational step in understanding the types of tactics China employs to exert influence and promote cooperation with nations in the Latin America region. Power in the context of this paper aligns with the traditional definition of possessing “the ability to affect others to get the outcomes you want.”¹¹⁹ Forms of power are exercised through practices of coercion/threats (sticks); promises/payment (carrots); or attraction/persuasion.¹²⁰ The first two are classified as forms of hard power and the latter is considered the basis of soft power.

Oftentimes, when assessing the effectiveness of power, there is a “gap” between power measured through *resources* versus the *behaviors* of power to get a desired outcome. While the resources that can produce power, such as military size, are measurable, they “depend heavily on context to determine behavior.”¹²¹ Joseph Nye, the inventor of these concepts of power, gives the example of “Nation A” owning 10 tanks and “Nation B” owning 100 tanks. Though it may be tempting to judge Nation B’s military as 10 times stronger than that of Nation A, the context in which they are fighting (i.e. air vs. land) is crucial to determining how effective this “resource of power” truly is.¹²² Therefore, Nye strongly advocates for distinguishing between (1) resources, like military units, that have the potential to produce power vs. (2) the behavior of power, which is the ability to actually secure the outcome desired. Nye argues that massive resources may or may not give you the outcomes you want¹²³ and “soft power in and of itself is not sufficient to solve problems.”¹²⁴ This is why smart power, the combination of hard and soft power into successful strategies, is more relevant than ever in the power shifts of the 21st century.

The goal is not to determine what is the “best” type of power. Rather, these terms are tools to help categorize and organize the numerous strategies China employs in its foreign policy. The true aim of this section is identifying and explaining the escalation of maneuvers orchestrated by China to create goodwill and influence in the short-term that leads to lasting relations with Latin America in the long-term.

¹¹⁹ Nye, Joseph S (2016). “What is Power?” *Center for Strategic & International Studies*. Youtube video. [Web Access: 11 November 2017] <<https://www.youtube.com/watch?v=ehgHglSw1Io>>

¹²⁰ Ibid.

¹²¹ Ibid.

¹²² Ibid.

¹²³ i.e. The US possesses massive military might but this potential source of hard power is not necessarily sufficient when waging various wars abroad.

¹²⁴ Nye, Joseph (2012). “Professor Joseph Nye on ‘Smart Power’ at the Australian Institute of International Affairs.” *AIIA Seminar* on “The Smart Power Capability Requirements of a Middle Power.” Youtube video. [Web Access: 15 November 2017] <<https://www.youtube.com/watch?v=K3sLkLbmsuU>>

5.1. Translating Hard Power and Soft Power into Smart Power

Hard power is a coercive power utilized by one political body upon another, carried out through military and/or economic force.¹²⁵ The use of threats, coercion, and payments to secure a desired outcome can all be considered forms of hard power tactics. Hard power is most closely associated with the classical approach of “realism” which portrays the world in terms of “sovereign states aiming to preserve their security, with military force as their ultimate instrument.”¹²⁶ Military units can produce both hard and soft power, especially as the world becomes more globalized and connected through transnational organizations. Military force used to invade and attack is seen as a threatening behavior of hard power. However, the act of sending in foreign military troops to provide assistance during a natural disaster is beneficial for conjuring sentiments of goodwill that positively align with soft power tendencies. The reason why this paper focuses primarily on soft power and smart power tactics rather than hard power is because of the *way* that China utilizes its military and economic might in the Latin America region. The United States’ former Secretary of State, Hilary Clinton, understood that “it is no longer enough to be strong. Great powers also have to be savvy and persuasive.”¹²⁷ She gives the example of harnessing the “tools of global economics” as a source of smart power to advance strategic aims abroad.¹²⁸

When dealing with contested zones between neighbors in the South China Sea dispute, China flexes its’ military power in typical hard power fashion. However, in Latin America, China exclusively uses its military capabilities to promote cooperation and exchange. Likewise, China’s economic weight is not coercive in the sense that it typically does not apply sanctions or threatening conditions upon its investments or loans.¹²⁹ On the contrary, developing countries in Latin America see China as a favorable option, compared with the strict standards and regulations that come with borrowing from international institutions like the World Bank. Smart power and soft power are important *individually* and are employed *indivisibly* by China to strengthen ties with Latin America.

Soft power matters because “in a global information age, soft sources of power such as culture, political values, and diplomacy are part of what makes a great power. Success depends not only

¹²⁵ Wilson, Ernest J. (2008). “Hard Power, Soft Power, Smart Power.” *The Annals of the American Academy of Political and Social Science*. Sage Publications. Web Access:

<<http://www.ernestjwilson.com/uploads/Hard%20Power,%20Soft%20Power,%20Smart%20Power.pdf>>

¹²⁶ Nye, Joseph S (2013). *Abstract of: “Hard, Soft, and Smart Power.” The Oxford Handbook of Modern Diplomacy*. Ed. Andrew F. Cooper, Jorge Heine, and Ramesh Thakur. [Web Access: 3 December 2017]

<<http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199588862.001.0001/oxfordhb-9780199588862-e-31#oxfordhb-9780199588862-div1-197>>

¹²⁷ Clinton, Hillary (2012). “The Art of Smart Power.” *New Statesman*. [3 November 2017]

<<https://www.newstatesman.com/politics/politics/2012/07/hillary-clinton-art-smart-power>>

¹²⁸ Ibid.

¹²⁹ The issue of debt between China and Venezuela will be discussed in the following section.

on whose army wins, but also on whose story wins.”¹³⁰ It is the ability to be “credible in the eyes of others that make you attractive and persuasive,” but that alone is not enough.¹³¹ Nye developed the term “smart power to “counter the misperception that soft power alone can produce effective foreign policy.”¹³² The hope with soft power is that if a state can “set the agenda for others or shape their preferences, it can save a lot on carrots (economic incentives) and sticks (military coercion). But rarely can it totally replace either, which is why attraction and persuasion “has to be matched with hard economic and military power in a way that reinforces each other rather than cancel each other out.”¹³³ Thus the need for smart power strategies that combine the tools of both hard and soft power to effectively harness networks of cooperation that achieve particular policy goals.¹³⁴

5.2. Smart Power through Economic Strategies

In order to comprehend China’s relationship with Latin America, it is fundamental to first understand the institutional framework of China’s public sector. Power operates in a “top-down” style in which the “relationship between the central government, provinces, cities, municipalities, and countries is dominated by consolidated institutional interactions.”¹³⁵ Fair or not, China is able to offer generous “turnkey development packages in manufacturing, services, labor, and financial support” abroad because China’s public sector is estimated to control and own approximately 50 percent of its total gross domestic product as well as multinational corporations such as the BAIC Group and SAIC Group motor companies.¹³⁶ This practice of offering development packages in Latin America “contrasts with the practices of most industrialized countries, where projects originate in the private sector.”¹³⁷ The fact that the government controls the majority of banks and companies venturing into LAC territory means that more risks can be taken because they are not as vulnerable to the demands of shareholders.¹³⁸ Add in the recent factor that China has abolished term-limits on the presidency and it is possible to imagine a clear path for implementing Xi Jinping’s vision of a relationship between LAC and China that is more integrated and cooperative than ever.

¹³⁰ Nye, Joseph S (2005). “The Rise of China’s Soft Power.” *Wall Street Journal Asia*. [Web Access: 10 October 2017]. Reprinted from The Wall Street Journal Asia © 2006 Dow Jones & Company, Inc. All rights reserved.

¹³¹ Nye, Joseph (2012).

¹³² Nye, Joseph (2009). “Get Smart: Combining Hard and Soft Power.” *Foreign Affairs*. [Web Access 4 January 2018] <<https://www.foreignaffairs.com/articles/2009-07-01/get-smart>>

¹³³ Nye, Joseph (2012).

¹³⁴ Nye, Joseph (2009).

¹³⁵ Peters, Enrique Dussel (2015). P. 4.

¹³⁶ Ibid. 5.

¹³⁷ Ibid. 6.

¹³⁸ Diaz, Michael Jr. & Lee, Robert Q. (2009). “China’s Rising Interest in Latin America.” *China Business Review*. [Web Access: 12 February 2018] <<https://www.chinabusinessreview.com/chinas-rising-interest-in-latin-america/>>

5.3. Building Trust through Trade

The cornerstone of China-LAC relations begins with a strong foundation in trade. Mutual trust and cooperation built through bilateral free trade agreements between China and LAC nations is reinforced by impressive market growth and robust trade links that fulfill certain needs on both sides. However, the particular markets exploited through trade have called into question the sustainability and health of this relationship. This section will summarize trade deals and types of sectors that make up the export-import market between China and LAC. Then, it will be possible to analyze how the acceleration of trade in the early 2000s established a favorable position for China to wage new types of economic initiatives, namely FDI and loans in the later part of the decade.¹³⁹ China's abundance of trade and investment in Latin America works as a source of smart power by creating myriad sources of interactions that connect and integrate China into the region's biggest markets.

As part of the "1+3+6" cooperation framework for 2015-2019, China vows to "promote China-Latin America trade to scale up to 500 billion USD and the investment stock to Latin America up to 250 billion USD within ten years and promote the expansion of local currency settlement and currency swap in bilateral trade."¹⁴⁰ Undoubtedly, Xi's pledge to increase trade and investment at the inauguration of the CELAC-China Summit marked a new chapter in economic relations between both sides. However, prior to this rollout, trade between both sides was already on the rise. In 2008, the year China released its first policy paper on Latin America, China-LAC trade hit \$143.4 billion, "up nearly 260 percent" from 2004.¹⁴¹ By 2014, China became the largest trading partner of South America and second largest to the entire LAC region, after the United States.¹⁴² Far and away, "Brazil is China's largest trade partner in Latin America," with China accounting for "over 40 percent of Brazilian exports and imports."¹⁴³ Though China's connection with Latin America has principally been in South America- China is now looking towards Central America. An FTA with Costa Rica was ratified upon the country's agreement to cut diplomatic ties with Taiwan, and China is now in the process of reviewing a potential FTA with Panama.¹⁴⁴ China has also introduced a new category of "strategic partnerships" which signifies holding a special

¹³⁹ Gallagher, Kevin P.; Irwin, Amos & Koleski, Katherine (2012). "The New Banks in Town: Chinese Finance in Latin America." *Inter-American Dialogue* Report. Washington D.C. P. 3. [Web Access: 20 December 2017] <http://www.bu.edu/pardee/files/2013/07/The-New-Banks-in-Town_English.pdf>

¹⁴⁰ Ministry of Foreign Affairs of the People's Republic of China (2014). "Xi Jinping Keynote Speech." *China-Latin America and the Caribbean Summit*. [Web Access 16 February 2018] <http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpzxcxjzgjldrdlchwdxbxagtwnrlgbjxgfwbcxzlrdhw/t1176650.shtml>

¹⁴¹ Diaz, Michael Jr. & Lee, Robert Q (2009).

¹⁴² Huang, Cary & Zhen, Liu (2016). "China Maps New Road to Latin America to Rival and Check US Influence." *South China Morning Post*. [Web Access 15 November 2017] <<http://www.scmp.com/news/china/diplomacy-defence/article/2049360/china-maps-new-road-latin-america>>

¹⁴³ Pineo, Ronn (2015). "China and Latin America: What You Need to Know." *Council on Hemispheric Affairs*. [Web Access: 10 February 2018] <<http://www.coha.org/china-and-latin-america-what-you-need-to-know/>>

¹⁴⁴ China FTA Network (2018). "China's Free Trade Agreements." [Web Access: 10 March 2018] <http://fta.mofcom.gov.cn/english/fta_qianshu.shtml>

economic relationship paired with the “idea of exchanging, sharing, and even coordinating views and policies on bilateral relations and major international issues.”¹⁴⁵ Signaling a prioritization of bilateral ties, China upgraded Argentina, Brazil, Mexico, Peru, and Venezuela to “strategic partnership” status in 2014.¹⁴⁶

Based on the most recent data available from the China Customs Information Center, the four commodities that “dominate LAC’s exports to China, along with soybeans” are: petroleum, iron ores and concentrates, and copper.¹⁴⁷ Much of China’s trade focuses on the energy and mining sectors which is compatible with the resources that Latin America possesses. China accounts for more than 20 percent of the world copper demand and Latin America has 40 percent of the world’s known copper reserves, in addition to large shares of iron, silver, and tin.¹⁴⁸ Latin America also helps supplement China with agricultural products because though China has 20% of the world’s population,¹⁴⁹ only 7-8 percent of its territory is arable land.¹⁵⁰ In 2015, “China bought a record 22 percent of LAC extractive exports,” more than quadrupling its market share of these particular exports in the last decade.¹⁵¹

It is important to point out that the “heavy concentration in primary commodities is not normal for LAC exports.”¹⁵² This means the concentration of raw materials in LAC exports to China are not simply a result of LAC endowments or of China’s demand for raw materials. Instead, “it is the result of a strategic partnership between these countries.”¹⁵³ Worldwide, “manufacturing accounts for over two-thirds of the total” products bound for China.¹⁵⁴ But, over the last five years, manufactured goods only account for 12 percent of LAC to China exports despite manufactured goods making up nearly half of all LAC exports to the world.¹⁵⁵ This would seem like the coveted “win-win” trade deal China keeps promoting in its policy papers, however, several issues have arisen to threaten this arrangement. Recent trends including: the decreasing value of commodities, backlash to the environmental consequences of extracting primary resources, and the asymmetry of trade volume flow¹⁵⁶ are substantial troubles worth addressing. Another major issue is the

¹⁴⁵ Lanxin, Xiang (2016). P. 65.

¹⁴⁶ Ibid. 65.

¹⁴⁷ Ray, Rebecca & Gallagher, Kevin (2017). “China-Latin America Economic Bulletin, 2017 Edition.” *Boston University*. P. 4. [Web Access: 13 February, 2018]
<https://www.bu.edu/pardeeschool/files/2014/11/Economic-Bulletin.16-17-Bulletin.Draft_.pdf>

¹⁴⁸ Diaz, Michael Jr. & Lee, Robert Q (2009).

¹⁴⁹ Ibid.

¹⁵⁰ Pineo, Ronn (2015). “China and Latin America: What You Need to Know.”

¹⁵¹ Ray, Rebecca & Gallagher, Kevin (2017). “China-Latin America Economic Bulletin, 2017 Edition.” P. 3.

¹⁵² Ibid. P. 4.

¹⁵³ Ibid. P. 5.

¹⁵⁴ Ibid. P. 4-5.

¹⁵⁵ Ibid. 4.

¹⁵⁶ Morgan, Daniele Estrella (2017). “Trade Developments in Latin America and the Caribbean.” *International Monetary Fund*. [Web Access: 15 February 2018]
<<https://www.imf.org/~media/Files/Publications/CR/2017/cr1766-ap-5.ashx>>

process of Latin America “re-becoming a raw material exporter”¹⁵⁷ which stunts its participation in moving up global value chains.¹⁵⁸ These examples, among other challenges, have leaders in Latin America contemplating the consequences of leaning so heavily on China in the primary materials sector. Likewise, it has warped China’s attempt to posture itself as a benevolent trade partner in the region. These contentions will be tackled later in the paper under the section regarding challenges for LAC and China in the future.

5.4. Building Dependence through Investments and Loans

Perhaps China’s most effective instrument of smart power has been the infusion of loans and investments offered to various LAC nations through diverse turnkey packages.¹⁵⁹ With the slowdown of trade growth over the past several years, investment and lending are promising areas for China to expand and explore economic markets abroad that maintain peace and stability at home. China’s reputation for loaning and investing without the stringent regulations of the World Bank or IMF also help explain why much of the LAC region has embraced China’s escalating promotion of economic cooperation and integration. The diversity and sophistication of development projects highlight a “regional consensus that China’s presence is now a reality and a priority for LAC. For its part, China has begun embracing the vast heterogeneity within LAC. Rather than treating LAC as a unitary actor, it views the region as a group of countries with different interests, needs, and expectations in their relations with China.”¹⁶⁰ However happy the region may be, the acceleration of mergers and acquisitions, infrastructure projects, and establishment of greenfield investments in LAC has also provoked much speculation and interest from the international community. The depth of asymmetrical engagement China carries out through investments and loans is significant to understanding why China is able to exercise much more “smart power” in Latin America, than LAC can in China.

The two main forms of capital outflow from China into LAC are direct investment and lending. Direct investment consists of greenfield investments plus mergers and acquisitions.¹⁶¹ Greenfield investments are “typically smaller investments” spread across industries that allow Chinese firms to have “greater control in several areas, including hiring, capital investment, and strategy.”¹⁶² Simultaneously, Chinese mergers and acquisitions across industries, “including agriculture,

¹⁵⁷ Pineo, Ronn (2015).

¹⁵⁸ Hongbo, Sun (2016). Chapter 4: “Sino-Latin American Relations from a Chinese Perspective.” *Printed in: Roett, Riordan & Paz, Guadalupe* (2016).

¹⁵⁹ In reference to development packages in manufacturing, services, labor, and financial support: Peters, Enrique Dussel (2015). P. 5.

¹⁶⁰ Hongbo, Sun (2016). P. 61.

¹⁶¹ Dollar, David (2017). “China’s Investment in Latin America.” *Brookings Institute. Geoeconomics and Global Issues. Paper 4.* [Web Access: 12, February 2018]

<https://edspace.american.edu/theworldmind/2017/02/27/building-influence-chinese-infrastructure-investment-in-latin-america/> P. 1.

¹⁶² Avendano, Rolando; Melguizo, Angel & Miner, Sean (2017). “Chinese FDI in Latin America: New Trends with Global Implications.” P. 8.

chemicals, automotive, IT, and consumer products and electronics” have “averaged over \$6 billion of M&A activity per year” since 2010.¹⁶³ Lending is conducted primarily by the Export-Import Bank of China (EXIM) and the China Development Bank (CDB). As of 2016, “most loans from China to the region continue to be concentrated in infrastructure, energy, and mining.”¹⁶⁴ 15 percent of Chinese loans to LAC countries have commodity-backed clauses instead of “conditions for economic or political reforms” that often accompany World Bank or other international lending institution loans.¹⁶⁵

Though it may seem redundant, before delving into the specific investment and loan strategies that make up China’s smart power resources in LAC, I find it helpful to outline China’s intentions for expending so much funding into this region. In both of its policy papers, China reasons that strengthening cooperation and exchange between “south-south” nations are a natural step in the growth of developing nations. It believes “win-win” outcomes can be procured by providing economic and financial assistance to the region. However, national interest is also at stake. By “delivering loans, increasing FDI, and building stronger trade ties, China is ensuring its companies maintain market access for its export sector and open new markets for sectors with excess capacity, such as infrastructure.”¹⁶⁶ Conveniently, China’s excess is to Latin America’s benefit because the investment in the construction of “quality roads and ports provide a foundation for dynamic economic growth.”¹⁶⁷ On the domestic front, China’s social and political stability depends on maintaining economic growth. State-owned oil firms like China National Petroleum Corp (CNPC) and Sinopec “are securing the long-term stability of oil exports to China, while also playing a growing role in the financial future of several governments in Latin America” such as Venezuela and Ecuador.¹⁶⁸

5.4.1. Chinese Investments in Latin America

In general, the motivation of foreign direct investment is to get closer to overseas markets in order to “understand demand trends and provide after-sales services.”¹⁶⁹ China’s investment practices are unique in that they do not subscribe to global standards of environmental and social safeguards, and the PRC is relatively closed to FDI as opposed to most developed and developing country partners.¹⁷⁰ China’s strategy of pouring investments into other countries while following a policy of non-interference in partners’ domestic affairs, essentially frees them to negotiate and cooperate with any country, regardless of political affiliation or international condemnation. Ethical or not, this is an effective strategy for promoting smart power tactics of economic and public diplomacy

¹⁶³ Avendano, Rolando; Melguizo, Angel & Miner, Sean (2017). Ibid. 9.

¹⁶⁴ Ibid. 15.

¹⁶⁵ Ibid. 15.

¹⁶⁶ Ibid. 8.

¹⁶⁷ Ibid. 18.

¹⁶⁸ Ibid. 1.

¹⁶⁹ Dollar, David (2017). P. 3.

¹⁷⁰ Ibid. P. 3.

in the LAC region and elsewhere. Given the recent decline in commodity values, China's "initial steps toward diversification" to work with countries' traditional areas of comparative advantage signify a transition toward "upstream and downstream industries" to expand and improve the added value of products.¹⁷¹ In addition, China's growth model is shifting away from resource-intensive investment towards consumption (services) which have lowered China's import needs.¹⁷²

The annual flow of overseas direct investment (ODI) is reported by China's Ministry of Commerce (MOFCOM) and help clarify where Chinese FDI is directed in the LAC region. From 2000-2012, 87 percent of China's FDI bound for Latin America came from public owned firms with 57 percent focused on the acquisition of raw materials.¹⁷³ Overall, Chinese companies have invested more than \$110 billion in LAC markets from 2003 through 2016.¹⁷⁴ China's SOEs are predominant because they have been the "main destination of the government's large-scale stimulus during the [2008] financial crisis," they are dominant in competitive industries, including construction, retail, etc. and most critically, "China restricts private investments in dynamic sectors" that include finance, logistics, and telecoms.¹⁷⁵ China's investments were traditionally channeled to the extractive sector, but looking to increase its "relevance in the region," now more than half of investments target the service sector: transport, finance, electricity, information and communications technology, and alternative energy.¹⁷⁶ Though "Chinese firms are clearly targeting higher value companies with technological know-how," it still depends heavily on extractive industries to maintain "energy security and access cheap natural resources that fuel China's economy."¹⁷⁷

China understands that the "economic benefits of direct investment for the recipient country" in LAC can be translated into strategic gains that benefit its own soft power prowess abroad.¹⁷⁸ Chinese investments in critical infrastructure make LAC economies more productive and competitive, and can give the LAC region more leverage when negotiating with traditional partners, like the USA and EU.¹⁷⁹ On China's end, beyond improving its image, "the soft power effects of FDI" can persuade partners in the LAC region to side with China in international organizations and help shape "friendly policies" that reap long-term rewards.¹⁸⁰

¹⁷¹ Ray, Rebecca & Gallagher, Kevin (2017). "China-Latin America Economic Bulletin, 2017 Edition." P. 8-9.

¹⁷² Dollar, David (2017). P. 18.

¹⁷³ Peters, Enrique Dussel (2015). P. 9.

¹⁷⁴ Avendano, Rolando; Melguizo, Angel & Miner, Sean (2017). P. 1

¹⁷⁵ Ibid. 10.

¹⁷⁶ Ibid. 1

¹⁷⁷ Ibid 4-5.

¹⁷⁸ Avendano, Rolando; Melguizo, Angel & Miner, Sean (2017). P. 1.

¹⁷⁹ Ibid. 2.

¹⁸⁰ Ibid. 2.

5.4.2. Chinese Lending in Latin America

China's lending practices in Latin America garners the complete spectrum of criticism and praise from international observers. A significant portion of lending from the China EXIM bank and CDB goes to financing infrastructure projects, with the rest towards oil, gas, and mining projects. In fact, China is financing more infrastructure projects in Latin America than the World Bank and the IADB combined.¹⁸¹ The “gold standard” regulation of traditional lending institutions has driven developing countries to turn to other sources of funding in order to avoid the “time-consuming and expensive” procedures demanded by these international banks.¹⁸² The Asian Infrastructure Investment Bank (AIIB) was proposed out of frustration with the existing institutions, and utilized as a way to put “excess savings to use through a multilateral format to complement bilateral efforts.”¹⁸³ During the establishment of formal China-CELAC relations in 2014, Xi Jinping pledged China's commitment to “formally implement the 10 billion USD special loans for Chinese-Latin American infrastructure and will, on this basis, further raise the credit limit for special loans to 20 billion USD. China will also provide 10 billion USD of concessional loans for Latin American and Caribbean countries, and comprehensively launch the China-Latin America Cooperation Fund with a commitment to invest 5 billion USD.”¹⁸⁴

China has made good on this promise, often exceeding loan projections. It is worth highlighting the character of loans written by China, as well as the concentration of sectors and countries these loans are directed to. Most Chinese loans require the borrowers to use a portion for Chinese technology or construction. The latest CDB innovation is “the loan-for-oil, which now constitutes 69 percent of total Chinese lending to the region.”¹⁸⁵ In general, Chinese public-sector lending in LAC “fell in 2016, from \$27.2 to \$22.4 billion. However, lending for coal, oil, and natural gas rose dramatically, to a record-setting \$17.2 billion. This category includes just a few large loans, all from the China Development Bank: a total of \$15 billion to Brazilian state-owned oil company Petrobras, and \$2.2 billion to Venezuelan state-owned oil company PDVSA.”¹⁸⁶

China's extension of loans to Venezuela for “more than a decade during periods of volatility- first through the global financial crisis and then through the 2014 commodity downturn”¹⁸⁷ has elicited doubt about the effectiveness of China's loan strategy and its impact on the international community. Does state-to-state financing actually sustain poor governance in some countries? Reasoning follows that indiscriminate “funding is likely supporting corrupt political elites and

¹⁸¹ Dollar, David (2017). P. 9.

¹⁸² Ibid. 12.

¹⁸³ Ibid. 13.

¹⁸⁴ Ministry of Foreign Affairs of the People's Republic of China (2014).

¹⁸⁵ Gallagher, Kevin P.; Irwin, Amos & Koleski, Katherine (2012). P. 17

¹⁸⁶ Ray, Rebecca & Gallagher, Kevin (2017). “China-Latin America Economic Bulletin, 2017 Edition.” P. 7.

¹⁸⁷ Kaplan, Stephen (2018). “China is investing seriously in Latin America. Should you worry?” *The Washington Post*. [Web Access: 28 January 2018] <https://www.washingtonpost.com/news/monkey-cage/wp/2018/01/24/china-is-investing-seriously-in-latin-america-should-you-worry/?utm_term=.c60fb63e01ba>

helping them maintain their hold on power” because without China’s money, governments like Venezuela would have to turn to traditional sources of finance like the IMF (which gives loans with conditions).¹⁸⁸ Given that the CDB “lends on secret terms, for uses that are undisclosed” with “built-in privileges for Chinese companies from telecommunications to oil drilling,” only adds to calls for more transparency in the way China delivers loans.¹⁸⁹

The tide seems to be shifting for China’s lending behavior as it gains insight into the structure of LAC economies and learns from risks taken with particular countries. In response to Venezuela’s struggle to pay outstanding Chinese debts, speculated at totaling anywhere from \$17 billion to \$25 billion, China renegotiated the terms on some of Venezuela’s outstanding loans in 2016. This included allowing the country to pay interest only and defer its principle payments, removing minimum oil shipment quantities and extending repayment deadlines.”¹⁹⁰ However this should not be interpreted as leniency. By the end of 2017, a US subsidiary of Sinopec sued “PDVSA, the Venezuelan state oil company for \$23.7 million USD plus punitive damages.”¹⁹¹ China’s most recent resistance to bail Venezuela out is a legitimate indicator of the PRC’s maturing stance as it deals with different governments in the LAC region. Reviewing loans given by China to LAC countries, Venezuela has been one of the top recipients in the past decade. However, in 2017, Venezuela was missing from the list of top five loan recipients.¹⁹² Loans overall from China to Latin America dropped significantly from \$21.2 billion in 2016 to \$9 billion in 2017.¹⁹³ Though still not comparable to the loan sizes given to Brazil, Ecuador, and Venezuela overall, the presence of Argentina as a top loan recipient in 2017 is worth paying attention to. Out of the \$2.9 billion dollars loaned to Argentina, \$2.4 billion came from the China EX-IM Bank, designated for infrastructure projects in modernizing the San Martin railway.¹⁹⁴ Of the \$5.3 billion loaned to Brazil in 2017, \$5 billion came from the CDB and allocated towards oil production in the energy sector.¹⁹⁵

This analysis shows how China’s lending practices continue to evolve as it becomes more aligned with international standards and experienced with managing large scale investments in Latin America. Evidence of progress can be measured by the MOFCOM’s issuance of guidelines on environmental and social policies for Chinese firms investing abroad.¹⁹⁶ China also proves it is

¹⁸⁸ Dollar, David (2017). P. 9.

¹⁸⁹ Ibid. 9.

¹⁹⁰ Kaplan, Stephen (2018).

¹⁹¹ Wheatley, Jonathan (2017). “Lawsuit shows China losing patience with Venezuela.” *Financial Times*. [Web Access: 1 March 2018]

<<https://www.ft.com/content/d627460a-da8e-11e7-a039-c64b1c09b482>>

¹⁹² Gallagher, Kevin P. & Margaret Myers (2017). “China-Latin America Finance Database.” *The Inter-American Dialogue and the Global Economic Governance Initiative at Boston University’s Global Development Policy Center*. Washington D.C. [Web Access: 20 February 2018] <https://www.thedialogue.org/map_list/>

¹⁹³ Ibid.

¹⁹⁴ Ibid.

¹⁹⁵ Ibid.

¹⁹⁶ Dollar, David (2017). P. 9.

learning to diversify loan designation from the risks it has taken with unstable governments. By showing an unwillingness to “underwrite a bad regime in perpetuity,” China and its SOEs are willing to “walk the walk” on halting loans due to exhausted practical economic considerations in Venezuela.¹⁹⁷ China’s continued expansion in the energy sector and infrastructure investments also guarantee a thriving source of influence in the region that can be credited to its dynamic smart power strategies.

5.5. “One Belt, One Road” Initiative

The new Silk Road project was launched as the “One Belt, One Road” initiative in 2013. The Chinese government has committed “hundreds of billions of dollars in different funds and regional and bilateral agreements to improve and enhance infrastructure beyond its borders” that reaches firmly into the Latin America region.¹⁹⁸ During the inaugural ceremony of the Belt and Road Forum in May 2017, Xi Jinping vowed that the BRI project will exemplify “economic globalization that is open, inclusive, balanced and beneficial to all.”¹⁹⁹ In the same month, President Mauricio Macri of Argentina visited Beijing where Xi Jinping took the opportunity to emphasize that “Latin America is the natural extension of the 21st century Maritime Silk Road.”²⁰⁰ Since then, the swift acceleration of Latin American countries expressing interest in joining the BRI has been a major boost to China’s image as a friend and partner to the region. In November 2017, the President of Panama, Juan Carlos Varela Rodriguez, visited Beijing.²⁰¹ In addition to signing various trade agreements, Varela became the first leader in Latin America to commit to participating in the BRI. This means that “Panama will likely play a key part in China’s efforts in Latin America, with the Panama Canal and the country’s strong financial and logistics platforms giving China key infrastructure capabilities in the region.”²⁰²

According to Ángel Melguizo, the head of the OECD’s LAC unit, “leaders in the region are aware that “the infrastructure gap is something that Latin America has to seal in order to do the jump from middle income to high income economies with more inclusion.”²⁰³ China recognizes this need and has introduced the BRI initiative as an additional supplement to the enormous amounts of investment and lending it has steadily flowed into the region since the turn of the century. As articulated in the section regarding trade between LAC and China, concern that “Latin America

¹⁹⁷ Dollar, David (2017). P. 9.

¹⁹⁸ Peters, Enrique Dussel (2015). P. 10.

¹⁹⁹ Hsiang, Antonio (2018). “As America Withdraws from Latin America, China Steps in.” *The Diplomat*. [Web Access: 10 January 2018] <<https://thediplomat.com/2018/01/as-america-withdraws-from-latin-america-china-steps-in/>>

²⁰⁰ Ibid.

²⁰¹ Hsiang, Antonio (2018).

²⁰² Ibid.

²⁰³ Gonzalez, Elizabeth (2018). “LatAM in Focus: Latin America Has One Foot in China’s Belt and Road.” *Americas Society / Council of the Americas*. [Web Access: 10 February 2018] <<https://www.as-coa.org/articles/latam-focus-latin-america-has-one-foot-chinas-belt-and-road>>

might be trading short-term gains for long-term dependency” with China will be addressed later in this paper when evaluating challenges for both sides in the future.²⁰⁴

Most recently, China invited the entire Latin American and Caribbean region to join its “OBOR” initiative at the CELAC Forum held in Santiago, Chile at the end of January 2018. Chinese Foreign Minister Wang Yi promoted the OBOR project as a “win-win strategy of opening up” and continuing the “path of peaceful development” between all countries.²⁰⁵ China’s trend towards massive infrastructural investments “with a clear emphasis on connectivity” includes seaports, airports, roads, bridges, telecommunication, and engineering projects.²⁰⁶ In addition to a focus on improving connectivity, the “so-called Santiago declaration, signed by China and CELAC delegates, also calls for bolstering trade and taking action on climate change.”²⁰⁷ This agreement does not necessarily mean more LAC countries will join the BRI. In fact, careful of how this new declaration could be interpreted by regional powers not included in the conference, namely, the United States, Minister Wang stressed that expansion in the region “has nothing to do with geopolitical competition” and everything to do with the “principle of achieving shared growth through discussion and collaboration.”²⁰⁸

5.6. Military Cooperation and Exchange between China and Latin America

The 19th National Congress of the Communist Party of China was held at the end of October 2017. This congress set the stage for China’s vision for the future of the PRC and their place on the world stage. Xi Jinping expressed specific plans for growing and improving the capacity of the military to become world class by 2050. This scheme can be interpreted as a preventative measure to protect and secure autonomy against external threats and enforcing a realist vision of the world. However, another motivation can be gleaned from China’s “rejuvenated” focus on enhancing its military. It is feasible to deduce that facing economic growth slowdown, China’s next term will focus on central military as a means for catalyzing innovation and spurring economic growth.²⁰⁹ Latin America plays a relevant part in this plan because China has created an effective way of channeling the hard power resource of military strength into a soft power tool of cooperation and exchange. In the LAC region, friendly military presence serves to advance “commercial and political

²⁰⁴ Calamur, Krishnadev (2018).

²⁰⁵ Cambero, Fabian & Sherwood, David (2018). “China Invites Latin America to take part in One Belt, One Road.” *Reuters*. [Web Access: 27 January 2018] <<https://www.reuters.com/article/us-chile-china/china-invites-latin-america-to-take-part-in-one-belt-one-road-idUSKBN1FB2CN>>

²⁰⁶ Lopes, Dawisson Belém (2017). “Why China is Not Bound to Lead Latin America.” *The Diplomat*. [Web Access: 12 February 2018] <<https://thediplomat.com/2017/04/why-china-is-not-bound-to-lead-latin-america/>>

²⁰⁷ Cambero, Fabian & Sherwood, David (2018).

²⁰⁸ Cambero, Fabian & Sherwood, David (2018).

²⁰⁹ Artaza, Mario (26 October 2017). *Ministerio de Relaciones Exteriores de Chile*. Santiago. Personal Interview.

objectives to include increasing China's understanding of, and influence within, Latin American governments."²¹⁰

In China's 2016 policy paper on Latin America, the following aspirations were communicated for promoting China and LAC military initiatives: "China will actively carry out military exchanges and cooperation with Latin American and Caribbean countries, increase friendly exchanges between defense and military leaders from the two sides, strengthen policy dialogue and set up working meeting mechanisms, conduct exchanges of visits between delegations and vessels, deepen professional exchanges in such fields as military training, personnel training and UN peacekeeping, expand pragmatic cooperation in humanitarian relief, counter-terrorism and other non-traditional security fields, and enhance cooperation in military trade and military technology."²¹¹

Reading between the lines it is possible to interpret China's intentions for this type of strategic military involvement as a mechanism for creating the tools to protect PRC interests in countries where it does business. From an economic standpoint, military sales to Latin America ties nations "logistically to Chinese maintenance and training infrastructures" which boosts export sales revenues. The tactic of selling Chinese products and moving up the value-added chain in strategically important sectors" is a smart method of seeking to attain strategic positioning without alarming the US.²¹² Strengthening relationships between the PRC and LAC is a valuable development because "data, personnel exchanges, and translation support, could be of great benefit" to combat crime, secure transportation of goods, and bolster infrastructure and growth for both sides.²¹³ Therefore, knowing and being on good terms with the military leadership of Latin American countries helps the PRC to:

- Preempt and deter any opposition to the "entry of Chinese products or act against its investments."²¹⁴
- Understand the overall political dynamic of a LAC country
- Influence the political leadership through military friends where necessary
- Anticipate or avoid military actions that could impact Chinese interests: i.e. as Chinese companies grow, they must expect backlash and it helps to partner with LAC police and armed forces.²¹⁵

5.7. The Evolution of China's Propaganda→Public Diplomacy→ Soft Power

²¹⁰ Ellis, R. Evan (2011). "China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position." *Strategic Studies Institute*. P. iv. [Web Access: September 2017.]
<<https://ssi.armywarcollege.edu/pdffiles/PUB1077.pdf>>

²¹¹ Ministry of Foreign Affairs of the People's Republic of China (2016).

²¹² Ellis, R. Evan (2011). P. ix.

²¹³ Ibid. 44-45.

²¹⁴ Ibid. 5.

²¹⁵ Ibid. 5.

“To understand soft power with Chinese characteristics, we must think of two key concepts in international relations of the Asian giant – *peaceful development* and *a harmonious world*.”²¹⁶ Ironically, “when the government is the major player” of disseminating soft power, “this works systematically against the effectiveness of soft power” and will be “taken by outsiders mainly as propaganda” because governments are “self-interested players.”²¹⁷ Nye sums this up as: “the best propaganda is not propaganda.”²¹⁸ A free and vibrant civil society in the private, public, and non-profit sector oftentimes exudes more credibility than state-sponsored efforts to promote values and policies. In the case of China, censorship impacts credibility and can hinder efforts regardless of how much money is poured into a soft power initiative. That is not to say China has not found success through state-sponsored diplomacy efforts. Soft power China has slowly but surely created a new image for itself, starting by joining the World Trade Organization in 2001. Shortly after, it bolstered its image by contributing 3,000+ troops to serve in UN peacekeeping operations, serving as mediator on nonproliferation issues, and promoting the idea of a “peaceful rise.”²¹⁹

5.7.1. Soft Power through Culture, Education, and Exchange

“China is seeking to increase its influence by employing economic tools as well as soft power *rather* than focusing on strategies such as military hard power and acts of unilateralism that have led to deep regional resentment towards the U.S.”²²⁰ Beijing’s soft power policies, which are based on culture, education and diplomacy, were internally addressed in 2006 by Hu Jintao to the Foreign Affairs Leading Small Group.²²¹ In the same year, the first Confucius Institute was established in Mexico and has rapidly grown throughout the LAC region. Confucius Institutes operate across the world to teach Mandarin as well as to educate locals on China’s cultural activities.²²² Over a decade after its implementation, Confucius Institutes in Latin America have flourished in 11 countries in the LAC region and often work in partnership with local universities.²²³ In 2007, the China Scholarship Council sponsored 10,000 international students to study in China. To solidify its commitment to exchange, China has established formal recruitment processes with universities in multiple Latin American countries.²²⁴

²¹⁶ Arkonda, Katu (2016). “From the FTAA to Chinese Soft Power in Latin America.” *Telesur*. [Web Access: 5 February 2018] <<https://www.telesurtv.net/english/opinion/From-the-FTAA-to-Chinese-Soft-Power-in-Latin-America-20160108-0029.htm>>

²¹⁷ Buzan, Barry (2016). “Confusing Public Diplomacy and Soft Power.” *China Policy Institute*. [Web Access: 20 December 2017] <https://cpianalysis.org/2016/03/10/confusing-public-diplomacy-and-soft-power/>

²¹⁸ Nye, Joseph (2012).

²¹⁹ Ministry of Foreign Affairs of the People’s Republic of China (2016).

²²⁰ Council on Hemispheric Affairs (2009).

²²¹ Ibid.

²²² Peters, Enrique Dussel (2015). P. 1.

²²³ Xiaowei, Chen (2017). “The 2017 Joint Conference of Confucius Institutes in Latin America Kicks off.” *Hanban News*. [Web Access: 1 March 2018] <http://english.hanban.org/article/2017-08/25/content_697309.htm>

²²⁴ Council on Hemispheric Affairs (2009).

Sowing the seeds of education integration and cultural promotion in the 2000s, China's commitment to a variety of initiatives that foster long-term relationships and understanding between both sides has never been stronger. In 2014, China laid out specific actions to bring about closer engagement in each other's culture. The PRC pledges to give "50 million USD of special funds for China-Latin America agricultural cooperation, establish China-Latin America Scientific and Technological Partnership Program and China-Latin America Young Scientists Exchange Program, and hold the first China-Latin America Scientific and Technological Innovation Forum in due time."²²⁵ In addition to cooperative programs and exchanges, China also committed to providing Latin American and Caribbean countries with 6,000 government scholarships, 6,000 training offers in China and 400 positions of in-house studying for Master's degree. China will also invite 1,000 party leaders from Latin American and Caribbean countries to visit China and launch the 'Future Bridge' Training Program for One Thousand Chinese and Latin American Youth Leaders."²²⁶ China's comprehensive strategy to connect citizens of the PRC and the LAC together through generous monetary scholarships and education programs shows that it is serious about creating "win-win" scenarios for future generations in LAC and China.

6. A SHIFT IN U.S. POLICY

While the concept of a triangulation between Latin America, China, and the US is useful in that it "highlights an important series of interdependencies," it is also flawed because it "facilitates erroneous assumptions about the dynamics affecting the three actors."²²⁷ Operating from the view that "China is not an alternative, but a complement" to the LAC region's partnership with the US, it is feasible to assume that relations with the US will continue being very important, "to a great extent without depending on who is in the White House."²²⁸ A large part of the cross-regional relations between the US and LAC region emanates from the "actors of private companies, and social, academic, and cultural organizations. In contrast, the relations with China are still grounded in the economic and depend much more significantly on political factors."²²⁹

Rather than focus on the numerous businesses and organizations that connect the U.S. and LAC region outside of the political sphere, this section will address specific actions taken by the current US administration that impact relations between the LAC region and China directly. Washington's "policy paralysis towards Latin America" is best exemplified by a series of protectionist actions and policies enacted by the Trump administration since taking office at the beginning of 2017.²³⁰ Prior to this administration, Beijing had already been "unilaterally pursuing a purposeful strategy,

²²⁵ Ministry of Foreign Affairs of the People's Republic of China (2014).

²²⁶ Ibid.

²²⁷ Ellis, R. Evan (2012). P. 3.

²²⁸ Wilhelmy, Manfred (2017). Personal correspondence regarding topic of TFG International Relations Masters, PUCV. Valparaíso. 15 November 2017.

²²⁹ Ibid.

²³⁰ Hsiang, Antonio (2017).

often taking advantage of U.S. equivocation”²³¹ and apathy towards the region. Now it seems China is more poised than ever to pursue its own agenda in Latin America, surpassing the US as the major if not main commercial partner in almost every Latin American country. “Thus far, the Trump administration strongly prefers a policy of withdrawal and retrenchment rather than engagement, prompting Richard Haass, the president of the Council on Foreign Relations, to describe Trump’s foreign policy as ‘the Withdrawal Doctrine’.”²³²

Prior to this administration, Washington’s regional policy could be classified as pursuing “hegemony in the Western Hemisphere” whereas China concerned itself with “diversifying its economic partners and satisfying its energy and food security needs, with the added bonus of building strategically beneficial relationships in proximity to the United States.”²³³ Historically, China has proceeded cautiously with Latin America because of what could be interpreted as an “implicit recognition of the region as a US ‘sphere of influence’ and mirrors the PRCs likely desire to see the United States treat Asia as a ‘Chinese sphere of influence’.”²³⁴ However, every withdrawal and protectionist policy that the Trump administration enacts, winds up directly bolstering China. When the Trump administration withdrew from the TPP, that further supported China’s trade advantage in Asia. When the US withdrew from the Paris Climate Accords, it allowed China to “seize the moral high ground.”²³⁵ And should the US withdraw from NAFTA, that will provide a space for China to strengthen trade with Mexico and Canada.

The free market policies that the U.S. has not only followed at home, but also championed abroad for decades are dimming as President Trump threatens to dissolve participation in the North American Free Trade Agreement (NAFTA) and moves to enact steel and aluminum tariffs against its own allies. The consequences of the current US administration’s withdrawal of trade pacts and provocation of protectionist policies leaves the “United States isolated on global trade, as the rest of the world has continued on with multilateral deals.”²³⁶ The vacuum of influence left by the US will provide expedited access for China to continue dominating the developing markets, unfettered and unchecked by the United States. This also provides a unique opportunity for the leaders of Latin America to forge ahead without pressure from the US, and decide how to create and negotiate trade deals that serve the best interest of the region and their economies.

²³¹ Hsiang, Antonio (2017).

²³² Hsiang, Antonio (2018). “As America Withdraws from Latin America, China Steps in.”
<<https://thediplomat.com/2018/01/as-america-withdraws-from-latin-america-china-steps-in/>>

²³³ McKibben, Cameron (2015). “Great Power Politics at Play in Latin America?” Council on Hemispheric Affairs. [Web Access: 4 January 2018] <<http://www.coha.org/great-power-politics-at-play-in-latin-america/>>

²³⁴ Ellis, R. Evan (2012). P. 3.

²³⁵ Chidley, Joe (2017). “Venezuelan reality puts China’s superpower dreams to the test.” *Financial Post*. [Web Access: 26 October 2017] <<http://business.financialpost.com/investing/investing-pro/venezuelan-reality-puts-chinas-superpower-dreams-to-the-test>>

²³⁶ Torrey, Zachary (2018). “TPP 2.0: The Deal Without the US.” *The Diplomat*. [Web Access 7 February 2018] <<https://thediplomat.com/2018/02/tpp-2-0-the-deal-without-the-us/>>

6.1. The Post-US Pacific Alliance

The Trans-Pacific Partnership was initially formed under US leadership by President Barack Obama with the intention of retaining strategic initiative in the Pacific to prevent “China from writing the rules of trade in the near future.”²³⁷ However, once in office, President Trump’s first executive action was to withdraw the US from the Trans-Pacific Partnership. Despite effectively dissolving the original TPP as it was originally drafted, Chile’s Foreign Minister, Heraldo Muñoz, was quick to assert that “multilateral trade and Pacific integration [remains] alive and kicking.”²³⁸ In March 2018, the 11 remaining member countries signed a new version of the trade deal, renamed the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership*, in Santiago, Chile. Despite the absence of the US, the deal covers a market of nearly 500 million people and Foreign Minister Muñoz said the deal sends a strong signal “against protectionist pressures, in favor of a world open to trade.”²³⁹ Chile, Mexico, and Peru are the Latin American countries represented in the CPATPP. Measured by GDP and trade, the new CPATPP is significantly smaller without the US,²⁴⁰ but is “still a powerful pact in its own right.”²⁴¹ This agreement “presents a tempting opportunity to China, as the Middle Kingdom seeks to take on a more central and more public role in leading global trade.”²⁴² According to Australia’s Prime Minister, Malcolm Turnbull, the deal has been set up to allow new members to join, which means integration of China and the US is still a possibility. The timing of this deal is “significant for Canada, which is trying to diversify its exports” and it coincides with US, Canadian and Mexican negotiators opening a new round of talks to modernize NAFTA.²⁴³

6.2. NAFTA Renegotiated²⁴⁴

Mexico plays the largest role in shaping U.S. foreign policy towards Latin America due to close links in economic reform, migration, homeland security, drug control, and environmental objectives.²⁴⁵ Prior to Trump’s current administration, President Barack Obama’s foreign policy leaned heavily on bilateral and multilateral trade with Mexico to generate economic benefits and

²³⁷ Hsiang, Antonio (2017).

²³⁸ Ibid.

²³⁹ McDonald, Tim (2018). “Asia-Pacific trade deal signed by 11 nations.” *BBC News*. [Web Access: 10 March 2018] <<http://www.bbc.com/news/business-43326314>>

²⁴⁰ McDonald, Tim (2018). “Asia-Pacific trade deal signed by 11 nations”: The sum of the 11 nations’ economies account for more than 13% of the global economy whereas the deal would have represented 40% of the global economy with the US.

²⁴¹ Torrey, Zachary (2018).

²⁴² Ibid.

²⁴³ Kaneko, Kaori & Umekawa, Takashi (2018). “Trans-Pacific trade pact, without U.S., to be signed in March: Japan.” *Reuters*. [Web Access: 24 January 2018] <<https://www.reuters.com/article/us-trade-tpp-japan/trans-pacific-trade-pact-without-u-s-to-be-signed-in-march-japan-idUSKBN1FC0X3>>

²⁴⁴ Excerpts of this section were originally written and submitted for a prior essay: Chin, Elanya (2017). “The Presidential Leadership of Barack Obama and Donald Trump: The Case of Cuba and Mexico.” *La Política Exterior de los Estados Unidos*. Professor José Morandé. Magister RRII, PUCV.

²⁴⁵ Jentleson, Bruce W. (2014). “American Foreign Policy.” *Duke University*. Fifth Edition. Pp. 541-564.

“collective prosperity” in the U.S.²⁴⁶ Besides recognizing the benefits of the Trans-Pacific Partnership (TPP) to strengthen economic growth, regional and global competitiveness, Obama also emphasized the singular importance of direct trade with Mexico (through NAFTA). As the third largest trading partner of the U.S., “Mexico buys more U.S. goods than all of the BRICS (Brasil, Russia, India, China, and South Africa) combined.”²⁴⁷ Obama praised bilateral trade between the U.S. and Mexico as a cornerstone of mutual prosperity, and envisioned a future that promoted innovation through trade deals that addressed labor, environmental, and migrant concerns. In contrast, Trump has sent mixed signals at best, regarding trade with Mexico. Rather than embracing the free flow of goods and workers, he called NAFTA (North American Free Trade Agreement) a “catastrophic trade deal” that damages U.S. prosperity.²⁴⁸ Initially threatening to withdraw from the agreement that took effect in 1994, Trump has eventually agreed to stay in the pact under the condition of renegotiating the terms to get a better deal.

President Trump blames NAFTA for job losses and the trade deficit, and promises to bring back manufacturing jobs. This however could be detrimental to the “competitiveness of U.S. manufacturing” by “reducing flows of goods and services among the U.S., Canada, and Mexico” and therefore negatively impact prosperity.²⁴⁹ Furthermore, by threatening the existence of NAFTA, Trump’s administration could provoke Mexico to shift its trade allegiance towards China, “America’s greatest competitor.” “From 2000 to 2013, China’s bilateral trade with Latin America increased by 2,300 percent” but Mexico “remained a grand exception” to this strategy.²⁵⁰ “Many Chinese firms are beginning to recognize the value of investing in Mexico” because its economy has transformed from commodity-driven to an advanced manufacturing exporter, making Mexico “well integrated in the production supply chain, creating efficiencies for factories located there.”²⁵¹ If NAFTA falls apart, China can take advantage of an opening in the Mexican car industry. On the other hand, “Mexico and China are both competing largely for who has the cheapest labor,” and share many of the same exports such as electronics, cars, and car parts which makes them “less than ideal trading partners” when factoring in comparative advantage of exports.²⁵²

²⁴⁶ Jentleson, Bruce W. (2014). P. 15.

²⁴⁷ Peña, Enrique Nieto (2015). “Why the U.S.-Mexico Relationship Matters.” *Politico Pro*. Magazine. [Web Access: 15 June 2017]

<<http://www.politico.com/magazine/story/2015/01/us-mexico-relationship-enrique-pea-nieto-113980>>

²⁴⁸ “Trump to Renegotiate NAFTA with Canada, Mexico After Considering Withdrawal.” (2017). *DW News*. [Web Access: 20 June 2017]

<<http://www.dw.com/en/trump-to-renegotiate-nafta-with-canada-mexico-after-considering-withdrawal/a-38605314>>

²⁴⁹ Meltzer, Joshua P. & Bahar, Dany (2017). “NAFTA Under Trump- the Myths and the Possibilities.” *Brookings Institute*. [Web Access: 29 June 2017]

<<https://www.brookings.edu/blog/up-front/2017/02/23/nafta-under-trump-the-myths-and-the-possibilities/>>

²⁵⁰ Foer, Franklin (2017). “Mexico’s Revenge.” *The Atlantic*. [Web Access: 3 July 2017]

<<https://www.theatlantic.com/magazine/archive/2017/05/mexicos-revenge/521451/>>

²⁵¹ Dollar, David (2017). P. 8.

²⁵² Phippen, J. Weston (2017). “Mexico Plays the ‘China Card’.” *The Atlantic*. [Web Access: 2 March 2018]

<<https://www.theatlantic.com/international/archive/2017/09/mexico-nafta-plan-b/538620/>>

6.3. Protectionist Tariffs

At the beginning of March 2018, President Trump signed into effect new “global tariffs on steel and aluminum, while signaling even more aggressive pressure on trading partners to come, especially against China.”²⁵³ Effectively “upending the prevailing consensus on free markets,” this new bill will enact 25 percent levies on imported steel and 10 percent increases on imported aluminum.²⁵⁴ For now, Canada and Mexico are exempted pending the outcome of NAFTA renegotiations, though officials from both countries have said “they will not be bullied into accepting a NAFTA deal that could disadvantage their countries.”²⁵⁵ With the US as the largest steel importer in the world, this order “could hit South Korea, China, Japan, Germany, Turkey and Brazil the hardest.”²⁵⁶ This order allows the potential for exemptions to the new tariffs if the prospective country is able to explain why their steel imports play a vital role in the U.S. marketplace. Potential threats that the U.S. faces from enacting this protectionist policy include, but are not limited: retaliation that could escalate into a trade war, lawsuits charging the U.S. of violating WTO regulations, and job cuts in a variety of sectors that offset any job gains made in the metal sectors.

In regards to how this directly impacts Latin America and China specifically, as soon as the new tariffs were passed, steel workers began protesting outside the U.S. consulate in São Paulo, Brazil. The reason this tariff hits Brazil so hard is because “one hundred thousand Brazilians work in the steel industry,” the country is just returning to growth after struggling to get out of the worst recession in history, and a “25 percent tariff on a major export” will only make recovery that much more difficult.²⁵⁷ To make matters more complicated, Brazil is the largest importer of U.S. coal, which it uses to produce the steel it then sends back to the United States. If tariffs are not lifted, the government is threatening to look elsewhere for its coal supply. Though the “momentum of coal use growth [has] faded” domestically in China, it still remains the largest consumer of coal and the third biggest producer of coal in the world.²⁵⁸ Given the extremely close trade and investment ties that already exist between Brazil and China, this could be another road for the PRC to strengthen ties with Latin America due to the U.S. policy shift towards protectionist practices.

²⁵³ Schlesinger, Jacob M. & Ballhaus, Rebecca (2018). “Trump Signs Metal Tariffs Sparing Some Allies.” *The Wall Street Journal*. [Web Access 9 March 2018] <<https://www.wsj.com/articles/trump-to-meet-metal-workers-as-aides-ready-tariff-rollout-1520517821>>

²⁵⁴ Baker, Peter & Swanson, Ana (2018). “Trump Authorizes Tariffs, Defying Allies at Home and Abroad.” *The New York Times*. [Web Access: 10 March 2018]. <https://www.nytimes.com/2018/03/08/us/politics/trump-tariff-announcement.html>

²⁵⁵ Ibid.

²⁵⁶ Ibid.

²⁵⁷ Reeves, Philip (2018). “Brazil Reacts to Trump’s Steel Tariffs.” *National Public Radio*. [Web Access: 10 March 2018] <<https://www.npr.org/2018/03/09/592196607/brazil-reacts-to-trumps-steel-tariffs>>

²⁵⁸ Qi, Ye & Lu, Jiaqi (2018). “China’s coal consumption has peaked.” *Brookings*. [Web Access 10 March 2018] <<https://www.brookings.edu/2018/01/22/chinas-coal-consumption-has-peaked/>>

7. CHALLENGES FOR CHINA AND LAC COUNTRIES

Several issues have been mentioned briefly regarding the relationship between Latin America and China. In this section, some of these challenges will be examined. Given that China is so intertwined with the LAC region in terms of trade and investment, it follows that many of the obstacles that one side faces are directly impacted by, or is a consequence of, the other side. An analysis of the concerns and adverse reactions to particular economic initiatives introduced through smart power tactics will expand to include the hurdles that both sides confront in the sphere of soft power measures. This section aims to channel these problems into solutions moving forward. By first identifying the challenges that confront both China and LAC countries, it will then be possible to imagine opportunities for the future of this dynamic relationship.

7.1. Limits and Possibilities of Smart Power

It is true that developing countries in Latin America need FDI to improve and develop infrastructure, but the question remains on “whether the investments will facilitate inclusive socioeconomic growth and development, beyond serving as conduits for commodity flows.”²⁵⁹ When assessing if countries can benefit from Chinese investment, it is important to acknowledge that “social and political instability, environmental disputes, labor controversies, and disputes with local communities are among the key reasons” that many infrastructure projects have generated controversy” and others have failed.²⁶⁰ Natural resource extraction, impeded access to global value chains, and China’s closed borders towards foreign investment have all created points of economic tension between Latin America and China.

7.1.2. Exports - Global Value Chains - Reciprocity

The top exports from China to LAC include telecommunications equipment, data processing machines, and other electrical equipment.²⁶¹ Latin American exports to China are more concentrated than with any other trading partner. The top-three export categories from LAC to China- ores, oil seed, and copper (followed by oil and pulp of wood)- actually increased from 50 percent to 72 percent of total exports from 2000 to 2014. Meanwhile, LAC’s exports to the rest of the world in these three categories fell from 42 to 32 percent.²⁶² In “classic dependency pattern, Latin America ships raw materials, and China sends back” various low-tech, low-cost manufactured items.²⁶³ This pattern must be contrasted with previous trends, where “in the late 1990s only about one-quarter of Latin America’s total exports were of primary products. Today nearly half of the region’s exports are of primary goods.”²⁶⁴ Intentional or not, critics of foreign

²⁵⁹ Peters, Enrique Dussel (2015). P. 11

²⁶⁰ Peters, Enrique Dussel (2015). P. 10.

²⁶¹ Ray, Rebecca & Gallagher, Kevin (2017). “China-Latin America Economic Bulletin, 2017 Edition.” P. 5

²⁶² Ibid. 9.

²⁶³ Pineo, Ronn (2015). “China and Latin America: What You Need to Know.”

²⁶⁴ Ibid.

trade can argue that China is forcing LAC to revert on improving global-value chains by only focusing on primary resources. Beyond concerns that “these economic arrangements can leave [LAC] trapped in third world-style primary product production” is the realization that “raw material production generates fewer jobs when compared to other industries. When Chinese firms do open up in Latin America, and this is also beginning to happen more and more, they usually bring in their own work crews, hiring very few local workers, and least of all at the mid-level management level.”²⁶⁵ This means not only is Latin America having to grapple with the environmental toll that comes from heavy extraction of natural resources, they must also deal with the falling value prices of commodities, and that the Chinese companies entering their countries to export goods are not generating as many jobs in the local community as anticipated.

Exacerbating Latin America’s inability to leverage the playing field when conducting trade with China is the fact that Latin American investments in China “are much less substantial” due to state-controlled companies and barriers.²⁶⁶ This lack of reciprocity makes bilateral understanding difficult” if not stunted.²⁶⁷ China has the second-largest market in the world and in its protected sectors, Chinese firms can grow unfettered by competition, and then use their domestic financial strength to develop overseas operations.²⁶⁸ In finance, for example, “China’s four state-owned commercial banks operate in a domestic market in which foreign investors have been restricted to about 1 percent of the market. The four banks are now among the largest in the world and are expanding overseas.²⁶⁹ Suffice to say, it would be in Latin America’s best interest to review the conditions of trade before engaging in any more bi/multilateral agreements with China, including the “One Belt, One Road” initiative because, “the more value that is added to an export, the more a country must pay in tariffs and barriers to enter the Chinese market.”²⁷⁰

China understands that economic growth and opportunities speaks to the hearts and minds of Latin American countries. “Trade and FDI agreements with China should be based on common understanding and on reciprocity as a foundation for negotiations. If Chinese companies wish to invest in Latin America in the oil and gas sectors, for example, they should guarantee that Latin American companies can also invest in sectors of interest in China. Reciprocity is critical to address the aggressive or defensive outlooks vis-à-vis China’s influence, and instead facilitate a sector-by-sector negotiation for benefits across the board.”²⁷¹ In the 2016 policy paper on Latin America and the Caribbean, China promised to find new ways of cooperation and “win-win” results for both sides that are based in mutual respect and trust. If China can back up this rhetoric

²⁶⁵ Eric Farnsworth (2011). “The New Mercantilism: China’s Emerging Role in the Americas,” *Current History* 110:733. P. 59.

²⁶⁶ Peters, Enrique Dussel (2015). P. 9.

²⁶⁷ Ibid. 23

²⁶⁸ Ibid. 23.

²⁶⁹ Dollar, David (2017). P. 16.

²⁷⁰ Mauricio Mesquita Moreira, quoted in: Margolis, Mac (2017). “Latin America Needs a China Strategy.”

²⁷¹ Peters, Enrique Dussel (2015). P. 24.

with fair practices and more advantageous incentives, China will be able to maintain a friendly and productive relationship with member countries of CELAC.

7.2. Challenges: Limits and Possibilities of Soft Power

Since the turn of the 21st Century, China continues to intensify outreach to Latin America through media, education, and cultural institutes and events. However, Chinese officials do not fully understand or are ill-equipped to deal with the transfer and diffusion of power in Latin America.²⁷² Many countries in Latin America have an independent press, consolidated academia, prominent labor unions, and environmental activists, but Chinese officials have yet to learn methods to address popular concern with rising Chinese influence.²⁷³ Chinese state-sponsored networks like Xinhua and CCTV lose credibility due to high levels of propaganda which undercuts the persuasion element intrinsic to soft power.²⁷⁴ China tends to confuse propaganda and public diplomacy with the spontaneous, organic cultivation of soft power. “The CCP’s suppression of independent civil society voices and activity stifles exactly the part of China’s society that is essential to the generation of soft power on a global scale. The party thus cuts off a key source of the international status and respect that both it and China want.”²⁷⁵ However, China has found success and warm reception through the Confucius Institutes which promotes art, language, cuisine, and other unique aspects of Chinese culture.

Whatever criticism there is of Chinese propaganda being packaged and presented as soft power abroad, there is very little Latin American soft power to speak of in China. The closed nature of China up until about 30 years ago means intentional strides must be made when it comes to fostering a recognizable presence of Latin America in the PRC. Starting at the top, many Chinese diplomats sent to Latin America speak Spanish and Portuguese but very few from Latin America can speak mandarin.²⁷⁶ If Latin America wants to gain a greater advantage when negotiating terms with China, it would help to begin with language as a tool for understanding Chinese culture and customs. Luckily, the demand is there. Speaking at the “Foro Internacional de Español” in 2015, the Chinese government’s national coordinator for Spanish, Lu Jingsheng, revealed that even though the interest for learning Spanish in China has increased “30 fold” over the last 15 years, there is a lack of “sufficient teachers and educational support” to meet the demand.²⁷⁷ Speaking at the same event, Jesús Juan Ciro Martín Sanz, president of “Plataforma del Español,” a network of Spanish-speaking companies, stressed the importance of promoting Spanish and Chinese

²⁷² Peters, Enrique Dussel (2015). P. 1.

²⁷³ Ibid. 23.

²⁷⁴ Nye, Joseph S (2016).

²⁷⁵ Schell and Delury (2013) 396-9: *Excerpt from* Buzan, Barry (2016). “Confusing Public Diplomacy and Soft Power.”

²⁷⁶ Lopes, Dawisson Belém (2017).

²⁷⁷ Custer, Sarah (2015). “China’s Demand for Spanish Going Unmet, Says Government.” Professionals in International Education News. [Web Access: 1 June 2017]

<https://thepienews.com/news/chinas-demand-spanish-going-unmet-says-government/>

exchanges. Considering that “the axis of communication and, therefore, culture has shifted from the Atlantic to the Pacific where most of the world’s population is concentrated,”²⁷⁸ learning Spanish and mandarin is a logical bridge to mutual understanding between Latin America and China.

7.3. Fostering Innovation in LAC nations

During an interview with representatives from the international section of Banco de Chile, the question arose of how to promote innovation in Chile and the Latin America region that can be translated into influence abroad. With a world that is increasingly globalized and interconnected, public investments need to be directed towards education, specifically to push bilingualism, technical skills, and professional programs that increase productivity and efficiency.²⁷⁹ This will enable future professionals in Latin America to even the playing ground and provide competitive skills that match China’s own efforts to promote their culture and influence abroad. Recent initiatives such as the five-day Latin American and Caribbean Food Festival in Shanghai helped to introduce traditional foods from 10 LAC countries into the Chinese mainland.²⁸⁰ Renowned chefs from each country prepared typical dishes and provided anecdotes regarding the “culture, its tradition and its legends.”²⁸¹ Live music and cultural performances by all of the represented countries²⁸² accompanied the cooking demonstrations and created an atmosphere of exchange and learning that is a step in the right direction for creating Latin American soft power in China. Chile has been particularly innovative in its attempts to bring awareness of its culture and enterprises to China. “Chile Week China” is an interactive event led by former President Eduardo Frei and other distinguished actors from Chile’s political and economic sectors. In 2017, Chile Week visited Beijing, Chengdu, Shenzhen, Guangzhou, Hong Kong, and Wuhan with the intention of not only deepening commercial ties, but also social and cultural connections.²⁸³ Chile is looking to improve and diversify its relationship with China by targeting interior cities that serve as pertinent centers of distribution for Chilean trade and demonstrate promising potential for new ventures. Marking tangible results and growth with each year of the ChileWeek Expo, this is an ideal template for other countries in Latin America to follow in order to leverage lasting strategic relationships and “win-win” results when engaging with China on a cultural and economic level.

²⁷⁸ Custer, Sarah (2015).

²⁷⁹ Chadwick, Matías & Infante, Patricio (30 October 2017). Banco de Chile. Santiago. Personal Interview.

²⁸⁰ Lan, Yang (2016). “Latin American countries present their culture through gastronomy in Shanghai.” *China Global Times*. [Web Access: 3 March 2018] <<http://www.globaltimes.cn/content/983296.shtml>>

²⁸¹ Ibid.

²⁸² Argentina, Brazil, Chile, Cuba, Colombia, Ecuador, Mexico, Peru, Uruguay, and Venezuela

²⁸³ “ChileWeek 2017” (2017). *ProChile Ministerio de Relaciones Exteriores*. [Web Access: 25 February 2018] <<http://www.prochile.gob.cl/minisitio/chileweek2017/>>

8. CONCLUSION

Imagining a successful future that benefits both China and Latin America is possible due to China's huge influence and engagement that can be felt throughout a wide spectrum of Latin American culture, society, and markets. During Xi Jinping's address to the CELAC-China inauguration in 2014, he drew similarities between both sides. "The Chinese people are striving to achieve the 'Chinese Dream' of great rejuvenation of the Chinese nation, while the peoples of Latin American and Caribbean countries are also struggling for the 'Latin American Dream' of realizing solidarity, cooperation, development and revitalization. The common dreams and shared pursuit closely connect China and Latin America."²⁸⁴ Xi's call to "seize the opportunity, forge ahead, and try hard to build a hand-in-hand community of common destiny, so as to create a splendid future for China-Latin America relations"²⁸⁵ is a sentiment strengthened by the detailed and thorough policy paper on Latin America and the Caribbean that China released in 2016.

8.1. The future of China and LAC Cooperation

Though China and Latin America do share many common goals, their visions are distinct. The imperatives of China revolve around a few central points: The first priority is to secure access to reliable sources of primary products (manufacturing and capital formation) in order to assure its ability to feed the Chinese population (increased urbanization and consumption).²⁸⁶ Though China's initial interest in spurring economic growth through trade, investment, and infrastructure may be rooted in the need maintain balance and order internally, their economic might has been transformed into newfound political clout. China is open to and actively courting the idea of taking on new world responsibilities to restore its reputation as the Middle Kingdom.²⁸⁷ Considering China's lofty ambitions, how can Latin America secure a future with China that cultivates high-yield returns and long-term mutually beneficial cooperation? The region's "capacity to transform its natural resource wealth into improvements in human capital, infrastructure, and innovation, and the ability to "enhance the knowledge content of its production" will directly impact the region's economic dynamism and ability to compete globally.²⁸⁸ The first step to creating a coherent economic strategy that takes into account the diverse and distinct characteristics of Latin America, is utilizing the institutions that already exist.

²⁸⁴ Ministry of Foreign Affairs of the People's Republic of China (2014).

²⁸⁵ Ibid.

²⁸⁶ Ellis, R. Evan (2011). "China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position." *Strategic Studies Institute*. [Web Access: September 2017.] P. 3-6.

²⁸⁷ Artaza, Mario (26 October 2017).

²⁸⁸ Torre de la, Augusto (2009). "Foreword": China's and India's Challenges to Latin America". *The World Bank*. Pp. xxii. [Web Access: 2 March 2018]

<http://siteresources.worldbank.org/DEC/Resources/China_India_Challenge_to_LA.pdf>

8.2. Strength through Regional Convergence in LAC

Many of the interviews I conducted with experts in the world of Latin American finance, academics, and diplomacy echoed the same recommendation: individual countries and the LAC region as a whole can wield more power through blocs.²⁸⁹ Regional platforms like CELAC, AP, UNASUR, and ALBA can help strengthen the LAC region's "bargaining power"²⁹⁰ when negotiating new deals with China and other global heavyweights. A template can be drawn from Chile's Foreign Minister, Herald Muñoz, who has proposed a region that embraces "convergent diversity" to establish a form of regional integration with "its own identity."²⁹¹ Working towards a convergence of the Pacific Alliance and Mercosur could streamline trade regionally and with other blocs, internationally. Even though the PA is a free trade association and Mercosur was designed as a customs union,²⁹² both blocs have much to gain from an "intelligent alignment" that lifts economic barriers and trade links.²⁹³ The "invisible wall that separates the Atlantic nations from the Pacific nations of Latin America" impedes the potential that the region is capable of wielding as a trade bloc.²⁹⁴ The integrity of the PA and Mercosur do not have to be compromised, rather the strengths of each organization can be utilized to create a unified institution with legitimate leverage when negotiating with other blocs in the world.²⁹⁵ China's state-sponsored enthusiasm for "south-south" cooperation between developing nations can incentivize Latin American countries to continue working towards their own regional integration in order to create long lasting "win-win" outcomes in their relations with China and the world.

²⁸⁹ Chadwick, Matías & Infante, Patricio (30 October 2017).

➤ Sarrat, Mario (28 November 2017). *BCI*. Personal Interview-Video. Valparaíso.

²⁹⁰ Dollar, David (2017). P. 16.

²⁹¹ Muñoz, Herald (2014). "Convergencia en la diversidad: la nueva política latinoamericana de Chile." *El País*. [Web Access: 17 February 2018] <https://elpais.com/elpais/2014/03/12/opinion/1394642773_153377.html>

²⁹² Rosales, Osvaldo (2014). "La Alianza del Pacífico y el MERCOSUR." *Comisión Económica para América Latina y el Caribe*. [Web Access: 15 December 2017]

<http://repositorio.cepal.org/bitstream/handle/11362/37304/S1420838_es.pdf?sequence=1&isAllowed=y>

²⁹³ Muñoz, Herald (2015). "An Intelligent Alignment: The Pacific Alliance, MERCOSUR, and the EU." *Europe's World*. [Web Access: 10 February 2018]

<<http://www.friendsofeurope.org/global-europe/intelligent-alignment-pacific-alliance-mercotur-eu>>

²⁹⁴ Ibid.

²⁹⁵ Albertoni, Nicolás (2016). "Building a Bridge between the Pacific Alliance and Mercosur." *Latin America Goes Global*. [Web Access: 10 February 2018] <<http://latinamericagoesglobal.org/2016/05/3402/>>

9. **Final Reflection**

Reflecting on China's engagement and influence in the Latin America region, there are many reasons to be cautiously optimistic about the future of cooperation between both sides. Though the central purpose of this paper was to investigate the myriad ways that China exercises its influence in the region and how that impacts LAC in the short and long-term, the overarching goal was slightly grander. The attempt to create a comprehensive birds-eye view of the incredible rate of expansion and entwinement between China and Latin America is really a reflection of the capacity that trade and globalization in general has to bind nations together in a form of complex interdependence. Despite the unprecedented inward turn of the U.S. administration towards its allies, a snapshot of the world's markets and politics in the 21st century show that we are more connected than ever. The push and pull of influence through instruments of soft, hard, and smart power are devices of a more important theme: development through dependency. No nation as we know it is completely self-sufficient, nor does it need to be. Just as China grows stronger by pursuing economic ventures abroad, Latin America has everything to gain by firmly committing to a stance of cooperation and regionalization with its neighbors nearby and allies across the Pacific.

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