

## **Chapter Four: Tightening the Knot 1990-2004**

This chapter will describe the way in which the bilateral relations between the PRC and Argentina reached the highest point in their relatively short history. Such a rapprochement took place during a 15-year period that started with post-Tiananmen crackdown China and post-hyperinflation Argentina and in which several reciprocal State visits took place, numerous agreements were signed by the governments of both countries, and came to an end when the relation was strained due to the so-called “leak-incident.”

### **Crackdown and Hyperinflation**

As aforementioned, there were not many visits in 1989 PRC, except the one paid by Senator Eduardo Menem as Acting Chairman of the Argentine Senate. Not visits, but major events took place. Because of their importance for the purposes of this study, their effects will be analyzed in more detail in the following paragraphs. As a matter of fact, it could be said that such effects reached their peak the following year.

Indeed, in May 1990, it was PRC President Yang himself who decided to pay the visit back to the Argentine government, although, as stated, a new administration was already in office. Certainly, Argentina is too far away to be considered as the only destination in such a tour and, therefore, other Latin American countries were included in Yang’s itinerary. The relevance and importance of this visit is that it constituted not only the first official trip of a PRC head of state to Latin America in history, but also the first trip abroad of such a key political figure after the Tiananmen crackdown of 1989. As a matter of fact, it has been pointed out that President Yang’s visit had been “originally arranged for 1989, but it had to be postponed by the events that took place”<sup>1</sup>, namely, the June 4<sup>th</sup> Tiananmen Square crackdown.

It is no coincidence that, by then, and gradually, Latin America had become an important destination at a time in which other more-significant parts of the world were not willing to be visited by a high-ranking official of the government that has ordered the crackdown. Indeed, “Deng supported the use of tanks and guns to end the 1989 pro-democracy demonstrations in Tiananmen Square, where hundreds of students and bystanders were believed to have been killed. That same year Deng gave up his

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<sup>1</sup> See note 153 above.

chairmanship of the military commission, and his influence over China's ruling elite steadily declined through the 1990s".<sup>2</sup>

On this regard, the Argentine reaction to the crackdown consisted on adhering to the "non-intervention" principle in order to avoid upsetting China, a potential market that was considered by Argentina as a one of the destinations for her exports, which could allow the country to get through the economic crisis that was undergoing that year. It has been pointed out that "in the region, most governments dismissed the massacre, through no comments on this issue or perfunctory and low-level foreign ministry statements".<sup>3</sup>

Sadly, as it can be seen, 1989 was going to be a year to remember not only because of the Tiananmen Square crackdown that had taken place in the PRC, but also because in Argentina the inflation rate became hyperinflation, reaching annual figures as high as five thousand per cent.<sup>4</sup>

On this regard, it has been astutely argued that "hyperinflation –an economic phenomenon- made political elites and people in general even more aware of their pocketbooks than is usually –and universally- the case. It meant the death of the Alfonsín government, which had to resign months ahead of time in favor of the new president-elect. Hyperinflation brought the country back to its senses, both economically and with respect to foreign policy: it obsessed leaders and ordinary citizens alike with a desire for both monetary stability and a no-nonsense foreign policy that would keep the country out of trouble and it would be functional to the state's economic goals".<sup>5</sup>

Although this information helps to illustrate what the situation was in Argentina, what constitutes a more relevant issue for the purposes of this study is to underline, again, the fact that President Yang's visit was also the first state visit to Latin America by a PRC President ever.

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<sup>2</sup> "Inside China: Profiles: Reformer with an Iron Fist: Deng Xiaoping (1904-1997)"- CNN Website. <http://www.cnn.com/SPECIALS/1999/china.50/inside.china/profiles/deng.xiaoping/> (accessed June 22, 2008)

<sup>3</sup> Malena, *China's Relations with Latin America 1970-1995*, 26.

<sup>4</sup> Colin M. Lewis, *Argentina: A Short History*, 158.

<sup>5</sup> Escudé, *Foreign Policy Theory in Menem's Argentina*, 3-4.

## **Winds of Change**

Following PRC President Yang's visit to Argentina, Argentine President Carlos S. Menem traveled to China in November 1990, in which –arguably– constituted the first state visit by a Western president to China after the Tiananmen crackdown that had taken place merely six months before, such a brief period of time that would have made Sorman feel nauseous.<sup>6</sup> The way to such a visit had been paved by the one that President Menem's brother, Senator Eduardo Menem, had made to the PRC the year before.

Certainly, President Menem's visit reflected what he considered was an opportunity to gain the Chinese political sympathies, while it was clearly motivated by economic purposes. Indeed, “when Menem took office in July 1989, his principal concern was economic policy. The country has just suffered an episode of hyperinflation and would suffer another six months after he took office. There was a real danger that the economy would collapse. The new government's main goal was to hold the economy together and to convince the international community that it was serious about undertaking an economic reform or restructuring program consistent with the tenets of what was coming to be called the “Washington Consensus” ”.<sup>7</sup>

It could also be said that it was President Menem who realized the importance that foreign policy had with regard to domestic policies and the influence the former could have in the latter. Indeed it was under the Menem administration that “the Argentine state explicitly aligned itself with the United States, abandoned the Non-Aligned Movement, and completely changed its voting profile in international forums, adopting a clearly pro-Western policy”.<sup>8</sup> In spite of the new policy towards Washington, it is just fair to point out that it was also Menem who took note of the important role Beijing –already a relevant actor in the global stage, and, even better from the Argentine perspective, one

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<sup>6</sup> In his 2008 book *The Empire of Lies: the Truth about China in the Twenty-First Century* (originally titled ‘L’anné du Coq: Chinois et rebelles’ and published in 2006), Guy Sorman says that ‘from January 2005 to January 2006, the Year of the Rooster, according to the Chinese calendar, and on other trips in 2006 and 2007, I listened to these free-spirited Chinese; it was the least I could do. Though I was not in danger, the people who spoke to me did so at great personal risk. These men and women who cherish freedom and who occupy the center stage of my inquiry were perplexed by the collusion of Western governments with the Communist Party. They wondered how we could have forgotten the Tiananmen massacre so quickly.’ See Sorman, Guy, *The Empire of Lies: the Truth about China in the Twenty-First Century* (New York, NY: Encounter Books), xix.

<sup>7</sup> Joseph S. Tulchin, “Continuity and Change in Argentine Foreign Policy,” in *Latin American Nations in World Politics*, ed. Muñoz, Heraldo and Tulchin, Joseph S. (Boulder, CO: Westview Press, 1996), 184.

<sup>8</sup> Escudé, *Foreign Policy Theory in Menem's Argentina*, 4.

who was temporarily isolated- could play with regard to Argentina, by providing the latter the opportunity to use her vast natural resources as a means to break its isolation and fueling, at the same time, the Chinese rise, while benefiting from the growth that China was already originating and would continue to generate.

As a corollary of the good intentions manifested by the two sides during President Menem's visit, in November 1990 the two governments signed in Beijing the "Agreement between the People's Republic of China and the Republic of Argentina on the Establishment of Political Consultation Mechanisms".

The delicate situation in which the PRC had been left following the Tiananmen incident was considered by the Menem administration as a good chance to increase the trade between the two countries. Certainly, Mr. Menem was aware of the fact that not a single Latin American country, on its own, was going to be able to fulfill the Chinese demand, and was, therefore, convinced that Argentina and Brazil should –as the bigger economies in South America- commit themselves in a common effort to seriously sponsor the policies of regional integration that the two governments, together with their Uruguayan and Paraguayan counterparts, were considering by that time. As a result of these joined efforts, the MERCOSUR (the Common Market of the South) was created in 1991 with the signature of the Treaty of Asunción by Brazil, Argentina, Uruguay and Paraguay.<sup>9</sup>

In 1991, another relevant event took place in Argentina: it was the creation of a "currency board to fight inflation", a Menem administration reaction to the new hyperinflation the country was experiencing. The Argentine government "introduced convertibility of its peso into dollars at a fixed one-to-one exchange rate"<sup>10</sup>, and it did so through Law 23,928 -called "Convertibility Law"- which "implied that for every peso circulating in the country, there would be a dollar in the Federal reserve as a back up for the former. The same as in other times gold was used to back up monetary units, U.S. dollars, safely accumulated in the reserve, were supposed to give reliability or strength to

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<sup>9</sup> An interesting definition of Mercosur, as one of the 'multination blocs that represent institutional responses to the stresses created by the steady spilling over of national capitalisms beyond their traditional political boundaries' has been proposed by Allen J. Scott. See Scott, Allen J, *Global City Regions*, 13.

<sup>10</sup> Gary Becker, "Deficit Spending Got Argentina into This Mess," *Business Week*, February 11, 2002, 26.

each circulating peso”.<sup>11</sup> One of the main effects this law had in the bilateral relation was that, starting in 1992 and until 2002 –since the “one peso-one dollar” pattern was going to be eliminated by the end of 2001-, the amount of products that Argentina was importing from the PRC was clearly much higher than that of the products being exported from Argentina to China, due to the more favorable conditions in which Argentina was, since a stronger currency gave the country a bigger purchasing power when compared to that of the PRC. This pattern was to last just about a decade, as it can be seen in Table I.

On this regard, it has been observed that ‘the measure worked, and by the mid-1990s Argentina was registering stable prices and wages, and significant economic growth... By tying Argentine prices to the US dollar, exports had become expensive...At home, Argentines used the strong currency to buy cheap imported goods - plunging not only themselves but the country into debt’.<sup>12</sup>

In 1992, Argentine Foreign Minister Guido Di Tella and the president of the Supreme Court Ricardo Levene visited the PRC.<sup>13</sup> It was also in this year that the 14<sup>th</sup> Chinese Communist Party Congress took place, being the first party congress after the Tiananmen crackdown. The relevance of this Congress, as regards the specific purposes of this study, consists in the fact that it was during it that Hu Jintao –who, more than two decades later, would personally experience the aforementioned ‘leak incident’ that provoked a serious deterioration of the relations between China and Argentina- was elevated to the Standing Committee. On this regard, it would be convenient to take a look at the way in which Hu’s elevation happened, an illustrative example of how decisions are taken at the leadership of the Chinese Communist Party: ‘while it must be emphasized that this is black box territory, according to the most credible account of Hu’s selection in 1992, Deng had instructed the “first front” leaders to propose some younger candidates for the Standing Committee. When, shortly before the Congress, Jiang Zemin, Song Ping, a representative “conservative” figure who had been Hu’s boss in the late 1970s and early 1980s, and the purportedly “reformist” Qiao Shi approached Deng with a draft list of

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<sup>11</sup> Susana N. Vittadini Andrés, “Domestic Legal and Political Implications of 2001 Argentina Economic Crisis and its Impact on Foreign Affairs”, *Tamkang Journal of International Affairs* XI, no. 1 (July 2007): 10.

<sup>12</sup> “Profile: Fernando de la Rúa”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/americas/1721010.stm> (accessed June 8, 2008)

<sup>13</sup> ‘Bilateral Relations’- People’s Republic of China Ministry of Foreign Affairs <http://www.fmprc.gov.cn/eng/wjb/zzjg/lmzsg/gjlb/3453/default.htm> (accessed April 21, 2008)

candidates, they raised Hu's name. Deng reportedly responded with "Hu Jintao is a fine person", an interjection which settled the matter".<sup>14</sup>

In 1993, Chinese president Jiang Zemin travelled to Latin America, and, in spite of visiting Cuba and being as close to Argentina as in neighboring Brazil, he did not visit Argentina. Instead, President Jiang sent the PRC Foreign Minister Qian Qichen to visit the country. By then, Qian was also occupying the position of State Councilor.<sup>15</sup>

The year of 1994 was going to be an important year with regard to the future of bilateral relations, since it was then that Hu Jintao himself visited Argentina for the first time. He would return to the country a decade later, but by then Mr. Hu would hold the positions of General Secretary of the CCP -since 2002-, President of the PRC -since 2003- and Chairman of the Central Military Commission -since September of the year of his second visit. But by the time of this, his first visit to Argentina, Mr. Hu was in charge of the Secretariat of the Central Committee of the Communist Party of China, and was accompanying Qiao Shi, who, as previously stated, had been one of the high ranking officials to include Hu's name in the list of candidates and held, at the time of the visit, the position of Chairman of the Standing Committee of the National People's Congress, the highest organ of state power. As it can be seen, not only were visits being paid annually, but also the Party ranking and status of the visitors was becoming increasingly high, reflecting the relevance that Latin American countries were being given in the foreign policy agenda of the PRC. Also, by the end of 1994 the Chinese leadership attended the 6<sup>th</sup> APEC Ministerial Meeting, as well as the Meeting of Economic Leaders that took place in Indonesia. Both meetings have been characterized as "ratifying the need, for Argentina and MERCOSUR, to considerate and incorporate -in an integral way- the Asia- Pacific region in its plans of external action".<sup>16</sup>

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<sup>14</sup> Teiwes, Frederick C., 2002, 'The Politics of Succession: Previous Patterns and a New Process', in Wong, John and Zheng, Yongnian, *China's Post-Jiang Leadership Succession: Problems and Perspectives*, 51.

<sup>15</sup> "Bilateral Relations"- Ministry of Foreign Affairs of the People's Republic of China Website. <http://www.fmprc.gov.cn/eng/wjb/zzjg/lmzms/gjlb/3453/default.htm> (accessed April 23, 2008)

<sup>16</sup> Carlos J. Moneta, "Comercio e Integración Intraindustrial en Asia Pacífico: Perspectivas de Vinculación con América Latina," in *Desarrollo Económico e Integración Comercial en Asia Oriental*, ed. Pablo Bustelo and Sergio Plaza (Madrid: Agencia Española de Cooperación Internacional, 1996), 289.

## **The WTO, Argentina and the PRC**

On January 1<sup>st</sup>, 1995, Argentina became a member to the WTO, a fact that must have been taking into special consideration by recently re-elected<sup>17</sup> President Menem when, in October of the same year, he paid his second State visit to the PRC, in what was one of his first trips abroad during his second term in office and reaffirmed the increasing attention that the Argentine government was paying to China.

Indeed, it has been noted that one of the goals president Menem had in mind was “seeking to open the Chinese market to more Argentine exports”.<sup>18</sup> Furthermore, and in what could be interpreted as a step towards the achievement of more fluency in the bilateral relations, the mutual establishment of general consulates was also agreed by these governments. Besides the Embassy in Beijing, Argentina currently has a Consulate-General in Shanghai and another in Hong Kong, SAR.

In spite of the fact that Argentina has been traditionally oriented to the Atlantic, therefore to Europe, it could be said that it is not a coincidence that the Argentine president visited China twice, once in each of his terms in office. The priority that relations with the PRC had for the Menem administration agenda was clearly reflected in such State visits.

Also in 1995, the Argentine government received the visit of the “Minister in charge of State Commission for Restructuring the Economy”<sup>19</sup> and State Councilor Li Tieying –who was to be defined as “the highest-ranking “Party prince” after Li Peng, and one of the longest serving Politburo members”.<sup>20</sup> On this regard, it is particularly relevant for the purposes of this study to take into consideration that not only were high-ranking officials of both governments the ones being designated to pay the respective visits, but that the visits themselves were becoming more frequent. As it will soon become evident, this statement will receive further support in the following paragraphs.

## **The time for Vice-Premiers**

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<sup>17</sup> Presidential re-election -limited to one consecutive term- was included in a constitutional reform made in 1994 and proposed by President Menem, who was to be re-elected by winning a landslide election in 1995.

<sup>18</sup> Malena, *China's Relations with Latin America 1970-1995*, 27.

<sup>19</sup> “Biography: Li Tieying”- People Website

<http://english.people.com.cn/data/people/litieying.shtml> (accessed June 23, 2008)

<sup>20</sup> Teiwes, “The Politics of Succession: Previous Patterns and a New Process,” in *China's Post-Jiang Leadership Succession: Problems and Perspectives*, ed. Wong, John and Zheng, Yongnian, 55.

The following year, 1996, it was the PRC Vice-Premier Zhu Rongji –who would become State Premier the following year and, eventually, one of the “new Party elders” years later<sup>21</sup> -who visited Argentina. It was said of Zhu that his charisma, his commitment to reform and straight-talking style made him “the darling of the West’s business community” since taking over the economics portfolio in 1993.<sup>22</sup>

In 1997 -a year marked by the Asian Financial crisis that was to take place in July- two visits were mutually paid: Argentina’s Foreign Minister Guido Di Tella visited the PRC for the second time while in office, and the Argentine government received the visit of PRC Vice-Premier Li Lanqing. In this year, bilateral trade volume surpassed \$1 billion for the first time and, as a signal of the fluency and smoothness that the bilateral relations were acquiring, a new agreement of cooperation was signed by the governments of both countries. It is noteworthy that, by the time of Li’s visit, he had been considered ‘the man behind China’s marathon campaign for membership of the World Trade Organization’<sup>23</sup> –a goal that would eventually be achieved in 2001- for more than a decade, as he started working in China’s WTO campaign in 1986 under the instructions of Deng, who passed away in September 1997.

It was the turn of Vice- Premier Wu Bangguo to pay Argentina a visit –the third time in a row that the visitor hold such position- in 1998, the same year Argentina and other Latin American countries started suffering the effects of the Brazilian crisis that took place late that year.

In 1999, and following Wu’s visit, Wei Jianxing –who was holding a position in the Politburo Standing Committee- visited the country. In June this year, the Argentine and the Chinese governments exchanged notes regarding the expansion of the Consular district of the Argentine Consulate General in Hong Kong SAR to Macao SAR. The exchange of notes was one of the last opportunities in which the Menem administration had official contact with its Chinese counterparts, since President Menem was to step down by the end of that year.

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<sup>21</sup> Ibid., 56.

<sup>22</sup> “China Party Congress-Leadership Changes”- British Broadcasting Corporation- BBC Website- [http://news.bbc.co.uk/1/shared/spl/hi/asia\\_pac/02/china\\_party\\_congress/leadership\\_changes/html/zhu\\_rongji.stm](http://news.bbc.co.uk/1/shared/spl/hi/asia_pac/02/china_party_congress/leadership_changes/html/zhu_rongji.stm) (accessed June 23, 2008)

<sup>23</sup> “Leadership Changes: Li Lanqing”- British Broadcasting Corporation- BBC Website [http://news.bbc.co.uk/1/shared/spl/hi/asia\\_pac/02/china\\_party\\_congress/leadership\\_changes/html/li\\_lanqing.stm](http://news.bbc.co.uk/1/shared/spl/hi/asia_pac/02/china_party_congress/leadership_changes/html/li_lanqing.stm) (accessed June 24, 2008)

## State Visits (II)

After almost five years of visits mutually paid by foreign ministers, vice-premiers, State councilors and other high-ranking officials, in September of 2000 Argentine President Fernando De la Rúa –in office since December of the previous year- visited the PRC. The main purpose of this State visit was the signature of several bilateral agreements, and among those was the one by which Argentina assumed the compromise to support China’s entry to the WTO. The so-called ‘Bilateral Agreement on China’s Entry into the WTO’ was signed in March 2000, a logical step to take, considering that, by then, bilateral trade was amounting US\$ 2 billion a year<sup>24</sup> After being received by President Jiang, it was announced that the “broad consensus reached between the two sides will forcefully push forward the bilateral relations of all-round cooperation”<sup>25</sup> and, when the Argentine President met Premier Zhu Rongji, the latter “remarked that China and Argentina share many similarities in economic structure and the two economies are very much complementary”.<sup>26</sup> As stated in the theoretical setting of this study, it would be precisely this complementariness one of the main factors considered in our guiding hypothesis. In what constitutes a clear example of the importance that Chinese culture has, it is just fair to point out that the month before Premier Zhu met the Argentine President, the Chinese writer, painter, dramatist Gao Xingjian was awarded the Nobel Prize for Literature, being the first Chinese writer to be granted such a distinction, despite he had living in France by the time he was awarded the prize. The Chinese Premier Zhu Ronji expressed his satisfaction for knowing that works written in Chinese could be awarded the Nobel Prize of Literature, although they had been written by a foreigner, since he had “congratulated Gao as a French citizen”.<sup>27</sup>

“A stitch in time saves nice”, goes the saying, and that would be the reason why, several months after President de la Rúa’s visit -and just to make sure the Argentine

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<sup>24</sup> “Argentina to Send Trade Mission to China”- People’s Daily Website- March 19, 2000  
[http://english.peopledaily.com.cn/english/200005/19/eng20000519\\_41156.html](http://english.peopledaily.com.cn/english/200005/19/eng20000519_41156.html)

<sup>25</sup> ‘Premier Zhu Rongji meets Argentine President de la Rúa’- People’s Republic of China Ministry of Foreign Affairs Website- November 15, 2000.  
<http://www.fmprc.gov.cn/eng/wjb/zzjg/ldmzs/gjlb/3453/3455/t17334.htm> (accessed June 18, 2008).

<sup>26</sup> Ibid.

<sup>27</sup> David S. G. Goodman, “China in East Asian and world culture,” in *Does China Matter? A Reassessment: Essayd in Memory of Gerald Segal* (London, UK: Routledge: 2004), 81.

section of the Chinese way to the WTO was paved-, President Jiang Zemin made his first, and only, State visit to Argentina in April 2001, the first of a series of five major events that will be analyzed in the following paragraphs. Needless to say, President Jiang was received by President De la Rúa, who had invited him when the two of them met in Beijing the previous year, with all the honors merited by such a visit.

An interesting detail about this visit was the set of suggestions that the Chinese president was willing to propose to his Argentine counterpart, regarding the deepening of bilateral relations in years to come. Among others, Jiang suggested “high-level reciprocal visits and contacts”, in order to “expand exchanges at all levels.” He also pointed out that “the leaders of the two countries should frequently exchange views on major global and regional issues through reciprocal visits,” or by “communicating with the other via international activities or at other occasions”. He finally mentioned that “exchanges between the two countries' parliaments, political parties and local governments should also be expanded”.<sup>28</sup>

With regard to economic relations, the Chinese President suggested to “maintain trade growth and increase mutual investment so as to upgrade economic cooperation. Efforts should also be made to explore new areas for scientific and technological cooperation” and to strengthen “coordination and cooperation in the international affairs.”<sup>29</sup> As it can be clearly seen, the importance of enhancing the frequency of contacts and the coordination of bilateral actions in the global arena was being underlined by the Chinese president. Indeed, President Jiang “positively assessed the development of relations between China and Argentina”, and he said that “the Chinese side would like to work with the Argentine side to make unremitting efforts in promoting the constant development of China-Argentina cooperation”.<sup>30</sup>

The Chinese President also stated “that Argentina is among the first Latin American countries of forging diplomatic ties with China, becoming one of its major economic and trade partners in Latin America”, and suggested that both governments

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<sup>28</sup> “President Jiang Zemin Held Talks With Argentine President Fernando de la Rúa and Other Leaders” People’s Republic of China Ministry of Foreign Affairs Website- April 10, 2001. <http://test.fmprc.gov.cn/eng/topics/3755/3756/3779/3781/t19323.htm> (accessed June 18, 2008).

<sup>29</sup> Ibid.

<sup>30</sup> “President Jiang Zemin Met with Argentine Friends” People’s Republic of China Ministry of Foreign Affairs Website- April 9, 2001. <http://www.fmprc.gov.cn/eng/wjb/zzjg/lmzsg/gjlb/3453/3455/t17335.htm> (accessed May 25, 2008)

“should review and handle bilateral relations from a strategic vision and push Chinese-Argentine cooperation to a higher level”.<sup>31</sup>

All these comments could be interpreted as having a clear and self-evident political content, with special emphasis put on personal “face-to-face” contacts, something that is known for being highly appreciated in Chinese culture. Whether the current Argentine administration is in position to appreciate the real value of Jiang’s still-valid suggestions is a question that, as it will be seen later on, remains to be answered.

### **2001: A year to remember**

As stated, President Jiang’s visit to Argentina in April 2001 was the first of a series of five major events that were about to take place that year. But, before moving forward, it would be convenient to mention that President Jiang’s visit was a clear sign of the increasing importance the PRC government was giving and would continue to give Latin America, quite on the contrary of what the American policy towards the region was. Indeed, only a few months before Jiang’s Latin American tour, George W. Bush had been inaugurated as President of the United States, and years later -once Jiang had been replaced by Hu Jintao- the Bush administration lack of attention regarding Latin American countries would be highlighted by observing that “President Hu Jintao spent more time in Latin America in 2004 than President Bush”<sup>32</sup> and a few weeks later, in January 2005, “China’s Vice President, Zheng Qinghong travelled to Venezuela, Mexico and Peru, spending more time in Latin America than Vice President Dick Cheney had in the previous four years”, which means, since taking office in 2001.

The second event happened in mid 2001, when Beijing was awarded the 2008 Olympics in July. Curiously enough, such an award was granted following Jiang’s July 1<sup>st</sup> announcement - commemorating the 80<sup>th</sup> anniversary of the Communist Party- that “capitalist will be allowed to join the Party”.<sup>33</sup> When examining the relevance such an award had for this study –and although it will be analyzed in detail later on- and for the

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<sup>31</sup> “President Jiang Zemin Held Talks With Argentine President Fernando de la Rúa and Other Leaders” People’s Republic of China Ministry of Foreign Affairs Website- April 10, 2001.  
<http://test.fmprc.gov.cn/eng/topics/3755/3756/3779/3781/t19323.htm> (accessed May 27, 2008)

<sup>32</sup> Oppenheimer, *Cuentos Chinos: el engaño de Washington, la mentira populista y la esperanza de América Latina*, 72.

<sup>33</sup> Chow, *China’s Economic Transformation*, 82.

time being, the reader should be reminded that Buenos Aires was the only Latin American city to be included in the Olympic torch relay, as well as the only Spanish-speaking city included as a stop in the schedule.

The third event was the visit that Li Peng -in his character of Chairman of the National People's Congress- paid to the Argentine government, who welcomed Li as a high-official of a friendly country, and carefully avoided any comments that could provoke discomfort to his visitor.

It is noteworthy that, twelve years earlier, Li had been widely associated with the "brutal suppression of the pro-democracy student protests in Tiananmen Square".<sup>34</sup> As it has already been stated, the successive Argentine governments had clearly acknowledged the need to differentiate between the approach to be adopted with regard to a flourishing trade relation and the one regarding thorny issues such as human rights. On this regard, it would be convenient to remember that, a year later, a well-known organization reported that "the government of President De la Rúa did little to promote human rights".<sup>35</sup>

The fourth event taking place that year was nothing less than China's admission to the WTO on December 11, 2001. The process had taken several years of thorny negotiations and the granting of the admission was the corollary of the complex process of accession to the organization, which had required China to undergo major changes. Indeed, "between 1979 and 2001, China gradually reformed its economic system, and opened its borders, with the objective of establishing and improving the "socialist market economy".<sup>36</sup> It is noteworthy that "China's WTO accession package was negotiated by the top pro-reform leaders in the national government, who consulted very little with the parties that would be most affected, namely the telecom and other industrial ministries, as well as the provinces and cities where new foreign competition could create serious problems for local business. China did not even produce a Chinese-language text of the

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<sup>34</sup> "China Party Congress-Leadership Changes"-British Broadcasting Corporation- BBC Website [http://news.bbc.co.uk/2/shared/spl/hi/asia\\_pac/02/china\\_party\\_congress/leadership\\_changes/html/li\\_peng.stm](http://news.bbc.co.uk/2/shared/spl/hi/asia_pac/02/china_party_congress/leadership_changes/html/li_peng.stm) (accessed May 29, 2008)

<sup>35</sup> "World Report 2002: Argentina"- Human Rights Watch Website <http://www.hrw.org/wr2k2/americas1.html> (accessed June 15, 2008).

<sup>36</sup> "China: Trade Policy Regime: Framework and Objectives"- WTO Website- On Line Documents [http://www.wto.org/english/tratop\\_e/tpr\\_e/s161-2\\_e.doc](http://www.wto.org/english/tratop_e/tpr_e/s161-2_e.doc) (accessed June 16, 2008).

final agreement until about a month after formally acceding to the WTO in December 2001”.<sup>37</sup>

Being admitted also had a tremendous symbolic significance, since it was noted that “symbolically, China’s position in the world economic community” had finally been “recognized”<sup>38</sup> as well as that “China’s recent admission to the WTO symbolizes a new relationship between China and the world”.<sup>39</sup> Indeed, it would be convenient to remember that, by the time it was finally admitted, the PRC was the sixth largest trading nation in the world.

But when the actual documents are examined, it would perhaps be convenient to underline that the Chinese economy had been interestingly defined on the Protocol of Accession to the WTO as undergoing a “transition”, from being a “central-planned” economy to becoming a so-called “socialist market economy”. Among the different consequences of accessing the WTO, China has made a commitment to become a member of a rules-based international trading system –as well as the norms concerning services, investments and intellectual property- as well as enacted new trade-related laws and regulations, amended existing ones, had ministries restructured, and made other several major reforms.<sup>40</sup>

It is just fair to point out that, considering the short period of time in which it was in office, a relatively high number of bilateral agreements –besides the one regarding Argentina’s support for China’s entry into the WTO- was signed during De la Rúa administration, including agreements on technological cooperation, legal assistance in civil and commercial affairs, as well as bio-engineering and bio-safety. It could be said

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<sup>37</sup> Kenneth Lieberthal and Geoffrey Lieberthal, “The Great Transition,” in *Harvard Business Review on Doing Business in China* (Boston, MA: Harvard Business School Publishing Corporation, 2004), 12.

<sup>38</sup> Chow, *China’s Economic Transformation*, 83.

<sup>39</sup> David Bachman, ‘New Leaders, New Foreign Policymaking Procedures?’ in *China after Jiang*, ed. Gang Lin and Xiaobo Hu, 119.

<sup>40</sup> “China: Trade Policy Regime: Framework and Objectives”- WTO Website- On Line Documents [http://www.wto.org/english/tratop\\_e/tpr\\_e/s161-2\\_e.doc](http://www.wto.org/english/tratop_e/tpr_e/s161-2_e.doc) (accessed June 16, 2008).

“Since China started its economic reform process, especially in the years leading up to its accession to the WTO and thereafter, it has been working to change its institutional and legal structure in accord with its role as a leading Member of the multilateral trading system. The institutional structure of trade policy-making has been changed several times; the changes include restructuring of China’s State Council, the executive authority responsible for policy formulation, and of key trade policy-making bodies such as the Ministry of Commerce. Coordination among different agencies has also been improved to ensure better implementation of trade and related policy objectives and to introduce greater transparency in policy-making and implementation. In addition, China has reviewed legislation and revised and issued a considerable number of new laws in connection with its Membership of the WTO”.

that the favorable conditions and auspicious climate that characterized the relation between Argentine and Chinese leaders –Deng, Jiang, Menem and De la Rúa- were to remain in such state and would even provide the following administrations with the opportunity to improve the bilateral relations in the following years. Sadly, such an opportunity was going to be a missed one.

With regard to the reference to the time in office of the De la Rúa administration included in previous paragraph, it is important to mention that it can be explained by the fact that last event that took place in 2001 was nothing less than “the most severe institutional and economic crisis in the history of Argentina”<sup>41</sup>, a profound crisis in which even certain constitutional principles were to be put aside<sup>42</sup> and that forced President De la Rúa –who had designated 3 different Ministers of Economy- to resign and step down, leaving the country in such a chaotic situation that Argentina had no less than five presidents<sup>43</sup> that “were sworn in and departed in the space of two weeks”<sup>44</sup>, which – unfortunately- could be considered to constitute a world record. The economy made more gyrations than a tango dancer, and the succession of presidents provoked social and political unrest to an extent has had never seen or remembered before.

De la Rúa had been the presidential candidate of the so-called “Alliance” of two important political parties -an electoral cunning that dissolved immediately after winning the elections, which means after seizing power and getting access to the resources of the state<sup>45</sup>- which did no longer exist by the time the crisis hit Argentina, and the major

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<sup>41</sup> Lewis, *Argentina: A Short History*, 215.

<sup>42</sup> Such as property rights. On this regard see Vittadini Andrés, Susana N., “Domestic Legal and Political Implications of 2001 Argentina Economic Crisis and its Impact on Foreign Affairs”, *Tamkang Journal of International Affairs* XI, no. I (2007): 38.

<sup>43</sup> President De la Rúa resigned on December 20<sup>th</sup>, 2001 –and because the natural successor Vice President Carlos Alvarez had also resigned more than a year before, leaving the post vacant- the Chairman of the Senate Ramón Puerta was left in charge of the Executive branch. On December 23<sup>rd</sup> the Argentine Congress appointed provincial Governor Adolfo Rodríguez Saá as interim president. He was in office for only seven days –in which he announced the largest debt default in history- and resigned on December 30<sup>th</sup>. Power should have passed automatically to Senate Chairman R. Puerta, but he too ‘resigned -minutes later- on grounds of ill-health’. Therefore, the Chairman of Chamber of Deputies, Eduardo Camaño, became interim president for two days before resigning to allow Eduardo Duhalde –who had been Vice President during President Menem’s first term and was by then a Senator from Buenos Aires province- to be elected in a Congress special session, becoming the 5<sup>th</sup> leader Argentina had in just two weeks.

For further details, see “Argentina toughest job”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/americas/1735474.stm> (accessed December 31, 2001).

<sup>44</sup> Lewis, *Argentina: A Short History*, 215.

<sup>45</sup> Ibid.

political party, the Peronist party –nothing more than “a confederation of feuding regional entities”<sup>46</sup> - was equally unable to offer a solution, since “the depth of factionalism was neatly illustrated by the apparent inability of the party to select a president in December 2001, at a time when the country was experiencing the most severe institutional crisis in the history of Argentina”.<sup>47</sup>

What happened in the end was that Eduardo Duhalde -who had been defeated by De la Rúa in the presidential elections of 1999 and, at that time, was a Senator from Buenos Aires province- was endorsed by the Argentine Congress on January 2, 2002.

It is noteworthy that, the following month, the 30<sup>th</sup> anniversary of the establishment of diplomatic relations between the PRC and Argentina took place and, to commemorate the occasion, President Jiang sent his Argentine counterpart a telegraph with “cordial greetings and good wishes” on behalf of the Chinese people as well as himself, and noticing that “bilateral friendly relations and cooperation have developed and been fortified since the establishment of diplomatic ties” between the two countries. The Chinese president underlined that “during the three decades, high-level reciprocal visits have been frequent, mutual understanding and trust have been deepened and cooperation in such fields as politics, science, technology, culture and education has yielded substantial results”.<sup>48</sup>

Naturally, and it what could be interpreted as a signal of the important relations with China were for recovering form the recent crisis, President Duhalde stressed that the Argentine government had “put great emphasis on the Argentina-China relations” over the three decades that had passed since diplomatic ties were established, and wished that “the two sides would create another resplendence in developing their relations in the 10 years to come”.<sup>49</sup> Unfortunately, as it will be seen later, his prediction was not to come true.

However, it may be pointed out that such comments were a reflection of the major role the PRC had been playing with regard to the Argentine economic crisis, since “after

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<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> “President Jiang Zemin and Argentine President Eduardo Duhalde Exchanged Greetings on the 30th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries”- People’s Republic of China Ministry of Foreign Affairs Website (February 20, 2002)

<http://www.fmprc.gov.cn/eng/wjb/zjzg/lmzs/gjlb/3453/3455/t17337.htm> (accessed June 18, 2008)

<sup>49</sup> Ibid.

Duhalde, the country had been benefiting from several external factors –the increase the prices of raw materials Argentina was producing, the ever-larger amounts of commodities China was buying from Argentina and the internationally low interest rates”<sup>50</sup> among others. Indeed, the huge Chinese demand of commodities (mainly soybeans and soybean-oil) confirmed that the PRC was “an important factor in the economic recovery that followed the 2001 crisis”.<sup>51</sup>

Indeed, in 2001 –and although the Argentine economy fell 4%- bilateral trade volume amounted to US\$1.85 billion, a substantial increase with regard to the figures of 1997, when it surpassed US\$ 1 billion for the first time, as it can be seen in Table I (page 47). However, the commercial exchanges between the two countries went down a little bit in 2002 –when the Argentine economy fell 11%- but still reached a total of \$1.425 billion, with Chinese exports at \$185 million and imports at \$1.24 billion, decreasing by 23.2%, 67.7% and 3.2% respectively as compared with the previous year.<sup>52</sup> Nevertheless, the effects of the repeal of the convertibility pattern ‘one peso-one dollar’ by the end of 2001 were certainly felt, by making Chinese products much more expensive and Argentine ones much cheaper.

In spite of such an increase, it is noteworthy that neither Duhalde nor his many predecessors ((in hardly a month, between December 2001 and January 2002, five Argentinian presidents succeeded one another on office: De la Rúa, Ramón Puerta, Adolfo Rodríguez Saá, Eduardo Camaño and, eventually, Eduardo Duhalde) visited China. It would perhaps be fair to argue that none of them had even the time to think about it, since their terms in office can be counted, in some cases, by hours. However, Mr. Duhalde constitutes an exception, since he managed to stay in office for more than a year. Understandably, he might have had more urgent affairs to take care of. It was also during Mr. Duhalde’s presidency that Vice-Chairman Tian Jiyun of NPC Standing Committee visited Argentina, and, in October 2002, Foreign Minister Tang Jiaxuan followed his steps, upon an invitation made by his Argentine counterpart Carlos F. Ruckauf. During

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<sup>50</sup> Oppenheimer, *Cuentos Chinos: el engaño de Washington, la mentira populista y la esperanza de América Latina*, 174.

<sup>51</sup> Sergio Cesarín, *China se acerca: el Ying y el Yang de una potencia emergente* (Buenos Aires: Capital Intelectual, 2006), 117. (translation by the author)

<sup>52</sup> “Bilateral Relations”- People’s Republic of China Ministry of Foreign Affairs Website <http://www.fmprc.gov.cn/eng/wjb/zzjg/ldmzs/gjlb/3453/default.htm> (accessed June 20, 2008)

Mr. Tang's visit, an Agreement on Cooperation was signed between the Foreign Affairs University of the PRC and the Foreign Affairs College of the Foreign Ministry of Argentina. The following month, in November, the 16<sup>th</sup> Party Congress took place in Beijing, and Mr. Hu Jintao was elected General Secretary of the Communist Party of China Central Committee.

After such an experience, there were signs indicating that the Argentine economy was stabilizing and even growing, since "by 2003, after one of the worst crises the country had ever experienced, a recovery was under way, the economy having rebounded after hitting rock bottom in 2001".<sup>53</sup> Despite the fact that the peak of tension bilateral relations were to reach was only going to take place a year later, 2003 is a particularly important here since both countries –after undergoing several problems, such as the SARS epidemic in the PRC and the Argentine economic crisis- were to have new presidents –a vital issue for the purposes of this study, which will be analyzed in detail- and, in September that year, the PRC government would propose Free Trade Agreements (FTA) to MERCOSUR.<sup>54</sup>

The particular relevance the aforementioned events have for the purposes of this study can be explained by the considerations regarding President-to-be Hu Jintao as "the most widely travelled... having visited nearly 23 countries"<sup>55</sup> as well as "the only member of the incoming leadership group to have visited the United States".<sup>56</sup> On this regard, it has been observed that "preparatory foreign travel and exposure reveal a self-conscious recognition that the highest levels of China's new leadership cohort need direct, experiential awareness of the outside world. Indeed, some cosmopolitan exposure and experience may now be a prerequisite for senior leadership".<sup>57</sup>

In the same line of analysis, it has been noted that "China's new leaders defy conventional assumptions that they are insular bureaucrats who rose to top by staying at

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<sup>53</sup> "Country Profile: Argentina"- British Broadcasting Corporation- BBCWebsite [http://news.bbc.co.uk/2/hi/americas/country\\_profiles/1192478.stm](http://news.bbc.co.uk/2/hi/americas/country_profiles/1192478.stm) (accessed June 20, 2008).

<sup>54</sup> "Integración Mercosur con Asia," *El Tribuno*, September 9, 2003,18.

<sup>55</sup> Chu, Yun-han; Lo, Chih-cheng and Myers, Ramon H., "The New Chinese Leadership: Challenges and Opportunities after the 16<sup>th</sup> Party Congress", *The China Quarterly Special Issues New Series*, no. 4 (2004), 3.

<sup>56</sup> *Ibid.*, 160.

<sup>57</sup> *Ibid.*, 161.

home”.<sup>58</sup> On the other hand, it has been astutely observed that Hu Jintao’s Argentine counterpart, Néstor C. Kirchner, “did not speak any foreign languages”<sup>59</sup> and “had hardly travelled abroad”.<sup>60</sup>

Needless to say, such observations will allow the reader to understand –or at least not to be clueless about- the underlying reasons that the two governments might have –or might be lacking of- when making decisions about and adopting different positions with regard to issues such as political and economic integration, as well as the international role of their countries in the global stage.

### **The calm before the storm**

But, going back to the main topic being analyzed here, it should be mentioned that in March 2003 Mr. Hu became the President of the PRC and, a month later, Argentines voted in presidential elections in which the candidate who was actually going to become president –provincial Governor N. Kirchner- performed quite poorly.

As a matter of fact, he finished second, obtaining only 22% of the votes emitted, and it is only fair to point out that, eventually, he was sworn-in as president after he “won the elections by default”.<sup>61</sup>

The reason of Mr. Kirchner’s victory by ‘default’ was that the most voted candidate, former president C. Menem –who obtained about 25% of the votes in the first round- withdrew from the second round that should have had taken place, since this is what the Argentine Constitution establishes for presidential elections in which no candidate obtains a specific percentage of the votes validly emitted. As stated, Mr. Menem withdrew from this second round, and with his withdrawal he deprived Mr. Kirchner of the possibility of actually winning the second round election –as it was predicted, and which would have provided him with a legitimate victory- and Mr. Kirchner “was inaugurated with the smallest percentage ever”.<sup>62</sup>

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<sup>58</sup> Ibid., 156.

<sup>59</sup> Oppenheimer, *Cuentos Chinos: el engaño de Washington, la mentira populista y la esperanza de América Latina*, 172. (translation by the author).

<sup>60</sup> Ibid.

<sup>61</sup> “Kirchner: President by default”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/americas/2981797.stm> ( May 13, 2003) (accessed June 20, 2008).

<sup>62</sup> Ibid.

As he was not able to count with a victory in the eventual second-round that “would have given him a strong mandate to confront Argentina’s deep-rooted economic crisis”<sup>63</sup>, from the very beginning of his presidency Mr. Kirchner “sought to dispel fears that he would be a weak leader”<sup>64</sup> and prioritized the creation of the domestic support he was lacking. He succeeded in doing so, for after a year in power the Buenos Aires Herald remarked that “Kirchner won the presidency with the weakest popular mandate in Argentina history and now is the most popular politician in the country”.<sup>65</sup>

As aforementioned, and in spite of the fact that Mr. Kirchner was lacking most of the qualifications that the position he was holding by the time required – as stated, he did not speak any foreign languages, had hardly visited other countries and had not won the elections in which he was to become president- he certainly did not lack political instinct.

It could be said that it was due to the fact that most of Kirchner’s predecessors in office had scheduled a State visit to the PRC –either before their first year in office, in the Menem and De la Rúa cases, or within it- that President Kirchner thought of following their steps. His visit –which should have his personal mark-, however, was planned to take place in June 2004, when Kirchner would have been in office for over a year, in what can be considered an attempt to do the same while pretending to be different.

The fact that China was “Argentina’s fourth largest trade partner since 2004... the first destination of the Argentine exports to Asia and... the most important buyer of soybeans and soybean sub-products (56% of the Argentine sales have China as its destination)”<sup>66</sup>, and that Argentine exports to the PRC had increased 125.3 % in 2003, a year in which the Argentine economy grew 9%, when compared with the amounts they reached in 2002- was considered to be a convincing enough argument to make Mr. Kirchner consider travelling to the other side of the world.

It was in this context that President Kirchner –accompanied by about a hundred Argentine businessmen- paid his only State visit to China in June 2004, the same month

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<sup>63</sup> “Argentina leader faces stiff test”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/americas/3031203.stm> (accessed June 19, 2008).

<sup>64</sup> “Kirchner: President by default”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/americas/2981797.stm> (accessed June 19, 2008).

<sup>65</sup> “Kirchner anniversary splits press”- British Broadcasting Corporation- BBC Website <http://news.bbc.co.uk/2/hi/business/3746639.stm> (accessed June 20, 2008).

<sup>66</sup> Cesarín, *China se acerca: el Ying y el Yang de una potencia emergente*, 117. (translation by the author)

the PRC Minister of Commerce Bo Xilai visited Argentina. It is also important to mention that, only a month before this visit, the PRC had succeeded in attaining “observer Status by the Organization of American States (OAS) despite failing to join the Inter-American Development Bank (IDB) in April due to US opposition”.<sup>67</sup> On this regard, and despite its failure, the PRC has formalized its intentions of becoming an IDB member as recently as 2007.<sup>68</sup>

The Argentine President’s visit was described by Foreign Minister Rafael Bielsa as “having the goal of strengthening the solid ties that we have with the PRC”<sup>69</sup> –with which “Argentina was the first Latin American country to have commercial ties with”<sup>70</sup>, according to Mr. Bielsa-, and defined it as “a clear signal of the value the Kirchner administration gives to the opening and development of non-traditional markets for the Argentine exports”<sup>71</sup>, as well as an indicator of the “importance that the positioning of the country in the international stage has for the Argentine government”.<sup>72</sup>

Using more or less words, what the Argentine Foreign Minister was acknowledging was the fact that the “Argentine economy had already recovered of its collapse thanks to the growth of the global economy and –above all- to China’s purchases”<sup>73</sup> of Argentine commodities.

Both presidents signed a number of agreements regarding cooperation on civil aviation, health issues, cultural exchanges, investment and agriculture. A compromise to commit themselves to give a more significant impulse to the development of bilateral relations was also assumed by both sides.<sup>74</sup>

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<sup>67</sup> Hsiang, “China Challenges US in Latin America,” 123.

<sup>68</sup> “China formalizó su intención de integrar el BID”- ADN Mundo  
[http://www.adnmundo.com/contenidos/politica/china\\_bid\\_ingreso\\_gestion\\_formal\\_19\\_03\\_07\\_pi.html](http://www.adnmundo.com/contenidos/politica/china_bid_ingreso_gestion_formal_19_03_07_pi.html)  
(accessed March 19, 2007).

<sup>69</sup> “Un viaje de aproximación,” *La Nación*, June 1, 2004, 7.

<sup>70</sup> Ibid.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Oppenheimer, *Cuentos Chinos: el engaño de Washington, la mentira populista y la esperanza de América Latina*, 175. (translation by the author).

<sup>74</sup> “Conversation between Hu Jintao and the Argentine President”- People’s Republic of China Embassy in the Argentine Republic Website  
<http://ar.chineseembassy.org/esp/zagx/t210395.htm> (accessed June 20, 2008).

Interestingly, the Argentine media referred to this visit as “the opening of a new chapter in Argentina’s trade policy”.<sup>75</sup> But what actually was going to have a new chapter was the bilateral relation, a few months later, when Hu Jintao was to visit Argentina. It is important to mention that, in between President Kirchner’s visit of June 2004 to China and President Hu’s first State visit to Argentina —a country he had visited for the first time in 1994- that was going to take place in November, President Hu had already achieved absolute power in the PRC, becoming Chairman of the Central Military Commission in September of that year and, therefore, becoming the key figure with regard to the Party, the State and the People’s Liberation Army.

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<sup>75</sup> “La receta de China,” *La Nación*, June 1<sup>st</sup>, 2004, p.1.