



IN THIS ISSUE:

IN A FORTNIGHT
By Peter Mattis.....1

CHINA'S SLOW SURGE IN KYRGYZSTAN: A VIEW FROM THE GROUND
By Raffaello Pantucci and Alexandros Petersen.....3

DECISION TIME OR THE MOMENT OF TRUTH FOR CHINA AND THE EU?
By Kerry Brown.....6

BO XILAI'S CAMPAIGN FOR THE STANDING COMMITTEE AND THE FUTURE OF CHINESE POLITICKING
By Liu Yawei.....8

CHINA'S ENGAGEMENT WITH PERU: AN INCREASINGLY STRATEGIC RELATIONSHIP
By Evan Ellis.....11



General Guo Boxiong with Peruvian President Ollanta Humala

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In a Fortnight

By Peter Mattis

MEKONG MURDERS SPUR BEIJING TO PUSH NEW SECURITY COOPERATION

On November 1, Chinese security officials and their counterparts from Burma, Laos and Thailand announced a new security initiative to make the Mekong River safe for commerce as it passes through the volatile “Golden Triangle.” The four parties issued a joint statement indicating they will step up law enforcement patrols and create a new cooperative mechanism for sharing intelligence, joint operations and shared emergency response (*People’s Daily*, November 1; Xinhua, November 1). The announcement capped a hectic month of debate and diplomacy in China following the murder of 13 Chinese boatmen in northern Thailand on October 5—now referred to as the “10-5 Incident” in Chinese press (*Guangming Daily*, October 10; Xinhua, October 10).

In early October, drug traffickers hijacked two Chinese riverboats to use in transporting narcotics and murdered the 13 crewmen. The attacks left 164 boatmen and 26 boats stranded in Thailand after shipping was suspended along the Mekong (Xinhua, October 10). China sent police escort vessels to bring the stranded boatmen and boats home in two groups, which returned to Yunnan on October 16 and October 23 (Xinhua, October 23; October 16).

The hijacking and murders spurred discussion in China about the security of Chinese citizens abroad and Beijing's responsibilities. Wang Hanling said Beijing should recognize protecting Chinese citizens abroad is going to become a bigger challenge (*Guangzhou Daily*, October 12). Taking a different tack, Zhu Feng, Deputy Director of Beijing University's Center for International and Strategic Studies, raised the question as why do China's neighbors choose to neglect its interests. Zhu posited China's Mekong neighbors would not respect Chinese interests routinely until Beijing started to provide essential public goods, such as taking the lead on regional governance (*Firstpost [India]*, November 1).

On the policy front, Chinese experts and officials, as well as their Southeast Asian counterparts, started making noises about new security cooperation. Official press stated the Mekong River in the Golden Triangle is becoming more and more like the Gulf of Aden—an important waterway increasingly threatened by pirates. China has two options to consider: Gulf of Aden-like deployments and a new regional security cooperation mechanism (*People's Daily*, October 24, October 18; *Xinhua*, October 14). China Academy of Social Sciences expert Jia Duqiang noted, while there is no short-term fix for problems in the Golden Triangle, Beijing had an opportunity to take a more positive role in building cross-border cooperation mechanisms (*Guangzhou Daily*, October 12). Bangkok and Vientiane both opened the door to consider new Mekong security cooperation and Thailand boosted its patrols along the river (*China News Service*, October 14).

Beijing's response to the "10-5 Incident" developed rapidly, led by State Councilor and Minister for Public Security Meng Jianzhu. Beijing directed the Embassy in Bangkok and the Consulate in Chiang Mai to press Thai authorities to investigate promptly and track down the perpetrators. The relevant Yunnan provincial departments also set up an emergency leading group in conjunction with the Ministry of Transportation and the Ministry of Public Security (MPS) while investigations proceeded (*Guangming Daily*, October 11). On October 13, the Ministry of Foreign Affairs called in the interim Thai *charge d'affaires* in Beijing to urge on the Thai investigation and, more importantly, stated China would engage multilaterally to improve security on the Mekong River (Ministry of Foreign Affairs, October 13). On October

23, Minister Meng chaired a security conference at Xishuangbanna while MPS Vice Minister Zhang Xinfeng led a high-level, eight-man security delegation to assist with the investigation in Thailand (*Xinhua*, October 26, October 23). The following day, Meng emphasized the importance of the Mekong River in Chinese-Southeast Asian trade and a vital link connecting the region (*People's Daily*, October 24).

A week later on October 30, Beijing hosted a two-day security conclave at the Diaoyutai Guesthouse with Burmese, Laotian and Thai officials. While Politburo Standing Committee member and Secretary of the Central Political-Legal Committee Zhou Yongkang met individually with the leaders of each foreign delegation, Meng also met each side individually and chaired the conference proceedings going into the next day. At the end, Meng, Thai Deputy Prime Minister Kowit Wattanna, Laotian Minister of Defense Douangchay Phichit and Burmese Minister of Home Affairs Ko Ko announced the formal creation of the "Mechanism for Law Enforcement Cooperation along the Mekong River" (*Xinhua*, November 1, October 31; *China Broadcasting*, November 1; *China Police Daily*, October 31).

The joint statement set the objective of securing the Mekong River for trade by the time of the next Great Mekong Sub-region Meeting in December (*Xinhua*, November 9). China, Burma, Laos and Thailand will create joint river patrol with China's contribution probably coming under the jurisdiction of the Xishuangbanna border guard detachment. China may contribute 1000 or more people to the effort, but official press places the number around 600 security personnel, using refitted merchant vessels and speed boats (*Phoenix Television*, November 7; *Xinhua*, November 9).

At least one Chinese observer, a professor at China's Public Security University, advocated caution in greeting the announcement, because the agreement was still only an agreement on paper and dealing with four different legal and political systems presented significant hurdles (*Xinhua*, November 1). Nevertheless, official press outlets suggested the Chinese seriously are considering armed escort boats for Chinese river traffic and more regularly employing security personnel to protect Chinese businesspeople and traders abroad (*Xinhua*, November 9; *Global Times*, November 8). An editorial in one southern

Chinese paper stated China should go beyond mechanical adherence to “non-interference in internal affairs” and actively participate in international rule-making. China’s naval support for the anti-piracy in the Gulf of Aden should be used as an exemplar, even if the situation on the Mekong is more complex. The paper opined pushing forward with joint policing of the rivers will be difficult, but “undoubtedly the most direct and effective” way to protect Chinese and international interests (*Southern Metropolis Daily*, November 6).

Regardless of how well action matches rhetoric, the remarkable thing is how fast Beijing moved on a transnational issue involving sovereignty and potentially the use of force—albeit against non-state groups—beyond China’s borders. As one Ministry of State Security researcher put it, this Mekong River agreement is a breakthrough (*China Daily*, November 1). This agreement, especially if Chinese border guards regularly patrol the river beyond China’s border, suggests a changing Chinese security consciousness that recognizes Beijing must be much more involved beyond its borders to preserve and protect its interests.

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China’s Slow Surge in Kyrgyzstan: A View from the Ground

By Raffaello Pantucci and Alexandros Petersen

Kyrgyzstan’s recent peaceful presidential elections did not feature China as a campaign issue. For the most part, they focused on domestic issues and where foreign policy seeped in, it was mostly in the positive light that most Kyrgyz see Russia and separately its regional customs union, or perennial whipping boy the U.S. “transit hub” at Manas airport, outside Bishkek. Subsequent to the elections, the winner Mr. Atambaev declared: “In 2014 the United States will have to withdraw its military base from the ‘Manas’ international airport” (www.regnum.ru, November 1). China was not mentioned at all, even though a series of conversations and interviews up and

down the country in the weeks prior to the election revealed a strange sense of unease about Kyrgyzstan’s growing dependence on China.

The paradoxical and unfocused nature of this concern was best exemplified in a pair of interviews conducted in Bishkek with a former cabinet-level minister and a young Kyrgyz e-businessman. The former official spoke in concerned terms of Kyrgyzstan’s “economic dependence” on China and the fact that “all small- to medium-sized enterprises (SMEs) in the country had to deal with China” [1]. The businessman on the other hand saw China as a giant opportunity: one has to “just look at a map” to see how important the country is going to be for Kyrgyzstan [2]. While exact figures are hard to come by, a visit to a number of Kyrgyzstan’s large bazaars in Bishkek, Osh and Jalal-Abad all show high volumes of Chinese goods and, in some, long-term Chinese traders from as far away as Fujian province. While income from the U.S. airbase is important (according to the Congressional Research Service, accounting for some \$501.5 million or 5 percent of GDP in 2010) and remittances from Kyrgyz in Russia or Kazakhstan remain a key provider of income in the country; it seems increasingly clear that China is bringing Kyrgyzstan into its economic sphere of influence [3]. The question that seems to bother some Kyrgyz is what the potential implications are in the longer term.

China has taken a three-fold approach to Kyrgyzstan, accompanied by an informal fourth pillar and the overarching umbrella of the Shanghai Cooperation Organization (SCO). In the first instance, it has focused on economics and facilitating trade between the two countries, including infrastructure development. Roads linking Kyrgyzstan to China are being redeveloped by Chinese state-owned enterprises like the China Road & Bridge Company (CRBC), that won the tender in 2007 to complete a project partially-funded by China to develop the road from Osh to the Irkeshtam Pass with China [4]. Due to be completed next year, a drive along it in September confirmed this schedule was being kept with the road almost completed. In other instances, the Chinese government has offered development in exchange for local mining concessions (www.24.kg, August 26). A practice emulated at a more local level by smaller Chinese mining firms south of Jalal-Abad (Reuters, September 21). The question of a China-Kyrgyzstan-Uzbekistan train line continues to go unresolved, with skeptical observers

interviewed in Bishkek pointing out that similar Chinese projects elsewhere overcame their difficulties rapidly, while officials tell the press that difficulties are focused on the question of how to rationalize the different gauges that would need to be deployed (AKI Press, October 12).

In parallel to this infrastructure development and trade encouragement, China has started to make a soft-power push in the region. This has come in the form of establishing a pair of Confucius Institutes in Bishkek with subsidiary branches in Osh and Jalal-Abad. Part of the international network of Confucius Institutes, they are focused on teaching Chinese language to young Kyrgyz, using Kyrgyz-Chinese text books and leveraging faculty and administrators brought in on two-year cycles from partners Xinjiang University and Xinjiang Normal University. Based on a recent count by a teacher at a university in Bishkek, the authors were told the Confucius Institutes and teaching stations had somewhere in the region of 4,000 students in total at every level across the country—a number that pales in comparison to the number of young Kyrgyz able to speak Russian or English. This large and growing figure probably reflects the opportunities that young Kyrgyz see in China or with Chinese firms in Kyrgyzstan. While the Confucian Institutes focus on language learning to prepare students to use Chinese in a business setting, teachers appear eager to stimulate their students' interest in other aspects of China's culture and history giving informal classes in tai chi, paper cutting and Chinese dressmaking.

There are other aspects to China's cultural influence in the region. In early 2009, the Kyrgyz government accepted a Chinese offer of 20,000 television receivers for individual homes in the Batken Oblast in southern Kyrgyzstan. Given the mountains and distance between Bishkek and certain isolated southern areas, locals were using antiquated receivers for their televisions and consequently getting news from Uzbekistan that painted the Bishkek leadership in a bad light. According to a senior foreign ministry official spoken to in Bishkek, part of the exchange that the Chinese government extracted for the receivers was to allow CCTV Russian to be broadcast directly into the country [5]. In addition to this, however, locals in Osh report they are able to receive Xinjiang Television on their receivers without cable packages and are often surprised to find Kyrgyz language broadcasts included in the daily programming [6]. At a more practical

level, the Chinese government has donated Yaxing buses and tractors for Kyrgyz farmers to use (Xinhua, July 30) [7]. In June 2011, the Chinese Ambassador announced a donation of some \$14.3 million to Kyrgyzstan to fix roads, power stations, and to support the construction of the railroad in the country (AKI Press, June 20).

The third pillar of Chinese interests in the country is far more opaque: China's security interests in Kyrgyzstan. Primarily focused on security threats directly linked with Uighur terrorist networks in China, the Chinese government has focused these relations at a very secretive and direct level and little is known publicly about how China has conducted its relations in this field. Stories and rumors abound of China seeking extradition of specific Uighurs (IRIN News, January 29, 2004). In one case recounted to the authors by a Kyrgyz official focused on religious affairs, at the Chinese government request, police in Bishkek aggressively suppressed a protest by Falun Gong supporters outside the Chinese Embassy. It was unclear if this was before or after the Kyrgyz court decision to revoke Falun Gong's registration in the country (Associated Press, February 26, 2005).

A fourth informal pillar also exists to Chinese-Kyrgyz relations: the growing community of cross-border traders and the smaller local Chinese SMEs that are focused on developing interests in Kyrgyzstan. From a Chinese perspective, this community is one that needs to be assisted occasionally, such as when the Chinese government arranged buses and airplanes to evacuate Chinese citizens caught up during the riots in southern Kyrgyzstan last year (Xinhua, June 17, 2010). Chinese academics spoken to in Shanghai have expressed some concern about the number of Hizb ut Tahrir members amongst this community of traders, but this does not seem a live concern on the ground where there is little evidence of extreme religiosity amongst the Chinese traders found in Osh, Jalal-Abad or Kara-Suu bazaars. Chinese SMEs are focused in the mining industry and also have invested in a cement factory in Kyzyl-Kyia. In some cases, these firms have encountered local problems with accusations of poisoning and environmental despoliation, or with local groups expressing anger at outsiders coming in and taking what they see as their natural wealth. According to numerous local officials and foreign observers, however, this anger is not directed specifically at Chinese firms, but is a more general rage against all outside investors in the

extractive industries [8].

Overlaying China's bilateral relationship is its regional multilateral framework, the Shanghai Cooperation Organization (SCO). For Kyrgyzstan, the SCO is primarily an international opportunity. Though almost universally regarded by ordinary Kyrgyz and foreign ministry officials alike as an exclusively Chinese vehicle, it is cautiously welcomed as a balance against Russia's Collective Security Treaty Organization (CSTO) and the Moscow-led regional Customs Union that is actively courting Bishkek [9]. That said, Kyrgyz spokesmen are quick to note that the SCO very loudly did nothing when political violence and ethnic strife rocked their country in 2010 (Xinhua, June 21, 2010). Its supposedly bringing together of China, Russia and the Central Asian states (except for Turkmenistan) to jointly combat the "three evils" of separatism, terrorism and extremism rings hollow when residents of Osh look at their half-empty, burnt out market. In interviews, Kyrgyz insiders and outside the government wondered why China does not assert itself more politically through the SCO, though few would welcome such an eventuality [10].

Perhaps most important for a small state like Kyrgyzstan is the regular opportunity the SCO provides for dialogue on a range of issues with neighboring Central Asian states, especially Uzbekistan [11]. With a closed border and the ever-present fear of perceived bullying from Tashkent, the SCO's regular head-of-state, ministerial and expert-level meetings provide a venue in which to reduce tensions. Having been beaten by Pakistan for the rotating seat on the UN Security Council, Bishkek will welcome the international attention it receives as the SCO chair and the host of its summit in 2013 (24.kg, June 16).

The real test for the SCO will come once Western forces begin to withdraw in earnest from Afghanistan and the region. The year 2014 is bandied about in Kyrgyz political discourse as the moment that Kyrgyzstan will be abandoned to the great powers of the region or the restitution of Kyrgyz sovereignty once the United States leaves the Manas airbase (Associated Press, November 1). It is an open question what role the SCO could play in a post-Afghan withdrawal environment with officials, academics and foreign observers met in Beijing and Bishkek concluding the SCO was not going to do much [12]. Aside from Russia's historical baggage with

Afghanistan and a general lack of capacity from the Central Asian SCO members, a key reason behind this lack of action is a Chinese unwillingness to become too visibly involved in either local political disputes or larger geopolitical games.

For Kyrgyzstan, this contributes to a sense of uncertainty, bordering on foreboding, about China's presence in the country and the region. With China on the other hand, it is not clear what the nation wants or has the capability to do in Afghanistan, though its larger regional strategy is clearer. In the medium and longer-term the priority for China in Central Asia remains ensuring stability and development—something that is going to require more effort with Kyrgyzstan specifically given the nation's poverty and lack of natural resources. Typical of Beijing's cautious approach to international relations globally, China probably will continue to increase its presence and influence slowly. This will help develop the region abutting China's restive western province Xinjiang (both in economic terms locally, but also as a transit route for Chinese goods to elsewhere) and hopefully, from a Chinese perspective, increase prosperity there too. This ultimately is the key to understanding Chinese involvement in Central Asia where the priority remains developing the region with a view to helping development in Xinjiang.

For Kyrgyzstan in particular, the main threat and difficulty to China comes in the form of the nation becoming a failed state that provides a shelter for separatist and terrorist networks seeking to launch attacks within China. Currently, it seems China has established strong connections and is willing to provide funding to prevent such groups from developing much capacity in Kyrgyzstan. In terms of becoming involved in fixing ethnic tensions within Kyrgyzstan, China however has expressed little interest in becoming involved, focusing instead on providing aid and reconstruction support when it is useful or requested. Typical of China's approach to international relations elsewhere, this is all conducted in a quiet manner, something that will likely do little to improve local confidence in Chinese aims. Kyrgyzstan will continue to seek to assert its independence in policymaking by balancing the great powers off each other, but China's slow surge has an ever-larger impact on the policy agenda even if it is not part of the public discourse.

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Notes:

1. Authors' interview with former cabinet level minister, Bishkek, October 19, 2011
2. Authors' interview, Bishkek, October 19, 2011
3. Jim Nicols, "Kyrgyzstan: Recent Developments and U.S. Interests," Congressional Research Service, May 11, 2011
4. Sebastien Peyrouse, "Economic Aspects of the China-Central Asia Rapprochement," Central Asia-Caucasus Institute, Silk Road Paper, September 2007
5. Authors' interview, Bishkek, October 20, 2011
6. Authors' interview, Osh, October 25, 2011
7. Yangzhou Yaxing Motor Coach Company Press Release, September 3, 2009, <http://www.yaxingkeche.com.cn/en/News.aspx?id=9e5e7e19-76cc-47e5-8e8b-7d16ab378210>
8. Authors' interviews, Bishkek and Osh, October 2011
9. Authors' interview, Bishkek, October 17, 2011
10. Authors' interviews, Bishkek, October 2011
11. Authors' interviews with foreign political observers, Bishkek and Osh, October 2011
12. Authors' interviews, Bishkek and Beijing, October 2011

Decision Time or the Moment of Truth for China and the EU?

By Kerry Brown

For the EU, and in particular the Eurozone, the last three months have been a never-ending trial by fire. Emergency summits have taken place almost weekly across the usual key parts of the EU power terrain—Brussels, Paris, Berlin and Rome. This turmoil managed to cause the postponement of the slated visit by European

Council President Hermann Van Rompuy for the biannual high-level summit to China, originally planned for the October 25. For once, the postponement was not due to Chinese fury over a head of an EU member state meeting the Dalai Lama such as in 2007. Rather, Van Rompuy "could not travel to China...because he was needed for a series of EU meetings." When informed of the postponement in a phone conversation, Premier Wen Jiabao reportedly replied to Van Rompuy, "the Eurozone crisis is not just closely related to the unstable recovery of the global economy against the backdrop of the international financial crisis but was also a result of the long term accumulation of internal problems" (Xinhua, October 21).

The Eurozone crisis brings into sharp relief the change in power dynamics between the EU and China. It also raises, for the Chinese and others, big questions about the unity of EU political decision making, even in a period of great need. The crisis has clarified China's new expectations of Europe, and has made the Europeans think very hard about what they might want from the Chinese—and at what cost. Finally, the crisis reveals the immediate need for institutional reform in Europe, which has been concealed persistently under the EU's highly aspirational language. Beijing now seems to feel it can comment openly on this issue because of the evident failure of many EU structures in coping with the burgeoning economic crisis.

In early November, the G20 met in France to have another go at solving the problems. The suffering however never seems to stop. The massive bailout—meant to deal with the instability of the Greek economy and its inability to service its massive debts—agreed to on October 27 provided only a few hours of calm. On November 1, the Greek Prime Minister George Papandreou's declaration that he would be holding a referendum in order to let the public pass—or turn down—the terms of the bailout again threw the Eurozone, the markets and the political leadership of the EU and its member states into turmoil. On November 8, Papandreou had announced not only that the referendum would not be happening but that he was resigning.

There have been two levels in the Chinese response to the Eurozone crisis. The first has been a pragmatic acknowledgement that seeing one's second largest

trade partner—\$49.4 billion in trade up to the end of July—come close to collapse is not desirable (Xinhua, October 16). On this level, Chinese officials have expressed great confidence that the EU leadership can deal with the current problems. China's International Trade Representative Gao Hucheng stated "China is confident that Europe has what it takes to weather the current crisis" (*Straits Times*, October 7). Ministry of Foreign Affairs spokesperson Liu Weimin echoed this a few days later when he said China supported President of the European Commission José Manuel Barossa's "Road Map" for Euro stability issued a few days earlier (Xinhua, October 13). On another level, however, Beijing sensed a clear opportunity to place a few truths on the line to a partner who they had sometimes found morally hectoring, disunited and overly complicated. Premier Wen himself stated the Euro crisis showed up the "long term accumulation of internal problems within the EU and the Eurozone," which needed "fundamental financial reforms in addition to emergency bailout measures" (Xinhua, October 21).

Wen reinforced this point by declaring "China stands up ready to improve coordinating and cooperation with the EU and contribute to the global economic recovery" but "emerging economies should not be seen as the EU's good Samaritan. In the end, the EU has to pull itself out the crisis." The editorial in which Wen's remarks appeared was issued on the day that European leaders had finally managed to hammer out their stability deal, and while Klaus Regler, Chief Executive of the European Financial Stability Fund (ESFS), was already on his way to China (Xinhua, October 27). The long term problems the Chinese have found of a disunited internal market in the EU, tariffs which the Chinese have long accused of being protectionist and unfair, issues of technology transfers, and a general slowness to be willing to change all came to the surface once more. China, however, focused in particular on the issue of market access, something 81 countries already grant China, but which the EU has so far refused (*People's Daily*, September 27). During Crown Prince Philippe of Belgium's visit to Beijing on October 21, Vice Premier Wang Qishan complained "China hopes Belgium will exert its influence for an early recognition of China's full market status" (Xinhua, October 21). This in particular was one of the great, perennial problems in EU-China relations, one which, at least in Chinese eyes, would serve as an appropriate "friendly gesture," and

one worth resurrecting now that the EU was in a more vulnerable position.

Mr. Reglin's visit to Beijing led to no immediate results. Rumors that China might put from 50 to 100 billion Euros (\$68 to \$136 billion) in the fund were scotched by Zhu Guangyao, Vice Minister of Finance, who bluntly stated that there would be "no immediate deal," although "China will keep an open mind about the fund" (Dow Jones, October 28). This was despite reports that President Sarkozy of France had asked personally President Hu Jintao during a phone call on October 27 to contribute to the fund (Yonhap, October 28). China might have talked consistently about its faith in the EU being able to sort its problems out, but, when it came to putting cash on the table, fears of further collapse in Eurobonds proved too great. There was also plenty of unease on the European side about the image of a wealthy group of countries going to a relatively poor one, in per capita terms, and begging for money (*Financial Times*, November 2).

While the rhetoric of "a historic opportunity" between the EU and China echoed around the corridors of power in both Europe and China, two other long-term issues also stick out from the whirlwind of the last few weeks. The first is the simple fact that, in the harsh light of day, while both sides talk of "a comprehensive strategic partnership"—words most recently used by Politburo member Jia Qinglin while in Greece from October 24 to 27—there remained real questions about what lay at its heart. On October 24, EU High Representative for Foreign Affairs Catherine Ashton held meetings on October 24 in Beijing with Defense Minister Liang Guanglie and discussed plans of strengthen military ties. In terms of hard power cooperation, as the Ministry of National Defense spokesperson Yang Yujun had to admit a few days later, the actual joint work was almost laughably slight, boiling down to maritime escorting in the Gulf of Aden in waters near Somalia (Xinhua, October 26).

The main area of genuine Sino-EU interaction was economic, which is where the second issue lies. The uneven bilateral trade links between China and the EU member states that most raised eyebrows. While the EU was in ferment, Chinese ambassador to Germany Wu Hongbo admitted on October 22 that year on year trade between Germany and China had been a colossal 142 billion Euros (\$193 billion) in 2010, and stood at 127

billion Euros (\$172 billion) for the first nine months of 2011 (Xinhua, October 22). When Jia Qinglin went to Greece, the epicentre of the turmoil, the headline event there was the signing of a bilateral memorandum worth 537 million Euros (\$730 million) (Xinhua, October 25). The bottom line was simply that China has been able to enjoy good bilateral trade relations with separate member states rather than with the EU collectively. The real problem however was how the EU as a whole could enjoy the benefits of these across all the 27 members when there was such an uneven spread of investment, trade and finance.

For this reason, it was easy to see why official commentary in China spoke of the full support for the EU integration process, having faith in the Euro and the EU member states' ability to deal with the debt crisis, but also expressed it was now time to place pressure on the need for institutional and structural reform. After many years of hearing the EU lecture China on the need to implement deep changes; to reform its various political, economic and social systems; and to look at the EU as a successful model of governance and multilateralism; it must have been a sweet moment for Xinhua to state in a lead article that "cooperation between China and Europe is facing an historic opportunity;" however, "due to constraints from the structural contradictions of the integration as well as uneven growth of the various member states and the global economic slump, the EU will face challenges" (Xinhua, October 28). In other words, the somewhat brutal message to the EU was, in the future get your house in order before you lecture us.

In this new landscape, what do these two major partners expect from each other? For the Chinese, they want the simple, short-term deliverable of market economy status and commensurate access, and the slightly longer-term one of something that resembles a partnership of equals. They want, in fact, a highly pragmatic relationship where they can focus on deliverables—technology transfer in particular. For the Europeans, it is a more uneasy moment. As a leading newspaper characterized it, to many in Europe the price tag for taking Chinese funds was in some ways a fundamental affront to values and pride (*Financial Times*, October 28). Will this be an impetus that finally allows the political elite running the key EU states of Germany and France at least get their act together to provide an alternative? The EU wants Chinese investment

to create jobs, open Chinese domestic markets for EU products, and a biddable Chinese partnership in security and climate change issues. For the moment, it looks like the Chinese aspiration is way more likely than the EU one. Once more, while the EU might win on bold vision and ideals, it is the Chinese that are more realistic and hardnosed. Some would say that that was always the case—it is just that now it is starkly obvious.

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Bo Xilai's Campaign for the Standing Committee and the Future of Chinese Politicking

By Liu Yawei

In late June 2011, Henry Kissinger made a trip to Chongqing and allegedly told his flamboyant host Bo Xilai, the 63 year-old Party Secretary of the city, "As an intellectual visiting Chongqing, I saw the vision for the future by the Chinese leaders. I am shaken by the vitality of the city" (Chongqing Online, September 10). No wonder Kissinger was "shaken" by what he saw during his brief visit to Chongqing. He met with corporate representatives from Microsoft, E-Bay, Pepsi-cola, Hewlett-Packard, GE, Cisco, Acer and Ford. He was told one out of three laptops in the world is now assembled in Chongqing. The China-U.S. business connection is strong in Chongqing. There are 500 U.S. companies now operating in the city where the annual trade volume between Chongqing and the United States is \$1.1 billion.

Perhaps more interestingly, Kissinger was exposed to nearly all of the "innovative" highlights of Bo Xilai's work in Chongqing. He visited the rent-controlled complexes

in Chongqing. Huang Qifan, the mayor of the city, told Kissinger that the city government had spent \$15.8 billion (of which 1/3 was raised by the city and 2/3 from the major banks of China) on building the apartment complexes for individuals such as recent college graduates, low-income residents and migrant workers. The average rent for an apartment of 50 square meters is about 500 RMB (\$79) per month, approximately one sixth of the average renter's income.

Kissinger also was invited as a special guest to the opening ceremony of the city's concert series of red songs. Bo lectured Kissinger on why he insists on people singing red songs. "A city's development hinges on both physical and spiritual strength. If people go to the taverns after work they cannot really dedicate to their work in a united way and it will affect economic development. Chongqing is a very poor city facing many challenges. Only when we have a high morale and unite as one can we overcome all the difficulties" (Chongqing Online, September 10).

The only highlight Kissinger missed was the anti-mafia (*dabei*) exhibition, which other Chinese top leaders, including Chairman of the Standing Committee of the National People's Congress Wu Bangguo, Vice President and CCP Deputy Secretary General Xi Jinping and Minister of Organization Li Yuanchao were all invited to see. Bo's unprecedented anti-mafia campaign has resulted in the execution of a few corrupt officials and gang leaders, the jailing of several thousands, the trial and conviction of a famous lawyer (Li Zhuang) and the confiscation of large sum of cash and huge quantity of merchandise. The CCP leadership has given Bo praise for his success in implementing the "rule of law", which has made the city much safer for residents (*Chongqing Daily*, April 19, December 10, 2010; Xinhua, April 11).

Bo's so-called quadruple-pronged "assault", aimed at making Chongqing "a shining city upon the hill" seems to be former Minister of Commerce Bo's tactic to obtain a higher position within the CCP. Bo is already a member of the Politburo, so the next apparent step is membership in the Standing Committee of the Politburo. It is rare however for Chinese officials to express openly their political ambition. Although Bo has never directly stated an ambition to serve on the Standing Committee, he has actively worked toward this apparent goal. Perhaps Bo's strategy can be labeled a political campaign with "Chinese

characteristics."

Kissinger allegedly told Bo he noticed that Xi Jinping, heir apparent to the position of the General Secretary of the Chinese Communist Party (CCP), visited Chongqing and spent three days there right after he was "elected" to be the vice chairman of the CCP Central Military Commission. In fact, Bo Xilai has tried very hard to hook top CCP leadership into supporting his reforms in Chongqing. Zhou Yongkang was one of the first among the nine members of the Politburo Standing Committee to visit Chongqing. During his visit, Zhou saw the results of Bo's campaign pertaining to its main focuses of *dabei*, nationalism, household registration reform, low-rent housing and economic development. Toward the end of his visit, Zhou said Chongqing reform should be emulated by all other places in China (*Chongqing Daily*, November 15, 2010). A month later, Xi Jinping visited the city and offered his enthusiastic praise of Bo's achievements in Chongqing. Other highlights include Wu Bangguo's visit in April 2011, and Li Changchun's congratulatory letter sent in honor of a red song concert series which opened with great fanfare in June 2011 (*Chongqing Daily*, July 1).

Jia Qingling seems to be tentatively supportive. Jia did not attend the red song concert when the Bo-led Chongqing singing and dancing troupe performed in the auditorium of the Chinese People's Political Consultative Conference (CPPCC) in Beijing. He did, however, meet with Bo and the performers after the show. Of the nine Standing Committee members, Li Keqiang has neither visited Chongqing nor openly said anything about the Chongqing model. His reservation can be seen as holding a grudge because Bo's assistants have on occasion been blunt about Bo's aspirations for Li's future job [1]. Also, He Guoqiang has remained silent about Bo's achievements, which is understandable because he was Chongqing's party boss from 1999 to 2002. Moreover, neither Hu Jintao nor Wen Jiabao have associated themselves with Bo and his Chongqing Model. Nonetheless, Bo's success in winning the backing of five out of nine Standing Committee members to support his Chongqing Model is no small feat.

Chongqing's publicity machine has done a lot to facilitate Bo's political quest. Reporting of top leadership's visits to Chongqing has been more detailed and glowing than the typical Xinhua report. Beyond the Politburo

Standing Committee and Mr. Kissinger, the city has tried to lure both international and domestic dignitaries to visit Chongqing. Many famous artists have been invited to perform, and Chongqing has hosted numerous international conferences. The city also has attempted to gain the support of public scholars by convening forums and meetings on the Chongqing model (For example, *Guangming Daily*, August 9). Cui Zhiyuan, a former professor at the Massachusetts Institute of Technology, and current professor at Tsinghua University, was made a municipal government official. He has written many articles in support of the Chongqing Model (chinaelections.org, November 3). Li Xiguang, former reporter, coauthor of the book *Behind the Demonization of China* and Tsinghua professor, is now an adjunct professor at the Southwestern University of Political Science and Law in Chongqing and may provide public relations advice to Bo's group (For example, "Seeing the Yan'an Spirit in Chongqing," *Outlook Magazine*, January 17).

Although Bo's campaign has brought much positive feedback, not every response has been positive. There is a fierce, yet unacknowledged, war of words between Bo and 56 year-old Wang Yang. Yang is one of Bo's predecessors in Chongqing (2005-2007) and is the current Party boss of Guangdong province, the province which has led the nation in GDP growth for more than two decades.

This war of words manifested itself on many occasions this past summer. On June 26, at a Party member meeting, Wang Yang said increasing the awareness of an impending crisis is much more important than glorifying governing achievements, which was a reference to Bo's tendency to engage in self-eulogy (*Southern Daily*, June 27). On July 4, during an online chat with netizens, Wang reportedly said if Party leaders could screw over the broad masses, the latter could do the same to the leaders, which was interpreted as a rebuke of the arrest of a netizen who had cursed the Chongqing leadership in an online chat room (*Xinhua*, July 4).

In an oblique reference to Chongqing's *dabei* campaign at the provincial Party Congress session on July 12, Wang said anti-corruption measures cannot succeed in a mobilized political campaign. He further remarked that leaders should refrain from seeking instant returns and spotlight. He noted, however, that leaders need to

have a vision and perform according to the best of their capability and within the constraint of available resources.

Lastly, Wang took a shot at Bo Xilai's much trumpeted call to clearly and unequivocally decide how to divide the cake (equitable distribution of wealth) before the cake is baked (development). He said baking a larger cake is still the top priority. Growing the cake is much more important than dividing the cake, as Wang slyly noted "[Bo's emphasis] is not something original but emphasizing it is new at this particular moment" (southcn.com, July 13).

This "particular moment" may refer to what appears to be Bo Xilai's attack of the "Guangdong Model." On July 3, during his meeting with Liu Changle, board chairman of Phoenix Television, Bo said, contrary to places where division of the cake comes after baking the cake, Chongqing opts to divide the cake before baking it (ifeng.com, July 4). On July 10, at an agribusiness forum, Bo declared that Chongqing will not wait until the higher stage of development to work toward the equitable distribution of wealth.. Bo Xilai also declared that if the "Three Differences"—between the rich and the poor; the urban and rural; and regional—could not be overcome in any locale where the CCP has only accomplished "One Represent" (modern productive force) and failed in the other "Two Represents" (the majority of the people and the advanced culture) (*Chongqing Daily*, July 17) [2].

Five days later, the Party Committee of Chongqing adopted the resolution on reducing the three differences and achieving common wealth. The goals are quantitative and lofty, including: reducing the gini coefficient index from about 0.45 to 0.35 (Guangdong is at 0.65), creating 3.3 million new jobs, licensing 1.5 million small businesses, converting 5 million farmers into urban residents, taking care of 2 million senior citizens who live alone and building 40 million square meters of low-rent housing (*Chongqing Daily*, July 23).

While the two camps had remained relatively silent since the summer, Wang Yang broke the "ceasefire" in a speech on improving the welfare of the people in Guangzhou on October 9. Wang said improving the welfare of the people requires the combination of doing everything possible to satisfy the demand of the people and taking the national and provincial circumstances into consideration. He noted that campaigning was not the way to responsibly

address the long-term and fundamental livelihood interests of the people (Guangzhou Daily, October 10).

Bo Xilai's unprecedented politicking and Wang Yang's open counteroffensive have established new political dynamic in China, and revealed fractures beneath the surface. It is unclear and may be too early to say if Bo Xilai and Wang Yang represent two interest groups or political forces in China, but it would appear that Chinese scholars and social commentators are lining up behind one or the other (Li Cheng, "China's Team of Rivals," *Foreign Policy*, March 1, 2009). People with more liberal ideas are supporting Wang Yang and those who identify with the "New Left" and Maoists are vociferous in their support of Bo. The public emergence of such factions representing different interests of the society—rather than different ideological leanings—may prove a good development for the future of China's politics.

For China watchers, it is exhilarating to see what usually happens behind the high walls of Zhongnanhai come out in the open. Every developing and developed nation has to balance development with social justice, and China is no exception. To have vigorous debate among decision makers on this issue is necessary and to take it to the people in the style of a political campaign is a must in any open society. Bo Xilai and Wang Yang deserve credit for taking their policy differences seriously and appealing to the people for support.

If China's leadership change is subject to popularity test, Bo may easily win the contest as he is more populist, charismatic and skillful. Popularity, however, does not always imply rationality or sustainability. To many, Bo's Chongqing Model is not sustainable, and it reminds many of the CCP's governing at its worst: manipulation of the rule of law and the embrace of a rigid ideology. What sets Chongqing apart from Mao's China, however, is its relentless quest for Western technology, capital and business, which all requires a real market economy supported by rule of law and open flow of information. It remains to be seen whether Bo is serious about his tactic in Chongqing and is determined to replicate it nationwide—if given the platform—or if he simply is using the Chongqing Model as the springboard for his ambition.

Kissinger saw some kind of future for China in Chongqing. His comments however echoed Lincoln Steffens sentiments about the Soviet Union in 1919—"I have seen the future and it works"—raising the question about how long that future will linger. Even if it is too early to evaluate Bo's legacy in Chongqing, his campaign for the Standing Committee has dragged Chinese politics out of the backroom and into the spotlight. Perhaps Bo has revealed the potential for open debate, bold contest and public outreach for support in China.

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Notes:

1. Personal Interview, August 31, 2011
2. The "Three Represents" are retired CCP General Secretary Jiang Zemin's contribution to the CCP canon and became official at the 16th Party Congress in 2002.

China's Engagement with Peru: An Increasingly Strategic Relationship

By Evan Ellis

In the first weeks of November 2011, a series of independent events in the diplomatic, economic and security domains highlight how the new Peruvian government of Ollanta Humala is using the previous governments' initiatives to become a key partner for China in Latin America, deepen that relationship and take it in important new directions. November began with a visit to Peru by Vice Chairman of the Central Military Commission Guo Boxiong to Peru, signing two important cooperation accords involving arms and training. Meanwhile, Peru's capital Lima, which hosted the 2008 APEC summit, was preparing to host hundreds of Asian and Latin American businessmen at the Fifth Annual China-Latin America Business Summit. Simultaneously, President Humala left for the 2011

APEC summit in Honolulu, which will include a publicly announced meeting with Chinese President Hu Jintao.

The relationship between Peru and China is essentially a story about Chinese access to primary products and Peru's physical position as a gateway from Asia to the markets of Brazil and other countries of the southern cone. It is also a relationship that is becoming increasingly important for both countries and behind its apparent simplicity are social and political dynamics, which could propel it in a number of directions. Such scenarios include the diversification of productive engagement, devolution into a client state dependent on Chinese loans and investments—as seen in nearby Venezuela and Ecuador—or a breakdown of the relationship with recriminations amidst expanding hostility and social conflict in Peru itself (For the Venezuelan example, see “China's Cautious Economic and Strategic Gamble in Venezuela,” *China Brief*, September 30).

In economic terms, Peru's relationship with China indeed is dominated by efforts by Chinese companies to acquire metals through both purchases on commodity markets, and direct investments in the country. Trade statistics show four products responsible for 83 percent of Peruvian exports to China: copper (and related products), iron, lead and fishmeal (*Andina*, October 6). In Peru itself, in search of secure supplies of such materials, Chinese companies have invested \$1.2 billion to acquire rights to mines, and have announced plans to invest almost \$11 billion more in coming years to exploit the assets that they have acquired. Such investment is, however, concentrated in a small number of major projects which may or may not happen in the announced fashion.

Virtually all Chinese investment in Peru is encompassed by five projects: (1) an announced \$1.2 billion investment by the Chinese firm Shougang to expand its mine at Marcona in the province of Ica; (2) a \$2.2 billion investment by China Aluminum Corporation (Chinalco) to develop the Toromocho mine in the Junin region; (3) a \$1.44 billion investment by China Minmetals and the Zijin Mining Group in the Rio Blanco mine in Piura; (4) a \$2.5 billion investment by Jiangxi Copper to develop the Galeno mine in Cajamarca; and (5) a plan still in a more preliminary stage for the Chinese firm Nanjinzhao to invest \$2.5 billion develop a mineral field at Pampa de Pongo (*Andina*, August 4). When all publicly announced

national and international investment in Peru's mining sector is considered, almost a quarter of all such anticipated investment come from these Chinese projects. The figure could rise with acquisitions of other Peruvian mining interests by Chinese companies—particularly if the new Humala administration begins to take actions that convince Western mining companies to leave Peru, creating an opportunity for Chinese companies to fill the void (*Andina*, July 29).

Beyond mining, Chinese companies also play a key role in Peru's other two major primary product sectors. Although no Chinese company is a major operator in the oil and gas sector, China National Petroleum Company (CNPC) in 2003 acquired a 45 percent stake in PlusPetrol Norte—currently a major player in multiple Peruvian oil and gas projects (“Peru,” Energy Information Administration, April 2011). In agriculture, the Hong Kong-based China Fisheries Group progressively has expanded its fishing quota in Peru through over \$400 million in small acquisitions of fishing fleets and coastal processing facilities—the most recent of which came this month.

Commodity purchases and investments by Chinese companies in the aforementioned sectors have made China an increasingly important export destination for Peru. Indeed, during the global economic crisis of 2007-2008, sustained demand from China helped the Peruvian economy compensate for the falloff in demand from traditional partners such as the United States. Thanks to the expansion of commodity exports to China and boosted by high, sustained international commodity prices, China surpassed the United States as Peru's principal trading partner by the third quarter of 2011.

Looking at a relationship from a Chinese rather than a Peruvian perspective, it is also important to note Peru's importance to China as a market for Chinese companies seeking to move up the value-added chain and as a point of access to other markets in the region. With respect to Peru itself, although the nation's 29.5 million people and \$275 billion GDP are only one among many mid-sized markets in the region, the importance of countries such as Peru increases as traditional markets for Chinese products such as the United States and Europe remain stagnant. Moreover, the concentration of middle-class consumers in the greater capital region of Lima represents an important opportunity for sectors for

Chinese companies—including automotive, consumer electronic, computer, and telecommunication firms—looking to expand.

With respect to geography, Peru's physical location on the Pacific side of Latin America has given the nation a special link to Asia since the Spanish colonial period. Under Spanish rule, Lima, was not only a political capital, but a major commercial hub and key to the limited quantities of trans-pacific trade then occurring. Later, with the economic and political collapse of China at the end of the 19th Century, Lima became a key destination for Chinese immigrants, giving Peru today one the largest concentration of ethnic Chinese in Latin America. In 1998, propelled by its geography and historic ties to the region, Peru become the third and last Latin American nation accepted into the Asia-Pacific Economic Cooperation forum, although others such as Colombia and Ecuador have tried unsuccessfully to join in recent years. In 2008, the Alan Garcia administration leveraged this membership to host the annual APEC summit and thus showcase its role as a potential nexus for commercial relations between Latin America and China. At the summit, Peru also announced the conclusion of a free trade agreement with China, signed in 2009, through which it hoped to further strengthen its position in this regard, following on the heels of the FTA that Peru's sometimes rival Chile signed with China in 2006.

Peru also has sought to promote its role as a hub for commerce with Asia by building physical infrastructure linking its Pacific-coast ports to the Amazon Basin. The first such project, completed in December 2010, was the "Bi-oceanico Sur," linking the Peruvian port of Ilo to the Brazilian Amazon Basin, allowing Chinese consumer products and intermediate goods to more economically reach Brazilian interior cities such as Manaus, or vice versa. Peru almost has completed a parallel corridor across the north of the country from the Port of Paita and is contemplating a central corridor from the port of Callao south of its capital city of Lima. The latter however faces obstacles because of the need to cross an environmentally protected area (*El Comercio*, April 25).

In addition, Peru's geographic position also makes it relevant to efforts by other South American countries to expand their own commercial relations with China. The corridor currently under construction that will link Brazil

to the Ecuadoran port of Manta, for example, crosses Peruvian territory as is also the case with a corridor from Bolivia that will reach the Pacific coast at the Peruvian port of Ilo, where La Paz has duty-free access by past agreement between the two countries. Beyond these road connections, Peru's expanding commerce with China is also driving the transformation of its new privatized port infrastructure, including a new mineral dock in the port of Callao, as well as improvements and expansion of capacity at the port of Paita, in the north, and Tacna and Ilo in the south, among others (*Andina*, July 27).

Another key part of Peru's bid to expand its business with China—and to serve as a key hub for other nations in the region seeking to do so—has been the nation's development of an intellectual infrastructure for doing business with Asia and Asian companies. This has included the expansion of China-oriented language and business programs, such as those at the prestigious University of Lima, as well as the private university "La Catolica." China and Peru also established six Confucius Institutes for the study of Chinese language and culture—more than any other country in Latin America [1]. Peru's position has also benefitted from the efforts of government and private-industry groups to promote its trade with China, including activities of the Peru-China Chamber of Commerce (CAPECHI), ProInversion and PromPeru.

While Peru's relationship with China has been primarily economic in character, it also has a modest security component. In 2010, Peru almost became the first nation in Latin America to purchase armored vehicles from China. The procurement of Chinese MBT-2000 tanks, which had been displayed in a military parade in Lima in 2010 was cancelled only because of the inability to resolve problems with the Ukrainian supplier of engines for the vehicles (*El Comercio*, April 25). Nor was this the first contemplated purchase of Chinese equipment. In 1993, the Peruvian National Police purchased five Chinese Y-12 light transport aircraft, and in 1995, the Ministry of Defense purchased Chinese tractors and heavy equipment for its engineering units, although the government has been disappointed with the reliability of the equipment in both cases. In 2007, the Peruvian National Police (PNP) almost purchased several hundred Chinese police cars via the Korean company Daewoo, although in the end, the deal was cancelled and the surrounding scandal forced the

resignation of the minister responsible for the purchase.

Peru and China also have had a significant volume of military-to-military contacts in recent years, at all levels. In November 2010, a Chinese delegation led by the Chief of Staff of the Chinese General Staff General Chen Bingde traveled to Lima to conduct a bilateral humanitarian exercise with Peru, including delivery of a mobile field hospital to the 1st Brigade of the Peruvian Special Forces. The event represented the first bilateral exercise between the PLA and a Latin American country, although the PLA has had a presence in the multilateral peacekeeping force in Haiti, MINUSTAH, since September 2004. Most recently, in November 2011, the Vice-President of China's Central Military Commission, General Guo Boxiong visited Peru with an agenda that included, among other issues, the signing of two military cooperation agreements, including the possible transfer of training, engineering vehicles and mobile hospital equipment (*Andina*, November 2). Military-to-military contacts also continue at lower levels with visits by two to three Peruvian military officers to Chinese institutions each year, including the PLA National Defense University in Beijing, as well as to lower-level institutes in Nanjing and other parts of the country.

The most serious issues that China is likely to face in Peru will arise from the growing physical presence of its companies and projects in the country, including security of its people and operations, and the protection of its investments.

Although Chinese companies are attempting to learn from past mistakes and adapt to the Peruvian environment, to date, they have experienced difficulties with virtually every major project that they have initiated in the country. Since the Chinese firm Shougang acquired the iron mine at Marcona in 1993, for example, the mine has been beset by strikes and fights with the government over compliance with promised investments and Peruvian labor and environmental laws. In the most recent such incident to date, in September 2011, the political and economic significance of the strike prompted Peru's Vice President Marisol Espinoza to personally take the complaints of the workers before the Peruvian National Congress (*Andina*, September 8). Beyond Shougang, China Aluminum Corporation (Chinalco), which acquired rights to the Toromocho mine when it purchased

Peru Copper in 2007, has had difficulties in taking the project forward due to dissatisfaction of local residents regarding its handling of the required relocation of the town of Morococha, which is on top of the mine site. Additionally, at the Rio Blanco site, the Zijin group and China Minmetals have had their own problems with the local population, stemming in part from the proximity of the mine to one of Peru's principal sites for the growth of poppies for illicit heroin production. The problems have included violent protests and the mysterious murders of two locals in the town of Huancabamba.

An increasing challenge associated with labor difficulties and other forms of unrest is the physical protection of Chinese mining operations. Violent incidents elsewhere have affected Chinese firms, such as clashes in Tarapoa Ecuador in November 2006 and Orellana Ecuador in June 2007. Taken with the violence in Bagua, Peru, involving disputes over the activities of others in Peru's extractive sector that are similar to what Chinese companies are now doing, these incidents suggest Chinese firms eventually are likely to encounter even more serious security problems in the future. In preparing for such challenges, Chinese firms are hampered by their caution in working directly with Latin American military and police forces, due to concerns about local and U.S. perceptions. In this context, the relatively limited experience of Chinese firms in integrating local private security forces into their operations raises the dual risk that such security forces will either be ineffective, or conversely, will react to an attack in a way that inflames the situation.

A great deal of China's position in Peru is likely to be defined in the coming six months to a year, as the new Humala regime in Peru addresses challenges presented by the Chinese presence in the country and explores associated opportunities. On one hand, President Humala built much of his political support base around the rights of the economically marginalized peoples of Peru's long neglected mountain and jungle regions. His key constituency probably will apply pressure to protect their interests in fights with miners, oil companies, and other multinationals—whether Chinese or of other origin. On the other hand, Humala also will be tempted to follow the model adopted by Hugo Chavez in Venezuela and Rafael Correa in Ecuador of using Chinese loans and investments as a substitute for Western capital, particularly if other policies of his administration begin to push Western investors out of Peru.

To date, the indications of which course Humala will pursue has been mixed. With respect to economic issues of importance to the Chinese, Humala has, to date, pursued a cautious course that appears modeled after the pragmatism of Brazil's former president Lula. Publicly, Humala has embraced engagement with China, including a possible trip to China in early 2012. With respect to mining, Humala has convinced the Chinese to renegotiate their royalties, increasing revenues to the State. While Chinese firms have thus far accepted the demands of the new administration, they are likely waiting to see whether their acquiescence has bought peace with the new administration, or whether such demands are only the beginning of a larger problem.

Reciprocally, the Chinese have only begun to move forward with their investments in Peru. If the conflicts seen to date with companies such as Shougang prove typical, it will be an open question whether the internal political costs of broadening Chinese loans and investments in Peru is something that President Humala will be able to pay.

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Notes:

1. "Confucius Institutes Around the Globe," University of Nebraska-Lincoln, <http://confuciusinstitute.unl.edu/institutes.shtml#Peru>, accessed November 8, 2011.
