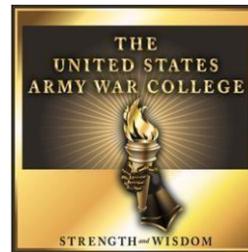


# Strategic Blind Spot? China's Growing Presence in Latin America

by

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United States Army War College  
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## Abstract

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China's increased presence in Latin America has raised alarm bells in the halls of government, the private sector and the mass media. In the span of one decade Chinese trade to the region has increased exponentially from \$29 million in 2003 to \$270 billion in 2012. Chinese sales of weapons, military training and cultural centers are steadily increasing in the region. This is causing many pundits to believe China's engagement in Latin America is part of a broader geopolitical strategy to counterbalance the U.S. pivot to Asia policy by challenging the U.S. in its strategic backyard. The paper will examine this concern by first exploring how self-image, history, and current economic motivations affect U.S. and Chinese policies in Latin America. The second part of the paper will provide an in-depth look at Chinese and U.S. policies in Latin America. The final section will assess the impact of those policies on cooperation between China and the United States. Despite concerns, China currently is not eclipsing U.S. influence in Latin America. China's presence in the region bears watching. Conflict with China in Latin America could distract the United States from engagement in the Asia Pacific region.



## **Strategic Blind Spot? China's Growing Presence in Latin America**

Contiguous borders can make for strange bedfellows. This certainly applies to the United States and Latin America. The relationship that spans over a century of diplomatic and military involvement has at times been fraught with tension. The Monroe Doctrine, named for President James Monroe, once served as a cornerstone of U.S. foreign policy. This doctrine extended a U.S. protective mandate over the entire Western hemisphere. Any interference, particularly colonial enterprises by European nations, was considered an act of aggression against the United States. Some have argued that the spirit of such a stance still exists and it is inherently paternalistic.<sup>1</sup> This paternalism can be characterized as Latin American nations needing the protective arm of the United States. The harshest of these critics would go on to say that Latin American interests almost always take a back seat to the economic and geopolitical concerns of the United States.<sup>2#</sup> Critics more supportive of the Monroe Doctrine have interpreted it as a safeguard that has enabled the spread of democracy and free trade.<sup>3</sup>

As a neighbor, Latin America is important to the United States. What happens in the region has always affected the United States—drug trafficking and violence spill over porous borders, endangering the economic well-being of the United States. Latin American markets account for over 20 percent of U.S. exports<sup>4</sup>. The region supplies 20 percent of U.S. oil imports.<sup>5</sup> From a cultural standpoint, Latin America is the largest source of U.S. immigrants, who represent 17 percent of the population.<sup>6</sup>

It's not surprising that the United States is paying attention to what China is doing in Latin America. China's current presence in Latin America has raised alarm bells that resound throughout the halls of government, the private sector, and the mass media. The U.S. public and the business community are especially wary of China's rapidly

growing economic and physical presence in the region. In the span of one decade Chinese trade to the region has increased exponentially from \$29 billion in 2003 to \$270 billion in 2012.<sup>7</sup> A recent Forbes article predicts that time is running out for the United States to secure its dominance in the region.<sup>8</sup>

In reaction to China's presence some pundits evoke the spirit of a 192-year-old doctrine that calls for the safeguarding of Latin America against foreign powers, coupled with the obvious strategic importance of the region to the United States.<sup>9</sup> Are these commentators afraid of a shadow, or is there some validity to the concerns? The first part of this paper will explore how self-image, history, and current economic motivation affect U.S. and Chinese policies in Latin America.

The self-image of the United States is rooted in its colonial past: mythologized as a rebellious ethos that extracted the nation from British tyranny. At the core, the United States sees itself as a freedom fighter, or, more broadly, a purveyor of democracy—concepts like free speech, equality among all people, individual rights, and transparent competition in the marketplace are a few of the ideals that the United States espouses. These ideals are embedded in the nation's founding documents: the Bill of Rights and the Constitution. With a strong military, the United States still fancies itself an arbiter of freedom abroad, in much the same way outlined in the Monroe Doctrine.

The self-image of China is also shaped by its history, as well as its current position as an emerging global power. Before China's invasion and subjugation by Western powers, it was a powerful country operating at the center of a tributary system with neighboring countries. China has never forgotten its height, and its fall. As China defines its role on the world stage, it shuttles between victimized developing nation and

economic juggernaut. It often plays the card of victimized nation in order to identify with developing nations that harbor leftover resentment toward Western colonialism.

Moreover, although China participates in the world economy, it continues to publicly promote a desire to change the architecture of international norms and rules, with the justification that they ought to better serve the interests of developing nations, including China. Chinese officials prefer to pick and choose which international rules, norms, and issues they support, claiming China did not participate in their creation.

The second part of the paper will provide an in-depth look at Chinese and U.S. policies in Latin America—where they harmonize and where they diverge. Influenced by their respective histories and self-images, China and the United States approach their relationship to Latin America very differently. China's appetite for resources is insatiable: its primary interest in Latin America is to find raw materials. This concerns the United States because China is relatively indiscriminate in regards to countries with which it forms economic partnerships. Some of those countries, like Venezuela, Ecuador, Bolivia, and Cuba, currently are headed by regimes hostile towards the United States. Additionally, China has begun to strengthen military-to-military relationships, and it is slowly increasing weapons sales. These actions challenge U.S. economic and security interests in the region. Not everyone is fearful of China's presence in Latin America. Some point to the economic benefits it is bringing to the region. In fact, U.S. official statements reflect this tone.

The final section of the paper will assess the impact of China's policies on the diplomatic cooperation between China and the United States. As long as the two countries misunderstand each other's intentions in the region, agreement on

international treaties and diplomacy will be difficult. Is China really a sleeping dragon or is the United States overreacting? In closing, the paper will reveal inconsistencies in U.S. messaging, internal and external, and suggest ways to harmonize communication.

### The Rebel with a Cause

From rebel to world leader, the United States has indeed enjoyed remarkable success, and popular media tends to portray this rise as a direct result of the political foresight of the architects of the Constitution and the Bill of Rights. Priority is placed on individual liberty, and the diverse creativity and hard work of U.S. citizens. In this narrative, the United States greets its status as global power as if it were divinely ordained. Ronald Reagan told audiences that there was "some divine plan" that had placed America here, and once quoted Pope Pius XII saying, "Into the hands of America God has placed the destinies of an afflicted mankind."<sup>10</sup> Bush offered a similar view in 2004, saying, "We have a calling from beyond the stars to stand for freedom."<sup>11</sup>

This type of nationalism is a powerful force, and inevitably obfuscates its less appealing parts. A more nuanced approach to the nation's history recognizes that the United States has not always played the role of benevolent hero, particularly in Latin America.

Latin America is important to the United States. What happens in the region often has a direct impact on the United States. The American psyche is hard wired to believe the region is an extension of the United States and that other nations should not involve themselves in its strategic backyard. This concept is enshrined in the Monroe Doctrine, promulgated in 1823 by President Monroe, which extends a protective mandate over the entire Western hemisphere. The Monroe Doctrine curtailed the number of foreign competitors in the region and opened the doors for U.S. businesses

to have greater access to Latin American markets.

Some businesses, like the United Fruit Company, exercised a great deal of influence in countries, particularly in those with large banana plantations. They used their economic muscle to ensure governments supported their business interests. In 1954, when the democratically-elected Guatemalan President Jacobo Arbenz threatened to nationalize lands held by the United Fruit Company, the CIA led the operation to oust him from office.<sup>12</sup>

The United States has routinely intervened in the affairs of governments in the region when its economic and security interests were not being met. The United States has undertaken over 50 direct and indirect military actions in the region since 1890 to 2004 to ensure that U.S. interests are maintained. From as early as 1890, the U.S Navy was dispatched to protect the U.S. consulate in Argentina. In 2004, the U.S. Marines, as part of an interim coalition, was sent to restore order after the resignation of Haitian President Jean-Bertrand Aristides.<sup>13</sup>

During the Cold War, U.S. protectionist actions in the region were a measure to counter the threat of communism. Ronald Reagan's policies in Nicaragua were shaped by these concerns. The election of the leftist Sandinista government led President Reagan's Administration to provide weapons to the Nicaraguan resistance, Contras, despite the prohibition by U.S. Congress. President Reagan, in addressing a special joint session of Congress, defended his actions, stating, "If the United States cannot respond to threats near our own borders, why should Europeans or Asians believe that we are concerned about threats to them."<sup>14</sup>

After the Cold War began to wind down in the late 1980s, priorities in Latin America shifted to opening markets, strengthening democracy, and curtailing the illegal drug trade.<sup>15</sup> During this time the United States successfully enacted the North American Free Trade Agreement (NAFTA), the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and several other free trade agreements.

Trade continues to be a tie that binds the United States to its Latin American neighbors. Latin American countries (Mexico in particular) is the fastest growing regional trade partner to the United States:

Between 1998 and 2009, total U.S. merchandise trade (exports plus imports) with Latin America grew by 82 percent compared to 72 percent for Asia (driven largely by China), 51 percent for the European Union, 22 percent for Africa, and 64 percent for the world. Mexico composed 11.7 percent of total U.S. merchandise trade in 2009 and is the largest Latin American trade partner. It accounted for 58 percent of the region's trade with the United States, the result of a long history of economic integration between the two countries.<sup>16</sup>

In 2000, trade with Latin America accounted for 19 percent of total U.S. trade; by 2012 it climbed to 22 percent.<sup>17</sup> The U.S. has two types of trading partners in Latin America: those in joint production with U.S. manufacturers and those largely trading in commodities. As Latin American markets have opened up and become more diverse, attracting the interest of China in its thirst for raw commodities, the United States must work harder to maintain its market share in the region.<sup>18</sup>

### The Sleeping Dragon

Like the United States, China also has a mythology of its own greatness that is rooted in its history. China sees itself as emerging from a century of humiliation that began in 1839 with the Opium War, and ended in 1949 when the Chinese Communist

party (CCP) came to power. During its period of humiliation, Western nations controlled parts of China.<sup>19</sup>

Before China's invasion and subjugation, it was a powerful country operating at the center of a tributary system with neighboring countries. Having limited understanding of Western civilizations, China had unwittingly expected them to comply with its system of patronage. This expectation did not manifest in Western behavior. Powers, over the course of a century, brought China to its knees through a long series of political, military, and cultural defeats.<sup>20</sup> China, having never forgotten this disgrace, views the actions of Western nations through a "prism of fear": fear of subjugation. This has led many Chinese to believe that U.S. policies are designed to thwart China's rise and debase the country. In a 2004 speech by President Hu Jintao, discussing the new mission of the People's Liberation Army (PLA), he said, "Western hostile forces have not yet given up the wild ambition of trying to subjugate us."<sup>21</sup>

Despite this fear of subjugation by the West, China's rapidly expanding economy has forced it to look for cheap raw materials and markets beyond its borders. Over the past three decades China's meteoric economic expansion has lifted it from the status of a poor underdeveloped country to a developed country that now dominates global markets. China has become a vital engine for global economic growth and recovery. China's economy emerged unscathed from the 2007 world financial crisis with an economic growth rate of 9.1 percent.<sup>22</sup> China's robust economic growth buffered the impact of the crisis for many countries in Latin America. They saw their exports to the United States and the European Union plummet, but exports to China increased by 7.5 percent.<sup>23</sup>

## Feeding the Dragon

In order to fuel its growth, China expanded its reach to Latin America, Africa, and other regions of the world, grabbing up raw materials and markets. China's attention turned to Latin America because of its abundant natural resources, particularly energy resources and agricultural products. Beijing needs oil to fuel its economic growth and food to feed its rapidly expanding urban population. In a short span of time China's energy use went from half that of the United States in 2000 to the world's largest energy user in 2009, surpassing the United States. The U.S. Energy Information Administration reports that in 2011 China accounted for 50 percent of the world's oil consumption growth. Although it has petroleum reserves, China is a net importer of oil and ranks second to the United States as the world's leading consumer of oil products.<sup>24</sup>

China has a near-insatiable appetite for raw materials, particularly those used in construction: It consumes a third of the world's steel, half of its cement, and a quarter of its copper and aluminum.<sup>25</sup> On top of that, rising incomes have increased China's demand for meat and agricultural products. This is a challenge in a country where only 10 percent of the land is arable.<sup>26</sup>

In order to meet its growing food demands China currently imports much of its agricultural products. It is no surprise, therefore, that the Chinese are making substantial investments in Latin American countries to promote agriculture productivity and improve transportation systems. China currently imports 53 percent of the world's soybean supply, and much of that comes from Brazil and Argentina.<sup>27</sup>

When the numbers are added up, they paint a staggering picture. In one decade China's trade with the region increased almost tenfold from \$29 billion in 2003 to \$270

billion in 2012.<sup>28</sup> China's total export and import trade with Latin America has increased from 2.9 percent in 2000 to 6.6 percent in 2009.<sup>29</sup>

China is also a significant direct investor in the region. The China–Latin America Finance database revealed that in 2014 Chinese loans to countries in the region were \$22 billion. This was more than the combined amount of loans made by the World Bank and the Inter-American Development Bank. Furthermore, China provided loans to countries, such as Argentina (\$19 billion), Ecuador (\$10.8 billion), and Venezuela (\$56.3 billion), which have difficulty attracting international finance.<sup>30</sup>

U.S. pundits are concerned over the rapidly expanding footprint of China in Latin America, particularly as China is forging economic relationships with countries in the region hostile to the United States.<sup>31</sup> In the space of one decade China's economic power and influence has expanded across the region, and there seems to be no abatement. Alarmist critics believe that the rising dragon of China is eclipsing the United States. Many are wary of China's intentions, fearing that they go beyond just the quest for raw material and markets. In their minds, China has geopolitical intentions in the region. They argue that China's expansion in Latin America is a counterweight to the U.S. pivot in their backyard, the Asia Pacific.<sup>32</sup>

This section will examine Chinese and U.S. policies in Latin America, exploring where they harmonize and where they conflict. It identifies tensions between these policies by examining them through cultural and historical lenses. Understanding U.S. and Chinese foreign policy priorities in Latin America, uncovers the sources of tensions between the two countries.

## United States and China: Policy Objectives in Latin America

The U.S. foreign policy mission in Latin America is infused with its value-laden ideology. The underlying principle of this policy is the belief that democratic principles and systems, coupled with multilateral economic liberalism, benefits both the United States and the countries in the region. U.S. policy in Latin America pursues four broad initiatives: “Promoting economic and social opportunity; ensuring citizen security; strengthening effective institutions of democratic governance; and securing a clean energy future.”<sup>33</sup> This policy framework supports U.S. national security and economic goals, as well as contributes to improving United States and Latin American prosperity.

China has a foreign policy approach to Latin America that is rooted in its ideology. Having emerged from a history of subjugation, China embraces the concept of sovereignty and the principle of non-interference in the internal affairs of others.<sup>34</sup> The framework for engaging with its partners is based on China’s Five Principles of Peaceful Coexistence. These principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful coexistence.<sup>35</sup> China professes a commitment to building a peaceful and harmonious world by engaging in economic practices that will benefit all parties.<sup>36</sup> A core element of China’s foreign policy is the “One China” principle that states Taiwan is a part of China. China actively seeks recognition of this principle by Latin American countries. This is reflected in China’s Policy paper on Latin America and the Caribbean.

China’s 2008 Policy paper on Latin America and the Caribbean establishes four principles.

- Promote mutual respect and mutual trust and expand common ground.

- Deepen cooperation and achieve win-win results. ....seek to become each other's partner in economic cooperation and trade for mutual benefit and common development.
- Draw on each other's strengths to boost common progress and intensify exchanges. The two sides will carry out more cultural and people-to-people exchanges.
- Support for China's one principle ("One China" policy). It is the political basis for the establishment and development of relations between China and Latin American and Caribbean countries and regional organizations.<sup>37</sup>

#### United States and China: Overlapping Interests in the Region

The United States and China both focus on the economic importance of the region, underscoring the need to work in partnership with Latin American countries. They are both contributing to economic growth in the Latin America region, and this, in turn, helps not only the economies of China and the United States but also the interconnected global economy. Research shows that "Chinese investment in Latin America predominantly expands and makes more competitive the global resource base."<sup>38</sup> Increased economic prosperity translates to Latin American countries buying more U.S. products and reduces the economic reasons for illegal migration to the United States.<sup>39</sup> China is also assisting countries in the region to rebuild aging infrastructure. Since 2008, 50 percent of Chinese lending was for infrastructure projects.<sup>40</sup> Improved infrastructure, such as transportation and communication systems, will certainly improve economic productivity in the region.

In addition to economic interests, China and the United States both have security interests in the region. With the Latin America region at the doorstep of the United States, there are acute and immediate regional security challenges, such as illegal migration, drugs trafficking, and climate change, which affect shared land, water, and air resources.

China's security interests focus on ensuring transportation routes are secure given the large volume of trade it has in the region. The Panama Canal is a critical transportation point for China. China is the second largest user of the Panama Canal.<sup>41</sup> The canal allows China to move goods to destinations on the Atlantic coast as well as markets in Brazil, Argentina, and Uruguay.<sup>42</sup>

China's investment in upgrading ports, roads, and rail lines is a boost to Latin American economies, but it also is increasing illicit trade activity. R. Evan Ellis in his article "The Rise of China in the America" suggests that improvements in the infrastructure are creating "new opportunities for narcotraffickers, illegal miners and loggers."<sup>43</sup> Ellis notes that there has been an uptick in Chinese made contraband goods, as well as human trafficking from China to the region. These activities have an adverse impact on security within the region.<sup>44</sup>

#### United States and China: Diverging Interests in the Region

The United States has cautiously welcomed China into the Latin America region, saying that its presence will widen economic opportunities. However, the United States continues to express concern over China's apparent disregard for human rights, democracy, and economic reform policies. Underneath a façade of harmony lays a fundamental tension over China's lack of regard for what the United States considers to be universal values. The Communist Party does not have universal principles that it

promotes around the world. China is “neither a missionary culture nor a values superpower”—it will engage with any nation as long as there is a profit to be made.<sup>45</sup>

The United States is concerned that China’s actions are solely profit-driven, and will undermine U.S. efforts to promote human rights, as well as economic and political reforms in the region. China offers an alternative model of trade and development assistance with no strings or expectations. The United States, on the other hand, ties trade and assistance to a country’s fiscal and political responsibility, and human rights record. Having China as an alternative source of trade and finance provides Latin America with leverage to negotiate with the United States. For example, Bolivia and Ecuador, despite U.S. and IMF concerns, nationalized their hydrocarbon industry because they knew they had an alternative market—China.

China knows that it is operating in the strategic backyard of the United States and has been very careful to walk cautiously and deliberately as it expands in the region. China understands that its presence could be perceived as a challenge to the United States, and it values its relationship with the United States.<sup>46</sup> China has tried to distance itself from the anti-US rhetoric of countries like Venezuela, Bolivia, Cuba, and Ecuador, while still maintaining relationships with both right-wing military regimes and democratically elected governments in the region.

By embracing the concepts of mutual benefit and non-interference, China portrays its intentions in the region as benign. Its foreign policy dictum characterized by former President Deng Xiaoping, is for China to “hide your brightness, bide your time.”<sup>47</sup> It doesn’t want to rekindle U.S. fears of a communist invasion into the region. China does not openly proselytize the adoption of its political system. Rather, it advocates a

change in the architecture of the global economic system by garnering support from developing countries that are dissatisfied with Bretton Woods institutions: World Bank, International Monetary Foundation, Inter-American Development Bank and World Trade Organization. These institutions were created in the post-World War II period to address critical issues in the global financial system.

China's lack of confidence in the existing international global economic order is worrisome for the United States. Although China abides by most international rules, it does not feel bound by them. The Chinese have not completely turned their back on the current international architecture. Yet, they prefer to pick and choose those international rules, norms, and issues that support their direct interests.<sup>48</sup> As the second largest world economy, it is important for economic world order that China supports international norms and procedures within this structure. In the 2010 National Security Strategy, President Obama voiced support for maintaining the current order, saying:

Despite its flaws, [the international order] averted world war, enabled economic growth, and advanced human rights, while facilitating effective burden sharing among the United States, our allies, and partners...Yet it would be destructive to both American national security and global security if the United States used the emergence of new challenges and the shortcomings of the international system as a reason to walk away from it.<sup>49</sup>

Some observers might argue that China's actions seek to undermine a globally harmonized economic order. In July 2014 China in conjunction with its BRICS partners (Brazil, Russia, India and South Africa) created the New Development Bank (NDB) with the "purpose of mobilizing resources for infrastructure and sustainable development in BRICS and other emerging and developing economies."<sup>50</sup> Some pundits believe this is a direct threat to the international economic order because unconditioned assistance from

BRICS banks will weaken the tools that the “international community uses to promote policies designed for good governance and economic development.”<sup>51</sup>

Despite China’s ascent as a leader, it still sees itself as a developing nation that must reject the existing world order. China still plays the role of victim. This dual personality is reflected in a recent speech by President Xi Jinping at the BRICS-South American Leaders Dialogue in July 2014:

The BRICS countries and South American countries are both emerging markets and developing countries, and constitute rising powers in the global pattern. We should jointly push forward the international order towards a fairer and more rational direction, safeguard the rights of peoples in choosing the social system and the development path by themselves, strengthen the global economic governance, push forward the international community to pay greater attention to the development issue, and help South American countries with poverty alleviation and the sustainable development cause.<sup>52</sup>

President Xi Jinping continues to encourage developing nations to push back on various issues. In a July 2014 speech to Brazil’s National Congress he said developing countries should “challenge U.S. hegemony on the Internet.” At a 2014 conference in Shanghai, President Xi suggested that the United States should stay out of Asia’s affairs: “It is for the people of Asia to run the affairs of Asia.”<sup>53</sup>

The United States and China have more than just competing economic interests in the region; they also have diverging security interests. The United States sees some of China’s actions as a threat to security in Latin America. China is providing investments and loans to regimes hostile to the United States, which include Venezuela, Cuba, Ecuador, and Bolivia. In “Chinas’ Relations with Latin America,” Jaewoo Choo notes, “China’s persistent efforts to engage with sanctioned states offer them leeway to sustain regimes that practice politics in contradiction of American values.”<sup>54</sup> Three of the

15 top recipients of Chinese loans in 2014 were Venezuela, Ecuador, and Bolivia. In fact Venezuela received the most: \$56.3 billion.

China's military footprint is still quite small in Latin America, but it is slowly growing. China knows that an aggressive military posture in the region would incur the ire of the United States. It is doubtful that China can or wants to compete directly with U.S. military activities. Most of its military activities focus on training and education, humanitarian assistance, international peacekeeping, and limited military sales. China offers military educational training to all services at both the senior and junior officer levels. There have been numerous field visits of senior level Latin American military officials to China's major armament industries. Most Latin American Chiefs of Defense have visited China. The People's Liberation Army's (PLA) goal is to establish key relationships with officers that can be used to exert greater military influence in the region.<sup>55</sup>

Additionally, ship calls have increased between Latin America and China. Peru, Mexico, Chile, and Colombia have also visited Chinese mainland ports.<sup>56</sup> This interaction improves China's relations with Latin American navies. Since many navies in Latin America have trained with the U.S. Navy, information can flow both ways, and China can learn how the U.S. military interacts with its partners.<sup>57</sup>

As part of China's maritime trade strategy it has invested in several key ports in Mexico, Bahama, Panama (Panama Canal) and construction is planned for Jamaica. A Chinese firm purchased two of four ports along the Panama Canal. To date there has been no evidence that the Chinese presence adversely impacted U.S. access to the canal.<sup>58</sup> However, its investment in ports facility could give it leverage to deny the U.S.

access at a later date. R. Evan Ellis expressed a common concern, China could close down “strategic chokepoints such as the Panama Canal, or conduct disruption operations in close proximity to the United States.”<sup>59</sup> China is also involved with the creation of the Nicaraguan Interoceanic Canal. Chinese entrepreneur, Wang Jing, reported to have ties with the PLA, was granted construction rights to build the canal. If successful the canal is expected to handle 5 percent of the world’s commerce that moves by sea.<sup>60</sup> The Interoceanic Canal will give China an alternative route between the Atlantic and Pacific Oceans and will increase its foothold in Central America.<sup>61</sup>

Arms sales are a metric often used to measure military, political, and economic relationships between countries. Chinese arms sales are limited in the region but they are growing from low valued products (uniforms) to high valued products (aircraft and radar systems). Blocked from buying U.S arms, China’s major customers are Venezuela, Bolivia, and Ecuador.<sup>62</sup> China is fully aware that a tremendous uptick in military sales will rattle the cage of the U.S. military.

At the moment, China’s military footprint is small in comparison to its economic footprint. China does not pose a military threat to U.S. security interest in the region. However, many observers have concluded that if China continues along its current path of economic and military growth, it could be a powerful rival to the United States in the region.

### China’s Geopolitical Interests

Economics may have been the main driver for China’s expanding footprint in the region. However, China is also expanding political, cultural, and military ties in the region, sending a clear signal of its intention to plant roots. Using the power of the purse, China has gained diplomatic recognition in the region. For many years China and

Taiwan played checkbook diplomacy, wooing Latin American countries with loans and construction projects to obtain diplomatic recognition. The “One China” policy is a principle goal in China’s 2008 Latin America and the Caribbean Policy paper and the “political basis for the establishment and development of relations between China, Latin American, and Caribbean countries and regional organizations.”<sup>63</sup> Currently, 12 out of 23 countries, mostly in Central America, recognize Taiwan.<sup>64</sup>

China is using the soft power tool of cultural exchanges and centers to bridge the language and culture gaps that exists. It established 32 cultural centers throughout Latin America.<sup>65</sup> These institutions partner with local universities to offer language and cultural studies courses.<sup>66</sup> Interest in China is picking up. After two years of operating its Mandarin program, the University of Buenos Aires had 1,000 enrolled students.<sup>67</sup> Disseminating positive images of Chinese culture creates stronger ties with countries in the region.

China also uses humanitarian assistance to strengthen its ties to the region. China’s humanitarian initiatives include the Chinese naval hospital ship; the Peace Ark 2011 medical mission to the Caribbean, which provided medical service to the local population and the military; the mission to support the UN stabilization operation in Haiti; and the 2010 bilateral medical exercise, Angel De Paz, with Peru.

China, once opposed to international peacekeeping on the basis that it interfered with the sovereign rights of states, is now a staunch supporter. China is the sixth largest contributor to the UN peacekeeping force. Some observers will argue that peacekeeping is a self-serving activity because it allows China to protect its economic

interest abroad and gives the PLA the ability to strength its military and defense ties with the host country.<sup>68</sup>

The U.S. based international media and some regional pundits are alarmed by China's steadily growing influence in Latin America. China did not trigger this alarm by one action or misstep, but rather through a combination of actions and (mis)perceptions. China's rapid economic expansion in Latin America causes some alarmists to believe China is influencing resources and markets that belong to the U.S.<sup>69</sup> However, considering trade and investment figures, China's rise in the region has not drastically diminished U.S. economic influence in the region although the United States has lost some market share to China. China is a fierce competitor, and the United States will have to step into the ring prepared.

This last section of the paper offers ways that China and the United States can communicate across their differences. As long as the two countries do not agree on international norms and customs, and continue to misunderstand the other's intentions in the Latin America region, diplomatic cooperation will be difficult.

#### U.S. Perceptions of China

The United States officially welcomes the rise of China. In 2014, during a U.S.–China relations speech at the Johns Hopkins School of Advanced International Studies, Secretary of State John Kerry said, “The U.S.-China relationship is the most consequential in the world today, period. And it will do much to determine the shape of the 21st century.” Although he addressed the progress made in managing U.S. and Chinese differences, he still pressed the point that China needs to abide by international norms and rules. Secretary Kerry admonished China on cyber issues and its disregard for international property rights. He said, “The United States is committed to using an

open and frank dialogue to help build trust and develop common rules of the road on those pressing economic and security challenges.”<sup>70</sup> Encouraging China to adhere to international norms and standards has been a recurring theme. In a 2009 China policy speech, Deputy Secretary of State James Steinberg welcomed China’s rise, but with a caveat that it’s rise not be at the expense of others:

Just as we and our allies must make clear that we are prepared to welcome China's 'arrival' ... as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of [the] security and well-being of others. China would need to reassure others that this buildup does not present a threat; it would need to increase its military transparency in order to reassure all the countries in the rest of Asia and globally about its intentions and demonstrate that it respects the rule of law and universal norms.<sup>71</sup>

In 2008, former Secretary of State Hillary Clinton was quite frank when she raised similar concerns:

We do have to get tough on China...This country manipulates its currency to our disadvantage, they engage in broad-based intellectual property theft, industrial espionage...What do we get in return from them? Well, we get tainted pet food, we get lead-laced toys, [and] we get polluted pharmaceuticals.<sup>72</sup>

In 2009, Secretary Clinton said China’s increased presence in the Latin America region was “quite disturbing.”<sup>73</sup> Congressman Dan Burton, in a statement at a hearing before the House of Representatives’ Subcommittee on the Western Hemisphere, also raised concern about China’s presence in Latin America.

I am very concerned with the rise of influence China is pursuing in our Hemisphere and I believe it is important that the United States grasps the economic, social and national security implications of a Latin America under the thumb of China. Once China is able to move in and expand control, it will be difficult to turn the tide.<sup>74</sup>

These concerns increased after the world financial crisis, which rocked the economic core of the U.S. economy. Many observers fear that China having emerged

unscathed by the crisis, will try to take advantage of the United States as it tries to recover.<sup>75</sup> There have been numerous articles, blogs and think tank reports forecasting that China will replace the United States as a superpower.<sup>76</sup>

Congress is closely scrutinizing China's every move to discern if its actions will undermine U.S. interests. Congress requires annual reports on China's military development and has banned U.S.-China cooperation in space. In the confirmation process of key Executive Branch Officials, some members of Congress are closely examining individuals' opinions on China's global intentions in comparison to those of the United States.<sup>77</sup>

The U.S. military is also keeping a close watch on China's movement in the Latin America region. In a 2013 Senate Armed Services Committee hearing on the impact of sequestration, United States Southern Command Combatant Commander Marine Corps Gen. John F. Kelly said "A reduced U.S military engagement will make it difficult to counter those who would seek to exploit perceptions that the U.S. is abandoning our long-standing commitment to the region." General Kelly pointed to the three naval deployments made by China since 2008 including a 2011 hospital ship visit and concluded, "China is attempting to directly compete with U.S. military activities in the region."<sup>78</sup>

The American public also distrusts China. In a 2012 Pew Research Center survey two-thirds of the respondents viewed China as untrustworthy, and 66 percent saw China as a competitor of the United States.<sup>79</sup> American interest groups have their eye on China. Each group has its own policy axe to grind, raising concerns over issues

ranging from repression of religion, high rate of CO2 emission, rampant privacy and counterfeiting, to China's abortion policy and human rights abuse.

The business community has complained loudly about China, arguing that its market system, dominated by the public sector, operates with a different set of rules than the rest of the world economy. They claim that these rules do not provide a level playing field for U.S. businesses. China's undervalued currency is viewed as a subsidy for Chinese exports to the United States, and its industrial policies often require a transfer of technology by U.S. firms to secure market access. Also, China's weak protection of intellectual property rights and their complicity in high-level commercial cyber espionage (some of which have been linked to PRC institutions) undermines U.S. economic interests.<sup>80</sup>

#### Chinese Perceptions of the United States

Distrust cuts both ways. Officially China professes a desire to have a strong cooperative relationship with the United States. President Xi Jinping and previous Chinese presidents told U.S. national leaders that China has no plans to challenge or replace the global position of the United States.<sup>81</sup> However, the Chinese public, and political elites are concerned that the United States wants to maintain its hegemonic status as a world power by containing China's rise.<sup>82</sup> This concept is best captured in an interview with Ni Feng, the Deputy Director of the Chinese Academy of Social Sciences' Institute of American Studies. He said, "On the one hand, the United States realizes that it needs China's help on many regional and global issues...On the other hand, the United States is worried about a more powerful China and uses multiple means to delay its development and to remake China with U.S. values."<sup>83</sup>

The Chinese view the actions of the United States through the historical lens of a failed relationship with Western powers. Failure to understand the intentions of the United States can lead to a misinterpretation of its actions. Chinese political elites believe that the U.S. promotion of universal values is a direct attempt to dislodge the Communist party.<sup>84</sup> It is not surprising that in 2014 the *People's Daily* newspaper, a strong backer of the Communist party, printed over 42 articles blaming China's domestic problems, ranging from student protests in Hong Kong to ethnic violence in Western China, on foreign powers. This was triple the amount of similar articles written in the previous year.<sup>85</sup>

Chinese President, Xi Jinping, also indirectly joined the chorus of those laying China's problems at the feet of the United States. He publicly supported the anti-U.S. blogs of Zhou Xiaoping, who argues that decay of the "moral foundation and self-confidence of the Chinese people" is due to U.S. culture. Additionally, the blogger compared the negative U.S. press coverage of China to Hitler's treatment of the Jews.<sup>86</sup>

The Chinese view of how the West sees them is captured in the Chinese poem entitled "Silent Protest":

When we were [the] Sick man of Asia, We were called The Peril...When  
we are billed to be the next superpower, We are called The Threat...  
When we had a Billion People, You said we were destroying the planet.  
When we tried limiting our numbers, You said it was human rights  
abuse...Why do you hate us so much?<sup>87</sup>

China is facing a number of challenging domestic issues—growing income disparity, decreasing economic growth, rampant corruption, and the numerous security issues in the Asia- Pacific region. Murray Scot Tanner, Senior Research Scientist at the Center for Naval Analyses (CNA) China Studies, believes President Xi Jinping's primary

policy goal is to create an environment that will foster domestic development and the continued leadership of the Chinese Communist party (CCP). He must maintain Chinese creditability on the world stage and project authority in addressing domestic and international issues. The public must believe he is willing and ready to act decisively on issues.<sup>88</sup> One way to do this is to stoke the nationalistic fires of Chinese citizens to divert their attentions from the root causes of domestic problems. Zhang Lifan, a Chinese historian noted that this is a textbook response by the CCP. He comments, “During every period with many deep conflicts within the country, there has been a surge of anti-foreign sentiments from the party.” He continues, “The political establishment needs the public to turn their rage toward foreign countries because anger over the widening gap between rich and poor in China has reached crisis levels.”<sup>89</sup>

There is clearly a divergence between what the United States and China say about the relationship in official policy and the public narrative. When the gap between states’ rhetoric and actions become too wide this can be dangerous and result in unintended consequences. China and the United States have not reached this point yet, but they could.

In their document “Addressing U.S.-China Strategic Distrust” Brookings Institution authors Kenneth Lieberthal and Wang Jisi, suggest that the United States is more comfortable interacting with democratic political systems because they are more transparent.<sup>90</sup> The opaque Chinese political system makes it more difficult for the United States to understand the actions of the Chinese Communist Party (CCP).

China's misconceptions are also due to a lack of understanding the U.S. political system.

#### Towards Harmony: Recommendations and Next Steps

In the short term there is no need to be concerned over China's presence in Latin America. For the long term, China's presence in the region bears watching, especially as the United States increases its presence in the Asia Pacific. Conflict with China in Latin America could distract the United States from engagement in the Asia Pacific region. The United States and China have substantial economic interests in the region.

Although the United States and China are competitive rivals in the region there are areas where their actions complement each other. U.S. efforts to reduce transnational crime and drug trafficking in the region makes Latin America a safer and more secure place to transact business. China's investment in infrastructure projects, like roads and ports, creates a more efficient transportation network that will help boost economic productivity in the region. In her paper "Transportation and Communication Infrastructure in Latin America," Barbara Kotschwar identifies the poor transportation infrastructure as a key obstacle to the region's integration in global trade.<sup>91</sup> It would be beneficial for all—United States, China, and Latin American countries—if overlapping interests could be identified and expanded.

The media and pundits have focused on the potential for strategic rivalry between the United States and China in the region. The increased economic interdependence of China and the United States economies will help temper this rivalry. The discussion should be focused on the overlapping interests of the U.S. and China in the region. A key interest is regional security. A stable and secure region not only ensures protection of U.S. and Chinese economic assets but it also allows Latin

American nations to better develop their economies. The U.S. and China should partner to combat transnational crime in the region and provide financial and technical assistance to countries, particularly weak nations, in order to forestall the emergence of a failed state.

It is important for the United States to continue to encourage China to adhere to international norms and standards. The current international architecture has reduced global conflict over the past 50 years and has created a foundation for peaceful relations. This architecture provides nations a broad framework for operating in economic, political, social, military and financial sectors. Nations are held accountable for their actions by international laws, treaties, and agreements. By creating international forums where nations can discuss and resolve their differences missteps can be avoided and conflicts resolved. It is essential that China, as the world's second largest economy, conform to international norms and procedures in order for the current architecture to continue to be relevant and effective. For example, China has been criticized for ignoring international environmental and labor standards in some of their operations in Latin America.<sup>92</sup>The United States, working through multilateral and regional organizations, can gain support in its efforts to encourage China to comply with international norms and standards. The United States can also use bilateral meetings to convince Latin American countries that it is in their best interests to have China comply with international standards. Additionally, the United States can provide technical and financial support to civil society activists that are seeking to improve standards of operations in various sectors, such as the environment, labor, and finance.

The use of diplomatic persuasion to get China to comply with international world norms and procedures will not be enough. The United States and Western nations must address some of the inequalities of the international architecture or they risk losing their ability to influence global issues. China and many developing nations are creating parallel institutions that have the potential to undermine the Bretton- Woods institutions. China demonizes the Bretton Woods institutions as tools of the Western countries that prevent developing nations from reaching their full economic potential. This criticism resonates well with many Latin American countries that have endured IMF's stringent lending practices.

The world has changed since post-War II when the Bretton Woods institutions were created. Globalization has widened the pool of economically powerful countries who want a bigger voice at these institutions. For example, China and other countries are requesting a change to the IMF voting system in order to include a more diverse group of nations that can weigh-in on the process of evaluating and granting loans. If nations do not feel their interests are represented in the current world order they will find alternative structures. This is what is occurring with the creation of the BRIC funded-bank, New Development Bank (NBD) and Asian Infrastructure Investment Bank (AIIB). Failure to act on this issue will leave the United States with a diminished ability to effect change in the global arena.

To regain its competitive edge in Latin America, the United States must establish a more comprehensive regional Free Trade Agreement (FTA) in place of the 11 separate agreements that currently exist. To accomplish this, the United States should

provide more technical assistance to Latin American countries to help them meet the requirements of a regional free trade agreement.

The United States is concentrating its efforts on the Trans-Pacific Partnership (TPP) treaty, which is one of the most significant trade negotiations underway. The 12 participating countries represent 650 million people, and comprise 40 percent of global GDP and one third of world trade. There are only three Latin American countries—Mexico, Chile, and Peru—participating in TPP. Although the United States is encouraging Latin American countries to participate, the hurdles are quite high and many countries cannot qualify.

The challenge for United States and China is to understand each other's position and to build a bridge of understanding to deal with issues in the region. This requires having more dialogue with Chinese counterparts in Latin America at the country and regional level. The objective is to develop relationships with Chinese in the region in order to better understand their intentions and motivations. These relationships will also allow the Chinese to understand the United States. Currently, the U.S. - China relationship is characterized by distrust and misinterpretation, which has the potential for missteps. The ripple effect of missteps will be felt around the world. It is important for both countries to suspend their judgments and try to understand each other's points of view in order to minimize the growing friction. China and the United States must cooperate more effectively and acknowledge that globalization has woven a web of economic interdependency that cannot be easily broken without devastating consequences.

The first step to building strategic trust is to develop an environment where people of both countries can freely exchange ideas and best practices in a range of areas. It is important that China does not perceive these exchanges as challenging their political system. The Communist People's Party is very fearful that the West and particularly the United States wants to replace China's communist system with democracy. Therefore, the United States will need to expand exchanges that are not ideological laden but more technically focused. This can be done on three levels: educational, professional, and municipal.

The frequency of exchanges between Chinese and American working professionals, such as physicians, engineers, and city planners, to share information and best practices should increase. Professional conferences are a great way to increase cross-cultural awareness. These types of relationships should also happen at the student level. The number of exchange programs and fellowships designed to expose students in the United States to students in China should increase. These programs facilitate dialogue and collaboration among the world's future leaders. Municipalities in China and in the United States can also partner as "sister cities" so that both learn from one other. For instance, China might have a great design for a city building, and the United States might have an effective sewage system.

The biggest challenge in the relationship between the United States and China is to avoid the Thucydides Trap. The United States relationship with China exhibits traits of the Sparta and Athens relationship. Thucydides, an Athenian general, wrote, "It was the rise of Athens and the fear that this inspired in Sparta that made war inevitable." Since 1500, 11 of 15 similar cases where a rising power challenged an established

power ended in war.<sup>93</sup> In order to avoid the Thucydides trap, China and the United States must work to understand each other's intentions. Extensive cultural exchange programs, equal participation in international treaties and military partnerships, and continuation of expanded economic interdependence will be key.

## Endnotes

<sup>1</sup> Some observers who believe U.S. paternalism still exists in Latin America are:

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<sup>4</sup> J.F. Hornbeck, *US-Latin America Trade and Investment in the 21st Century: What's Next for Deepening Integration?* (Washington, DC: Inter-America Dialogue, January 2014), 3.

<sup>5</sup> Charlene Barshefsky and James T. Hill, *US.-Latin America Relations: A New Direction for a New Reality Report: Independent Task Force no.60*, (New York: Council on Foreign Relations), 6.

<sup>6</sup> United States Census Bureau, "Facts for Features: Hispanic Heritage Month 2014: Sept. 15–Oct. 15, ( Washington D.C. September 8, 2014) <http://www.census.gov/newsroom/facts-for-features/2014/cb14-ff22.html> (accessed February 10,2015).

<sup>7</sup> Osvaldo Rosales and Mikio Kuwayama, *People's Republic of China and Latin America and the Caribbean*, (Santiago: Economic Commission for Latin America and the Caribbean, 2011),12.

<sup>8</sup> Michael Fumento, "As The U.S. Sleeps, China Conquers Latin America," *Forbes*, October 15, 2014.

<sup>9</sup> Some of the pundits that support the Monroe Doctrine are:

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<sup>10</sup> Walt, "The Myth of American Exceptionalism".

<sup>11</sup> Ibid.

<sup>12</sup> Dominguez, "U.S. Latin American Relationship during the Cold War and its Aftermath," in *The United States and Latin America*,37.

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<sup>14</sup> Dominguez, 43.

<sup>15</sup> Barshefsky, *US.-Latin America Relations: A New Direction for a New Reality Report*, 7.

<sup>16</sup> J.F. Hornbeck, *U.S.-Latin America Trade: Recent Trends and Policy Issues* (Washington, DC: U.S. Library of Congress, Congressional Research Service, February 8, 2011), 1.

<sup>17</sup> Hornbeck, *US-Latin America Trade and Investment in the 21st Century: What's Next for Deepening Integration?* 3.

<sup>18</sup> Ibid.,6.

<sup>19</sup> Alison A. Kaufman, "The Century of "Humiliation" and China's National Narratives," *U.S.-China Economic and Security Review Commission* (Washington, DC: March 10, 2011),9.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Osvaldo Rosales and Mikio Kuwayama, *China and Latin America and the Caribbean Building a strategic economic and trade relationship*, (Santiago: Economic Commission for Latin America and the Caribbean, April 2012),16.

<sup>23</sup> Rhys Jenkins, "Latin America and China – a new dependency?," *Third World Quarterly* 33, no. 7 (2012):1353.

<sup>24</sup> Wayne M. Morrison, *China's Economic Rise: History, Trends, Challenges, and Implications for the United States* (Washington, DC: U.S. Library of Congress, Congressional Research Service, October 9, 2014), 23.

<sup>25</sup> Derek J. Mitchell, *China and the Developing World*, (Washington, DC: Center for Strategic and International Studies, 2012), 111.

<sup>26</sup> Osvaldo Rosales and Mikio Kuwayama, *China and Latin America and the Caribbean Building a Strategic Economic and Trade Relationship*, (Santiago: Economic Commission for Latin America and the Caribbean (ECLAC) April 2012), 42.

<sup>27</sup> Ibid.

<sup>28</sup> Rosale, *People's Republic of China and Latin America and the Caribbean*,12.

<sup>29</sup> Hornbeck, *US-Latin America Trade and Investment in the 21st Century*,13.

<sup>30</sup> Kevin P Gallagher, and Margaret Myers, *China-Latin America Finance Database*, (Washington, DC: Inter-American Dialogue 2014), [http://www.thedialogue.org/map\\_list](http://www.thedialogue.org/map_list) (accessed January 20,2015).

<sup>31</sup> There are many articles on China eclipsing U.S. influence in Latin America. A few of these articles are:

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<sup>32</sup> There are several articles on China's counterbalance pivot to Latin America which include:

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<sup>33</sup> Mark P. Sullivan, *Latin America and the Caribbean: Key Issues for the 113th Congress* (Washington, DC: U.S. Library of Congress, Congressional Research Service, August 29, 2014),1.

<sup>34</sup> Chen Jian, *The China Challenge in the Twenty-First Century Implications for U.S. Foreign Policy* (Washington DC: United States Institute of Peace, 1999),6.

<sup>35</sup> Asia for Educators, Columbia University, "Principles of China's Foreign Policy", 2009, *Asia for Educators*, [http://afe.easia.columbia.edu/special/china\\_1950\\_forpol\\_principles.htm](http://afe.easia.columbia.edu/special/china_1950_forpol_principles.htm) (accessed January 18, 2015).

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<sup>37</sup> Ibid.

<sup>38</sup> Kotschwar, Barbara, Theodore H. Moran, and Julia Muir, *Chinese Investment in Latin American Resources: The Good, the Bad, and the Ugly*, Working Paper 12 (Washington DC: Peterson Institute for International Economics 2012),19.

<sup>39</sup> R. Evan Ellis, "The United States, Latin America, and China: A Triangular Relationship?," *Inter-American Dialogue* (May 2012): 8.

<sup>40</sup> Gallagher, Kevin P and Margaret Myers, "2013 China- Latin America Economic", *Bulletin: Global Economic Governance Initiative*, 2014,19.  
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