

A PANDA IN THE NEIGHBOURHOOD:
CHINA'S EVOLVING INVOLVEMENT IN LATIN AMERICA

Cynthia A. Watson, PhD¹
Professor of Strategy
The National War College

The views expressed are purely personal, not those of the National War
College, National Defense University, or any agency of the U.S.
Government.

Draft.

¹ Thanks to Drs. B.D. Cole and Paul H.B. Godwin for their comments on earlier drafts.

The November 2004 Asia Pacific Economic Cooperation summit led to South American visits by Presidents Hu Jintao and George W. Bush. The two leaders attended the Santiago summit but the remainder of their visits could not have been more dissimilar. President Bush stopped at an island off the coast from the Colombian coast near the tourist city of Cartagena where he met with President Álvaro Uribe Vélez in a private setting. His Chinese counterpart, however, took a high visibility journey through several teeming capital cities reminiscent of a rock star tour. Hu's visit was not the first by a Chinese president, but it was certainly watched with much greater enthusiasm in Latin America than previous visits. Was Hu's 2004 South American tour an indication of greatly increased interest by PRC leaders in the region? Was this change reflecting changes in the international system, as well as changes in the PRC priorities and goals? Alternatively, have Chinese leaders been visiting this region in a sustained, deliberate manner over a longer period of time?

My hypothesis is that China and Latin America have a sustained, careful, down-to-earth relationship that has developed over three and a half decades. Hu Jintao's 2004 visit was only the most prominent of a multifaceted set of ties. While a shift from the region's traditional orientation towards the United States or western Europe, it is not an overnight move to allow a hostile force into the western hemisphere. The strength of Sino-Latin American connection could grow stronger over the years ahead, depending on Latin American ties with the United States.

This essay will outline the current state of China's involvement in Latin America.² It will discuss Chinese interests and exchanges with regional governments and militaries, and will discuss Latin American reactions to this change to its relationships. The analysis will conclude with an assessment of the implications for U.S. security and options available to the Washington.

² The paper is the author's views based on field research conducted in 2003-2004 in Taiwan, China and Latin America as well as subsequent interviewing in China during 2005 and 2006 and Taiwan in 2006.

China in Latin America: Reasons for greater Chinese interest

Beijing has shown an increase in interest in Latin America although it remains a region of lesser interest to the People's Republic of China (PRC) than East Asia, Europe, North America, Central Asia, or Africa. Latin America provides some 4% of China's imports while it receives 3% of Chinese exports.³ Chinese involvement in Latin America is not, however, new; it began in the 1960s when Cuba recognized Beijing as the legitimate government of China instead of Taiwan. After that ideological connection, nevertheless, Latin America-PRC ties began with Chile's 1970 and Mexico's 1971 shifts in recognition from Taipei to Beijing. Over the next fifteen years, the other major states⁴ gradually moved from Taiwan to the PRC side regardless of the type of regime in power in Latin America. The question of regime type is noteworthy for what it did not signal: Latin American states, ranging from Argentina's *guerra sucia* governments to Augusto Pinochet's regime in Chile did not let Beijing's communist ideology preclude diplomatic and later financial ties. This reflects the pragmatic nature of the relationship over a relatively long period of time.

China's most important strategic interest is and will remain the United States. Beijing will not cross a line threatening that connection for fear it would jeopardize the economic growth required to sustain the Chinese Communist Party's political monopoly.

³ Jorge Domínguez, Amy Catalinac, Sérgio Cesarín, Stephanie Golob, Andrew Kennedy, Alexander Liebman, Marusia Mussaccho-Farías, João Resende-Santos, Roberto Russell, and Yongwook Ryn, 'China's Relations with Latin America: Shared Gains, Asymmetric Hopes', *Inter-American Dialogue Working Paper*, June 2006, p. 9.

⁴ The largest Latin America states, defined by economic or geographic terms, all recognize Beijing as the government of China. The only states in South and Central America to retain Taiwan diplomatic ties are Paraguay, Panama, Costa Rica, Nicaragua, El Salvador, Guatemala, and Honduras. By no measure can Taiwan claim these are big states. The remaining states of the region transferred recognition between 1972 and 1985.

More resources

As other panels during this conference will emphasize, China's resource needs are increasingly dramatically. U.S. citizens have heard repeatedly that their petroleum prices have increased because of greater Chinese consumption, but this is only one aspect of China's greater resource requirements. As one long-term China watcher noted last month in Hong Kong, 'China's consumption increases are going to make us all reconsider the paradigms we have used on global resources'.⁵

Latin America is a region with significant resources available for global export. Argentina, for example, has substantial uranium deposits as does Brazil. Chile is world-renowned for its copper resources. Brazil has iron ore, bauxite, nickel, and a range of other resources. Bolivia has natural gas as well as petroleum, tin, silver, iron, zinc, and tungsten. Venezuela is known for petroleum, but also has natural gas, bauxite, and iron ore. The region offers a number of the most important of the world's resources attracting Chinese as much as other states' attention.⁶

Many of these resources trade on the international commodity exchanges; direct contracts with the PRC are unlikely to affect Beijing's ability to control supply. China traditionally strives to establish personal relationships with friends and allies. Enhanced ties with Latin America offer a hedge against possible failures of the market in the future.

Venezuela

Much international discussion centers on visible growing ties between Hugo Chávez Frías' government in Caracas and that of China. The reasons

⁵ Meeting with Vision 2047 thinkers in Hong Kong, 15 May 2006.

⁶ U.S. interests in Latin America have been strongest since roughly the last decade of the nineteenth century. While the Monroe Doctrine was declared unilaterally in 1823 and there were attempts to preclude non-U.S. involvement in the region prior to 1890, the overwhelmingly greater emphasis of U.S. concerns with this region—and potentially the resources located in this area—dates to the period when U.S. economic growth had grown to the point that many people in the country feared the United States would run out of the necessary resources, not at all unlike China's position as a growing economy today.

for Chinese interaction with Caracas are straightforward from the Venezuelan side. Chávez Frías has made clear his desire to diminish the U.S. role in the Venezuelan economy, particularly in the petroleum sector which provides the United States a significant portion of its imports. Chávez Frías' virulent nationalism, perhaps better stated as virulent anti-U.S. sentiment, has attracted much international attention as his government tries to demonstrate that the United States exploits Latin Americans and steals their resources. His actions since taking office in late 1998 have included highly public visits with some of the greatest irritants to the United States in the global community: Saddam Hussein and Fidel Castro. Chávez Frías is embracing increasingly powerful China, as that state seeks to enhance its energy connections around the world.

From Beijing's side, however, the ties appear considerably more dangerous. The current CCP leadership's objective is to avoid harming its intricate relationship with the United States, **which helps sustain China's phenomenal economic growth**. Moving overtly and obviously into Washington's traditional sphere of influence would risk the relationship with the United States. Venezuela does offer some petroleum options to China, particularly the orimulsion projects. Nevertheless, Venezuela's petroleum is not the type that the PRC can easily refine, limiting its use to China and restraining Venezuela to meeting a mere 1.1% of the Chinese petroleum needs.⁷ Caracas has sought to buy arms from China but few actual transfers have occurred. Chinese-Venezuelan ties are more noise than actions at this point. And most of the noise originates from President Chávez Frías' desire to alienate Washington, rather than from Chinese aspirations to consolidate power in the region.

⁷ Domínguez *et al*, *Inter-American Dialogue Working Paper*, p. 18.

Cuba

Beijing's actions in Cuba similarly attract much attention for fear that China could establish a 'Taiwan' off the southeast U.S. coast. Their ostensibly common communist ideology is shared by few other states in the world. The bulk of concern about Chinese involvement in Cuba result from the island's proximity to the United States, which enhances opportunities for intelligence collection and possible military cooperation.

The actual history of Cuban-Chinese ties tells a different story, however. Cuba's leader Fidel Castro Ruz has often challenged the CCP's leadership of the global communist realm, particularly emphasizing the corruption of traditional (and now dead) Moscow communism. China was a state that Castro preferred to ignore in the past, while Beijing also saw no particular benefit in tying itself to the island's solitary communist regime.

While Beijing is more confident today, its goal of maintaining good relations with Washington above everything else argues for not engaging intimately with Castro, particularly in the Cuban's final years.⁸ Creating a long, sustaining bridgehead in Cuba would have negative consequences for China, while the advantages of such action are unclear.

Consequences would include dissipating Beijing's current sense of calm about Taiwan's status, weakening any comparison between that island's position near the mainland and Cuba's position near the United States. Washington's inevitable reaction to a Chinese threat off the U.S. coast, would seriously and negatively affect Chinese-U.S. relations.

The uncertainty of leadership succession in Cuba—who follow Castro—is another cautionary factor in China's policy towards Cuba. While some argue that Castro **is** the Cuban Communist Party, a minimum of forty-

⁸ Castro Ruz's demise remains crucial to some in the United States at age 80. Invariably asked in discussions about Castro Ruz's demise, my response is that he will truly die, probably as a result of old age. I cannot predict, however, who will be president of the United States at that time, but I am certain that Castro will finally and ultimately surrender office at that point.

seven years' (if he left the scene this summer, a scenario for which there is no apparent evidence at present) presence would argue for some probable institutionalization of the Communist Party. At the same time, even if communism completely disappears from a post-Fidel island, the nature of the replacement government is absolutely unclear and thus unappetizing to Beijing.

Better ties with Brazil

The most important state in Latin America is Brazil and Beijing is likely to strengthen those ties over the long term for several reasons. Brazil has the largest population in Latin America and, like China, is the largest potential market for Chinese goods in the region. Brazil's agricultural prowess has grown significantly over the years, making it an important source for foodstuff and other products that Beijing is trying to import as it shifts people out of inefficient farming at home. In particular, Brazil is a powerhouse at producing soybeans, a significant foodstuff in Asia.

Additionally, Brazil's location along the equator offers some allure to their joint space program. The two states may pursue greater ties to capitalize on the equatorial location, while providing redundancy for their space programs.

Brazil and China also share a profound sense of frustration that each is the biggest state, by many indicators, in its region but does not receive the 'respect' each believes it deserves from the international community, especially the United States. While arguably the Chinese are gradually receiving their due respect, Brazil remains frustrated with the line 'Brazil is the country of the future and always will be.' Growing ties with Beijing offers Brasilia the opportunity gain the international respect the South American giant believes it deserves. Beijing's increasing interest in ties to the Latin American giant highlights the value it offers the international system and is seen to increase respect. For China, this is a relatively low-cost position, since it can argue that Brazil deserves a permanent seat on

the United Nations Security Council, but does not have to act upon that position since one of the other Perm 5 states (Russia, France, Britain, or the United States) is likely to veto the move.

The 'Down' Side of Sino-Latin American Relations

At the same time, there is economic competitiveness that promotes realism on both sides about this relationship and that with the remainder of the region. Latin American states often produce products that compete directly with those from China, such as textiles.

Greater role as global power

Strengthening ties is a way for Beijing to enhance China's position as a global power. The PRC uses Latin American ties to achieve this goal by championing Latin American desires in the face of U.S. or other state's disapproval. This includes actions such as arguing for Brazil's Permanent United Nations Security Council seat and working for Latin America's ally as a 'third world' state. Taking such positions allows the PRC leadership to highlight their rise beyond the underdevelopment that has characterized Latin American states' conditions over the past hundred and fifty years.

This kind of advocacy role promotes China's position as a third world leader, thereby increasing international respect for the PRC. One of the deepest held views in China, based on admittedly unscientific sample of discussions with interlocutors in the PRC and various writings, is that China is not adequately respected in the international community, a condition blamed on the United States seeking to keep China in a subservient position by thwarting Beijing's initiatives. This view is common among states that have been subjected to external interventions as China was over the years 1842-1949—an era referred to by many Chinese as the Century of Humiliation.⁹ If China assumes a position of global responsibility and

⁹ Some people refer to the 'Century of Humiliation' as lasting beyond the establishment of the People's Republic of China on 1 October 1949, the traditional period under this terminology, through roughly 1999 when inadvertent bombing hit the Chinese embassy in Belgrade.

leadership, such as bringing the Latin American states to a more advantageous position, this enhances the PRC's global power position by providing evidence of China's ability to alter conditions around the world.

The Taiwan Factor

As noted earlier, most Latin American¹⁰ states shifted diplomatic recognition of 'China' from Taiwan to the PRC between 1970 and 1985. Only Paraguay in South America and the six small states of Central America retain diplomatic ties with Taipei. As irritating as is this state of affairs for Beijing, it has made no major moves to eliminate Taiwan's recognition by these states.

Taiwan has had four advantages over China that have contributed to its retention of recognition. First, during the World War (1947-1989), Latin American states generally had strong anti-communist regimes that preferred to side with Chiang Kai-shek in his ideological battle with Beijing between 1949 and his death in the mid-1970s. Communist, Maoist China offered these stridently anti-communist governments no particular reason to abandon Taiwan. Additionally, Taiwan offered two types of assistance especially welcome in Central America on frequent occasions: typhoon and earthquake relief. Taiwan's own experience with these natural disasters enables it to offer expert assistance to Latin American states which suffer similar calamities. Finally, Taiwan's rapid economic expansion during the 1960s, 70s, and 80s allowed it to offer financial assistance for development purposes which this region badly needs.

The advantage that has eroded dramatically because of Taiwan's democratization is financial assistance to its Latin American friends. As a Taiwan government official acknowledged during a 2003 interview, democracy in Taiwan has meant oversight, and oversight has meant that the overt government-to-government assistance and covert under-the-

¹⁰ Latin America, as a scholarly anomaly, includes the Spanish- and Portuguese-speaking states of South and Central America but does not generally include the Caribbean island-states of the French, Dutch or British enclave states in northeast South America.

table payments that Taiwan employed during its years of great economic growth is no longer available.¹¹ Not only is oversight limiting the ability to employ covert actions but Taiwan's lower economic growth after 1999 has left fewer funds available for legal and more questionable payments.

Although Panama, with the canal and its location at the heart of the hemisphere, is the key state, Beijing has not offered economic incentives at its disposal to persuade Panama to abandon Taiwan. In October 2003, Panama and Taiwan signed a free trade agreement that is important to the latter as a sign of its ability to expand 'its international space' that it charges (rightly) Beijing seeks to curb.

China has not managed to terminate Taiwan's foothold in the region. The PRC has not chosen to dramatically increase aid or offer other incentives necessary to convince the remaining pro-Taiwan to shift diplomatic recognition to Beijing. Taiwan officials greatly fear this state of affairs.¹²

Ability to nag at the United States

The bottom line for Beijing remains that the U.S. relationship is more important than any other tie that China has, or is likely to cultivate in the foreseeable future. This does not mean, however, that China is not willing to 'test' the United States to see how secure its ties are with Latin America or to see how far it can act without Washington threatening the intricate relationship between the two states.

Latin America's reaction

Latin American states were initially optimistic and excited about greater Chinese involvement in the region. Latin America, as a generalization, has been seriously disappointed with the U.S. policy in the

¹¹ Interview with Taiwan government official in Taipei, 27 October 2003.

¹² Multiple interviews with Taiwan officials and scholars in Taipei, October 2003, October 2004, November 2005, and with Taiwan officials in Washington, D.C. April 2004 and January 2006.

region over the past decade. The Clinton administration proved unable either to provide ambassadorial rank representation for most of its second term because of bifurcated government control or to get the promised 'Free Trade Zone of the Americas' passed by the Congress, both to the profound disappointment of the Latin American governments which had invested in free market economics and democratic regimes.

Subsequently, the Bush administration's initial commitment to a greater Latin American emphasis in its foreign policy priority was overtaken by the post-911 reactions to the war on terrorism. Latin Americans, especially President Néstor Kirchner in Argentina and other senior leaders across the region believe that Washington has ignored the region's needs, sacrificing Latin America for distant and less important parts of the world. Beijing's policy of enhancing economic and diplomatic ties with the region has soothed Latin American pride in the face of Washington's apparent indifference.

Additionally, China's economic interests in the region, as laid out during Hu Jintao's November 2004 trip, appear especially lucrative. Anticipated investments over the next decade were committed in the range of \$100 million. Subsequent discussions have proven less optimistic or satisfactory, dampening much Latin American enthusiasm. Latin Americans have found China not nearly as likely to provide the investments on favorable terms as originally thought, nor are there indications these investments have fewer 'strings attached' than was true with prior non-Chinese investments.

Based on how close Latin American states are to the United States politically, the region is divided on the likelihood of the Chinese relationship becoming a major one. The current president of Venezuela, with his strident anti-U.S. perspective, teams up with long-standing U.S. adversary Fidel Castro Ruz to welcome enthusiastically Chinese involvement in the region as if it constitutes a defeat for Washington. Presidents Ignacio 'Lula'

de Silva of Brazil and President Michele Bachelet of Chile, both of whom were important target states for Beijing's investments, have proven more circumspect about the likely outcome of unfettered Chinese commitment to the region. Additionally, Brazil and Chile have greater ties with other countries around the world, and thus are not as concerned about China's promises because other options are available.

Some commentaries on Chinese policies with the region have focused on military ties. While Beijing has engaged in bilateral military visits with governments in the region, these are not new. Latin American ties with the People's Liberation Army (PLA) predate Hu's 2004 visit or his predecessor, Jiang Zemin's April 2001 weeklong trip through the region that overlapped with the final stages of the EP-3 incident negotiations. Latin Americans and PLA officers have long exchanged visits as do U.S. officers. Nevertheless, these visits appear to have limited effect and certainly are not a guarantee of weapons transfers or intelligence cooperation. Instead, the likely effect is to give officers of the respective countries the opportunity to meet their counterparts and enhance the national prestige by touting the exchanges.

Latin American military officers have participated in the PLA National Defense University Foreign Officer course since its inception in the 1990s.¹³ In discussions with Latin American officers, their preference is invariably to study at U.S. professional military education installations. Today's Latin American mid- to senior- level officer entered their profession during the period when stridently anti-communist 'national security' views characterized Latin American militaries. These officers retain a virulently anti-communist understanding, including probable antipathy, if not deep

¹³ The author lectured at the PLA NDU Foreign Officer course in December 1998. At that time, there were several Latin American officers present. In response to queries about their presence, NDU officials from the PLA said that Latin Americans have been part of this program since the beginning, along with officers from Africa and the Middle East. These officers appeared to represent nations which did not have invitations to U.S. professional military education institutions, such as Cuba.

suspicion, towards the Communist government in China, regardless of its adoption of relatively market economy.

Two things do appeal to Latin American militaries, however. China is willing to sell arms when the United States imposes restrictions. No one compares the quality of the arms between the two sources, but Washington's desire to impose restrictions to bring about behavioral changes is not lost upon either Latin Americans or Chinese. Venezuela's current growing anti-U.S. sentiment is increasingly pushing it towards Chinese arms.¹⁴

The U.S. Article 98 (the International Court jurisdiction question) issues are a further irritation on the part of Latin America that China does not provoke. The United States has cut off assistance to those states refusing to sign the Article 98 agreements not to prosecute U.S. troops. The Latin Americans see the Article 98 issue as a further manifestation of U.S. violation of their sovereignty while Washington it this as crucial to protecting its interests. China appeals to these states as a partner because it holds a different position on Article 98.

Latin America, in sum, is not as enamored with potential Chinese investment and intervention in this region as it was eighteen to twenty-four months ago. Most Latin American governments have come to understand that China may offer options, but not unfettered opportunities. Similarly, actions by Hugo Chávez Frías make other leaders in the region, as well as in Beijing, pause before leaping to associate with him because of his erratic, confrontational behavior.

¹⁴ Kelly Hearn, 'China's Arms Sales Grow in Latin America', *Washington Times*, 25 November 2005, internet edition, accessed at <http://www.americasnewspaper.com/ME2/dirmod.asp?sid=&nm=&type=Publishing&mod=Publicaitons%3A%3AArticle&mid=8F3A7027421841978F18BE895F87F791&tier-4&id=748CC42D6D704DF3AD28A57FA896DC70>

U.S. Options

Latin Americans are reacting to the reality that they are not nearly as important in the current U.S. calculus as they would prefer. This frustration long predates the George W. Bush administration and will, sadly, long outlast it. Latin America has never captured U.S. interest unless some sort of threat appeared. The United States simply prioritizes its concerns differently than Latin Americans would like. This may be an irresolvable issue but not the focus of this conference.

One of Beijing's primary goals is to sustain the economic expansion so essential to maintaining a critical level of support from China's people. The United States is integral to achieving that goal. China, aware that the U.S. views the western hemisphere as a its 'backyard', will not compromise this primary objective by raising U.S. concerns to the point that domestic pressures would force Washington to attack Beijing's actions south of the border.

At the same time, Beijing is well aware of Washington's preoccupation with the non-Latin American world. Latin America is a place where Beijing's involvement can pay short term dividends at a relatively low cost. Moreover, Beijing is not willing to allow Washington to curtail the increasing reach around the world sought by China's new generation of leaders.

Washington's single most important move in this triangle would be to increase its attention to Latin America. This would require ratcheting down anti-immigration rhetoric dramatically and increasing the discussions of free trade, promised more than a decade ago by Presidents Clinton and George Bush the Elder. These are tremendous irritation points to Latin Americans who view Washington's failure on trade and rhetoric on immigration as virtually racism aimed at the region. Neither of these policy

changes seems probable, however, in the current political environment embracing the final two years of the Bush administration.