

**CHINA, LATIN AMERICA
AND THE CARIBBEAN AND
THE EUROPEAN UNION**

A TRIANGULAR RELATIONSHIP?

CONFERENCE PROCEEDINGS

4th November 2015. Hamburg, Germany

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DATE: 4th November 2015

CITY: Hamburg, Germany

VENUE: Steigenberger
Hotel, Hamburg

9:00 INSCRIPTION

9:15 WELCOME SPEECHES

Dr. Guillermo Fernández de Soto, Director for Europe, CAF - Development Bank of Latin America

Prof. Dr. Detlef Nolte, Vice-President GIGA Institute of Global and Area Studies, Director of the Institute of Latin American Studies (ILAS)

Benita Ferrero-Waldner, President EU-LAC Foundation

**9:30 OPENING DISCUSSION: SETTING THE FRAMEWORK:
CHINA IN THE GLOBAL SPHERE**

MODERATORS:

Jorge Valdez (Executive Director EU-LAC Foundation)
& Prof. Dr. Detlef Nolte (GIGA Institute)

PARTICIPANTS:

Mario Cimoli (Chief of Division, Production, Productivity and Management ECLAC)

Sebastián Nieto Parra (OECD Development Centre)

**10:15 - 12:15 PANEL 1: CHINA-LATIN AMERICA-EUROPE:
A TRIANGULAR RELATIONSHIP?**

MODERATOR:

Rogelio Nuñez (IELAT - University of Alcalá)

PARTICIPANTS:

Germán Ríos (Corporate Director, Strategic Affairs, CAF – Development Bank of Latin America)

Corinna Bremer (German Federal Foreign Office)

Paulo Esteves (Pontifical Catholic University, Rio de Janeiro)

Cui Shoujun (Remin University of China, Beijing)

Mario Esteban (Royal Institute Elcano, Madrid)

DISCUSSANT:

Laurence Whitehead (University of Oxford)

12:15-13:15 LUNCH BREAK

**13:30-15:30 PANEL 2: POLITICAL OPPORTUNITIES
AND CHALLENGES**

MODERATOR:

Prof. Dr. Bert Hoffmann (GIGA Institute)

PARTICIPANTS:

Evan Ellis (Professor of Latin American Studies, U.S. Army War College, Carlisle, PA)

Jiang Shixue (Chinese Academy of Social Sciences
CASS, Beijing)

Renato Flôres (Fundação Getulio Vargas - FGV/IIU,
Rio de Janeiro)

Éric Dubesset (University of Bordeaux, Montesquieu Centre for
Political Research)

DISCUSSANT:

Gonzalo Paz (Georgetown University, Washington)

15:30-16:00 COFFEE BREAK

**16:00-18:00 PANEL 3: ECONOMIC OPPORTUNITIES AND
CHALLENGES**

MODERATOR:

Corinna Bremer (German Federal Foreign Office)

PARTICIPANTS:

Juan Blyde (Inter-American Development Bank IDB,
Washington)

Felix Peña (Director Institute for International Trade, ICBC
Foundation, Buenos Aires)

Wu Guoping (Chinese Academy of Social Sciences, CASS,
Beijing, and Director of Centre for Latin American and
Caribbean Studies - Southeast University of Science and
Technology)

Roberto Corral (Innocentro LLC)

DISCUSSANT:

Carlos Malamud (Royal Institute Elcano, Madrid)

PRESENTATION



**DR. ANNA
BARRERA VIVERO**

Programme Manager in Research
and New Developments and
coordinator of the Workshop-
Seminar

Anna Barrera introduced into the topic of the workshop-seminar. She pointed out the importance of understanding the triangular relationship within a complex framework shaped by a combination of challenges and opportunities for China, Latin America and the EU. An important aspect highlighted by Dr. Barrera concerned the timing of this event, considering that recent developments in these three regions increased the need of mutual understanding and cooperation. As evidence of this, she mentioned the recent research of the panellists about the interactions observed between the three regions in question.

**DR. GUILLERMO FERNÁN-
DEZ DE SOTO**

Director for Europe, CAF -
Development Bank of Latin
America



After welcoming the participants and the audience, and addressing words of recognition to the outgoing Executive Director of the EU-LAC Foundation, Mr Jorge Valdez, and the outgoing President of the EU-LAC Foundation, Dr. Benita Ferrero-Waldner, Dr. Fernández de Soto introduced the central issue that

would constitute the thematic axis for the rest of the workshop: the fragmentation of the international system and multilateral institutions due to rapid world changes. According to him, a triangular relationship between China, Latin America and the EU may contribute to the stabilisation of global governance through policy harmonisation in the prevention and resolution of conflicts.

The current situation is critical for the three economies, all of them amidst a phase of adjustments. China is turning into a mature economy and is changing its model to one centred on the domestic market, and at the same time, it is adjusting downwards its expected growth. This change has affected Latin American economies, slowing down the regional growth, because during the past decade the demand of China for raw materials and other commodities has been an important engine for the region. During this period, Latin America did not undertake the adjustments necessary to deal with the new role of China, and now it should make the much-needed effort to adapt. On the other hand, the EU is still recovering from the consequences of the world economic crisis, and it is still far from becoming an economy in expansion again.

Dr. Fernandez de Soto tackled another critical and sometimes controversial issue, namely, whether a triangular relationship to accommodate a common agenda between China, Latin America and the EU was possible. In his opinion, such a common agenda is in fact possible and, furthermore, necessary. He presented some facts and figures to underline his point: for instance, the volume of the trade between China and Latin America during the 2001-2014 period amounted to US\$ 261 billion. During the same period, the EU-Latin America trade exchanges increased from US\$ 98 billion to 274 billion. The EU remains the main foreign investor in Latin America, while since 2010, China has been investing in that region around US\$ 10 billion annually. Until 2014 China's funding to Latin America has approximated US\$ 118 billion. Based on this, Dr. Fernández de Soto held that there were great opportunities for building a triangular relationship for which the fostering of mutual trust was an essential undertaking for the public as well as for the private sector of the three parties involved.

In his talk, he suggested the continuation of two different courses of action: the fostering of ties between China and Latin America based on international strategy and development interests (there had been 31 state visits of Chinese leaders to Latin America), and the strengthening of the existing relationship between the EU and

Latin America based on common political values. At this point and for the rest of the sessions, the centrality of Latin America with respect to the trilateral relation was understood to be the focal point of the discussion.



**DR. BENITA
FERRERO-WALDNER**
President EU-LAC Foundation

Dr. Benita Ferrero-Waldner thanked Dr. Guillermo Fernández de Soto for his words, and greeted Prof. Dr. Detlef Nolte and Mr Jorge Valdez. Dr. Ferrero-Waldner stressed that the relationship between China, Latin America and the EU transcended economic and commercial ties and included, specifically, the political cooperation between the three parties involved. She referred to these ties as a “get together” relation, highlighting the need for the integration of a three-party cooperation in a complex and globalised world. For her, the most significant advantage of a potential triangular relationship consisted not only in the improvement and expansion of commercial exchanges, but also the possibility of a joint contribution to the maintenance of peace.

In her talk, she raised the question of why China should be considered in the strengthening of EU-Latin American relations – a central objective pursued by the EU-LAC Foundation. According to her, any answer to this question should take into account the enormous world transformation driven by the rise of new global and regional players in general, and the increasing presence of China in both regions in particular. Nowadays, China constitutes the second foreign investor and the first trade partner for the EU and Latin America. However, the EU is still the first investing partner of Latin America. The EU-LAC Foundation’s main purpose is to identify opportunities for the development

of the strategic partnership and cooperation between the EU and CELAC. The relation with China constituted, according to Ferrero-Waldner, one of these opportunities, and the analysis of this issue was precisely the objective of this event co-hosted by the EU-LAC Foundation.

China and the EU have kept an intense and regular agenda of political consultations between senior officials and different authorities. At a bilateral level, for instance, the Chinese president Xi Jinping recently visited the UK. A week before that, German chancellor Angela Merkel as well as the French president François Hollande visited China. These contacts provided evidence of a mutual exploration process in the political and economic realms, and reflected an interest in the deepening the Euro-Chinese relationships. As for Latin America, the recent China-CELAC Summit demonstrated that, second to EU, China was gaining ground as a new partner. The main objective of events like the present one was therefore to explore the ways to benefit from these relationships in a more productive and constructive way.

Dr. Ferrero-Waldner also emphasised the importance of Hamburg as the host city for this event. Hamburg, based on its historical and commercial ties with both regions, was the gate to Europe for Latin America and Asia. It is also the home of the EU-LAC Foundation, of the Institute of Latin American Studies and of the Institute of Asian Studies within the GIGA.



In his presentation, Prof. Nolte focused on the question mark included in the title of this event as the key for the forthcoming discussions. He advocated for the creation of a

PROF. DR. DETLEF NOLTE

Vice-President of the GIGA
Institute of Global and Area
Studies, Director of the Institute
of Latin American Studies

1. permanent structure or what he called “trilateral cooperation”.
 See also the interventions of Corinna Bremer and Juan Blyde. In the emerging ontological debate about a potential triangular relationship, Nolte kept equidistance from the materialistic view that denies the existence of a triangular relationship between China, Latin America and the EU¹, as well as from the ideational and constructivist approach that claims the importance of keeping such a relationship in mind to make it materialise. His position tended towards a “institutional-realist” perspective.²
 2. For the ideational/constructivist argument, see also the intervention of Renato Flôres.
 3. He also pointed to the multiple ways in which Latin Americans tend to view China, citing the special issue of the journal *Nueva Sociedad* n°.259, September-October 2015. *Nueva Sociedad*: “El desembarco chino en América Latina” (“China’s disembarkation in Latin America”)³ and the ECLAC “Seminario Internacional China y América Latina. Enfoques multidisciplinarios sobre una relación compleja” (“International Seminar on China and Latin America. Multidisciplinary approaches to a complex relation”).⁴ The views reflected mixed thoughts towards China in that region and provided an insight into the complexity of this relationship. Dr. Nolte also brought to the fore the words of former Uruguayan president, José Mujica, in a conference co-organised by CAF and Science Po⁵, who asked the EU to counter-balance the Chinese economic influence in Latin America because of a risk of a new kind of dependency, replacing the one with the U.S. Dr. Nolte recommended the report of ECLAC “Latin America and the Caribbean in the World Economy 2015. The regional trade crisis: assessment and outlook”⁶ in order to better understand the complexity of this relationship, especially concerning trade.
 4. See online (Spanish only): <http://www.cepal.org/es/eventos/seminario-internacional-china-en-america-latina-enfoques-multidisciplinarios-sobre-una> (accessed 12 January 2016).
 5. See online (Spanish only): http://internacionalismo/internacional/2015/10/27/actualidad/1445966435_454585.html (accessed 12 January 2016).
 6. See online: <http://www.cepal.org/en/node/34390> (accessed 12 January 2016).
- He argued that the voices claiming a revision of the China-Latin America relationship are not only coming from the region itself. During the EU-CELAC Summit last June in Brussels, the German Chancellor, Angela Merkel called attention to the increase of the Chinese-Latin American trade ties and called for more engagement on the part of Europeans. China had a growing interest in Latin America, and the Latin American media paid much attention to the visits of Chinese seniors to the region, which in recent times occurred more frequently than those of any other major power, especially in comparison to those of the U.S.

According to Nolte, despite the various and often conflicting views, China has been Latin America’s partner in both good and bad times. Particularly, this period of economic slowdown and recession constituted a good opportunity to put this cooperation to proof. For Latin America, China was not only an economic partner, but also an ally in cultural and educational issues.

Just like Dr. Benita Ferrero-Waldner, Nolte believed that Hamburg was the right place for the analysis of this triangular relationship, since this city was a major harbour for EU's trade with China as well as with Latin America. Moreover, it is the home city of the EU-LAC Foundation and the GIGA Institutes of Latin American and Asian Studies. Both the German Asia-Pacific Business Association and the Lateinamerika-Verein (the networking and information platform for German companies investing in Latin America) are located in Hamburg. Furthermore, scholars from the University of Hamburg were willing to contribute with their expertise and institutional support to a permanent structure and to provide a regular forum on the China, Latin America and the EU relationship.

SETTING THE FRAMEWORK
CHINA IN THE GLOBAL SPHERE

MODERATORS:

Ambassador Jorge Valdez
Executive Director EU-LAC Foundation
&

Prof. Dr. Detlef Nolte
Vice-President GIGA Institute of Global and Area Studies,
Director of the Institute of Latin American Studies

In this opening discussion the fundamentals for the coming discussions were established. It started off with an opening question from Mr Valdez to Sebastián Nieto Parra concerning recent developments of the Chinese economy and their impact on other world economies.

**DR. SEBASTIÁN NIETO
PARRA**

Researcher at the OECD
Development Centre

Dr. Nieto Parra, claimed that the recent developments of the Chinese economy could be divided into two periods, according to studies by the OECD Development Centre, and portrayed by the *Shifting Wealth Model*. In the 90's and during the first stage known as the Shift of Wealth I, China, based on a trade-based expansion, reached a participation of around 10% in the world economy. In the second stage or *Shifting Wealth II*, the first decade of the 21st century, the Chinese model had been consumption-based, reaching around 30% of the world economic growth. Meanwhile, Latin America has kept a participation in the world economic growth close to 7%. The change from the Shifting Wealth I to II had important effects on Latin America, producing a regional exportation rate to China of 15%.

The adoption of this model as the “new normality” converted commodities and raw materials into the main trading products between China and Latin America. Thus, the variations in international prices of commodities had a direct effect on both of the shores, and more but especially on those economies highly dependent on the exports of raw materials. To the rest of world economies, the effect of Chinese changes was also relevant. According to estimates of the OECD Development Centre, a decrease of 2% points of the Chinese economy may produce a contraction of around 0,5% in the world economy. As for Europe, a similar decrease would have a world impact of around -0,25%. Consequently, the impact of Chinese economy on the world goes beyond the market of raw materials, affecting the whole world economic structure, including the EU and Latin America.

Dr. Nolte asked Dr. Cimoli for further details about the recently published ECLAC report entitled “Latin America and the Caribbean in the World Economy 2015. The regional trade crisis: assessment and outlook”, with respect to the relation between Latin America and China. Jorge Valdez asked the same panellist about ECLAC's assessment on the fissures in the global system, including the mechanisms of global economic governance, as well as the need for a response to the structural vulnerabilities of the system. He also asked Dr. Cimoli to address the consequences of those structural problems on the interaction between such different regions as China, Latin America and the EU.



Dr. Cimoli made an appraisal of the complexities of the current global system, and how individual and uncoordinated responses were not able to cope with it. First, he stated that there were certain important conditions that gave rise to the current global state of affairs. Until 2008 exports were higher than GDP growth. Until then there was stagnation in world trade, showing little flexibility in world commerce. Thus trade did not invigorate GDP as it did in the earlier period. The world economic crisis of 2008-09 left Latin American and other emerging economies in a disadvantageous position, because surplus economies —like China, U.S. and the EU— that tried to expand their exports were unwilling to absorb the exports of others as they used to do. This punished the economies of the region that had embraced the exporting model during the rise of the Chinese economy.

As a result, a mismatch between the financial capital and the real economy occurred. In a broader context, a recessive interaction has occurred since 2003. This problem was not caused solely by China. The EU represented almost 30% of the world economy, but it was not absorbing exports either. Under these conditions we witnessed a trade recession —with low contribution to the GDP—, strong financing of national economies, and an increasing debt. The outcome was a zero-sum game in which the U.S., the EU and China were undertaking adjustments without expansion, limiting their own import capacities, while, at the same time, exhibiting excessive production capacities, resulting in the decline of commodity prices. This world commercial recession was occurring in the absence of coordinated policies. The fragmentation of the global system seemed to be going through a stage of lack of economic governance, jeopardising emerging and developed economies.

DR. MARIO CIMOLI

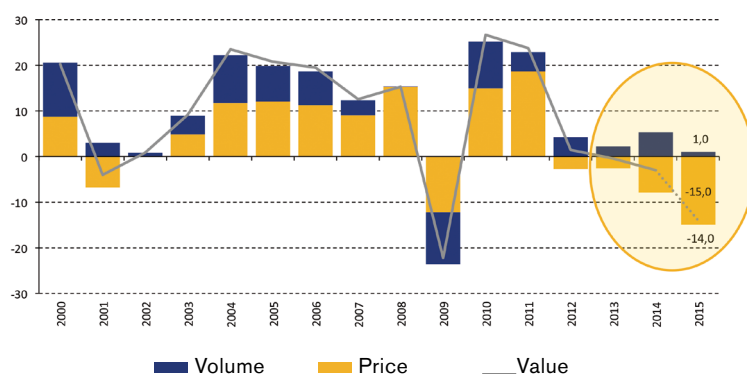
Chief of Division, Production,
Productivity and Management
ECLAC

Cimoli claimed that because of its positioning in favour of economic governance, ECLAC and the model of import substitution industrialisation (ISI) have been criticised both in Europe and in the U.S. However, according to him, the best policy of ISI was implemented by China and before that, by Western Europe itself. As a consequence, China had gained a growing capability to access hi-tech markets and absorb Latin American raw materials, especially during the period of its major export expansion in 2002-2008. But this model operating in an environment of low prices of raw material caused a contradiction in this fragmented global economy governance, because, as was mentioned, the capacity of exports was not carried out along with an expansion in imports capabilities.

In this model and in a fragmented and ungoverned global economy, Latin America suffered more than ever from the negative effects of the lack of diversification of its economies. The high dependence on the export of raw materials remained an adverse scenario. This situation would necessarily oblige the region to make adjustments in order to avoid capital outflows capable of impacting the balance of trade. Therefore, the outlook for the region was one of slowdown of growth, trade imbalances, recessive adjustments, and pressures to change the structure trade.

The trade contraction of Latin America, on average, reached 14%, and this was the fifth year in a row that this occurred. During the same period the intraregional trade dropped to -23%, calling into question the idea behind and the willingness to regional integration. On the other hand, it was a fact that Latin America remained almost exclusively an exporter of raw materials. To make matters worse, Cimoli pointed out that Latin America represented to the Chinese trade balance only about 15% of its imports, challenging thereby the generalised assumption concerning the importance of the region to the Chinese economy. During the years of high trade absorption by China, Latin America did not diversify its exports, and this was the root of the current economic slowdown. This raw materials-based recession lowered the expectation of recovering in the foreseeable future.

Annual Variation in Exports by Latin America and the Caribbean 2000-2015*



Source: ECLAC, based on official information from central banks, customs offices and national statistical offices of the countries.

* Figures for 2015 are projections.

Cimoli expressed concern for the need of Latin America to adjust to the recession. The Latin American economic model —mainly based on the export of raw materials— had to be adjusted, but not in a global policy vacuum. Such adjustment had necessarily to be made in a global context, including China, the U.S., and the EU. In the absence of a global policy coordination to govern world trade and finances, the tensions would become worse. The task of rethinking the whole world trade model should be a joint one. Otherwise the current fragmented model of low absorption of trade could generate a new crisis, even in those regions that were not absorbing trade like the EU.

As a side note, he mentioned the distinct situation of Mexico and Central America. The Northern region of Latin America found itself in a distinct cycle dominated by the U.S. economy. These countries had a brighter outlook due to the performance of the American economy; however, even in these more stable economies, any change in interest rates by the U.S. Federal Reserve might cause a capital outflow.

At the end of his initial statement, Dr. Cimoli pointed out that the philosophical scheme that, according to him, should guide the adjustment in Latin America was “first Schumpeter, and then Keynes”. In this way he emphasised that before implementing

social policies of inclusion and wealth distribution, it was necessary to foster competitiveness and productivity based on value-added production. He remarked that until now any successful process had been Schumpeterian at the beginning.

Dr. Sebastián Nieto Parra added to Dr. Cimoli's assessment the concern about financial variables; for example, the decrease of the current exchange rates in emerging markets, especially in Latin America, and the subsequent capital outflows. In the region, the problems of solvency and external vulnerability had hindered the compensation of deficits. It was a case of "twin deficits": deficits in government budget balances, and deficits in current accounts, creating uncertainty about the real economy. Foreign direct investment (FDI) and capital futures could not finance these any longer. On the other hand, the Chinese stock exchange market had a verifiable negative effect over the Latin American economy. Just a few weeks before the Workshop-Seminar, its last crash by 35% affected the Latin American markets liquidity and provoked their volatility.

Dr. Benita Ferrero-Waldner asked Dr. Mario Cimoli and Dr. Sebastián Nieto Parra for their recommendations in order to mitigate the adverse scenarios described by them.

Dr. Mario Cimoli focused his answer in global governance. According to him, the G-20 had not worked enough towards global policy coordination. He argued in favour of regional expansion and coordination of global negotiations. Integration was necessary because individual Latin American states were not big enough to negotiate at the global level by themselves. Regional institutions like ECLAC, CAF, etc., had the political obligation of pressing for regional integration, as well as for intra-regional dialogue, in order to establish a new collective approach to face the rest of the world.

Traditionally, Latin America had been weak in policy management in open economies. Productivity and investment were the keys. The model of exclusively exporting raw materials and investment in technology should be abandoned. He also favoured a global view for the region and for the other emerging economies. Moreover, he argued in favour of controlling the global financial system, especially in view of the lack of lessons learned from the world economic crisis of 2008-2009. Dr. Cimoli also pointed out that the Pacific-MERCOSUR association had been incapable of

solving the regional collective problem, except for some particular cases. Considering the lack of leadership in global governance, he was of the opinion that policy coordination through regional integration was the way to negotiate and plan alternatives to different scenarios, especially financial scenarios.

Dr. Nieto Parra agreed with Dr. Cimoli. He cited the report “Latin American Economic Outlook 2015: Education, Skills and Innovation for Development”.⁷ He argued for the need to generate more added value, to foster regional integration, and to promote stock markets in order to re-direct international liquidity to technology funding. At this moment, none of this was occurring in the region. Instead, the trend was geared towards path dependency, the same institutional framework, and persistence in the exporting of raw materials.

In Latin America, trade was of paramount importance; however, the main source of costs did not reside in tariffs but in infrastructure. In the absence of adequate infrastructure, trade agreements were not very profitable. China’s investment in the region was mainly concentrated in infrastructure —85% of its loans to Latin America— but again the main problem concerned governance and how to take advantage of those investments.

In the discussion which was opened to the public, Dr. Félix Peña pointed out that Latin Americans were able, at least, to agree on the diagnosis. As an example, he mentioned the ECLAC report “Latin America and the Caribbean in the World Economy 2015. The regional trade crisis: assessment and outlook”.⁸ However, the challenge was to proceed from the diagnosis to a consensual policy coordination face to the international economic scenario.

Dr. R. Evan Ellis, asked about the implication of the decreasing demand of the Chinese for raw materials, especially for countries like Chile, Venezuela and Peru. He added that China is not merely importing raw material, but also providing financing for infrastructure projects and investing in many sectors from petroleum and mining to construction, manufacturing, telecommunication and logistics, among others, making it a local economic actor. He wondered how the interaction between decreased benefits from commodity exports to China, competition from increasingly adept Chinese firms in sectors such as construction and manufacturing, and the experience of residents of Latin America and the Caribbean with the Chinese as local employers and members

7.

See online: http://www.oecd-ilibrary.org/development/latin-american-economic-outlook-2015_leo-2015-en (accessed 12 January 2016).

8.

See online: <http://www.cepal.org/en/publications/type/latin-america-and-caribbean-world-economy> (accessed 12 January 2016).

of the community would play out with respect to the position of China in various different countries with different economic structures and political situations.

Prof. Wu Guoping said that the Chinese economic growth model was actually changing and this was having an impact on Latin American economies. This change might also open new opportunities in Latin America. Today, these new opportunities were being missed. For instance, there was a decrease of the China-Latin America trade passing through the Panama Canal. According to Dr. Wu, the Panamanian authorities were justifiably worried about it; however, the Chinese companies were now diversifying their business in the region, exploring new sectors, and creating new jobs.

Jaime Ensignia (Director of the International Programme of the Chile 21 Foundation) agreed with Dr. Cimoli intervention with respect to the need for self-criticism. In the last 40 years, the dominant economic model in Latin America has made the changes recommended by the ECLAC impossible. He argued that the basis for Latin American cooperation and coordination was related to the political responsibility of every country.

To Mr. Jorge Valdez, the impact of the Chinese economic transition seemed important. Nevertheless, it was also important to understand the real capabilities of the Latin America Region, considering its evident external vulnerability and dependence. The instable raw material-based economic pattern had deepened one of the major regional problems: inequality. Valdez pointed out that maintaining this economic model, on one hand, and implementing measures of social inclusion, on the other, have reinforced the issue of inequality. In agreement with the previous comment of Dr. Felix Peña, Mr Valdez stated that Latin America required an intra-regional dialogue that extended beyond tariffs, and that should be focused instead on policy coordination for competitiveness.

The last remark of Dr. Mario Cimoli was related to the current international complexity and how we would have to look beyond China in order to understand the economic process that was actually taking place in Latin America. The region did not make its homework during the boom of raw materials. The job left unaccomplished was an industrialisation programme within a technology policy framework. Instead, Latin America was still exporting goods without added value, while China maintained a bilateral negotiation scheme that was not fostering the

diversification of Latin American economies. Of course, in this bilateral chain of responsibilities, the main burden fell on Latin America. Additionally, the intra-regional barriers remained in force rendering exports to the U.S. two or three times cheaper as compared to other Latin American markets within the region. The problem resided not only in a lack of cooperation, but also in a lack of intra-regional dialogue, and the disconnection between goals and policies. In the current world economic context, it seemed difficult that every Latin American nation on its own could surge and compete successfully.

Dr. Nieto Parra stressed the growing costs of intra-regional cooperation due to the current government budget deficits. Studies conducted by the OECD Development Centre found that, due to the economic model of the region, the progress related to poverty reduction and middle-class enlargement was circumstantial and unsustainable. The challenge now was to strengthen productivity and the middle-class under adverse world economic conditions. He brought back the issue of infrastructure and how shortcomings in this matter obstructed significant investments in this crucial sector. Nevertheless, he was of the opinion that it was possible to take advantage of the existing technologies to improve trade.

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Mr Alfonso Díez Torres (Spanish Ministry of Foreign Affairs) asked whether the panellists thought that there was something that Latin America was actually doing right in the present situation, and he also asked for their opinion about the progress of the Pacific Alliance.

Nieto Parra mentioned the Peruvian efforts in the recent years to reinforce education. However, the policies to improve productivity would only produce medium to long-term outcomes. With respect to the Pacific Alliance, he pointed to the *Mercado Integrado Latinoamericano* (Integrated Market of Latin America) as an interesting initiative. However, due to lack of international governance, a broader regional cooperation seemed more difficult to accomplish under the current conditions.

PANEL 1

**CHINA-LATIN AMERICA-EUROPE:
A TRIANGULAR RELATIONSHIP?**

MODERATOR:

Dr. Rogelio Núñez
IELAT - University of Alcalá

**MS. CORINNA BREMER**

German Federal Foreign Office

Ms. Corinna Bremer started her presentation by characterising the three bilateral relationships, and then passed to explore the trilateral one. She emphasised that the relationship between China and Latin America was asymmetrical. In her opinion, it was quite clear that China's primary objective was to secure its access to commodities. If that was the goal, the way to do it was through investments and loans. Also since 2001, there were some bilateral political approaches, including the 2015 China-CELAC Summit. In addition, China also engaged in a "soft" rapprochement through cultural cooperation. This combination of strategies expanded China's influence across Latin America, which, according to its president Xi Jinping, was definitely part of the Chinese program. Xi himself said that the investment on Latin America would have to reach US\$ 250 billion in the next 10 years. He said that political cooperation and cultural exchanges should be reinforced.

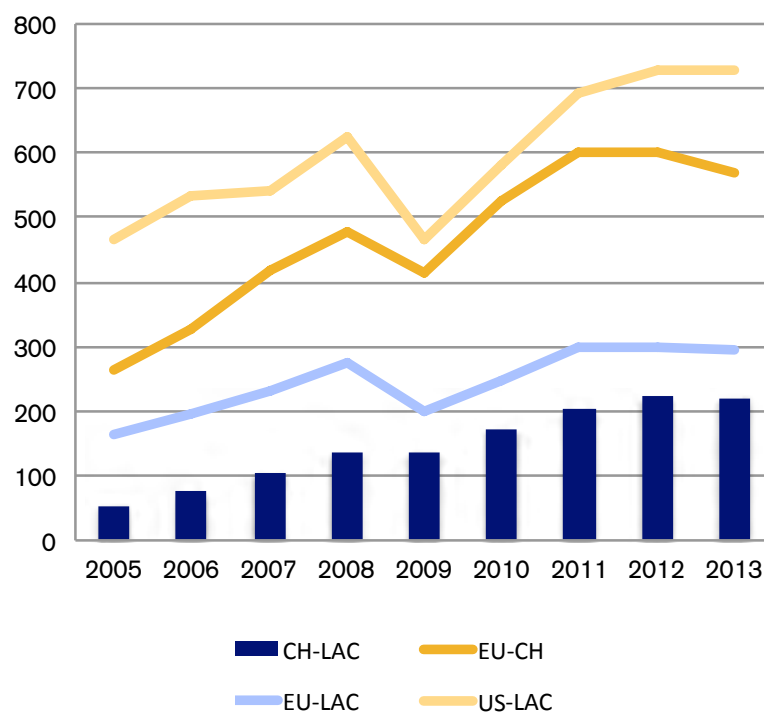
In the case of the Latin American-EU relationship, Bremer noted that it was a 500-years old and complex relation. Besides the economic ties, these regions shared cultures, languages and values. There were regular inter-regional summits. All of this gave evidence of an array of diversified relations. However, the increasing influence of China has become a topic of interest to the EU in its relations with Latin America. The nature of this second axis was different from the first. Dialogue among the EU and Latin America was directed also to more global issues and included climate change, civil society issues, and peace and security, for instance.

The China-EU relationship was grounded in strong economic ties. This has resulted in an institutionalised relationship with

regular contacts at the leadership level. The two regions were not only the most important trade partners for each other, but they also shared strong institutional relationships, for example, 17 EU-China Summits so far, the 2003 EU-China comprehensive strategic partnership, and the EU-China 2020 Strategic Agenda for Cooperation. There was also increased interest in a EU-China free trade agreement.

In order to put into perspective the Latin American and the Caribbean relations with major economic powers, Bremer compared the trade volumes of China with Latin America; EU with Latin America; EU with China; and U.S. with Latin America (with a clear Mexican bias due to NAFTA):

Trade volumes among regions



According to Bremer, the triangle China-Latin America-EU was small, and even smaller than other Latin American triangular relationships, such as the one with the U.S. and the EU. Bremer said that according to the prevailing opinion in the German Federal Foreign Office, a triangular project was not perceivable at this moment, and the relations were rather segmented. But she stressed that there was a potential triangular agenda. China, for

instance, was trying to diversify its agenda with Latin America beyond economic issues. The EU was cooperating in energy issues and sustainability and was thus looking forward for a truly triangular cooperation.

SR. GERMÁN RÍOS

Corporate Director, Strategic
Affairs, CAF – Development Bank
of Latin America

According to Mr. Ríos, looking back there were reasons to be optimistic. In the past 20 years, Latin America had achieved important goals in macroeconomic stability, economic growth, development, poverty reduction (in 20 percentage points) and consolidation of democracy. Latin American companies, Multilatinas, have become world-class companies. According to him, there were reasons to believe that in the next 20 years that region would be in better shape than today. However, Ríos, in agreement with Bremer, stated that a triangle between China, Latin America and the EU would not exist, or if it would, it was still very precarious.

The relationship between Latin America with the EU and China should be put into context. Three important aspects characterised the relationship between China and Latin America. The first one was investment: The EU remained the main foreign investor in Latin America. Still, China has pledged around US\$ 75 billion for a number of bilateral funds and projects that have not materialised yet. A second point concerned loans. China has contributed with nearly US\$ 118 billion, but close to 75% of these had been allocated to Venezuela, Argentina, Ecuador and Brazil. It would be interesting to see what role China would adopt as a creditor in times of slow growth. The third aspect concerned the combination of tools used by China in Latin America, and the shift to non-conventional sectors, mostly in technological cooperation.

9. Former Sub-Secretary-General
for Economic and Social Affairs
and Executive Secretary for the
Economic Commission for Latin
America and the Caribbean,
and Colombia's Minister of
Finance and Public Credit and
Minister of Agriculture and Rural
Development.

Paraphrasing José Antonio Ocampo⁹, Ríos stated that China seemed to have a clear strategy towards Latin America, but Latin America had no strategy towards China. Moreover, he claimed that China and Latin America were not acquainted with each other well, and this could be the chance for the participation of the EU. European companies knew the region and might partake with the Chinese joint ventures in Latin America. The EU could contribute with its operative capability to take advantages of a potential triangular relationship. It seemed possible to establish operative mechanisms through financial and multilateral institutions, as for example, the Inter-American Development Bank (of which the EU and China are members), or the CAF Development Bank of Latin America (with ties to EU and Chinese institutions), as well

as other institutions like the BRICs' Bank which would increase its investment in infrastructure and in which the EU was quite interested. In his final remarks, Ríos highlighted the growing opportunities in financial cooperation and the potential operative role of the EU.

Esteves' presentation was divided into four parts: I) The rise of China and the global order; II) China-Latin America relationship (based on the type of cooperation that has been established); III) potential risks and challenges; IV) the possibility of a common agenda between China, Latin America and the EU. With respect to the rise of China and the global order three dominant views existed in the literature. The first one was that nothing has changed. According to this view, we would still find ourselves in a unipolar world ruled by U.S.-shaped international institutions. The second interpretation corresponded to the view of Acharya¹⁰ envisioning a post-hegemonic world and a "multiplex" order in which institutions, especially the multilateral ones, were expected to create a new international governance environment. And the third one —preferred by Esteves— described a power transition scenario in which the gap between China and the U.S. was being closed, affecting thereby the global order.

The rise of China evoked strategies of accommodation among major powers, and China was actually adapting itself to the existing global order and rules. But China was also accumulating power, an important amount of power, and, according to Esteves, at some point the current institutions would no longer suit the Chinese interests. Hence China was adapting to the new order and at the same time challenging it. Due to the parallel networks created by China, a multilateral paralysis was being fostered.

In the relationship between China and Latin America, the increasing interest of Beijing for the region was evident, as shown by the growing number of Chinese senior officials' visits to Latin America. In terms of trade, the main interest was related to access to raw materials and commodities. In political terms, China was concerned that 12 of this region's countries have recognised Taiwan as a sovereign state. From the Latin American perspective, China implied access to new markets, while in political terms China constituted an alternative as a balancing power vis-à-vis the U.S.

However, the main problem with the trade relationship with China was its considerable imbalance. Most of the Latin

PROF. DR. PAULO ESTEVES

Pontifical Catholic University, Rio de Janeiro

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Acharya, A. (2014) *The End of American World Order*. London: Polity.

American partners had trade deficits with China. Commodities represented 70% of Latin American exports to China, while the same trade sector to Europe represented only 40%. In terms of investments, China's financial contributions to Latin America consolidated at an amount of US\$ 10 billion per year since 2010. These investments were concentrated on extractive industries, with a growing interest in infrastructure, with Brazil and Peru as the main receiving countries.

Prof. Esteves wondered which role Latin America and the Caribbean played, if any, in China's grand strategy. Even if it was not part of the dominant narrative, Latin America was increasingly considered as an extension of the "One Belt, One Road" strategy of Xi Jinping which was directed towards the construction of a new economic order centred on China. The region had been part of a three-pronged policy approach of China: trade, investment and financial cooperation. But this relation was not free of political tensions. For instance, the railway project between Brazil and Peru could affect indigenous peoples in the Amazon. There were many unanswered questions implied: What were the consequences for human rights of this project? What about the environmental impact? What about social and labour conditions? This was only one example to illustrate the complexity and challenges implied by this relationship.

PROF. DR. CUI SHOUJUN

Remin University of China, Beijing

For Prof. Cui the importance of Latin America in the Chinese economic strategy was evidenced by three key moments: The first was in 2008, when the first official White Paper on that region was published. This fact was of paramount importance because the Chinese State reserved this kind of publications for regions with a prominent place in its national interest. The second was in July 2014, when president Xi Jinping visited Latin America. And the third milestone was the China-CELAC Forum in Beijing in January 2015. According to Dr. Cui, we were experiencing a good moment of the relationship between China and Latin America.

Beijing was looking for the institutionalisation of its relationship with the region. In addition to the huge economic cooperation mentioned in earlier presentations, China held various negotiations with Latin American and Caribbean states, even with those that recognised Taiwan as a sovereign State. However, these dialogues have been going on between China and each of the Latin American

and Caribbean states separately. This was the consequence of the lack of coordination and institutionalisation within the CELAC. Thus Latin America was the last of the regional blocks that should be included in an articulated dialogue with China.

Regardless of such difficulties, China considered to have a “shared destiny” with Latin America and maintained its commitment in cooperation, innovation and competitiveness. The Chinese approach to Latin America formed part of its “China goes global” strategy. Both, China and Latin America accepted the rise of China as a “new normality”. China was an exporter at the third level and exported capital now. It had increased its technical exports in recent years, and it had overcome the first level (raw material exports) and the second level (technology exports). As for Foreign Direct Investment, only in the last year China allocated US\$140 billion in Latin America.

For Latin America, the U.S. and the EU were still the main partners, but China was increasingly becoming a preferred partner. From the political point of view, and as a part of this “shared destiny”, China and Latin America could jointly contribute to reforming the world order. The creation of the BRICS New Development Bank (NDB) and AIIB (Asian Infrastructure Investment Bank), in which China and Brazil worked together with such objective in mind, were successful attempts in this direction. According to Dr. Cui it should be pointed out as well that China has been very active in establishing a global partnerships network; to date it has endorsed 72 agreements, 8 of them with Latin American countries, namely, Brazil (1993), Venezuela (2001), Mexico (2003), Argentina (2004), Peru (2008), Chile (2012), Costa Rica (2015), and Ecuador (2015).

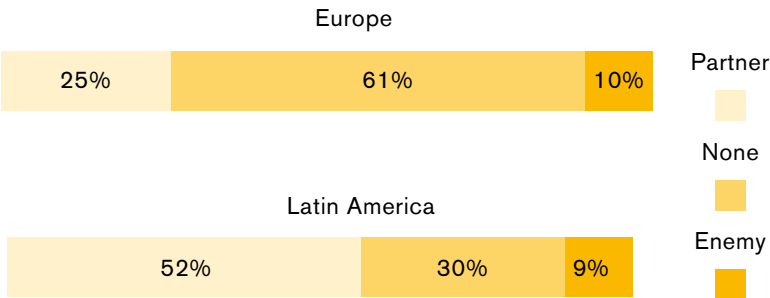
Nevertheless, there were significant challenges, for example, the relative small number of experts on China in Latin American and vice versa, the political and cultural heterogeneity within the region, and the low level of institutionalisation of CELAC. Under these conditions, China was willing to intensify its dialogue with Brazil and Mexico, both perceived by China as the natural leaders of the region, as well with other countries of the regional block.

Cui presented the following graph to show that China was perceived favourably by Latin Americans. The graph provided by the Pew Research Center and based on a study of 2013, reflects the perception of the Chinese by Latin Americans and Europeans.¹¹

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Note: The Europe median included the UK, France, Germany, Italy, Spain, Greece, Poland, Czech Rep. and Russia. The Latin America median included Argentina, Bolivia, Brazil, Chile, El Salvador, Mexico & Venezuela. 2013 data. See online: www.pewresearch.org (accessed 12 January 2016).

Perceptions of the Chinese by Europeans and Latin Americans



DR. MARIO ESTEBAN

Elcano Royal Institute, Madrid

12.

See online:

http://www.realinstitutoelcano.org/wps/portal/web/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/latin+america/wp3-2015-esteban-china-in-latin-america-repercussions-for-spain

(accessed 12 January 2016).

Dr. Esteban encouraged the audience to read the report of the Royal Institute Elcano entitled “China en América Latina: repercusiones para España”.¹² Even if the report did not cover the entire EU but only Spain, it was a good starting point to see the potential impact of China for the rest of the Western European block. His presentation was based on the most interesting aspects of this report. Dr. Esteban said that he was pleased with the apparent overcoming of the dichotomist view towards China: that is, either as a threat or as a saviour of national economies. China was an actor with multiple interests and could become a partner as any other state.

In his view, the idea of a triangulation in the relation China, Latin America and the EU could be misleading. This kind of notion supposed that we were talking about a homogeneous actor. But in this case the reality was different. In contrast to Latin America and the EU, China could have a clear international strategy because it was a single national player and not a region composed of multiple states. Hence it might be unfair to accuse Latin America of not having a strategy towards China, when within the region there were many different views and interests that could hardly be harmonised. Even the EU, with a more sophisticated level of cooperation with respect to a common foreign policy, could not be compared with a single state like China. This was a real problem when facing a potential triangular relationship.

The trilateral relation should rather be seen from a global perspective. Of course, there were niches for trilateral cooperation, but a triangular relationship should be embedded within a broader global frame, including other regions and actors like the U.S. The

current international system was characterised by dynamic power shifts. Since the rise of China, the traditional Western powers have been losing leverage, but this would not necessarily mean that there was a zero-sum game: Both China and the EU shared the common interest in the prosperity of Latin American countries. Many European and Chinese companies were working together in Latin America, sometimes in joint ventures, for instance, in sectors like telecommunications, energy, and infrastructure. In the aforementioned sectors, as well as in culture, science and education, the European expertise about Latin America constituted a valuable asset for Chinese government and companies.

Esteban, as Ríos before, remarked the lack of mutual knowledge between China and Latin America. This obstacle posed two problems: either overtly high expectations, leading to frustration, or mutual distrust, leading to unnecessary rivalries. In either way, these would hinder the setting up of an effective trilateral relationship.

Finally, Dr. Esteban pointed out that the Chinese style of negotiation was based on state-to-state contact. This approach had limitations for China, because it allowed China to only participate in very concrete sectors and with some few states. China would slowly move toward a different strategic approach. If China wished to foster its contacts with these two regions, it was well advised to diversify its tactics. Again, European governments and other actors could provide the Chinese with this know-how.



DISCUSSANT:

MR. LAURENCE WHITEHEAD

University of Oxford

Mr. Whitehead summarised the main ideas of the previous presentations. In a general sense, the presentation focused on the question posed by the title of the seminar: Does a triangular relationship between Latin America, China and the EU exist?

According to Ms. Bremer, from a German foreign policy perspective, that triangle does not exist. There is a potential for it given interests and shared values, but it does not exist yet. From the opposite and optimistic view, Ríos stated that the triangle is there, even when it is precarious. In the case of Esteves, the emphasis was on long-term relationships between China and Latin America, and a multidimensional approach to world geopolitics. He was also concerned with multilateral issues, like for instance, environmental matters, and stressed how difficult it was to reach consensus in such complex matters.

On the other hand, Dr. Cui presented the Chinese perspective, taking into account the infrastructure investments in Latin America, and the alliance building in terms of development and changes in the global order. He envisioned a long-term development partnership between China and Latin America, arguing that the interests of the region coincided with China's global strategy. Meanwhile, for Esteban, the first aspect to consider in understanding a potential triangular relationship was to recognise that the three players were of different nature: two of them are heterogeneous (LAC and EU) and the other one a homogeneous state (China). He also discussed, as the basis for a constructive partnership, the importance of developing people-to-people relationships and the need for mutual knowledge.

With the ideas from this panel and the opening discussion in mind, Mr Whitehead stressed the need of cooperation; otherwise the potential partners might be facing a new crisis caused not only by the perceived asymmetries, but also by a possible negative feedback in the relationship.

Prof. Carlos Malamud commented that the idea of a triangulation between China, Latin America and the EU was not a new one. It started in the early 21st century with some agreements between China, Latin America and Spain. At the initiative of China, it was now resurging with the objective to extend it from Spain to the rest of the EU. However, this new triangular approach was associated with specific corporate cases and not with the region as

a whole or individual states. Malamud formulated two questions: Does China have a global strategy for Latin America or different strategies for each Latin American country? And, why has the China-CELAC Summit been evaluated with indulgence, while the Summits between Latin American and the EU or the Iberian American summits were criticised so harshly because of their relative poor performances?

Mario Esteban answered that the Chinese strategy was a coherent strategy, and it was changing from a less opaque approach to a more benevolent one, especially with respect to the behaviour of its companies working in Latin America.

Germán Ríos said that China actually had a strategy for the region, but that it was not working, and it was not always well received in every Latin American country. This might be the reason for some countries to stay away from doing business with China. However, strategies were changing and, in the mid-term, a more comprehensive cooperation might be possible. In the case of CELAC, he claimed that the Chinese were victims of their own lack of information on Latin America. CELAC was a political forum and not an operative and technical mechanism. CELAC was not created to engage in projects for the region, and this characteristic thwarted cooperation. Institutions like CAF, FONPLATA, IIRSA and the Inter-American Development Bank were in a better position to fulfil this task and promote a more effective cooperation.

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Dr. Felix Peña subscribed to Ms Bremer's view, arguing that although the triangle was formally not existing, in a complex world there were multiple options, opening to every state many opportunities for triangulation, even to overlapping triangles. He stated that the current world order was one characterised by the "cross-polygamy" of international and transnational relations.

Dr. Evan Ellis asked Mr. Cui why China chose CELAC, a new and less institutionalised organisation, instead of choosing the OAS, a more stable and a long-standing regional organisation. He also wondered if Chinese companies were exploring collaboration with European counterparts to navigate the complex business environment of Latin America and the Caribbean.

Alejandro Álvarez (Inter-American Development Bank - Europe) expressed a favourable point of view regarding the trilateral relationship. China was amidst a transition in its approach to Latin America. For instance, the new investments in cooperation with the IDB had been in accordance with the social and environmental regulations. China had complied with the regional and international rules for investments, and Chinese officials were learning how to do it, even asking for training in some Latin American multilateral organisms.

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Gonzalo Paz highlighted three aspects: First, it was true that China and Latin America knew very little about one another, but lately both had learnt more than ever before. Around 40 Confucius Institutes were established in Latin America. Second, in the strategic interaction, China and Latin America faced an agency problem and difficulties in joint actions; this would not change, despite the changes in strategy. And third, we should be aware of the fact that the triangle between China, Latin America and the EU was not the only one, and to understand it we should make an effort to put it into context with respect to other triangular relationships.

Prof. Bert Hoffmann asked Mr. Cui if it was possible to talk about China as a homogeneous agent. He also asked how and if the goals of Chinese companies were concerted with governmental interests.

Mr. Cui Shoujun answered to Dr. Ellis that China chose CELAC instead of OAS because its government believed that the former represented Latin America better, while at the same time China and the US. shared another coordination mechanism, the Strategic Economic Dialogue (SED), for coordinating on Latin American matters, even though the U.S. was not part of the China-CELAC dialogues. For Mr. Cui, prospects for other triangles exist in addition to the “China-U.S.-Latin America” triad.

To Dr. Hoffmann, Mr. Cui answered that there were two levels of coordination in the Chinese relationship: one with companies and another one with the government. At the first level, we found public companies that were aligned with government interests. At the second level, there were private companies with their own goals and complex relationships with the government, yet coordination was still possible.

PANEL 2

**POLITICAL OPPORTUNITIES
AND CHALLENGES**

MODERATOR:

Prof. Dr. Bert Hoffmann
GIGA Institute

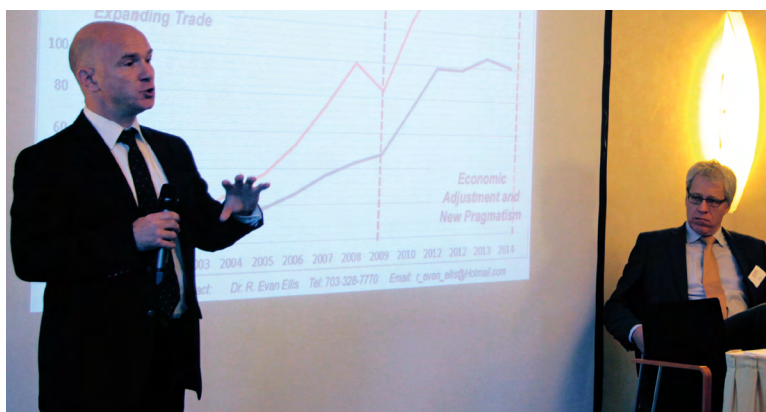
PROF. DR. JIANG SHIXUE

Chinese Academy of Social
Sciences CASS, Beijing

Unfortunately Prof. Jiang Shixue had to cancel his participation in the seminar on short notice; however, the panel moderator, Prof. Hoffmann, read a brief statement that was prepared by Mr Shixue: For the Chinese leadership, the cooperation of China with Latin America constituted a strategic issue. This relation concerned not only economic but political matters as well. A dynamic mutual exchange, with frequent mutual official visits and legislative regulations in order to frame the relationships, had been taking place. In addition, strategic military exchanges with armed forces of some Latin American countries in terms of peaceful cooperation were in effect.

For China, the political stability of Latin America was an advantage. China was confident that the regional authorities were capable of maintaining it. Thus, China's intention was not to destabilise the region, but, on the contrary, to help boosting the region's economic growth and to support political stability. In Venezuela, for instance, it was not the relationship with China that has caused the internal political tensions. China was only interested in oil reserves, and it has not interfered in Venezuelan politics. Chinese policy of non-interference in domestic political issues was the norm for the rest of Latin America as well.

Beijing was not engaged in promoting any ideology: neither pro- nor anti-U.S. government, neither left nor right wing. The assumption that the Chinese goal in the region was to undermine U.S. influence was not true. China was committed to the preservation of a good relationship with the U.S. This aspiration would not be put to test by creating unnecessary tensions with the Americans on the Western Hemisphere. Moreover, the relationship with the U.S. was a fact taken into account in the Chinese approach to Latin America.

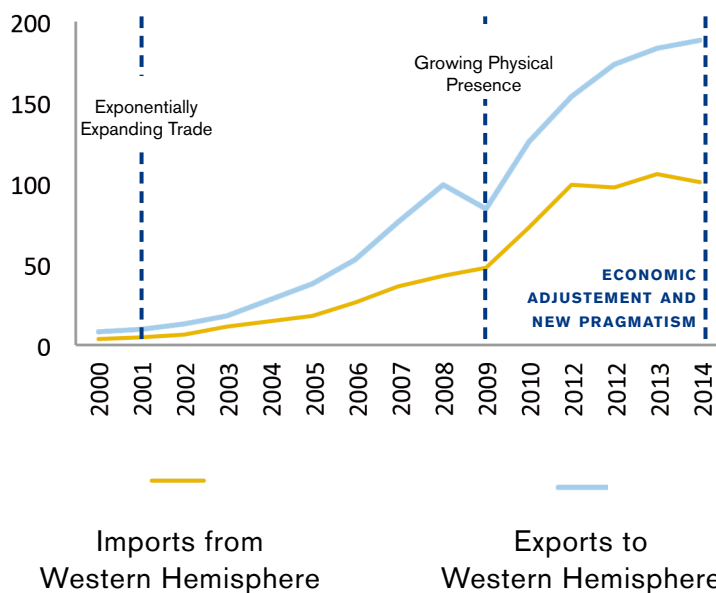


According to Dr. Ellis, in the past fifteen years, there had been three crucial transition points in China's engagement with Latin America: First, in 2001, China was accepted by the World Trade Organisation; this marked the beginning of an exponential expansion of Chinese trade within the region, albeit one in which there was little physical presence of Chinese companies and personnel in the region. This exponentially expanding trade between China and the region eventually eclipsed the struggle between China and Taiwan for diplomatic recognition in the region, which had previously dominated the relationship. Second, in 2009, investments and operations by Chinese companies in Latin America began to take off, giving China and its companies an increasing role in the internal affairs of the countries where they operate. Third, in 2015, a combination of the deceleration of China's economic growth and a mounting awareness in the region concerning difficulties with China-backed projects and regimes, caused the business and political leaders of Latin America and the Caribbean to move toward a more balanced and pragmatic attitude towards the Peoples' Republic of China (PRC), including more realistic expectations regarding its potential contribution to regional development.

PROF. DR. R. EVAN ELLIS

U.S. Army War College,
Carlisle, PA

Chinese Trade with the Western Hemisphere



The new dynamics of the third stage reflect a growing understanding of China and Chinese companies in the region by its business people and political leaders, including real

opportunities, as well as complications that had led to the delay or collapse of numerous publicly-announced projects and loan funds, as well as concerns regarding the behaviour of Chinese firms in the region, including their propensity to hire Chinese workers and subcontractors, and their relationship with local labour forces and communities. The core of the dynamic between the Chinese and Latin America involved partnerships with local businesses and firms, with each side looking for opportunities through an imperfect process of mutual cooperation.

According to Ellis, Chinese involvement in Latin America also implied increasing Chinese attention to the security of their operations and firms in the region, since the industries in which their investments in the region were concentrated (petroleum, mining, and construction) involved operations in remote areas, with criminals, insurgents, and other actors who may resist or seek to profit from the Chinese presence through activities such as robbery, kidnapping, and extortion. Such risks would require Chinese companies to become both smarter in the employment of private security, as well as working more closely with government security forces in the region.

China also had an increasing military presence in the region. This included arms sales as well as an increasing array of reciprocal professional military exchanges and training between China and the region. The People's Liberation Army was also expanding its operations in the region, moving from multilateral operations such as MINUSTAH in Haiti, to bilateral activities such as the conduct of a military medical exercise with Peru in 2010, to more sophisticated engagements, such as sending its hospital ship to the region on several occasions.

Telecommunication and space technology were other fields in which Beijing was also deepening its relationship with Latin America. It is currently building 3-G and 4-G networks across the region, expanding from the Southern Cone to Central America and the Caribbean, and possibly a \$10 billion project in Mexico. In space cooperation, it co-developed and launched four satellites for Brazil under the CBERS programme, and developed complete space infrastructures for Venezuela and Bolivia and also launched a micro-satellite for Ecuador. It also constructed an important and controversial radar tracking facility in Neuquen, Argentina, as well as astronomical observation facilities in Chile.

China had been a key factor in the region's changing of orientation from the Atlantic to the Pacific, including the expansion and modernisation of Pacific coast ports, and new highway connections from the Pacific Coast of Ecuador, Peru and Chile to the interior of Brazil. Trade with the PRC was also a key factor in the current expansion of the Panama Canal, and its funding and the participation of its companies would determine whether or not the \$50 billion Nicaragua Canal would move forward. Trans-pacific commerce was also driving the expansion of port infrastructure throughout the Caribbean, including Mariel (Cuba), Goat Island (Jamaica), and Freeport (Bahamas). Such projects were transforming the patterns of commerce in the region, as well as patterns of social interaction. For example, the southern bi-oceanic corridor had played a key role in opening up the previously isolated region of Madre de Dios to both legitimate businessmen, and illegal logging and other activities.

The increasing flow of goods across the Pacific, and the growth of personal connections and financial and physical infrastructures to support such flows, had given rise to transpacific organised crime, including human trafficking and extortion, precursor chemicals for drugs sold by Chinese companies to narcotraffickers in Mexico and Central America, the purchase of illegally sourced metal from Latin America by Chinese companies, illegal arms trade, and money laundering. The problem would become increasingly serious in the region because law enforcement officials in the region generally lack the technical contacts in China, fluency in Chinese languages, and ethnically Chinese personnel to conduct investigations, to effectively combat the threat. This was an area in which both the U.S. and the EU could cooperate with both the PRC and Latin American and Caribbean states to confront the challenge.

Dr. Ellis identified some ways in which Chinese engagement was impacting the region in a way that adversely affected the United States. One is that China is financially underwriting anti-U.S. regimes such as those of ALBA and Argentina. Indeed, between 2005 and 2013, according to a database compiled by Boston University professor Kevin Gallagher, 75% of the \$119 billion in loans going from China to the region went to ALBA or Argentina. During 2015, China committed additional funds of US\$ 5 billion to Venezuela during that nation's electoral cycle, and US\$ 7.5 billion to Ecuador, and had cumulatively loaned US\$ 7 billion to Bolivia. While China had not publicly associated itself with the currently stalled Nicaragua Canal, it was doubtful

that the \$50 billion project would go forward without Chinese funds, making the PRC critical to the survivability of the socialist Sandinista regime in Nicaragua.

Dr. Ellis also noted that China's choice to deal with the region through CELAC, rather than the OAS, where it has been an observer since 2004, reflected a strategic move on its behalf to separate the two relationships, to minimise the U.S. voice at the table in China's relationships with the region.

He also noted that, in the unlikely event of a major conflict between the U.S. and China, the latter would likely seek to leverage its economic and other influences in the region to prevent its members from joining an anti-China coalition, or later supporting the war effort. In such a global conflict, China's commercial presence in the region could be used to facilitate the introduction or sustainment of Chinese operatives to conduct espionage, sabotage, or other operations in support of the war effort. Moreover, if one or more Latin American states agreed to permit the use of its ports, airports or territory in support of such a war effort, the knowledge of such facilities possessed by Chinese companies, and the experience of Chinese military officers interacting with their Latin American and Caribbean counterparts, meant that the PRC could set up effective operations in the region more rapidly than is commonly recognised.

Finally, Dr. Ellis pointed out some possible implications for the EU. European countries and governments could be affected indirectly by the reactions provoked in the region by the Chinese engagement. Increasing dissatisfaction with China, as Chinese growth slowed down, could drive anti-U.S. states such as Ecuador, and others who had become dependent on China, to seek stronger ties with the EU as a way of diversifying their economic and political relationships away from China without returning to the United States. On the other hand, to the extent that Chinese engagement with Latin America and the Caribbean prompted greater U.S. attention to the region, the U.S. government and its companies could seek to establish new partnerships with European counterparts to counterbalance Chinese advances in the region.



Prof. Flôres began his talk with a reflection about the history of China. In the transition from the Tang to the Song dynasties in the 10th century, China experienced a long and unstable political period. At the same time, this period was rich in political knowledge, medical advances, technical innovation and arts. According to him, from the history of China, there was a lot to learn about turbulent transitions and possible benefits not always obvious at the moment. Sometimes conflicting ideas were the basis for creativity. He suggested that in Latin America more Sinologists were needed to teach people about the Chinese experience. Until the moment, Latin Americans have been dealing with China from a limited Western point of view only.

Chinese, like Latin Americans, aimed to transform the world order in a peaceful way, and from within. Latin America needed to understand better the transformations taking place in the current world order. Latin America should try to develop a more comprehensive view of China. It should establish partnerships with China inviting the U.S. and EU. For instance, China was investing, along with the EU, in 5G technologies. Latin America required developing a better relation with China and the EU to catch up with this kind of innovation.

Prof. Flôres defended the idea of the triangular relationship. From a constructivist point of view, he claimed that there could be a triangular partnership if the actors involved really wanted it to exist. It could help all states involved to project their interests worldwide.

The Chinese “One Belt, One Road” project was about reinventing international relations. Even outside the “Road”, there was a

PROF. DR. RENATO FLÔRES

Fundação Getulio Vargas - FGV/
IIU, Rio de Janeiro

potential increase in cooperation with Latin America as an external promoter of agreements. In order to build a triangular relationship, reinventing the relations between China, Latin American and the EU was of central importance. This included a reconsideration of existing agreements.

Prof. Flôres noted that even if it was unlikely, the possibility of a conflict between China and the U.S. existed. Sinologists worldwide thought that, given the many crossed interests, this clash could be initiated by accident leaving rationality and calculations behind. In the discussion of this triangular relation, this probability should necessarily be considered. If it were to take place, the Ibero-American countries would be probably forced to take sides. For this reason alone, Latin American countries should work towards avoiding such a scenario.

PROF. DR. ÉRIC DUBESSET

University of Bordeaux,
Montesquieu Centre for
Political Research

According to Dubesset, a pivotal tenet in the study of China in the Caribbean is the taking into account the considerable heterogeneity in the Caribbean sub-region, including languages, political regimes, and economic models. Over the past years, an increasing presence of China had been observable in the Caribbean Basin. Since the 19th century, this sub-region has experienced waves of Chinese migrants, the last one going hand in hand with major financial interests. A high concentration of financial presence in the Caiman Islands and the British Virgin Islands was observed, amounting to 95% of the total of Chinese financial investments in this region. Dubesset believed that in a triangular relationship between China, Latin America and the EU, the Caribbean could represent an appropriate laboratory for the study of new developments in the regulation of tax heavens.

China as an emerging power might also have political ambitions in this area. To support this contention, Dr. Dubesset cited the White Paper and the aspiration of the Chinese to take a lead in South-South relations as well as the quest to obtain some leverage on the insular Caribbean countries in order to obtain more votes in the UN General Assembly. These were strategic concerns for Beijing.

The Caribbean Basin also constituted a platform where historical political tensions between China and Taiwan were played out, since one third of the countries that recognised Taiwan as a sovereign state were located in that area. While Taiwan followed a

strategy of economic cooperation, China combined economic and political approaches, establishing ties with ruling parties as well as with opposition parties. Beijing privileged its ties with Trinidad and Tobago, the informal leader of the CARICOM, and with Cuba, the ideological beacon within ALBA and CELAC.

China had a role to play in the development of the regional integration of the Caribbean. It participated in multilateral regional institutions like the Caribbean Development Bank. The Chinese were also involved in military and police cooperation. China was part of the UNSTAMIH. It donated police equipment to Dominica, made recent donations to the military of Suriname for around US\$ 2 million. To the Jamaican military, it granted almost US\$ 3 million, and it had been engaged in a programme for training and exchange of military personnel. China was also promoting its language and culture in the Caribbean and opened two Confucius Institutes in the University of the West Indies and the University of Puerto Rico respectively.

By performing a narrative of mutual respect and employing a soft power, China tried to dissipate the concerns about a potential hegemony. On their part, the insular Caribbean states benefited economically and politically from their relationship with China. They have taken advantage of this relation to diversify and diminish the American and European influence. The key in this relationship had been the principle of non-interference in domestic issues. Thus, the harmony between a major emerging power as China and the small Caribbean insular states had been accomplished through reciprocal respect, mutual trust, responsible partnership, and a harmonic share of gains.

Resuming Dr. Jiang Shixue's written intervention, Paz observed the ubiquitous presence of the U.S. in any analysis of the relations between China and Latin America. From the Chinese, as well as the Latin American perspectives, the U.S. was a constant factor. According to his intervention, China was an element of stability for Latin America. The Beijing endeavour in fostering economic growth and political stability in the region were linked to interests in investments and a quest for natural resources.

With respect to Dr. Ellis talk, Dr. Paz said that the Chinese factor had contributed to the strengthening of populism in the Latin American region through loans and investments, and also through

DISCUSSANT:

DR. GONZALO PAZ

Georgetown University,
Washington

diplomatic support. However, this new populism displayed an internal contradiction in its relationship to China, because, on the one hand, it aimed at reducing extractivism but, on the other hand, it used extractivist revenues to the implementation of policies. With regards to a potential Chinese-U.S. conflict that might involve Latin America, as mentioned by Dr. Ellis, Dr. Paz stated that he considered such a scenario not as an “unlikely” reality, but rather as an “unlikely-soon”-reality. Even though in Latin America no one was worried about it, but Washington and Beijing were trying to control the potential conflict triggers.

Dr. Paz qualified Dr. Flôres’ presentation as a normative one. He sketched what ought to be the reasons for a triangular relationship. Yet the intervention also criticised and underlined the low degree of preparedness of Latin America for building a constructive dialogue with China.

According to Dr. Paz, Dubesset identified the Caribbean states’ international standing as an advantage in the exchange and leverage vis-à-vis major powers. The way the Caribbean countries had been dealing with the rivalry between China and Taiwan was beneficial for this sub-region. A central issue in the policy of China towards the Caribbean countries concerned the relation with Cuba, not only for ideological reasons, but because Cuba was perceived by Beijing as a natural Latin American leader. Dr. Paz also stressed Dr. Dubesset’s claim that even when, traditionally, Chinese agreements in their South-South relations have been asymmetrical, Beijing had recently begun to sign more balanced treaties with Latin America. Lastly, Dr. Paz raised the attention to possible changes in Taiwan’s government. Should these changes materialise, the possibility for a reactivation of the China-Taiwan tensions existed, with important implications for Latin America, especially for those Caribbean states that recognised the sovereignty of Taiwan.

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Dr. Wu defended the decision of directing China's capitals and investments to ALBA countries and Argentina, since according to him, Chinese companies would go where political leadership was stronger.

Carlos Malamud formulated two open questions to the panel: How did the Latin American excessive presidential diplomacy affect the dynamics of agreements and mutual understanding between China and the region? What would the Chinese strategy be after a Venezuelan political collapse, or if the government changed and the new authorities declared the agreements as illegitimate?

Díez Torres remarked that, in reality, the Latin American relationship with China was asymmetrical and promoting dependence. He wondered if it could be considered a new kind of colonialism, and which role the free trade agreements could play in such a context.

Cimoli clarified that no information about the origins of FDI in the current different integration schemes in Latin America (related to the Caribbean as tax heavens) existed. He also wondered how China could be conceived of as an integrative player when, at the same time, it was fostering financial disarticulation.

Dr. Ellis argued that not all kinds of bilateral relations were just, and that, under asymmetrical conditions, it was difficult to achieve beneficial agreements for all parties involved. The best way to

achieve satisfying agreements and to improve cooperation among all parties was a better coordination of politics between China, the U.S. and Latin America.

For his part, Renato Flôres said that Latin America was to blame for its lack of coordination. According to him, Venezuela would respect all contracts and agreements with China, just as in the case of South Sudan. He believed that commodities were still very important in a global economy, and that most of the Mercosur countries produced one very important commodity: food. Again in a normative sense, Flôres encouraged an intra-Latin American dialogue in order to coordinate policies within five-years plans.

Dr. Éric Dubesset tackled Dr. Cimoli's question about the role of China and integration, stating that the Caribbean heterogeneity, beyond China's impact, produced a centrifugal force capable of limiting the integration of the region.

Finally, Dr. Gonzalo Paz said that the TTIP was only one element within the U.S. strategy of the "pivot to Asia" policy. He would look with caution at Venezuela, qualifying it as a case under observation given its internal circumstances and its relations with China. Lastly, Dr. Paz called attention to the impact of China. For instance, the recent Argentinean elections could be analysed in view of the Argentina-China agreements in the energy and financial sectors, and as part of the 2008 crisis between the government and the agricultural sector.

PANEL 3

**ECONOMIC OPPORTUNITIES
AND CHALLENGES**

MODERATOR:

Ms. Corinna Bremer
German Federal Foreign Office



**MR. ROBERTO
CORRALES CAZARES**
InnoCentro LLC

Mr Corrales talked from both an entrepreneurial and from a Mexican perspective. Mexico, along with the U.S. and Canada, formed part of NAFTA; however, it also signed trade agreements with other 43 countries around the world. To Mr Corrales, despite internal disagreements, CELAC had an important role to play. The organisation acknowledged the “unity in the diversity”, and should be used as a model mechanism for the articulation and coordination of policies in Latin America.

With respect to industrialisation, Latin America had still a long way to go. It should overcome the remaining cultural barriers to productivity. However, Mexico in the last 20 years was able to shift from being an importer to being a major exporter. As of the world trade, it still had much to learn from the Brazilians. Today Mexico was more dependent on imports than in earlier times.

Mexico, as a NAFTA member, was not always considered part of Latin America. But Mexico could be the link of Latin America to the U.S. The country had been specialising in some specific types of manufacturing to satisfy the North American markets, competing in a way with China. Regarding oil, Mexico had an advantage in access to the U.S. market, even when lately the costs had been rising.

The Chinese had a growing interest in Mexico, as well as in the rest of Latin America. Nonetheless, the lack of mutual knowledge formed a major obstacle. The Chinese were making an effort to understand Latin America, but often Latin Americans would not engage in the same effort, for instance, by learning the language as a starting point of mutual comprehension.



Dr. Wu considered a triangular relation between China, Latin America and the EU in economic terms as a viable possibility. As other speakers before him, Dr. Wu stressed the Chinese-Latin American relations with emphasis on official visits: the president Xi Jinping visited Mexico, Costa Rica, and Trinidad & Tobago in 2013; and Venezuela, Brazil, Argentina, and Cuba in 2014; and in 2015 China's prime minister Li Keqiang visited Brazil, Colombia, Peru, and Chile.

PROF. DR. WU GUOPING

Chinese Academy of Social Sciences, CASS, Beijing, and Director of Centre for Latin American and Caribbean Studies - Southeast University of Science and Technology

However, the slowdown of the Chinese economy (an expected 6,5-6,9% between the end of 2015 to 2020) had a negative impact on the economies of the region reducing Chinese imports and forcing a change in the current model of raw materials trade. The new Chinese model was based on innovation and new forms of productive cooperation. Its economy was changing from quantitative to qualitative growth. This, among other issues, was discussed this year at the China-CELAC Summit. China was looking for a broader platform for a dialogue with the whole region, even with those countries that recognised Taiwan as a sovereign state.

Even from an optimistic view, Dr. Wu identified several challenges for a triangular cooperation. The most important one was the need for a better mutual knowledge. In this regard, the EU could play an important role as a provider of know-how. A second challenge was related to the different interests involved in Latin America, where governments, companies and societies did not always share the same goals. The third challenge was the lack of trained professionals capable of facilitating such triangular relationship. And a fourth challenge was posed by the current

competition between Chinese and European companies for Latin American markets. In Dr. Wu's opinion, a large part of these challenges could be tackled by encouraging trilateral cultural and human exchanges between China, Latin America and the EU.

DR. FÉLIX PEÑA

Director Institute for International Trade, ICBC Foundation, Buenos Aires

Dr. Peña talked about three recent books that touched on the dynamics of a world in transition. The first book, already mentioned by Dr. Esteves, was Acharya's *The End of American World Order*. Dr. Peña recommended it for its explanation of a new world order, an order full of options and with many triangles working in parallel. The second book was Christopher Clarke's *The Sleepwalkers: How Europe Went to War in 1914*, a warning about how rationality was not enough to prevent international calamities. Dr. Peña used the main thesis of the book—the danger of path dependency in world politics—to illustrate how the conventional wisdom on the world order could turn out destructive. And the third book was Ian Bremmer's *Every Nation for Itself: What Happens When No One Leads the World*, for its examination of interests and foreign policies in a world that faces common challenges.

Dr. Peña referred to the observation of Dr. Esteves about Latin America as a collection of actors with multiple interests, capabilities and preferences. In the study of a triangular relationship, this characteristic of the region should be the first aspect to be considered. A second reference in Dr. Peña's talk related to a comment during the opening discussion about how the triangular relationship needed to be embedded into a global governance frame of regulations. In his opinion, inter-regional relations required institutionalised agreements, otherwise the probable outcome would be fragmentation, and fragmentation could lead to conflicts. An essential part of institutionalisation was the regularisation of summits and meetings of experts; moreover, he envisioned the exchange of university students in a kind of "Global Erasmus", including worldwide internships.

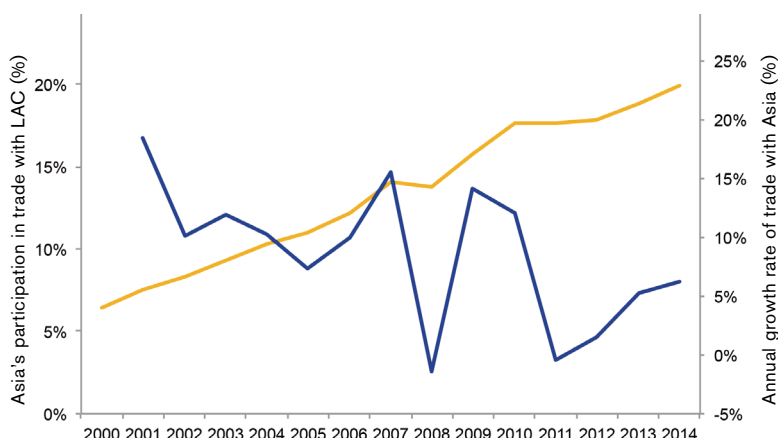
Finally, Dr. Peña took a look inside Latin America and discussed the process of normalisation in the U.S.-Cuban relations. For him this constituted a unique opportunity for Latin America to finally include Cuba in the design of a global strategy.

Dr. Blyde observed that in the last 15 years the China-Latin America trade has increased considerably. However, this higher growth has concentrated in the trade of raw materials and lacked diversification. On the other hand, in the past years, the Latin America-EU relations had turned more diverse and stable.

DR. JUAN BLYDE

Inter-American Development
Bank IDB, Washington

Trade Dynamics (exports and imports) between Latin America and Asia



China would continue requiring raw materials from Latin America; however, a major structural adjustment of the Chinese economy was underway which was also affecting the national economies of Latin American countries. According to Dr. Blyde, in the light of the on-going changes in Chinese patterns of consumption, this region should be proactively diversifying its export products.

The second part of Dr. Blyde's talk dealt with the triangulation of value chains. Industrial trade agreements between two countries would typically foster value chains. If a second country had an agreement with a third country with which the first country would not have an agreement, the second would lack stimuli to use raw materials from the first —given the added tariff costs— thus breaking the value chain. In the intra-regional trade, this was currently happening given that many agreements were drafted with unclear rules of origin. This could be an additional complication within a triangular relationship between China, Latin America and the EU, because of the multiplicity of actors and the uncoordinated bilateral trans-Atlantic and trans-Pacific free trade agreements.

DISCUSSANT:

**PROF. DR. CARLOS
MALAMUD**

Elcano Royal Institute, Madrid

Resuming the interventions of this panel, Prof. Malamud stated that Mr Corrales had stressed the difficulties in the cooperation between Brazil and Mexico. For Prof. Malamud, Brazil could benefit from a shared regional leadership with Mexico. With respect to Dr. Wu's intervention, Prof. Malamud highlighted the need for mutual knowledge. Regarding Dr. Peña's talk, the discussant underlined the "multiplex" world and the many options available, and how these hindered the harmonisation of multiple interests. Prof. Malamud recalled from Dr. Blyde's talk the importance of the value chains in functional triangulations, and how the rules of origin could pose a technical obstacle for a dynamic international trade. With respect to the main issue (whether a triangular relationship existed or not), Prof. Malamud remarked Dr. Wu's optimism, Dr. Peña's caution, and Dr. Blyde's scepticism.

The discussant also talked about the slowdown of the Chinese economy and its effects on a number of Latin American economies. CELAC could function as a coordination mechanism in the search for a common strategy, but its low institutionalisation obstructed the establishment of adequate mechanisms. Another problem could be seen in the conflicting coexistence between CELAC and UNASUR, which, as a result, could be an obstacle for the integration of Latin America.

Finally, Prof. Malamud raised awareness on the relationship between the private and public sectors in Latin America, an often ignored but important issue for future discussions due to the weight of state companies in China's approach to the region.

Dr. Ellis asked Professor Wu if he, as a Chinese government advisor, believed that Latin American and Caribbean states should be encouraged to meet among themselves prior to summits with China, in order to coordinate what they hoped to receive from the PRC and their position toward China on various issues.



Prof. Flôres stressed that Dr. Blyde's presentation was enlightening, especially with respect to the value chains problem and the rules of origin. However, Dr. Flôres encouraged Dr. Blyde to broaden the scope of the analysis to capture the many existing synergies within Latin America.

Hoffmann asked Wu for his take on the Chinese investments in Cuba, especially in the harbour of Mariel. He wanted to know whether these investments were driven rather by ideology or by pragmatism.

Valdez stressed the recent changes in Cuba and called for a more assertive policy in order for Cuba to become integrated in the region, and avoiding to leave it in the hands of a single power. He also stressed the issue of the global governance as a means to control international fragmentation. He agreed with Dr. Blyde with respect to how Latin America was delayed in devising value chains and generating value-added production even in countries of the Pacific Alliance. In his opinion, if Latin American countries did not reach an agreement to structure value chains, triangulation would not materialise.

Mr Alfonso Díez Torres complained about how the elites in some Latin American countries viewed with delight the "EU's fail", preferring the so-called "post-liberal integration". This kind of integration was based on politics and ideology, and it was incapable of creating value chains.

Prof. Wu said that a triangular relationship would not yet exist, but there existed many opportunities to develop such a relationship because of the Chinese government's interest in cooperating with the EU. Without the European support, the endeavour would fail. China already launched free trade agreements with Peru and Chile, but taking into account that the EU disposed of knowledge and the expertise on Latin America, the avenues for cooperation were open. Finally, Dr. Wu acknowledged the political problems experienced sometimes by Chinese companies in Latin America because local and the national governments belonged to different political parties.

Concerning Cuba, Dr. Peña said that the island would need to diversify its current and future relations. For him, the rest of Latin America had the moral responsibility to accompany Cuba in its opening process. Finally, Dr. Peña warned that the world would risk becoming a "factory of obsolescence", and the integration schemes should be revisited considering the rapid changes in the world order. Latin America, as well as the rest of the world, should look back to the essential questions regarding why we would need to work together and in which manner.

Dr. Blyde agreed with Dr. Flôres on the regional synergies, and stressed that integration went beyond tariff preferences. The first and much needed step for a triangular relationship between the regions was to fix the fragmented trade system within Latin America by coordinating rules of origin in order to establish intra-regional value chains, and only by accomplishing this it would be possible to think about more extended triangular relationships.



Mr Jorge Valdez made a final statement about the challenges ahead for a China-Latin America-EU triangular relationship. This included the current economic slowdowns in the three regions within a recession of world economy, the political uncertainty in Latin America, and an evident crisis of multilateralism in a “multiplex” world.

Within those challenges, different reactions were observable, like China’s attempts to restructure its demand by imposing restrictions on its request of raw material from Latin America. However, there were also rising expectations related to the world economy through the Chinese policy of “One Belt, One Road”, even when the Latin American role and opportunities in it were not yet clear.

Along with challenges and reactions, new opportunities have emerged. Many great powers still denied China’s prominent role in global governance. The EU and Latin America could help their Asian partner to reach the global status it deserved.

Mr Valdez closed the discussion by stating that this seminar allowed the participants and the audience to embark on a path towards a better understanding of a potential triangular relationship between Latin America, China and the European Union.

He expressed his gratitude for all institutions and people who were involved in the organisation of the event and thanked all institutions that provided financial support for this Workshop-Seminar - CAF Development Bank of Latin America, the German Federal Foreign Office as well as the European Union.

Brief presentation of the participants

(in alphabetical order)

ANNA BARRERA VIVERO

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Anna Barrera Vivero studied Political Science and Public Law at the Free University of Berlin and holds a PhD in Political Science from the GIGA Institute of Latin American Studies and the University of Hamburg. She worked at the United Nations Development Fund for Women (UNIFEM, today UN Women) and the Bucerius Law School Hamburg. She is currently Programme Manager in Research and New Developments at the EU-LAC Foundation.

JUAN BLYDE

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Juan S. Blyde is Lead Economist at the Trade and Integration Sector of the Inter-American Development Bank. Blyde's research interest focuses on trade and productivity, trade and transport costs, and international value chains. Mr Blyde received his PhD in Economics from the University of Colorado at Boulder and a BS in Economics from Universidad Católica Andrés Bello (Venezuela). Prior to the IDB he worked as an economist at the Congressional Economic and Financial Advisory Office of Venezuela. Mr Blyde published articles in various academic journals such as *Journal of*

International Economics, *Review of International Economics*, *International Economic Journal* and *Review of World Economics*, among others.

CORINNA BREMER

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Corinna Bremer studied Modern China Studies, Economics and Politics in Cologne, Germany, and Nanjing, P.R. China. Between 2001 and 2014, she held various management positions in Beijing and Hamburg at Germany's largest media corporation, Bertelsmann. In October 2014, she started working at Germany's Federal Foreign Office as a desk officer in the Central America division.

CUI SHOUJUN

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Cui Shoujun is Associate Professor and Assistant Dean at the School of International Studies at Renmin University of China (RUC). He founded the Centre for Latin American Studies at RUC where he is the Director. His research focuses on energy studies, geopolitics, and developing countries' studies, with a particular focus on Latin America. He was a EU Marie Curie scholar at several European Universities and participated in the "International Visitor Leadership Program" hosted by the U.S. Department of the State. Currently, Dr. Cui Shoujun is undertaking a research project titled "China-Latin America Science and Technology Cooperation Studies

in the Context of China's Going Global Strategy" granted by China's Ministry of Science and Technology. His book titled *China and Latin America In Transition: Policy Dynamics, Economic Commitments and Social Impacts* will be published soon by Palgrave Macmillan. As a partner, Dr. Cui Shoujun is participating in the EU Horizon 2020 Research Project with several European Universities.

MARIO CIMOLI

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Mario Cimoli is Director of the Division of Production, Productivity and Management and Officer in charge of the Division of International Trade and Integration at the United Nations' Economic Commission for Latin America and the Caribbean (ECLAC) as well as Professor of Economics at the University of Venice (Ca' Foscari). In 1992, he obtained his PhD. at SPRU (University of Sussex) with a thesis that analysed the effect of technological gaps and trade on growth in developing economies. In 2004, he was appointed co-director (with Giovanni Dosi and Joseph Stiglitz) of two task forces: Industrial Policy and Intellectual Property Rights Regimes for Development (Initiative for Policy Dialogue, Columbia University, New York). He was also awarded the Philip Morris Chair of International Business (2004) at the Sant'Anna School of Advanced Studies, University of Pisa. He has given speeches and published various

books and articles on economic issues referring to industrial policy, science, technology and innovation.

ROBERTO CORRAL

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Roberto Corral is Vice-President and General Manager at Innocentro LLC, a Mexican company that works in the sectors of Transportation, Aerospace and Consuming Goods Industries and offers manufacturing services covering Mold Design & Mold Manufacturing, Component Drawings and Document Control, Kit Assembly and Systems Integration. The company established customer relations in China, Latin America and the European Union, in addition to North America.

ÉRIC DUBESSET

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Éric Dubesset is a professor and researcher at the University of Bordeaux, France, and member of the academic advisory board of the Institut des Amériques (IdA) in Paris. His research focus on comparative studies includes political history and geopolitics of Latin America and the Caribbean. Among his recently published books are: *Emancipations caribéennes* (Ed. L'Harmattan, 2010), *La Caraïbe dans la mondialisation: Quelles dynamiques régionalistes?* (Ed. L'Harmattan, 2011), *El populismo en Latinoamérica: Teorías, historia y valores* (PUB, 2013), *Dynamiques caribéennes: Pour*

une histoire des circulations dans l'espace atlantique (PUB, 2014), *La présence de la Chine dans la Caraïbe* (IdA-AFD, 2014) and *Cuba dans les Amériques: Relire José Martí au seuil du XXI^e siècle* (PUB, 2015).

EVAN ELLIS

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Evan Ellis is Professor of Latin American Studies at the U.S. Army War College with a focus on the region's relationships with China and other non-Western Hemisphere actors. He has published over 120 works, including *China in Latin America: The Whats and Wherefores* (2009), *The Strategic Dimension of Chinese Engagement with Latin America* (2013), and *China on the Ground in Latin America* (2014). Dr. Ellis has presented his work in a broad range of business and government forums in 25 countries. He has given testimony on Chinese activities in Latin America to the U.S. Congress on multiple occasions, and has discussed his work regarding China and other external actors in the region on a broad range of radio and television fora, including CNN International, CNN En Español, The John Bachelor Show, Voice of America, and Radio Marti. His work on the subject is cited regularly in the print media in the U.S. and Latin America and the Caribbean. Dr. Ellis holds a PhD in Political Science with a specialization in Comparative Politics.

MARIO ESTEBAN

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Mr Esteban holds a PhD in Political Science and a MSc on Asian Politics (School of Oriental and African Studies, London University). He is Senior Analyst on the Asia-Pacific region at Elcano Royal Institute and Senior Lecturer at the Centre for East Asian Studies of the Autonomous University of Madrid. He has served as external expert for the European Commission, the European Parliament, and the Spanish Ministries of Foreign Affairs and Defence. He has also been a visiting professor at the Beijing Foreign Studies University and at the University of Turku, and visiting researcher at the Chinese Academy of Social Sciences and the Chengchi National University in Taipei. His research interests are focused on the international relations of East Asia, EU – East Asia Relations, and the domestic and international politics of China. On these topics he has published several books and numerous articles in academic journals, such as *The China Quarterly*, *Journal of Current Chinese Affairs*, *African and Asian Studies*, and *The European Journal of East Asian Studies*.

PAULO ESTEVES

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Esteves holds a PhD. in Political Science from Rio de Janeiro University Research Institute (IUPERJ). He is the Director of the International Relations Institute of the Pontifical Catholic University of Rio de Janeiro

and the General Supervisor of the BRICS Policy Center. He was a Post-doctoral Fellow at Copenhagen University in 2008. Recent publications include articles and books on development cooperation, the nexus between international security and development and emerging powers. Mr Esteves was President of the Brazilian International Relations Association (ABRI) from 2012-2015.

GUILLERMO FERNÁNDEZ DE SOTO

- Prior to entering CAF as Director for Europe, Mr Fernández de Soto was Minister of Foreign Affairs of Colombia, Secretary General of the Andean Community, President of the United Nations Security Council, President of the Inter-American Juridical Committee (IAJC) of the OAS, Ambassador of Colombia to the Netherlands and to the Organization for the Prohibition of Chemical Weapons, Co-Agent to the International Court of Justice (ICJ) for Colombia, President of the Bogotá Chamber of Commerce, President of the Ibero-American Association of Chambers of Commerce (AICO), President of the Colombian Committee of Economic and Social Council for the Pacific Basin, President of International Relations Colombian Council (CORI), Board Member of the National Financial Institutions, Consultant, Arbiter and Advisor on international and trade affairs, among others.

He has published a large number of works regarding the international relations of his country and Latin America, as well as regional integration. Mr. Fernandez de Soto also has a strong academic background in law and economics from the Javeriana Pontifical University, specializing in Socio-Economic Studies and postgraduate studies in International Relations from Georgetown University and Conflict Management from Harvard University.

BENITA FERRERO-WALDNER

- A career diplomat, Benita Ferrero-Waldner, began her professional career in the private sector in the 1970s and entered the Austrian diplomatic service in 1984. She was Secretary of State (1995-2000), Minister of Foreign Affairs in her native Austria (2000-2004) and European Commissioner for External Relations and Neighbourhood Policy (2004-2010). She was the first President of the EU-LAC Foundation (2011-2015) and is also Board Member of various enterprises.

RENATO FLÔRES

- Renato Flôres is Professor at the Graduate School of Economics (EPGE), Special Aide to the President and Director of the International Intelligence Unit (IIU/NPII) at the Fundação Getulio Vargas (FGV), Rio de Janeiro, Brazil. He has an extensive academic career in Brazilian

and European institutions, with a large experience in teaching, research and consulting. His interests encompass the areas of development economics/ sustainable growth, trade, financial systems & strategies, and risk analysis. He is member of the (enlarged) council of a well-known international bank; the Brazilian branch of the Konrad Adenauer Foundation, Germany; CEBRI – Centro Brasileiro de Relações Internacionais, Rio; EUBRASIL, Brussels, the International Forum for Clean Energy, among others. He is also a member of the IISS – International Institute of Strategic Studies, London.

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- Bert Hoffmann is political scientist and senior researcher at the GIGA Institute of Latin American Studies and Head of the GIGA Berlin Office. He is also Professor of Political Science at the Free University of Berlin and member of the academic advisory board of the Institut des Amériques (IdA) in Paris.

JIANG SIXUE

- Since 2009 Jiang Shixue has been Professor and Deputy Director of the Institute of European Studies at the Chinese Academy of Social Sciences (CASS) and Chair of the Department of European Studies at the CASS Graduate School. Prior to that, he was Professor and Deputy Director

of the Institute of Latin American Studies at CASS. He is also Vice-President of the Chinese Association of Latin American Studies, Vice President of the Chinese Association of Latin American History Studies, and Vice President of the Chinese Society for the Emerging Economies. His areas of academic interest include Europe, Latin America, and the emerging economies.

CARLOS MALAMUD

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Carlos Malamud is lecturer of American History at the Distant Learning National University (UNED, Spain) and head researcher for Latin America at the Elcano Royal Institute of International and Strategic Studies. He is scholar of the National Academy of History in Argentina. He has been visiting researcher at the Saint Antony's College of Oxford University, the University of Andes (Colombia) and the University Di Tella, Buenos Aires. Between 1986 and 2002 he headed the Latin American Programme at the Ortega y Gasset Institute. Nowadays, he works as historian and political and international relations analyst for Latin America. His more recent publications include: *Populismos latinoamericanos. Los tópicos de ayer, de hoy y de siempre*, Ed. Nobel, Oviedo, 2010; *Sin marina, sin tesoro y casi sin soldados. La financiación de la reconquista de América, 1810 – 1826*, Centro de Estudios Bicentenario, Santiago

de Chile, 2007; *Historia de América*, Alianza, Madrid, 2010, Second enlarged edition.

SEBASTIÁN NIETO PARRA

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Sebastián Nieto Parra is Economist of the Latin American and Caribbean Unit at the OECD Development Centre. He works on the production of the annual report *Latin American Economic Outlook*, and currently he coordinates the *Multi-Dimensional Country Review of Peru*. His research interests include international finance, education and infrastructure policies, and political economy in emerging economies. His research has been published in academic and policy journals such as *NBER International Seminar on Macroeconomics*, *LACEA Economía*, *Review of Development Finance* and more recently *International Finance*. Before joining the OECD, Mr. Nieto-Parra was an economist for Latin America at Santander Bank, Madrid. Prior to that, he worked on the stability and regulation of the financial markets, both at the Central Bank of Colombia (Banco de la República) and the Colombian Ministry of Finance. He holds a PhD in Economics from Sciences Po Paris. He also teaches economic policy of emerging markets at Sciences Po Paris.

DETLEF NOLTE

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Detlef Nolte, Vice-President of the GIGA German Institute of

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GONZALO PAZ

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Gonzalo Paz has been a pioneer in the studies on China, Asian and Chinese-Latin American relations. Since 2013 he is researcher and professor at the Latin American Center of the Georgetown University, Washington, DC. He holds a PhD in Political Science of the George Washington University. He has taught at the Elliott School of International Affairs, Georgetown University, American

University and the University of Maryland, and has been distinguished visiting lecturer at the Stockholm University (Sweden), la Università Roma Tre (Italy) and Tel Aviv University (Israel). He has been associate professor at the School of Oriental Studies of the University of Salvador and the National University of La Plata (both in Argentina). His main publications and academic articles include: *Argentina & Asia, 2000-2010: Re-emergence of China, recovery of Argentina*, in Arson, Cynthia and Jorge Heine (eds.), *Reaching Across the Pacific: Latin America and Asia in the New Century*, Woodrow Wilson International Center for Scholars (WWCS), Washington DC, Sept. 2014: 153-186, and *China, United States, and Hegemonic Challenge (HC) in Latin America: An Overview & Some Lessons from Previous Instances of Hegemonic Challenge in the Region*, leading article in *The China Quarterly*, (Special Issue), March 2012: 18-34.

FELIX PEÑA

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Felix Peña is a specialist in economic relations, and holds post-graduate degrees of the Madrid University and the University of Leuven. He is Director of the Institute of International Trade at the ICBC Foundation and of the Master on International Trade Relations at the National University Tres de Febrero (UNTREF) in Argentina. He previously worked for the

Institute for the Integration of Latin America and the Caribbean (INTAL), the Inter-American Development Bank as well as the Argentinian Ministry of Foreign Affairs and the Ministry of Economy. He is currently member of the Executive Committee of CARI (Argentinian Council for International Relations).

GERMÁN RÍOS

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Germán Ríos is Corporate Director of Strategic Affairs at CAF Development Bank of Latin America. He has taught Macroeconomics at the Catholic University Andrés Bello in Caracas, Venezuela, and Fiscal Policy, Project Evaluation and Microeconomics in several universities in Venezuela, the UK, Spain and the U.S. Previously, he was the Andres Bello Fellow at the Latin American Centre of the University of Oxford. He served as Director of Public Investment at the Ministry of Planning of Venezuela, and as Country Analyst in the Brazil Department of the World Bank. Mr Ríos has worked as a consultant for the IDB and the UN Economic Commission for Latin America. He holds a BA in Economics from Universidad Central de Venezuela, a MA in Economics from Johns Hopkins University, a MBA from the Instituto de Estudios Superiores de Administración (IESA), and a MPhil in Economics from George Washington University. He participated in the publication *Understanding Reforms: The*

Case of Venezuela, published by Palgrave, and is co-author of the textbook *Macroeconomics and Oil*, published by Pearson/Prentice Hall.

JORGE LUIS

VALDEZ CARRILLO

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Jorge Valdez served as the first Executive Director of the EU-LAC Foundation (2011-2015). Until October 2011 he was Ambassador of Peru to the Kingdom of Belgium and to the Grand Duchy of Luxembourg, as well as Head of the Mission of Peru to the European Union. He joined the Ministry of Foreign Affairs of his country in June 1967 and the Diplomatic Service in January 1974. Outside the Ministry of Foreign Affairs of his country, Ambassador Valdez has been a board member of the National Commission for Export Promotion, PROMPEX, Executive Chairman of the Peruvian Committee for Cooperation with the Committee for Pacific Economic Cooperation, PERU-PECC, Advisor to the Secretary General of the Andean Community on the Common Foreign Policy and on Common Policy on environmental issues and, more broadly, on Political Cooperation. He had also advised the Rector of the Pontifical Catholic University of Peru in the development of the project "Towards a School for Integrated Management" and was Director of Studies of the Organizing Committee of the School of Management

and Senior Management at the same university. He was also Director for International Affairs of the Institute for Liberty and Democracy.

LAURENCE WHITEHEAD

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WU GUOPING

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ANNEX: CONCEPT NOTE

WORKSHOP-SEMINAR

CHINA, LATIN AMERICA
AND THE CARIBBEAN AND THE EU –
A TRIANGULAR RELATIONSHIP?

China has emerged as a new economic and political power and has become an increasingly active member of the international community. It is a strategic partner of the European Union (EU), and the two parties have established a complex network of bilateral political and sectorial dialogues. These political dialogues include a multi-level system of political consultations with regular summits and meetings among high-level representatives of the Chinese and EU institutions as well as with EU Member States, dealing with a wide spectrum of issues, among others, foreign policy, trade, security and non-proliferation, human rights, and global warming. The President of the Republic of China and the President of the European Council and all Heads of State of the EU meet annually, and the President of the European Commission meets with the same frequency the Chinese Prime Minister. The sectorial dialogues, in turn, cover more than 24 areas in nearly 50 distinct deliberative spaces.

After the United States of America, China has become the second trading partner of the EU, whereas the EU now constitutes the main trading partner of China. Commercial exchange between the two parties almost trebled from 2004 to 2014, and the EU has also become the second recipient of Chinese foreign direct investment, only surpassed as destination by the Asian continent. Some analysts estimate that overseas direct investment flows from China to the EU amounted in 2013 to close to US\$ 10.4 billion¹³ and during his visit to Brussels in June this year the Chinese Prime Minister Li Keqiang announced the expansion of purchases of European Investment Bank bonds and stressed his country's willingness to interface with the European Fund for Strategic Investment, an initiative of the President of the European Commission to promote growth through investment in infrastructure. The remark by the Prime Minister on the same occasion "to join hands in exploring third party markets" incentivizes to consider potential links between the EU programme with China's "One Belt, One Road" initiative that includes the "New Silk Road".

Earlier this year, the decision by some of the larger states of the EU to become founding members of the Asia Infrastructure Investment Bank - an initiative attributed to China's aspiration to see a more balanced governance of global issues by multilateral fora - highlighted the relevance of China for these countries.

At the same time, the economic and political relations between China and Latin American and Caribbean have steadily

13. Garcia Herrero, Alicia. China's outward foreign direct investment. 28 June 2015. See online: <http://bruegel.org/2015/06/chinas-outward-foreign-direct-investment/> (accessed 12 January 2016).

grown. Since 2014/15 the summit of the Americas and the EU-CELAC Summit have been complemented by another summit and interregional forum strengthening the relationship between China and Latin America and the Caribbean. During a first meeting between China (as member of the BRICS) and the UNASUR (Union of South American Nations) in Brasilia (July 2014), where China's President Xi Jinping also met with the leadership of Community of Latin American and Caribbean States (CELAC), he proposed to jointly build a new "1+3+6" cooperation framework, where "1" referred to the establishment of a China-CELAC cooperation plan for the period 2015-2019, "3" referred to the three engines of cooperation (trade, investment and financial cooperation) and "6" denoted six fields of collaboration priorities (energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, information technologies).

According to statistical data from the Economic Commission for Latin America and the Caribbean (CEPAL), bilateral trade between China and Latin America increased 22-fold between 2000 and 2013. China's share of the region's exports moved up from 1% to 10%; and its share of imports rose from 2% to 16%. For several Latin American countries (such as Argentina, Brazil, Chile, Colombia, Cuba, Peru and Venezuela) China has become the single or second largest destination of exports. On 8-9 January 2015 the First China-CELAC Forum was held in Beijing. On this occasion, the Chinese government pledged to invest \$ 250 billion in the region over the next 10 years and to almost double trade between Latin America and China in the next 10 years from nearly \$ 275 bn (2013) to \$ 500 bn. It also promised to create a \$ 5 billion China-Latin America Cooperation Fund and to raise the credit limit for special loans for China-Latin American and the Caribbean infrastructure projects to \$ 20 billion. Moreover, as demonstrated by a recent study of the World Bank, linkages between China and Latin America and the Caribbean have strengthened, and their business cycles have also become more interrelated: directly through bilateral trade and Chinese FDI, indirectly through rising global commodity prices as a result of Chinese economic growth and demand for commodities.

Therefore, the cooling of China's economy and declining global commodity prices had an impact on the economic slowdown in Latin America in 2014. This fact raises the question regarding the ways in which Latin American economies would respond to lower economic growth rates in the future. Economic forecasts suggest

that economies depending heavily on metal exports might be more affected by lower Chinese growth rates than those exporting agricultural products, leading to a rise of food prices because of growing Chinese demand.

China is not only a mayor importer of Latin American raw materials but has also increased its investment in Latin America in strategic sectors, such as the telecommunication and space technology sectors, including the construction of a satellite launch and tracking control centre in the province of Neuquén in Argentina. Huawei has become the largest provider for IP DSLAM and next generation network applications, and is second in market share for optical networks, routers, and LAN switches in Latin America. IT Specialists argue that Chinese firms' security standards are less restrictive than those of their U.S. counterparts.

China has also become a major donor and lender in Latin America. According to estimates by the China-Latin America Finance Database Report, loans of China's state-owned banks to Latin American countries rose by 71% from 2013 (\$ 13 billion) to \$ 22 billion in 2014. Chinese loans exceed the combined value of those extended by the World Bank and the Inter-American Development Bank. Until the moment, Chinese loans have been approved with few strings attached. But this might change in the future because China's investment in countries with poor credit ratings carries also increasing financial risks.

At the same time, rather than depending on exports and a capital-intensive economy, which was accompanied by distortions and imbalances, China also needs to engage in the search for new "engines" of growth. A more balanced global trade implies to save less and spend more on consumption, whereas the replacement of a capital-intensive model would require new domestic dynamics through economic restructuring. Some advances have already been achieved in both directions. However, the dismantling of old models and developing new ones imply risks – including the hard-landing risk – and expanding into new sectors such as services or consumer spending, can be extremely difficult amidst an economic downturn in certain regions of this country. These developments raise valid questions about the impact these changes might have for China's partners around the world, and particularly for the EU and Latin America and the Caribbean.

China is also interested to increase the scientific and cultural cooperation with Latin America. In his keynote speech at the

2014 China-CELAC meeting in Brasilia Xi Jinping proposed to jointly organize a China-Latin America Cultural Exchange Year in 2016. In the five years to come, the Chinese President also pledged to provide Latin American and Caribbean countries with a significant number of government scholarships, professional training and possibilities to study a Master's degree in China.

Some of the outlined aspects are highly welcomed advancements, while others call for closer attention and analysis; but without doubt these developments impinge on pre-established patterns of political dialogue as well as flows of trade, investment and finance, with eventual consequences for the dynamics of pre-existing alliances and strategic partnerships, in particular between the EU and CELAC. The workshop aims to discuss the current political and economic dynamics between the three parties and their implications for the EU, Latin America and the Caribbean and China. By identifying potential scenarios, opportunities, risks and challenges, the workshop seeks to assess whether there might be room for an enhanced political and economic collaboration between the three parties involved.

In order to discuss the aforementioned theses, the conveners have invited distinguished experts, scholars and entrepreneurs from the EU, China and Latin America and the Caribbean to share their know-how, views and experiences with the audience. The workshop will include three panels. The **first panel** shall address the state of the art and the contours of an eventually looming triangular relationship between the European Union, China and Latin America and the Caribbean and speakers are invited to respond to the following questions:

- *Which implications does China's rise as a new global political and economic player have for the EU and CELAC and for their bi-regional relations?*
- *Assuming China's interest in the increase and intensification of its cooperation with the EU and CELAC, which measures on part of the EU and CELAC would be required in order to facilitate this objective? How could more trust be built among the three parties?*
- *Which policy areas of the existing fields of cooperation among the three parties would deserve an upscale? How could this be achieved?*

- *Which role has China played in respect to the provision with financial resources of countries that do not have an access to traditional financial instruments? And how will China react to the fact that some countries will soon no longer belong to the group of receivers of traditional financial support?*
- *What would be the foreseeable effects of the eventual internationalization of the Chinese and Latin American currencies (which has already become manifest in instruments such as SWAP agreements)?*
- *To which extent can we speak about an emerging triangular relationship between the EU, China and Latin America and the Caribbean? If so, what would be the specific potentialities or risks of this relationship? And what would be required to strengthen the potentialities and diminish the anticipated risks? Or, to the contrary, is it more appropriate to qualify the current patterns of cooperation between EU and China, China and CELAC, and CELAC and EU as competitive projects?*

In the **second panel** participants are invited to evaluate the political opportunities and challenges implied in a potentially looming triangular relationship. This panel will thus address the following questions:

- *To which extent have the ongoing and recently established political dialogues between the EU and CELAC, China and EU, and CELAC and China met the expectations of their respective societies?*
- *If comparing the recently launched China–CELAC Forum with the more consolidated EU–CELAC Summit and the China–EU Summit, which are the converging and diverging topics and results?*
- *Do the converging topics allow for an aligned and joint advancement of key issues at the global level (such as UNFCCC, Post-2015 Development Agenda, etc.)? And in how far is China's definition as "developing country" (even though it is a major producer of manufactured goods, and not an exporter of commodities) helpful for an aligned action in the global arena?*
- *To which extent does there exist scope for triangular cooperation in areas such as Corporate Social Responsibility (CSR); food security;*

or the sustainability of Chinese and Latin American (mega)cities – in view of EU's SMART cities and communities programme?

– What is the state of Chinese–CELAC, CELAC–EU, and EU–Chinese scientific and cultural cooperation? Do there exist possibilities to intensify these areas of cooperation by triangulating these ties?

The **third panel** shall address the economic opportunities and challenges of the EU-China-LAC relationship. During the discussion, speakers and participants could reply to the following questions:

– How does China's increased economic and financial engagement with CELAC affect the EU as the first investor in CELAC?

– Are Latin America's terms of trade vulnerabilities with regard to China similar to the traditional terms of trade between industrialised countries (China as a major exporter of manufactured products) and developing countries (Latin America as major exporter of commodities)?

– Which has been the impact of China's presence and investments in the Caribbean?

– Does there exist an intention to diversify the Chinese investments in CELAC?

– Could a triangulation of value-chains in specific sectors between the three parties support CELAC in overcoming its vulnerabilities in its prevailing production structures? If so, what is needed in order to promote this triangulation? What have been the respective experiences of the invited Chinese, European and Latin American entrepreneurs with respect to the possibilities and limitations of triangulating value chains in their respective business sectors?

– What are the broader strategic implications of China's presence in the Latin American telecommunication sector, and which are the repercussions for European companies?

– Many of the Chinese loans in CELAC have been directed to infrastructure projects. Will this trend continue? What are the effects for the Latin American economies? What are the possible repercussions in the Caribbean of the Nicaragua Gran Canal (new

ports etc.)? What are the long-term effects of such mega projects for international trade?

- What are the future scenarios of Chinese investments and loans in Latin America? What are the implications for Europe?

- As China seeks to build up the services sector as an important component of its future economic growth, does it imply an opportunity for expanded business from the EU and Latin America in the Chinese economy? If not, what are the constraints limiting that possibility?

The conveners of the Workshop are looking forward to a stimulating debate among the invited speakers, discussants, and the audience. The results of the Workshop shall be later compiled in form of resumed conference proceedings.

EU-LAC FOUNDATION