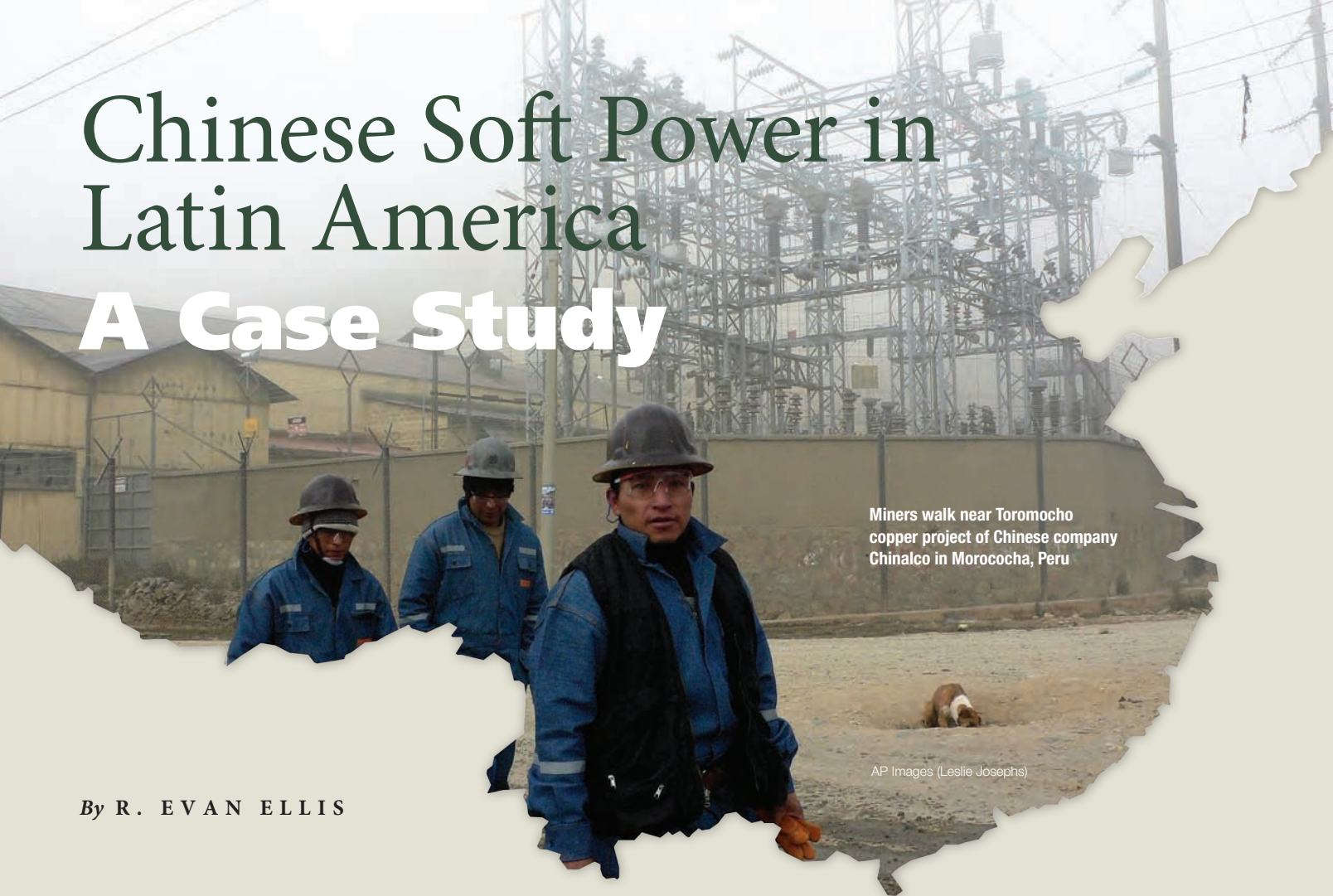


# Chinese Soft Power in Latin America

## A Case Study



Miners walk near Toromocho copper project of Chinese company Chinalco in Morococha, Peru

AP Images (Leslie Josephs)

By R. EVAN ELLIS

**T**he reemergence of China as a dominant global actor highlights longstanding ambiguities in U.S. thinking regarding what constitutes national security. People's Republic of China (PRC) policymakers have emphasized the "peaceful" nature of China's rise and have generally avoided military or political actions that could be seen by the United States as "threatening." Nonetheless, the economic, institutional, and cultural battles through which the PRC has advanced its position have both leveraged and contributed to an erosion of the U.S. strategic position globally. The advance of China and the multidimensional strategic challenge that it poses are most effectively characterized by one of the most loosely defined and misunderstood buzzwords in the modern parlance: soft power.

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The concept of *soft power* was introduced in 1990 by Harvard Professor Joseph Nye, who defined it as "a dynamic created by a nation whereby other nations seek to imitate that nation, become closer to that nation, and align its interests accordingly."<sup>1</sup> Although the term is used to refer to a range of concepts, this article analyzes Chinese soft power in terms of the willingness of governments and other actors in the international system to orient themselves and behave in ways that benefit the PRC because they believe doing so to be in their own interests.

Such a definition, by necessity, is incomplete. There are many reasons why other actors may decide that actions beneficial to the PRC are also in their own interests: they may feel an affinity for the Chinese culture and people and the objectives of its government, they may expect to receive economic or political benefits from such actions, or they may even calculate that the costs or risks of "going against" the PRC are simply too great.

Soft power is a compelling concept, yet it operates through vaguely defined

mechanisms. In the words of Nye, "in a global information age . . . success depends not only on whose army wins, but on whose story wins."<sup>2</sup> The implications of soft power in the contemporary environment are difficult to evaluate because they involve a complex web of interconnected effects and feedback in which the ultimate results of an action go far beyond the initial stimulus and the ultimate importance of an influence goes far beyond what is initially apparent.

This article examines Chinese soft power in the specific context of Latin America. The United States has long exercised significant influence in the region, while the PRC has historically been relatively absent. Nonetheless, in recent years, China's economic footprint in Latin America, and its attempts to engage the region politically, culturally, and otherwise, has expanded enormously. Understanding the nature and limits of PRC soft power in Latin America casts light on Chinese soft power in other parts of the world as well.

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AP Images (Sven Creutzmann)



Chinese President Hu Jintao and Cuban President Raul Castro watch signing of treaties in Havana after Hu signed dozens of trade and investment deals with Cuba

### The Nature of Chinese Soft Power

In general, the bases of Chinese soft power differ from those of the United States, leading analysts to underestimate that power when they compare the PRC to the United States on those factors that are the sources of U.S. influence, such as the affinity of the world's youth for American music, media, and lifestyle, the widespread use of the English language in business and technology, or the number of elites who have learned their professions in U.S. institutions.

It is also important to clarify that soft power is based on perceptions and emotion (that is, inferences), and not necessarily on objective reality. Although China's current trade with and investment position in Latin America are still limited compared to those of the United States,<sup>3</sup> its influence in the region is based not so much on the current size of those activities, but rather on hopes or fears in the region of what it could be in the future.

Because perception drives soft power, the nature of the PRC impact on each country in Latin America is shaped by its particular situation, hopes, fears, and prevailing ideology. The "Bolivarian socialist" regime of Hugo Chávez in Venezuela sees China as a powerful ally in its crusade against Western "imperialism," while countries such as Peru, Chile, and Colombia view the PRC in more traditional terms as an important investor and trading partner within the context of global free market capitalism.

The core of Chinese soft power in Latin America, as in the rest of the world, is the widespread perception that the PRC, because of its sustained high rates of economic growth and technology development, will present tremendous business opportunities in the future, and will be a power to be reckoned with globally. In general, this perception can be divided into seven areas:

- hopes for future access to Chinese markets
- hopes for future Chinese investment
- influence of Chinese entities and infrastructure in Latin America
- hopes for the PRC to serve as a counterweight to the United States and Western institutions
- China as a development model
- affinity for Chinese culture and work ethic
- China as "the wave of the future."

In each of these cases, the soft power of the PRC can be identified as operating through distinct sets of actors: the political leadership of countries, the business community, students and youth, and the general population.

**Hopes for Future Access to Chinese Markets.** Despite China's impressive rates of sustained growth, only a small fraction of its population of 1.3 billion is part of the "modern" economy with the resources that

allow them to purchase Western goods. Estimates of the size of the Chinese middle class range from 100 million to 150 million people, depending on the income threshold used, although the number continues to expand rapidly.<sup>4</sup> While selling to Chinese markets is a difficult and expensive proposition, the sheer number of potential consumers inspires great aspirations among Latin American businesspeople, students, and government officials. The Ecuadorian banana magnate Segundo Wong, for example, reportedly stated that if each Chinese would eat just one Ecuadorian banana per week, Ecuador would be a wealthy country. Similar expressions can be found in many other Latin American countries as well.

In the commodities sector, Latin American exports have expanded dramatically in recent years, including Chilean copper, Brazilian iron, and Venezuelan petroleum. In Argentina, Chinese demand gave rise to an entire new export-oriented soy industry where none previously existed. During the 2009 global recession, Chinese demand for commodities, based in part on a massive Chinese stimulus package oriented toward building infrastructure, was perceived as critical for extractive industries throughout Latin America, as demand from traditional export markets such as the United States and Europe fell off.

Beyond commodities, certain internationally recognized Latin American brands, such as José Cuervo, Café Britt, Bimbo, Modelo, Pollo Campero, and Jamaican Blue Mountain coffee, sell to the new Chinese middle class, which is open to leveraging its new wealth to "sample" the culture and cuisine of the rest of the world. Unfortunately, most products that Latin America has available to export, including light manufactures and traditional products such as coffee and tropical fruits, are relatively uncompetitive in China and subject to multiple formal and informal barriers to entry.

Despite the rift between hopes and reality, the influence of China in this arena can be measured in terms of the multitude of business owners who are willing to invest millions of dollars and countless hours of their time and operate in China at a loss for years, based on the belief that the future of their corporations depends on successfully positioning themselves within the emerging Chinese market.

The hopes of selling products to China have also exerted a powerful impact on politi-

cal leaders seeking to advance the development of their nations. Chilean presidents Ricardo Lagos and Michelle Bachelet, for example, made Sino-Chilean trade relations the cornerstone of Chile's economic policy, signing the first free-trade pact between the PRC and a Latin American nation in November 2005. Peruvian president Alan Garcia made similar efforts to showcase that nation as a bridge to China when it hosted the Asia Pacific Economic Cooperation summit in November 2008. Governments in the region have also invested significant sums of money in the China-related activities of trade promotion organizations such as APEX (Brazil), ProChile, ProComer (Costa Rica), Fundación Exportar (Argentina), and CORPEI (Ecuador), among others, as well as representative offices in Beijing, Shanghai, Guangzhou, and other Chinese cities, with the objective of helping their nationals to place products in those countries. Latin American leaders, from presidents to mayors, lead delegations to the PRC and fund elaborate pavilions in Chinese culture and trade shows such as the Canton Trade Fair and the Shanghai World Expo in an effort to help their countries' businesses sell products in the PRC.

#### **Hopes for Future Chinese Investment.**

China's combination of massive sustained trade surpluses and high internal savings rates gives the PRC significant resources that many in Latin America hope will be invested in their countries. Chinese president Hu Jintao helped to generate widespread awareness of

invest, tens of billions of dollars in the region, including in high-profile deals such as:

- \$28 billion in loans to Venezuela; \$16.3 billion commitment to develop the Junin-4 oil block in Venezuela's Orinoco oil belt

- \$10 billion to Argentina to modernize its rail system; \$3.1 billion to purchase the Argentine petroleum company Bidas

- \$1 billion advance payment to Ecuador for petroleum, and another \$1.7 billion for a hydroelectric project, with negotiations under way for \$3 billion to \$5 billion in additional investments

- more than \$4.4 billion in commitments to develop Peruvian mines, including Toromocho, Rio Blanco, Galleno, and Marcona

- \$5 billion steel plant in the Brazilian port of Açú, and another \$3.1 billion to purchase a stake in Brazilian offshore oil blocks from the Norwegian company Statoil; a \$10 billion loan to Brazil's Petrobras for the development of its offshore oil reserves; and \$1.7 billion to purchase seven Brazilian power companies.

For Latin America, the timing of the arrival of the Chinese capital magnified its impact, with major deals ramping up in 2009, at a time when many traditional funding sources in the region were frozen because of the global financial crisis. Moreover, as Sergio Gabrielli, president of the Brazilian national oil company Petrobras has commented, China is able to negotiate large deals, integrating

and account for almost 40 percent of nonstate oil production, while China Railway Road and Tongling are ramping up for a \$3 billion project in the recently opened Ecuadorian mining sector. In Venezuela, Chinese companies are one of the key actors maintaining oil production in the mature oilfields of Maracaibo and Anzoátegui, a vital current revenue stream for the Chávez regime. In the Orinoco belt in the south of Venezuela, Chinese investment, technology, and manpower, including Chinese-made drilling rigs, are a key to the development of that nation's future oil potential, while a May 2010 agreement makes Chinese companies key players in the extraction of Venezuelan iron, gold, bauxite, and coal.<sup>7</sup>

Although Chinese companies have yet to attain the level of "key employers" or have a major role in many Latin American communities, they play a growing role in strategically important sectors in many Latin American countries. For example, in telecommunications, the Chinese companies Huawei and ZTE are increasingly important product, service, and infrastructure providers,<sup>8</sup> and in logistics, companies such as China Shipping, China Overseas Shipping, and Hutchison Whampoa play increasingly vital roles in Latin America's foreign trade.

Ironically, Latin American Chinese communities have played a relatively limited role in this expanding influence. Although there are large, historically rooted Chinese communities in countries such as Peru, Ecuador, Panama, and Brazil, Chinese immigrants have traditionally sought to keep a low profile in these societies. The structure of these communities has also served to channel new Chinese immigrants into certain traditional occupations, such as restaurants, the retail sector, or farming, with the result that ethnic Chinese today have a fairly narrow involvement in emerging China-Latin America trade, even in key hubs for trade such as Colón, Iquique, or Ciudad del Este.

Beyond business ties, the PRC has an important and growing presence in the region's military institutions. In addition to frequent visits by senior-level officers and defense leaders, Mexico and almost all of the countries of South America send officers to professional military education courses in the PRC, including a 5-month course for midgrade officers taught in Spanish in Beijing. Chinese-made clothing and nonlethal equipment are also becoming increasingly common

### *China is able to negotiate large deals, integrating government and private sector activities in ways that U.S. investors cannot*

the possibility of Chinese investment in the region during his trip to five Latin American countries in 2004, specifically mentioning tens of billions of dollars in possible investment projects. A public controversy over whether his use of the figure \$100 billion was actually referring to trade or investment has only called more attention in Latin America to China as a potential source of funds.

Although the expected Chinese investment was initially slow to materialize, today, thanks to China's growing familiarity with doing business in Latin America, and its enormous financial reserves (including a foreign currency surplus that had reached \$2.5 trillion by mid-2010<sup>9</sup>), the PRC has begun to loan, or

government and private sector activities in ways that U.S. investors cannot.<sup>6</sup>

***Influence of Chinese Entities and Infrastructure in Latin America.*** Although the presence of Chinese corporations and workers in Latin America pales by comparison to that of the United States, it is growing and exerting an increasing weight in select countries.

Particularly in states such as Ecuador and Venezuela, Chinese corporations are becoming increasingly critical for the functioning of the extractive industries that generate significant portions of the state's revenue. In Ecuador, Chinese petroleum and service companies directly operate seven oil blocks, are a partner in others through consortiums,

within Latin American militaries. In addition, thanks to opportunities provided by the regimes of Ecuador, Venezuela, and Bolivia, the PRC has begun to sell sophisticated hardware in the region, such as radars and K-8 and MA-60 aircraft. As happened in commercial industries such as motorcycles, cars, and consumer appliances, Chinese military goods companies such as Norinco are likely to leverage their experience and a growing track record for their goods to expand their market share in the region, with the secondary consequence being that those purchasers will become more reliant on the associated Chinese logistics, maintenance, and training infrastructures that support those products.

Beyond Chinese corporations and military ties, the PRC is also taking on a progressively important role in regional institutions, such as the Organization of American States (OAS), Inter-American Development Bank (IADB), and United Nations peacekeeping operations in Haiti. Although the PRC has only observer status in the OAS, for example, its delegation is a strong contributor to the activities of the body.<sup>9</sup> With respect to the

IADB, China has leveraged its seat at the table as an opening for doing business in the region, such as the \$10.2 billion currency swap with Argentina, which it signed on the sideline of the IADB's annual meeting in March 2009. Also, through its initial financial contribution to the IADB, the PRC became part of a special committee overseeing loans to highly impoverished countries in the region, affording it expanded contacts with and subtle pressures over countries that do not currently recognize the PRC diplomatically, including Haiti, Honduras, and Nicaragua. In the case of Haiti, Chinese leverage is further bolstered by having had police forces on the ground there since 2006, through PRC participation in the United Nations Stabilization Mission in Haiti.<sup>10</sup>

**Hopes for the PRC to Serve as a Counterweight to the United States and Western Institutions.** China's historical status as a "leader of the developing world" positions it as the natural ally of the new generation of Latin American populist leaders, such as Hugo Chávez, Rafael Correa, and Evo Morales. During his first trip to Beijing after

being elected president, for example, Morales proclaimed himself to be a "great admirer of Mao," while Chávez has exclaimed that Mao and South American revolutionary icon Simón Bolívar would have been "great friends." While these leaders may primarily be seeking Chinese investments and commodity purchases, the position of the PRC as a geopolitical "alternative" to the United States shapes the way that they court the Chinese.

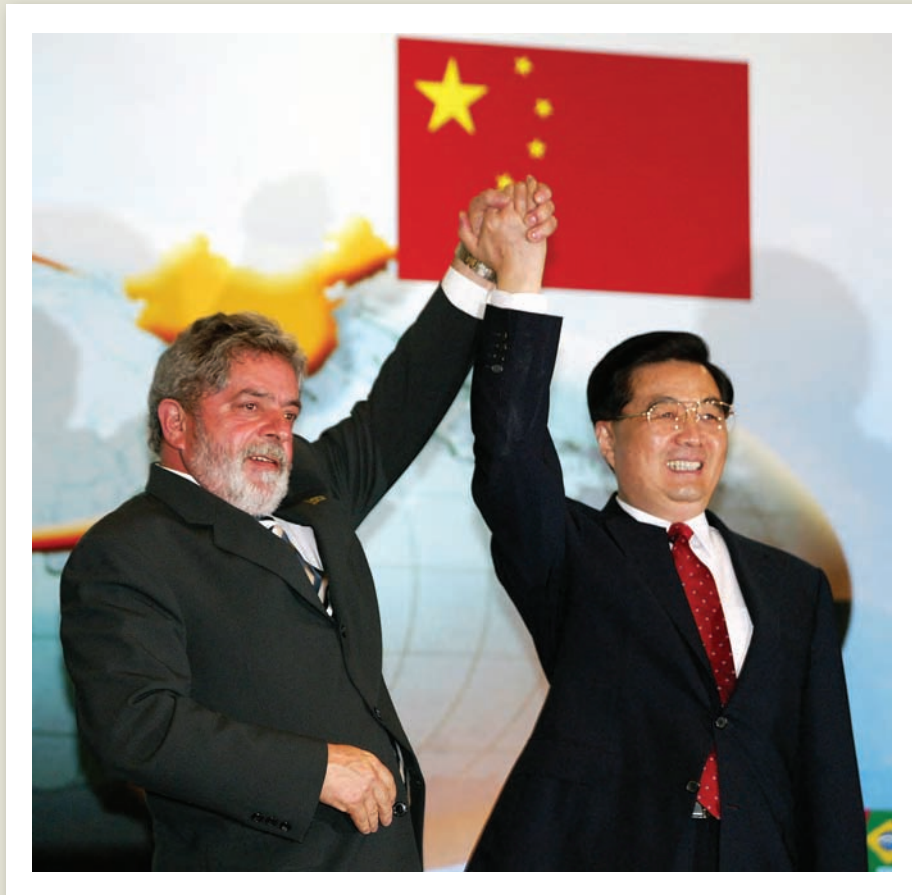
In permitting such hopes, the PRC has, to date, been careful not to associate itself directly with the anti-U.S. activities or rhetoric of these regimes, so as not to damage its strategically important relationship with the United States and the West. Nonetheless, the relationship cannot avoid some flavor of the relationships between the Soviet Union and its Latin American client states during the Cold War. Bolivia turned to China to purchase K-8 combat aircraft, for example, after the United States blocked its ability to procure aircraft from the Czech Republic.<sup>11</sup>

**China as a Development Model.** The tremendous, sustained economic growth that the PRC has enjoyed since opening up to the world in 1978 has caused many in Latin America to look to China's integration of capitalism and authoritarian politics as a development model, even while the U.S. combination of liberal democracy, free markets, and privatization is increasingly seen as ineffective for solving the region's endemic problems, such as corruption, poverty, and inequality. For traditional Latin American elites, the Chinese model is particularly attractive because it suggests that it is possible to achieve prosperity and growth without relinquishing political power.

As with other Chinese sources of soft power, the impact of the "Beijing Consensus" in Latin America relies on perceptions rather than realities; differences between the two regions—including the relative submission to authority in the Chinese work culture, Chinese willingness to save rather than spend, and another part of the world serving as the market for Chinese exports—make the Chinese success story difficult to repeat in Latin America.

**Affinity for Chinese Culture.** The PRC has actively promoted Chinese culture and language throughout the world, including through such landmark events as the 2008 Olympics in Beijing and 2010 World Expo in Shanghai, visited by an estimated 5 million foreign tourists,<sup>12</sup> as well as establishing more

AP Images (Acliano Machado)



Brazilian President Luiz Inacio Lula da Silva and Chinese President Hu Jintao celebrate at closing of investment and trade seminar

than 282 Confucius institutes worldwide, including 20 in Latin America. Cultural exchanges are a featured part of China's dealings with Latin America, consistent with the "nonthreatening" character that Beijing wishes to emphasize in these interactions.

Despite PRC "marketing efforts," by contrast to the global impact of U.S. culture, Chinese culture is arguably one of the PRC's weakest levers of soft power in Latin America, with interest in Chinese culture arguably reflecting, more than driving, China's influence in the region. Although some Chinese culture is reaching the Latin American mainstream, perceptions of it in Latin America are generally limited and superficial, sometimes based on media reports or experiences with ethnic Chinese living in those countries. Such perceptions are often mixed, including respect for the Chinese work ethic, a sense of mystery regarding Chinese culture, and often a sense of mistrust arising from the perceived differentness of that culture and commercial competition from Chinese products.

#### *China as "the Wave of the Future."*

Perhaps China's greatest source of soft power is the most intangible. China's emergence as a key global player is a phenomenon that has assumed almost mystical proportions within Latin America. The rapid growth in PRC trade with and investment in Latin America, and the expansion of contacts at all levels, only reinforce the perceived significance of "China's rise," as observed from Latin America.

In addition to opportunism for commerce, Latin America's belief in the rise of China and its globally transformational implications draws the attention of the people and leaders of the region to the PRC and shapes their course of action. Costa Rican president Oscar Arias, for example, established regular diplomatic relations with the PRC as a necessary part of ensuring the relevance of his country as an international actor.

At the popular level, the rise of China is most likely behind a swelling interest in the Chinese language in the region. The dedication of 5 or more years by students to gain a basic capability in the Mandarin language and its character set, for example, is arguably driven by their calculation that the ability to communicate in Chinese will be fundamental to the pursuit of opportunities in the PRC, and with Chinese businessmen and government officials, in the future.

### **Use of Chinese Soft Power**

One of the most important questions associated with the rise of China is how it is likely to use its growing soft power. Although such an endeavor is, by nature, speculative, Chinese interests and patterns of behavior to date suggest the continued use of that influence in at least the following areas:

- diplomatic recognition of Taiwan
- access to Latin American markets
- protection of Chinese investments in and trade flows from the region
- protection of Chinese nationals
- working against the consolidation of U.S. influence in the region and its institutions.

Although the Chinese government repeatedly states its commitment to noninterference in the internal affairs of partner nations, in reality the PRC is as interested in such issues as any other outside country. Only the issues that the PRC focuses on, and the ways in which China applies pressure, differ.

**Diplomatic Recognition of Taiwan.** For the PRC, the government of Taiwan represents an important issue of political legitimacy and internal security. Currently, 12 of the 23 nations in the world that diplomatically recognize the government of Taiwan are found in Latin America and the Caribbean. Although the People's Republic of China does not publicly threaten to block investment in or loans to countries that do not recognize the PRC, China repeatedly emphasizes the issue in its public diplomacy in the region, and makes such investments and market access difficult for those countries that do not recognize it, while simultaneously nurturing expectations regarding the opportunities that diplomatically recognizing the PRC could bring. When Costa Rica changed its diplomatic recognition from Taiwan to the PRC in May 2007, for example, it received an aid package that included an \$83 million soccer stadium, the purchase of \$300 million in government bonds, various highway, public works, and aid projects, and a \$1 billion joint venture to expand the country's petroleum refinery, as well as PRC aid in facilitating access to Chinese markets by traditional Costa Rican products such as coffee. In part, such Chinese generosity was directed toward the other countries in the region that still recognized Taiwan in order to demonstrate the types of benefits that could be made available if they too were to change their diplomatic posture.<sup>13</sup>

Although the PRC and Taiwan have informally agreed to refrain from the use of economic incentives to competitively "bid" for diplomatic recognition, since Costa Rica's switch, the allure of the PRC has prompted declarations of interest in changing diplomatic posture by Panamanian president Richard Martenelli, Paraguayan president Fernando Lugo, and Salvadoran president Maricio Fuenes—although all did so prior to assuming office.

#### **Access to Latin American Markets.**

Latin American markets are becoming increasingly valuable for Chinese companies because they allow the PRC to expand and diversify its export base at a time when economic growth is slowing in traditional markets such as the United States and Europe. The region has also proven an effective market for Chinese efforts to sell more sophisticated, higher value added products in sectors seen as strategic, such as automobiles, appliances, computers and telecommunication equipment, and aircraft. In expanding access for its products through free trade accords with countries such as Chile, Peru, and Costa Rica, and penetrating markets in Latin American countries with existing manufacturing sectors such as Mexico, Brazil, and Argentina, the PRC has often had to overcome resistance by organized and often politically well-connected established interests in those nations. In doing so, the hopes of access to Chinese markets and investments among key groups of businesspeople and government officials in those nations have played a key role in the political will to overcome the resistance. In Venezuela, it was said that the prior Chinese ambassador to Venezuela, Zheng Tuo, was one of the few people in the country who could call President Chávez on the telephone and get an instant response if an issue arose regarding a Chinese company.

**Protection of Chinese Investments in and Trade Flows from the Region.** At times, China has applied more explicit pressures to induce Latin America to keep its markets open to Chinese goods. It has specifically protested measures by the Argentine and Mexican governments that it has seen as protectionist: and, in the case of Argentina, as informal retaliation, China began enforcing a longstanding phytosanitary regulation, causing almost \$2 billion in lost soy exports and other damages for Argentina.<sup>14</sup>

China has also used its economic weight to help secure major projects on preferential

terms. In the course of negotiating a \$1.7 billion loan deal for the Codo Codo Sinclair Hydroelectric plant in Ecuador, the ability of the Chinese bidder SinoHidro to self-finance 85 percent of the projects through Chinese banks helped it to work around the traditional Ecuadorian requirement that the project have a local partner. Later, the Ecuadorian government publicly and bitterly broke off negotiations with the Chinese, only to return to the

***Blocking the Consolidation of U.S. Influence in the Region and Its Institutions.*** The rise of China is intimately tied to the global economy through trade, financial, and information flows, each of which is highly dependent on global institutions and cooperation. Because of this, some within the PRC leadership see the country's sustained growth and development, and thus the stability of the regime, threatened if an actor such as the

mistrust of the Chinese within Latin America generally.

The cultural gap between China and Latin America touches upon many areas, from differing consumer preferences limiting the appeal of Latin American exports such as coffee and beef, to different attitudes toward authority in business and administrative dealings, which contribute to labor problems and other difficulties where the PRC has operated in Latin America.

One of the most significant barriers between the PRC and Latin America is language. Whereas a relatively significant portion of Latin Americans have some ability in English, very few speak or read Chinese, and even fewer Chinese can communicate in Spanish, although the number is growing.<sup>16</sup> Although Chinese-language programs are proliferating in Latin America, the difficulty of and time required for learning Mandarin and the Chinese character set are a powerful impediment to the growth of ties between the two cultures.

Compounding the language barrier is a relative lack of Chinese knowledge regarding Latin America. Apart from major governmental institutes—such as the China Academy of Social Sciences, which currently has the world's largest Latin America studies program—and truly multinational Chinese corporations—such as Hong Kong–based Hutchison Whampoa, China Shipping, China Overseas Shipping, Huawei, and ZTE—the general knowledge of the region among Chinese businesspeople and government functionaries is limited, restricting the ability of the PRC to develop broad and sophisticated programs to advance its objectives in the region.

Perhaps most importantly, despite the best efforts of Chinese businesspeople and politicians to reach out to Latin America, they are too frequently perceived as “not one of us”—a reality reflected even in Chinese communities, which often remain only partly integrated, despite deep historical roots in many Latin American cities such as Lima and Guayaquil.

Such distance often translates into a persistent mistrust, even where both sides perceive benefits from cooperation. Latin American businesspeople commonly express misgivings, suggesting that the Chinese are aggressive and manipulative in business dealings, or conceal hidden agendas behind their expressions of friendship and goodwill.

### *one of the most significant barriers between the PRC and Latin America is language*

bargaining table 2 months later after failing to find satisfactory alternatives. In Venezuela, the Chávez government agreed, for example, to accept half of the \$20 billion loaned to it by the PRC in Chinese currency, and to use part of that currency to buy 229,000 consumer appliances from the Chinese manufacturer Haier for resale to the Venezuelan people. In another deal, the PRC loaned Venezuela \$300 million to start a regional airline, but as part of the deal, required Venezuela to purchase the planes from a Chinese company.<sup>15</sup>

***Protection of Chinese Nationals.*** As with the United States and other Western countries, as China becomes more involved in business and other operations in Latin America, an increasing number of its nationals will be vulnerable to hazards common to the region, such as kidnapping, crime, protests, and related problems. The heightened presence of Chinese petroleum companies in the northern jungle region of Ecuador, for example, has been associated with a series of problems, including the takeover of an oilfield operated by the Andes petroleum consortium in Tarapoa in November 2006, and protests in Orellana related to a labor dispute with the Chinese company Petroriental in 2007 that resulted in the death of more than 35 police officers and forced the declaration of a national state of emergency. In 2004, ethnic Chinese shopkeepers in Valencia and Maracay, Venezuela, became the focus of violent protests associated with the Venezuelan recall referendum.

As such incidents increase, the PRC will need to rely increasingly on a combination of goodwill and fear to deter action against its personnel, as well as its influence with governments of the region, to resolve such problems when they occur.

United States is able to limit that cooperation or block global institutions from supporting Chinese interests.

In Latin America, China's attainment of observer status in the OAS in 2004 and its acceptance into the IADB in 2009 were efforts to obtain a seat at the table in key regional institutions, and to keep them from being used “against” Chinese interests. In addition, the PRC has leveraged hopes of access to Chinese markets by Chile, Peru, and Costa Rica to secure bilateral free trade agreements, whose practical effect is to move Latin America away from a U.S.-dominated trading block (the Free Trade Area of the Americas) in which the PRC would have been disadvantaged.

Finally, the PRC benefits from the challenges posed to the dominance of the United States in the region by regimes such as Venezuela, Ecuador, and Bolivia, and its trade and investment with those regimes help to keep them economically viable. Nonetheless, as mentioned above, the PRC is careful to avoid association with the anti-U.S. rhetoric and projects of those regimes, which could damage its more strategically important relationship with the United States.

### **Limits to Chinese Soft Power**

The growth and exercise of soft power by the People's Republic of China have limits that are important to recognize. As with the sources of Chinese soft power, those limits are not the same as the limits to U.S. soft power. Limits to Chinese soft power in Latin America principally arise from the significant gap between the two cultures, the associated difficulty in learning each other's culture and language, a lack of understanding of each side by the other, and a pervasive sense of



**Venezuelan officials bury foundation stone at groundbreaking for Venezuela Pavilion at Shanghai World Expo 2010**

Chinese companies in Latin America are often seen as poor corporate citizens, reserving the best jobs and subcontracts for their own nationals, treating workers harshly, and maintaining poor relations with the local community. In the arena of China–Latin America military exchanges, it is interesting to note that Latin American military officers participating in such programs are often jokingly stigmatized by their colleagues in ways that officers participating in exchange programs in the United States are not.

Finally, Chinese influence is diluted by increasing interactions between Latin America and other extraregional actors, such as India, Russia, Iran, and others. Although the PRC is arguably the most significant new suitor of the region, it is not the only alternative. For Nicaragua and populist regimes in the Andean region, Russia provides important alternatives with respect to arms purchases and energy sector investments. An \$18 billion commitment by a Russian consortium to develop the Junin-6 oilfield in Orinoco, for example, may have helped to accelerate China's subsequent commitment to invest \$16.3 billion in Junin-4. In addition to Russia, India is increasingly engaging in commercial opportunities, particularly in high technology, services, and commodity sector investments, while challenging the PRC monopoly over “south-south” developing country partnerships in the region. When China cut off purchases of Argentine

soy oil, for example, it was India that picked up the slack.

Analysts looking for signs of imminent Chinese coercion or intervention in Latin America are likely to be disappointed. Nonetheless, Chinese soft power in Latin America still raises important national security issues, even if the PRC does not explicitly seek to subvert or marginalize the United States as part of its reemergence onto the world stage.

In Latin America, as elsewhere, China's currently modest influence is providing it with triumphs of ever-growing scale in strategically important business, culture, and technology arenas. Although no specific event may directly threaten the U.S. national interest, the collective effect is to restructure the global flows of value added and influence in a manner beneficial to China, making the ability of the United States to successfully pursue its own national goals and interests increasingly dependent on the acquiescence of the PRC.

For analysts focused on the “rise” of China in Latin America and elsewhere, the issue is not whether China is a threat, or whether it has the right to pursue its national interests in Latin America and other parts of the world. Rather, it is important to recognize the dynamics that this reemergence creates in a region with close human, geographical, and economic ties to the United States, and to prepare to mitigate the risks, meet the challenges, and rise to the opportu-

nities that China's entry into Latin America makes possible. **JFQ**

## NOTES

<sup>1</sup> Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990). Nye further refined the concept in *Soft Power: The Means to Success in World Politics* (New York: PublicAffairs, 2004).

<sup>2</sup> Joseph S. Nye, “The Rise of China's Soft Power,” *The Wall Street Journal Asia*, December 29, 2005.

<sup>3</sup> In 2009, PRC bilateral trade with Latin America, counting Cuba, was \$111.5 billion, while U.S. trade with the region was \$530 billion, about 4.75 times larger. See *Direction of Trade Statistics* (Washington, DC: International Monetary Fund, June 2010).

<sup>4</sup> Leslie T. Chang, “China's Middle Class,” *National Geographic*, May 2008.

<sup>5</sup> “An Unusual Rebuttal from China's Forex Regulator,” *The Wall Street Journal*, May 27, 2010.

<sup>6</sup> John Lyons, “Brazil Turns to China to Help Finance Oil Projects,” *The Wall Street Journal*, May 18, 2009.

<sup>7</sup> “Venezuela explotará hierro, acero, bauxita y oro con China,” May 16, 2010, official Web site of the government of Venezuela, available at <www.vtv.gob.ve>.

<sup>8</sup> See, for example, Janie Hulse, *China's Expansion into and U.S. Withdrawal from Argentina's Telecommunications and Space Industries and the Implications for U.S. National Security* (Carlisle Barracks, PA: Strategic Studies Institute, September 2007).

<sup>9</sup> Alexander Ador Netto, public comments as part of a panel on Chinese engagement with Latin America at The George Washington University, April 6, 2010.

<sup>10</sup> China expanded this presence by also temporarily sending rescue workers in the days following the January 2010 earthquake.

<sup>11</sup> “Bolivia Builds Defenses Against ‘Poachers’ of Resources,” UPI.com, August 9, 2010.

<sup>12</sup> “The Shanghai World Expo Opens May 1,” *China Digital Times*, April 27, 2010.

<sup>13</sup> For more details, see R. Evan Ellis, *China and Latin America: The Whats and Wherefores* (Boulder, CO: Lynne Rienner Publishers, 2009), 215–217.

<sup>14</sup> Rodrigo Orihuela, “Argentina Soybean Growers ‘Optimistic’ Talks Will End China's Oil Blockade,” *Bloomberg News*, April 6, 2010.

<sup>15</sup> “China prestará a Venezuela \$300 millones para crear aerolínea,” *El Universal* (Caracas), April 24, 2010.

<sup>16</sup> In many business and technical interactions, English is used as the common language between Chinese and Latin Americans.