

CHINA'S GROWING FOREIGN AID TO LATIN AMERICA AND ITS IMPLICATIONS

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Abstract

Since the late 1990s, substantial increases in trade and Chinese investment in Latin America has drawn the attention of many international observers and foreign policy analysts. The Chinese government continues to actively develop its foreign policies in Latin America, expressed by its increase in the number of official visits and growing economic exchanges. With more focus on trade and investment, China has extended aid to countries across Latin America. This article examines China's foreign aid policy, its influence and its implications for Latin America. It conceptualises Chinese foreign aid from a constructivist view by utilising and analysing comprehensive foreign aid data. This paper collects and analyses China's foreign aid towards Latin America from 1949 to the present in order to investigate its foreign aid policy.

Keywords: China, Latin America, foreign aid, norm, Beijing-Taipei diplomatic battle

I.Introduction: The significance of the Latin American¹ case in China's foreign aid policy

As China increasingly expands its aid-related programmes throughout Latin America, concern is mounting over the impact China's aid is having internationally. The World Bank, the International Monetary Fund (IMF) and Western donors are expressing concern about China's role as an aid donor in Latin America. According to the IMF and the World Bank Global Monitoring Report 2006, 'China is playing an increasing role in development assistance.'² In their Global Monitoring Report 2007, China was identified as 'becoming [a] more important provider [s] of official support to poor countries.'³

Today, China occupies a position as both a recipient and a donor of foreign development aid. China graduated from the International Development Association (IDA) in 1999, but is still a member of the World Bank which supports a great number of projects, of which 70 are ongoing.⁴ Ways of defining and counting aid are not consistent in China, and there is little transparency on how much assistance is actually given to Latin America. This reflects the overall tension in Chinese foreign policy, resulting from its simultaneous pursuit of engagement in and its critical stance towards certain norms adhered to by international aid donors. This practice of non-disclosure with its air of secrecy is an issue that has caused much speculation among the international donor community. It leaves many in the donor community questioning the motives for China's increased engagement with Latin America. However, it is important to keep in mind that whether China is engaged in a race for resources, a

¹ Latin America consists of Latin America and countries in the Caribbean in the Chinese official statistics.

²IMF and World Bank, Global Monitoring Report 2006: Millennium Development Goals--Strengthening Mutual Accountability, Aid, Trade, and Governance (The World Bank, 2006), pp.75.

³ IMF and World Bank, Global Monitoring Report 2007: Confronting the Challenges of Gender Equality and Fragile States (The World Bank, 2007), pp.152.

⁴ The World Bank, "World Bank China Quick Facts," <<http://go.worldbank.org/4Q7SC8DU50>>.

quest for political support or access to markets, or even aspirations to become a world superpower, the set of Chinese ideas and rules regarding the nature of international crisis and Chinese interests embedded in the international community are definitive elements.

The main objective of this paper is to identify the implications of Chinese aid policy and its aid regime towards Latin American countries. This paper will begin by examining how speech acts are used by Chinese agents to establish the rules governing its foreign affairs with Latin America. The shaping of China's Latin American aid policy is determined by a set of relevant rules and norms that are constantly being formed, modified, and institutionalised, thus formalising the identity of China. A state's behaviour is determined by its interests or preferences, which are, in turn, determined by its identities. A particular set of identities would result in a particular set of interests or preferences, which ultimately shape a state's foreign policy. Secondly, this paper will explore how Chinese identities are transformed in response to a perceived crisis in the international system, and how the policy-making elite draw on the elements of a crisis to legitimise change in its identity and behaviour. By observing Chinese political identities and responses to significant international agents, the main implications of China's foreign aid policy towards Latin America will be examined, along with the impact it is having on diplomatic relations globally. This paper will focus on the changes in identity norms that facilitated the change in China's role as an aid donor both regionally and internationally.

II. Brief Historical relations with Latin America

The ideology of Marxist-Leninism played a large part in conditioning China's foreign behaviour during Mao Zedong's era.⁵ China identified itself as a self-ruled socialist sovereign state, which followed the leadership of the Soviet Union before the Sino-Soviet split. Under the influence of ideology since its foundation in 1949, China

⁵ Samuel S. Kim, *China and the World: Chinese Foreign Relations in the Post-Cold War Era*, 3rd Edition (Boulder, Colo.: Westview Press, 1994), pp. 23.

focused its attentions on the ‘Third World,’ in order to mobilise them in joining its anti-hegemony united front. In the 1960s, China put forth the rule of the ‘intermediate zone’ against the United States and the ‘three worlds’ theory against the Soviet Union in the 1970s.

Prior to the establishment of its first diplomatic mission in Cuba in 1960, China’s Latin American relations were relatively insignificant. Soon after their official diplomatic mission commenced, Cuba became the first country in the region to receive aid from China.⁶ During the Cold War period, Chinese foreign aid policy in Latin America focused mainly on encouraging greater Third World independence while supporting the demands for a ‘New International Economic Order’ in keeping with China’s long held rhetoric that it belongs to the Third World, and is a friend of Latin American countries. Since the end of the Cold War, structural changes in international relations along with changes in Chinese domestic needs, led the People’s Republic of China (PRC) to focus less on the ‘three worlds theory’ and concentrate more on Sino-Latin American trade relations.

Since the late 1990s, substantial increases in trade and Chinese investment in Latin America has drawn the attention of many international observers and foreign policy analysts. The Chinese government continues to actively develop its foreign policies in Latin America, as expressed by the increase in the number of official visits and growing economic exchanges.⁷ In recent years, China’s economy has grown considerably, making the country capable of providing more foreign assistance, and leading to a shift in its foreign aid policy. With more focus on trade and investment, China has extended aid to countries across Latin America.⁸ While determining the exact level of China’s foreign aid remains difficult to ascertain, even to Chinese scholars and officials, it is estimated that neighbouring Asian countries continue to

⁶ 李明德,〈拉丁美洲和中拉關係—現在與未來〉(北京:時事出版社,2001年),頁468-496。

⁷ 張森根,〈中國和拉丁國家之間的關係: 現狀與前景〉,《拉丁美洲研究》,第5期,1994年,頁38-39。

⁸ Kerry Dumbaugh and Mark P. Sullivan, “China’s Growing Interest in Latin America,” Congressional Research Service Report for Congress (United States: April 20, 2005), pp.4.

receive the lion's share of assistance, in order to maintain stability in the region and allow China to concentrate on its own economic development. After Asia, Africa is the largest recipient of Chinese foreign aid. In addition to securing natural resources necessary to maintain its astounding economic growth, aid to Africa remains an important way of demonstrating that China can behave responsibly in addressing the challenges of the developing world. Latin America is the third largest recipient of Chinese aid, not only because of its appealing natural resources and markets, but also because the diplomatic battles between Taipei and Beijing is an undeniable factor.⁹ The Chinese government states that China has provided Latin American countries with economic assistance without any preconditions. Nevertheless, it is implied that all these recipient nations should not have diplomatic relations with Taiwan.

Latin America can not be neglected when addressing China's foreign aid policy for a number of reasons. Firstly, China values its trade relations with Latin America. China is eager to expand international markets and obtain natural resources in Latin America to support its rapid economic growth. It is the second largest market in terms of Chinese Foreign Direct Investment (FDI). Investment reached US \$4.62 billion by the end of 2003.¹⁰ The visit of Chinese President Hu Jintao to Latin American countries in November 2004, raised expectations of a substantial increase in Chinese investment in the region in the coming years. As Zweig and Jianhai pointed out, Hu announced \$20 billion in new investments for oil and gas exploration and other related projects on his trip, and Vice President Zeng Qinghong signed various trade and oil-supply agreements with Venezuela in 2005.¹¹ They are of the opinion that an unprecedented need for resources is now driving China's foreign policy. Secondly, the diplomatic battle between Taipei and Beijing remains conspicuous in China's approach to Latin America. When it comes to foreign aid competition with Taiwan, Latin

⁹ Personal interview at the Chinese Academy of Social Sciences in Beijing in 2007.

¹⁰ 張曉利主編，〈中國對外貿易經濟合作企業年鑒 2004-2005〉（北京：人民日報出版社，2005年），頁104。

¹¹ David Zweig and Jianhai Bi, "China's Global Hunt for Energy," *Foreign Affairs*, Vol. 84, No. 5, 2005, pp. 29.

America cannot be ignored since most of Taiwan's diplomatic relations are with countries in the region. China continually stresses the 'One China' rule to define its identity and under which trade and investment agreements will be signed, so long as the recipients agree to support the PRC's 'One China' policy. China has used the promise of trade, aid, investment, and other benefits to persuade states to turn away from recognising Taiwan. Thirdly, Latin America geographically raises concerns about China's involvement in the United States' 'backyard.' China saw Latin American independence reduced to 'the Doctrine of Limited Sovereignty.'¹² Therefore, China's approach to Latin America has longer-term implications for US interests. As Hakim pointed out that US policy toward Latin America also has been narrowly focused on some of these issues, such as China's growing influence in the region.¹³

The next section will give an overview of Sino-Latin American relations from 1949 to the present, with particular emphasis on the 1990s, identifying the implications of Chinese foreign policy and its aid regime towards Latin American countries. Before The Reform, Chinese foreign policy in general and Chinese aid policy in particular were directly determined by the top Chinese leadership, such as Mao Zedong and Zhou Enlai, and based on their perceptions of international and domestic circumstances. After The Reform, China shifted from vertical to horizontal authoritarianism, and key decisions were made from several discrete power bases coordinated at the centre, but with multiple command channels reflecting different interests and policies.¹⁴ China has its own long history as an aid donor. However, the aid policy decision making process is still disjointed and protracted. Aid policy nowadays still largely lies in the leadership's perceptions of their national interests and surrounding environment.¹⁵ That is to say, the beliefs and perceptions of the top

¹² He Li, *Sino-Latin American Economic Relations* (New York: Praeger, 1991), pp. 11.

¹³ Peter Hakim, "Is Washington Losing Latin America?" *Foreign Affairs*, Vol. 85, No. 1, 2006, pp. 39-53.

¹⁴ Quansheng Zhao, "Domestic Factors of Chinese Foreign Policy: From Vertical to Horizontal Authoritarianism," in A. Whiting, ed., *China's Foreign Relations* (California: Sage Publications, 1992), pp.158-175.

¹⁵ Personal interview at Beijing University in Beijing in October, 2007.

leaders are the most important determinants of policy making behaviour. These beliefs and perceptions are transformed in response to perceived changes in the international system, each of which highlights a different Chinese perception of Latin America. These perceptions were strongly interconnected with internal developments and also influenced by relations with the United States and the Soviet Union. By observing Chinese political identities and the response to significant international agents, the main implications of China's foreign aid policy to Latin America will be examined along with the effects it is having on diplomacy in the outside world.

III. Norm and China's Latin American aid policy

i. Main Agents, Speech acts, and rules

In the foreign policy decision-making process, Chinese agents continually use Speech Acts, cultural elements and other ideational factors to define national interests. Therefore, whomever the domestic agents are actively participating with, in the socially constructed process of foreign policy making, is significant when Chinese foreign policy towards Latin America is analysed. The Chinese do not come with the same set of standards, rules and institutionalised procedures as the traditional donors. China does not have a development cooperation agency. The policy making of Overseas Development Assistance (ODA) projects and the domestic agents that actively participate in planning is spread out over several political institutions, and a semi-official research institution, with the Chinese state behind most of the assistance provided. The State Council is the highest executive and announces cooperation agreements in connection with state visits to Latin America. The Ministry of Foreign Affairs (MFA) takes part in drafting China's Latin American Policy. Chinese loan contract figures with Latin American countries are not made public. The conditions and terms of loans given by the Chinese are not disclosed either. Chinese aid is usually announced as a total amount, with no clear pattern of where the funds are to be spent. The China Export-Import Bank (Eximbank) which handles concessional lending plays a significant role in the foreign policy decision-making and implementation process of China's foreign aid. Most of the loans are directed at state owned enterprises.

In addition to the top leadership and senior officials of the Foreign Affairs Ministry, there is also a small group of researchers studying Latin American affairs at the Institute of Contemporary International Relations, along with a number of researchers in this field working at Beijing University, Fudan University (Shanghai), Nankai University (Tianjin), Hubei University, and mainly in Latin American Studies at the Chinese Academy of Social Science.¹⁶

Chinese agents repeatedly use discourse and speech acts to define their thinking in Chinese foreign policy, and the way in which these agents and their foreign counterparts speak interactively shape the nature of the resultant set of rules. Some Chinese scholars might argue that if in the past government official agents exerted a virtual monopoly in speaking about Chinese foreign policy, recently some semi-official and even individual agents' voices have had implications. However, in terms of foreign aid, especially in a region like Latin America with greater political concerns, the decision making process is still conducted by the top leadership.¹⁷

ii. Transformation of China's Aid Policy in Latin America

During the first decade after the founding of the PRC, relations with Latin America were virtually non-existent. China's official diplomatic relations and interaction with Latin America was greatly obstructed by US influence. None of the Latin American countries recognised the PRC, but maintained official relations with the Republic of China (Taiwan). Mao, therefore, announced that 'We welcome diplomatic relations with Latin American countries. If not, doing business is good. Or any normal contact is fine.'¹⁸ According to this rule, Chinese cultural groups, labour associations, and media representatives were the ones who were working on the Sino-Latin American interaction. The Ministry of Foreign Trade in Beijing set up a department responsible for trade with Latin America in the 1960s. However, with no

¹⁶ Personal interview at Renmin University in Beijing in November, 2007.

¹⁷ Personal interview at Renmin University in Beijing in November, 2007.

¹⁸ 王泰平主編，〈中華人民共和國外交史，第二卷，1957-1967年〉（北京：世界知識出版社，1998年），頁481。

established diplomatic relations, the bilateral contacts were managed mainly through non-governmental channels. China soon invited renowned personalities from the political and cultural scene without distinguishing between Communists and anti-Communists in Latin America, most of whom were received by high ranking Chinese officials such as Mao, Liu Shaoqi, and Zhou Enlai.¹⁹ Besides non-governmental contacts, China was keen on supporting post-colonial Latin American governments in order to nurture anti-Americanism. China voiced support for other Latin American countries' efforts against the United States. When the United States sent troops to deal with the political crisis in the Dominican Republic in 1965, Mao announced 'the statement of supporting Dominicans against the US military invasion' to denounce the US in strong terms.²⁰ Zhao pointed out that China plainly raised the slogan of 'world revolution' as a guide for Chinese foreign policy in the People's Daily newspaper in early 1965. The slogans such as 'Down with imperialism,' 'Down with revisionism,' and 'Down with the reactionists of the world,' therefore became popular throughout much of the Cultural Revolution.²¹ In general, the important feature of Chinese policy making has been the transfer of the internal norm (self-determination) and rules (peaceful coexistence, peace and development) into the domain of foreign policy.

After the 1980s, both China and Latin America started domestic reform. Deng pursued a direction of economic liberalisation and de-emphasised ideology as a driver of Chinese national policy, due the rule of the 'South-South cooperation,' the bilateral cooperation was developed rapidly. With the addition of new economic interests in Latin America, China's attention towards the region started a period of renaissance. However, owing to the geographic distance, transportation costs and non-complementary markets, trade was still limited before the Chinese Reform.²²

¹⁹ 同註 6，頁 464。

²⁰ 同註 6，頁 462-466。

²¹ Quansheng Zhao, *Interpreting Chinese Foreign Policy: The Micro-Macro Linkage Approach*, (New York: Oxford University Press, 1996), pp. 48.

²² 同註 6，頁 507-509。

China appreciated the Latin American countries' moderate reaction to the Tiananmen Square incident in 1989. After Tiananmen, the Chinese leadership retired from playing a leading role in the Third World, arguing that China could not afford it and that the country was not strong enough. In the 1990s, Chinese leaders held a very positive view of Sino-Latin American relations and diplomatic visits between China and Latin American countries increased substantially. After Chinese President Yang Shang Kun's visit to five Latin American countries (Mexico, Uruguay, Brazil, Argentina, and Chile) in the 1990s, Chinese senior officials, including Jiang Zemin, Li Peng, Qiao Shi, Zhu Rongji, and Hu Jintao have paid frequent visits to the region. Yang's first presidential visit was called 'a new chapter in Sino-Latin American friendship' and 'an important milestone in the history of Sino-Latin American friendly relations.'²³ Yang put forth the four principles that were to rule Sino-American relations for the years to come.

Firstly, China will establish and develop friendly cooperative relations with all Latin American countries on the basis of the Five Principles of Peaceful Coexistence. Secondly, bilateral trade and economic cooperation should be expanded on the basis of equality and mutual benefit, for the purpose of meeting each other's needs, and by way of learning from each other's strong points to offset weakness. Thirdly, both China and Latin American countries should respect each other's tradition and concept of values, learn and draw on each other's experience, strengthen people-people contacts, promote understanding and friendship and develop various channels of cultural exchanges on a broad basis. Fourthly, China and Latin American countries should make joint efforts for establishing new international political and economic order through mutual support, earnest consultation and closer cooperation in world affairs.²⁴

In 1993, President Jiang visited Cuba, Brazil, and Mexico, where he emphasised the impressive improvement in Sino-Latin American trade and promised that it would

²³ Feng Xu, "China and Latin America After the Cold War's End," in Abraham Lowenthal and Gregory Treverton, eds., *Latin America in a New World*, (Boulder: Westview Press, 1994), pp. 159.

²⁴ 戴阿弟主編,〈中國年鑒 1991〉(北京:中國年鑒社;香港華嘉集團,1991年),頁 286-287。

continue. In 1995, Premier Li visited Mexico, Cuba, and Peru, where he reiterated the same principles as Yang had in 1990. Finally, Li returned to the region (to Brazil, Chile, and Venezuela) in 1996, where he reaffirmed the five principles of Chinese policy toward the region and pointed out four main priority areas: trade, direct cooperation among enterprises, joint tapping of natural resources and exchanges in science and technology, for expansion.²⁵

During the 1990s, a new emphasis was also put on the development of a New International Economic Order²⁶ (NIEO) in cooperation with Latin American countries. China has tried to introduce its basic rule into the international sphere by adopting the role of spokesman for Third World countries, and claiming a New International Economic Order on their behalf. Jiang presented his Four Points Initiative for a NIEO during his visit to Brazil in 1993.

Firstly, he stressed that every country of the world should participate in the network of global economic and commercial relations. Secondly, he underlined that every country should have the right to decide on the structures of its social and economic system in order to be able to control its own resources and development. Thirdly, he emphasised that the developed countries should respect the interests of the developing countries without attaching political conditions to their support. Fourthly, he called for more South-South co-operation in order to share experiences and to enhance the possibilities for development in each country (Li 2001: 524-25).

According to the leaders' discourse about Latin America, it can be seen that China has been avoiding the wording of ideology and redefining the identity of Chinese foreign policy by emphasising economic cooperation and political respect. In 2001, President Jiang took a Latin American tour that included stops in Venezuela, Cuba,

²⁵ 同註 6，頁 529-525。Frank O. Mora, "Sino-Latin American Relations: Sources and Consequences, 1977-1997," *Journal of Interamerican Studies and World Affairs*, Vol. 41, No. 2, 1999, pp. 102.

²⁶ New International Economic Order was put forth, aimed at restructuring the international economic system to be more favourable to underdeveloped countries.

Chile, Argentina, Uruguay and Brazil. He pointed out mutual understanding, legitimate interests, economic and trade operation with Latin America.²⁷ In late 2003, Chinese Premier Wen Jiabao travelled to Mexico, which was followed by the current President Hu's participation at the 12th Asia-Pacific Economic Cooperation (APEC) leaders' meeting in Chile and a 13-day Latin American visit to Brazil, Argentina, Chile and Cuba in 2004. This trip raised expectations of a substantial increase in Chinese investment in the region over the coming years. Hu put forth in his speech to the Brazilian Congress that both sides need to work towards the following objective: 'Firstly, to strengthen strategic common ground and enhance mutual political trust; secondly, to stand on mutual benefit and expand mutual trade and economic cooperation; thirdly, to maintain bilateral discussions and strengthen international cooperation; and fourthly, to attach importance to cultural exchanges to deepen mutual understanding.'²⁸

The official discourse proves that China has been interested in Latin America, and desires a strengthening of ties on all levels in the coming century. To sum up, these rules did not differ much from the former rules that highlighted the four elements of Sino-Latin American relations: Peace and friendship, mutual support, equality and mutual benefit, and joint development. A major concern for China affecting its behaviour towards Latin America in the 1990s has been the emphasis of common interests and complementary trade.

iii. Norms that form Chinese Identity in the Latin American Case

The Chinese government has been emphasizing the importance of Sino-Latin American relations, as seen in the mutual visits made to the region and the pledging of aid support largely reported in the state-controlled media. China's foreign aid policy is

²⁷ 焦黎鷹，陶興強主編，〈中國年鑒 1995〉（北京：中國年鑒社，1995 年），頁 204。

²⁸ 胡錦濤，〈攜手共創中拉友好新局面——在巴西國會的演講〉，《中華人民共和國外交部》，2004 年 11 月 12 日，<
<http://www.fmprc.gov.cn/chn/ziliao/wzzt/zt2004/hjtlatinamerica/t170119.htm>>。

not shaped by material factors alone, but also by historical cultural norms defined by their memories and experiences. These norms crucially define China's policy choices and its role in international relations, including its relations with Latin America. The expansion of China's aid donor identity in Latin America is the result of a change in the kind of norms China follows. The norms crucially define China's policy choices and its identity in international relations, including its relations with Latin America. How each norm is introduced to China's aid discourse has led to the emergence of a shift in China's aid donor identity.

Self-determinism

The norm of state sovereignty and non-interference constitutes part of China's aid policy and is important in the construction of its diplomatic relations. The discourse of the eight principles for providing aid to foreign countries outlined by Zhou resulted in rules which represent this. The same rules are adopted today in China's Latin America policy. The norm is still believed to be a fundamental one because China rejects other state agents intervening in its domestic issues.²⁹ However, as Huse and Muyakwa argue the absence of attached conditions to loans, does not mean that borrowing countries are free to spend capital borrowed from China freely according to national priorities. 'The flexibility of Chinese lending is restricted by the form of Chinese aid as China provides only project based funding and almost exclusively as tied aid or in kind. China does not, for instance, provide budget support targeting health and education sectors.'³⁰ In addition, Chinese aid is almost entirely project based. Grants are often offered with the requirement that the aid recipient countries need to purchase Chinese goods or services, or provided in kind that China gives Chinese goods directly.

²⁹ Personal interview at Jiaotong University in Shanghai in October, 2006.

³⁰ Martine Dahle Huse and Stephen L. Muyakwa *China in Africa: lending, policy space and governance* (Norwegian Campaign for Debt Cancellation & Norwegian Council for Africa, 2008), pp. 15.

Beijing Consensus³¹

The term 'Beijing Consensus' was proposed to describe China's model in contrast to the 'Washington Consensus'. It is often discussed as Chinese investments, aid, and trade in contrast to the conditional demands, made by Western agents and international institutions. In China, enthusiasm for the Beijing Consensus is common among scholars and media.³² As Wu interpreted the Beijing Consensus:

As far as China is concerned our Socialist system is always affirmed as a system of superiority. The question is to give full scope to its inherent superiority. For this reason the nature of the reform is the self-improvement and development of the Socialist system. Its goal is to tap the inherent superiority consistently and effectively. Obviously, the guiding theory of the reform is Marxism, and Deng Xiaoping Theory that integrates Marxism with the practice of contemporary China.³³

iv. Foreign Response that affected Chinese Political Identity

Chinese foreign policy towards Latin America from 1949 to 1988 was largely influenced by China's position in the world system, and its relations to the United States and the Soviet Union. By examining the Chinese discourse, it can be found that during the first decade following the founding of the People's Republic, ideology determined the political agenda of foreign policy making. In the 1950s, strong US influence in Latin America restricted China's manoeuvrability. It is argued that China initiated its policy towards Latin America because of deep anti-Americanism and a sense of mission. The Chinese leadership supported revolutionary and guerilla movements in Latin America during the 1950s, but without much success. In the 1960s,

³¹ The term Beijing Consensus was coined by Joshua Cooper Ramo. See Joshua Cooper Ramo, *The Beijing Consensus* (London: The Foreign Policy Centre, 2004).

³² Author's interviews (October 2007) with many scholars about Chinese aid, Beijing Consensus was mentioned several times.

³³ Wu Shiqing and Cheng Enfu, "The 'Washington Consensus' and 'Beijing Consensus,'" *People's Daily*, June 18, 2005, <
http://english.people.com.cn/200506/18/eng20050618_190947.html >.

the ideological dispute with the Soviet Union and the struggle for revolutionary leadership damaged China's image in Latin America, and constrained the possibilities of strengthening ties. China found itself more isolated and searched for 'free zones' in order to exercise a more independent, non-aligned foreign policy. In addition, other factors that contributed to China's position were the end of Soviet aid to China, Mao's belief in self-sufficiency and self-support in the economic area, and independence in foreign affairs to prevent the country from any attack or influence from the outside. Therefore, the belief of 'zili gensheng' (self-support) shaped Chinese foreign policy making in the 1960s.

In the 1970s, relations with the United States had a positive impact on China's position in the international community. The securing of a legitimate seat in the UN and a position on the Security Council enabled the improvement of the Sino-Latin American relationship. From the reform policy in 1978, political and, most of all, economic motivations took on a greater importance in Chinese foreign affairs. Latin America became one of the targets of China's new open policy, and emphasis was placed on the establishment of a new international order on the belief of the Five Principles of Peaceful Coexistence. Chinese discourse on solidarity with the 'third world' distinguished itself from the bipolar Cold War rivalry between the United States and the Soviet Union, both of whom China considered hegemonic powers. When the end of the Cold War did not lead to a division of power in the world, but rather a heightened American predominance, China began promoting the notion of a multi-polar world to protect its interests and dilute US global power and influence.

Latin America was not only geographically a great distance away from China but was perceived as the 'backyard' of the United States. This perception was strengthened by the fact that Latin American countries followed America's policy towards China. None of the Latin American countries recognised the People's Republic of China, but kept official relations with the Republic of China (Taiwan) when the PRC was founded. In any decision making process China saw Latin American independence reduced to

'the Doctrine of Limited Sovereignty'.³⁴ Cuba was the first among the Latin American States that established diplomatic relations with China in 1960. In addition to substantial assistance, China offered Cuba a \$60 million interest free loan in 1960 and RMB 70 million in 1963. Through the 1970s, with the recognition of China's legitimate seat in the UN, there were 12 countries which included Chile, Mexico, Mexico, Argentina, Venezuela, and Brazil that established official contacts with China.³⁵ During this period, China also provided substantial economic aid to its diplomatic states, which will be illustrated in the next section. In general, in the 1960s and 1970s, Chinese aid policy was designed to assist socialist governments such as Cuba and Chile. After Ecuador, Columbia, Bolivia, and Uruguay established diplomatic relationships with China in this decade, all the South American countries except Paraguay had established official contact with China.

The Tiananmen Square incident again had a negative impact on Chinese foreign relations, mainly economically, through the embargo posed by the US-led coalition. China turned to the developing world in a more concentrated and strategic way following the violent suppression of the 1989 Tiananmen Square demonstrations, when the regime felt the brunt of Western-led condemnation, sanctions, and political isolation. According to Xu's (1994) arguments, China's attempt to foster ties with Latin America is a means to overcome external constraints. Chinese interest in Latin America was with system transformation and its political identity on the one hand, and containment on the other. Identity was important for China if the changes in the world system directly concerned the People's Republic. If it were not the case, identity would leave room for a deeper pragmatism. The second pattern considers power mechanisms in the international system to which China could be exposed. Isolation and containment, provoked or exercised by external agents, led China to greater solidarity

³⁴ 同註 12，頁 11。

³⁵ 同註 6，頁 479-488。

with the Third World. A low degree of isolation and containment, on the other hand, reduced China's interest in the Third World to a minimum.³⁶

China is very much concerned with events in the international arena, while insisting on the independence of its foreign policy. The rules of its foreign policy should be directly projected onto global structures. The main goals of Chinese diplomacy consist of opposing hegemony, maintaining world peace, promoting international co-operation and advancing common development, in order to serve internal reforms like opening up and socialist modernisation.

IV. The Practices of Chinese Aid Projects

In comparison with other regions, Latin America has received the lowest amount of foreign aid from China. Between 1956 and 1972, Africa received 49%, Middle East and South Asia 34%, East Asia 10%, and Latin America 5% of the total aid.³⁷ However, as Lin argued, Chinese engagement in Latin America was always accompanied by a financial aid policy.³⁸ As mentioned before, China announced its offer to Cuba of a US \$60 million interest free loan between 1961 and 1965 for 24 agricultural and industrial projects. In 1963, China signed a protocol, promising Cuba to transfer the Sino-Cuban trade surplus into an interest free loan to Cuba. In order to resolve the Cuban trade deficit, China transferred the Cuban trade deficit into a commodity loan, which reached the amount of US \$40 million in 1965. In 1963, Zhou put forth that a 'Loan is merely a form. It can be paid back later or even not paid back.'³⁹ It can be seen that Sino-Cuban trade had the character of aid.

In the 1970s, China changed its loan policy in the 1960s from giving loans with

³⁶ 同註 23。

³⁷ James Hsiung, "The Study of Chinese Foreign Policy: An Essay on Methodology," in James Hsiung and Samuel Kim, eds., *China in the Global Community* (New York: Praeger Publishers, 1980), pp.6.

³⁸ The-chang Lin, "Beijing's Foreign Aid Policy in the 1990s: Continuity and Change," *Issues & Studies*, Vol.32, No. 1, 1996, pp.32-56.

³⁹ 同註 6, 頁 498。

low interest (1 to 2.5%) rates to interest free loans. Foreign aid of US \$179 million was distributed from 1970 to 1977 in the region, mainly to Chile (US \$65 million), Guyana (US \$62 million), Peru (US \$42 million) and Jamaica (US \$10 million).⁴⁰ China also gave disaster relief aid to Latin American countries. China offered RMB 1.5 million to Peru for earthquake relief in 1970.⁴¹ Chile received US \$2.5 million, and even Bolivia, a country without official ties with China, received disaster relief payments of US \$80,000 from China.⁴² In the 1970s, China signed the economic cooperation agreement, offering economic and technical assistance to Latin American countries, such as Chile, Peru, Guyana, Jamaica, Suriname, and Barbados. For example, China signed an agreement with Guyana, offering 10 million pounds in five years (from 1 July 1972 to 30 June 1977) aid without any condition.⁴³ Moreover, China sent agricultural experts to Guyana to help with growing rice. In 1975, China signed another agreement with Guyana, offering RMB 20 million.⁴⁴ In 1976, China and Jamaica signed a trade agreement, a commodity loan agreement concerning China's assistance of 5,000 tons of rice to Jamaica and a protocol on a project for producing polyester cotton mills with Chinese assistance.⁴⁵ In 1971, China signed protocols with Peru, offering loans to help with the buying of equipment for digging wells.⁴⁶

Hsiung argued that anti-hegemony and self-reliance were the milestones of Chinese foreign policy towards Latin America in the 1970s.⁴⁷ Therefore, reducing the Soviets influential sphere through foreign aid competition and providing a trade

⁴⁰ 同註 38，頁 34。同註 12，頁 47。

⁴¹ 同註 6，頁 482。

⁴² William Ratliff, "Communist China and Latin America, 1949-1972," *Asian Survey*, Vol. 12, No. 10, 1972, pp. 859.

⁴³ 《中華人民共和國條約集 第十九集》(北京：人民出版社，1977 年)，頁 130-31。

⁴⁴ 《中華人民共和國條約集 第二十二集》(北京：人民出版社，1982 年)，頁 33-35。

⁴⁵ "Bilateral Relations," *Ministry of Foreign Affairs of the People's Republic of China*, Last Update: September 26, 2003,

<<http://www.fmprc.gov.cn/eng/wjb/zzjg/ldmzs/gjlb/3503/default.htm>>.

⁴⁶ 同註 6，頁 507。

⁴⁷ 同註 37。

alternative to the United States in order to gain more independence in the Third World were attributable to the Chinese belief in anti-hegemony. In addition, the norm of self-reliance contributes to the China's interest in helping Third World countries to construct a more efficient national industry and infrastructure in order to become self-sufficient and independent.

After China joined the UN, there were many Latin American countries that began to build diplomatic relations with China. These countries also received aid from China after the diplomatic build-up: Ecuador, Columbia, Antigua and Barbuda, Bolivia, Uruguay, and Bahamas.⁴⁸ For example, since the establishment of diplomatic relations, the Chinese Government has provided the Bolivian Government with both economic and technical assistance, helping with the construction of seven complete sets of projects including well-drilling, a cultural centre and a small hydroelectric station, carrying out three technical cooperation projects including rice, vegetable cultivation, and seven rounds of material assistance.⁴⁹

Since the early 1980s, the international response to the aid programme has been used to promote private investment and liberalisation of the economy. Chinese aid policy during this period also changed, emphasising that aid should not only help economic and social development of recipient countries, but should support domestic economic development in China as well. At the same time, while China was working on economic reform, foreign aid during this period either decreased or focused on aid characteristic trade.

After the Tiananmen incident, Beijing adopted a foreign aid strategy which was quite similar to the Taiwanese model in order to regain confidence and allies in the Third World, even though the Chinese government strongly criticised the use of 'dollar

⁴⁸ See *Ministry of Foreign Affairs of the People's Republic of China*, <<http://www.fmprc.gov.cn/eng/default.htm>>.

⁴⁹ "Bilateral Relations," *Ministry of Foreign Affairs of the People's Republic of China*, Last Update: September 26, 2003, <<http://www.fmprc.gov.cn/eng/wjb/zzjg/ldmzs/gjlb/3468/default.htm>>.

diplomacy’, stating that any relationship with Taiwan (Republic of China) was built on cash. Any more interesting offers could be a reason for the beneficiary country to disregard Taiwan.⁵⁰ In 1990, China prolonged its non-repayable aid to twenty-seven countries, including Latin American countries (Jamaica, Peru, Bolivia, Colombia, Nicaragua, and Surinam).⁵¹

From 1990 to the present, Chinese foreign aid mainly went to Argentina, Bolivia, Colombia, Ecuador, Peru, Uruguay, Venezuela, Barbados, Antigua and Barbuda, Cuba, Jamaica, Guyana, and Surinam. These aid recipient countries all have official diplomatic relations with the PRC. The table⁵² below is an illustration of China’s aid practices in Latin American countries.

Antigua and Barbuda	<ol style="list-style-type: none"> 1. China established diplomatic relations with Antigua and Barbuda on January 1, 1983. Two governments exchanged notes concerning the Chinese Government providing grants to the Antigua and Barbuda's government in July, 1983. 2. In 1996, China signed an exchange of notes on providing grants to Antigua and Barbuda. In 1997, China signed a framework agreement on favourable and subsidised loans and an exchange of notes on providing grants. In 2003, China signed an agreement on economic and technological cooperation and exchange of notes concerning the transformation of a cricket entertainment ground.
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⁵⁰ Tuan Cheng, “Foreign Aid in ROC Diplomacy,” *Issues & Studies*, Vol. 28, No. 9, 1992, pp. 74-78.

⁵¹ 同註 38，頁 35。

⁵² The listed countries are selected from Ministry of Foreign Affairs of the People Republic of China. The data is collected from Ministry of Foreign Affairs of the People Republic of China Website: <http://www.fmprc.gov.cn/eng/default.htm>, China Foreign Trade Statistical Yearbook) from year 1983 to year 2002.

Argentina	<ol style="list-style-type: none"> 1. China established diplomatic relations with Argentina in February 1972. 2. China's activities in Argentina mainly focus on economic, technological cooperation and trade. Argentina is one of the major trading partners of China in Latin America. By the end of 2002 Argentina had invested in 279 projects in China with the total contracted investment reaching US \$217 million and the actual investment at US \$68.96 million.
Bahamas	<ol style="list-style-type: none"> 1. China established diplomatic relations with the Bahamas in May 1997, and signed an agreement for providing aid grants soon after (in 1997, 1998, 1999). 2. Since 1999, the Chinese Ministry of Education has been offering two types of scholarships to the Bahamas every year. In 2000, the Chinese government donated ten sets of computers and printers to the government of the Bahamas. 3. In 2003, China signed the exchange of notes on Chinese Government providing aid grants and an agreement on ocean shipping between China and the Bahamas
Barbados	<ol style="list-style-type: none"> 1. China established diplomatic relations with Barbados in May 1977. 2. In 1990 and 2001, China signed an exchange of notes on providing grants. In 1992, China signed a new agreement on economic and technological cooperation and a new loan agreement.
Bolivia	<ol style="list-style-type: none"> 1. China established diplomatic relations with Bolivia

	<p>in July 1985. After the establishment of diplomatic relations, China provided Bolivia with economic and technical assistance, helping with the construction of 7 complete sets of projects including well-drilling, cultural centres and small hydroelectric station, carrying out 3 technical cooperation projects including rice and vegetable cultivation. All these projects have achieved good social and economic returns. The Chinese Government has also provided the Bolivian Government with 7 batches of material assistance.</p> <p>2. In 1998, China provided the Bolivian Government with some earthquake-relief assistance.</p>
<p>Chile</p>	<p>1. China established diplomatic relations with Chile in December 1970. Chile is one of the Latin American countries that historically conducted trade and economic exchanges with China. In 1961, China set up a Commercial News Office of Chinese Import and Export Corporations, and it was renamed the Commercial Office of China Council for the Promotion of International Trade in 1965. With a rapid expansion of trade in recent years, Chile has become China's third largest trading partner in Latin America, next to Brazil and Mexico.</p> <p>2. In 1999, Chile was the first among Latin American countries to reach a bilateral agreement with China on China's entry to the WTO. In 2002, China supported Chile's running for non-permanent member of the UN Security Council for 2003-2004. Three cities or province-state relations of friendship</p>

	have been established between the two countries.
Colombia	<ol style="list-style-type: none"> 1. China established diplomatic relations with Colombia in 1980. 2. In 1990, China signed a protocol on the regular meeting mechanism between two foreign ministries' officials and exchanged notes on China's provision of loans and grants to Colombia. In 1998, China signed documents on economic aid, joint fighting against narcotics-related crimes and plant quarantine services of Colombian banana exports to China. 3. In 2000, China donated on behalf of the Children's Foundation of China, teaching articles to the Family Welfare Association led by the First Lady of Colombia.
Cuba	<ol style="list-style-type: none"> 1. China established diplomatic relations with Cuba in September 1960. 2. Cuba is one of the Latin American countries which received comparatively more aid from China in the 1990s. China signed an agreement to offer assistance to projects in Cuba in 1995. China helped Cuba in the construction of a bicycle factory, electric fan plant, solar power station, small hydroelectric station, telecom network, methane pits and a duck and sheep-farming project. 3. In 1994, China gave general goods and materials worth RMB 8 million to the Cuban government. Moreover, China also offered humanitarian disaster relief to help Cuba twice in 1996. China offered commercial loans to Cuba, for example, for electronic products, its candy industry, grains,

	<p>television, and telecommunication projects. At the end of 2002, China sent Chinese teachers and offered a set of pronunciation software to establish a Chinese teaching centre at the University of Havana</p>
Dominican Republic	<p>After diplomatic relations were established with the Dominican Republic in 2004, China offered several economic and technological projects.</p>
Jamaica	<ol style="list-style-type: none"> 1. China established diplomatic relations with Jamaica in November 1972. 2. In 1991, China signed an agreement on the provision of loans to Jamaica. In 1993, the two foreign ministers signed an exchange of notes on the provision of a batch of general goods, and again in 1996. In 1998, China signed an exchange of notes on a grant aid. 3. In 2003, China signed an agreement on economic and technical cooperation concerned with providing the Jamaican Government with an interest-free loan, the exchange of notes concerned providing the Jamaican Government with grants, and the certificate of delivering audio-video and computer equipment to the Jamaican National Archives. In 2004, China signed an agreement on providing favourable loans.
Guyana	<ol style="list-style-type: none"> 1. China established diplomatic relations with Guyana in 1972. Guyana is the first to establish diplomatic relations with China among the English-speaking Caribbean countries. 2. In 1984, China signed five documents on economic cooperation, cultural exchange, the establishment of

	<p>a joint commission on economic, trade, scientific and technological cooperation, transformation of the textile mill built with Chinese assistance, and the provision of cotton under loans by China.</p> <ol style="list-style-type: none"> 3. In 1990, China signed an exchange of notes on providing grant and an agreement on economic and technical cooperation. 4. China exchanged the notes on providing the Guyanan government with free aid. 5. In 2003, China signed an agreement on providing grants on economic and technological cooperation and a protocol on cancelling debts. China also exchanged notes concerning the dispatch of sports coaches and notes concerning the Chinese undertaking of the international conference centre project in Guyana.
Trinidad and Tobago	<ol style="list-style-type: none"> 1. China established diplomatic relations with Trinidad and Tobago in 1974. 2. In 1998 and 2001, China signed the exchange of notes on China's grants to Trinidad and Tobago.

It is noticeable that China has been expanding its diplomatic strength in this region. From 1990 to the present, Chinese foreign aid in Latin America gave priority to grants, loans, and especially to projects. Currently, the major objectives of the Chinese aid programmes in Latin America include strengthening diplomatic relations and isolating Taiwan.⁵³

⁵³ Personal interview at the Renmin University in Beijing in November 2007.

V.The Beijing-Taipei diplomatic battle affected Chinese aid policy

State sovereignty and national reunification are two norms that the Chinese leadership and its people emphasize repeatedly. It is argued that Chinese aid for a large part has been for the purpose of promoting national reunification and to prevent more developing countries from recognizing Taiwan as a sovereign state, particularly in Latin America.⁵⁴ Central to China's relations with the international community has been the strict enforcement of its 'One China' policy. Latin America is particularly important to China as it is largely there where the remaining nations that maintain diplomatic recognition of Taiwan are to be found. In 1994 the Chinese government issued a decree to 'use all economic and diplomatic resources to reward countries that are willing to isolate Taiwan.' Moreover, it is pointed out that China would make use of aid programmes to redefine the international structure by strengthening diplomatic relations and isolating Taiwan⁵⁵.

Owing to a low level of diplomatic recognition and a low level of membership in international organisations after its expulsion from the United Nations, official diplomatic recognition has been the top priority of Taiwanese foreign policy. After the suspension of diplomatic ties with the United States in 1979, the foreign aid policy particularly became more important in order to achieve foreign policy goals and in order to maintain or to strengthen ties with other countries. Taiwan's interest in Latin American countries was brought out as US support. Therefore, most of the countries that recognise Taiwan have been mainly in Latin America. Currently, there are 23 countries with which Taiwan has official diplomatic relations, 12 of them are found in Latin America, mainly situated in the Caribbean and Central America, these being Guatemala, Paraguay, St. Vincent and the Grenadines, Belize, El Salvador, Haiti, Nicaragua, the Dominican Republic, Honduras, Panama, Saint Christopher and Nevis and Saint Lucia.⁵⁶ The foreign aid Taiwan offered to the Latin American countries in

⁵⁴ Personal interview at the Renmin University in Beijing in November 2007.

⁵⁵ Personal interview at the Renmin University in Beijing in November 2007.

⁵⁶ 〈邦交國〉，〈中華民國外交部〉，

the form of agricultural and technological assistance was slowly replaced by cash or loan grants. Taiwan intended to expand foreign relations by these means in order to achieve the establishment of full diplomatic ties with more countries. Moreover, the establishment of diplomatic relations was combined with the promise of capital loans.

The government in Beijing strongly criticised the use of 'dollar diplomacy', stating that any relationship with the Republic of China was built on cash and thus constructed on insecure foundations. Any more interesting offers could be a reason for the beneficiary country to isolate Taiwan.⁵⁷ However, after the Tiananmen incident, Beijing adopted a foreign aid strategy which was quite similar to the Taiwanese model and which was based on political motivations as well as regaining confidence and allies in the Third World. Therefore, the 'battlefield' for ideological leadership and influence between China and the Soviet Union in the 1960s turned and became focussed on the increasing competition between China and Taiwan.

Most of the countries that Taiwan and China are competing for are poor, less developed, and heavily in debt. In addition, the competition for recognition demands a greater share of financial resources. Huge amounts of the Taiwanese aid to Latin American countries have often prompted China to offer even greater aid in order to compete directly with Taiwan and to offset the Taiwanese influence. For example, in early 2005, Grenada and the Dominican Republic revoked diplomatic relations with Taiwan in favour of Beijing. In return, Grenada received support from China for rebuilding its national stadium, 2,000 housing units, a US \$1 million scholarship fund, and US \$6 million in grants.⁵⁸ China states that it has provided Latin American countries with economic assistance without any preconditions. However, all these recipient nations were encouraged to sever diplomatic relations with the Republic of China (Taiwan).

<<http://www.mofa.gov.tw/webapp/ct.asp?xItem=11624&CtNode=1143&mp=1>> °

⁵⁷ 同註 50，頁 74-78 °

⁵⁸ Daniel P. Erikson, and Adam Minson, "The Caribbean: Democracy Adrift?," *Journal of Democracy*, Vol. 16, No. 4, 2005, pp. 169.

Taiwan, for decades a consistent provider of financial assistance and investment in Latin America and the Caribbean to nurture its remaining official relationships, is now hard-pressed to compete against the growing economic and political power of China. For example, in 2004, the Dominican Republic severed relations with Taiwan after China's willingness to offer a pledge US of \$122 million in assistance to it over six years. In the same year, China sent a 'special police' peacekeeping contingent to Haiti, another of Taiwan's official relations. It is argued largely in Taiwan that it marked China's first ever deployment of forces ever in the Western Hemisphere (Taipei Times, 8 June, 2005).⁵⁹ The PRC's ability to develop and expand contacts with Latin America also facilitated by a decision of the Organization of American States' (OAS) in 2004, to accept China as a formal observer in the OAS. Meanwhile, Beijing has strongly objected to Taiwan's efforts to seek OAS observer status.

The Taiwan issue remains enormously emotional in China. This is the rule that Chinese policymakers and diplomats would never compromise. China has used the promise of trade, aid, investment, and other benefits to persuade Latin American nations to sever diplomatic ties with Taiwan.

In 1998, Vice-Premier Qian Qichen visited five Latin American countries (Barbados, Guyana, Trinidad and Tobago, Cuba, and Jamaica) in order to normalise relations. The officials were accompanied by an unofficial delegation which discussed with non-governmental luminaries how to promote bilateral relations. During his stay in the Caribbean, Qian emphasised that in spite of the recognition of Taiwan in the region, China was interested in developing normal state-to-state relations with all Caribbean countries. In 2007, Vice Premier Wu Yi stated that China is willing to normalise the relationship as early as possible, based on the Five Principles of Peaceful Co-existence at the Opening Ceremony of the 2nd China-Caribbean Trade and Economic Cooperation Forum. He pointed out that China would continue to provide assistance to the Caribbean countries without any political conditions. "To

⁵⁹ Melody Chen, "China trying to lure away diplomatic allies: report," *Taipei Times*, June 8, 2005.

provide financial support to promote investment cooperation, China will provide RMB 4 billion in preferential loans within the next three years to encourage more Chinese companies to invest in the Caribbean countries and promote investment cooperation in infrastructure construction, resource development, industrial, agricultural and forestry production, tourism, telecommunications and so forth.⁶⁰

VI. Conclusion: The implications of Chinese foreign aid to Latin America

When emphasising Chinese foreign policy, one must not forget the ability of Chinese leaders to develop different kinds of ideas and rules that, according to the situation, were increasingly or decreasingly used, without ever losing their general validity. If these ideas were criticised, the Chinese would argue that the problems did not lie in the concepts themselves but rather in their application and realisation.

The changing reality of the international and domestic environments in the late 1970s and the early 1980s, and the leadership's ideas are interrelated and interact in driving the change of Chinese aid policy. Since the strengthening of commercial and diplomatic ties was officially revoked, China shifted to a more ideologically based foreign policy. In selecting their aid recipients, Chinese leaders did not distinguish between Communist and anti-Communists. They tried moreover to realise three goals with this type of foreign policy: Firstly, to nurture anti-Americanism. Secondly, promote the Chinese ability of solving economic and social problems. Thirdly, to convince the outside world that China could serve as a true model for other countries.⁶¹ In general, the relations between the People's Republic and Latin America remained poorly developed until 1959.

Of greater interest in the Latin American context is the policy, which China

⁶⁰ 吳儀，〈吳儀副總理出席第二屆中國-加勒比經貿合作論壇開幕式並致詞〉，《第二屆中國-加勒比經貿合作論壇》，2007年9月7日，<
<http://cncforum.mofcom.gov.cn/aarticle/d/200709/20070905074098.html>>。

⁶¹同註 42，頁 57。

adopted within the framework of the United Nations. Although China has been holding tight to the rule of sovereignty, self-determination and support for all developing countries without any binding political or economic conditions, its behaviour has only reflected these convictions when it has been convenient. In the case of Cuba, China engaged in a major discussion in the United Nations, protecting Cuba from any UN-resolution that would condemn the human rights' situation on the Caribbean island. This was a direct reaction to the enhanced relations between Cuba and the People's Republic. In the case of Haiti (1996) and Guatemala (1997), however, the support was selective. When the discussion about peacekeeping measures started in the United Nations, China promised real support, pressuring the countries to give up their relations with Taiwan. In Latin America, promoting relations was complicated by diplomatic ties with Taiwan. However, China developed a policy of rapprochement on the economic and political level. Thus, it established economic and trade ties with Honduras in 1994, welcomed its Vice-President in 1995 and received delegations from Paraguay, the only South American nation establishing diplomatic ties with Taiwan. The Caribbean, where the largest part of Taiwanese support is situated, also became a target of Chinese diplomacy. The issue of Taiwan plays a key role in China's Latin American aid policy. In the long run, China is more likely to use its economic power in the region to support its political preference, pressing countries to follow the rule of its political identity.

China's interest in Latin America is a fairly new phenomenon that has become more developed in recent years, beginning in April 2001 with Jiang's 13-day tour of Latin America and followed most recently with high-profile visits by President Hu and Vice-President Zeng. While Beijing's interests in the region appear largely economic, they also have a political and diplomatic dimension. Over the past year, increasing attention has focused on China's growing interest in Latin America. It is argued that China's primary interest in the region is to gain greater access to essential resources, such as oil, copper, and iron through increased trade and investment. At present, Sino-Latin American relations are primarily based on trade.

This paper concentrates on the factors which have been responsible for the rethinking taking place within the Chinese leadership concerning the intensity of its engagement with Latin America. The Tiananmen incident and its consequences, and the growing competition with Taiwan in combination with the need for economic development have considerably conditioned Chinese foreign policy towards Latin America in the 1990s. This resulted in the identity change in Chinese foreign policy concepts. A change that is political, economic, international and diplomatic each combined with a specific foreign policy goal. The political change reflects the Chinese intention to strengthen mutual understanding. The economic changes are operational in order to progress economic development. The international change deals with the defence of Chinese interests, and finally, the diplomatic changes aimed at the establishment of diplomatic ties with as many states as possible without any preconditions.

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