

# Chinese president tours America's "backyard"

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Chinese President Hu Jintao's visits to Costa Rica, Cuba and his presence in Peru for the Asia-Pacific Economic Cooperation (APEC) summit last week testified to Beijing's more assertive economic and diplomatic engagement in Latin America.

In 2006, the Chinese regime issued its first ever policy paper for Africa, in anticipation of a rapid expansion of trade and investment on that continent. On November 5, just prior to Hu's trip, China issued its first policy paper for Latin America. He was accompanied by a 600-member delegation, including 12 ministers and many businessmen, in an effort to expand economic ties in the region.

Like resource-rich Africa, Latin America has become a major source of raw materials and a growing market for China's manufactured goods. But China's growing presence can only create further tensions with the US, which has traditionally regarded the region as its exclusive backyard. American preeminence in Latin America is already being eroded by Europe and Russia.

The Agence France Presse (AFP) reported that Hu received "a hero's welcome at every stop", indicating China's growing economic and political clout. With the US, Japan and Europe either in or moving into recession, many of Latin America's commodities-based economies are looking to China as one of the few potentially expanding markets. According to the *Economist*, China may account for half of the global growth next year.

On an earlier trip in 2004, Hu promised to increase China's trade with Latin America to \$100 billion by 2010—a target that was surpassed in 2007. Although China is still only the region's third largest trading partner, behind the US (\$560 billion) and the EU (\$250 billion), the increase was almost 10-fold from just \$13 billion in 2000. This year, China-Latin America trade is expected to reach \$150 billion.

Fifteen Latin American countries have granted "market economy status" to China, laying the basis for a series of free-

trade agreements. Chile became the first non-Asian country to sign a free-trade deal with China in 2005, after the latter replaced the US as Chile's largest trade partner. In his fifth visit to Beijing in October, Venezuelan President Hugo Chavez agreed to double oil shipments to China to 200,000 barrels per day. In return, China manufactured and launched Venezuela's first satellite on October 30. Brazil, the largest Latin American economy, is now a major supplier of iron ore to China.

To show its long-term commitment, Beijing invested \$350 million in the Inter-American Development Bank last month. But Chinese investment in the region remains small—just \$1.89 billion in 2007, and a cumulative total of \$24.9 billion, mainly in infrastructure projects. The figure is tiny compared to the long-term accumulated investment by US and European capital in the region.

Beijing's presence goes beyond economic interests. The *YaleGlobal Online* recently pointed out that China is quietly building up military ties in Latin America. "Four members of China's leading Central Military Commission visited the continent in the last two years—more than any other region in the world—while a steady stream of Latin defence ministers visit Beijing. China also trains Latin officers in its staff academies and sells arms to Latin countries," it stated.

Among the smaller Central American and Caribbean countries, China and Taiwan have been waging a political battle for decades to secure diplomatic recognition. Last year Beijing induced Costa Rica to sever its ties with Taipei by purchasing \$300 million of the country's government bonds. However, 11 of the 23 countries in the world that still recognise Taipei, rather than Beijing, as the government of China, are to be found in the Americas.

In Peru, Hu pushed for a free trade deal to ensure better access the country's copper and iron resources. China had already invested \$2.2 billion in a Peruvian project to extract 7 million tonnes of copper. With a 90 percent cut in tariffs on Chinese exports to Peru, the agreement could make China the country's largest trading partner after it takes effect next year.

Farid Kahatt, a diplomatic expert at Peru's Catholic University, told AFP that China would never replace the US in the region. But, he added, "US attention on the region has never been weaker. Now is a good time for China to challenge US influence."

In Cuba, Hu struck a deal for Havana to export nickel and sugar to China, in exchange for food aid. China is now Cuba's second largest trading partner. During the Sino-Soviet disputes in the 1960s and 1970s, Cuba leaned toward Moscow. But after the collapse of the Soviet Union in 1991, China's aid, credit and trade played a significant role in propping up the Castro regime. During his latest trip, Hu extended the second \$70 million phase of a \$350 million credit package to Cuba for repairing the country's rundown hospitals and infrastructure. Some 1,000 Chinese students are in Cuba learning Spanish.

During his meeting with Hu, Cuban leader Raul Castro hailed Mao and burst into a rendition of "The East is Red" which he learnt in 1953. The Sino-Cuban relations have nothing to do with socialism. Both Mao and Fidel Castro were radical petty bourgeois nationalists who rejected the revolutionary role of the international working class, in favour of peasant guerrilla war. The evolution of this perspective is now transparent. Chinese leaders are encouraging the Castro brothers to accelerate capitalist "market reform" as in China. The main obstacle for Havana is Washington's continued hostility and economic blockade of the island.

The growing involvement of China and other countries in Latin America is creating concerns in Washington. The Brookings Institution released a report on Monday urging the new Obama administration to "pay attention" to Latin America, including by seeking a rapprochement with Cuba. While not openly critical of the Bush White House, the paper described US-Latin America relationships as languishing due to Washington's preoccupation with other regions. As a result, US rivals like China were gaining footholds in several countries.

US-China divergence was on display at the APEC meeting in Lima last weekend. Amid the greatest financial crisis since the 1930s, US President Bush repeated his call for the "free market" to remain unfettered by regulation. Significantly, Bush acknowledged the growing role of Asia, saying: "We're witnessing a dramatic shift of history as the center of the world's economic stage moves from West to East, from the Atlantic to the Pacific."

Hu responded by calling for a revamping of global regulation and a "new international financial order"—in line with the views of European leaders who are also challenging the "Anglo-American model". The *Australian* newspaper, which often reflects Australian sensitivity to US-China tensions, warned

that "the divide between US and China undermined the prospect of united global action on the financial crisis".

Russia is also intervening in Latin America, partly in response to US actions in Eastern Europe, the Caucasus and Central Asia. President Dmitry Medvedev, along with a group of Russian businessmen, visited Brazil, Cuba and Venezuela after the APEC meeting. A Russian naval group, including a nuclear-powered cruiser, is to hold joint exercises with the Venezuelan navy next week. Following the Georgian conflict in August, two Russian Tu-160 strategic bombers landed in Venezuela to send the message that Moscow can intervene in Washington's backyard. Russia has sold \$4.4 billion of arms to the Chavez regime since 2005.

The *Russia Profile* on November 24 quoted Alexi Mukhin, general director of Centre for Political Information, as saying: "Washington has already turned South America against itself, and it is clear that it will not manage to mend the holes anytime soon. Russia is taking advantage of this situation." While behind China in trading with Latin America, the magazine noted that, Russia "has the advantage over the EU, which shies away from talking to the generally anti-American socialist leaning states, such as Venezuela, Cuba and Bolivia, which Russia has no qualms about doing business with".

The various Latin American nationalist regimes like that of Hugo Chavez are not "socialist" or "socialist leaning" but represent sections of the ruling elites that are seeking to loosen Washington's traditional dominance by using China, Russia and the European powers as counterweights. Washington, however, is not about to relinquish its position in the region and will use its still considerable economic, political and, if need be, military muscle to defend its strategic interests against its rivals.



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