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## ***China in Latin America: Competition in the United States’ “Strategic Backyard”***

Nele Noesselt and Ana Soliz-Landivar

In May 2013, both China and the United States engaged in high-level travel diplomacy with selected states in the Caribbean and Latin America. Apart from bilateral trade agreements, China and the United States have shifted their engagement with the region toward high politics.

### **Analysis**

China’s increased interest in the Caribbean and Latin America has been deemed a threat to the United States in its “strategic backyard.” However, the complexity of Beijing’s relationships in the region warrants a more detailed analysis.

- After the 9/11 attacks and the US-led “war on terror” in other regions of the world, Latin America did not rank high on the US foreign policy agenda. But since China has become Latin America’s second largest trading partner and has started to establish strategic partnerships in the region, the United States seems to have become more concerned about these developments.
- Latin America is employing a multiangular approach by strengthening its ties with both the United States and China as well as other extraregional partners. In part, this has forced the United States to adapt its strategy accordingly and to offer the region a new type of cooperative partnership.
- China’s interest in the Caribbean and Latin America is still primarily driven by access to resources and markets. However, it has started to upgrade its cooperation with selected states in the region to include issues of high politics. It is building gateways to the region by identifying key players in the region’s territorial subunits.
- Apart from bilateral relations, China has recently turned to regional organizations and institutions.

*Keywords: China, Latin America, interregional cooperation, space technology, strategic backyard*

## Charm Competition?

With the annual session of the National People's Congress in March 2013, the Chinese leadership transition has been successfully completed. Although Xi Jinping – the new general secretary of the Chinese Communist Party and president of the People's Republic of China – visited Russia and Africa in his first trip abroad (where he also attended the annual BRICS summit), his second trip saw him visit Latin America and the United States.

The Chinese state visit to Latin America and the Caribbean took place shortly after US president Barack Obama had traveled to Mexico and Costa Rica and met with the heads of states of the Sistema de la Integración Centroamericana (2–4 May 2013). It also followed US vice president Joe Biden's attempts to strengthen US presence in its "strategic backyard" by visiting to Colombia, Trinidad and Tobago, and Brazil (27–31 May 2013). The destinations on Xi's roadmap – whether by chance or by strategic calculation – also included Trinidad and Tobago, Costa Rica, and Mexico. While China – as it has widely been acknowledged – is bidding for access to energy resources and raw materials to fuel its national economy, the United States seems to be driven by geostrategic and security concerns. The real constellations, however, are obviously not that simple.

Neither the United States nor China exclusively relies on bilateral agreements and strategic partnerships – though this has somehow remained the central dimension for their interactions with selected states in Latin America and the Caribbean. The United States, for example, has established a high-level bilateral dialogue with Colombia on multiple issues (e.g., social inclusion, human rights, energy, and security) (2010) and also supports the "Plan Colombia," a program against drug production. Furthermore, a bilateral free trade agreement (FTA) between both countries came into effect in 2012.<sup>1</sup> But the United States and China have also turned to multilateral regional engagement and have started to strengthen their interaction with regional organizations and institutions. Along this line, the United States is seek-

ing to become an observer in regional organizations such as the Pacific Alliance (Colombia, Chile, Mexico, and Peru). Vice President Biden also attended the Conference of the Caribbean Community (CARICOM)<sup>2</sup> and signed a trade and investment framework agreement (TIFA), which strengthened cooperation in the fields of education, security, and renewable energy between both sides.

Biden's tour ended in Brazil, one of the world's new rising economic power centers. This visit was generally in keeping with earlier high-level exchanges between the United States and Brazil, which started with Obama's visit to Brasilia in March 2011. The United States, once more, asked Brazil to take on more global responsibilities commensurate with the country's new economic power.

Only a few weeks later, Xi Jinping started his Latin America tour to Trinidad and Tobago, Costa Rica, and Mexico (31 May–6 June 2013) before flying to California. Apart from socialist Cuba, with which China maintains a special relationship, Trinidad and Tobago was the first Caribbean country to ever be visited by a Chinese president. This reflects China's flexible approach to foreign relations, which entails a global strategy based on the pluralization and diversification of diplomatic contacts also including smaller states – although relations with great powers and the rising economies are of major importance. A closer look at these bilateral interactions reveals that China's Latin America approach is not just driven by economic interests but also strategic concerns.

Latin America poses an interesting challenge to China's foreign policy principles as the majority of Central American countries still diplomatically recognize Taiwan (the Republic of China). Contrary to usual practice, China maintains strong economic ties with these states and does not impose any sanctions. However, those states that shift their recognition in fa-

1 In Latin America, the United States has established free trade agreements (FTAs) with the Dominican Republic (2006), Chile (2004), and Mexico (1994).

2 The member states of CARICOM are Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. CARICOM associate members are Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands. CARICOM focuses on the energy sector. Other issues include climate change, the Pan Caribbean Partnership against HIV/AIDS, UWI-Caricom, Information and Communication Technology for Development, and, finally, CARICOM/Cariforum Food Security.

vor of China are highly rewarded. While Trinidad and Tobago was among those that established diplomatic contacts with China in the 1970s, Costa Rica is an example of those states that have become co-opted and now officially recognize Beijing's "One China" policy. In return for Costa Rica's change of stance, China invested heavily in local infrastructure by constructing hospitals, schools, and roads. Following the examples of Chile and Peru, Costa Rica was the third Latin American country to sign a FTA with China, which came into effect in 2011. During his visit in May 2013, President Xi announced that China would invest 3 billion USD in loans in 10 Caribbean countries and Costa Rica in the years to come.

China is also utilizing a multilateral approach. In 2008, for instance, China became a member of the Inter-American Development Bank (IDB), thus enabling China to invest in large regional infrastructure projects. China has also become a member of the Organization of American States (OAS). Moreover, being a socialist country, it actively supports the Bolivarian Alliance for the Americas (ALBA) and has provided more than 50 billion USD in loans for the alliance's two leading countries: Ecuador and Venezuela. In addition, China is looking to strengthen relations with the recently created Comunidad de Estados de América Latina y el Caribe (CELAC). During Xi's official state visit in June 2013, he also met with the following members of CARICOM: Antigua and Barbuda, The Bahamas, Barbados, Dominica, Granada, Guyana, Surinam, and Jamaica.

Mexico, which Xi had previously visited as China's vice president in 2009, was his final stop in Latin America. In June 2013, Xi Jinping and the Mexican president Peña Nieto signed the "Pacto Tequila," thereby deepening political dialogue and further institutionalizing the two countries' commercial interactions. In the past, bilateral relations had been overshadowed by competition for export markets and growing trade imbalances. Even though China and Mexico had signed a strategic partnership in 2003, Mexico continued to act against Chinese interests in the World Trade Organization (WTO) for fear of losing its privileged position in the US market. The election of a new Mexican government in 2013 provided an opportunity to relaunch the partnership. Mexico is

not only among the group of catching-up economies, it is also a member of the Trans-Pacific Partnership (TPP) – thus integrating it with North America, Japan, and South East Asia. China, which is not a member of this organization, might have a strong interest in maintaining close contact through strategic partnerships with selected TPP member states (Kahn 2013).

In the eyes of some Latin American countries, China offers an alternative to condition-based cooperation as practiced by the United States. For instance, programs run by the US Drug Enforcement Administration (DEA) with Andean countries see the latter required to reduce coca leaf production in exchange for economic cooperation. By positioning themselves as members of the developing world, Chinese politicians have managed to reduce threat perceptions among the Latin American countries. Instead, interactions are presented as win-win constellations, with China investing heavily in local infrastructure and health in return for access to resources and raw materials; Beijing does not openly pursue any kind of norm export or transfer of its own political system.

### **The Red Dragon in Latin America**

China's trade with Latin America has increased exponentially over the last few years, amounting to about 261 billion USD in 2012. China has become Latin America's second largest trading partner and is likely to soon become its second biggest investor. Chinese investment strategy has also undergone a twofold transformation. First, investment previously flowed in the direction of the Caribbean tax havens of the Cayman Islands and the British Virgin Islands during the 1990s, which received about 90 percent of Chinese foreign direct investment (FDI) in Latin America. The focus then shifted to investment in the exploitation of energy and resources (e.g., copper, iron ore, oil) and, later on, in the automobile and telecommunication sectors (Rosales/Kuwayama 2012:107). Second, while Chinese investment originally focused on bilateral relations, it now includes multilateral channels. In March 2012, the IDB and China jointly announced a plan to invest 1 billion USD in Latin American markets. According to

the IDB, Chinese state-owned banks provided loans to Latin America totaling 75 billion USD between 2005 and 2010.

Apart from energy resources (still China's biggest investment area in Latin America), China is also interested in agricultural products given its huge population and subsequent dependence on food imports. Argentina has become a central partner in China's food supply chain, with the major share of its grain, soybean, and meat production being exported to China. During the visit of Chinese vice president Li Yuanchao in May 2013, Argentina and China signed four new agreements covering not only agriculture and resources, but also the field of science and technology. Since 2004, both countries have recognized each other as strategic partners.

Likewise, Venezuela and China have developed their bilateral relationship around energy and agriculture cooperation. In 2001, the two countries signed a strategic partnership, which was followed by the establishment of a Sino-Venezuelan commission for high-level exchange. Through the Sino-Venezuelan Joint Financing Fund, China provides the Venezuelan regime with financial support for economic and social development projects. In fact, Venezuela is the main beneficiary of Chinese infrastructure projects in Latin America.

Furthermore, China has been pursuing a soft power approach (opening Confucius Institutes<sup>3</sup> and offering material incentives such as credit lines and investment into local infrastructure) to win the hearts and minds of its Latin American counterparts. Quite recently, Xi Jinping coined a new visionary concept for world politics, the "Chinese Dream," which he defined in the following terms: "By the Chinese dream, we seek to have economic prosperity, national renewal and people's well-being. The Chinese dream is about cooperation, development, peace and win-win, and it is connected to the American dream and the beautiful dreams people in other countries may have."

In China's official rhetoric, this is a shared dream that reflects the demands and hopes of the rising economies to be accepted as equal

partners in global affairs. Xi's statement thus resonates with his cooperation partners' own development interests and thus increases China's symbolic value as a reliable partner and advocate of this joint "dream" of wealth and power.

## Space Quest

China's engagement in Latin America also includes a strategic dimension: cooperation in aerospace technology. This aspect of China-Latin America relations (cooperation between China and Brazil started in the 1980s) has long been neglected in academic research, and think tank analysts still disagree on how to interpret the spillover of this strategic cooperation to issues of high politics. While some predict that these joint space programs will pose a threat to US national security (Ellis 2010), others argue that Chinese-Latin American space cooperation does not follow any global ambitions but is mainly driven by national development interests (Delgado-López 2012:8). Although, space programs developed by Latin American countries with China are unlikely to constitute a direct threat to the security of the United States, they do have implications for the competitiveness of countries and companies that operate in space.

Brazil has established the largest aerospace program in Latin America. The country signed a cooperation agreement in the field of aerospace with the United States in 1983 and China in 1988. The first outcome of the China-Brazil Earth Resources Satellite (CBERS) program was the launching of a satellite in October 1999, with over two-thirds of the construction work being carried out by the Chinese. In 2000, both countries agreed to develop a second generation of satellites through the CBERS program. They also set up a joint venture, the International Satellite Communication Company (INSCOM). At the same time, however, Brazil attempted to become more independent of the United States and China by cooperating with Russia in order to establish its own satellite launch site in 2004.<sup>4</sup>

<sup>3</sup> So far, Confucius Institutes have been established in Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Mexico, and Peru. These institutes promote the Chinese language and culture abroad and provide a forum for cultural exchange.

<sup>4</sup> "Memorando de Entendimento entre o Ministério da Ciência



Another example of Chinese investment and cooperation in aerospace is the memorandum of understanding on aerospace technological cooperation it signed with Venezuela in January 2005. This agreement includes research cooperation, development of the satellite industry, TT&C cooperation,<sup>5</sup> and professional training in operating satellites provided by the Chinese. In 2008, Venezuela set up the Bolivarian Agency for Aerospace Activities (ABAE) with China as its preferential partner. Cooperation frameworks were signed with Bolivia (2011), Brazil (2008), India (2005), and Uruguay (2005). With the help of its Chinese partner, Venezuela launched its first two satellites in 2008 (Venesat-1) and 2012 (VRSS-I). So far, Venezuela's cooperation with China has included the launching of these two satellites, the construction of two ground stations in Venezuela, and professional training. The majority of students enrolled in this training program have studied in China (90), India (38), and Brazil (14) (Acevedo/Becerra/Orihuela/Varela 2011:177).

It should be noted that until 2008 Argentina and Brazil were the only states in Latin America that had their own satellite agencies. The newcomers in the field are primarily those countries ruled by leftist governments that are seeking to decrease their dependence on the United States. Bolivia, Nicaragua, and Venezuela have all contracted the China Great Wall Industry Corporation for the development and control of satellites; Nicaragua negotiated with the same company over the creation of the Nicasat-1 satellite. The cooperation and exchange of data between the Latin American aerospace nations is a central element of these countries' dream to become more autonomous players in the regional and global context. Bolivia has already announced plans to sell 20 percent of its satellite images to other Latin American countries.

In their initial stages, Latin America's satellite programs heavily relied on technology cooperation with the United States (as in the case of Argentina) or European countries like France (as in the case of Brazil). However, there was no

transfer of technology as relations were limited to buyer-seller contracts. This changed when some Latin American countries started to nationalize the telecommunication sector and to launch their own technological initiatives. Although European and US telecommunication companies are still present in the region, Chinese companies<sup>6</sup> have recently concluded preferential contracts with Argentina, Bolivia, Brazil, Nicaragua, and Venezuela. China's support for Latin America's space technology includes investment in satellite construction, the launching of satellites from Chinese launch sites, and professional training of satellite operators.

Latin America's new multilateral efforts to set up a homegrown space program can be traced back to a meeting of the Union de Naciones Sudamericanas (UNASUR) member states' defense ministers in Lima in November 2011. Joint space programs (based on shared knowledge and joint investment), as the Argentinian defense minister stressed, would reduce production costs and Latin America's dependency on external suppliers.

### **Strategic Triangles and Cross-Regional Cooperation**

Latin America, as the above-described development shows, is trying to decrease its overdependence on the United States and its traditional partners by setting up new regional institutions and organizations that facilitate the pooling of knowledge and resources and the reduction of transaction costs. Moreover, for technology transfer and financial support, these states are turning to China. However, this development – with the exception of Venezuela and some ALBA countries – does not indicate the substitution of one preferred cooperation partner for another. Latin America is adopting a multiangular approach, maintaining relations with a multitude of actors to safeguard its newly acquired autonomy.

Interactions between China and Latin America are primarily driven by national development interests. In China's case, this is the ac-

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e Tecnologia da Republica Federativa do Brasil e a Agencia Federal Espacial a respeito do Programa de Cooperacao sobre Atividades Espaciais," signed in Brasilia, 12 November 2004.

5 Telemetry, tracking and control (TT&C): <http://satellites.spacesim.org/english/anatomy/ttc/index.html>.

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6 In the satellite sector, the China Great Wall Industry Corporation agreed the sale of satellites to Bolivia, Nicaragua, and Venezuela.

cess to resources and support for its interests in international institutions; in Latin America's case, access to credits, technology transfer, and joint infrastructure projects. These projects thus do not directly target any third-country interests. However, the new presence of Chinese companies and investors in the region might trigger an increasingly fierce competition for access to markets and resources. China's new role in Latin America illustrates the country's successful rise to great power status. With regard to its rapid economic growth and "going out strategy," some observers have predicted an unavoidable clash between the United States and the emerging Asian giant (Brzezinski/Mearsheimer 2005). Globalization and both players' involvement in external regions have created a scenario where any such confrontation is unlikely to be the result of conflict on the bilateral level between China and the United States directly, but rather stem from clashes over claims in these players' respective strategic backyards: Southeast Asia and Latin America.

The current Sino-US scramble for Latin America reveal that the United States, which partially reduced its engagement in its neighborhood after 9/11 due to its commitment to the war on terror, is increasingly concerned about losing its grip on one of its historical spheres of influence. Similar to China, which has proclaimed a new kind of great power relations and announced its strategy to pay special attention to partnerships with rising economic powers, the United States is courting the rising regional power center in their immediate neighborhood: Brazil. Current diplomatic offers include far more than trade and economic issues. During his May 2013 visit to Rio de Janeiro, Vice President Biden not only signed agreements on energy, space cooperation, and defense, but also talked about 2013 as the beginning of "a new era of US-Brazilian relations" (Biden 2013). Cooperation has thus witnessed a spillover into the field of high politics.

Latin America's new multiple cooperation opportunities have strengthened the region's independence and its integration process. Cooperation with international partners has provided the basis for these countries' technological modernization, while the intraregional coordination of aerospace technology might

serve as a catalyst for further regional institutionalization. However, cross-regional alliances (i.e., between China and selected Latin American states) will remain limited to sector cooperation and will not result in a new axis in world politics. One should not forget that disagreements between Brazil and China are likely to persist despite all efforts to formulate joint positions through the BRICS framework. For example, Brazil did not back China's position in the so-called currency war with the United States, but pushed China to allow a faster appreciation of the renminbi.

One recent development trend, however, that will have to be further observed in the forthcoming years is China's and the United States' pursuit of a multidimensional approach to other world regions – which includes strengthening bilateral relations with selected partners, establishing gateways to subregions (in Asia, Latin America, and Europe) by courting those states that are seen as the most powerful representatives of these subregions, and turning to engagement with regional institutions and organizations. The latter groups serve as new "regional" dialogue partners that allow both China and the United States to interact with selected groups of Latin American states instead of spending time and resources to address each state independently. This, again, might contribute to the further institutionalization of the region's community-building efforts in the long run.

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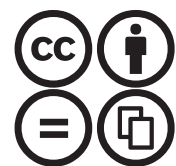
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