China and India Come to Latin America for Energy

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China and India are hungry for energy. They have both come to Latin America searching for energy resources in recent years. With a combined population that accounts for one-third of humanity, the two giants are now embarking on a road of fast industrialization, creating unprecedented demand for energy consumption. Neither country produces enough energy to satisfy its own needs. Their fast-growing imports of oil, natural gas, and other materials have put substantial pressure on the global energy and resource markets.

China quadrupled its economy from the late 1970s to the mid 1990s. By 1993, China had turned from a petroleum exporter to an importer, and by the early 21st century its dependency on foreign oil has jumped to about 40 percent. Already ranking as the fourth largest economy in the world based on the momentum of close to 10 percent annual GDP growth, Beijing has now set the target for quadrupling its economy again by 2020. [1] To achieve that goal, China must rely more and more on an external energy supply.

In India, both the boom and the size of the economy are smaller than in China, but energy consumption will increase further as economic development gains speed. India does not produce much of its needed energy domestically and is importing 75 percent of its oil and 50 percent of its natural gas consumption.[2] Neither India nor China has built up substantial strategic reserves.

It is natural that both Beijing and New Delhi have made energy security a national priority. They are importing more and more petroleum and gas and; their current, potential, and perceived demands for oil and gas are among the major factors that have driven up world energy prices. Their extensive activities around the world in search of oil and gas assets have created some anxiety about the world's future supply of energy, with even speculations of a new "great game"—a term traditionally associated with competition for the control of Eurasian oil resources since the late 19th century. China's and India's quest for energy has reached Latin America in recent years, a region long considered the backyard of the United States. This means that Washington must do some hard thinking about the emerging geopolitical "Chindia" challenge, especially in energy and related sectors.[3]

This chapter first puts the Chinese and Indian quest for energy in Latin America in the context of growing political and economic relations between the major players involved. Second, the chapter examines recent efforts by Beijing and New Delhi to secure energy supplies from Latin America. Third, the debates surrounding the coming of China and India to the Western Hemisphere, and implications of this for the United States and the world energy situation, are examined. Because Chinese activities in the region are more extensive than India's, this chapter focuses more on China.

I. Globalization and Chinese and Indian relations with Latin America

The Sino-Latin American economic relationship entered a honeymoon phase at the turn of the new century. In 2004, 49 percent of China's total foreign investment went to Latin America;[4] Peru was the top regional recipient of Chinese investment in 2004 with $126 million, followed in second place by Mexico with $125 million.[5] China's trade with Latin America increased 600 percent from 1993 to 2003, and reached about $50 billion by early 2005; and business deals number up to 400 between China and Latin American countries in the past few years.[6] In the bilateral context, Argentina reached an understanding with Beijing to boost its exports to China from $3 billion to $7 billion over five years; China became Chile's second largest trading partner after the United States in 2004, with the bilateral trade volume surging 52 percent to $5.5 billion. In November 2005, China and Chile signed a free trade agreement, the first such agreement for China in Latin America; and similar negotiations are under way with other countries.

Diplomatically, Beijing's attention to the region had intensified by the start of the 21st century when Chinese President Jiang Zemin took a Latin American tour that included Venezuela, Cuba, Chile, Argentina, Uruguay, and Brazil in 2001. Jiang's visit to Caracas was particularly notable for his talks on energy cooperation with President Hugo Chávez. Chinese Premier Wen Jiabao traveled to Mexico in late 2003. This was followed by the new Chinese President Hu Jintao's participation at the 12th Asia-Pacific Economic Cooperation (APEC) leaders' meeting in Chile and a 13-day Latin American visit in the fall of 2004 to Brazil, Argentina, Chile, and Cuba. Only two months later, Chinese Vice President Zeng Qinghong headed a delegation to Mexico, Peru, Venezuela, Trinidad and

Tobago, and Jamaica, further boosting ties with the region. Hu then visited Mexico as part of his North American tour in late 2005, which also took him to Canada and the United Nations. Almost of all these visits led to reciprocal return visits by the heads of state of these countries and some other leaders from the region.

Politically, Beijing has so far established four strategic partnerships with Latin American countries: Brazil, Venezuela, Mexico, and Argentina. Canada was added to the list in the fall of 2005 when Chinese President Hu Jintao visited Ottawa. There is also Beijing's traditional ideological bond with Cuba. In a broader context, China has strengthened multi-channel engagements with the region. In addition to membership in the APEC forum and observer status in the Organization of American States (OAS), Beijing is involved in regional organizations such as the China-Latin America Forum, China-South American Common Market Dialogue, and China-Andean Community consultations, among others. In Hu Jintao's 2004 high profile, 16-day trip to Latin America, 39 agreements were signed ranging from energy to investment to education to tourism. As observed by William Ratliff, Hu's trip allocated "more time than George W. Bush spent in all of Latin America during his first four-year term as president."[7]

China's largest trade partner in Latin America is Brazil. Bilateral trade reached $14.8 billion in 2005.[8] China is now Brazil's third largest trading partner. The growing economic ties are based on solid political foundations. Brazil, as early as 1993, was the first Latin American country with which Beijing chose to establish a "strategic partnership," a term interpreted by China as the highest degree of mutual trust and interdependence. Since the 1990s, 15 top Chinese leaders and seven top Chinese military leaders have visited Brazil, with nearly as many Brazilian leaders visiting China.[9]

Mexico is one of the fastest growing markets for China in the Western Hemisphere. By 2003, China replaced Japan as Mexico's second-largest import partner. Data from the Bank of Mexico show that Mexican imports from China reached $14.4 billion in 2005, nearly five times more than in 2000.[10]

The Chinese boom has been evident throughout Latin America for some time; however, China's relations with Venezuela experienced a major leap forward in only the past few years. According to the latest Chinese customs statistics, Venezuela-China two-way trade grew seven-fold from 2000-2005 (see Table 16-1).[11] After bilateral trade nearly doubled in 2004, it jumped another 60.6 percent in 2005, reaching $2.14 billion.[12] And for the first time, Venezuela shipped a tanker of 1.8 million barrels of fuel oil to China in the summer of 2005 as part of the pledge that Venezuela would eventually provide China with 30,000 barrels of oil a day.[13]

Table 16-1: Bilateral Trade between China and Venezuela, 2000-2005

(US$100 million)

Year	Total amount	China's Exports	Venezuela's Exports
2000	3.51	2.56	0.95
2001	5.89	4.43	1.46
2002	4.78	3.33	1.45

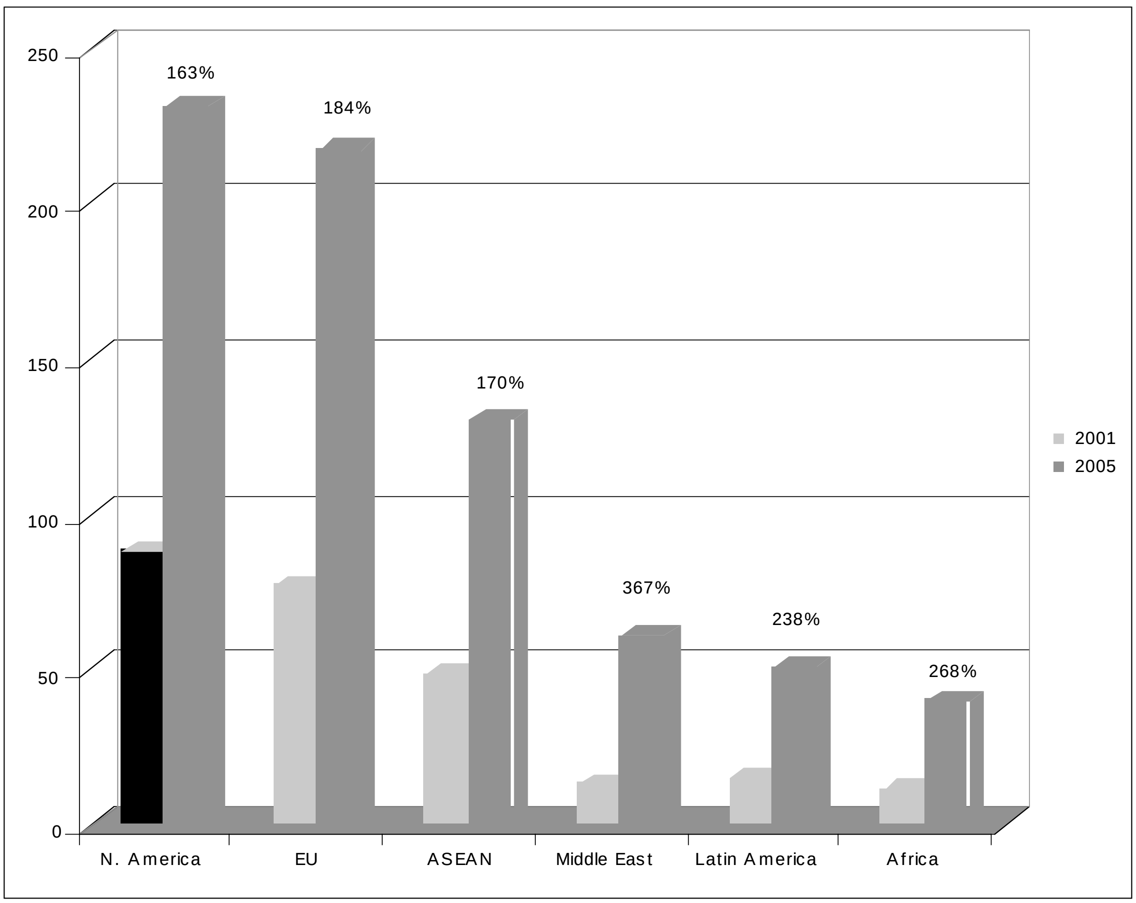
2003	7.41	1.99	5.42
2004	13.34	5.96	7.39
2005	21.418	9.078	12.34

Sources: China Customs

Similarly, India's trade with Latin America during the last few years has been growing rapidly, jumping from $560.68 million in 1993-94 to $2,971 million in 2003-2004, an increase of more than 430 percent in 10 years.[14] India's total exports still constitute a small share of the total imports of the region. The global imports of Latin America were more than $330 billion in 2002, and India's share was about 0.49 percent of the region's imports.[15] Without doubt, both China and India have expanded their economic relations with the region in recent years.

One question is whether these expanded economic and trade ties in Latin America constitute a pattern substantially different from the two countries' rapidly developing economic relations with other continents. A simple comparison of China and India's trade volumes with other regions of the world does not indicate there is any particular irregularity. China's trade with Latin America has doubled since 2000, to $50 billion a year, and Beijing hopes to raise the value to $100 billion by 2010. Although overtaking Japan's position in Latin America, the figure pales in comparison with to the $800 billion that the United States does in business with the region each year.[16] Latin America's share of China's foreign trade is insignificant: its share of China's imports went up from 2 percent in 1990 to 4 percent in 2004, while its share of China's exports rose from 1 to 3 percent in the same period.[17] Both China's and India's trade with other parts of the world grew comparably. China's trade with its major trading partners, as shown in Figure 16-1, grew more or less at a pace similar to its trade with Latin America. Even in Africa, where the economic growth has been slow, Chinese trade with that continent quadrupled from 2000 to 2005.[18] China's trade values with both Africa and the Middle East grew at a faster rate than China-Latin American trade in the period 2001-2005.

Figure 16-1: China's trade growth with major regions of the world, 2001-2005



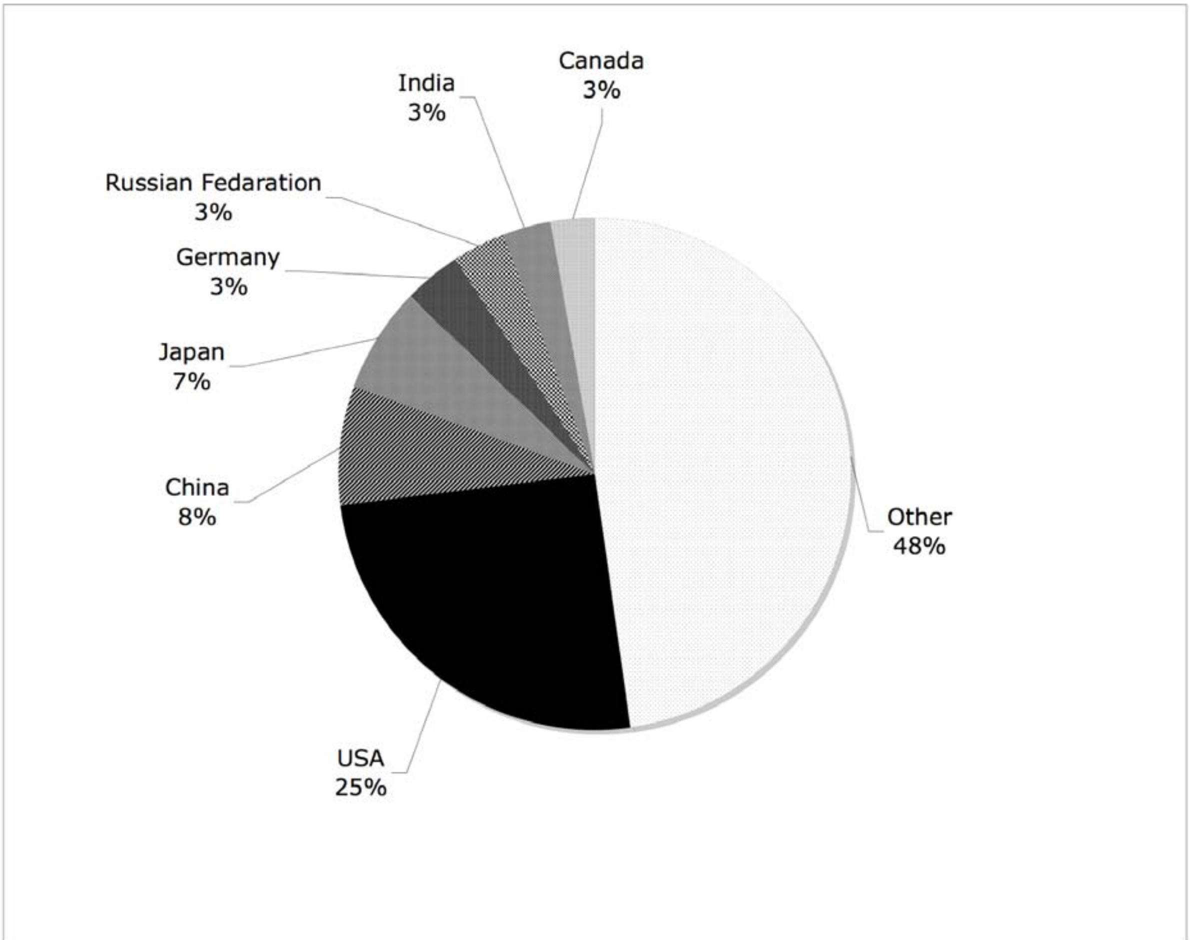
Source: calculated by author based on Chinese customs statistics

II. Energy as the key sector of China's and India's Latin American engagement

The energy and resource sectors represent the most dynamic part of the economic relations forged in the region in recent years by China and India. Latin America's importance in the world energy market and the region's potential are certainly attractive to the two Asian giants hoping to secure their long-term energy supply and other resources for continuous economic growth.

As the world's fastest growing economy in the past quarter century, China is now burning 6.3 million barrels of oil a day.[19] Although still far behind the United States, which consumes some 20 million barrels a day (mmb/d), China is projected to reach a daily consumption level of 10mmb/d in roughly the next two decades (see Figure 16-2). The view held by many analysts is that the Chinese market alone is responsible for 40 percent of the global increase in oil demand since 2000.[20] The Chinese government and other scholars have countered by pointing out that China is not the decisive factor in increasing oil prices in that it accounts for only 6.3 percent of the world's total oil consumption and less than 3 percent of the world's total oil trade; China's oil import volume is far below that of Japan; and China is also the second largest overall energy producer in the world.[21] What is certain is that China's economy and its increasing consumption of energy will not slow down in the foreseeable future; as the Chinese economy grew by 9.5-9.9 percent in the past few years, its oil imports jumped by 35 percent in 2004 and another 3.3 percent in 2005.[22] Forecasters argue that Chinese demand for crude oil will increase annually by 12 percent until 2020 (see Figure 16-3).[23] There are clear indications that China is following in the footsteps of the United States and Japan in its demand for foreign supplies. China's current dependency on foreign oil is about 42 percent and will be well over 60 percent in less than two decades.[24]

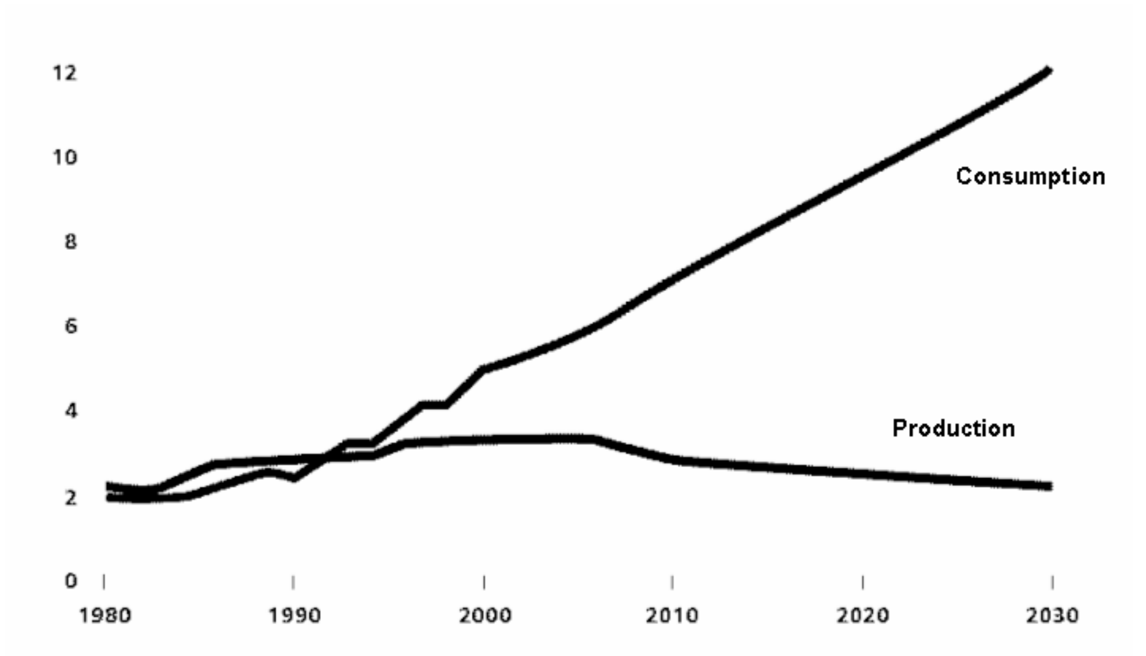
Figure 16-2: Percentages of World Oil Consumption, 2004



Source: BP, *Statistical Review of World Energy 2004*. 30 March 2005, available online at www.bp.com[25]

Figure 16-3: Projections of China's Oil Balance, 1980-2030

(mmb/d)



Source: Hiroyuki Kato, International Energy Agency, *World Energy Model 2002.*

As China's external energy dependency has deepened in the past decade, so has its sense of insecurity. About a decade ago, China's major imports of oil and gas came from Southeast Asia, and its imports are now largely coming from the Middle East and Africa, two regions that are far from Chinese borders and that are experiencing ongoing instability. In order to diversify supply and reduce vulnerability to high oil prices, Chinese energy companies have begun to travel around the world for oil and natural gas exploration and development contracts. In the so-called going-out strategy (acquisition of exploration and operation rights in overseas oil and gas fields) for energy security, Beijing has identified Latin America as one of the three major regions (together with Russia/Central Asia and the Middle East/Africa) that may be China's emerging energy suppliers. In fact, the earliest debut of a Chinese energy company in an overseas acquisition was the $250 million purchase of an oil field development rights in Peru by a subsidiary of China National Petroleum Corporation in 1993, the year when China turned from an oil exporter to an importer.[26]

Many Latin American countries are well positioned to attract Chinese interest in energy and resource cooperation. Beijing's summit diplomacy in the region in recent years has a clear focus on increasing imports of energy and raw materials from Latin America. For example, President Hu's 2004 visit to the continent included several dozen high-level energy company executives in his team. In exchange for long-term energy and resources supply, Beijing promised up to $100 billion investment in the region in the next 10-15 years, and proposed to double the trade volume from $50 billion to $100 billion by 2010.

In Venezuela, the country with largest proven oil reserves in the Western Hemisphere, China entered the energy sector through investments that range from a $350-million infrastructure project in 15 oil fields to a $60-million gas field project to further upgrade the country's railways and refineries. China's largest energy company, China National Petroleum Corporation (CNPC) has acquired access to develop oil and gas fields in the country. Venezuela, in return, will provide China with 100,000 barrels of oil a day and other fuel oils.[27] Daily exports have reached 160,000 barrels per day and it may reach as high as 300,000 b/d by the end of 2006.[28] In order to expand its capacity to ship more oil products to Asia, Venezuela's national energy company, Petroleos de

Venezuela, S.A. (PdVSA) announced in May 2006 that it had signed a $1.3 billion agreement with China State Shipbuilding Corporation and China Shipbuilding Industry Corporation to purchase 18 oil tankers from China. Currently, Venezuela claims that 15 percent of its petroleum and related products are exported to China, and hopes the percentage will increase to 45 percent by 2012.[29] Moreover, President Chávez has repeatedly proposed and promised Beijing closer ties in the energy sector, often with a provocative statement: "We have been producing and exporting oil for more than 100 years, but they have been years of dependence on the United States. Now we are free and we make our resources available to the great country of China."[30]

Brazil, China's largest trading partner in the region, has been deepening its energy relations with China in the past few years. When President Hu visited Brazil in 2004, he brought with him nearly $1 billion worth of investment contracts for Brazil's ports, railways, mining, and energy sectors. Large Chinese energy firms signed a series of deals with Petrobrás, the Brazil state oil company, for exporting crude to China and joint-ventures for the construction of gas pipelines and other energy infrastructure. Despite some doubts, these contracted investments have been gradually fulfilled.[31] During Brazilian minister for mines and energy Silas Rondeau's visit to Beijing in June 2006, the two countries signed a memorandum of understanding to establish a committee to encourage cooperation in the energy and mining sectors. China's national development and reform commission said that the two sides will "exchange information on policies and regulations, development strategies, and important projects in the energy and mining sphere," and will also encourage cooperation in oil, natural gas, renewable energy, and electric power.[32] Only days later, the Brazilian mines and energy ministry announced that China International Trust and Investment Corporation will invest $1.1 billion to work on new and existing energy projects in Brazil.[33]

In Ecuador, CNPC-backed Andes Petroleum spent $1.42 billion in late 2005 to purchase oil fields developed by Canadian oil exploration company EnCana. The fields contain a proven reserve of 143 million barrels of oil. With an annual bilateral trading volume of $5 billion, mostly in the energy sector, Ecuador's foreign minister Francisco Carrion expressed a strong desire to develop further energy relations with China. His position was to achieve greater diversification: "We don't just want to look north [i.e., to the United States], we want to look to all sides and, as the world is getting smaller, we want to be more pragmatic."[34] In Argentina, China promised a $20-billion investment in railways ($8 billion), energy exploration ($5 billion), communications ($700 million), and other infrastructure projects ($6 billion).[35] China is already the second largest oil producer in Peru (after Argentina) following its earlier entry into the country.[36] China also conducted negotiations with Mexico on energy cooperation.[37] Beijing has invested in Cuba, extended credits to Havana, and received contracts to explore an offshore oil field near the Cuban coast.

China's extensive energy engagement in Latin America in recent years raises a question similar to that posed about China's overall trade and economic relations with the region: is it disproportionate more than what China has been doing in other parts of the world in search for new energy and resources? The answer seems to be "no", if this activity is put in a broader context. For all its talk and enthusiasm, Venezuela still exports most of its oil production to the United States. China's involvement in Africa is more extensive than in Latin America. China now gets more than a third of its total oil imports from Africa, and Angola is second only to Saudi Arabia in supplying China with oil, amounting to about half a million barrels a day.[38] Latin America still has a long way to go to catch up with Africa as an oil supplier to China.[39] China's oil imports from Latin America were about 1 percent of its total oil imports in 2003, and with recent growth, it was just above 3 percent in 2005.[40]

India seems to be trying to catch up with China's operating behavior in Latin America.[41] When executives from China's oil companies make their rounds in Latin American oil producing countries, Indian diplomats and businessmen also seem to be in the country looking for similar energy deals. China's oil and gas majors are primarily controlled by the state, and India has a similar setup for its large energy enterprises. "India has established significant energy-related stakes in Venezuela and is vigorously pursuing new opportunities in Columbia, Cuba, Ecuador, Trinidad and Tobago, Brazil, and Argentina," said India's external affairs minister Natwar Singh in an address to the delegates of Petrotech 2005, a petroleum industry conference in New Delhi.[42]

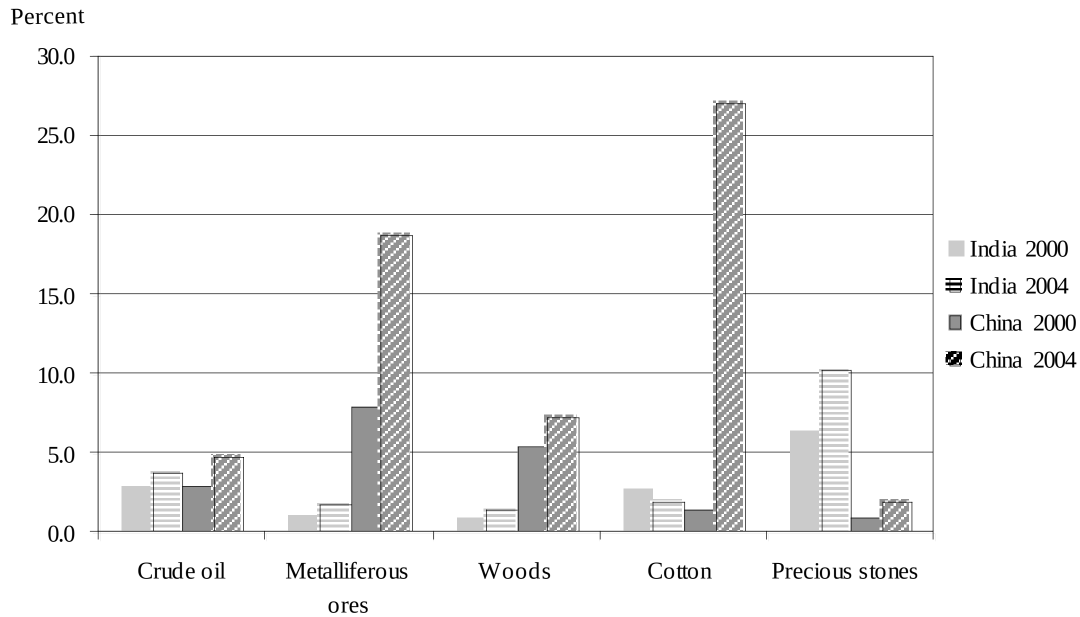
Venezuela, known for seeking closer ties with China, had not only sold more than $3 billion dollars of crude to refineries in India as early as 2003, it also helped India build new refinery capacity to handle heavy crude processing.[43] President Chávez offered extensive energy cooperation to India, as demonstrated by his trip to New Delhi in early 2005. "Did you know that for more than 100 years, we never sold our oil to countries such as Argentina, Cuba or Brazil — only the U.S.? But now, we are diversifying. We are selling to our Latin American brothers, we are selling to China, and we would like a long-term relationship with India.” Venezuela, Chávez said, wanted to help India, to “support its industrial growth... This is very important for us too.”[44] PdVSA announced early in 2006 that it had shipped 2 million barrels of oil to India.[45] New Delhi gave full approval to the cooperation between its state oil company, Oil and Natural Gas Corporation (ONGC), and PdVSA.[46]

India’s ONGC, which already has holdings in Russia, Vietnam, Sudan, Myanmar, Australia and the Middle East, was also looking into joint ventures with Venezuelan state oil firm PdVSA .[47] When Chinese companies were bidding for EnCana’s assets in Ecuador in late 2005, the overseas arm of India’s state-owned ONGC, Videsh Ltd. (OVL), was also looking into the same property.[48] In the end, the Chinese won the bid, but Ecuador did offer other substantial joint-venture opportunities for ONGC.[49] Around the same time, ONGC Videsh purchased a 30 percent stake in seven blocks offshore Cuba, which covers an area of 7,400 square miles and has potential reserves of more than 4 billion barrels.[50] ONGC Videsh also successfully entered the Brazilian energy market in April 2006 with the purchase of 15 percent of shares from Shell Brasil EP, the Brazilian unit of global energy major Royal Dutch Shell.[51] Indian officials advocate strongly that India should get into the Latin American energy market while Mexico, Ecuador, Colombia, Argentina, Trinidad and Tobago, and Suriname all offer new opportunities to Indian participation, investment, and joint ventures.[52]

Much has been written about China-India competition for energy resources, but India has realized that it has limits if measured against China. India today has a less powerful economy and a higher level of dependency on foreign oil; India is also more vulnerable than China in that China has the largest foreign currency reserves of any country. The two countries have come to realize that they lose when paying high prices for foreign acquisitions. Beijing and New Delhi now talk more about cooperation as energy buyers than as competitors in the world marketplace. Some analysts have even toyed around with the notion of an "Asian Union," a well-structured network of regional energy cooperation.[53] After ONGC failed in its bidding war with CNPC over the Calgary-based PetroKazakhstan ($4.2 billion, assets in Kazakhstan) and EnCana's assets in Ecuador ($1.42 billion), the two companies jointly acquired a 37-percent stake in Canada's PetroCanada in oil sands for $484 million in December 2005.[54] Again in May of 2006, ONGC OVL, which already has around two dozen energy assets overseas, teamed up with China's second largest energy company, Sinopec, and jointly submitted a bid for a stake in Ominex de Colombia for $800 million. Ominex de Colombia, a subsidiary of the Texas-based Ominex Resources Inc., owns 50 percent of oilfields in Colombia with Ecopetrol, the Colombian national oil company. If successful, India and China could become major players in Colombia's energy sector.[55]

China and India still account for a small portion of the global oil market. As Figure 16-4 shows, the two countries combined total of imports from the world oil market is around 10 percent, and the Latin American portion is small as neither country's major supplies are coming from the Western Hemisphere.

Figure 16-4: Shares of China and India in world imports of major primary commodities



Source: UN Comtrade database

III. Making sense of China's "encroachment" in the U.S. backyard

Although both China and India have limited participation so far in the energy market and other economic activities in Latin America, assessments differ sharply about their future penetration in Latin America. India is not particularly singled out, but China's fast-ascending presence in the region has been a source of growing concern.

The first group of thought is alarmist. Attention-grabbing headlines project an image that the Chinese takeover of Latin America is imminent. "China Trying to Control

Latin American Oil;" "China Filling U.S. Vacuum in Latin America," warned Phil Brennan.[56] Others already believe that the continent is "Living in China's Shadow."[57] Veteran journalist and Jamestown Foundation's senior fellow Willy Lam labeled "China's encroachment on America's backyard" as "the beginning of the 'Sanitization of Latin America.'"[58] Humphrey Hawksley of BBC proclaimed Chinese presence in the region as "China's new Latin American revolution."[59] Facing China's "Latin American Invasion," as Saul Landau called it, the question was raised: "Is China eating Latin America's lunch?"[60] As summarized by June Teufel Dreyer, a China specialist and a commissioner of the U.S.-China economic and security commission established by the U.S. Congress, Beijing has a calculated and clearly laid-out strategy in Latin America: to extract resources and energy to fuel China's continuous economic growth, often at the expense of its trading partners in the region; to gain political leverage through building multilateral diplomacy in the U.S. backyard in a global campaign against U.S. influence; and to contain or reduce the presence of Taiwan, which still has diplomatic relations with 12 small Caribbean nations. "By all accounts, China's activities in Latin America are accelerating dramatically," Dreyer concluded.[61]

The second school of thought is almost the opposite. Most people in Latin America see the rise of China as a positive development. Some value the huge market potential. Others admire the sustained economic development China has achieved in contrast to the ups and downs in Latin American countries. Some countries, such as Mexico, are concerned about the competition from a rising China. However, populist leaders such as President Chávez of Venezuela, President Luiz Inácio Lula da Silva of

Brazil, and others in Argentina and Chile advocate forging closer ties with China as a part of their own efforts to diversify their economies from dependence on the U.S. market. Critics of U.S. foreign policy, such as Noam Chomsky, have gone further to cast a positive light on the potential alliance between Latin America's emerging left-leaning governments and a rising China-India camp, arguing that the region will benefit from such a new alliance, and can finally begin to shake off the traditional control imposed by Washington; these critics argue that the United States is largely responsible for persistent problems in many of the Latin American countries.[62]

These reactions to the coming of China to Latin America have certainly caught the attention of U.S. politicians in Washington D.C. Members of congress are voicing concerns about the growth of Chinese activities in Latin America using polemics resembling those of the Cold War. "It's extremely important that we don't let a potential enemy of the United States become a dominant force in this part of the world," according to Republican Congressman Dan Burton. His concern has been expressed as follows: "Chávez, Castro, Ortega, Morales in Bolivia and their connection with communist China … I think we need to pay particular attention to that."[63] Senator Lindsey Graham of South Carolina, who took a trip to China in the spring of 2006, echoed Burton: "The status quo cannot be accepted and tolerated by this country any more than the Soviet Union's practices were tolerated by Ronald Reagan."[64]

This study belongs to a third school of thought, that is, China's energy and related activities in Latin America, increasing as they have been in recent years, do not constitute a particular pattern of planned expansion in the region. There is no strong correlation between Chinese economic or political movements in the region and a calculated agenda of anti-Americanism. Nor does Chinese engagement with Latin American countries have a clear line of ideological preference. The overall picture of increased trade with China and the growing Chinese investment in Latin America is positive. The Chinese have provided opportunities for Latin American countries to boost their growth and trade. Import demand from China and India is contributing to Latin American economies. Competition from China is a serious concern, but the threat is market-driven and not the result of a mercantilist policy laid out by the Chinese government.

There is no convincing research that can claim a clear correlation between a series of high-level Chinese visits to the region in the past few years and coordinated Chinese economic, political, and strategic policies that are targeted at undermining the interests of the United States. The question, it seems, is less of a China threat to the United States, and more of how the region can make its economies more competitive in order to develop industries and value-added goods beyond resource exports.[65] A recent study by Jorge Dominguez of Harvard University agrees with much of the observations and analysis in this chapter. This study does not focus particularly on the energy sector, but looks broadly at China's relations with Latin America from a historical perspective, Dominguez found that China-Latin American relations do have an anti-hegemony tone, but do not have an ideological basis but rather are pragmatic in nature; increased trade ties between China and the region have not affected Latin American countries' voting behavior in the United Nations. Many Latin American states enjoy a trade surplus with Beijing.[66]

The U.S. concern over China's potential challenge to U.S. interests in the region has also registered with Chinese policymakers, academics, and the media. When Washington and Beijing for the first time held high-level talks regarding China's presence in Latin America in the spring of 2006, the U.S. agenda was clear. "We want to make sure we don't get our wires crossed," said one U.S. official arranging the talks.[67] The Chinese side, on the other hand, covered the event in a much more positive manner, treating the discussions as constructive steps toward the elimination of misunderstandings and the building of trust.[68] Since then, Chinese diplomats and academics have made efforts to ease U.S. concerns. China's ambassador to the United States, Zhou Wenzhong, assured U.S. policymakers that Washington should not worry about Chinese investment in Latin America. "While Chinese investment in the region is only $40 billion, the US investment is at $300 billion," emphasized Zhou, "both sides should have no problem in mutual cooperation in the region."[69]

A major challenge for China, India, Latin American countries and the United States is to formulate policies that promote cooperation, mutual benefits, and development to promote regional prosperity in the long run. Washington needs to have a clear assessment of the coming of China and India to Latin America for energy and other resources, and to make sure that the two countries are well integrated in a market-oriented pattern for meeting the energy needs of all the parties involved. Beijing and New Delhi need to be sensitive to the traditional role played by the United States in the region, and not pursue policies that are fundamentally opposed to Washington's interests; the latter would be detrimental to the economic interests of China and India. Latin American governments must consider how their long-term interests can be served by forging closer ties with China and India, while also keeping in mind the importance to them of their traditional U.S. market.

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[1] China quadrupled its economy from the late 1970s to the mid 1990s, largely using domestically produced energy supplies.
[2] See "Asia's Quest for Energy Security," speech by Mani Shankar Aiyar, India's Minister for Petroleum and National Gas, in Beijing on January 13, 2006, available online at www.countercurrents.org/ind-aiyar170206.htm
[3] "Chindia," the term indicating the close ties and the respective drives for modernization of China and India, was coined by Jairam Ramesh. See Jairam Ramesh, *Making Sense of Chindia: Reflections on China and India* (New Deli: India Research Press, 2005)
[4] Tim Johnson, "The Chinese Boom," *Knight Ridder News Service*, July 10, 2005.
[5] *Latin Business Chronicle*, "China Doubles Latin FDI," April 24, 2006, available online at www.latinbusinesschronicle.com/reports/reports/042406/china.htm
[6] Xuan-Trang Ho, "China's Burgeoning Role in Latin America – a Threat to the US?" available online at www.politicalaffairs.net/article/articleview/712/1/78
[7] William Ratliff, "China Goes South of the Border," *Hoover Digest*, 2005, No. 1.
[8] Chinese embassy in Brazil, available online at http://br.china-embassy.org/chn/zbgxgs/t239731.htm
[9] Chinese navy ships paid port call to Brazil in 2002. Ibid.
[10] *Latin Business Chronicle*, "US-Latin Trade Boom," March 2006, available online at www.latinbusinesschronicle.com/reports/reports/0306/trade.htm#chi
[11] http://ve.chineseembassy.org/chn/smwl/qian410/t216005.htm
[12] http://ve.chineseembassy.org/chn/smwl/qian410/t238980.htm
[13] Buenos Aires, "China and Latin America: Magic, or Realism?" *The Economist*, December 29, 2005.
[14] For concrete breakdown of annual growth, see http://commerce.nic.in/flac/flac2.htm
[15] For details, see http://commerce.nic.in/flac/flac4.htm
[16] Luis Ramirez, "US Watching China's Growing Influence in Latin America," *Voice of America*, April 19, 2006.
[17] Jorge I. Dominguez, "China's Relations with Latin America: Shared Gains, Asymmetric Hopes, Inter-American Dialogue Working Paper, Harvard University, June 2006, p.9.
[18] Craig Timberg, "In Africa, China Trade Brings Growth, Unease," *Washington Post*, June 13, 2006.
[19] China turned to a net oil importer in 1993, and it overtook Japan to become the world's second largest oil consumer in 2003. *The Washington Times*, September 6, 2004, available online at www.washtimes.com/upi-breaking/20040906-111854-1562r.htm

[20] For an earlier comprehensive review of China's energy situation in the regional context, see "China's Quest for Energy and Northeast Asian Security," *Canada Asia Commentary*, No. 30, August 2003, Asia Pacific Foundation of Canada, available online at www.asiapacificresearch.ca/pubs/listing.cfm?ID_Publication=296.

[21] See comments by Zhang Guobao, Deputy Commissioner of China's National Development and Reform Commission, *Jinghua shibao*, Augutst 1, 2005.
[22] See, http://archive.gulfnews.com/articles/06/01/13/10011208.html
[23] Aware of the fact that much of the world press has blamed China for the sharp increase in the world oil prices in the past two years, Beijing has just published new figures, showing that while China's demands for oil grew in 2005, its oil imports from abroad decreased by 0. 3 percent. See *Jingji cankao bao* (Economic Information Daily), January 24, 2006, available online at http://jjckb.xinhuanet.com/www/Article/2006124104542-1.shtml
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