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The Dragon in the Backyard: US Visions of China's Relations toward Latin America*

El dragón en el patio trasero: una visión estadounidense de las relaciones entre China y América Latina.

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Resumen

La presencia económica y política de China en Latinoamérica ha crecido desde el cambio de siglo. China es ahora un gran socio comercial de los países latinoamericanos. China es también un gran inversionista en la región y hace poco también se convirtió en un importante líder, en algunos casos, un súper oferente de equipo militar. Los Estados Unidos deben reaccionar al “dragón del patio” teniendo en cuenta que el hemisferio occidental ha sido tradicionalmente una zona de influencia para los EE.UU., y que América Latina es aún un mercado importante de exportación de EE.UU. y destino de la inversión de ese país. Desde 2004-2005, los políticos y los tanques de pensamiento han discutido recurrentemente sobre las implicaciones del aumento de la presencia china en América Latina para los intereses de EE.UU. y su política exterior. Ni

Abstract

The economic and political presence of China in Latin America has been growing since the turn of the century. China is now a major trade partner of Latin American countries. China is also a major investor in the region and quite recently also became an important lender as well as, in some cases, a major supplier of military equipment. The United States has to react to the “dragon in the backyard” given that the Western Hemisphere has traditionally been a US zone of influence, and that Latin America is still a major US export market and destination of US investments. Since 2004–2005, politicians and think tanks have recurrently discussed the implications of the growing Chinese presence in Latin America for US interests and foreign policy. Neither the Bush administration nor the Obama administration saw/sees China as a

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la administración Bush ni la de Obama vio/ve a China como una amenaza mayor en Latinoamérica. Esta también fue la posición de la mayoría de los analistas relacionados con varios tanques de pensamiento de EE.UU. Los intereses de China en Latinoamérica son principalmente económicos —llámense comercio o acceso a recursos naturales—. Mientras que otros observadores ven una competencia por recursos escasos en Latinoamérica, otros enfatizan los potenciales y beneficios económicos de las inversiones chinas para explotar nuevos depósitos en América Latina. El impacto directo de los lazos económicos chinos con Latinoamérica es menos importante que su impacto indirecto: los países Latinoamericanos —incluyendo aquellos que fortalecen los lazos con EE.UU.— pueden actuar con mayor independencia, consecuentemente reduciendo el poder de influenciar sus políticas.

Palabras clave:

China, América Latina, EE.UU., política exterior

Palabras clave descriptor:

Integración económica internacional, América Latina, política internacional, China, Comercio exterior, inversiones extranjeras.

major threat in Latin America. This was also the position of the majority of analysts linked to different US think tanks. China's interests in Latin America are mainly economic namely, trade and access to natural resources. While some observers see a competition for scarce resources in Latin America, others emphasize the economic potentials and benefits of Chinese investments to explore new deposits in Latin America. The direct impact of Chinese economic links with Latin America is less important than its indirect impact: Latin American countries —including those with strained ties with the United States— can act more independently, consequently reducing the United States' leverage to influence their policies.

Key Words:

China, Latin America, US, foreign policy.

Keywords plus:

International economic integration, Latin America, international policies, China, international trade, foreign Investment.

Opposite Approaches and Views in the United States

As Gonzalo Paz (2012) emphasizes, perceived challenges to hegemonic power are almost as important as real ones. Essentially, there are two approaches that can be taken in order to respond to the rise of China (not only in Latin America), and both are linked to major international relations theories. One position starts from the assumption that a conflict between the United States and China is inevitable and that the United States should be prepared to react in time. The counter position is based on the assumption that conflict can be avoided by integrating China into the framework of international institutions created by the West (p. 20).

In his theoretical framework of “offensive realism,” John Mearsheimer (2001; 2005) postulates that great powers strive for hegemony in their own region of reference. At the same time, they try to frustrate other great powers’ efforts to gain hegemony in their respective regions. Great powers do not like peer competitors; they prefer to ensure that several states compete for regional leadership in other regions but not in their own. From a US point of view, it has been a great advantage that, in the past, no state in the Western Hemisphere has posed a serious threat to US security or survival. For this reason, the United States has been free to interfere in the backyards of other potential regional hegemonic powers. Therefore, the United States suspects that emerging regional powers could try to build beachheads in its own backyard. In this context, the growing economic presence of China in Latin America is perceived as a challenge to US security. This is especially the case with regard to the access to scarce raw materials, especially oil. On the other hand, there are suspicions that some Latin American countries, while playing the Chinese card, could take a more independent course in their relations with the United States. The Chinese presence in the Western Hemisphere is perceived as a sign of the erosion of both the power and the geopolitical position of the United States in the region. One should mention that offensive realism is also quite influential among Chinese international relations scholars and their analysis of US policies.¹

The counterposition is best represented by John Ikenberry (2008): “The United States cannot thwart China’s rise, but it can help ensure that China’s power is exercised within the rules and institutions that the United States and its partners have crafted over the last century, rules and institutions that can protect the interests of all states in the more crowded world of the future” (p. 37).

This strategy was applied quite successfully by the Bush administration according to the former deputy assistant secretary of state for East Asia and Pacific Affairs, Thomas J. Christensen (2008): “I would sum up Bush’s strategy toward China as a long-term effort to shape the choices the leadership in Beijing makes about how to use China’s

¹ See Nathan and Scobell.

increasing regional and global influence” (p. 3). Similarly, Charles S. Shapiro, principal deputy assistant secretary of the Bureau of Western Hemisphere Affairs, said the following during a 2005 Senate hearing: “We encourage China to act as a stakeholder in the international system of which it is a major beneficiary. We support China’s engagement in the region in ways that create prosperity and promote transparency, good governance, and respect for human rights”.

Starting from these diverging positions with regard to China’s growing presence in Latin America, the same events can be interpreted quite differently. For example, the granting of an observer status to China in the Organization of American States (OAS) and the Inter-American Development Bank can be seen either as an indicator of waning US influence or as a strategy to integrate China into institutions created by the United States a long time ago. The same is true with regard to participation of Chinese companies and investors in the development of the Panama Canal. In a 2005 Senate hearing, Rogelio Pardo-Maurer, deputy assistant secretary of defense for Western Hemisphere Affairs declared the following:

Now, China is one of the largest users of the canal and fast-growing. I think it is the third largest user. So from what we can tell, it is in their interest to have a canal that works and is dependable and is reliable. So to me the canal is actually a classic example of how bringing China in or helping China become a responsible trading partner, a responsible member of the world trading community, is in our interest. [...] It makes the canal something that they have an interest in cherishing and defending. [...] I am not sure I answered your question by saying that, but the short answer is that the most common concerns that I have seen out there, that because a certain company that has Chinese investors, controls the terminal facilities of the canal, that, therefore, we need to be concerned, that I think is not a concern.

The same conflicting opinions on China’s presence in Latin America can also be seen with regard to China’s acquisition of Latin American oil and participation in the exploration of new oil deposits in the region. On the one hand, a classic critique argues that “every barrel of oil China buys in the Americas means one less barrel of Western hemispheric oil available to the United States market,” making the oil issue “a zero-sum game” (Luft, 2005). On the other hand, a more benign view of Chinese investment in oil exploration in Latin America contends that:

if Washington takes a broad future-oriented perspective, we may be surprised at some of the common interests we share. That list of shared or broadly compatible interests, in my view, includes the following: One, if China invests in oil and energy resources in Latin America when others are not prepared to do so, the PRC is contributing to a larger global

pool of available energy. Latin American oil brought to the surface by Chinese companies or firms or interests probably is going to end up in the United States. (Lampton, 2005)

This positive view of Chinese investment in natural resources is supported by empirical evidence, which shows “that Chinese investment in Latin America predominantly expands and makes more competitive the global resource base. Chinese investors tend to be more willing to take on new frontier projects that others pass up” (Kotschwar, Moran & Muir, 2012).

While the United States tries to shape the behavior of China, the behavior of the US government also influences China's perceptions of the United States' intentions. In the view of most US specialists, China implicitly recognizes Latin America as a US sphere of influence (Ellis, 2012a) and is keen not to produce suspicion in the United States with regard to Chinese motives and intentions. Both governments are interested in avoiding misunderstandings. With the visit of then US assistant secretary for Western Affairs, Thomas Shannon, to Beijing in April 2006, both sides started a dialogue on Latin America. The last round of dialogue took place in Washington in March 2012 between then interim assistant secretary for Western Hemisphere Affairs, Roberta S. Jacobson, and Chinese counterpart Yan Wanming. The sixth round of dialogue is being organized for the current year; it will be the first of the Xi Jinping administration and the first of Obama's second term in office (Paz, 2013). There could be more cooperation in Latin America between the countries in the future.

Some authors go so far as to speak about the possibility of a triangular relationship between the United States, China and Latin America (Arnson & Davidow, 2011). However, this argument ignores the fact that there are more players with stakes in Latin America than only the United States and China. The European Union is still a major economic partner of Latin America, Russia is an important exporter of weapons to Latin America (especially to Venezuela) and Iran is a new actor in the region. There are also more Asian countries with strong trade links to Latin America such as Japan, Korea, Taiwan and, last but not least, India. Moreover, the argument incorrectly transmits the view of Latin America as a unitary actor. Likewise, it is not in the interest of Latin American countries to focus their foreign policy only on China and the United States, or to substitute one hegemon with two hegemons.

Two Cycles of Debate about China in Latin America

There have been two cycles of public and academic debate about China's growing presence in Latin America. The first started in 2004–2005 with numerous publications by US think tanks and academics as well as congressional hearings on the topic. In April and September 2005, both the House of Representatives and the Senate held hearings on

China. The catalyst for the first round of debate was two visits to Latin America by Chinese politicians: President Jiang Zemin's 13-day tour in 2001 and President Hu Jintao's visit to Argentina, Brazil and Cuba following the Asia-Pacific Economic Cooperation (APEC) summit in Santiago, Chile in 2004. President Hu Jintao was seen to have outperformed President Bush with his announcement that China would invest 100 billion USD in Latin America over the next ten years. This statement earned the Chinese president much more press coverage in Latin America than President Bush, who also participated in the APEC summit in Chile. Moreover, China got observer status in the OAS in 2004.

The initial burst of interest in China's presence in Latin America eventually subsided because the United States felt secure with regard to its own strength in Latin America. It was, after all, still the most important trade partner of Latin America, whereas Chinese investment in Latin America was quite small compared to that of the United States. For example, a 2008 study for the Committee on Foreign Relations of the US Senate states that:

after several years of increased Chinese engagement with Latin America, most observers have concluded that China's economic involvement with the region has not posed a threat to U.S. policy or U.S. interests in the region. In terms of economic, political, and cultural linkages, the United States has remained predominant in the region. U.S. trade and investment in Latin America dwarfs that of China, while the future growth potential of such Chinese economic linkages with the region is constrained by the advantages conferred by U.S. geographic proximity to Latin America. (Congressional Research Service, 2008, p. 16)

Nor did the US government perceive a military threat from China in 2004–2005 as Rogelio Pardo-Maurer explained in a Senate hearing in 2005: "There is no evidence of Chinese interest in establishing a continuous military presence in the region, nor is there evidence that Chinese military activities in the Western Hemisphere, including arms sales, at this time pose a direct conventional threat to the United States or its friends and allies".

In the future, however, there might be concerns with regard "to rapidly advancing Chinese capabilities, particularly in the fields of intelligence, communications, and cyber warfare, and their possible application in the region". In general, there have been some concerns that China has been using surveillance facilities in Cuba to intercept US radio and telephone transmissions and to practice cyber espionage.

During the first cycle of debate about China's presence in Latin America, the "Taiwan factor" was an important topic given that (at that time) the region (including the Caribbean) contained 12 of the 25 countries that maintained diplomatic relations with Taiwan. Therefore, it was speculated that China would try to lure away Latin American countries and, as a result, negatively affect Taiwan's international status. This topic later received less attention in the United States because China only achieved some limited

success—that is, Costa Rica ceased to recognize Taiwan—and also suffered setbacks with regard to small Caribbean islands. Today, 11 of the 23 countries that maintain diplomatic relations with Taiwan are still located in Latin America and the Caribbean.

The second cycle of US concern regarding the “dragon in the backyard” started at the beginning of this decade. The US economy had been debilitated by the financial crisis of 2007–2008, while Chinese trade with Latin America was still growing at high rates. Between 2000 and 2011, US participation in Latin American exports and imports went down from 59.7 percent to 39.6 percent and from 50.4 percent to 30.1 percent, respectively. During the same period, Chinese participation in Latin American exports and imports grew from 1.1 percent to 8.9 percent and 1.8 percent to 13.8 percent, respectively. In Brazil (a key country), China overtook the United States as the most important trade partner. In 2011, China was the first or second most important destination for exports in 7 out of 18 Latin American countries (CEPAL 2012). Moreover, trade with China was increasingly supplemented by Chinese investment and Chinese credits. As Gallagher (et al) found (2012): “China has committed approximately \$75 billion in loans to Latin American countries since 2005. China’s loan commitments of \$37 billion in 2010 were more than those of the World Bank, Inter-American Development Bank, and the US Ex-Im Bank combined for that year” (p. 27).

In 2009, China also joined the Inter-American Development Bank. China lends money to countries such as Ecuador, Venezuela and Argentina, which have problems borrowing money in the global financial market. Chinese banks do not attach political conditionality to their loans. However, they do generally tie their loans to the purchase of Chinese goods. Around two-thirds of Chinese loans combined a loan agreement with an oil sale agreement (oil for loans). Chinese loans are also used for infrastructure projects.

Different Types of Challenges for the United States

Taking a broader look at the current perceptions of the challenges that China’s activities in Latin America present to US interests, one can differentiate between economic, military, and geopolitical challenges, on the one hand, and direct and indirect challenges as well as normal challenges and challenges in extraordinary situations, on the other hand. However, in recent documents and declarations, the US government’s reaction to China’s growing presence has generally been quite muted.

In their Key Strategic Issue List for 2012/2013, the US Army War College lists five issues for the Western Hemisphere; one of which is the need to assess the strategic implications of increased Chinese engagement in Latin America. In contrast, the 2012 and 2013 briefings of the Congressional Research Service on Key Issues for Congress in Latin America and the Caribbean do not mention China. Moreover, in an October 2011 hearing before the Committee on Foreign Affairs of the House of Representatives

on Emerging Threats and Security in the Western Hemisphere, China was not a very prominent topic — being mentioned only twice. Responding to one representative's questions as to whether China's activities in the Western Hemisphere were considered a serious emerging threat, Philip Goldberg, head of the Bureau of Intelligence and Research, answered that there were some economic challenges and some minor diplomatic challenges related to the fact that both China and Brazil are involved in the BRICS group. However, China's weapon sales to the region are not seen as a major security problem.

From a broader perspective, however, the delivery of Chinese military equipment to Latin America and Chinese-Latin American military cooperation are seen with mixed emotions. China has increased personnel exchanges and institutional contacts with Latin American militaries and has participated with the military police in the UN peacekeeping mission in Haiti (MINUSTAH) since 2004. Much more important from the US point of view are military sales to Latin America — starting with unsophisticated items such as personal equipment and military clothing, and moving up to more sophisticated military equipment such as aircraft (fighters and transport) and radar and telecommunication systems (also for civilian use). China's main clients have been Venezuela, Ecuador and Bolivia (Ellis, 2011a).

On the one hand, China's donations or sales of military equipment at relatively low prices were perceived as a contribution to the ability of poor governments in the region to assert control over national territory and to confront drug trafficking. On the other hand, the willingness of China to sell low-cost arms to countries in conflict with the US, such as Venezuela, undercuts the ability of the United States to impose sanctions or controls on the arms purchases of such countries (Ellis, 2011a).

However, only in an extreme case of open hostility between the United States and China would China's military cooperation with and weapon sales to Latin America become a genuine security threat to the United States. In such a context, China would be able to create diversionary crises or conduct disruption operations in close proximity to the United States — for example, by trying to close off strategic choke points such as the Panama Canal (Ellis, 2011a) or using the presence of Chinese logistic companies in major Latin American ports. But for the moment, as one specialist argues, "nothing in the public discourse of the Chinese leadership, policy papers, or debates suggests that Latin America is considered in the short term as a base for military operations" (Ellis, 2011a). Nevertheless, the US expectation is that "Chinese military engagement with Latin America is likely to be a growing and enduring part of the regional dynamic" (Ellis, 2011a).

There are some minor concerns with regard to the expansion of ties between organized crime in China and Latin America, especially with regard to trafficking (of humans, narcotics/precursor chemicals, contraband and arms) and money laundering (Ellis, 2012b). But these developments are not blamed on the Chinese government. In general, US and

Chinese cooperation in chemical control and counternarcotic operations is evaluated as positive. In a 2011 congressional hearing, Daniel L. Glaser, assistant secretary for Terrorist Financing at the Department of Treasury, denied there was any Chinese activity in the region that would raise illicit-financing concerns and argued that cooperating with China will be part of the solution for the problem (U.S. House of Representatives 2011).

There have also been criticisms that Washington has been overly complacent with regard to the geoeconomic implications of China's entrance into the Americas and the loss of markets due to Chinese advances in trade and investment (Farnsworth, 2012). However, other analysts see Chinese investments in Latin America as having had a limited impact on US interests. Sullivan (2013), for instance, points out that the United States remains the single largest trading partner for many Latin American countries and that US trade with the region (800 billion USD) was more than three times the amount of China's in 2012. While the purchase of goods from China has, to some degree, displaced Latin American purchases of products from US companies, Ellis (2012a) makes the point that "in many cases US-registered companies actually produce part or all of their products in the PRC or they source components there, increasing the competitiveness of those goods as they sell them to Latin America and other markets".

Nonetheless, deepening economic relations between China and Latin American countries may have an indirect, negative impact on US-Latin American relations (Ellis, 2012a) by undermining the ability of the United States to pursue its agenda in the region. These growing relations with China send the signal to Latin American governments that economic development can be achieved without adhering to Western proscriptions. Regimes hostile to the United States can turn their backs on Western lending institutions such as the International Monetary Fund and World Bank. Thus, countries could sidestep the negative consequences of actions deemed hostile to the interests of the United States and US companies — for example, defaulting on loans or nationalizing industries, amongst other things.

Conclusions

While there are different interpretations of the implications of China's growing presence in Latin America, neither the Bush administration nor the Obama administration viewed/view China as a major threat in Latin America. This is a position shared by the majority of analysts linked to different US think tanks. The United States' loss of trade shares and presence in Latin America is more a result of its own weakness and loss of initiative than of Chinese strength. It is also a result of a changing international economic order. In general, there is a prevailing sense of resignation with regard to China's presence in Latin America, which is well captured in a statement by Stephen Johnson, an analyst from the conservative Heritage Foundation, in a 2005 US Senate hearing:

“In a globalized world, the Monroe Doctrine has declining relevance. Democracies have relations with whom they wish and nation competitors like China cannot be blocked from visiting the hemisphere. However, the United States can be more proactive in consolidating relations with its neighbors and promoting a truly open, competitive marketplace”. More recently, R. Even Ellis (2012a) of the Center for Hemispheric Defense Studies said that “the PRC’s economic presence in and political impact on Latin America will continue. It will remain a permanent fixture of the hemisphere, alongside that of the European Union, India and a host of other extra-regional actors” (p. 13).

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