

**Transcript for Ground Truth Briefing**  
**China's Broadening Footprint in Latin America:**  
**From Beijing to Buenos Aires**

**Moderator: Maria-Stella Gatzoulis**  
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**9:00 am CT**

Coordinator: Welcome, and thank you for standing by. At this time, all participants are in a listen-only mode until the question and answer session of today's call. At that time, if you would like to ask a question, please press star 1.

Today's conference is being recorded. If you have any objections, please disconnect at this time. I would now like to turn the meeting over to Congresswoman Jane Harman, Director of the Wilson Center. You may begin.

Jane Harman: Good morning, good afternoon to an audience all around the world. This is the Wilson Center's 31st Ground Truth Briefing. Those are teleconferences where we hear voices from hotspots on the crucial issues facing the United States and the world.

Many of our Ground Truth Briefings obviously have been focused on the Middle East. And the attention of many Americans is right now on the Middle

East, both in Israel and Gaza, and in Iraq and Syria, and on the negotiations with Iran.

But there are other serious issues and this Ground Truth Briefing focuses on one. Its title is China's Broadening Footprint in Latin America: From Beijing to Buenos Aires.

And as everyone on this call knows, Chinese President Xi Jinping is beginning a trip to four Latin America countries, and he will be in Brazil where he will attend a Summit Meeting of the BRICS - Brazil, Russia, India, China and South Africa - and meet with leaders of the Community of Latin American and Caribbean States - CELAC.

Subsequently, he will visit Argentina, Cuba and Venezuela. This follows a trip he made recently to Seoul, Korea. And so obviously questions are out there about what are China's intentions, and we have a spectacular panel today to consider this. Moderating our panel is our very own Cynthia Arnson, who is Director of the Latin America Program at the Wilson Center.

And she is Co-Editor with Wilson Center Global Fellow Jorge Heine of *Reaching Across the Pacific: Latin America and Asia in the New Century*. Let me turn the Ground Truth Briefing over to Cindy.

Cynthia Arnson: Thanks very much, Jane, and thanks to all of you for joining us. Over the last decade, there's a familiar story - Chinese demand for Latin America's resources, from copper and iron ore, oil and food, has driven the significant growth in the economies of South America that exploited those commodities.

Countries like Brazil, Chile, Argentina, Peru, Venezuela, Uruguay, all have positive - strong, positive trade balances with China. While places like

Mexico and Central America have been hurt by Chinese competition in their manufacturing sectors.

Over the last few years, however, the Chinese economy has slowed, and commodity prices have also softened. But still, China remains a fundamental driver of economic growth prospects in Latin America. China not only trades with the region, it has also made tens of billions of dollars in loans, it has bought land and invested in infrastructure, and of course, in the extracted industries.

What does this mean for the region? How does Latin America fit into China's overall economic and strategic priorities? What other Asian countries, like India, South Korea, Japan, are also playing an increasingly important role in the hemisphere? And of course, not - last but not least, what does all of this mean for the United States?

We have an embarrassment of riches, people that have spent many years studying these topics joining us today. First, we'll hear from Adriana Abdenur, who is a professor at the Pontifical Catholic University of Rio de Janeiro. She is a researcher and the former Director of the BRICS Policy Center in Rio.

Following Adriana will be Wilson Cellar - Center Global Fellow Jorge Heine, who is leaving Santiago, Chile next week to serve as Chile's new Ambassador to China, a post to which he was recently named by President Michelle Bachelet. Jorge has also served as Chile's Ambassador to India, Bangladesh and Sri Lanka, and also as Ambassador to South Africa, so he brings a wealth of scholarly as well as practical experience to this call.

Then we'll hear from former Wilson Center Public Policy Scholar Richard Feinberg, who is a professor of International Political Economy at the

Graduate School of International Relations and Pacific Studies at the University of California, San Diego.

He is a nonresident senior fellow at the Brookings Institution, and has held numerous senior U.S. government posts at the State Department, at the Treasury Department, and also as the Senior Director for Latin America at the National Security Council during the Clinton administration.

Argentine national Gonzalo Paz is currently a visiting researcher at Georgetown University. He has previously taught at George Washington University, and he is truly a pioneer in the studies of China and East Asian-Latin American relations, with particular expertise on his native country of Argentina.

And finally, we'll be joined by Robert Daly, the Director of the Wilson Center's Kissinger Institute on China and the United States. Robert lived in China for 11 years, from the time when he began as a Foreign Service Officer at the U.S. Embassy in Beijing in the late-80s and 1990s.

Once he left the Foreign Service, he taught at the University of Maryland, and was the American Director of the Johns Hopkins University Nanjing University Center for Chinese and American Studies. So we'll begin with Adriana. Three minutes each speaker. Adriana, it's yours.

Adriana Abdenur: Thank you, can you hear me clearly?

Cynthia Arnson: Great.

Jorge Heine: Yes.

Adriana Abdenur: Perfect, okay, so first of all, greetings from Rio de Janeiro and thank you very much. It's great to at least hear everybody's voices again, especially when things are getting a little bit exciting. Now of course here in Rio, we're still in mourning over our World Cup loss.

But I can tell you that there is some excitement building up, at least within policy and business circles, about two interrelated events, which are the upcoming BRICS Head of State Summit in Fortaleza and the bilateral talks that President Rousseff will have with the visitors, including of course, President Xi Jinping.

And I think that both events are quite important for Brazil's ties to Asia in general. Xi Jinping's visit to Brazil should help to consolidate and to expand China's position as Brazil's top trade partner.

There is, for example, the expectation that the two countries will sign an important deal for the export of Brazilian Embraer planes to China, and also that there will be an intensification in Chinese investment in the Brazilian infrastructure, including transport infrastructure.

So we might be able to diversify our economic relations to include some higher value components, as well. But I think that these growing ties may also have some externalities for Brazil's relations with other Asian countries, and this is I note - something that I note in my Chapter 4 book. These ties have also grown quite significantly over the past decade, even though China tends to hog the spotlight when it comes to Brazil and incorporation.

So we shouldn't overlook the changing demands from other Asian states. There's also clearly a political project by many, many countries, and that's

certainly the case of Brazil, of India to some extent, Japan, South Korea, Indonesia, to diversify their trade and investment including in Latin America.

I think partly as a - as part of a strategy to attain a more autonomous foreign policy through enhanced South North cooperation, but also as a means to diversify on a more pragmatic level, sources of - natural resources. And oil of course is still a very big issue here.

Now with respect to the BRICS Summit, just to finish my comments, I think for Brazil, this represents taking part in - finally taking part in some concrete initiatives that the coalition is launching, such as the BRICS Development Bank and the Contingency Reserve Agreement.

And I think the former in particular can be - can become a potential additional platform for corporations with developing countries even beyond the five member states. And this is because the primary idea behind the bank is that it will also financing for large-scale infrastructure and industrial policy.

Of course, these are areas in which the BRICS feel that they have been neglected by North South cooperation. And if, as rumors have it, the credit lines are eventually opened up to other countries, the bank may provide Brazil with additional channels through which to cement its economic ties to Asia even beyond the more significant examples of China and India.

And of course, just to finish, all of this is taking place within the context of very high uncertainty as new trade arrangement are emerging both to the left and to the right of Brazil, then to the North as well, so, so far, Brazil seems to have test its luck with (unintelligible) at a regional level, even though the block is...

Cynthia Arnson: Adriana, can you hear me?

Adriana Abdenur: So debate is intensifying but I think that until the elections, we won't know whether there will be more continuity in Brazil strategic policies for trade, or whether there will be an inflection point in the case that we...

Cynthia Arnson: We need to stop. Can you hear me? Ok, maybe the operator got through? Ok, next we go on to Jorge Heine in Santiago, Chile.

Jorge Heine: Yes, good morning to you all, greetings from a rather chilly Santiago, we are in the middle of the winter. President Xi Jinping of course will not be coming to Chile this time around, but that doesn't mean that the Chilean government isn't following very closely this particular visit.

In fact, President Bachelet will be traveling to Brazil and will be meeting with President Xi Jinping there with other Latin American countries. Part of the reason for the visit of the Chinese President, of course, is to cement further ties, not just with the individual Latin American countries that he will be visiting, but also with a broader multi-lateral arrangements that exist in the region, to give it a stronger regional imprint.

It seems to me that the fact that President Xi Jinping will be attending the BRICS Summit on the one hand, and will also be meeting with this broader set of Latin American leaders marks a distinct interface in terms of Chinese interest in having to deal and dealing with Latin America in regional terms, not just on a bilateral basis, which have been more of the case until now.

In that sense, it seems to me that this visit is very significant. Last year's visit, which was, if I remember correctly, the first visit abroad by newly-elected President Xi Jinping was assigned to the Northern tier of Latin America -

Trinidad, Costa Rica, Mexico - this time, the emphasis is more on South America.

And it seems to me the emphasis is also something that is sometimes overlooked, the much stronger political component that relations between China and Latin America have been acquiring in the past years. Traditionally, emphasis has been on trade. Trade between China and Latin America has been growing at a very fast clip.

Last year, we're talking around 260 billion dollars, which is a very significant amount of money. People speak about an amount of around 80 billion dollars' worth of Chinese investment in the region overall, accumulated terms.

So this is important, but what we're looking now is a deepening of this relationship moving from, say, the extractive industries in oil, iron and copper, to infrastructure project, which is something that has been mentioned before.

In South America in particular where this poses a very long, we need more connectivity, and it seems to me that in that sense, Chinese companies can bring in a number of competitive advantages that would be quite important and quite significant.

So in that sense, it seems to me this visit of President Xi Jinping is extremely important. It's not just another routine visit, as it were, but it means ratcheting up - ratcheting up of the links between Latin America and China.

Cynthia Arnson: Great, thank you, Jorge.

Jorge Heine: In that sense, there are significant expectations for it.

Cynthia Arnson: Okay, Jorge thank you very much. That was great opening comments. Next we'll hear from Richard Feinberg. Richard.

Richard Feinberg: Thanks very much, Cindy. It's a pleasure to follow on my good friend Jorge Heine. Jorge, I look forward to visiting with you in Beijing and...

Jorge Heine: So do I.

Richard Feinberg: Yes, thank you, and I'm having lunch today with the Chilean Ambassador, your good friend, Ambassador Valdes. Looking forward to that, as well, yes.

Jorge Heine: Give my regards.

Richard Feinberg: I will definitely do that. So as I emphasize in my book, and as you said, Cindy, in your opening remarks, the trade between Asia, particularly China and Latin America, has boomed in the last decade, but it has been of the rather traditional sort, Latin America exporting raw materials and commodities, Asia selling manufactures.

Many people in Latin America have said this is not a good trend, it's a - it's going back to the past where the region was dependent upon unstable commodity markets.

However, I argue in my paper that things are really different this time. That as though Cindy, as you pointed out, commodity prices have softened, they've still remained high in historic terms, and are probably likely to do so.

Also, Latin America's making better use of the foreign exchange that it is earning from its commodity exports, the quality of governance is higher in Latin America today, and Latin America has been saving, actually, a lot of the

foreign exchange such that Latin America is now sitting on hundreds of billions of dollars of foreign exchange reserves.

Also, the commodities that Latin America is exporting are themselves diversified. You have metals, iron ore, copper, and a number of agricultural products, soy beans, greens and beef. Now it also is true that there are trade imbalances between Asia and Latin America, but South America actually is in balance, Asian-Latin America trade. The deficit is with Mexico.

Mexico's importing more commodities than it is exporting to Asia, but many of those imports into Mexico are actually part of triangular trade. They go into component parts that are transformed into manufactured products and then sold primarily into the U.S. So if you take that into account, you actually find a reasonably balanced trade between Asia and the region.

Final point I would make here in - with regard to trade flows is that one might ask why hasn't Latin America gone more protectionist when it's been fluttered by manufactured imports, from Asia, particularly China as it might have done in past decades? I think the answer to that is because many companies are successfully exporting to Asia, and that creates an export lobby.

Governments are taxing this trade, and therefore it's an important contribution to physical policy, and then you have consumers who are benefiting from this surge of relatively inexpensive manufactured imports. So that the winners have counterbalanced the losers, and therefore, the protectionism has been avoided.

The other point, finally, I would make with regard to the trip of President Xi, he will be visiting Cuba. And I think there, he's likely to express to President Raul Castro Chinese unhappiness with the slow pace of reform in Cuba. The

Chinese have moved faster themselves, they would like to see Raul Castro move faster, as well. We'll see if he announces any new investments in the Mariel Port. That will be interesting to see.

If he does, that's a victory for Cuba. If he doesn't, that's a negative. And then last but not least...

Cynthia Arnson: Last point, Richard, we're out of time.

Richard Feinberg: This is my last point. The Nicaragua Canal that the Chinese may be supporting might the BRIC Bank decide to finance a new major trans-oceanic canal through Nicaragua?

Cynthia Arnson: Ok, wow, thank you.

Richard Feinberg: Thank you.

Cynthia Arnson: Quite a note to end on. Next we'll hear from Gonzalo Paz about the leg of President Xi Jinping's trip to Argentina.

Gonzalo Paz: Thank you, Cindy for this kind invitation, and hello to all my colleagues and participants of this conference. Well, the visit will be very important. It's - this year is the ten anniversary of the 2004 seminal visit of President Kirchner to Beijing, and at the end of this year, President Hu Jintao visited Argentina. It was a very important visit in the history of the relations between Latin America and China.

In 2010, President Cristina Kirchner visited Beijing, and so now, with this visit of Xi Jinping, they will be celebrating the 10 anniversary of this - anniversary of this tradition - relationship. The President will be treating

President Xi Jinping at the highest possible level. There will be a state banquet on Saturday, July 19, and this will be following the President - the visit of President Putin of Russia tomorrow to Argentina.

So this visit, we need to put it in the context of a process of diversification, of Argentine foreign relations, trying not to be considered peace related in the context of the crisis of the bond holders - bond holder fund. I think that these political components are really prevalent in this visit.

Although there will be all the components, there cannot be a component that will be equally important, particularly in the energy sector that President Xi Jinping and President Cristina Kirchner will sign the agreement for building two major hydro-related facilities in Patagonia, the (unintelligible). So this will be the most important project in hydro-electric energy in Argentina in the coming years.

Also, I think there is a very important interest on the Chinese side in getting a bigger share in the shale field of Vaca Muerta. Vaca Muerta, according to U.S. Energy Department, is the second largest gas reserve in the world - shale gas, and the fourth largest oil reserve in the world.

And so I think that the visit of the President of China will be set in preparing the ground for a greater intervention in the future of Chinese companies. Transportation, it's also a priority in this visit...

Cynthia Arnson: Gonzalo, one last point perhaps about transportation.

Gonzalo Paz: Yes. This will be my finishing point. After a number of major accidents, Argentina's renovating the railways, and Chinese companies is having a very

large role in this sector, so I think that the idea is to continue Chinese engagement in redevelopment of the railway sector in Argentina.

Cynthia Arnson: Great. Okay, we heard from four different people talking about what China means to Latin America, and now we'll hear from Robert Daly of the Kissinger Institute on how Latin America fits in terms of China's overall economic and strategic priorities in the world. Robert.

Robert Daly: Yes, thank you Cindy. From the Chinese point of view, what is the importance of this trip and the relationships that Xi is building? Number 1, as has been touched on, China needs natural resources. Sources of energy, ores, and agricultural products to feed its continued development, and that's the single most important priority for China and for Xi Jinping.

Second, the trip will be used to project images of Xi Jinping as a welcome and respected leader back to China for domestic consumption, for domestic political purposes.

This is very important. This is how images of Xi standing beside Putin at the Sochi Winter Olympics were used, and Xi, who is famously a soccer fan - he actually likes to play soccer himself - and sort of a strong man, macho man type in the Chinese mold, he will benefit greatly from pictures of him in the stadium clapping there at the championship game.

So those images are going to be very important. Xi Jinping is carrying on a big anticorruption campaign which he's earning - he's building up some enemies in China, he also, we think, wants to launch major economic reform programs. He will need more support, and this trip, these images, will help

him with that. It will also help to project an image of a strong China to the Chinese people.

Thirdly, and very importantly, Xi will also be using this trip to build up new multilateral fora. In this case in particular, the BRICS and CELAC - the CELAC-China Forum - that will give China some of the diplomatic influence and space that it seeks as it rises in a world that it sees dominated by the United States.

So politically, China is trying to become a leader within organizations that are not dominated by the U.S. and preferably which exclude the United States, like the BRICS and like CELAC. The United States is to date paying scant attention to this visit, which is worrisome to me.

And I think that we are taking too much comfort in a narrative that says which says that as China spreads into Africa and into Latin America and into Southeast Asia, it is experiencing a backlash and is being criticized for Neo-Imperialist policies.

And we hear this sometimes because of the - its interest in extractive industries and then in export of finished product, because China has tended to send Chinese companies in and give most of the jobs in infrastructure to Chinese. There has been a backlash in South - in Southeast Asia and in parts of Africa, as well.

I think we take too much comfort in this. I see China learning rapidly, and adjusting its investment, its development, its aid policies, and actually stealing a march on the United States in diplomatic terms. And so I think that we need to pay more attention to the relationships that are going to be developed on

this trip, and take a - perhaps a less critical view of Chinese diplomacy, and I think instead of buttressing our own relationships with these countries.

I'll stop there.

Cynthia Arnson: Great. We're going to have a - couple of dings here. We're going to have some questions that we will, as the moderators, address to the various participants, beginning with a question from Jane Harman. If the listeners who are - have called in would like to get in the queue to ask a question, please press star 1 and that will indicate to us that you're in line. Jane, go ahead.

Jane Harman: Well thank you to all participants, I thought the presentations were exceptionally good and brief, thank you for that. Robert Daly is the only person who addressed how all this affects the United States, and I want to raise that too. As a former nine term member of the United States Congress, I know a lot of our listeners are listening from the United States.

What struck me from all the other presentations is how irrelevant, at least for purposes of this visit, is the United States. No question that the Middle East is zapping a huge amount of the brain cells of U.S. leaders, but I - my question to the other participants is, the absence of the United States, at least with respect to this visit, what are the implications of that?

And assuming this visit is successful, does it diminish U.S. influence in the region? Who would like to go first on that? I can call on someone if - Richard, what do you think?

Richard Feinberg: Sure. So I think the Latin Americans, as I think was emphasized by Jorge, see a presence of China as enabling Latin Americans to diversify relations so they can link in both to China as well as Europe and the U.S. and balance these

various powers so that they diminish U.S. leverage over inter-American affairs. And so - and to that - to the extent that that actually happens, our influence will in fact become somewhat diminished.

Brazil in particular has a long-term policy of trying to push the U.S. out of South America, particularly from a diplomatic point of view, and they are using China as well as the BRIC concept to further that long-term goal, and I think with some success. U.S. trade flows - we have been losing market share in South America, although in absolute terms, our trade and investment continues to expand.

Jorge Heine: Can I jump in here? This is Jorge.

Cynthia Arnson: Please, go ahead.

Jorge Heine: Yes, well the way I would see it and the way this looks from Santiago is that this is part and parcel of globalization, part and parcel of the diversification of diplomatic and trade links that we are seeing in South America, in Latin America majorly over the past 10, 15 years.

We do not see this as the (unintelligible) game. For Chile, the relationship with China is - you know, the trade relationship is the most important one - trade last year was \$35 billion, which compares with 25 billion in trade with the United States. So China is coming in very strongly. It's also the most important trading partner for Brazil and for Peru, and the second one for Argentina, and Venezuela, and Cuba. So it is very important.

But we do not see this as a zero sum game. We see it as simply the result of much broader links that the region is developing with the rest of the world. And it seems to me the secret for the United States is to look at this in

constructive terms, and see that there are many benefits to all parties involved, rather than as some sort of situation which some lose, and others win.

Cynthia Arnson: Okay. I'd like...

Richard Feinberg: Can I...

Cynthia Arnson: ...to ask another question. We focused a lot on trade relations. And I'd like to delve a little bit more into financial issues, and loans, and cooperation. Adriana, you mentioned the possibility that this BRICS meeting will actually launch the BRICS Development Bank.

But more generally, how is China supporting countries like Cuba and Venezuela that are cut out of international capital markets or seen as higher risk? What is the role of Chinese financing in these areas?

Richard Feinberg: I can take that Cindy, if you'd like.

Cynthia Arnson: Go ahead.

Richard Feinberg: I think actually, in the case of both Cuba and Venezuela, the Chinese are being rather cautious. I think that they recognize that both of those regimes are fragile over the long run. That they are increasingly not very credit worthy, and hence, they're I think sort of hedging their bets.

Most of Chinese investment is headed, as one might expect, to the major markets in Latin America, particularly South America as the other commentators remarked. China is sitting on tons of money as we know, and increasingly, they're looking to invest in more raw materials particularly.

But because there's been some pushback in South America there, the Chinese, as was mentioned, are now starting to diversify their investments into infrastructure. This, by the way, is reminiscent of U.S. Policy in the 50s and 60s, when we used to finance mines and agriculture production. But also, we used to build roads and associated infrastructure in the region. And in this sense, history seems to be somewhat repeating itself.

Adriana Abdenur: Cindy, may I add a point?

Cynthia Arnson: Please, Adriana.

Adriana Abdenur: I think from the perspective of Brazil, it's interesting to note that there's increasing competition when it comes to South-South development corporation, because both Brazil and China tend to specialize in infrastructure construction.

In fact, the National Development Bank here, (unintelligible), has been financing major projects in both Cuba and Venezuela. And so I think part of the concern is to get your foot in the door first, even if there is some instability, because that creates a path of dependency that makes it harder later on for those countries to switch partners and to kind of fall into Chinese arms.

I think this competition doesn't get mentioned very explicitly, very often. But I know that it is part of the strategic discussions about how to expand and maintain Brazilian influences through South-South development cooperation.

Cynthia Arnson: Okay. I think we're going to go to some of the questions from our callers. First up is Larry Luxner from the Washington Diplomat. Larry?

Larry Luxner: Good morning. Can you hear me?

Jorge Heine: Yes.

Cynthia Arnson: Yes.

Larry Luxner: Good morning. I just wanted to ask the participants, thanks for being here and including me. This month, they - one of China's top officials visited Taiwan to discuss economic cooperation, and an economic agreement between the main lands and Taiwan.

And it occurs to me that all of Central America, with the exception of Costa Rica, maintains diplomatic relations with Taiwan, rather than with China. And (unintelligible), you mentioned the project, the Interoceanic, and now that Nicaragua is now pursuing.

My question would be to - maybe to all of you, how does the lack of diplomatic relations between six from Central America and seven Republics have any impact, if at all, on any economic relations? Thank you.

Cynthia Arnson: Okay. Who would like to start with that? Perhaps, Jorge?

Jorge Heine: Yes. Well it seems to me that we have to keep in mind here the broader picture. These countries in Central America, some of the smaller one and, you know, economically less significant one. In South America, the situation is very different. And the big players all have diplomatic relations with Beijing, and put them front and center. So that will be my assessment.

Robert Daly: If I could just chime in briefly, this is Robert. As you mentioned, Central America, ten countries have relations with Taiwan, and not with Beijing. But I think particularly, in light of this recent visit, and the fact that under

(unintelligible) Cross-Strait relations have been getting friendlier. It's clear that Beijing is playing the longer game, and is not seeking to punish those nations that have relations with Taiwan in the short term.

And even though places like Panama and Nicaragua recognize Taiwan, Beijing has actually moved quite aggressively and quite successfully in its relations with those nations. And so I think that that concern, which would've been primary 10 or 20 years ago, that this money diplomacy...

Jorge Heine: If it...

Robert Daly: ...with Taiwan, that has diminished, greatly.

Jorge Heine: Sure. The other thing I would like to add also is the following. Not having diplomatic relations with Taiwan does not mean that those countries in (unintelligible) cannot have very strong economic links with Taiwan.

Robert Daly: Right.

Jorge Heine: And they are done through, you know, other means and through business to business channels. And through a lower, you know, commercial representation.

Richard Feinberg: Also so...

((Crosstalk))

Richard Feinberg: ...you know, so Nicaragua does not have relations with Beijing. However, that is not preventing the Chinese from at least talking about and seeming -

prepare to go ahead with constructing a 50 billion dollar canal right through Nicaragua.

Now also, Costa Rica of course does have relations with Beijing, and is very interested in developing intense trade and investment ties with - between China and Costa Rica.

Cynthia Arnson: Okay. We're going to take another question now from Barbara Stallings at Brown University. Barbara, greetings.

Barbara Stallings: Hi Cindy. A hello to Richard and Jorge.

Richard Feinberg: Hello, Barbara.

Jorge Heine: Hi. Good morning. Good to talk to you.

Robert Daly: Hi Barbara.

Barbara Stallings: Same here. Jorge, I will probably be spending next fall, not this coming but the following fall in Beijing, so we will have opportunity...

Jorge Heine: That's terrific.

Barbara Stallings: ...to interact.

Jorge Heine: From New Delhi to Beijing.

Barbara Stallings: Yes, exactly. Anyway, back to the conversation today. I want to go back to the trade issue, which still remains the most important. Several of you mentioned

that Latin American countries are interested in diversifying the characteristics of their exports to China. And I'm not sure how realistic this is.

Brazil had some success with industrial exports, but the other countries, not so much. So I'm interested in what you think the Latin American countries would have to do in order to be able to diversify their exports to China.

Jorge Heine: Yes. Can I jump in, for a moment? This is Jorge.

Barbara Stallings: Please, Jorge. Go ahead.

Jorge Heine: The way I see it, you know, in an ideal world, Latin American countries would be able to get into, you know, the sort of value change of industrial production in China, in Asia more generally. And I see that as something that would take some time.

For the moment, the most promising additive that I see for diversifying and expanding our exports to China is in the food area, food and agriculture. Often, people assimilate, you know, agriculture products with, you know, straightforward commodities. That is not my view.

It seems to me that there's a lot to be done in terms of say, fresh fruit exports, and such things that add quite a bit of value when you export them. So looking at it from Chile, from this corner of South America, that is something we are (unintelligible), we would like to perform.

Richard Feinberg: I would say in addition to that, I know in China, Jorge, you're going to look forward to eating lots of fresh Chilean salmon, as well as - and pairing that with a good Chardonnay, also from Chile, right?

Jorge Heine: That's right.

Richard Feinberg: Yes. So what some of the countries are doing in South America with Mexico, are forming the Alianca para Pacifico, the Pacific Alliance. The idea there is to have an efficient platform that will be able to engage with Asia, in part, by attracting foreign investment from Asia, which will then be able to export out of the region, into either - throughout the world, but also back into Asia.

Then another part of our strategy have to be trade agreements, which is what the Trans Pacific Partnership is about, to push and pressure Asia, and then eventually China to be more open, to let American manufactured exports. I'm sure that would definitely be on the agenda of President Xi's trip. Every interlocutor from Latin America will be saying to him, "You need to open Chinese markets more to our manufactured products."

Cynthia Arnson: Okay. We're going to take a question now from Maria Berliner at Latin Intelligence Cooperation. Maria?

Maria Berliner: Thank you so much. I came later into the discussion. I'm sorry. My question is related to the military exchanges, cultural exchanges, and particularly the military exchanges, and how they may affect the military relationships of the Latin American countries with the U.S.?

Cynthia Arnson: Who would like to take military relationships?

Adriana Abdenur: I can say a little bit.

Cynthia Arnson: Go ahead, Adriana.

Adriana Abdenur: I think that China is starting to make some inroads in defense and military equipment provision, in several parts of Latin America. These have not been particularly large, save for, I think some in - I think it was in Venezuela. But dependency is that it will grow.

And so far, as the local states are able to negotiate packages with greater content of technology transfer. It's certainly in the case of Brazil, our new defense policy makes greater defense technological autonomy one of the top priorities of that policy. And I think that they will try to use this to leverage.

And of course, this happens precisely at a time where is a drive on the part of Brazil, to the Brazilian government to diversify military procurement ties beyond the U.S. This is already seen in the case of the jet fighters, one of course Brazil did not - it opted for the (unintelligible).

But I think that if this political drive to strengthen South-South cooperation at the expense of relations with the U.S. continues, the trend will be that it will encompass even more...

Robert Daly: (Unintelligible)

Adriana Abdenur: ...ties to the Chinese defense and military.

Robert Daly: If I could jump in, this is Robert Daly. A lot of those of sales from China to Venezuela have not just been military equipment, but it's been the equipment - the small armored vehicles that are actually being used to put down protests. So this can very much be a two edged sword for Beijing, when it is providing the equipment that is actually being used by the government against some of the people who are in the streets, asking for better governance.

And so one of the challenges that China faces in its relations in South America, as in other countries is it learns what it is to be a superpower. Is it these government to government relations that it wishes to have, primarily for reasons of trade and extractive industries?

And that it wishes to carry out, without any regard to political systems, they can end up paying a price for, if the government has a poor relationship with its own people. And we're seeing this unfold in Venezuela right now, where we have Chinese, basically small armored vehicles or street tanks, which are lobbing, you know, smoke bombs, and tear gas at Venezuelan people.

Richard Feinberg: Let me say, I think in general though, China wants to present itself as a peaceful rise into international affairs. And therefore, it prefers to emphasize the mutuality of benefits from economic relations. And so long as China maintains that strategy, I would think they would be cautious about - in the military and security areas. Thank you.

Adriana Abdenur: Just to add one point, I just remembered, when we had the pre-salt auctions here in Brazil, this doesn't make it to the media very much. China sent three war ships. They docked in Rio de Janeiro.

I was able to visit, but the entire presentations were in Chinese. They were clearly aimed I think at boosting the confidence of the Chinese community and firms that were here in Rio de Janeiro, participating in the pre-salt auction. But that was a very visible show of potential strength that I think would've been much more intimidating if it had been reported in the media here, and elsewhere.

Gonzalo Paz: I would like to jump in to cover a second part of the question.

Cynthia Arnson: Sure. Briefly Gonzalo, so that we can go onto another question or go ahead.

Gonzalo Paz: Yes. Do you want to move right now?

Cynthia Arnson: No, no. Go ahead.

Gonzalo Paz: Just to cover a second part of the question, China have been developing a network of Confucius Institutes in Latin America.

Maria Berliner: Yes.

Gonzalo Paz: Most countries have already one or more than one. According to my count, there are more than 25 Confucius Institutes already established, because both China and Latin American countries understand clearly that there is a gap in (unintelligible). They're all (unintelligible) understanding about the other.

So China have taken this issue - that it can be connected to the issue of (unintelligible) very seriously. And they continue expanding the different kind of vocational programs, and language training.

Cynthia Arnson: Very, very important point. We're going to move now to Arturo Porzecanski from American University. Arturo.

Arturo Porzecanski: Yes. Thank you. My question is what have we learned from the Banco Del Sur that might apply to this BRIC Bank? Banco Del Sur, so much talk about it, so little to show for it.

And BRIC Bank, well maybe we have more serious partners here in China, and possibly Russia, but what about the Brazilian approach to all these

institutions? They seem to sign every kind of accord, but when it comes to coming up with one dollar, it's not there.

Cynthia Arnson: Adriana, that seems like a question directed to you.

Adriana Abdenur: Yes. I think that - thank you, (Arturo). I think that that's a great question.

You're absolutely correct that the Banco Del Sur hasn't had much to show. But I think within the BRICS, my impression is that China and Russia are extremely committed.

China needs to burnish its image as a willing, multi-lateral player within the field of development. And Russia, especially after the start of the Crimea crisis, has clearly turned towards the other BRICS in order to deepen ties in energy, and in cooperation in most areas.

So I think that, you know, as you, yourself put it, there are quite willing and capable partners. And from what I understand, the negotiations are quite advanced. They're now hammering out where the headquarters will be, and how some of the decision making structures will work. But this looks to me, a lot more likely to get off the ground in the mid-term.

I think it will be announced, and I think, you know, the bigger credit lines will probably be made available incrementally, over time. I think this stands a better chance than the Banco Del Sur, which was also marred by (unintelligible) coinciding.

Richard Feinberg: Yes, I would agree. I think this looks much more promising. For one thing, the Chinese, I understand, are willing to put up 50 billion dollars for - just to get started. Brazil itself now is sitting on over 300 billion dollars in foreign

exchange reserves. So they also are in a position to make some of the minority share contribution.

I think China is looking for ways to channel some of its monies through a multilateral framework, for the same reason the United States and others have done, it's cost sharing, burden sharing, but also reduces some of the political heat. So there'll be a little less of the potential pushback that you get if countries begin to fear China as too much of an over-weening power.

Robert Daly: If I could just add something quickly to that, this is Robert Daly. I would agree with the previous comments. China does have the capacity and for political reasons, has the motivation to be a major player in these new financial organizations.

At the same time, China is facing growing pushback from Chinese who don't want to see Chinese dollars go overseas for aid and development projects, when much of China is still so poor.

We tend to focus on growth in China, and the explosion of the cities in the eastern part of the country, and to forget that much of China remains desperately poor and badly need of its own, you know, internal development efforts. And those voices are growing louder in China. So I think you'll see (unintelligible) needing to balance these two kinds of concerns.

Jorge Heine: Yes. This is Jorge, may I come in? It seems to me, we have to look at the BRICS Bank from a broader, global governance perspective, if you will. In many ways, it seems to me that BRICS Bank expresses the frustration of a number of members of the group, in terms of the inability of the World Bank and the IMS to adjust to new realities, after the 2008, 2009 financial crisis.

There's a lot of pushback to rearrange the voting rights within the international financial institutions of Bretton Woods. Yet, that has been very difficult to get through. So it seems to me the creation of the BRICS Bank partly expresses that frustration from the emerging economies.

Cynthia Arnson: Okay. We're going to take a question now from a Research Institute in Hawaii, Arnie Saiki from Moana Nui. Are you still there?

Arnie Saiki: Yes, I'm here. Thank you very much for taking my call.

Cynthia Arnson: Sure.

Arnie Saiki: Good morning. Although there's been some crossover, can you speak on BRICS and the Trans Pacific Partnership? I mean, it's pretty clear that there are incompatibilities between the BRICS (unintelligible) countries and the U.S. led TPP. And so I was wondering if anyone can speak on some of those key differences between the trade and investment role, between BRICS and TPP, that might, I guess, prevent deeper integration?

And so I think, like, similarly, I know there's an overture by President (unintelligible). And that it is clear that there is also some - you know, she's trying to create further integration between (unintelligible) countries and the Pacific Alliance.

Jorge Heine: Yes. Yes.

Cynthia Arnson: I think maybe that's a question for Jorge, about the relationship between the Pacific Alliance and the BRICS.

Jorge Heine: Yes. Well Chile, of course, is not a member of the BRICS group, but it follows what is happening within the BRICS group very intently. Now, on the question of the TPP, again, Chile's been very much at the forefront of pushing for free trade in the Asia Pacific.

It was one of the second member of APEC and has been - and of course, was one of the founding member of the P4 group in 2004, 2005. So it is very keen to push for that. But at the same time, Chile is fully aware that the TPP has a number of rather daring proposals on the table, and very restrictive (unintelligible) intellectual property for many of the emerging economies, and it has some serious concerns about that.

So the perspective, specifically on the TPP, is that while Chile's all for free trade and expanding free trade across the Asia Pacific, at the same time, it has some concerns about some rather invasive measures that get into the heart of what governments do in the member countries.

Richard Feinberg: Let me add, Cindy. So some people see the Trans Pacific Partnership and the Pacific Alliance as exclusionary. That is to say, as anti-Brazil, and as anti-China. The participants, however, are trying to project a different attitude, namely, the converse that they hope both Brazil and China decide that actually rather than staying outside, they would want to join a very dynamic political economy set of alliances.

And the Chinese who initially reacted negatively to the TPP now are indicating a softer line, indicating well perhaps they might be interested. And I think in Brazil, there's truly a crisis in Brazil trade policy.

Brazil has remained entirely outside of the Mercosur, of both regional and global agreements. And there's a lot of questioning within the Brazilian

business community. Maybe Brazil needs to take another look, and think about joining rather than remaining outside of these dynamic centers of international trade.

Adriana Abdenur: Well Richard, maybe after the drubbing that we took from Germany in the World Cup, and if Argentina wins the World Cup, maybe Mercosur will be in danger. That's not the point. I mean, I think that's an interesting question, but the BRICS and the TPP are two very different animals.

You have in the TPP, a Trans regional, but the geographically centered free trade agreement revolving around the Pacific. And the BRICS, it's a platform of convenience, with some policy coordination in areas of least resistance. That is, where the BRICS can find common laws denominator.

So I'd be curious to hear what others think would be flashing points. But I do think that politically, they might help to create different centers of gravity, maybe loosely defined centers of gravity that have repercussions, for instance, for normative debates about how not just economic relations should be carried out, but all kinds of activities in the international arenas.

I think that the shifting of centers of power driven by economic cooperation is something that we have to look at.

Richard Feinberg: Well I think...

Cynthia Arnson: Richard, let me just interrupt for a sec. We're kind of getting to the end our time here. So what I'd like to do is perhaps in reverse order give each of you a chance to say, in 45 seconds, a minute maximum, a final observation or something that you didn't get to say earlier in the conversation. So we'll start with Robert Daly.

Robert Daly: Yes. I'll be paying very close attention Xi Jinping's rhetoric on whether he picks up on the kind of South-South dialog that has been mentioned several times today. This isn't usually the way that China speaks about its diplomacy, but he may want to position himself within that framework (unintelligible) the United States. He has in the past used trips to South America to criticize the U.S.

I'll also be watching to see how often he mentions Snowden, and those revelations as a way to I think score easy points, particularly in Brazil. But overall, as I mentioned at the outset, I think that the (unintelligible) of the United States is that we need a more active foreign policy in Central and South America. China's actions are not nefarious, they're normal. We have to be more normal in similar vein.

Cynthia Arnson: Great. Gonzalo Paz.

Gonzalo Paz: Yes. I would like to add - I agree with my predecessor. I think that China, it's also answering the (unintelligible) to the Pacific in increasing the level and the frequency of visits to Latin America, primarily when (unintelligible) came recently to the region. And there will be the Summit between China and CELAC before the end of the year.

So the political message, I think it's quite interesting and strong in this case.

Cynthia Arnson: Okay. And next, Richard.

Richard Feinberg: Yes. Thank you. Okay, three quick points. The BRIC Bank, they have yet to announce what their norms would be. That is to say, do they have a different approach to international economics or is it just different faces at the table?

Second point, President Xi's visit to Cuba. Will he announce some investments in the new Mariel port? If he does, that's a victory for Raul Castro. If not, a definite defeat, since that not even China wants to - is willing to risk capital in Cuba today.

And then finally, where the U.S. policy I think might be affected, when we see these other regional groupings, and even China participating, we have - Summit of the Americas' coming up next year, where the U.S. of course takes a leadership role. And yet, the Latin Americans have said if Cuba is not invited, they will not attend.

And so far, Washington seems to be hamstrung on this issue, trapped between our desire to play our leadership role, but our fear of the Cuba issue. Can the administration cut that Gordian Knot?

Cynthia Arnson: Okay. Jorge.

Jorge Heine: Yes. Just three quick points, as well. One of them, it seems to me that the visit of President Xi came under scores, the need to deepen the relationship between China and Latin America, beyond the usual sort of commodity dimension of the (unintelligible) and the (unintelligible).

Number two, the need to multi-lateralize it, and look at institutions that bring together China, on the one hand, and grouping of values of Latin American countries on the other. And third point is that it has to be mentioned, but the next APEC Summit will take place in Beijing next November.

And it seems to me that we ought to be looking forward on how APEC can bring new dynamism across the Asia Pacific, and give it further impetus to trade.

Cynthia Arnson: Adriana? Last word.

Adriana Abdenur: Okay. Well I'll share a question that's been on my mind. I'm wondering whether BRICS and or China will come to Argentina's rescue in its debt problem? I'm not sure what they could do concretely, but these countries seem to have voiced support for the Argentine position. And there's a lot of buzz in the media about Argentina being somehow part of the BRICS Summit.

So I'm wondering if there's a surprise in store. And finally, with respect to Brazil, elections are coming up. If (unintelligible) stays, I think we're going to have a lot more continuity, but yesterday she gave an interview to (unintelligible) in which she said specifically that the electronic espionage was not specific to the Obama Administration, but rather than from September 11.

And perhaps this is a sign that U.S./Brazil relations will saw some out, opening up a little bit more space for a more balanced approach on the parts of Brazil. Thank you.

Cynthia Arnson: Great. Okay. Well we've started and ended in Rio de Janeiro, perhaps as it should be, as the world's attention is focused on the sporting events over the coming weekend. I'd like to thank all of our participants, and mention that the audio of this teleconference will be on the Wilson Center website, either this afternoon or at the latest, by Monday.

So thank you all for joining us. Jorge, we wish you all the best as you...

Jorge Heine: Thank you.

Cynthia Arnson: ...take off your new duties and responsibilities in Beijing. Thanks to all.

Adriana Abdenur: Thank you so much.

Jorge Heine: Thank you.

Richard Feinberg: Thank you.

Gonzalo Paz: Thank you...

Robert Daly: Thank you.

Gonzalo Paz: ...so much (unintelligible) Jorge.

Coordinator: This now concludes today's conference. All participants may disconnect at this time.

END