

THE STRATEGIC IMPLICATIONS OF CHINA'S GROWING INFLUENCE IN LATIN AMERICA

A Monograph

by

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ABSTRACT

THE STRATEGIC IMPLICATIONS OF CHINA'S GROWING INFLUENCE IN LATIN AMERICA by COL Michael D. Rayburn, United States Army, 56 pages.

China's presence and influence in Latin America has mushroomed over the last decade. China's sudden economic emergence has sent shockwaves through the region. While America's attention was on Iraq and Afghanistan, China has significantly increased its economic, political, military, cultural, and diplomatic ties with the region. After analysis, it is clear that the focus of China's growing involvement in Latin American is not specifically to limit U.S. hegemony in the region, but is a serious cause for concern. China seeks to counter-balance the American pivot to Asia by having its own allies in the Western Hemisphere. China's specific objectives in Latin America are to secure raw materials for their ever-expanding economy, provide access to new markets for its manufactured products, and to seek support in the pursuit of its "One China" policy with Taiwan. Increased Chinese military engagement in Latin America supports these objectives and provides China with strategic depth in case of hostilities with the America. China's improved relationships and economic ties with countries in the region have an indirect effect of undermining traditional U.S. hegemony. Consequently, this reduces the U.S. ability to influence policies in the region, allowing China greater worldwide influence.

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ACRONYMS

CARL	Combined Arms Research Library
CGSC	Command and General Staff College
CSIS	Center for Strategic and International Studies
DPP	Democratic Progressive Party (Political Party pushing for independence from China)
DTIC	Defense Technical Information Center
EIA	Energy Information Administration
FY	Fiscal Year
KMT	Kuomintang Party (Political Party pushing for keeping the status quo with China)
SAMS	School of Advanced Military Studies
MMAS	Master of Military Art and Science
UAV	Unmanned Aerial Vehicle

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Figure 1. Map of Latin America.

Source: Transitions Abroad. <http://www.transitionsabroad.com> (accessed January 5, 2014).

INTRODUCTION

China's presence and influence in Latin America has mushroomed over the last decade. China's sudden economic emergence has sent shockwaves through the region. While America's attention was on Iraq and Afghanistan, China has significantly increased its economic, political, military, cultural, and diplomatic ties with the region. Increased Chinese influence in Latin America strengthens China as a U.S. competitor. Some could argue this weakens U.S. influence in the region. As countries become closer to China, they often become diplomatically confrontational with the United States as evident by Venezuela, Bolivia and Ecuador. The rapid growth of strategic cooperation between China and Latin America has caught the attention of America's leaders. China's astonishing economic development, rising military strength, and aggressive foreign policy, has forced policy makers to take a closer look at the challenges China's rise poses for the U.S. Strategic leaders must ask two fundamental questions: What are the U.S. national security implications of China's growing influence in Latin America? Is China simply a nonthreatening global competitor, or a rising adversary intent on doing harm to the U.S.? By analyzing the growing economic, political, military, cultural, and diplomatic influence of China in Latin America, this paper will shed light on some of the strategic challenges and concerns facing America as China gains influence in the region.

In November 2011, President Barack Obama announced plans for the rotational deployments of 2,500 Marines to Australia, expanding the U.S. military presence in the Asia-Pacific beyond its traditional U.S. allies of the Republic of Korea and Japan. In addition to the Marines, the administration announced that the U.S. Air Force would rotate deploying units from airfields in Australia's Northern Territory. Later, in January 2012, President Obama released new strategic guidance for the Department of Defense, which established new priorities for America's defense. As part of the new strategic direction, the U.S. would rebalance or pivot its assets and

focus towards the Asia-Pacific. Many of America's allies in Asia such as Japan, the Republic of Korea, and the Republic of the Philippines, welcomed the new strategic shift to Asia-Pacific. Others such as Indonesia, Malaysia, and Singapore expressed concerns about increased tensions and mistrust between the U.S. and China.¹ China responded in a variety of ways to the U.S. decision to bolster America's presence and influence in the Asia-Pacific. China's official reaction was largely muted and restrained, while media responses were often harsh and accused the U.S. of seeking to encircle and contain China.² One article in the People's Daily online stated "the goal is to assemble a coalition to counter-balance China's growing power."³ Another article stated the following:

In essence, rebalancing is not a new concept. It is still aimed at consolidating the United States' strategic status by making use of the misgivings of some of China's neighboring countries about China's development. On one hand, the United States will strengthen the containment of China through the so-called security guarantee obligations; on the other hand, it also tries to prevent conflicts and confrontation with China. The self-contradictory strategy will certainly aggravate the complexity of the Asia-Pacific security situation.⁴

The Obama administration explained the rebalancing as necessary to advance U.S. interests, exploit opportunities, and reassure allies and friends of U.S. staying power and commitment to the region.

¹Richard C. Bush, "The Response of China to the U.S. "Pivot to Asia," <http://www.brookings.edu/research/speeches/2012/01/31-us-pivot-bush> (accessed January 31, 2014).

²Bonnie Glaser and Brittany Billingsley, "U.S.-China Relations: U.S. Pivot to Asia Leaves China Off Balance," *Comparative Connections* (2012), 29.

³Wang Tian, "U.S. Uses Hedging Strategy to Deal with China's Rise," <http://english.people.com.cn/90780/7688310.html> (accessed February 7, 2014).

⁴Zhong Sheng, "Inconsistency between Words and Deeds Lowers U.S. Influence in Asia-Pacific," *People's Daily Online*, <http://www.hoover.org/publications/china-/leadership-/monitor/article/124546> (accessed February 7, 2014).

In 2010, China's economy became the second largest in the world after the U.S.⁵ The International Monetary Fund forecasts that China's economy may surpass the economy of the U.S. as early as 2018.⁶ The Chinese economy, combined with a more capable military and more effective diplomacy, has allowed China to become a power not just in Asia but in the Western Hemisphere as well.

After analysis, it is clear that the focus of China's growing involvement in Latin American is not specifically to limit U.S. hegemony in the region, but is a serious cause for concern. China seeks to counter-balance the American pivot to Asia by having its own allies in the Western Hemisphere. China's specific objectives in Latin America are to secure raw materials for their ever-expanding economy, provide access to new markets for its manufactured products, and to seek support in the pursuit of its "One China" policy with Taiwan.⁷ Increased Chinese military engagement in Latin America supports these objectives and provides China with strategic depth in case of hostilities with the America. China's improved relationships and economic ties with countries in the region have an indirect effect of undermining traditional U.S. hegemony. Consequently, this reduces the U.S. ability to influence policies in the region, allowing China greater worldwide influence.

HISTORICAL PERSPECTIVE

Relations between Latin America and the U.S., compared to relations between Latin America and China over the last century, offer a very clear contrast in how countries can exercise

⁵Economist, "Hello America," *The Economist*, August 16, 2010, <http://www.economist.com/node/16834943> (accessed January 6, 2014).

⁶Economist, "How to Get a Date?" *The Economist*, December 31, 2011, <http://www.economist.com/node/21542155> (accessed January 6, 2014).

⁷Evan Ellis, *Latin America in China: The Whats and Wherefores* (Boulder, CO: Lynne Rienner, 2009), 6.

power. Since much of this paper will discuss China's "soft power," it is important to understand its meaning. Political scientist Joseph S. Nye coined the term "soft power" as "the ability to influence the behavior of others to get the outcomes one wants." He breaks down power into two broad categories: hard power and soft power. Both aim to achieve the same goal of affecting the behavior of others; hard power implies threats and incorporates the ability to use the carrots and sticks of economic and military might to make others follow one's will, while soft or "smart" power is the power of attraction, which implies that a country can obtain what it wants in international affairs by providing an example that other countries want to emulate.⁸ From a historical perspective, the U.S. has relied primarily on hard power in Latin America to achieve its goals in the region while China has preferred the use of soft or smart power to achieve its foreign policy goals.

Latin America experienced a series of revolutions against colonial powers Spain and Portugal from 1808 -1824. By 1822, successful revolutions had created the countries of La Plata, Peru, Colombia, and Mexico. Brazil followed with independence from Portugal in 1824. On December 02, 1823, as part of the seventh annual State of the Union Address to congress, President James Monroe delivered a statement of intent, latter known as the Monroe Doctrine, outlining new U.S. policy towards the region. In addition to America's commitment of not becoming involved in European affairs, it contained two essential points: non-colonization of the Western Hemisphere and hands off the New World.⁹ Non-colonization was just that, "*the American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subject for future colonization by European*

⁸Joseph S. Nye, *Soft Power: The Means to Success in World Politics* (New York, NY: PublicAffairs Store, 2004), 6.

⁹Thomas G. Paterson, Garry J. Clifford, and Kenneth J. Hagan, " *American Foreign Relations, Volume 1: A History to 1920* (Lexington, MA: D.C. Heath and Company, 1995), 106.

powers.” The second point, hands off the New World, pointed out that the governmental system of Monarchs in Europe was very different from the system of governments in the New World and “*any attempt to extend their system into any portion of this hemisphere*” would be regarded “*as dangerous to our peace and safety.*”¹⁰ At the time of the speech, America did not have the military muscle to back up the doctrine and therefore did little to interfere in the region with the notable exception of the invasion of Cuba in the 1898 Spanish American War.

U.S. involvement in Latin America changed, however, with the election of President Theodore Roosevelt. In his fourth annual message to Congress of December 6, 1904, Roosevelt declared what became known as the Roosevelt Corollary to the Monroe Doctrine, which gave the U.S. police powers to interfere in the Western Hemisphere when needed. Roosevelt stated the following:

when chronic wrongdoing, or an impotence which results in a general loosening of the ties of civilized society, may in America, or elsewhere, ultimately require intervention by some civilized nations, and in the Western Hemisphere the adherence of the United States to the Monroe Doctrine may force the United States, however reluctantly, in flagrant cases of such wrongdoing or impotence, to the exercise of international police power.¹¹

What followed were numerous incursions by the U.S. in Latin America. Between 1904 and 1933 when President Franklin D. Roosevelt brought an end to the period of active interventionism with his Good Neighbor Policy, U.S. forces had intervened militarily in Cuba, the Dominican Republic, Panama, Guatemala, Haiti, Honduras, Mexico, and Nicaragua.¹²

Since that time, the region has been under the political, cultural and economic leadership of the U.S., despite resurgent colonial interest from Europe and attempted influence from the

¹⁰Ibid.

¹¹Christopher H. Schroeder and Curtis A. Bradley, *Presidential Power Stories* (New York, NY: Foundation Press, 2009), 199.

¹²Thomas G. Paterson and Dennis Merrill, *Major Problems in American Foreign Relations Volume I: To 1920* (Lexington, MA: D.C. Heath and Company, 1995), 502-526.

Soviet Union.¹³ By the middle of the Twentieth Century, use of military force had become one of the main instruments of U.S. foreign policy in the region and a clear example of America's willingness to use hard power to accomplish its foreign policy objectives.¹⁴ The perceived threat to democracy posed by communist regimes or tyrannical criminal leaders provided the excuse for direct U.S. military invasions in Latin America. Interventions in the second half of the century ranged from the occupation of the Dominican Republic 1965-1966, and the invasions of Grenada in 1983, Panama in 1989, and Haiti in 1994. In addition, indirect participation in several coups d'état against left wing governments such as Guatemala in 1954, or Chile in 1973, are other examples. Another clear example was the U.S. support to the anti-communist "contras" in Nicaragua during the 1980s.

Besides military power, the U.S. has also resorted to economic power to influence the region. Trade relations between the U.S. and Latin America provide many example of economic or money-centered hard power. The U.S. has employed a variety of economic carrots and sticks to force Latin American countries to conform to its national interests and foreign policy goals. Insisting that free trade agreements such as NAFTA are ratified only if certain human rights, environmental, or labor standards are met is an example of the stick, while economic and military aid or the granting of trade privileges under "Plan Colombia" to Colombia or the "Merida

¹³Robbie Murray Fergusson, "The Chinese Challenge to the Monroe Doctrine," *Terrorism* 4, (2012): 22.

¹⁴Ralf J. Leiteritz, "China Y América Latina:¿ El Matrimonio Perfecto?," *Colombia Internacional*, no. 75 (2012): 64.

Initiative” to Mexico are examples of the carrot.¹⁵

China’s relations with Latin America both differ from and predate those of the U.S. Both Peru and Mexico engaged in trade relations with China as early as 1570, trading silver and other minerals from Latin America in exchange for Chinese exports such as silk and porcelain.¹⁶ Later, in the nineteenth century, when Latin American countries gained independence, commercial contacts still existed between the two regions, left over from centuries of trade.¹⁷ China had an indirect presence in Latin America following the Second World War. During Mao Zedong’s rule, Chinese policy towards developing countries in Latin America concentrated on exporting communism. Chinese-Cuba relations were very close during the period, despite Cuba’s relationship with the Soviet Union. During this period, China provided political and financial support to a variety of guerilla movements in Latin America that adopted communist ideology.¹⁸ The most famous China-supported group was Sendero Luminoso (Shining Path) in Peru.¹⁹

Shining Path formed in 1970 in a split of the Communist Party of Peru. The leader and principal

¹⁵NAFTA-The North American Free Trade Agreement was implemented January 1, 1994 in Mexico, Canada and the U.S. to eliminate most tariffs on trade between these nations. Plan Colombia-During the Pastrana administration in 2001, the United States responded to the Colombian Government's request for international support for Plan Colombia by providing substantial assistance designed to increase Colombia's counternarcotics capabilities and consolidate government presence. Mérida Initiative-The Mérida Initiative is a security cooperation agreement between the U.S. and Mexico and the countries of Central America, with the declared aim of combating the threats of drug trafficking, transnational organized crime, and money laundering. The assistance includes training, equipment and intelligence. For more information see FACT sheet at http://www.witnessforpeace.org/downloads/Witness%20for%20Peace%20Fact%20Sheet_Merida%20Initiative_2011.pdf (accessed April 17, 2014).

¹⁶Jiang Shixue, "The Chinese Foreign Policy Perspective," *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States* (Washington, DC: Brookings Institution Press, 2008), 38.

¹⁷Malamud Carlos, "Historia De América, Madrid, Alianza Editorial, " *Nuevo Mundo Mundos Nuevos. Nouveaux mondes mondes nouveaux-Novo Mundo Mundos Novos-New world New worlds* (2005), 60-65.

¹⁸Riordan Roett, and Guadalupe Paz, *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States* (Washington DC: Brookings Institution Press, 2008), 29.

¹⁹Alex E. Fernandez, and Barbara Hogenboom, *Latin America Facing China: South-South Relations Beyond the Washington Consensus*, vol. 98 (Oxford, NY: Berghahn Books, 2010), 6.

founder was Abimael Guzman Reynoso, a former philosophy teacher 1962-1978 at the National University of San Cristóbal de Huamanga, in the city of Ayacucho in the high Andes Mountains. He and his followers, known as Senderistas, sought to restore the “pure” ideology of Mao Zedong and adopted China’s Cultural Revolution as a model. The Shining Path was engaged in bombings, assassinations, and other terrorist acts in various urban centers, gaining control of poor rural and urban districts in central and southern Peru by violence and intimidation. Police captured Guzman in a raid in Lima on September 12, 1992, and Peru sentenced him to life imprisonment. Despite his conviction, the organization continued to clash with the government throughout the 1990s. It is estimated that Shining Path guerillas and government forces had killed some 70,000 people during the last two decades of the 20th century.²⁰ Because of the threats like Sendero Luminoso, Latin America experienced military rule and populist economic policies for much of the second half of the 20th century.

Military rule and populist economics produced dismal economic growth in Latin America. China and the Latin America began to implement economic reforms within a few years of each other: China implemented in 1978 and much of Latin America in 1982.²¹ These economic reforms have had varied and different effects. In 1980, the collective Gross Domestic Product (GDP) of Latin America was seven times that of China and per capita GDP was fourteen times greater.²² Nearly thirty years later, China’s economy has pulled ahead of Latin America, with a GDP of \$8.2 trillion in 2012 versus a Latin American combined GDP of \$5.8 trillion.²³ Over the three decades, China registered a robust annual economic growth rate of eight percent. Latin

²⁰The Center for Justice and Accountability, "Peru," <http://www.cja.org/article.php?list=type&type=255> (accessed April 14, 2014).

²¹Kevin P. Gallagher, "The China Syndrome," *Latin Trade* (July-August 2010): 18.

²²Kevin P. Gallagher, "China Discovers Latin America," *Berkeley Review* (2011): 9.

²³World Bank, "World Bank Open Data," <http://data.worldbank.org/> (accessed December 3, 2014).

America, in contrast, experienced a more modest 3.8 percent average annual growth rate.

Between 1980 and 2009, per capita GDP increased by 6.6 percent annually in China, while in Latin America per capita GDP edged up by a mere 1.7 percent annually.²⁴ The following figure illustrates China's GDP growth compared to Latin America.

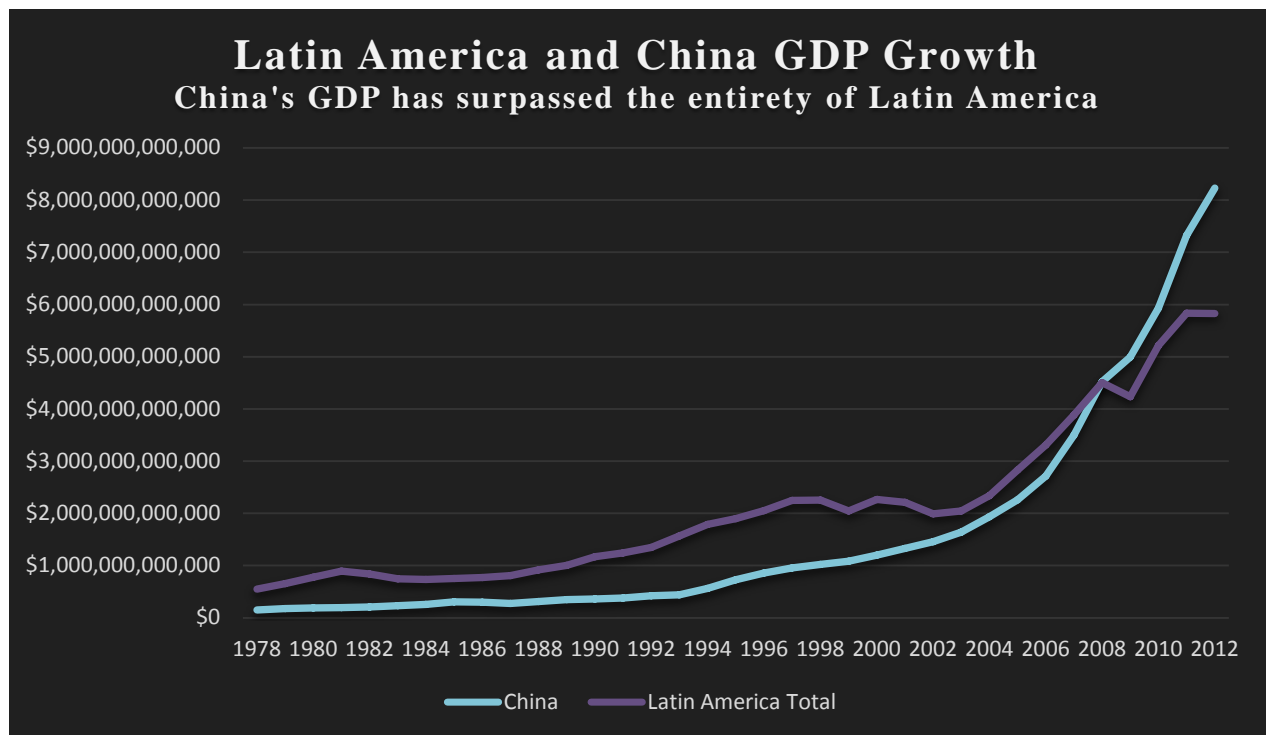


Figure 2. China vs. Latin America GDP, 1978-2012.

Source: The World Bank, <http://data.worldbank.org> (accessed January 5, 2014).

Towards the end of Twentieth Century, China's policy towards Latin America evolved, as it refined its use of soft power. For China's soft power to work, perceptions of China from developing countries must be positive. China, keenly aware of this requirement, began to invest heavily in media designed to improve their perception in developing countries. In 2009 alone,

²⁴Gallagher, "China Discovers Latin America," 9.

China invested \$6.6 billion to fund international ventures undertaken by their state-controlled media.²⁵ The Chinese minister of propaganda, Liu Yushan, published the following in 2009, “It has become an urgent strategic task for us to make our communication capability match our international status. In this modern era, who gains the advanced communication skills, the powerful communication capability and whose culture and value are more widely spread is able to more effectively influence the world.”²⁶ Many believe “China wants its own CNN or Al-Jazeera” to compete directly with western media.²⁷ However, to many developing countries in Latin America, China does not need to do much to sell itself. China’s ability to transform in a short time, from an impoverished nation to a rising power that challenges the U.S., speaks for itself. Chinese economic growth, considered unprecedented in modern history, is attractive to Latin American countries, many of whom have experienced dismal economic performance over the last thirty years. China’s economic model provides an alternative to that of the U.S., where mercantilist trade policies achieve progress and prosperity, but without giving up state control of strategic sectors.²⁸ China has flaunted its achievements in economic growth and poverty reduction and has offered assistance to Latin American countries to emulate their economic model.²⁹ However, assistance comes at a cost. Countries that receive aid from China must recognize China as the “one” China and give up any recognition of Taiwan. Additionally, countries must open their markets to Chinese goods.

²⁵Nicholas Bequelin, "China's New Propaganda Machine," *Wall Street Journal Asia*, January 30, 2009, <http://online.wsj.com/news/articles/SB123326012456829891> (accessed April 14, 2014).

²⁶David Barboza, "China Aims to Create a Global News Empire--Overseas Expansion and 24-Hour Channel Tailored to Buff Image," *International Herald Tribune*, January 15, 2009, 1.

²⁷Sujian Guo, and Baogang Guo, *Thirty Years of China U.S. Relations: Analytical Approaches and Contemporary Issues* (Lanham, MD:Lexington Books, 2010), 235.

²⁸Ellis, *Latin America in China: The Whats and Wherefores*, 29.

²⁹Joshua Kurlantzick, *Charm Offensive: How China's Soft Power Is Transforming the World* (Boston:Yale University Press, 2007), 57.

In addition to the economic interests, China is attractive because it helps the region offset the traditional dominance of the U.S., allowing greater freedom of action to pursue a more autonomous course politically.³⁰ The Chinese policy of non-interference in domestic affairs also makes is attractive to Latin American countries. The leaders of Bolivia, Ecuador, Peru, Venezuela, and Nicaragua repeatedly complain about U.S. interference in their internal affairs. Past U.S. support to coups d'état against the governments of Guatemala in 1954, or Chile in 1973 give these leaders ammunition to support their claims. China, however, does not seem to concern itself with individual politics or internal policies of individual governments. When Evo Morales won the Bolivian presidency in 2005 and legalized the production of native coca leaves, used in the production of cocaine, the U.S. government responded with intense pressure to change the policy and threats of reducing aid. In contrast, China invited President Morales for a state visit to Beijing and opened up better relations. Since Morales' decision, Bolivia-U.S. relations have soured while Bolivia-China relations have improved significantly. Bolivia has since established close military ties and purchased Chinese military equipment. China has likewise invested heavily in the Bolivian mining industry and signed agreements to purchase raw materials. In December 2013, Bolivian President Evo Morales conducted a state visit to China and observed the launch of a Bolivian Satellite by a Chinese rocket.

Political, Diplomatic, and Cultural Influence

On December 16, 2013, Chinese Foreign Minister Wang Yi held a press conference to outline China's diplomatic priorities for 2014. Among the priorities was the stated goal of enhancing cooperation with Latin America.³¹ Just two weeks earlier, China had signed more than

³⁰Ellis, *Latin America in China: The Whats and Wherefores*, 28.

³¹Xinhua, "Chinese Foreign Minister Outlines Diplomatic Priorities," Xinhua News Agency, December 30, 2013, <http://w11.zetaboards.com/Nations/topic/9869230/1/> (accessed April 14, 2014).

fifty separate bilateral cooperation agreements with Latin American countries as part of the seventh annual China-Latin America Business Summit.³² A declaration adopted at the summit highlighted the cooperation potential with China, saying, "China, as one of the most vibrant emerging economies, is adjusting its domestic economy to adapt to the changes of the global economy, which provides Latin America with new opportunities."³³

Since 1990, China has advocated increased exchanges and cooperation with Latin America. Beijing began a policy of high-level diplomatic visits in order to form trust. China also promoted the development of the New International Economic Order with other Latin American countries.³⁴ At the same time, Taiwan was actively engaging in Latin America, seeking recognition as an independent nation from China. Taiwan began extending credit and giving monetary aid to poorer Latin American countries in return for recognition. At the time, China strongly condemned this policy of gaining support through monetary assistance known as "dollar diplomacy."³⁵ However, China began to use the same dollar diplomacy by giving loans to Jamaica, Peru, Bolivia, Colombia, Nicaragua and Surinam in return for recognition.³⁶

China began to establish other political, social and cultural ties with the region. China started hosting trips of government delegations and military officers, and established sister city

³²Xinhua, "China Signs over 50 Trade Deals with Latin America, Caribbean Countries," *Global Times*, November 26, 2013, <http://www.globaltimes.cn/content/828355.shtml> (accessed April 14, 2014).

³³Ibid.

³⁴Stephanie Reiss, "Discovery of the Terra Incognita: Five Decades of Chinese Foreign Policy Towards Latin America," *Institute of Political Science, University of Mainz, Germany*, (2000), 31–53; The New International Economic Order was a set of proposals through the United Nations to promote improving terms of trade, and development assistance. It was meant to be a revision of the international economic system in favor of Third World countries, replacing the Bretton Woods system, which had benefited the leading states that had created it—especially the United States.

³⁵"Dollar diplomacy" or "checkbook diplomacy" is the offer of aid or cheap loans to curry influence around the world.

³⁶Reiss, "Discovery of the Terra Incognita: Five Decades of Chinese Foreign Policy Towards Latin America," 31–43.

exchanges. Today there are almost one hundred sister-city relationships established between Latin America and China.³⁷ Additionally, China spends huge sums operating Confucius Institutes at universities in the region, which promote Chinese language and culture, complement Chinese cultural studies by providing teachers, textbooks, and other educational materials. Their establishment, however, is often a source of controversy due to the financial, administrative, and political support they receive from the Chinese government.³⁸ China established its first institute in Latin America in 2006. Eight years later, there are now twenty-five in Latin America, demonstrating China's commitment to these particular forms of soft power.³⁹ In 2011, the numbers of registered students in Latin American Confucius Institutes surpassed 14,500, having on average 600 in each Confucius Institute, representing a fifty-five percent increase from the previous year.⁴⁰ In addition to the Confucius Institutes, China uses the China Scholarship Council to administer and fund a wide range of educational activities worldwide, with over 10,000 students recruited annually to study in China. As of 2007, China had formal recruiting agreements with education ministries and universities in Brazil, Colombia, Cuba, Dominica, Mexico, Peru, and Venezuela.⁴¹

Over the past ten years, China has stepped up diplomacy with Latin America. China frequently hosts leaders from Latin America, whose hospitality and attention flatters foreign leaders. At the same time, China's top leaders frequently travel to Latin America to discuss

³⁷Barbara Stallings, "The U.S.-China-Latin America Triangle: Implications for the Future," *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States* (WASHINGTON DC: Brookings Institution Press, 2008), 250.

³⁸Shryll Whittaker, "China's Rise and the Confucius Institutes: Chinese and American Perspectives," *Dissertations and Theses Paper*, Paper 1922 (2013), 76-80.

³⁹Carola McGiffert, *Chinese Soft Power and Its Implications for the United States: Competition and Cooperation in the Developing World: A Report of the CSIS Smart Power Initiative* (CSIS, 2009), 57.

⁴⁰Jon Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for US Foreign Policy," *Congressional Research Service* (2012), 18.

⁴¹China Scholarship Council, *Government Sponsored Scholarships Annual Report* (2007), 14-15.

bilateral relations, finding the time to travel and build relationships, which is enormously important in Latin America. General John Kelly, USMC, Commander of U.S. Southern Command recently commented on the importance of relationships in his opening statement to the Senate Armed Services committee: “As I stated earlier, personal relationships are of enormous importance in this region, a fact other nations recognize. China is”⁴²

While the U.S. focus over the past ten years has been the Middle East and Afghanistan, Chinese high-level meetings in Latin America exceeded those of the U.S. In the last six months, both the Chinese President and Foreign Minister have conducted separate visits to Latin America.⁴³ During the same period, China has hosted the foreign ministers of numerous countries from the region such as Ecuador, Cuba, and Bolivia.⁴⁴ Even Mexico, a country that shares a common border with the U.S., and is America’s second largest trading partner, has developed remarkably close ties with China over the past few years. The President of China has already met with the newly-elected President of Mexico three times in the past year, while President Obama has only met President Enrique Peña Nieto once.⁴⁵ For all the high level meetings that are noticed by the media, China has made a concerted effort to conduct extensive lower level meetings as well. In the last six months, lower level meetings have occurred at the Assistant Foreign Minister

⁴²John Kelly, "Opening Statement at Senate Armed Service Committee Hearing on U.S. European Command, U.S. Northern Command and U.S. Southern Command for FY 2014," <http://www.armed-services.senate.gov/imo/media/doc/13-11%20-%203-19-13.pdf>, 14-15.

⁴³Xinhua, "China, Venezuela Agree Stronger Strategic Partnership," Xinhua News Agency, September 22, 2013. <http://www.globaltimes.cn/content/812957.shtml> (accessed April 14, 2014).

⁴⁴PRC, "Ministry of Foreign Affairs of the People's Republic of China" <http://www.fmprc.gov.cn/eng/> (accessed February 7, 2014).

⁴⁵Xinhua, "Chinese, Mexican Presidents Meet for Third Time This Year." Xinhua News Agency, September 4, 2013, http://news.xinhuanet.com/english/china/2013-09/05/c_132692219.htm (accessed April 14, 2014).

level with Brazil, Mexico, Suriname, Cuba, Argentina, and the Bahamas.⁴⁶ Author David M. Lampton writes: “Today, diplomats from China are more amiable and skilled at engaging local communities. They are educated at prestigious foreign universities, exude a higher degree of professionalism compared with earlier cohorts, and are more skilled than earlier in navigating foreign media outlets.”⁴⁷

The Taiwan Factor

Part of China’s political focus on Latin America is because China views Latin America as the main battleground over state-to-state representation between Taiwan and the People’s Republic of China. Twelve of the twenty-three countries in the world that recognize Taiwan reside in Latin America and China knows that if Taiwan were to lose their support, it would have ties with only a few small, impoverished nations in Africa and the South Pacific. This would dramatically weaken Taiwan’s claim to sovereignty.

China has an avowed mission to reunite with Taiwan. It has promised to use force to achieve this goal if peaceful means fail. In the event of war, China anticipates the U.S. will attempt to intervene and as such is preparing for the possible conflict.⁴⁸ The U.S.-Taiwan Relations Act specifies that no use of force will change the status in Taiwan. Internal Taiwanese politics often lead to greater international tension over the issue. Since the mid-1990s, the two major political parties have argued over pressing for Taiwan independence or maintaining its status quo. The Democratic Progressive Party (DPP) is pushing for complete independence, and the Kuomintang (KMT) preferring the status quo. The DPP (Independence Party) won the

⁴⁶PRC, "Ministry of Foreign Affairs of the People's Republic of China" <http://www.fmprc.gov.cn/eng/> (accessed February 7, 2014).

⁴⁷David M. Lampton, *The Three Faces of Chinese Power* (University of California Press Berkeley, 2008), 128.

⁴⁸Andrew Scobell and Andrew J Nathan, "China's Overstretched Military," *The Washington Quarterly* 35, no. 4 (2012), 141.

presidency with the election of Chen Shui-bian in March 2000, ending more than half a century of KMT (Status quo Party) rule in Taiwan.⁴⁹ With the election of the DPP, China passed the Anti-Secession Law in which China clarified the conditions under which it would use force against Taiwan. China assured the world that should Taiwan unilaterally declare independence, then war would be the certain outcome. The law explains that China is building military superiority to prevent Taiwan's independence.⁵⁰ As part of that buildup, in March, 2014 China announced a 12.2 percent increase in military spending.⁵¹ The same month, the U.S. announced major cuts in the size of the U.S. armed forces.

The struggle between China and Taiwan in Latin America intensified in 2004, when the island of Dominica severed ties with Taiwan after a pledge from Beijing of \$112 million in aid over six years. A year later, Grenada too shifted its recognition in favor of Beijing.⁵² Costa Rica followed as the only Central American country to recognize China and this remains the case today.⁵³ Chinese money is particularly attractive to many developing countries in Latin America because it does not come with the “human rights conditions, good governance requirements, approved-project restrictions, and environmental quality regulations that are tied to money from

⁴⁹David Lai, "Asia-Pacific: A Strategic Assessment" (Carlisle, PA: Army War College Strategic Studies Institute, 2013), 20.

⁵⁰You Ji, "China's Anti-Secession Law and the Risk of War in the Taiwan Strait," *Contemporary Security Policy* 27, no. 2 (2006), 239.

⁵¹New York Times. "China Announces 12.2% Increase in Military Budget", *New York Times*, March 5, 2014, http://www.nytimes.com/2014/03/06/world/asia/china-military-budget.html?_r=0 (accessed April 7, 2014).

⁵²Tao Wenzhao, "One-China Policy Gains Latin American Ground," *China Daily*, June 19, 2007. http://www.china.org.cn/international/opinion/2007-06/19/content_1214362.htm (accessed April 13, 2014).

⁵³Daniel P. Erikson, "The New Challenge: China and the Western Hemisphere," in *Testimony before the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere* (2008), 5.

America.”⁵⁴ However, Chinese investment in Latin America normally has one condition: acceptance of the One-China policy that requires recipient governments to sever diplomatic ties with Taiwan and recognize Taiwan as part of China’s sovereign territory. Most of Latin America is in two separate camps. Mexico and all of South America, with the exception of Paraguay, recognize China while Central America generally, along with the Caribbean, continues to be a center of Taiwanese influence.⁵⁵ China is actively trying to change this.

One country where China has violated its own policy of conditional aid on recognition, though, is Nicaragua. The reason is China believes Nicaragua is close to changing its recognition. Nicaragua is the largest country in Central America. When Sandinista leader Daniel Ortega won Nicaragua’s presidential election in November 1985, one of his first decisions was to break relations with Taiwan and establish relations with communist China.⁵⁶ Later in 1990, when Ortega lost his re-election bid, Nicaragua returned to recognition of Taiwan. In 2007, Ortega again won the presidency. However, this time, because Nicaragua had signed a free trade agreement with Taiwan the previous year, Ortega did not have the political power to change recognition.⁵⁷ Ortega won reelection again in 2011 but again did not change recognition. In 2013, China announced it would spend at least \$40 billion to build a canal, wider and five times longer than the Panama Canal, across Nicaragua to connect the Pacific with the Caribbean

⁵⁴Library of Congress, *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa: A Study Prepared for the Committee on Foreign Relations, United States Senate* (Washington: U.S. Government, 2008), 9.

⁵⁵"China, Costa Rica Set up Diplomatic Ties at Ambassadorial Level." Xinhua News Agency, June 7, 2007, <http://www.mathaba.net/news/?x=555136> (accessed April 14, 2014).

⁵⁶The Sandinista National Liberation Front (Spanish: *Frente Sandinista de Liberación Nacional*, or FSLN) is a left leaning political party in Nicaragua. Its members are called Sandinistas. The party is named after Augusto César Sandino who led the Nicaraguan resistance against the United States occupation of Nicaragua in the 1930s.

⁵⁷Daniel P. Erickson and Janice Chen, "China, Taiwan, and the Battle for Latin America," *Fletcher Forum of World Affairs* 31 (2007), 69.

Sea. This massive investment in infrastructure is arguably an attempt by China to weigh in on the issue of recognition. Proponents claim the project will create 40,000 jobs and that Nicaraguan GDP will double.⁵⁸ However, China's investment may increase its influence in Nicaragua. Coincidentally, in January 2014, the Nicaraguan legislature changed the constitution, allowing President Ortega to run for a third consecutive term in 2015.⁵⁹ While the U.S. condemned the changing of the constitution as a threat to democracy, China remained quiet again demonstrating their policy of not interfering in the internal affairs of countries.

ECONOMIC INFLUENCE

In December 1978, Chinese Communist Party leader Deng Xiaoping introduced the economic reforms mentioned earlier that have steadily transformed China into an economic powerhouse.⁶⁰ The system is a communist state that uses market-based pricing principles to achieve growth.⁶¹ The state either controls or influences all the strategically important sectors but leaves the remainder to private industry. The year 2014 marks the thirty-sixth anniversary of the economic reforms and opening up of China. For China, the past thirty-six years have achieved steady, sustained and rapid growth of the economy, which was at the brink of collapse due to the scourge of the Cultural Revolution in the 1960s and 1970s. In 1978, at the end of the Cultural Revolution, China's GDP of \$216.5 billion accounted for one percent of the world economy while thirty-four years later, at the end of 2012, its share rose to more than thirteen percent to

⁵⁸Luis Manuel Galeano, "Nicaragua Fast-Tracks Canal," *The Globe Advisor*, June 14, 2013. <https://secure.globeadvisor.com/servlet/ArticleNews/story/gam/20130614/RBNICARAGUACANAL0613ATL> (accessed April 14, 2014).

⁵⁹BBC, "Nicaragua: Ortega Allowed to Run for Third Successive Term" <http://www.bbc.co.uk/news/world-latin-america-25937292> (accessed February 3, 2014).

⁶⁰Gallagher, "The China Syndrome," 1.

⁶¹Stephen Johnson, "Balancing China's Growing Influence in Latin America," *Heritage Foundation Backgrounder*, no. 1888 (2005), 6.

\$8.23 trillion.⁶² Until the recent global slowdown, China's GDP had been growing at an average annual rate between nine and ten percent.⁶³

Although China's economy has soared, "from a longer historical perspective, however, China has yet to regain its dominant status in the world economy back in 1840 when it accounted for about a third of world GDP – the largest among all countries at the time – before its protracted economic decline in the aftermath of the two Opium Wars."⁶⁴ Overall GDP is just one figure economists use to measure an economy. China's per capita GDP has increased more than forty fold from \$226 to \$9300 since the 1978 economic reforms.⁶⁵ China's per capita income level is still very low due to its high population. When factoring in the 1.40 billion Chinese people, the per capita income ranks 96th among the nations in the world.⁶⁶ China recently set a thirty-year goal to bring China's standard of living, as measured by per capita GDP, into the ranks of the world's top twenty wealthiest nations by 2043.⁶⁷

Regardless of China's overall rank in the world in per capita GDP, Latin America is impressed with China's ability to remove 300 million from poverty in a relatively short amount of time. Poverty is one of the key problems facing Latin America. In 2012, an estimated 167 million people in Latin America were living in poverty equating to almost twenty-nine percent of the region's population. While this is an improvement from 2002, when forty-four percent of the

⁶²Jing Gao, *Financial Access of Smes in Latin America : Lessons for China* (2012), 157.

⁶³David Chan-oong Kang, *China Rising: Peace, Power, and Order in East Asia* (Columbia University Press, 2007), 3.

⁶⁴Kayla Chen and Xiangming Chen, "China and Latin America: Connected and Competing," *The European Financial Review* (2013), 56.

⁶⁵Trading Economics, "China Gdp Growth" <http://www.tradingeconomics.com/china/gdp-per-capita> (accessed February 3, 2014).

⁶⁶Lai. "Asia-Pacific: A Strategic Assessment," 4.

⁶⁷*Ibid.*, 5.

region's population lived in poverty, it is not decreasing as fast as poverty in China.⁶⁸ China's rapidly decreasing poverty level makes its economic model attractive to Latin America.

China's rise on the world stage is a direct consequence of its recent economic growth over the past three decades. The regime's legitimacy is dependent on the sustainability of continued economic growth. Consequently, growth of the economy has influenced China's foreign policy decisions, overriding many of the traditional communist ideological and political concerns.⁶⁹ China's need for economic growth now forms the basis of its Latin American economic relationship. Beginning in the 1990s, as China's economy was really starting to accelerate, the economy became increasingly reliant on the importation of a number of strategic resources.⁷⁰ China is now the world's largest consumer of copper, tin, zinc, platinum, steel, iron ore, aluminum, and lead.⁷¹ Additionally, as of September 2013, China is now the world's largest importer of oil.⁷²

Due to its industrial boom, China's has an almost insatiable demand for natural resources. Concurrently, the Latin American trade profile focuses on the export of primary goods, such as minerals and agricultural products. China's need for vast amounts of energy and commodities, combined with its desire to acquire overseas companies for influence, fits nicely with Latin America's abundance of natural resources and commodities. Latin America needs to build its infrastructure to boost its emerging economy. China's economy has the ability to purchase most

⁶⁸Mark P. Sullivan, "Latin America and the Caribbean: Key Issues for the 113th Congress," *Congressional Research Service*, (2013), 5.

⁶⁹Ana Cristina Alves, "Chinese Economic Statecraft: A Comparative Study of China's Oil-Backed Loans in Angola and Brazil," *Journal of Current Chinese Affairs* 21, no. 1 (2013), 100.

⁷⁰Russell Hsiao, "Energy Security the Centerpiece of China's Foreign Policy," *China Brief* 8, no. 16 (2008). 16.

⁷¹Joshua Eisenman, Eric Heginbotham, and Derek Mitchell, *China and the Developing World: Beijing's Strategy for the Twenty-First Century* (Armonk, NY : ME Sharpe, 2007), 91.

⁷²CNBC, "Data Show China Passing U.S. As Biggest Oil Importer" <http://www.cnn.com/id/101102770> (accessed January 9, 2014).

of Latin America's primary goods while investing heavily in Latin America's infrastructure. One author refers to China as a "trade angel," who has provided Latin America with an outlet for its products while giving China an opportunity to sustain its future growth rate.⁷³

Investment

Because of Chinese demand for commodities, there has been a surge in Chinese investment into the region. The majority of the early Chinese investment in Latin America was in the form of oil-for-money-loans, with China extending loans to mining and petroleum companies, and entering into long-term contracts for those resources. Still today, most of China's loans focus on natural resource extraction. Latin America is fast becoming dependent on Chinese investment, which helps to create much needed jobs in the area.⁷⁴

Over the past decade, China has become the number one provider of capital investment in Latin America. The China Development Bank and Chinese Export-Import Bank are the number one and two sources of credit in Latin America.⁷⁵ In the last eight years, China has provided approximately \$75 billion in loan commitments to Latin America and the Chinese Export-Import Bank has out-financed the U.S. Export-Import Bank by 400 percent.⁷⁶ In 2010, the \$36 billion loaned to Latin America was more than the World Bank, Inter-American Development Bank and U.S. Export-Import Bank combined.⁷⁷ As China's loans have continued to grow, its relative influence in the region, with respect to the U.S. and Western lending institutions, has

⁷³Santiso Javier, *Development Centre Studies the Visible Hand of China in Latin America*, vol. 1 (OECD Publishing, 2007), 10.

⁷⁴Euromoney, "Beijing as Matchmaker in China and Latin America's Courtship," *International Financial Law Review*, July 10, 2013. <http://www.iflr.com/Article/3229203/Beijing-as-matchmaker-in-China-and-Latin-Americas-courtship.html> (accessed April 15, 2014).

⁷⁵Kevin P Gallagher, Katherine Koleski, and Amos Irwin, *The New Banks in Town: Chinese Finance in Latin America* (Inter-American Dialogue, 2012). 1.

⁷⁶Ibid.

⁷⁷Ibid.

correspondingly grown. In 2012, Chinese outbound investment in Latin America more than doubled compared to 2011, with investments into Latin America constituting a seventeen percent of China's total outbound investment, compared to only six percent the previous year.⁷⁸

While direct assistance and loans provide bilateral influence, China has long desired more regional influence. In 2004, the Organization of American States (OAS) and the Latin American Parliament admitted China as a permanent observer. In its 2008 policy paper on Latin America, China acknowledged its desire to strengthen ties with regional organizations in Latin America:

The Chinese Government appreciates the important role of Latin American and Caribbean regional and sub-regional organizations in safeguarding peace and stability in the region, and promoting regional solidarity, development and integration. It supports these organizations in exerting their influence in regional and international affairs. The Chinese side will continue to strengthen communication, consultation and cooperation with relevant organizations in various fields.⁷⁹

Following the publication of the 2008 white paper on Latin America, China became a full member of the Inter-American Development Bank and has since contributed over \$350 million to the bank.⁸⁰

Securing Access to Oil Resources

The most significant shift in trade to the region has been China's focus on securing access to Latin American oil. Over the last decade, the Chinese government has been acquiring interests in oil exploration and production in Latin America. Between 1997 and 2012, Chinese oil

⁷⁸Euromoney, "Beijing as Matchmaker in China and Latin America's Courtship."

⁷⁹"China's Policy Paper on Latin America and the Caribbean" Xinhua News Agency, November 4, 2008 http://news.xinhuanet.com/english/2008-11/05/content_10308117.htm (accessed April 14, 2014).

⁸⁰Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for US Foreign Policy," 23.

consumption increased from less than 4 million barrels per day to more than ten million barrels per day.⁸¹ The U.S. Energy Information Administration (EIA) projects that China's oil consumption will grow by about forty-six percent by 2020 and double by 2040. Additionally, China's largest oil fields are mature and oil production has peaked leaving a gap between consumption and production of oil.⁸² The figure below highlights this growing gap between oil production and consumption in China.

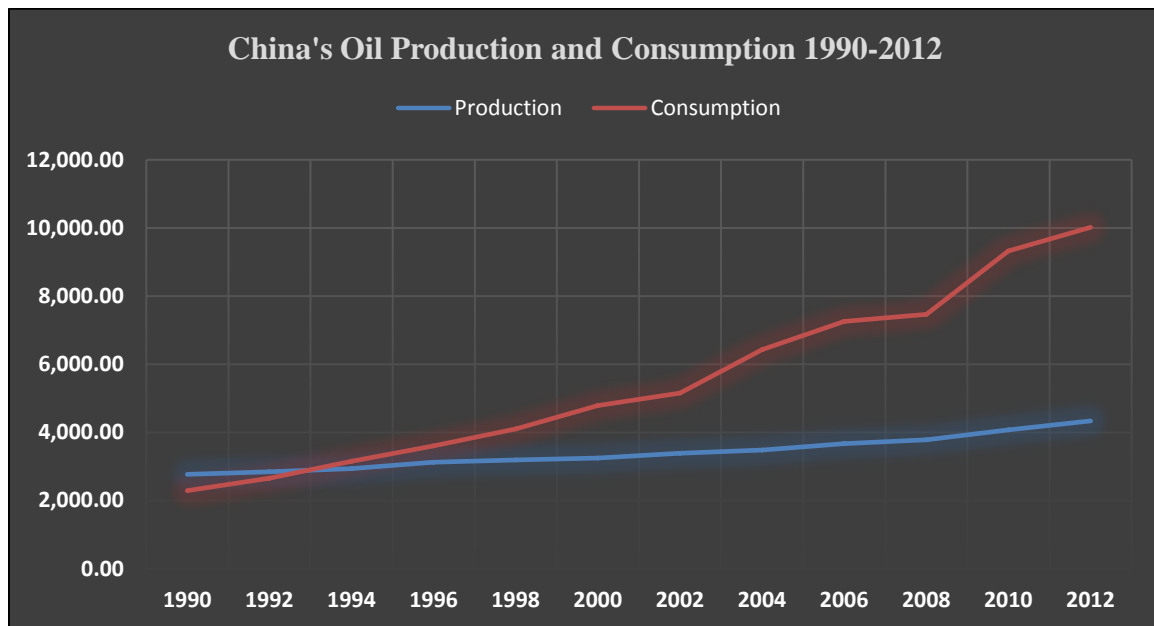


Figure 3. China Oil Production and Consumption, 1990-2012.

Source: The U.S. Energy Information Administration

⁸¹Bassam Fattouh, "The U.S. Tight Oil Revolution: What Kind of a Revolution?," *Oxford Institute for Energy Studies, presentation at the Saudi Association for Energy Economics*, (2013), 1.

⁸²Energy Information Administration, "Oil and Natural Gas Imports of Major Economies Projected to Change Significantly", U.S. Energy Information Administration <http://www.eia.gov/todayinenergy/detail.cfm?id=14691> (accessed February 4, 2014).

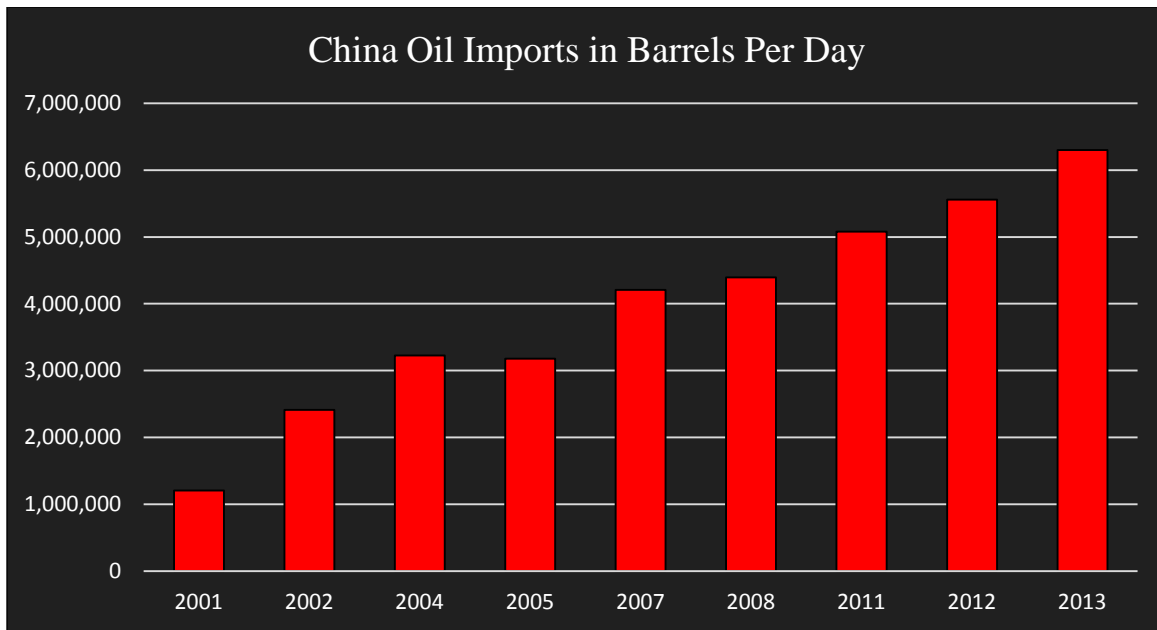


Figure 4. China's Oil Imports, 2001-2013.

Source: The U.S. Energy Information Administration

As previously stated, China is already the world's largest importer of oil.⁸³ China does not have huge untapped oil reserves and therefore is developing markets all over the world to secure oil contracts. China is careful, though, not to position itself as being too reliant on a single source of oil. As China looks for new sources of oil in Latin America, it is directly competing with the U.S. For every barrel of oil that China purchases from Latin America, there is potentially one less barrel for the U.S. to import.⁸⁴ While not necessarily a zero-sum game, growing interdependence between China and Latin America is likely to come at the cost of the United States' relations with its neighbors, which may undermine U.S. ability to access the region's energy resources. This in turn will force the U.S. to rely on energy resources from more remote

⁸³CNBC, "Data Show China Passing U.S. As Biggest Oil Importer" <http://www.cnbc.com/id/101102770> (accessed January 9, 2014).

⁸⁴Chietigj Bajpae, "Chinese Energy Strategy in Latin America," *The Jamestown Foundation China Brief*, no. 14 (2005), 2.

and less stable regions, such as Africa, and the Middle East.⁸⁵ For instance, Latin American nations, primarily Mexico and Venezuela, supply the United States with almost one-third of its imported crude oil.⁸⁶ The figure below shows the individual countries from where the U.S. imports its oil. The chart highlights that Latin America provides a substantial portion of U.S. oil imports. Additionally, Mexico, Venezuela, Colombia, Ecuador, and Brazil are among the top five countries from which America imports oil.

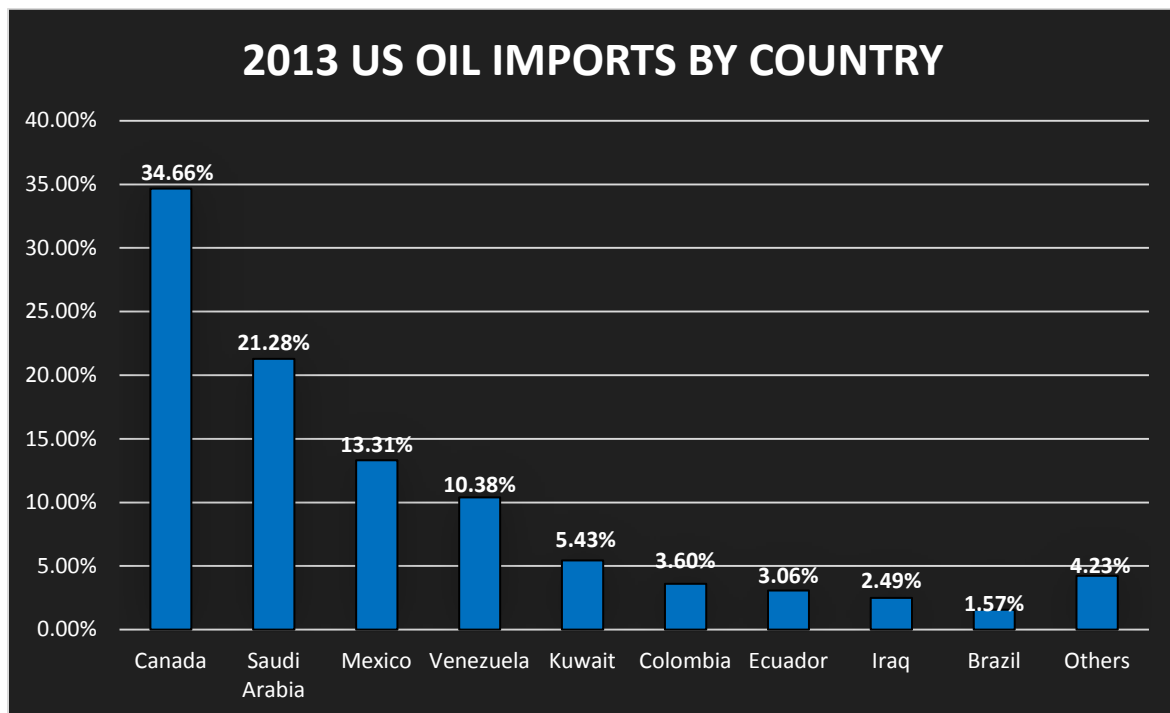


Figure 5. 2013 U.S. Oil Imports by Country.

Source: U.S. Energy Information Administration.

China has recently concluded deals with Venezuela, Brazil, Peru, and Ecuador that secure additional oil for China at the expense of the U.S. In September 2013, as part of Venezuelan

⁸⁵Ibid.

⁸⁶Sullivan, "Latin America and the Caribbean: Key Issues for the 113th Congress," 7.

President Nicolás Maduro's state visit to China, China agreed to invest \$14 billion to develop the country's Orinoco heavy oil belt, in exchange, China will receive 600,000 barrels of oil a day.⁸⁷ This is in addition to the over \$40 billion China has already loaned Venezuela over the last several years.⁸⁸ Ecuador is another example. Prior to 2009, China did not receive any oil from Ecuador. Ecuador pumps approximately 520,000 barrels per day, which is the equivalent of about five percent what Saudi Arabia pumps per day. In mid-2009, China offered Ecuador \$1 billion in financing for development of Ecuador's oil industry. By April of 2010, Chinese firms were receiving about one-third of Ecuador's export oil. A year later, the volumes had nearly doubled. By mid-2013, China was receiving eighty-three percent of Ecuador's oil exports.⁸⁹

Although concluding deals with several Latin American nations, Brazil is where China has invested the heaviest to secure oil contracts. China became Brazil's major oil export destination in 2010, surpassing for the first time the U.S., which had occupied the position since the early 2000s.⁹⁰ In recent years, Brazil has discovered substantial new offshore oil fields that have the potential to turn the country into one of the top five oil and gas producers in the world.⁹¹ The new discoveries are so-called "pre-salt" reserves, located beneath layers of rock and salt more than 18,000 feet below the ocean surface. Analysts have estimated that the total recoverable

⁸⁷Kejal Vyas, "Venezuela Secures Energy Deals with China; President Maduro to Make State Visit to Beijing," *Wall Street Journal*, September 18, 2013, <http://online.wsj.com/news/articles/SB10001424127887323308504579083811178665526> (accessed January 5, 2014).

⁸⁸Ibid.

⁸⁹Nicolas Medina, Mora Perezi, and Joshua Schneyer "Special Report: How China Took Control of an Opec Country's Oil", <http://www.reuters.com/article/2013/11/26/us-china-ecuador-oil-special-report-idUSBRE9AP0HX20131126> (accessed January 9, 2013).

⁹⁰Ana Cristina Alves, "Chinese Economic Statecraft: A Comparative Study of China's Oil-backed Loans in Angola and Brazil." *Journal of Current Chinese Affairs* 42, no. 1 (2013), 99.

⁹¹Fatih Birol, *World Energy Outlook 2014*, <http://www.worldenergyoutlook.org> (accessed January 2014).

reserves of pre-salt oil may exceed fifty billion barrels.⁹² In October 2013, Brazil auctioned off the rights to develop this new field and China was quick to purchase a twenty percent stake. Brazil and China did not disclose the financial specifics of how much money and oil will change hands, but whatever the actual cost, it will add to the more than \$17 billion in oil deals China and Brazil have completed since 2010.⁹³ It also is a significant step in Chinese efforts to develop deep-water technologies to exploit oil in its own territory as “a third of China's oil and gas reserves are located in the South China Sea, and 70 percent of those reserves are located in a roughly 1.6-million-square-foot deep-water area, defined as being at least 1,476 feet deep.”⁹⁴

Mexico is the newest country in Latin America to receive investment attention from China. Mexico is America's second largest trading partner after Canada and third largest supplier of imported oil. The value of crude oil exports from Mexico to the United States reached \$35.7 billion in 2012, having doubled since 2004.⁹⁵ In June 2013, in conjunction with a state visit to Mexico, Chinese President Xi agreed to provide a \$1billion loan to develop Mexican offshore oil wells.⁹⁶ As in the Brazilian case, the details of the agreement were not publicized but one can assume that China wants to tap into Mexican oil reserves to fuel its own domestic industry.

⁹²Oxford Analytica Ltd, *Brazil: Pre-Salt Development Faces Challenges* (Oxford, 2013).

⁹³Wayne Ma and Yvonne Lee, "Chinese Hunt for Oil in Brazilian Deep; *W SJ Online*, October 22, 2013, <http://online.wsj.com/news/articles/SB10001424052702304402104579151004170173822> (accessed April 16, 2014).

⁹⁴*Ibid.*

⁹⁵Energy Information Administration, "Lower Mexican Crude Production Contributes to Lower Export to the U.S." U.S. Energy Information Administration <http://www.eia.gov/todayinenergy/detail.cfm?id=14691> (accessed February 4, 2014).

⁹⁶Bill Gertz, "Rising Red Tide China Encircles U.S. By Sailing Warships in American Waters, Arming Neighbors" <http://www.washingtontimes.com/news/2013/jun/7/china-encircles-us-arming-western-hemisphere-state/?page=all> (accessed January 29, 2014).

Increases in Trade

All of the Chinese investment in the region has resulted in an increase in overall Chinese trade with the region. Worldwide, in 2006, the U.S. was the largest trading partner of one-hundred-twenty-seven countries, versus just seventy for China. By 2011, the two had traded places with one-hundred-twenty-four countries for China and seventy-six for the U.S.⁹⁷ Over the last five years, U.S. exports to Latin America have increased by more than \$200 billion to \$650 billion and today comprise forty-two percent of overall U.S. exports.⁹⁸ Yet despite the increase in U.S. exports to Latin America, the U.S.'s share of Latin American trade declined from fifty-three percent to thirty-nine percent over the same period.⁹⁹ China's market share of Latin American trade grew from less than two percent in 2000 to eleven percent in 2010.¹⁰⁰ By 2013, it had further increased to fourteen percent.¹⁰¹ The Chinese increase in trade is most dominant in a few countries. Over the last decade Mexico's imports from China increased from less than two percent of its total imports to fourteen percent, Brazil's from two percent to thirteen percent, Argentina's from five percent to twelve percent, Chile's from six percent to thirteen percent, and Peru's imports from four percent to fifteen percent.¹⁰²

⁹⁷Joe McDonald and Youkyung Lee, "China Overtaking U.S. As Trader," *Christian Science Monit*, December 3, 2012. <http://www.csmonitor.com/World/Latest-News-Wires/2012/1202/Could-China-overtake-US-as-global-trader> (accessed April 16, 2014)

⁹⁸Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for U.S. Foreign Policy," 3.

⁹⁹Eric Farnsworth, "Memo to Washington: China's Growing Presence in Latin America," *Americas Quarterly* 6, no. 1 (2012), 84.

¹⁰⁰Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for U.S. Foreign Policy," 4.

¹⁰¹Patricia Rey Mallen, "Move over Eu, China to Become Latin America's Second Biggest Trade Partner" <http://www.ibtimes.com/move-over-eu-china-become-latin-americas-2nd-biggest-trade-partner-2016-1522732> (accessed February 4, 2014).

¹⁰²Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for U.S. Foreign Policy," 4.

While the focus of China's economic relationship with Latin America is on securing resources, the trade relationships conversely provide an opportunity to export its manufactured products. From 2000-2007, China's exports to Latin America grew seven-fold, while the imports from Latin America jumped more than twelve-fold.¹⁰³ China's push into Latin America has had a very special effect on the region.¹⁰⁴ Because of Chinese demand, the prices have increased for commodities such as oil, soy beans, iron ore, copper, and meat produced by countries such as Argentina, Brazil, Chile, Peru, and Venezuela. The resulting global commodities boom has led to economic growth in these countries over the last seven years, averaging over five percent a year, leading each of these countries to diversify their exports away from the U.S and thus lessening the dependence on the U.S. markets.¹⁰⁵ China has now become the top individual export destination for Brazil, Chile, Peru, and Venezuela, as well as the second most important for Argentina.¹⁰⁶ For the time being, the U.S. remains the most important export market for Mexico, all of Central America and most of the Caribbean, as well as Colombia and Ecuador in South America.¹⁰⁷

While China's push into Latin America has been positive for the region, there are some negative consequences as well. Demand from China is contributing to what many consider Latin America's over-reliance on commodities exports. For example, between 1995 and 2009, Brazilian soy production increased by 400 percent because of increased demand from China, who buys

¹⁰³Masahiro Kawai and Fan Zhai, *Prc-Latin America Economic Cooperation: Going Beyond Resource and Manufacturing Complementarity* (ADB working paper series, 2009), 1.

¹⁰⁴Christopher Sabatini, "Will Latin America Miss U.S. Hegemony?," *Journal of International Affairs* 66, no. 2 (2013), 10.

¹⁰⁵Ryan Berger, "The Fast Ramp-Up," *Americas Quarterly* 6, no. 1 (2012), 70-73.

¹⁰⁶Oswaldo Rosales and Sebastián Herreros, "Trade and Trade Policy in Latin America and the Caribbean: Recent Trends, Emerging Challenges," *Journal of International Affairs* 66, no. 2 (2013), 36.

¹⁰⁷*Ibid.*

over half of all Brazilian soy exports. To meet the increased soy demand, Brazil decimated over 200,000 square miles of Amazonian forest uprooting the local indigenous population.¹⁰⁸



Figure 6. Photo of a soy plantation carved out of the Amazon rainforest.

Source: Berkeley Review of Latin American Studies

Latin America likewise faces competition from China's manufacturing sector. Textiles, footwear, clothing, machinery and equipment face fierce competition in the Latin American domestic market from Chinese competitors who also have the advantage of what many consider

¹⁰⁸Gallagher, "China Discovers Latin America." 13.

an under-valued currency.¹⁰⁹ Brazil has recently begun anti-dumping investigations against Chinese imports. Brazilian industry is clearly being hurt by cheap Chinese imports.¹¹⁰ For instance, in 2012 alone, Brazil initiated anti-dumping investigations on Chinese carbon steel pipes, tires for motorcycles, and nylon yarn.¹¹¹ This has caused some problems to China's perception in the region. Brazilian President Dilma Rousseff recently remarked, "There is a misbalance on our relations with China. Brazil exports commodities and imports too many knick-knacks. I'm told that 80 percent of this year's Carnival costumes came from China."¹¹²

Risks

The Chinese economic penetration of the region has profoundly altered the economic and political relationships of Latin America. While the raw materials and agricultural industries have profited, the influx of finished Chinese products is making many industries, such as textiles, uneconomical. Many economists have raised concern about the potential adverse effects of Chinese demand for Latin American raw materials while the region imports cheap manufactured Chinese goods as substitutes of domestic production leading to de-industrialization.¹¹³ There are fears that some countries may contract 'Dutch disease', the apparent relationship between the increase in exploitation of natural resources and a decline in the manufacturing or agriculture

¹⁰⁹China's Yuan is in a "controlled peg" relative to a basket of currencies. China controls the exchange rate of the Yuan by purchasing the currencies of other countries, including the U.S. Dollar. Many economists believe the Chinese are buying a disproportional amount of dollars in order to keep their currency at a rate lower than it would be in a free market. This allows them to produce (and sell) products cheaper as exports. See more at: <http://www.nasdaq.com/article/what-does-chinas-currency-manipulation-mean-for-the-dollar-cm182405#ixzz2vJd2BTZP> (accessed January 6, 2014).

¹¹⁰Oswaldo Rosales, "Trade Competition from China," *Americas Quarterly* 6, no. 1 (2012), 100.

¹¹¹Mondaq, "Trade Remedies - New Antidumping Investigations and Revisions," *Mondaq Business Briefing*, November 8, 2012, <http://www.highbeam.com/doc/1G1-307785077.html> (accessed April 16, 2014).

¹¹²Chen and Chen, "China and Latin America: Connected and Competing," 58.

¹¹³Alicia Garcia-Herrero, Matthew Ferchen, and Mario Nigrinis, "Evaluating Latin America's Commodity Dependence on China," BBVA Working Paper 13-5, January 21, 2013, 1.

sector. Over-dependence on commodities leads to deindustrialization because the discovery of valuable natural resources and their subsequent export, raises the value of a nation's currency, thus making its manufactured and agricultural goods, as well as its services, less competitive.¹¹⁴ This in turn eventually leads to increasing imports and decreasing exports, creating balance-of-payment problems and leading to poor economic performance.¹¹⁵

Latin American exports to China are concentrated in only a handful of products, mainly commodities making 'Dutch Disease' a very real possibility. In 2011, the top five exported products to China accounted for ninety-eight percent of Colombia's exports, ninety-four percent of Chile's, eighty-nine percent of Peru's, eighty-eight percent of Argentina's, and eighty-seven percent of Brazil's exports.¹¹⁶ However, despite the warnings from economists, relative trade with China is increasing while it is falling with the U.S. From 2000 to 2012, annual trade between China and Latin American countries grew more than 2,600 percent, from \$10 billion to \$261.2 billion; China is now the second largest trading partner of the region.¹¹⁷

Military

When looking at China's increasing influence in Latin America, it is important to consider the military element of the relationship as well. China has made major investments in Latin America in order to achieve its three goals of acquiring strategic raw materials, gaining new markets, and gaining political influence internationally. China's increased military ties in the

¹¹⁴Erik K Bray, *Does the Dragon Soar Higher Than the Eagle?* (DTIC Document, 2011), v.

¹¹⁵Gallagher, "China Discovers Latin America," 10.

¹¹⁶Rosales and Herreros, "Trade and Trade Policy in Latin America and the Caribbean: Recent Trends, Emerging Challenges," *Journal of International Affairs* 66 (2013), 38.

¹¹⁷Xinhua, "China's Latin America Presence Not a Threat: U.S. Official." Xinhua News Agency, November 13, 2013, http://www.chinadaily.com.cn/xinhua/2013-11-13/content_10577582.html (accessed April 14, 2014).

region only helps to achieve those goals. China has limited arms sales to Latin America, which could be perceived to mean a weak military position in the region. However, as a 2008 Military Review article pointed out, weapons trade is not the only avenue available for establishing military influence. Military and defense education, official visits by military officers, and joint exercises are also ways the Chinese are increasingly building a presence and influence in Latin America.¹¹⁸

Arms Sales

China has historically provided arms to communist insurgencies. However, it was not until the Iran-Iraq War in the 1980s that China became an important international arms supplier. China was willing and able to provide weaponry when other major suppliers withheld sales to both belligerents. China sold to both Iran and Iraq without conditions.¹¹⁹ China does not have staggering arms sales to Latin America. Latin America does not purchase weapons on the scale of other regions of the world such as Asia or the Middle East. No country sells many weapons in Latin America because of the tiny defense budgets of its constituent nations. In 2012, total defense spending in Latin America was only \$59 billion. The U.S. 2012 Defense budget was \$553 billion. The region's five largest defense spenders, Argentina, Brazil, Chile, Colombia and Mexico, account for approximately eighty-four percent of total Latin American defense spending.¹²⁰ The following table illustrates how little Latin America spends on defense compared to China, the U.S., and selected others.

¹¹⁸Loro Horta, "In Uncle Sam's Backyard: China's Military Influence in Latin America-Beijing's Rising Economic and Political Influence in Latin America May Pave the Way for Major Chinese Arms Sales and Expansion of China's Military Influence," *Military Review* 88, no. 5 (2008), 47.

¹¹⁹Richard F Grimmett and Paul K Kerr, "Conventional Arms Transfers to Developing Nations, 2004-2011," (Congressional Research Service, Library of Congress, 2012), 10.

¹²⁰CSIS, "Latin American Defense Spending Trends," *Center for Strategic and International Studies* No. 31, (2013), 1-2.

Table 1. Defense Spending 2012.

2012 Defense Budget Comparison (Adjusted for Inflation) billion (USD)	
United States	\$553 (Does not include cost of Afghanistan)
China (Official Budget)	\$106.7
Russia (National Defense Budget)	\$61.3
Latin America (Total)	\$59.0
Japan	\$58.0
India	\$45.5
Brazil	\$35.5
Republic of Korea	\$29.2
Taiwan	\$10.8
Colombia	\$7.9
Mexico	\$6.3
Chile	\$5.9
Argentina	\$4.4

Source: Center for Strategic & International Studies and Department of Defense, "Annual Report on Military and Security Developments Involving the Peoples Republic of China"

Defense spending in Latin American is forecast at \$65 billion for FY2014.¹²¹ Approximately twenty percent of the available budget is available for procurement. Because of reduced budgets,

¹²¹Gabriel Marcella, "China's Military Activity in Latin America," *Americas Quarterly* (2012), 67.

only a few countries such as Chile, Brazil, and Venezuela are actively attempting to modernize their military, making it difficult for China to break into the market. Although Chinese arms sales to Latin America have been relatively small, such sales are increasing. In 2004-2007, China arms deliveries totaled \$100 million; from 2008-2011, their deliveries increased to \$600 million.¹²² The U.S., Russia and France have historically dominated the arms market in Latin American, making it difficult for China to enter. Many countries are reluctant to switch to new arms suppliers because of compatibility issues and the associated costs of retraining on different equipment. There are also logistics and maintenance costs associated with switching suppliers, as well as the perception in the region that Chinese products are inferior to American or Russian arms.¹²³ To overcome these challenges, China has begun donating equipment to countries like Bolivia, Guyana, Jamaica, Colombia, and Peru.¹²⁴ By donating equipment to these countries and sharing the costs of switching suppliers, China hopes to persuade these countries to begin buying Chinese equipment. This in turn allows more Chinese military engagement and influence.

Early in 2010, China donated \$1 million to the Colombian government for the acquisition of Chinese military equipment.¹²⁵ It is interesting that China chose to donate equipment to Colombia, which has received over \$1 billion in U.S. arms aid over the last fifteen years as part of “Plan Colombia,” a strategic investment by the U.S. to support Colombia in its struggle with the Fuerzas Armadas Revolucionarias de Colombia, known by its Spanish acronym FARC. The FARC, formed in 1964, is a Marxist guerrilla organization violently opposing the Colombian government. They began as a peasant army with a political platform of land reform, but over time

¹²²Richard F. Grimmett, and Paul K. Kerr. "Conventional Arms Transfers to Developing Nations, 2004-2011," *Congressional Research Service*, Library of Congress, 2012, 10.

¹²³*Ibid.*

¹²⁴Evan R. Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position* (DTIC Document, 2011), 10-30.

¹²⁵Ellis, *Latin America in China: The Whats and Wherefores*, 61.

evolved into a criminal gang funded by kidnap, ransom, and the production and distribution of coca leaves/cocaine. Over the last decade, the Colombian military has largely destroyed the FARC with the assistance of U.S. training and equipment. Further, the U.S.-sponsored Colombia Strategic Development Initiative (CSDI) provides additional U.S. assistance with a follow up strategy to Plan Colombia designed to develop a functioning state presence in remote but strategically important areas once held by the FARC. Relations between the U.S. and Colombian militaries is arguably the best of any country in Latin America, and the fact that China wants to compete with America for the influence with her strongest ally in the region demonstrates China's determination.

The focus of China's arms sales and donations to Latin American governments has been on smaller amounts and less lethal items, such as uniforms, transports, or small arms. However, China has made some major weapons sales in the region, such as the thirty-six K-8 (Karakorum) light attack aircraft sold to Venezuela from 2009-2012.¹²⁶ This was followed with the sale of eight Y-8 medium military transport aircraft, each capable of carrying up to eighty-eight persons or twenty tons of cargo.¹²⁷ In 2012, Venezuela ordered eight Z-9C/D helicopters meant for anti-submarine warfare and search-and-rescue missions.¹²⁸ By establishing sales with Venezuela and gaining a foothold in Latin America, China then made large sales of aircraft and JYL-1 radars to

¹²⁶Air Force Technology, "K-8 Karakorum Light Attack and Jet Trainer, *Air Force Technology*, April 16, 2014, <http://www.airforce-technology.com/projects/hongdu-k8/> (accessed April 16, 2014)

¹²⁷Xinhua, "China to Deliver Eight Y-8 Aircraft to Venezuela." Xinhua News Agency, June 2, 2011, http://news.xinhuanet.com/english2010/china/2011-06/02/c_13907891.htm (accessed April 14, 2014)

¹²⁸Carlos E. Hernández, "La Armada De Venezuela Adquirirá Helicópteros Chinos Para La Dotación De Los Patrulleros De Navantia" <http://www.infodefensa.com/latam/2012/08/02/noticia-la-armada-de-venezuela-adquirira-helicopteros-chinos-para-la-dotacion-de-los-patrulleros-de-navantia.html> (accessed January 23 2014).

both Ecuador and Bolivia, and WMZ-551 Armored Personnel Carriers to Argentina.¹²⁹ China followed with an agreement to sell 120 MBT-2000 main battle tanks to Peru. However, after the delivery of the first five tanks, China placed the sale on hold while it continues to negotiate a dispute with the Ukraine.¹³⁰ As China's weapons exports expand, it is likely that China's share of sales will continue to increase as the U.S. share continues to decrease. Additionally, the growing responsibility of Latin American militaries to combat trans-national crime, combined with fiscal realities, may compel them to purchase lower-tier weaponry.¹³¹ Additionally, China does not have the same reluctance as the U.S. to sell certain weapon systems, such as unmanned aerial vehicles (UAV). The U.S. is quite reluctant to sell UAVs in the region which might be used to smuggle drugs. In 2012, China unveiled the Yi Long tactical UAV, which China will most likely attempt to sell to developing countries in the region.¹³² The following table illustrates how China's percent of total arms sales in the region is growing at the expense of the U.S.

Table 2. Percentage of Total Weapons Deliveries Value by Supplier to Latin America 2004-2011.

Percentage of Total Weapons Deliveries Value by Major Suppliers to Latin America 2004-2011			
	2004-2007	2008-2011	Percent Increase/Decrease
United States	18.60%	14.04%	-24.52%

¹²⁹Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position*, xi.

¹³⁰Ukraine, who manufactures components of the engine, complained that China did not have authorization to sell the components to a third party, see Angel Pez, "Peru: Questions About Big Ticket Military Purchases," *Global Information Network*, April 28, 2010. <http://www.ipsnews.net/2010/04/peru-questions-about-big-ticket-military-purchases/> (accessed April 16, 2014).

¹³¹Cynthia Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," *Journal of International Affairs* 66, no. 2 (2013), 108.

¹³²Department of Defense, *Annual Report on Military and Security Developments Involving the Peoples Republic of China* (2013), 53.

Russia	30.33%	30.98%	2.14%
China	1.6%	6%	275%
France	7.98%	4%	-49.%
Germany	1.6%	2%	25.00%
United Kingdom	4.79%	2.%	-58.%

Source: U.S. Government.

Visits, Exchanges and Training

In addition to increased arms sales and donations. China has stepped up its official military visits and exchanges with militaries in the region. By looking at official visits documented in the press, of senior Chinese defense officials to Latin America, and visits by their counterparts to China, it is clear that exchanges have increased over the past several years. General Bantz Craddock, former Commander of U.S. Southern Command testified to the House Armed Services Committee in 2005 that from 2000-2004, Chinese military authorities had undertaken twenty missions to Latin America, while Latin Americans had paid nine visits to China.¹³³ Additionally he stated, “The presence of the Chinese armed forces in the region is widespread and growing every day.”¹³⁴

In 2010 alone, visits at the Minister of Defense or Chief of Staff level occurred between China and officials of Venezuela, Ecuador, Chile, Mexico, Brazil, Columbia, Peru, and Bolivia.¹³⁵ In 2011, the Defense Ministers of Peru, Chile, and Bolivia traveled to China.¹³⁶ The

¹³³Bantz J. Craddock General, "U.S. Southern Command Fiscal Year 2006 National Defense Authorization Budget Request," in *U.S. House Armed Services Committee* (2005), 14-15.

¹³⁴*Ibid.*

¹³⁵Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position*, 11.

years 2012 and 2013 were no different, with major Chinese visits to Argentina and Chile. These interactions form the basis of building personal relationships and confidence-building measures and provide openings for arms transactions. For example, following the December 2011 visit to China, Bolivian Foreign Minister Carlos Romero agreed to buy six Chinese H425 helicopters.¹³⁷ General John Kelly, USMC, Commander of U.S. Southern Command, expressed the following about the building of personal relationships by China: "In my judgment, Chinese interest in cultivating relationships with countries in the Western Hemisphere reaffirms the importance of strengthening our own partnerships with the region."¹³⁸

These visits are more than just developing relationships. They enable the Chinese military to gain intelligence concerning South American militaries and the regional security environment.¹³⁹ Defense visits often lead to a rise in military personnel exchanges, which build upon China's objectives to establish goodwill in Latin America. Chinese entities like the Defense Studies Institute, the Army Command College, and the Navy Command School, routinely host officers from eighteen Latin American countries.¹⁴⁰ These courses, taught in Spanish or English, provide instruction on military planning, Special Forces operations, communication, artillery, and strategy. At the Colonel level, China invites Latin American officers to attend the Chinese National Defense University. The course, much like the Confucius Institutes, gives foreign

¹³⁶Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for US Foreign Policy," 10.

¹³⁷Defense News, "Bolivian Army Buys 6 Chinese Helicopters" <http://www.defensenews.com/article/20111222/DEFSECT01/112220302/Bolivian-Army-Buys-6-Chinese-Helicopters> (accessed November 21, 2013).

¹³⁸Bantz J. Craddock General, "U.S. Southern Command Fiscal Year 2006 National Defense Authorization Budget Request," in *U.S. House Armed Services Committee* (2005), 14-15.

¹³⁹Richard Weitz, "Beijing's Prudent South America Security Policies", *China-U.S. Focus*, www.chinausfocus.com/.../beijings-prudent-south-american-security-policy (accessed February 5, 2014).

¹⁴⁰Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position*, x.

officers a much deeper empathy to China's positions and provides valuable networking for military contacts.¹⁴¹ In Colombia, delegations from China's National Defense University visit that nation's war college on an annual basis.¹⁴²

At lower officer levels, the Foreign Officer Course receives officers from throughout Latin America, providing command and staff level education at the Major/Lieutenant Commander level similar to the U.S. Army's Command and General Staff College or U.S. Navy's Naval Command College. Some Latin American countries, such as Venezuela, Bolivia, and Ecuador are sending their officers to this course in greater numbers because they are suspicious of ties with the U.S., preferring that their officers attend schools somewhere other than America.¹⁴³

These exchanges often lead to port visits by the Chinese Navy. In 2009, a Chinese naval Task Force visited Chile, Peru, and Ecuador.¹⁴⁴ The Chinese Navy, previously only concerned with its own territorial waters, is only now beginning to deploy out of the area. Chinese Naval deployments to Latin America allow China to show its flag in America's backyard while also making connections with local navies. Better relations with Latin American navies allow China to learn how to operate successfully with navies, which operate with the U.S. Navy, and thus learn more about how the U.S. engages around the world. This allows China to expand its knowledge

¹⁴¹Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," 101-113.

¹⁴²Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position*, 18.

¹⁴³Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," 106.

¹⁴⁴Brandt et al., "Chinese Engagement in Latin America and the Caribbean: Implications for Us Foreign Policy," 13.

of the U.S. military while also expanding its own influence.¹⁴⁵ It also demonstrates to America that China can operate in a domain long dominated by the U.S. For instance, the U.S. military has been the traditional provider of humanitarian assistance in Latin America, often sending the U.S. Naval Ship (USNS) Comfort or USNS Mercy. The September 2011 deployment of the Chinese Hospital Ship “Peace Ark” to Cuba, Jamaica, Trinidad and Tobago, and Costa Rica, sent a very clear message that China can also provide humanitarian assistance in a region traditionally unwelcome to outsiders since the Monroe Doctrine of 1863.¹⁴⁶ The Chinese deployment of the hospital ship provided medical care to people in Jamaica, Cuba, and Trinidad and Tobago, as well as the newest country to recognize One China, - Costa Rica.¹⁴⁷ General John Kelley, Commander of U.S. Southern Command, recently commented: “With an unprecedented three naval deployments to Latin America since 2008, including a hospital ship visit in 2011, China is attempting to directly compete with U.S. military activities in the region.”¹⁴⁸

China has deployed peacekeeping forces and conducted exercises to the region as well. In 2004, China sent 130 military members to Haiti as part the United Nations peacekeeping forces, their first military deployment to the Western Hemisphere.¹⁴⁹ According to statistics from the Chinese Foreign Ministry, China has so far deployed more than 20,000 military personnel, police and civil officials for UN peacekeeping missions around the world, making it the biggest

¹⁴⁵Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," 107.

¹⁴⁶Marcella, "China's Military Activity in Latin America," 67.

¹⁴⁷Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," 106.

¹⁴⁸Bantz J. Craddock, "U.S. Southern Command Fiscal Year 2006 National Defense Authorization Budget Request," in *U.S. House Armed Services Committee* (2005), 14-15.

¹⁴⁹Xinhua, "China Sends First Peacekeeping Riot Police to Haiti." Xinhua News Agency, October 17, 2004, <http://vlex.cn/vid/sends-peacekeeping-riot-police-haiti-196650879> (accessed April 14, 2014).

contributor among the five permanent members of the UN Security Council.¹⁵⁰ In 2010, China conducted its first bilateral military exercises in Latin America with Peru in an exercise called Angel de la Paz (Peace Angel), a humanitarian exercise simulating rescue efforts in a disaster scenario.¹⁵¹ China followed with a bilateral exercise with Venezuela in 2011.¹⁵² The exercise consisted of China's airborne commandos and their Venezuelan counterparts conducting combined urban anti-terrorism exercises known as "Cooperation-2011."¹⁵³ In 2013, the Chinese Navy sent a small flotilla consisting of a frigate (Luzhou), a destroyer (Liuzhou) and one support ship (Poyanghu) with a staff of over 600 to visit ports Argentina, Brazil, and Chile. General John Kelley expressed concern about the increased Chinese military activities in the region in his March 2013 testimony to the Senate Armed Services Committee when he stated, "China is attempting to directly compete with U.S. military activities in the region. I believe it is important to note that sequestration will likely result in the cancellation of this year's deployment of the U.S. Naval Ship Comfort to the region, an absence that would stand in stark contrast to China's recent efforts."¹⁵⁴ As the Chinese-Latin American military relationship improves, there is a corresponding increase in the number of port calls by Latin American Navies to the Chinese mainland. The navies of Colombia, Chile, Mexico and Peru are frequenting China's ports more

¹⁵⁰Xinhua, "Interview: Un Grateful to Chinese Peacekeepers for Bravery, Commitment," Xinhua News Agency, Oct 17, 2013, <http://english.cntv.cn/20131018/100681.shtml> (accessed April 16, 2014).

¹⁵¹Richard Weitz, "Beijing's Prudent South America Security Policies", *China-U.S. Focus*, www.chinausfocus.com/.../beijings-prudent-south-american-security-policy (accessed February 5, 2014).

¹⁵²People Republic of China, "The Diversified Employment of China's Armed Forces White Paper produced by the Peoples Republic of China ", http://www.china.org.cn/government/whitepaper/node_7181425.htm (accessed February 05 2014).

¹⁵³Ibid.

¹⁵⁴Bantz J. Craddock General, "U.S. Southern Command Fiscal Year 2006 National Defense Authorization Budget Request," 14-15.

than ever before.¹⁵⁵

TRENDS IN U.S. ASSISTANCE TO LATIN AMERICA

Since 1946, the United States has provided over \$148 billion (2010 dollars) in economic and military assistance to Latin America. Depending on U.S. internal politics or political trends in Latin America, funding levels of assistance have fluctuated. Concerning U.S. aid, the region has experienced the good times as well as the bad. U.S. assistance to the region was at its highest during the 1960s under President John F. Kennedy's Alliance for Progress.¹⁵⁶ Assistance declined in the 1970s but rose dramatically during the communist guerrilla movements in Central America in the 1980s under President Ronald Reagan. The 1990s under President Clinton assistance to the region declined and then increased yet again with the election of President George W. Bush. Assistance peaked around 2010.

Over the last three years, assistance to the region has fallen sharply as Congress has reduced the foreign aid budget. While U.S. assistance to Latin America is declining, it is also declining as a proportion of overall U.S. aid. In FY 2012, U.S. assistance to Latin America fell from \$2.1 billion to \$1.8 billion, a thirteen percent decrease. U.S. aid to East Asia, Europe and Eurasia also declined substantially, while aid to South and Central Asia, the Middle East increased respectively by fifty and twenty-seven percent and aid to Africa remained

¹⁵⁵Horta, "In Uncle Sam's Backyard: China's Military Influence in Latin America-Beijing's Rising Economic and Political Influence in Latin America May Pave the Way for Major Chinese Arms Sales and Expansion of China's Military Influence," *Military Review* 88, no. 5 (2008), 49.

¹⁵⁶The Alliance for Progress (Spanish: *Alianza para el Progreso*) initiated by U.S. President John F. Kennedy in 1961 aimed to establish economic cooperation between the U.S. and Latin America. Growing out of the fear of increased Soviet and Cuban influence in Latin America, the 1961–1969 Alliance for Progress was in essence a Marshall Plan for Latin America. The United States pledged \$20 billion in assistance in the form of grants and loans and called upon the Latin American governments to provide \$80 billion in investment funds for their economies. It was the biggest U.S. aid program toward the developing world up to that point.

unchanged.¹⁵⁷ As the U.S. shifts resources as part of the rebalancing strategy towards Asia, Latin America as an overall share of U.S. assistance has fell to its lowest level throughout the history of U.S. assistance in general. U.S. assistance to Latin America as a proportion of total U.S. foreign assistance has dropped from ten percent in FY 2008 to below five percent in FY 2014. FY 2014 aid to Latin America fell to \$1.531 billion, a further drop of fifteen percent from FY 2012. As Chinese aid is increasing to the region, U.S. aid is falling, with a corresponding decrease in regional influence.

DECLINING U.S. INFLUENCE

Reduced engagement by the United States could result in a partnership vacuum, which nations like China, Russia, or Iran may seek to fill. In recent years, these countries have made in-roads, deepening diplomatic, economic, and military ties with the region. Declining U.S. influence will provide an opportunity to expand these relationships at the expense of the United States.” -- General John Kelly, United States Southern Command Posture Statement to the U.S Senate Armed Services Committee, March 19, 2013.

As fiscal realities limit U.S. military engagement and resources in Latin America, China is perfectly willing to fill the void.¹⁵⁸ As China’s relations with Latin America have improved, America’s have taken a step backward. China’s success in the region appears to be at the expense of the U.S., although there is no quantifiable link between the two. Beginning with the electoral victory of Hugo Chavez in Venezuela in 1998, Latin America has experienced a wave of electoral successes of anti-U.S. populist candidates. Since 1998, sixteen previously pro-U.S. countries have elected anti-U.S. Presidents. Conversely, all of these countries have warming relations with

¹⁵⁷Peter J. Meyer and Mark P. Sullivan, "U.S. Foreign Assistance to Latin American and the Caribbean: Recent Trends and FY2013 Appropriations," *Congressional Research Service* 26, (2012), 3.

¹⁵⁸Watson, "China's Use of the Military Instrument in Latin America: Not yet the Biggest Stick," 106.

China. Of the sixteen, four countries (Guatemala, Honduras, Panama, and Paraguay) have since returned to pro-U.S. administrations. It is worthy to note these four also choose to recognize and have diplomatic relations with Taiwan. Coincidentally, all twelve countries in Latin America that do recognize Taiwan have very pro-U.S. governments.

Some have argued that the shift to anti-U.S. populism in countries like Venezuela, Ecuador, Bolivia, and Nicaragua is a threat to democracy.¹⁵⁹ These governments are acting similar to China with their treatment of political opponents, with many of these countries having dismantled institutional checks and balances.¹⁶⁰ The democratic institutions and principals remain, but abuse by those in power has made it almost impossible for opponents to achieve electoral success.¹⁶¹ Additionally, in Ecuador and Venezuela, the extremely anti-U.S. governments have curbed independent critical media.¹⁶² It appears that the countries with the closest relations to China have often been outright confrontational with America. An example is the recent case of Edward Snowden, wanted on espionage charges for releasing classified information about U.S. National Security Agency surveillance programs. During the international turmoil associated with Snowden prior to Russia offering him asylum, Venezuela, Bolivia, and Nicaragua offered asylum to Snowden and Ecuador stated they would consider granting asylum if he could reach Ecuador.¹⁶³

¹⁵⁹Kurt Weyland, "The Threat from the Populist Left," *Journal of Democracy* 24, no. 3 (2013), 18-32.

¹⁶⁰Cynthia J. Arnson, "Challenges to Democracy in the Western Hemisphere " (Lanham: Testimony to the House Foreign Affairs Subcommittee on Western Hemisphere 2013),1-5.

¹⁶¹Sebastián L. Mazzuca, "The Rise of Rentier Populism," *Journal of Democracy* 24, no. 2 (2013),108.

¹⁶²Sullivan, "Latin America and the Caribbean: Key Issues for the 113th Congress," 8.

¹⁶³*Ibid.*

CONCLUSION

Since Roosevelt's Corollary of 1904, U.S. hegemonic power has been undeniable in Latin America. Mexico's former dictator Porfirio Diaz once said, "*Poor Mexico, so far from God; so close to the United States.*"¹⁶⁴ However, the U.S. is losing its influence in the region. This is evident by the anti-U.S. candidates elected throughout Latin America. Much of the loss of influence is the result of increasing Chinese influence in the region. Additionally, Latin America is the least equitable region in the world for income distribution, which prevents a country from reducing poverty.¹⁶⁵ U.S. policies toward the region are often heavy handed and fail to address poverty, which in turn causes the region to turn even further away from America and towards China.

Partly in response to the U.S. pivot to Asia, China wishes to rival the U.S. in Latin America, and thus, China has consciously decided to pursue a more proactive foreign policy. Through increased diplomatic and military ties, trade, investment, and traditional soft power, China has developed improved relationships with much of the region. China has strengthened these relationships by promoting regional economic integration, providing loans, increasing cultural and academic exchange programs, engaging local communities through skilled diplomats, and participating in humanitarian missions and military exercises. These relationships have led to China's increased access to energy resources, raw materials and markets for its manufactured products. Additionally, they have gained China increased international support for

¹⁶⁴Vladislav Gulevich, *Strategic Culture Foundation*, "Mexico: So far from God, So Close to the United States," <http://www.strategic-culture.org/news/2012/08/28/mexico-so-far-from-god-so-close-to-the-united-states.html> (accessed April 16, 2014)

¹⁶⁵UN Millennium Project, *The Millennium Development Goals: A Latin American and Caribbean Perspective* (New York, NY: United Nations Publications, 2005), 38.

its One-China policy.

Most U.S. political leaders, however, do not publicly express concern about China's rise and influence. Vice President Joseph Biden recently wrote in the *New York Times* in a piece titled China's rise is not our demise,

I first visited China in 1979, a few months after our countries normalized relations. China was just beginning to remake its economy, and I was in the first Senate delegation to witness this evolution. Traveling through the country last month, I could see how much China had changed in 32 years — and yet the debate about its remarkable rise remains familiar. Then, as now, there were concerns about what a growing China meant to America and the rest of the world. . . As I told China's leaders and people, America is a Pacific power and will remain one. But, I remain convinced that a successful China can make our country more prosperous, not less.¹⁶⁶

Secretary of State Hillary Clinton also talked down the threat of a rising China in a speech in February 2009 when she stated, "Some believe that China on the rise is, by definition, an adversary, but to the contrary, we believe that the United States and China can benefit from and contribute to each other's successes. It is in our interests to work harder to build on areas of common concern and shared opportunities."¹⁶⁷

Regardless of the public statements of America's leaders, Chinese encroachment in Latin America strengthens China as a U.S. competitor. The raw materials and increased trade China achieves by its investment and use of soft power work to strengthen China relative to the United States. The more trade China has with countries, the more influence it can leverage over their foreign policies. Unfortunately, as countries become closer to China, they often become diplomatically confrontational with the United States which is a cause for concern. Some

¹⁶⁶Joseph R. Biden Jr, "China's Rise Isn't Our Demise," *New York Times*, September 7, 2011, http://www.nytimes.com/2011/09/08/opinion/chinas-rise-isnt-our-demise.html?_r=0 (accessed January 5, 2014).

¹⁶⁷Glen Kessler, "China Is at the Heart of Clinton's First Trip," *Washington Post*, February 15, 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/02/14/AR2009021401382.html> (accessed April 16, 2014).

countries, like Venezuela, deliberately undermine U.S. credibility and influence in the region while others with close ties demonstrate skeptical support of U.S. policies, reflecting their increased economic independence from the United States.

Because of China's increased presence in the region, financial stake in infrastructure and dependence on the region's natural resources, it may choose to collaborate with the U.S. in some areas where their strategic goals align with America. Possible areas of cooperation are reducing political instability, armed groups, and organized criminal activity in the region. There is very little risk that China will return to a policy of supporting leftist armed insurgencies as it did in the last century.

While China's increasing military influence in the region seems benign, it must be carefully monitored. This paper does not argue that China wants a war or even expects a war with America. However, a nation, and its professional military must plan for all contingencies. It is safe to assume that a professional Chinese military has planned for such a contingency. Besides having allies during a time of conflict, nations depend on natural resources, basing of forces and interoperability with its partners and allies. China is clearly seeking its own partners and allies in the Western Hemisphere. China's military engagement with Latin America has expanded significantly and is continuing to expand. High-level visits by Chinese military officials to Latin America with subsequent visits to China by their counterparts are becoming routine. Officer exchange programs have increased and Chinese military personnel have begun participating in operations and exercises in the region.¹⁶⁸ China is selling weapons in increasing volume and sophistication. The willingness of China to sell arms to countries in conflict with the U.S., such as Venezuela, undercuts the ability of the U.S. to impose sanctions or controls on the arms purchases

¹⁶⁸Ellis, *China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position*, 18.

of such countries. Finally, in the event of hostilities with the U.S., Chinese presence in the region establishes a strategic posture for waging an asymmetric war should it become necessary.¹⁶⁹ In such a context, China would be able to create diversionary crises or conduct disruption operations in close proximity to the United States.¹⁷⁰ China, for example, could close off strategic choke points such as the Panama Canal, or by using the presence of Chinese logistic companies in major Latin American ports, it could disrupt port operations of cargo to and from America. China already controls the ports on both sides of the canal and controls major ports in Mexico and the Caribbean.¹⁷¹

Fortunately, China's military assertiveness at present is concentrated along its periphery in areas such as the Taiwan Strait, the Senkaku/Diaoyutai Islands, and the South China Sea. As part of America's strategy, the U.S. has reassessed its relationships in Asia, even embracing authoritarian regimes in Myanmar and Vietnam to promote trade and check China's growing influence. The U.S. should also look south and reassess the relationship with each country in Latin America. By strengthening these relationships, the U.S. will reduce Chinese influence in the region, develop closer trade ties, and thereby increase its national security.

¹⁶⁹Evan Ellis, "Actividades Militares Chinas En América Latina; ¿Panda O Dragón?," 6.

¹⁷⁰Detlef Nolte, "The Dragon in the Backyard: U.S. Visions of China's Relations toward Latin America," *German Institute of Global and International Studies No. 5*, (2013), 5.

¹⁷¹Evan Ellis, "Actividades Militares Chinas En América Latina; ¿Panda O Dragón?," *Perspectiva* 28, (2012), 6.

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