China and the Global South: From Debt Diplomacy to Dependency? with Jorge Heine
September 30, 2020

William Overholt: It's a pleasure to introduce professor and ambassador Jorge Heine, who's gonna talk to us about China and the Global South. Professor Heine, he is what's known in Washington as an inner and outer. He spent 2/3 of his career in academia, and 1/3 in public service, and has made extraordinary contributions in both areas. On his academic side he's the research professor at the Pardee School of Global Studies at Boston University. His specialties are international relations of the global south, diplomacy, democracy promotion. He's published 15 books on those kinds of subjects. On his public service side, he's been Chile's ambassador to India, Bangladesh, Sri Lanka, South Africa, Mozambique, Namibia, Swaziland, and Zimbabwe. He's been a minister of national assets of Chile and a deputy minister of defense. Nobody could be more qualified to speak on this subject, so welcome, Professor Heine

Jorge Heine: Thank you. Good afternoon. Let me thank the Fairbank Center for this client retention and particularly, Dr. William Overholt and Professor Ezra for the opportunity. When I packed my bags in Beijing after three and a half years of being posted there, a colleague told me, "Well, when you get to Washington, keep in mind that all conversations in Washington today and asking one question, what will China do?" I was skeptical because having lived in Washington before, I know that Washington is a very self-centered place and it tends to look at itself more than anything else. And I wasn't quite convinced that in fact China would generate so much interest, but after spending a year and a half in Washington from 2018 to 2019, I realized my Brazilian colleague was right. Everybody is concerned in Washington today with what will China do? So what is China up to?

Jorge Heine: What I would like to do today is to answer that question by looking at one particular angle and that is China and the global South. Now what is interesting here is that from the very beginning that is when, what we now know as the global South and was earlier known as the third world came into its own. Many people associate that with the Bandung conference at Indonesia in 1955 with leaders like Nado, Naser, Sukarno, that later would lead to the formal creation of the Non-Aligned Movement in 1961 at the Belgrade Conference. At the time of course John and I was there as well. And that there was this ambivalent relationship between China and what was then known as a third world. China was interested in, was willing to collaborate with, but did not want to become a full-fledged member of a movement like the Non-Aligned Movement. And you know, it's interesting. One might have imagined this different outcome of this. China and India were very close shortly before that 1954, they had agreed on the Panchsheel principles of foreign policy, common values, and Chinese and Indian foreign policy, yet it didn't happen.

Jorge Heine: And since then, China to this day uses the language of South stout corporation works closely on some issues with the G77 at the UN and with the Nam on some issues but it is not part of the Nam or that G77. So that's one point I would like to underscore. Now, since then, of course a lot of water has passed under the bridge and in 2020 we're living in a very different world from the one of 1955. But what is important to keep in mind is that if anything, in the course of the past 20 years in this century, China has made a renewed attempt to increase its links, its presence, its trade, its investment with the developing world which means Asia,
Africa, and Latin America. And what I would like to share with you today is my perspective as to what lies behind this, what is the dynamic? Where is this leading to? And what other particular foreign policy tools and objectives the China has deployed to develop these links? Now the first point that is important to underscore that is that China always insist that it is still a developing country.

**Jorge Heine:** You may agree or disagree with it, but that is China's position which is why sometimes the possibility of the G2 that is United States and China banding together as aware both of them, as you know, represent some 40% of the world's GDP, that the two could sort of band together and make decisions for the world. China has always rejected that saying that it is part of the developing world. It is keen to work with other great powers but that it is not willing to partake of any such endeavor. So China continues to, cultivate the notion of what it's called South-South cooperation, which to some sounds a bit outdated. That is made of the language of the sixties and seventies but it is very much present in China's vocabulary. Now, what is the sort of center piece of the project that China has put on the table and as far as the Global South is concerned. Well, that is the BRI, the Belt and Road Initiative. As it happens, I arrived in Beijing for my posting in July of 2014. And that was shortly two months after BRI had been mooted by president Xi.

**Jorge Heine:** Then that wants to become the centerpiece of Mr. Xi's foreign policy, and it is so to this day. And I remember at the time when I heard about it, read about it, talked about it with people with government officials, it's called generalists. There was a lot of skepticism I myself was very skeptical. This was so grandiose, so ambitious, I mean to recreate Eurasia, how much more ambitious can you get to connect East Asia with Europe, to recreate the old silk road and make it into the new silk road? All of this sounded to a lot of people including myself like pie in the sky. These grand deal is foreign policy proposals which we often heard about in other countries and that in fact, a lot of smoke and mirrors and there is much behind it. The budgets were just vary from some of one $1 trillion to $8 trillion. It was said that the project would go on until 2049 for the Centennial of the Chinese revolution. Everything was so grant that a lot of people were very skeptical including myself. Now, seven years have gone by since the BRI was launched. And a lot of scholars, a lot of observers, a lot of analysts would say that in fact things are happening that these projects that sounded like pie in the sky, are being built. We have a lot of trains among other things running from China to Europe. We have immense projects in Asia, in Africa that have come into being. Again, estimates vary but some people say that maybe close to a trillion dollars has already been spent in some of these projects.

**Jorge Heine:** Now it seems to me that beyond the sort of objective of recreating Eurasia first. And then expanding this to the rest of the world by now it's not just recreating Eurasia in Chinese policy. The Americas have come to play the role in the BRI as well. And I think it's 19 countries in Latin America and the Caribbean that have signed so called BRI MOUs including my own country, Chile. So this is moving forward in more than just recreating Eurasia. What I would submit to you is that it has become a development proposal for the world and for the Global South. And it is a development proposal which is on particular features. What it entails is somewhat different notes from what development is. Until now, the notion that in Latin America has been dominant. In fact, the word development isn't used that much is that progress is supposed to happen when you have macroeconomic stability. When you have low inflation,
when the fiscal accounts are kept in order and the business climate is right and then somehow development will take place on its own.

Jorge Heine: Well, the Chinese proposal is somewhat different. What the Chinese say is that if you create the right infrastructure and you create digital connectivity, then you will create the conditions for economic growth and development. That is what they have done as you know, better than I in China for thousands of years, the big challenge for the emperor was how to connect this huge country 8 million square kilometers with some of the highest mountains in the world, some of the longest and deepest rivers in the world. How to connect it. Well, a lot of people would say that, over the past 50 years that is exactly what has happened in China. Through the bullet trains and through mobile telephony China today is connected in a way that it wasn't in the past. And a lot of people would say that part of the high rates of growth that we have been seeing over the past few decades are related to this. Connectivity, good infrastructure act as an important propellant of growth.

Jorge Heine: So China say, this has worked for us, it should work also for you. Look at it, consider it, we are able to achieve. Now, in that sense, what is important to keep in mind is that, another question that kept popping up in Beijing in July of 2014 when I arrived. Okay, this is a great proposal, but who will actually sort of follow up on it? What are the institutions that will make this happen? These grandiose projects. Well, as it happens, those institutions have been created. They include the Asian Infrastructure and Investment Bank. And also there is the New Development Bank in Shanghai. AIB of course is based in Beijing. And, I happened to be in Beijing, and Chile joined the AIB. So I was able to watch this from Apts. There wasn't an easy process, as you know, there was quite a bit of opposition to it, on some complaints, but it finally happened. So you have the proposal of the BRI, it has happened. The development projects are actually being implemented. You also have institutions that are following up on it, although it's not just the AIB, it is the China Development Bank, EXIM bank. There are many financial institutions that are playing a role here.

Jorge Heine: Now here, this is another important element to keep in mind that strictly speaking China didn't need the AIB to push forward for the BRI projects. It could have done it perfectly well with the China Development Bank and with EXIM Bank that have plenty of resources, but it is part of a certain approach to foreign relations, which is, has been termed regional multilateralism to bring in other countries into project management, makes it a lot easier to implement and to set them up than if it were just strictly Chinese unilateral initiative and the funding program. So that's another important thing to do. A lot of people were skeptical about the AIB that it wasn't going to work, that it was a political bank. It was to be a disaster. Well, five years in breed existence. It has lent some $20 billion. It has some 84 members and another 20 prospective members. And evaluations from the credit agencies have been quite positive if anything some people will say they're much too conservative. They should be a bit more outgoing.

Jorge Heine: Now, you can say well, what part has been accomplished by the BRI? Well, some members 200 hydroelectric dams, 41 oil and gas pipelines, the Nairobi Mombasa rail line, one, another I left from Addis Ababa to Djibouti, a very ambitious project of the railway line from Laos all the way to the Chinese border, 440 kilometers of which about 2/3 are bridges and
tunnels so difficult is the terrain. So lots of things have happened, but how will the, sort of the ultimate judgment on the BRI be? We don't know it's early days still. Obviously, the pandemic has cast quite a bit of a shadow into a number of projects with the economic slowdown. But if we can make some sort of preliminary balance at this point, it has obviously a number of positive elements. So that is one thing that I want to sort of put front and center in China's relationship with the Global South, that is the BRI.

**Jorge Heine:** Now let us look at specific areas in which China has developed a greater presence. And we should look first at Latin America and then at Africa. The case of Latin America is obviously quite interesting in some ways, and a bit surprising going off course Marco Polo was part of the continent known as the never reached Latin America strikes some people it's a bit odd that BRI should actually reach out to Latin America. Latin America is very far from China. My own country is probably the father's country away from China in the world anywhere. But the standard line that we hear is that Latin America is very manageable and quite irrelevant in the larger scheme of Chinese foreign policy.

**Jorge Heine:** Now this, it goes so far. There's a noted Sinologist professor, Carrie Brown. In one of his books on Chinese Foreign policy comments that President Xi Jinping has traveled so much that he has even visited such exotic countries as Chile. Now what is interesting to note is that president Xi Jinping has in fact visited Chile three times. He did that as a president in 2016 a visit where I was present in Chile. He visited as vice president in 2011 and he visited early in 2001 when he was party secretary in one of the Southern provinces of China. And you would have visited the fourth time for the APEC summit of November of 2019, which would ultimately suspended, and therefore he had to cancel his visit. So you ask yourself, well, how marginal is a region which deserves as in the case of Xi Jinping? Xi Jinping has visited in the first six years of his presidency has visited Latin America five times. He has visited 13 countries. Now these 13 countries that he has visited means that he has visited more companies in six years than president Obama and president Trump have visited both of them combined in 11 years. So though Latin America may not be central for Chinese foreign policy, it deserves a modest measure of attention as shown in the visits that I have just mentioned.

**Jorge Heine:** Now this process has gone hand in hand with a very strong growth increase and investment from China in Latin America. We'll give you an idea, China and Latin American trade was $10 billion in the year, 2000 by 2018, had reached $307 billion. There is 30 fold increase. If we look at what is happening today in the region for South America as a whole, China is the number one trading partner. It is the number one trading partner for Argentina, for Brazil, for Chile, for Uruguay and for Peru. Chile exports two and a half times as much to China, its number one trading partner as it does to the United States, which is its number two trading partner. Uruguay export more to China than it does to the United States and Europe and European Union combined. So there's been inevitable explosion of trade. And from the year 2010 onwards, there's also been a considerable increase in investment, both in FDI and in finance laws to Latin America. So China has become a very important partner for Latin America these days. And it is something that cannot be ignored.

**Jorge Heine:** There has been a movement there from the initial major investment that was in commodities, basically in oil, in copper, in iron ore, on the part of Chinese companies to
increasing interest by China to invest in infrastructure and in energy. One of the big problems in Latin America is the relative lack of investment in infrastructure. And this means that Latin America invest only 2.5% of its GDP in infrastructure which compared to about 8% that is invested by the countries in East Asia. And there's an almost potential, the way I see it, and this is something that I tried to develop when I was still in Beijing, for a major investment in the development of Latin American infrastructure. For example, corridors between Argentina and Chile, that we'll be able to bring goods from the Atlantic side towards the Pacific and then onto China and to the rest of Asia.

**Jorge Heine:** This is something that could be developed with the AIB and other financial entities. It hasn't quite taken off, but it's something that can come into a doll. The basic point I'm trying to make is that China from its initial strict focus on commodities in the region has also now branched out into other areas. And that seems to me, offers significant possibilities of working together. Now in other regions of the world where China has developed a major presence is Africa. With Africa, China has more long standing ties than with Latin America dating back all the way to the sixties. Some of you may remember the Zambia-Tanzania railway project that was very important. Africa, of course, is less developed than Latin America and therefore have greater infrastructure needs that's a considerable room for Chinese project in developing African infrastructure.

**Jorge Heine:** I mentioned earlier, that there were projects in Kenya and in Ethiopia, others they follow up on that. According to one American enterprise Institute Study, China has invested $2 trillion in Africa since 2005. Afro-Chinese Trade reads $215 billion dollar 2014, and downward drop to $185 billion in 2018. One country where China has put a lot of its chips is Ethiopia, and Ethiopia of course has done extremely well economically in the past decade some years growing at two digits. So there's an interesting example there of China being able to actually make a difference in the development of Africa. Huawei, the telecom company has a presence in 23 African countries and it has done very well. So it is not just state owned enterprises, but private Chinese companies have also done very well. Now there's an old rhetoric that has gone with it criticizing China of what is sometimes referred to is neocolonialism. And I must say I don't quite buy that.

**Jorge Heine:** When I was ambassador in South Africa, I was close up candidate to Mozambique. And once visiting Maputo, I was shown a high rise that was totally empty. And asked, why is the high rise empty? And I was well, in 1975, when the Portuguese left, they decided to fill up the elevator shafts of the building so that it couldn't be used once they left. That is colonialism to me in its purest expression. The notion that building railways, no railway wouldn't have been built in Kenya in a hundred years. The building railways and developing digital connectivity throughout the African continent is some sort of expression of neocolonialism implies to me as even quite inappropriate and wrong. Now, in those terms, looking at what has happened in Latin America and what has happened in Africa. There are two issues that have come to the fore and received quite a bit of attention in the media and from scholars. And one of them is that this would be essentially what has been called debt trap diplomacy, that what China is doing is trying to ensnare countries in the Global South with easy money and then go and take over their assets.
**Jorge Heine:** And this has become part of their discourse on China and what is China up to. And this won't be the case, it is argued both in Africa, in Latin America and elsewhere. And exhibit A of that analysis is the port of Hambantota in Sri Lanka. As you know, that port is now leased to a Chinese company for a 99 year period. As it happened, when I was ambassador in India, I was closeup candidate to Sri Lanka. So I know Sri Lanka well and I also acted as the person who was behind behind this project, then prime minister, now again, Prime Minister Rajapaksa. And what happens in the case of the port of Hambantota has nothing to do their diplomacy. It's good old port battle politics. Hamantota is the hometown of Mr. Rajapaksa and from the word go, he was determined to bring in as many projects as he could to his hometown. There is a stadium, sports stadium with the capacity that is bigger than the population of the town. There is an airport that has no scheduled flights because there is no demand for them. And then there is this port for which Mr. Rajapaksa demanded more and more Chinese financing until at some point it simply - Sri Lanka wasn't able to pay it. There was a change government. The new government decided as a way out of this debts to lease the port for $1.4 billion. And with that money pay part of those debts.

**Jorge Heine:** But this wasn't quite of any punch of Chinese policies, it was simply politics at its best or worst, depending on how you want to point at it. In more general term, we want to look at the bigger picture. We were talking earlier before this talk about Professor Deborah Braüfgam's from John Hopkins who has done such outstanding work on the presence of China in Africa, and in her work, also in the recent study by the Rhodium group and in other study by the Law Institute of Australia who have looked at this accusations of debt craft diplomacy. Started with originally calling by an Indian analyst Brahma Chellaney of the Center for Policy Studies in New Delhi, whom I know. And they have concluded there is no basis for it that in fact, obviously when there are problems and they are bound to be given the enormous quantity of project in which China is involved worldwide. In most, not all cases China is willing to renegotiate the debt to kick the can down the road to look for solutions, rarely the one case is Hambantota and as I was saying earlier there is a good explanation to why Hambantota ended up in its 99 year lease for the Chinese company.

**Jorge Heine:** And from a strictly conceptual point of view, I think it is also important to keep in mind that it doesn't make any sense. Diplomacy is about this. This is my famously said it's about making friends abroad. The notion that you engage in diplomatic practice lending money to countries so that you can take over the assets. You know, it's not exactly a recipe for making friends, the recipe for making enemies. So from a strictly conceptual point of view, it doesn't make any sense either. And a former colleague of mine at the Wilson Center now teaches at George Washington University, is Stephen Kaplan. He has written some fine piece on what he called, "The Patient Capital." He makes the argument that Chinese companies and both state owned and private companies have a much longer time horizon than Western companies. They are willing to invest and wait for their return on investment over a much longer time span than Western companies.

**Jorge Heine:** And it seems to me, it is important to keep that in mind rather than, you know, this do for me somewhat oxymoronic notion that you promise. Now the bell has been rang, set of criticism, there's another set of criticism. This time you could argue from the left that China may not be engaged in debt diplomacy, but that is doing something far worse. And that is
developing independent relationships with the countries of the Global South. You may or may not recall something called dependency theory. Dependency theory was all the rage in the sixties and seventies in developing studies. At some point it became a very dominant paradigm. It was developed originally in Latin America by scholars like Fernando Henrique Cardoso, the president of Brazil, and others. And what it argued essentially was that Latin America's underdevelopment was largely caused by the type of external linkages it had developed with the United States and the Europe. And that was something that made it basically impossible for the region to develop.

**Jorge Heine:** And that theory became extremely powerful and popular and also applied everywhere around the world. Until in the 1990s basically, with the development and the growth of the so called Asian Tigers, the theory became discredited and basically forgotten. Now what some scholars are doing nowadays is they are resurrecting this and applying it to the relationship between China and Latin America. There's one important book that has recently been published we were talking earlier about, by a noted scholar from Brown University, Barbara Stallings. The book title is "Dependency in the 21st Century? The Political Economy of China-Latin American Relations." And the argument I'm simplifying of course, but the argument is that China's come to play a role that is comparable to the United States. Once undermining development. It's a sophisticated analysis that distinguishes markets leveraged, linkages mechanisms that generate dependency and sort of the gist is that Chinese demand for Latin Americans raw materials has promoted that the industrialization. And therefore, the relationship with China has had a negative effect, a set of deleterious effects on Latin America.

**Jorge Heine:** Now my problem with that is that yes, Latin America has been de-industrializing and it has been stuck in the middle income trap for far too long, things are not well in the region. We have some major social uprisings last year partly as a result of that situation. Today, the region as you may or may not know is the one that is most severely affected by the pandemic with 8% of the world's population, Latin American has the 30% of the world's deaths from the pandemic four times. It is projected that Latin American will have a negative growth of 9% this year, which is the biggest drop for any region, any developing region, and perhaps, depending on what happened in Europe, any region in the world. So things are not well in Latin America. Now, the question is, should we blame China for it? Because China has become such an important partner. I don't buy that.

**Jorge Heine:** Then what happened is that during what my colleague here at BU, Karen Gallagher, a person with the China boom from 2003 to 2013 Latin America did very well growing at four or 5% a year being able to overcome the 2008-2009 financial crisis much better than it did previous financial crisis and many good things happen in that period. But one thing that didn't happen was that Latin America did not invest more. It did very well in this commodities boom, but instead of saving for a rainy day and/or investing in industry greater manufacturing capacity, it didn't do that. The investment rate in the nineties was around 18% of GDP in the first decade of the new decade it was 19%. So basically it stayed the same. There's a reasonable. The reason is very simple in among Latin American economists. The word industrial policy is a nominal, it isn't true. They're not supposed to pick winners as the expression goes.
**Jorge Heine:** So the notion that somehow these rains that came in from China could have been deployed to promote greater industrialization, greater manufacturing capacity add more value to their Latin American commodities. It was simply not taken into account, not considered. My argument is that to blame China for that, it doesn't make any sense. These are policies that are made by the Latin American governments themselves, China buy certain things. And the rains that come out of that can be used by Latin American governments, businessmen entrepreneurs in one or another. But honestly, that hasn't happened. Now, the second problem with the argument on dependency that I have is that what dependency is all about, Barbara Stallings, is very critical of countries like Venezuela, Ecuador and Argentina who have been signing government to government deals as opposed to open tenders.

**Jorge Heine:** And the argument is made that government to government deals lend themselves very easily to shady backroom deals, as opposed to if you use the tenders like our tenders in the region do. And the notion is that somehow this has led countries down the garden path as it were. Well, the whole point is that these countries we're talking about were excluded from international trade mark. None of them actually do international China was the lender of last resort. Would they have been more independent if China had not been around? But Ecuador and Argentina are now becoming friendly with the United States. Argentina is negotiating with the IMF. Ecuador has lined itself very closely with Washington, tried to obtain loans and facilities while still keeping good relations with China. Would they be better off today? If say 10 years ago China had not been available to lend the money and to finance projects? I don't think so. The notion, and here is an interesting problem. Conditioning Latin America had dependent on the United States and on Western European countries for 200 years, those were the basic partners.

**Jorge Heine:** Those were the basic source of trade, of investment or finance. Now there's a third party, it's China. The notion that because there is a third party, the region becomes more dependent. I find doesn't make sense. If you diversify your diplomatic trading in investment partners by definition, you are less dependent. You have more options that are available to you. So in that sense, it seems to me, one can obviously argue that more can be done to promote Latin American industrialization, that China could play a bigger role in there. But that is a problem that has to do with the decisions made by policy makers in Latin America rather than blame it on China as it were. It is for that reason, it seems to me to answer the question of the title of this talk is that there is no debt trap diplomacy and no, China is not in the business of promoting greater independence. Those are things that have to be dealt with by the countries themselves. Thank you.

**Nick Drake:** Well, while we're waiting for Ezra, Bill to come back on here, I just wanna say for those of you who wanna submit questions, please do so in the Q and A tab below. If you want to submit anonymously, you may do so. I think there's an anonymous submission option. If not, please identify your name and your affiliation. Thanks.

**William Overholt:** Ezra you're muted, you need to unmute

**Ezra Vogel:** Okay, now you can hear me.
Jorge Heine: Yes.

Ezra Vogel: I think all of us are grateful for that very broad gauged talk that you have in the perspective of a diplomat who served who served in so many parts of the world and has also had a scholarly background and presented us with such a broad gauged perspective. One of the question, let me start with a couple of questions. One question is, how big is the investment China has made in personnel who can deal with Latin America? Some of us have been quite impressed with the range of language treat teaching in China and the, such a large cadre of talent that they have trained diplomats in many parts of the world who can understand the issues in local countries and can work well with them. How would you rate the personnel that China has supplied to Latin America?

Jorge Heine: Oh, that's a great question. Let me tell the forum that when I was in Beijing but when I was in Beijing, the Latin American division in the foreign ministry on sight some 60 diplomats. And China has embassies in 16 Latin American countries. Most of the ambassadors and the staff speak fluent Spanish and they have been very effective. And one of the things they have done and this is something I've been writing about. They have been very effective also using social media. They have taken to Twitter like ducks to water and they have developed very different profile from the hostile traditional Chinese diplomats which tend to be quite wooden and very rigid in their bureaucratic approach to things. The ambassadors that we have in Latin America as were have a different take and they engage the media very actively. And have a very lively public presence, which has made, in my judgment, quite the difference.

Ezra Vogel: Well, thank you. And how did that diplomats and the room of American diplomats now in Latin America?

Jorge Heine: Sorry, what was the question again?

Ezra Vogel: What is it, how the Chinese diplomats compare with America, US range of our diplomats in dealing with Latin America in terms of our knowledge and breadth and preparation?

Jorge Heine: Well, honestly American diplomats, there are very well trained and very capable and obviously they are a very significant and important role. When they are there in the case of Chile, for example in my own country, and something similar can be said about others, that hasn't been the U.S. ambassador since January of 2018. So it makes a difference when you have had a mission and then when you don't. So that can be a problem, you know when there is no ambassador on site, that as it is to me can be a problem.

Ezra Vogel: Another issue that the United States of course is very concerned about is whether some of these commercial relationships will begin to have a national security role both in terms of the high technology and in terms of the port facilities. There's a new report that just came out from the Asia society. Danny Russell, his audit said that when ports are built in various countries around the world, there is room for most of those ports. It is not yet moved in that direction in many ports, but it is built the basis so that it could develop a larger role in national security. And that's something that Americans of course now are very concerned about China's
national security activities in the South China sea. I can see potential for expanding into Latin America, to Africa, as well as the BRI. What's your take on whether there are signs in Latin America that China is beginning to use its context or at least lay the basis so that it can play a larger national security role?

**Jorge Heine:** Well, there is a base in Southern Argentina, which is a Chinese base and they do their Raiders. They monitor space and undertake all sorts of sky watching activities that has generated some controversy as to what its ultimate objectives are. And so that is one question. The broader point, it seems to me though obviously you can say anything can ultimately they have national security picked up. Then I have national security. I was in Washington when the question of the subways the possibility that the Chinese company would participate in a tender for building subway cards for Washington Metro. And that was considered a great danger. Why would you want to spy on people using subway cars instead of kind of phones or computers, something somewhat beyond?

**Jorge Heine:** So in a sense, it seems to me anything can be developed into a national security threat. My point is that China is a big trading nation and Latin American countries are big traders. We depend on our exports. The growth right now is in China. I was just looking at the numbers in the case of Chile. In the first eight months of this year, the exports to China grew by 9% year on year and they fell in two digits to the United States, to Japan, to the EU. So even after the pandemic, when we are over it and right now the growth that is taking place is in China I think they always say, be just came up with a report saying that the one country among the G20 that will have positive growth this year is going to be China. So where do you go to sell your awareness? Now it seems to me that can be legitimate national security concerns on the part of the United States but they should be identified and dealt with to say in broad terms that buying and selling with China or having investment from China is per se, somewhat that is unacceptable. It's not, it seems to me the way to go that e-train in Latin American international relations is something written of over the past 20 years has been to diversify its international links away from strictly the United States and strictly Western Europe. The notion that from now on Latin American nations should meet some sort of permit slip from Washington to do business with countries, particularly in Asia for the growth strike, many as they are.

**Ezra Vogel:** But another issue that of course the Americans, Europeans, Australians are very concerned now about is human rights and the activities of China and dealing with Uighurs and with Tibetans and with Hong Kong have aroused a very deep feelings of anti Chinese sentiments. How have these views effected Latin America? And has Latin America as a whole accepted that same kind of perspective as say, Europe, United States in Japan?

**Jorge Heine:** That's another very good question. Well, honestly human rights are universal concern we have in Latin America in our recent past. We have had serious problems with that. Therefore it is a concern, it is something that is present and is something that is present in the public debate, it is something that governments consider. But it is not the only thing that is considered when we look at our national interest we look at the broad range of issues. They include economic issues, they include political issues, they include multilateral questions. And human rights is obviously one of them.
Ezra Vogel: The first question I would call upon is a colleague of yours from Boston University who has joined this and that's Min Ye, and she has two questions. One, has a Chinese engagement in Latin America grown exponentially because of Xi Jinping personally, given the four visits that you mentioned? Has he personally played a role in the Latin America? That's one question. And the second question is what is the effect of the pandemic on attitudes toward China and has it involved some of the same kind of responses as in the United States?

Jorge Heine: Okay, well I wanna say this, that two things here. One is sort of the economic dynamic that is in place and the trade growth for example, that has been so fast over the past 20 years has gone very much on its own, but I would say that the fact that President Xi Jinping has taken Latin America so serious with his visits, with the agreements that have been signed has given an additional impetus to this relationship. I had a chance to see this myself and the team had years that I was in Beijing. I had four highest level visits. Two from President by Chile to China, one by President Xi to Chile and one by Prime Minister Li Keqiang to Chile, you sign agreements. And obviously these visits given an important impetus to the relationship in the case of Chile. For example, we upgraded the FDA that it had been signed in 2005 sort of FDA 2.0. Chile also joined the Asian investment in infrastructure bank Chile became the lead exporter of food to China, believe it or not. So lots of things happened because of the sort of economic trends as it were but also because of the impetus given by the leadership. And so in that sense, it seems to me that President Xi has an important role in putting Latin America not front and center, but giving it, they're not insignificant role in Chinese foreign policy.

Jorge Heine: And that obviously has an effect. On the question of the pandemic. Yes, obviously in Latin America, the people were upset about the emergence of the virus or the fact that China couldn't contain it in Wuhan. And the fact that it reached the whole world, obviously that did not go down well at all. And I've already mentioned how serious and tremendously, the serious effect pandemic has had in Latin America. That said at the same time, my own perspective is that people in Chile and also elsewhere, are impressed by two things. One is by the way China has managed to contain the pandemic once it corrupted and how it has managed to maintain the effects within China as compared to many other many other countries that haven't. And two, with what is known as mask diplomacy the way China has engaged countries in the region to provide medical devices and all sorts of things to help the countries deal with the pandemic. And in July, there was a very interesting meeting between Foreign Minister Wang Yi and a dozen Latin American foreign ministers led by the Mexican foreign minister who was heading CELAC, the community of Latin American Caribbean States, to look at ways that China can cooperate in the fighting the pandemic in Latin America. They want a commitment by China offered $1 billion in that regard. So things are happening. And as a result of that, the image that China has in this moment in Latin America has improved from what it was in January and February.

Ezra Vogel: Ambassador, you mentioned a number of scholars who have done work on Latin America and the one you gave perhaps most attention to is Professor Barbara Stallings I'm happy to report that Barbara Stallings was listening to your talk today. And she has a question. I wonder Nick, if it's possible, so that Barbara pushed the button so that she could in herself present her opinion, and her question to the ambassador. Is that possible, Nick?
Nick Drake: Ezra, yes, I think it is here she is.

Ezra Vogel: Okay, Professor Stallings. Barbara

Barbara Stallings: Can you hear me?

Ezra Vogel: Yes we can.

Barbara Stallings: Ezra, it's nice to see you.

Ezra Vogel: It's nice to hear you Barbara and welcome back

Barbara Stallings: Thank you very much. Ezra and I know each other from the Japan days when I used to work on Japan rather than China.

Ezra Vogel: That's right indeed.

Barbara Stallings: Anyway, I really appreciate the opportunity to I would say begin a conversation with Jorge about some of these issues. Somehow we're always in different parts of the world, so we have to do it by Zoom, but I hope that we can continue this discussion. So let me just put a few ideas on the table and I'm sure that he will want to get back to counter some of them. The first thing I would say is that there are two - this is going back to the sixties and seventies - there were like two kinds, two versions of dependency theory. One is a quite unsophisticated version, which essentially says that external forces determine what goes on in developing countries. And they even invented the phrase that the development of under development but there was a much more sophisticated version associated with the name of Fernando Henrique Cardoso which said, yes, external forces are important. But the important thing is to the relationship between external and internal, external forces, internal forces, economic and political, it's this second more sophisticated version which I think is worth exploring at least in the terms of China, Latin America.

Barbara Stallings: I actually put a question mark in the title of my book. It says dependency in the 21st century question mark? The Political Economy of China-Latin American relations. So I just think these are things that are worth thinking about. The most important thing to me is this huge asymmetry in size of the countries. And the fact that China is such an important market that Latin American countries are willing to go back to essentially their 19th century relations with Britain and export commodities and import industrial goods. There are lots of well known problems with commodity exports, especially volatility which means that it's very hard for any country but especially small developing countries to manage their economies prices going up and down and their exploits going up and down. For example, in the case of Latin America 70% of all commodity, all exports going from Latin America to China are based on four products, oil, copper, iron ore and soy, that's it, 70% also only four countries produce 80% of the relationships of trade.

Barbara Stallings: So it's a very asymmetric relationship in in various senses. Jorge's colleague whom was also mentioned Kevin Gallagher has with colleagues also at BU have
done some important work on the way China has a negative impact through these commodity exports on environmental situation in Latin America. But I think that one thing I do want to endorse that Jorge said, I believe very much, and that is diversification. I'm completely in favor of that. But I do think that it makes a difference. What kind of relationships we're talking about? I tried to divide Latin American countries into two groups. What I call it, Venezuela kind of group, which is willing to do deals in the back room with no transparency lots of corruption, and what I call the Chile kind of Latin American country, which demands that all international partners, including China behave by rule of law, engage in auction kinds of procedures to get access to procurement.

**Barbara Stallings:** So I think that the number of very serious problems with the China Latin American relationship but I agree with Jorge that this is not just the China doing it to Latin America it's China and Latin Americans engaging in a, what has been in many cases, a downward kind of relationship but it can be an upward kind of relationship as well. And I think that diversification is really crucial in making that a more positive story come about. So we sort of agree on many things, but I think we disagree on a few and I hope we can continue a conversation but thanks for letting us start it.

**Ezra Vogel:** Jorge to you to respond.

**Jorge Heine:** Let me give you an example to be very specific. I referred sort of inductive reasoning to deductive reasoning. Chile is the biggest producer and the biggest exporter copper in the world. It has 29% of the world's proven reserves of copper. China is the biggest consumer of copper and the Chile exports, much of it to China. Now you would think that given those conditions if there is one thing that Chile would do was to develop refining capacity in copper, to add more value to copper which is one thing we have well, as it happens, believe it or not copper refining technology is more advanced in China than it is in Chile. If that doesn't show a sort of short sightedness, that is endemic, it seems to me in many of our countries and that we might have to resort to sort of Chinese technology to refine our own copper if we wanted to add more value to it. It's a much deeper problem than the relationship with China. It shows a certain mentality of which basically these are commodity producing countries, in the case of Chile it is done relatively well but there's a sense we're doing well so far. We don't need to change. So let us keep things as they are.

**Jorge Heine:** And my emphasis here is that this is a problem that we have to face ourselves in government, in business, in science the amount of R and D the Chile investment is GDP is 0.38. Now you can imagine with that kind of investment in R and D it's very difficult to innovate to develop new technologies, to do new things. So that is, I would argue the underlying problem. China is the partner, is a market. It diversifies our international opportunities. I would either the Latin America is better off by having three main international partners rather than having only two. And that should be the right perspective in terms of industrializing, those are the sessions that we have to make ourselves.

**Barbara Stallings:** Can I just make one small comment, response?

**Ezra Vogel:** Quickly.
**Barbara Stallings:** Okay, Chile is doing something new, it's called lithium. So the Chinese have walked into the main Chilean lithium company and are insisting that the Chileans have to export raw lithium to China rather than refining it in Chile. So it's not just that the Chileans are not concerned but there are some negative aspects as well. But I agree, three partners are definitely better than two.

**Jorge Heine:** Well it seems to me that depends on how much precious exercise that Chilean government should do something about it. I think lithium offers a great opportunity with everything that has to do with transport, making lithium batteries. Why should we export Lithium just in its raw form? We should try to get a piece of the action.

**Barbara Stallings:** Great!

**Ezra Vogel:** Here's a question from Sara Wong, who is director of the Center for Asia Pacific Studies at Politécnica University in Ecuador. It has a deal with the various populous governments in Latin America that have taken on heavy debt. And the question she raises is, "how can we get greater transparency in the debt processes? "What is required to get more transparency, "in how that is arrived at and how it is dealt with?"

**Jorge Heine:** Well, that's a great question and then in an ideal world these processes would be extremely transparent. In the real world, kind of excluded from the international capital markets, like Ecuador was for a time, like Venezuela is to this day, like Argentina was for quite some time, beggars can't be choosers. They take whatever is available. And this particular case, China was the lender of last resort, and you will deal with what you have. So, when you are angling for finance, from a position of weakness, you will be in a very difficult position to demand greater transparency. This is just the way capital markets work.

**Ezra Vogel:** Somebody has taken the liberty of asking a question in Spanish. And my Spanish is not very good but let me try to read the question from Philip Freedman and see if you can understand my terrible Spanish. (speaks Spanish)

**Jorge Heine:** I couldn't quite make out the question, sorry.

**Mark Grady:** We can translate for you.

**Jorge Heine:** Okay.

**Mark Grady:** So, the question was... Let me just, I'm sorry I lost it. It was, why would entrepreneurs invest in Latin America if they're not able to compete with industries subsidized by China?

**Jorge Heine:** Well, you know, that is a very broad question but I'd have to look at in a, which end of these are subsidized by China, which are not, I would say that the Latin American middle income trap in which we find ourselves, and have found ourselves for a long time. It's about time we did something about it. That means developing our own R and D and innovation
capacity. A lot of people have commented on this countries like the Scandinavian countries like Australia and New Zealand, they've managed to build up a high income economies from economies that were initially based on natural resources and commodity. And it seems to me that there is no reason, whatever Chinese companies put on the market that other countries cannot do the same. The reason that isn't happening is because some very self conscious decisions have been made not to apply industrial policy quote unquote that it, because it is considered a dirty word and actions have consequences. And that is why we live in the present circumstances as chewers of wood and drawers of water, as the saying goes.

Ezra Vogel: The final question is from Steve Shuko, which is this, China has large fishing fleets that have encroached on the Galapagos islands, Argentina, and elsewhere in Latin America. This seems like an extractive strategy along with on land issues like copper mining in Peru this has the potential to do ecological ecological damage. How is this perceived in Latin America? Is it a regional security threat? Do Chinese loans provide leverage over other countries to look the other way over environmental and fishing advances?

Jorge Heine: My own view is that these fishing fleets do enormous damage that Latin American government should not allow it, loans or no loans, so that we must protect our fishing stock in our oceans and do the need for it, and be in China or any other country. We should do the right thing and protect our oceans because it's one of the most valuable things we have.

Ezra Vogel: I'm afraid our time is up, but I think I speak for our audience when I say we're very appreciative that Professor and Ambassador Heine has given us such a broad ranging well-informed perspective on China's relation with the Latin America and a lot of food for thought. Thank you very much Ambassador Heine.

Jorge Heine: Thank you for the opportunity. Professor Vogel, thank you Dr. Vogel.

Ezra Vogel: Bye bye.