The Strategic Dimension of Chinese Engagement with Latin America

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The opinions, conclusions, and recommendations expressed or implied in this paper do not necessarily reflect those of Dr. William J. Perry, the Perry Center, or the US Department of Defense.

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With the publication of this volume, the William J. Perry Center for Hemispheric Defense Studies presents the first of the Perry Papers, a series of stimulating thought pieces on timely security and defense topics of global proportions from a regional perspective. The Perry Papers honor the 19th Secretary of Defense, Dr. William J. Perry, whose vision serves as the foundation for the first three of the five current regional security studies centers.

Dr. Perry has espoused the belief that education “provides the basis for partner nations’ establishing and building enhanced relations based on mutual respect and understanding, leading to confidence, collaboration, and cooperation.” The faculty and staff of the Perry Center believe strongly in the same principles. “Mens et fides mutua,” the Latin phrase that means “understanding and mutual trust,” serves as the motto for the Perry Center and motivates all that we do. This paper series will form an important part of our effort to assist and strengthen the regional capacity for cooperation and collaboration on a global scale.

The emergence of China as a prominent actor in the Western Hemisphere has given rise to many different interpretations and prescriptions. The Perry Center inaugurates this new series with an insightful and wide-reaching collection of studies by Dr. R. Evan Ellis, focusing on China’s growing influence and interaction in the Western Hemisphere and what it means for the future geopolitics of our region. In *The Strategic Dimension of Chinese Engagement with Latin America*, Dr. Ellis, one of the foremost experts on China and Latin America and a professor of National Security at the Perry Center, provides in-depth analyses of a variety of aspects of China’s ventures in the hemisphere. We welcome your comments and observations on this work.

Kenneth LaPlante
Perry Center Acting Director
For almost a decade, my career has been defined by following, writing about, and speaking in public forums on the expanding engagement by the People’s Republic of China with Latin America. While there has been a flowering of scholarly works on the economic and political dimensions of this engagement, its impact on the strategic environment of the region has remained an open question. There is certainly no shortage of works that assert that “Red China” is a threat or, alternatively, that the PRC is merely pursuing “win-win” relationships in the region, guided by the five principles of peaceful coexistence, and of no threat to anyone. Whatever the merits of these individual works, there is almost no scholarly literature analyzing in detail the “strategic” dimension of PRC engagement with Latin America. Nor is there clarity regarding what the “strategic” dimension of that engagement actually is.

The present work is designed to fill that void. It brings together in one place essays on those aspects of the expanding PRC engagement with the region relevant to scholars who study issues of defense and security in Latin America, including chapters on how engagement with the PRC is impacting political dynamics within and between states in the region; the question of Chinese “soft power”; activities by Chinese companies and the Chinese government in strategic technology sectors; military-to-military engagement; emerging trans-Pacific organized crime ties; and the question of whether the web of relationships between the US, the PRC, and the countries in the region should be characterized as a “strategic triangle.” Although versions of many of these works have been published previously, the present volume updates, extends, and integrates them, as well as provides new material.

The objective of this work is not to argue whether PRC engagement with Latin America is, on balance, positive or negative, but rather to serve as a reference for scholars and practitioners interested in both the security and defense of Latin America and the impact of the “rise of China” on the global order more broadly.

I would like to acknowledge and thank the William J. Perry Center for Hemispheric Defense Studies (CHDS) for providing the time and resources to bring this work to fruition. I would also like to thank Dr. Howard Wiarda for his mentorship in this process, and for encouraging me to find the time to complete this work.

I would like to specially thank the CHDS interns who made import-
ant contributions to the research and editing of this volume—in particular, Eric Skidmore, Karinne Smolenyak, and Florian Decludt.

The opinions expressed in this work are mine alone, and in no way reflect the position of Dr. William J. Perry, the Perry Center, the National Defense University, or the US government.

Notes


Chapter 1

INTRODUCTION

Overview

What are the strategic implications of China’s engagement with Latin America for the US and for the region?

The question was perhaps first elevated to the attention of senior US government officials and political leaders with the January 1997 award to the Chinese firm Hutchison-Whampoa of a 25-year renewable concession to operate container shipping terminals on both the Atlantic and Pacific sides of the Panama Canal. Although this storm passed in terms of political and media attention, the issue again came to the forefront in 2004 with the five-nation trip of Chinese President Hu Jintao to Latin America in conjunction with the Asia Pacific Economic Cooperation (APEC) leaders’ summit in Santiago, Chile. President Hu’s trip included announcements of tens of billions of dollars of proposed Chinese projects as he proceeded through the region en route to the summit, and also highlighted the People’s Republic of China’s (PRC) exponentially expanding commercial engagement with Latin America, including bilateral trade that had expanded from $14.6 billion in 2001 to $49 billion by 2005, and would surpass $238 billion by 2011.

While the vast majority of Chinese activities in Latin America during the past decade have been commercial in character, governments hostile to the US in the region, such as that of the late Hugo Chávez in Venezuela, Rafael Correa in Ecuador, and Evo Morales in Bolivia, have publicly trumpeted the PRC as an alternative to the US and Western institutions in the region. Beyond fiery rhetoric, however, the export revenue, loans, and investments that these regimes have received from the PRC have helped to finance, and thus to sustain, their “Bolivarian Socialist” projects.

For virtually all countries of the region, and particularly Costa Rica, Panama, the Caribbean, and the nations of South America, expanding commerce with the PRC, including trade, loans, and investments, were powerful drivers of their increasing projection into the world economy. Indeed, for many of these states, expansion of economic ties with the PRC fueled an expansion and re-orientation of trade and physical infrastructure away from the US, and toward multiple global markets with heightened emphasis on the Asia-Pacific region.

In the political realm, a corresponding expansion of interactions with
Asia also fueled the development of new linguistic and subject-matter competencies for dealing with China and other Asian nations in national diplomatic corps.\(^8\) Such changes, in turn, both reflected, and helped to enable a process in which Latin American countries were developing a more diverse array of foreign relations beyond the region, including ever deeper, more multifaceted relationships with Asia. As a natural consequence, such processes also diluted to some degree the attention that Latin America had historically given to the US (both positive and negative). This shift in the position of the US from being the primary point of reference for the region to being one voice among many, in turn, has implications for efforts by the US to pursue its policy agenda in the region, including promotion of its vision in areas such as democratization, human rights, and free trade.

The dynamics associated with China’s expanding engagement in Latin America reflect broader changes in the global order associated with what has popularly been referred to as the “Rise of China.”\(^9\) Although the collapse of the Soviet Union by 1991 freed the United States of the geopolitical rivalry that had dominated its strategic outlook since World War II, it refocused attention on a more diffuse array of strategic challenges facing the country.\(^10\) Even during the brief “honeymoon period” of the 1990s,\(^11\) from the disappearance of the Soviet threat until the advent of the “global war on terrorism” (GWOT),\(^12\) the growing economic, technological, and military capabilities of the PRC caused some in the US national security community to question whether the US-Soviet rivalry of the Cold War would be replaced by a new geopolitical rivalry between the US and China.\(^13\)

The possible emergence of such a global competition, however undesirable, shapes the interpretation that the US national security community gives to China’s expanding engagement with Latin America and the rest of the world. Because of the shadow of such a possible emerging global competition, assessments of Chinese activities in Latin America and elsewhere necessarily consider not only whether such activities are predominantly military or economic in character, but also the question of Chinese intent toward the United States and the region over the long term, and how Chinese behavior may change as it transitions from dealing with the hemisphere from a position of weakness, to one of increasing strength. Moreover, such analysts must ask not only whether Chinese activities present immediate challenges to the national security interests of the United States or its neighbors in the Western Hemisphere, but also how such engagement, over time, expands and improves the strategic options available to the PRC globally, should the relationship with the United States degenerate into something more hostile than it is today.

With virtual unanimity, US senior officials in both Republican and Democratic presidential administrations who have addressed the issue of China’s
engagement with Latin America during the past decade have found that these activities posed no direct or immediate threat to the United States or its neighbors, although they have raised concerns about their transparency, and whether the nature of these interactions, on balance, will be beneficial or destabilizing to the region.  

As noted previously, the documentation of Chinese “strategic” activities in the open press has been incomplete at best, scattered among numerous journalistic sources in multiple languages, and hampered by the lack of consensus between scholars regarding what, if anything, associated with the Chinese engagement, should be regarded as “strategic.”

Chinese sales of major military end items to Latin American countries are reasonably well documented in the Latin American and Western press, as are visits by senior military leaders, satellite launches, telecommunications infrastructure projects, the award of port concessions, and other transactions that have “raised concerns” within the US and the West. As noted previously, Chinese activities such as Hutchinson-Whampoa’s operation of facilities on both ends of the Panama Canal, and the alleged Chinese presence in Cuban signals collection facilities at Lourdes, Bejucal, and Santiago de Cuba, are cited anecdotally as examples of a “strategic threat” to US interests in the Western Hemisphere.

What has been lacking, however, is an authoritative work in the open press documenting the range of Chinese activities in the region of interest to the national security community, within an analytical framework that suggests what the strategic implications of those activities might be. This work addresses that need, providing an unclassified analysis of aspects of PRC engagement with Latin America of particular interest to the defense and security community, both in the US and in Latin America. Although it is written for an audience interested in Latin American security affairs, however, it is also designed to be of interest to broader audiences, including scholars and policymakers following the rise of China more broadly, the US-PRC relationship, and general issues of security affairs and international relations.

By documenting and analyzing the strategic dimension of China’s relationship with Latin America, this work deliberately avoids the question of whether that relationship is inherently a threat to the US, its neighbors, or its interests in the region. Nor does it address the issue of whether the PRC has a “right” to engage in such activities. Rather, it seeks to establish, in a dispassionate form, what is happening and what the strategic implications are for both the US and the region.

Framework

In the contemporary globally interconnected world, virtually every aspect of China’s engagement with Latin America directly or indirectly impacts the de-
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Defense and security environment in the Western Hemisphere. The term “strategic” immediately calls to mind China–Latin America military engagement, which has been cautiously expanding, including not only arms sales, but also personnel exchanges for training and professional military education, as well as humanitarian deployments in the region.

Indirectly, expanding commercial interactions between the PRC and the region has also generated undesirable side effects that fall squarely within the province of security and defense, including expanded criminal ties in areas such as extortion of Chinese communities in Latin America, human trafficking, contraband goods, drugs, and precursor chemicals, money laundering, and arms trafficking.

Beyond such “direct effects” on the security environment of Latin America, however, commercial competition from Chinese manufactured goods in the region and in its traditional export markets such as the United States affect competing Latin American firms and contribute to people losing their jobs, augmenting hardship and social tension, even while creating opportunities in other areas through the process that economist Joseph Schumpeter once called “creative destruction.” Similarly, Chinese loans and investments in Latin America and the Caribbean tend to focus on large projects centered on negotiation between the commercial entities that control the capital, and Latin American government entities who ultimately decide who gets to do the work—a natural breeding ground for corruption. The social displacement and corruption generated by these processes, in turn, augments the challenges of governability across the region.

On the other hand, revenue from expanded exports to the PRC, in combination with new Chinese investments on the ground in the region, create jobs and put increased revenues from taxes and royalty payments into the hands of Latin American governments. Such resources, in turn, may help to fund police and military forces in the region to combat crime and provide for citizen security, as well as fund development and social programs that contribute to security in the region more broadly. PRC economic engagement with Latin America can thus have both a positive and a negative impact on the security environment of the region, with the balance depending on the details of each case.

Another dimension of China’s impact on the region’s security environment is that some of the PRC’s most intense relationships in the region, involving the greatest flow of loans, investments, and export revenues benefitting the Latin American partner, have gone to those nations whose political orientation is most stringently anti-American, including Venezuela, Ecuador, Bolivia, and Argentina. Although the PRC has been very cautious not to associate itself with the anti-US rhetoric and activities of these regimes, its loans to them and its assistance to them in developing, then buying, their primary product exports, has
indirectly sustained the pursuit of domestic activities by these regimes that the US and other Western nations consider questionable. By extension, it has thus also contributed to their attempts to influence their neighbors and undermine the US policy agenda in the region as a whole, ultimately shaping the security environment of the region in ways that US policymakers would not regard as positive.

As suggested by the impact of Chinese engagement on the nations of the Bolivarian Alliance for the Americas (ALBA), but even more broadly, PRC engagement with Latin America has transformed, and continues to transform, the way that Latin American states commercially and politically relate to each other. For states on the Pacific side of the continent, the PRC has become a cornerstone of emerging new national strategies for positioning their countries as commercial gateways between Latin America and the Pacific. It thus indirectly played a key role in the formation of the “Alliance of the Pacific,” formally launched in a meeting at the Paranal Observatory in Chile in June 2012, to include Chile, Peru, Colombia, and Mexico as founding members and Panama and Costa Rica as observers.19

In a similar fashion, the prospect of doing business with the PRC, in combination with funding from Chinese banks and investors, is transforming the infrastructure of the region, with the expansion of Pacific coast ports and a myriad of new highway and rail projects principally aimed at facilitating the connection of the continent with the Pacific. Projects include upgrades to existing roads and other transportation systems to create new “Bi-oceanic” corridors from Ecuador, Peru and Chile into Brazil. In the process, the desire to “connect to Asia” has opened up previously isolated areas of the continent not only for legitimate traffic, but also for criminal activity, even while increasing the possibilities for social conflict stemming from expanded interactions between previously isolated indigenous communities, new migrants, and opportunistic criminals.

For states on the Atlantic coast of the continent such as Brazil, trade with and investment from the PRC has created new interests in its neighbors. For Brazil, whose relationship with the continent has historically displayed a complex pattern of isolationism and exceptionalism punctuated by engagement, neighboring states with access to the Pacific such as Peru, and even those states physically collocated between Brazil and Pacific coast ports, such as Paraguay and Bolivia, occupy an increasingly important role in Brazil’s evolving strategic vision of its neighborhood.

As shown by the examples given in the preceding paragraphs, there is virtually no area or transaction between China and Latin America that can be excluded from a truly exhaustive concept of aspects of China’s engagement with the region relevant to defense and security analysts. Indeed, the importance of China in the economic realm, combined with the interconnectedness of security
issues with economic ones, argues that the defense and security community must continue to examine such issues in order to do an adequate assessment of the impact of the new engagement with China within their area of focus.

Organization

The issue of the strategic dimension of Chinese engagement with Latin America is addressed in the following seven chapters:

Chapter two contains an analysis of how the PRC has impacted both the internal dynamics of the states of the region, and how they relate to each other. While many of the dynamics discussed are political and economic in nature, the chapter lays the groundwork for understanding how the PRC is transforming the strategic landscape of Latin America, as a building block for the discussion of issues more traditionally associated with security and defense in subsequent chapters.

Chapter three takes up the question of Chinese “soft power.” It argues that such power is frequently underestimated because of the application metrics derived from an understanding of US soft power in the region. It further maintains that when Chinese soft power is assessed according to its true sources—hopes for Chinese investment and access to Chinese markets, and the diffuse but compelling concept of the PRC as an emerging global contender—the PRC is shown to have significant leverage over Latin American decision makers and publics, with consequences for US attempts to advance its agenda in areas such as democracy, free markets, and human rights. The chapter also examines dilemmas confronting the PRC in using that soft power as the increasing physical presence of Chinese companies on the ground in the region creates an expanding array of needs for the PRC to protect its companies and personnel in the region.

Chapter four examines PRC commercial activities in the region in three sectors that may be considered “strategic”: telecommunications, space, and logistics. It argues that the Chinese construction of telecommunications and space infrastructures in Latin America is significant. It notes, on one hand, that there is little public evidence that the Chinese are currently encouraging the development of such sectors for nefarious purposes, but that, in time of conflict with the United States, such infrastructures could afford important strategic benefits to the Chinese.

Chapter five examines China–Latin America military interactions. The analysis is concentrated on three areas: senior-level visits and personnel exchanges, military sales to the region, and the physical presence of the Chinese in the region through bilateral exercises and similar activities. It argues that the primary benefits of such interactions are the development of business in sectors of strategic importance for the Chinese, as well as helping the PRC to build valued relationships with the military as a key Latin American institution. It notes
that although the Chinese have been very cautious not to develop formal basing agreements or military alliances that appear oriented against the United States, the institutional knowledge and relationships generated by these activities must be considered from the perspective of how they impact the strategic positioning of a world in which the PRC and the US may find themselves confronting each other.

Chapter six looks at emerging organized crime ties between the PRC and Latin America in six areas: extortion of Chinese communities, human trafficking networks, drugs and precursor chemicals, contraband goods, money laundering, and weapons trafficking. It argues that such ties are a natural byproduct of increasing commercial interactions between the two regions. It further asserts that such interactions, currently modest, could expand rapidly in the future due to the relative lack of capabilities within Latin American law enforcement to penetrate Chinese communities and follow-technical leads across the Pacific.

Chapter seven examines the question of the interrelationship between the PRC, the United States, and the countries of Latin America as a “strategic triangle.” It asserts that the often used triangle metaphor is deeply flawed, and its use may contribute to a mistaken understanding of the regional dynamic, as well as poor or even counterproductive policy prescriptions. Nevertheless, it acknowledges that, if its analytical limitations are consciously acknowledged, the triangle concept is useful in orienting analysts and policymakers to the interdependencies among China, the US, and Latin American actors, as well as areas of potential collaboration between them.

Chapter eight summarizes the findings of this work and provides a series of recommendations for US policymakers focused on a bold proposition: given the likely persistence of the PRC as a major global actor and that efforts to “contain” the PRC in Latin America are likely to be counterproductive, it is in the long-term strategic interest of the United States to help bring the PRC into Latin America as a constructive partner in a way that reinforces key norms, security, and developmental goals of the region.

Notes

1 The 25-year concession was awarded to Hutchison-Whampoa in January 1997 in Panama Public Law No. 5. See Constantine C. Menges, China: the Gathering Threat (Nelson Current, 2005): 396.
2 See, for example, “Foreign Minister Li Zhaoxing Comments on the Fruitful Results of President Hu Jintao’s Trip to Latin America,” Ministry of Foreign Affairs of the People’s Republic of China, November 26, 2004.
4 Direction of Trade Statistics Yearbook, International Monetary Fund (2012), 924.
During his 2011 visit to the PRC, for example, Morales proclaimed that “China is a country so great that from here, I can imagine that within a short time, the United States will be a colony of China.” “Evo anuncia siete convenios con China,” *Los Tiempos* (Cochabamba, Bolivia, August 16, 2011). During a trip to China, Venezuelan president Hugo Chávez claimed that the South American revolutionary hero Simon Bolivar and the Chinese revolutionary leader Mao Zedong would have been “great friends.” See Alberto Alemán Aguirre, “Relaciones que saben a petróleo,” *El Nuevo Diario* (Managua, Nicaragua, August 15, 2012). Similarly, during his January 2009 trip to China, Morales exuberantly declared himself to be a “great admirer of Mao.” See also Mireya Tabuas and María Alesia Sosa, “No es un cuento chino,” *El Nacional* (Caracas, Venezuela, April 15, 2012).

Although the PRC has been cautious not to publicly associate itself with the anti-US rhetoric of ALBA leaders, its financial support has played an important role in directly or indirectly underwriting the programs of ALBA regimes, including loans linked to the provisioning of Chinese products and services such as infrastructure work, commodity purchases (often linked to the repayment of those loans), and, to some degree, investment. As of the time of this writing, Venezuela had received approximately $38.5 billion in loans from the PRC, while Ecuador had received approximately $8 billion. In addition, PRC investment commitments in the Venezuelan oil sector alone totaled over $40 billion.

For greater detail on this phenomenon, see R. Evan Ellis, *China and Latin America: The Whats and Wherefores* (Boulder: Lynne Rienner Publishers, 2009).


In a November 2009 speech at the Center for Hemispheric Defense Studies, then-Deputy Assistant Secretary for Defense for the Western Hemisphere Dr. Frank Mora said that it was his view that China’s deepening engagement in the hemisphere could play a productive role in ameliorating challenges affecting the region, but expressed concern over the transparency of Chinese activities in the region. Frank, O. Mora, presentation to the conference “Strategic Implications of China’s Evolving Relationship with Latin America,” Fort Lesley J. McNair, Washington, DC, (November 6, 2009). See also the statement by former Assistant Secretary of State for the Western Hemisphere Arturo Valenzuela, in Zhang Ting, “China ‘Not a Threat’ in Latin America,” *China Daily* (August 19, 2011).
Similarly, during his April 2004 testimony to Congress, for example, then–Deputy Assistant Secretary of Defense Rogelio Pardo-Maurer testified that there was “no evidence that Chinese military activities in the Western Hemisphere, including arms sales, pose a direct conventional threat to the United States,” yet warned that “this is not to say that there are no concerns.” House International Relations Committee, Subcommittee on the Western Hemisphere, hearing on “China’s Influence in the Western Hemisphere,” serial, no. 109-63, April 6, 2005.

15 Steven Mufson, “In Panama: Ports in a Storm; GOP Critics Decry Hong Kong Firm’s Role at Each End of Canal,” *Washington Post* (December 8th, 1999).

16 See, for example, Manuel Cereijo, “Inside Bejucal Base in Cuba: A Real Threat” *The Americano* (August 27, 2010). For the refutation of this argument, see “Cereijo, Bejucal, China, and Cuba’s Adversary Foreign Intelligence (Bill Ratliff, US),” *World Association of International Studies* (April 3, 2006).


18 “Pekín se desmarca de vínculo ideológicos con Venezuela a la llegada de Chávez,” *El Universal* (Caracas, Venezuela, September 23, 2008).

19 Australia, Canada, Spain, New Zealand, and Uruguay were welcomed as observers during the 5th summit of the organization in Cadiz, Spain, in November 2012, and Paraguay has formally requested to be included as an observer. “Paraguay, Suspended from Mercosur Has Requested Pacific Alliance Observer Status,” *MercoPress* (January 30, 2013).
Chapter 2

THE IMPACT OF CHINA ON THE REGION

Introduction

In the nine years since Hu Jintao’s November 2004 trip to the APEC Summit in Santiago, China’s expanding engagement with Latin America has profoundly changed the region. The transformation is far more significant than the Chinese motorcycles and car dealerships in Bogotá, Lima, and Santiago; the Lenovo computers now commonly found in Latin American offices; and the now ubiquitous Huawei and ZTE cell phones. It is much more significant than the self-instruction CDs and books in Mandarin now available in street vendor kiosks, or the thousands of containers marked China Shipping, COSCO, or Hanjin visible in Latin America’s ports and highways. Beyond these basic symbols of new commerce, China’s transformation of Latin America includes new China studies programs at its leading universities, and the new physical infrastructure connecting the region to the Pacific. Less apparent, but perhaps more significant, China’s impact is recognizable in the shifting priorities of Latin American business and government leaders. This trend belies statistics indicating the US is still Latin America’s number one investor and trading partner. Finally, even more subtle but significant, are changes in the ways countries in the region relate to one another as a consequence of China’s regional engagement.

A great deal of research has been done in recent years on China’s engagement with Latin America, whether it constitutes an opportunity or a threat to the region. From a Latin American perspective, the question is often framed in terms of whether the new commerce with the PRC hurts established manufacturers, permits new revenue, investment, and financing streams, and, on balance, whether it will serve as an engine of the region’s development or its deindustrialization. From a US perspective, the question is how China’s expansion into Latin America will impact the position of North American companies and the US political and economic policy agenda toward the region. Surprisingly, almost none of the growing literature on the commercial or national security dimensions of the new engagement directly addresses the question “How is enhanced Chinese engagement in Latin America changing the political and social dynamics within the region and the way Latin American states relate to each other?”
The present chapter is focused precisely on that question, and finds that the PRC’s engagement with Latin America is transforming the region and its dynamics in important ways including impacts on its internal economic, political, and social structures, as well as the dynamic between the states of the region and its supranational institutions.

At the national and subnational level Latin American engagement with the PRC and its companies and institutions is:

• transforming the priorities of youth and educational institutions;
• reshaping the agenda of businesses and their institutions;
• altering the balance between domestic manufacturing and primary product exports; and
• inserting Chinese entities as players in domestic politics.

At the supranational level, China’s engagement with Latin America impacts relations between states, with significant and often contradictory consequences for the dynamics of the region and its processes of integration. It is:

• transforming the physical infrastructure of the region and domestic patterns of commerce;
• diluting the relevance of the US government and companies;
• expanding the political and economic breach between South America, and Mesoamerica;
• enabling the rise of Brazil and driving its strategic engagement with its neighbors;
• sustaining the Bolivarian block beyond the point of its logical evolution; and
• fueling a strategic Atlantic-Pacific split between the nations of Latin America.

Although the consequences of this engagement on the strategic environment of the region are significant, the engagement itself is principally a product of Chinese companies pursuing business interests of strategic importance to the PRC as it expands economically in the context of a global world economy. Such interests include the search by Chinese companies for reliable access to primary products (such as petroleum) metals, and agricultural goods to meet the current and projected demands of its customers, as well as attempts to develop new markets for its products and services, including goods in strategically important sectors such as autos, heavy machinery, computers, and telecommunications, as well as services, such as construction projects and loans.

While the motives for such engagement may be varied, however, it is difficult to find an actor in the region, either at the national, supranational, or subnational level, whose interests are not affected by the new Chinese role in the region.
The Impact of China at the National and Subnational Level

Whether or not the PRC consciously strives to do so, its engagement with Latin America is reshaping the economic, social, and political dynamics of individual countries of the region.

Youth and Educational Institutions

Across Latin America, the sense of China as the “wave of the future” is palpable. In a PEW research survey released in June 2012, 27 percent of those surveyed in Brazil indicated that “China” was currently the world’s leading economic power, versus 43 percent who afforded the mantle to the US, and almost double the number who answered “China” just a year earlier.4

The sense of “China as the future” is particularly evident among Latin America’s youth. In universities, and even secondary schools across the region, there is a growing body of students sufficiently convinced of the coming importance of China on the world stage, and to their future, that they are willing to invest the considerable time and effort to learn Mandarin Chinese and seek opportunities for internships or work in places like Shanghai, Guangzhou, and Beijing.5 For the best and brightest of Latin America, such cities have taken on an aura once held by New York, and later Silicon Valley, where business pioneers can achieve great fortunes on the weight of their competence and long work hours.

Behind such youth are their equally enthusiastic parents. With surprising frequency, senior Latin American business and government figures are seeking Mandarin-language instruction and study-in-China opportunities for their children to prepare them to take advantage of the opportunities represented by the emerging China. In an informal survey administered by the author of the present work to 42 mid-level professionals from across Latin America, 48 percent responded that if they had the financial means, they would have their children study Mandarin Chinese.6

At the institutional level, leading Latin American public and private universities have taken steps in recent years to create or expand China-oriented business or area studies programs and to incorporate formal Chinese-language programs. These include the China-Mexico Studies Institute (CECHIMEX) at the Universidad Nacional Autónoma de México (UNAM), the China-Brazil center at the Federal University of Rio de Janeiro (UFRJ), the China Studies Center at the Pontificia Universidade de Católica de São Paulo, and the China-Latin American Studies Center at the Universidad Andrés Bello in Chile. There are also a number of new or expanded Asia-Pacific studies centers in universities of the region, including those in the Instituto Tecnológico de Monterrey (ITESM) to the Universidad EAFIT in Medellín, Colombia, to the Escuela Superior Politécnica del Litoral (ESPOL) in Ecuador, the University of Brasilia, the University of Buenos Aires in Argentina, and the University of Chile, to name but a few. In many more cases, new or
expanded China studies programs have been incorporated within existing university departments. Examples include the international studies program at the University of the Andes in Bogotá and the CIES research center at the ICESI University in Cali, Colombia, or the China studies master’s program at the Universidad de San Francisco in Quito, Ecuador.

A key indicator of the expanding interest in such programs has been the expansion of Confucius institutes, which represent a partnership between Chinese government and an individual university for Chinese language and cultural studies. From the opening of the first Confucius Institute in Latin America in Mexico City in February 2006, a total of 21 have been created in Latin America.

While the number of China studies programs in the region is still small, they reflect a significant reorientation in the intellectual focus of the region, which, in turn, feeds the ongoing process of growing intellectual awareness of, and attention to, China, further accelerating the economic and other bonds now forming across the Pacific.

**The New Agenda of Latin American Business**

It is difficult to find a company in Latin America that does not have the PRC on its radar screen in one form or another, either as a market, a source of funding or investment, or as a competitor. Latin America’s leading executives such as Brazil’s Aike Batista and Chile’s Andrónico Luksic are known in part for their zeal toward the Chinese market. Indeed, América Economía, one of Latin America’s leading business journals, considered interest by Latin American businesses in establishing themselves in China to be a story of sufficient importance that it dedicated its August 2011 cover story to that topic.

The annual China–Latin America business summit, alternately held in Latin America and China, routinely attracts hundreds of businessmen from the region. Similarly, hundreds of Latin American businessmen regularly travel to China for the opportunity to represent their products at expositions, such as the bi-annual Canton Trade Fair, pay thousands of dollars each to travel to China on dedicated business expeditions, or pay even more to China-oriented consulting firms which facilitate transactions for Latin American and other companies that want to import goods from China, or more ambitiously, sell their goods to consumers in the PRC.

At the aggregate level, business associations such as the national federation of businessmen (FENALCO) in Colombia and the Industrial Federation of Rio de Janeiro (FIRJAN) in Brazil are increasingly active in bringing in China experts and providing services to facilitate efforts by their members to “get smart” regarding the PRC.

While the United States and Europe continue to be in the business plans
of such companies, it is increasingly the PRC that commands their attention and increasingly their resources, either as an opportunity or as a threat.

**The New Dominance of Primary Product Exports**

In general terms, expanding trade between Latin America and China has been a story of an expanding dollar volume of Latin American primary product exports to China, and an expanding volume of manufactured goods of increasing value-added from the PRC to Latin America. The commensurate profitability of Latin American primary product industries has attracted capital to these industries, reinforced by Chinese companies that have invested in these industries in pursuit of secure global sources of supply to meet the current and future obligations of their clients. Large, high-profile examples include the acquisition of Brazil’s Peregrino oil field in 2010 for $3.1 billion by the Chinese company Sinochem, Sinopec’s injection of $7.1 billion into Repsol YPF’s Brazil operations, the acquisition of a 30 percent stake in Galp for $5.2 billion, the acquisition of Bridas by China National Offshore Oil Company (CNOOC) for $3.1 billion, and the acquisition of Occidental Petroleum’s Argentina operations for $2.5 billion, among others. Other acquisitions made by Chinese investors with the intention of injecting significant new quantities of capital into the field include the Toromocho, Rio Blanco, and Galleno mines in Peru, Corriente in Ecuador, Emerald Energy and Omnimex in Colombia, and Itaminas in Brazil, among others. Chinese firms have also purchased concessions to develop new mineral deposits and oilfields, including almost $40 billion in investment commitments in the Orinoco region of Venezuela and multiple new oil blocks in Brazil.

As a consequence of these patterns, Latin America’s extractive sectors have prospered and expanded, while its low-end manufacturing has withered. In the Brazilian case, analysts have bemoaned what they refer to as a process of “deindustrialization.” It is true that Latin American agricultural exporters such as Brazil and Uruguay have made headway in exporting higher value-added goods to the PRC, such as chicken, pork, and beef, while some Latin American manufacturers have survived by purchasing factor inputs from Asia or outsourcing component production to less expensive areas, such as the PRC.

In general terms, however, the rise of China in Latin America has highlighted the role of primary product exports, and whittled away at manufacturing, which served as the engine of modernization and the backbone of political and social movements for two generations. Ironically, with the partial exception of Brazil, Argentina, and Mexico, the return to a primary product export economic model has been supported by ruling elites, whose macroeconomic figures and associated tax revenues have been buoyed by expanded commodity exports, allowing them to maintain fiscal solvency while funding programs for key constituencies.
The process driven by China not only involves changes in the economic structure of the region, with the associated social impacts of displaced companies and workers, but also a political shift, with a “return” to historically strong alliances between primary product export sectors and political leaders, partly at the expense of organized labor and manufacturing interests.

The Impact of Chinese Companies and Projects on Latin American Domestic Politics

One of the newest and most significant impacts of the PRC on Latin America’s domestic political dynamics has been the physical presence of Chinese companies on the ground in Latin America. In the mining and petroleum sectors, Chinese companies such as CNPC, Petrochina, CNODC, Minmetals, Chinalco and others are moving forward to develop assets that they previously obtained rights to through a combination of acquisitions and negotiations with governments. Chinese companies have tended to use their own petroleum service companies and engineering companies to develop the properties that they have acquired. Examples include the use of the Chinese firm Kerui in Colombia by Mansrovar energy, jointly owned by Chinese and Indian interests, and the use of Great Wall Drilling by Emerald Energy in Colombia, after the latter was acquired by the Chinese firm Sinochem in 2009. It similarly includes the use of CPEB Chanquing and other Chinese petroleum service companies in Ecuador by China National Petroleum Corporation (CNPC) following its acquisition of the Ecuadorian assets of the Canadian firm EnCana in 2006. Major Chinese petroleum projects in Venezuela (Junin 1, 4, 8, Boyaca 3, and Mariscal Sucre), and previously mentioned mining investments in Ecuador, Peru, and elsewhere are likely to use Chinese subcontractors and large quantities of Chinese labor as well.

Beyond mining and petroleum, the explosion of Chinese bank–financed infrastructure and resort projects in the Caribbean and the Andes is fueling a wave of work by Chinese construction companies and workers in the region. An estimated $75 billion in such loans have been made in the past two years, with the use of Chinese companies typically a key condition for the funding.

Finally, in Brazil and other large, typically southern cone nations, Chinese companies are beginning to construct final assembly facilities and distribution networks in the country in support of expanding sales in the region in strategically important high-value added manufacturing sectors such as autos, heavy equipment, computers and telecommunications. Examples include assembly facilities by the Chinese carmaker Chery in Venezuela, with plans to construct an additional plant in Brazil, the heavy equipment manufacturers Sany, Zoomlion, and XCMG, and the construction of technology parks and training facilities by the telecommunications firms Huawei and ZTE.

In virtually all of these cases, the investment itself and its subsequent
execution has become an object of contention in domestic politics over issues such as the number of Chinese workers brought in, concessions given by the government, and the environmental impact. In the Bahamas, for example, the number of Chinese laborers authorized by the government to work on the Baha Mar resort complex, the amount spent by the government to prepare the site with roads, water, and electricity, and the question of selling the Grand Bahama Port Authority semiprivate regulatory organization to the Chinese port operator Hutchison-Whampoa have all become major issues of debate in the two-party political system of the country. A concession granted by the Ecuadoran government to the Chinese firm Tongling to develop a new open air mine in Zamora-Chinchipe, for example, became the object of national protests in March 2012, including the brief occupation of the Chinese embassy in Quito and a march on the capital by environmentalist and indigenous groups. Similarly, in Suriname, an initiative by the firm China Zhang Heng Tai to produce palm oil on a 40,000 hectare plantation in Marowijne briefly became the center of a national debate, with local residents vociferously opposing the project on the grounds that Chinese laborers would displace local jobs.

Once the Chinese entity is established in-country, as with previous generations of Western companies investing in the region, it continues to generate impacts, including in its relations with the local labor force and community. Prominent examples include ongoing labor unrest at the Shougang Hierro Peru mine in Marcona, including a September 2011 strike that commanded national attention when the Peruvian Vice President personally carried the demand of the miners to the Peruvian congress. Beyond Peru, similar frustrations gave rise to protests in September 2010 against China Harbor Engineering Company near Kingston, Jamaica, on the grounds that the company had not hired the promised number of Jamaicans in its government-funded work on the Palisadoes road project. Even in Venezuela, where the national government exercises significant control over the media and trade unions, there were public complaints by Octavio Campos and the national workers federation in June 2012 over the hiring of 3,000 and authorization to hire 30,000 Chinese workers by CITIC to work on Ft. Tiuna.

In some cases, the disputes have given rise to large-scale violence, such as the takeover of the Andes Petroleum oilfield in Tarapoa, Ecuador, in November 2006, or the July 2007 protests against the Chinese firm Petroriental in Orellana that led to more than 24 deaths and the declaration of a national state of emergency. Similarly, in August 2012, Chinese and Cuban personnel had to be evacuated from Linden, Guyana, when the mine operated there by the Chinese firm Bosai Minerals was besieged by protesters, upset over the Guyanese government’s decision to end subsidies for electricity being supplied by Bosai to the local community.
Chinese oil companies have also become involved in security questions. In November 2012, in Chaguramas, Venezuela, for example, robbers entered a municipal government building and stole $650,000 bolivares in cash belonging to China Railway Road, planned to be used for its payroll.\textsuperscript{36}

In Colombia, after the Chinese firm Sinochem acquired the oil company Emerald Energy in August 2009, its operations in Colombia experienced an escalating series of attacks,\textsuperscript{37} with more than two dozen incidents,\textsuperscript{38} including the destruction of company trucks, a bomb attack against a drilling rig,\textsuperscript{39} and, in June 2011, the kidnaping of three of its workers.\textsuperscript{40} Despite assurances from local military commanders that the operations would be protected, the incidents continued, including an attack on an oil tanker carrying crude from the company’s Ombu field, killing two civilians.\textsuperscript{41}

Thus, in multiple ways, Chinese companies in Latin America are becoming relevant actors in the Latin American domestic political context, deliberately or inadvertently influencing the political environment in which they operate.

**Impact of China on Supranational Dynamics**

In addition to changing the political, social, and economic dynamics of individual Latin American countries, China is also affecting how those countries relate to each other and to the broader set of international players.

**The New Physical Infrastructure Connecting Latin America to the Pacific**

Expanding trade with the PRC and the rest of Asia has accelerated the expansion and improvement of infrastructure connecting Latin America to its Pacific coast, with associated implications for the strategic geography of the continent. Virtually every major Pacific coast port in the region has been the focus of expansion plans from Manzanillo and Lazaro Cardenas in Mexico to Buenaventura in Colombia, Callao in Peru, and Iquique and Valparaiso in Chile, among others. Expansion plans have included new terminals cranes and other facilities, as governments, port operators, and investment groups position their facilities to become key hubs in the new commerce with Asia. Formerly low-volume ports, such as Manta, Paita, Ilo, and Machala have become the targeted outlets for improved routes across the Andes into the Amazon, or points of access to new mines and oilfields further inland. While some port projects, such as La Union, Farfan, and Manta have stalled short of completion, the mixture of successes and failures only serves to highlight the dynamism with which attempts to connect the continent to Asia are proceeding forward.

Beyond the ports themselves, interest in commerce with Asia has also given new life to road, rail, and other infrastructure projects linking the interior
of the continent to its coasts. Ironically, the core set of projects was conceived and socialized by Brazilian President Henrique Cardoso as a tool for expanding Brazilian influence among its neighbors, and officially adopted by the broader community of South American leaders in 2000 as the “Initiative for the Integration of the Regional Infrastructure of South America” (IIRSA). Prominent examples include “bi-oceanic” corridors from the Pacific coast of Peru at Ilo and Paita and from the Ecuadorian port of Manta, to the interior of Brazil, and that from the north of Chile at Iquique, across Bolivia, to the south of Brazil. Although progress on such projects was initially slow because of the enormous investment required, the importance of connecting the continent to take advantage of the new commerce with Asia has helped to propel such initiatives. The southern bi-oceanic corridor from the ports of San Juan Marcona, Matarini, and Ilo in Peru, to Brazil at Iñapari was inaugurated in December 2010. The Bolivian segments of the Chile–Bolivia–Southern Brazil corridor were nearing completion in June 2012, while the northern “inter-oceanic corridors” from Paita, and the Manta-Manaus corridor are complete but for several difficult to construct sections through the Amazon swampland.

A range of smaller but equally important infrastructure projects are also part of this same logic, including the “dry canal” railroad upgrades from the Atlantic to the Pacific coast of Colombia and the associated “trans-Colombia” pipeline. Contemplated extensions of each may connect not just coal- and oil-producing regions in the east of Colombia, but ultimately Venezuelan resources and markets to the Pacific coast across Colombia. Yet other projects driven by this logic include improved highway connections over the Andes Mountains between Argentina and Chile and a possible Russia-funded rail line across Nicaragua from Monkey Point to Corinto.

The transformation of the region’s infrastructure also includes the expansion of the Panama Canal, driven in part by the economic logic to accommodate larger volumes of larger ships transiting from Asia to and through the Americas, as well as repeated attempts to develop a second canal through Nicaragua. The net result of the new infrastructure is a region that is more connected, and whose interior is more accessible. While this has positive implications for commerce and state presence, it also proliferates opportunities for criminal activities, making remote jungle areas more accessible for narcotics labs, illegal loggers, and other activities, while bringing previously isolated indigenous tribes and other groups into greater contact with others in the region.

**The Diminishing Weight of the US in Latin American Politics**

Latin Americans are giving ever less importance to the United States with respect to their domestic political environment. In a 2011 *Latinoobarómetro* survey, just 10 percent of respondents ranked the United States as the country most
exerting leadership in the region, with just 3 percent of Uruguayans, 2 percent of Argentines, and 1 percent of Chileans ranking the US as most influential.\textsuperscript{48}

At the level of Latin America’s leadership, such diminished importance of the US was evidenced by broad support in the region for the formation of new multilateral institutions exclusive of the US, including the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC), as well as the “hijacking” of the May 2012 Summit of the Americas to discuss Cuba and the legalization of drugs—issues that the US almost certainly would have preferred not to be the center of the agenda. The declining weight of the US was also evidenced by the decision by newly elected Brazilian president Dilma Rousseff to travel to China long before meeting with her US counterpart, and the willingness of Colombia’s President Juan Manuel Santos to publicly embrace new economic and security ties with the PRC, and to advocate drug legalization after more than a decade of Colombia’s being the US key security partner and largest aid recipient in South America.

It is important to note that the PRC is not “competing with the US” for the loyalties of Latin American governments, as did the Soviet Union in the Cold War. The current dynamic is more indirect and subtle, and arguably more effective. On the one hand, as discussed in further detail later, the financial solvency of anti-US regimes is increasingly underwritten by Chinese loans, investments, and commodity purchases, giving them time and resources to work against the US agenda in the region. On the other hand, the rise of China as a global power, its potential role as a customer, investor, and loan provider, and the simultaneous economic stagnation and fiscal difficulties of the US, leads many Latin American nations to view the United States as but one partner among many, and not necessarily the most attractive one.

**The New Divide between South America and Mesoamerica**

Expanding interactions with the PRC increasingly highlights the difference between Mexico and the northern triangle nations of Central America, whose economies and political interests are closely tied to the United States, and the rest of Latin America, whose extra-hemispheric relationships are diversifying more rapidly, led by commerce with Asia. While Chinese goods have penetrated Mexico and Central America as extensively as other parts of the region, exports from these countries to the PRC, multi-billion dollar Chinese investments there, and the symbolic trappings of close political bonds with the PRC have not matched the levels found in South America. In trade terms, in six nations of South America, the PRC has surpassed the United States as the country’s number one or number two trading partner, while in Mexico, Honduras, Guatemala, and El Salvador, the United States retains the lead by a significant margin.\textsuperscript{49}

With respect to Mexico and the northern triangle, the PRC has argu-
ably approached this area cautiously because of its geographic proximity to the US, and because five of the six nations in the hemisphere continue to diplomatically recognize Taiwan as the legitimate government of mainland China. Reciprocally, the relationship of these countries with the US has been reinforced by economic structures such as the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA), as well as remittances from families living in the US and other human and economic bonds.

In the case of Mexico, the war against transnational criminal organizations launched by President Felipe Calderon in 2006 has deepened the country’s security relationship with the United States, while at the same time distracting the country from its traditional leadership role in Latin America.

While these dynamics have played out in Mexico and the northern triangle countries, South America’s relationship with the PRC has expanded significantly, thanks to the expanding business of exporting petroleum, minerals, and agricultural goods to Asia, plus investment and financial benefits from China that have particularly suited the political agenda of the ALBA countries and the developmental and supra-regional political agendas of Brazil.

The forces described in the preceding paragraphs have propelled South America in a very different direction from that of Mexico and the Northern Triangle states, with the former increasingly displaying a China-led “internationalism,” while the later remain bound to the United States in a relationship largely dominated by security and immigration issues.

**The Rise of Brazil and Its New Strategic Interest in Its Neighbors**

The coming of age of Brazil in the previous two decades as a dominant actor in South America with global aspirations has owed much to its expanding relationship with the PRC. Exports of iron and soy to China have funded a key part of Brazilian growth and helped it to escape the global recession of 2008–9. While the contribution of China to the rise of Brazil itself may be considered a “national level” impact, the manner in which engagement with China has impacted Brazil’s engagement with the rest of the region is analyzed here as a supranational impact. Funds from China, including the $10 billion loan to Petrobras in 2009, and the injection of another $7.1 billion into the Brazilian oil sector through Sinopec’s investment in Repsol Brazil, have played an important role in the development of the Brazilian oil sector. Moreover, as the Brazilian economy has grown, the new importance of Asia has increased Brazil’s interest in neighboring states—particularly Peru, which separates Brazil from the Pacific coast of the continent, as well as Panama, whose canal widening project has a powerful impact on the logistics costs of Brazil’s commerce with Asia.

Brazil’s growing strategic interest in its neighbors on the Atlantic coast is arguably also associated with its expanding commerce with Asia.
of soy and other agricultural goods from the interior of Brazil via the Paraguay and Parana river corridors adds strategic importance to Brazil’s relationship with Paraguay and Argentina, through which those rivers flow, while Surinam and Guyana provide access to the vast tract of jungle in the north of Brazil, which the Brazilian government has traditionally regarded as a potential object of foreign encroachment. For this reason, the $6 billion project to expand the port of Paramaribo and build a road from the port into the north of Brazil has strategic as well as commercial importance for the country.

**The Extended Life of ALBA and Its Shadow over the Region**

Although the Chinese state has been very careful not to associate itself with the anti-Western agenda of ALBA, the funds and planning support provided by its banks and investment of its companies have allowed regimes such as those of Venezuela and Ecuador to avoid financial insolvency while consolidating and seeking to expand their revolution.

In the case of Venezuela, the $46.5 billion in loans provided by China Development Bank and the Industrial and Commercial Bank of China (ICBC) not only provided liquidity to the Chavez regime to fund its social programs without having to address rampant corruption and mismanagement, but has also paid for Chinese products and services that have helped the Chávez regime meet near-term political challenges. Such support included credit to purchase 3 million Chinese Haier-brand appliances to distribute as part of the state social program “mi casa bien equipada.” Similarly, Chinese loans funded construction work on thermoelectric and hydroelectric power plants in January 2010 when the government was confronted by political protests associated with power shortages and blackouts. Most recently, Chinese loans have funded construction of low-income housing by the Chinese company CITIC to help the Chavez regime overcome an acute housing shortage. Finally, Chinese loans are helping the Venezuelan government meet its portion of investment commitments to develop the oil and mining sectors, whose revenues ultimately generate the capital to keep the state afloat. Beyond the $38 billion in loans, however, is an additional $40 billion in potential future investment, including the development of the Junin-4, Junin-1, and Junin-8 oilfields, MP3, Boyaca-4, and the Mariscal Sucre offshore gas deposits, without whose revenues it would be increasingly difficult for Venezuela to meet its future commitments, and pushing China’s contribution to the Chávez regime toward almost $80 billion. In June 2013, China agreed to expand funding of the joint Chinese-Venezuelan company for the production of petroleum by an additional $4.25 billion.

While these impacts primarily occur at the national and subnational level, they also have supranational impacts, to the extent that they enable the continuity of Venezuela’s role as the leader of the “Bolivarian Socialist” movement.
in the region, and other direct and indirect influences on its neighbors, including its impact on the politics of the Caribbean through the oil subsidy program “Pet-
rocaribe”; the programs of the Venezuelan-led ALBA block; Venezuela’s role in
persuading Ecuador and Bolivia to purchase Chinese military and space technol-
yogy; and Venezuelan support for left-oriented political movements throughout
the region. Supranational effects also include the role of the China-Venezuela
relationship as a “model,” illustrating to other countries in the region that Chi-
inese loans and capital may be used as a “substitute” for Western investors and
financial institutions, if those governments choose to pursue policies in opposition
to these entities, such as loan defaults, radical changes in terms for resource
concessions given to Western investors, or the expropriation of their property.

As in Venezuela, China has also supported the Ecuadoran government
through a series of loans backed by oil deliveries,\(^59\) totaling over $9 billion since
2009, including a $2 billion line of credit negotiated in January 2013.\(^60\) Loans
include both direct lines of credit to the Ecuadoran oil company Petroecuador,
as well as financing for work being done by Chinese construction companies
on eight separate hydroelectric projects in the country, including Coca Coda
Sinclair,\(^61\) Sopladora,\(^62\) Toachi-Pilaton,\(^63\) Termoesmereldas II,\(^64\) Minas San Fran-
cisco,\(^65\) Delsitanisagua,\(^66\) and Mazar Dudas.\(^67\) Indeed, more such initiatives in the
pipeline include possible Chinese participation in the $10 billion “Refinery of
the Pacific,”\(^68\) which may include assumption of a 30 percent equity stake in the
project by China National Petroleum Corporation (CNPC).\(^69\)

On the investment side, Chinese petroleum firms, including CNPC,
have operated a series of oil blocks in the north of the country since 2005, and
CNPC is currently one of at least four Chinese firms operating in the country.\(^70\)
Such firms are positioned to take the lead in developing the new ITT oilfields
underlying the environmentally sensitive Yasuni parkland when the government
chooses to allow drilling there.\(^71\)

In the mining sector, as noted previously, in July 2010 the Chinese company Tongling acquired the Ecuadoran assets of the Canadian company Corrien-
te\(^72\) and, despite protests by environmental and indigenous groups,\(^73\) has begun
work on the $1.4 billion “El Mirador” strip mine,\(^74\) in what could ultimately
amount to $3 billion of new mining investment in the country.\(^75\)

In Bolivia, although Chinese support has been more modest than in
Ecuador and Venezuela, it has made a number of gifts of military and customs
equipment, support for the development and launch of the country’s first sat-
ellite, a modest investment by Citic Gouan to develop mineral deposits in the
Coipasa salt flats,\(^76\) as well as the Cachuela Esperanza\(^77\) and Multiple Rositas\(^78\)
hydroelectric projects in the department of Santa Cruz.\(^79\) Moreover, interest
from Chinese banks in loaning funds for the development of the El Mutún iron
deposits has been an effective tool for the Bolivian government in its negotiation
with the Indian firm Jindal, which recently was forced to withdrawal from its contract to develop part of the mineral fields.\footnote{80}

Even in Nicaragua, which does not have formal diplomatic relations with the PRC, Chinese companies, financed by loans from Chinese banks, have been chosen to finance a new $6 billion refinery at Puerto Sandino,\footnote{81} as well as a long-discussed new canal from the Atlantic to the Pacific oceans, with a potential cost of $30 billion,\footnote{82} and an array of other project in the telecommunications and space sectors discussed in a subsequent chapter.

When taken together, Chinese economic support for Venezuela, Ecuador, and Bolivia, however separate from the political activities of these regimes, has reshaped Latin America, providing the core regimes of ALBA with the funds required in the short term to persist in their economic policies and political projects. At the regional level, as noted previously, this has translated into support for complimentary political and social movements in other Latin American countries, impact on the economies and politics of the Caribbean through Petrócaribe, lesser impacts on South America through the regional media organization Telesur and the regional banking organization Bancosur, as well as the facilitation of Iranian entry into the region.\footnote{83} It has also served as an indirect enabler for the promotion by the ALBA countries of a family of supranational institutions exclusive of the United States, UNASUR, and CELAC, which the Venezuelan government of Hugo Chávez played an important role in founding.

**The New Atlantic-Pacific Split**

Perhaps the greatest impact of the PRC has been to inadvertently advance the emerging split between nations of the Pacific coast of Latin America, and those of the Atlantic. While the dichotomy has its exceptions (e.g., Ecuador), the states of the “Pacific” have generally adopted a pro-market, free-trade approach in relation to the opportunities and challenges represented by the emergence of the PRC as an economic actor in the region. Their approach has generally emphasized lowering tariffs and transaction costs, generating a stable and predictable investment environment to both attract Chinese investment and trade and serving as a bridge between Asia and other parts of the hemisphere.

The new “Pacific Alliance,” which, as noted previously, held its foundational meeting in June 2012 is the clearest manifestation of this new grouping, with Mexico, Colombia, Peru, and Chile as full members, and Panama and Costa Rica as “observers” that could choose to join at a later time. It is illustrative that all three of the Latin American states to have signed free trade agreements with the PRC (Chile, Peru, and Costa Rica) are found in this group, as well as Colombia, which recently announced its intentions to begin negotiating such an agreement.\footnote{84} It is also important to note that the new Pacific Alliance signatories have made significant progress in a very short time in agreeing to specific types
of collaboration and common structures in areas related to commerce with China, such as trade promotion and investment protection. By contrast to the new “Pacific Alliance,” the states on the eastern side of Latin America face the PRC with decidedly less market-oriented approaches. This includes Brazil and Argentina, which have each raised tariffs and have taken other measures to block the entry of Chinese and other goods into their markets. It also includes Paraguay, which remains largely frozen in diplomatic and economic isolation, as well as Bolivia and Venezuela, each of which have prioritized the state over the private sector in national development.

Such differences do not imply that the states of the Pacific alliance will automatically “outperform” the rest vis-à-vis China. Indeed, the substantial markets and resource endowments of the Atlantic-facing states may attract more Chinese loans and investments than their Pacific-facing counterparts. Yet whatever the near-term outcome, a rift of economic, and to an extent, political ideology is forming down the center of the South American continent that is only likely to deepen as the continent expands its relationship with the PRC.

**Strategic Implications**

It is important to acknowledge that the transformation of Latin America is driven by a number of factors associated with globalization and the emerging new world order, and is not caused by China alone. Nor does it suggest that such impacts are deliberate or reflect nefarious intent. As noted previously, the seeking of secure sources of supply by Chinese companies may be interpreted as the pursuit of legitimate strategic objectives, and the attempts by the Chinese government to coordinate this process is an understandable, if often imperfect, exercise of statecraft. Nonetheless, the rise of the PRC and its engagement with Latin America as one region among many in which it is engaged has played, and will continue to play, a role in the trajectory of Latin America. Chinese trade and investment with Latin America is changing the economic and social structure of the countries of the region and permeating the prevailing discourse, from students to business executives to political leaders. Chinese companies are increasingly present on the ground in Latin America, impacting and impacted by decisions taken by governments of the region. At the supranational level, both the reality and the concept of China is impacting the way nations of the region relate to each other, from sustaining the block of Bolivarian socialist countries, to shaping Brazil’s engagement with the region, to accentuating north-south and Atlantic-Pacific splits in the politics and economics of the region.

**Sustainability of Chinese Engagement with Latin America**

Lethargic growth rates in the US and Europe for the foreseeable future mean that the PRC must adapt its economic strategy if it is to sustain high rates of growth.
that its own leadership has said is important for maintaining domestic order. In the short run, this probably means even greater emphasis on dynamic middle-income markets such as those of Latin America, and, by extension, growing alarm and resistance from threatened sectors. The prospect of a new global financial crisis also looms large, with the debt-driven collapse of the old European order. Chinese banks, already carrying significant questionable debt from their participation in the infrastructure-oriented stimulus package associated with the last global financial crisis, would be unlikely to sustain their demand for capital goods as it did in November 2008 with its $586 billion infrastructure-oriented internal stimulus package. In the face of a new global recession thus, by contrast to that of 2008, Chinese demand would probably be unable to shield the nations of South America from a drop in commodity demand and associate prices, seriously impacting the region and calling into question the perception that its ties with the PRC “insulates” it from the vagaries of the developed nation economies. Nonetheless, even if a global financial crisis is avoided, over the long run, China must transition away from an export-led growth model to one more driven by internal demand.

If this transition is successful, the political and economic implications for Latin America would be highly positive, with the invasion of inexpensive Chinese goods gradually giving way to collaborative production of globally destined products, as well as greater opportunities for Latin American companies to sell to a now substantial PRC middle class. At the same time, however, although a new generation of industrializing nations would probably sustain the mantle of commodity demand, it is likely that Latin America’s primary product revenue stream would fall off to some degree.

On the other hand, there is no guarantee that China’s transition to an economic model more reliant on internal demand, walking a tightrope between economic crises in Europe and the United States, will succeed. An important study by the International Monetary Fund released in January 2013, for example, argues that the demographic limits of an aging Chinese population could, in itself, bring China’s high rates of growth, fueled by the incorporation of labor into the modern economy, to a halt within a decade. Complications can also be anticipated from a swell of ethnic violence, or a new internet-fed democratization movement turned violent and chaotic. In short, the PRC may succeed in its transition to a more sustainable, internally driven economic model, but there are no guarantees.

If China’s transition to an economic model more reliant on internal demand fails, Latin America will be among the casualties, including the possibility of a China-led global financial crisis, a significant loss of dynamism in commodity export markets, and the drying up of Chinese loans for Latin American infrastructure projects. Those regimes that have most ardently defied Western
markets and financial institutions would be among the hardest hit.

The purpose of this chapter has been to move beyond the prevailing discourse over whether China represents an opportunity or a threat to the nations of Latin America, and understand the fashion in which it is impacting the region. It has argued that such impacts are neither, necessarily, deliberate or nefarious, but nonetheless, that engagement is affecting both the discourse and the socioeconomic structures of the countries with which it engages, and transforming the manner in which those countries relate to each other. Although there are many possible outcomes, in the metaphor first postulated at the beginning of this article, the PRC is both the panda and the dragon, offering both win-win trade and investment options, while also threatening the region’s socioeconomic stability and US strategic interests. The mixture of outcomes will depend on the skill and wisdom with which Latin America manages these challenges.

Notes

1. This chapter is expanded and updated from the publication R. Evan Ellis, “Beyond Win-Win and the Menacing Dragon: How Engagement with China is Transforming Latin America” (Center for Hemispheric Policy, University of Miami, January 31, 2013).

2. Survey and other statistical data is employed where available, but in general, the arguments flow from my own experiences and research, as I have followed China’s expanding engagements over the past eight years and have conducted first-hand interviews and research in the majority of countries in the region. Correspondingly, the responsibility for any errors in fact and leaps in logic are mine alone.

3. See, for example, Kevin Gallagher and Roberto Porzecanski, The Dragon in the Room (Stanford: Stanford University Press, 2008).


5. For a country-by-country list of emerging Chinese language and China studies programs in Latin American universities as of 2008, see R. Evan Ellis, China in Latin America: TheWhats and Wherefores (Boulder: Lynne Rienner Publishers, 2009).


7. “1st Confucius Institute Opens in Latin America,” Xinhua News Agency (February 16, 2006).


11. See, for example, Enestor Dos Santos, “Will the Emergence of China Deindustrialize Brazil?” BBVA (October 20, 2010).

12. Chinese companies have generally acquired rights to mines and oilfields through acquisitions, negotiating with governments only where there was already a strong political relationship (e.g., Venezuela) or an established presence in the sector (Brazil with respect
to the working relationship with Petrobras).

13 Interview with Ponce de Leon, Mansrovar Energy, Ltd. (Bogotá, Colombia, January 22, 2010).

14 “Vicepresidente les exige a las Farc liberar a tres ciudadanos chinos,” El Tiempo (Bogotá, Colombia, June 10, 2011).

15 “Operadoras chinas dominan negocio petrolero ecuatoriano,” El Universo (Guayaquil, Ecuador, November 3, 2009).


17 “Venezuelan Consumers Line Up to Buy China’s Locally Assembled Chery,” China Post (Taipei, Taiwan, March 12, 2012).


20 “China’s Huawei Invests US$300 million in Research Centre in Brazil,” Macau Hub (April 12, 2011).


22 For protests in Jamaica over failure to hire local workers, see Kimmo Matthews, “Angry Protesters Demand Jobs on Palisadoes Project,” Jamaica Observer (Kingston, Jamaica, September 22, 2010).

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33 “Petrolera china desestima que protesta en Tarapoa haya afectado sus intereses,” El Universo (Guayaquil, Ecuador, November 14, 2006).


40 “Vicepresidente les exige a las Farc liberar a tres cuidanos chinos,” *El Tiempo* (Bogotá, Colombia, June 10, 2011). The kidnapped Chinese workers were finally released by the FARC in November 2012. “Liberados por las Farc viajaran a China el lunes,” *El Tiempo* (Bogotá, Colombia, November 22, 2012). Nor was this the first experience of Chinese oil companies in dealing with rebel groups in Colombia. In 2009 former Colombian congressman Oscar Tulio Lizcano alleged, in a book written about his time in captivity with the guerrillas, that he had observed CNPC helicopters ferrying supplies and medical personnel to the FARC guerrilla camp where he was being held. “Lizcano dice que petrolera daba apoyo logistico a las Farc,” *Tierra* (Bogotá, Colombia, July 15, 2009).

41 “Gushers and Guns,” *The Economist*.

42 Luis Bitencourt, former Director of the Center for Strategic Studies, Secretariat for Strategic Affairs (CEE/SAE), Government of Brazil, Washington, DC (July 19, 2012).

43 “Inauguran el penúltimo tramo del Corredor Biocénico,” *Bolpress* (June 18, 2012).


45 See, for example, Edgardo Guerci, “Túnel BiNacional de Agua Negra,” Presentation to the conference “Foro de Liderazgo para la Integración de América del Sur” (Cartagena, Colombia, December 2008).

46 “Is Russia Eyeing Dry Canal?” *Nicaragua Dispatch* (February 6, 2012).

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49 *Direction of Trade Statistics Yearbook 2011*, International Monetary Fund.

50 The problem is compounded by the absence of well-organized primary product export industries in these countries with goods to sell to the PRC.

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52 Mark McGowan, “Suriname’s Deep Sea Port, Road and Rail Link to Brazil Challenge Guyana’s Bid to Become Brazilian Gateway,” *Stabroek News* (Georgetown, Guyana, De-
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57 “Pdvsa y China invertirán $40 mil millones en la Faja,” El Universal (Caracas, Venezuela, December 3, 2010).


59 “Crédito de banco chino va atado a la venta de crudo,” El Universo (July 3, 2010).


61 “Para obra del Coca Codo se busca empresa,” El Universo (January 7, 2011).

62 In October 2011 the $672 million Sopladora hydroelectric project was awarded to the Chinese Gezhouba Group, with $571 million of the financing coming from China Development Bank. “Con China se oficializa crédito para segunda hidroeléctrica,” El Universal (Guayaquil, Ecuador, October 11, 2011).

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64 “Ecuador promueve inversiones, comercio, y turismo en el norte de China,” People’s Daily (June 16, 2012).

65 This $506 million hydroelectric project was awarded to the Chinese company Harbin Electric. “Cuarta firma china para hidroeléctrica,” El Universo (Guayaquil, Ecuador, February 15, 2012).

66 The Chinese company Hydrochina was awarded an initial contract of $195 million in February 2012 for this Project in the province of Zamora-Chinchipe. Its ultimate value is calculated to be $477 million. See “Cuarta firma china para hidroeléctrica,” El Universo (Guayaquil, Ecuador, February 15, 2012).

67 The company China National Electric Engineering Company was awarded a $45.5 million contract for this Project. “38 empresas chinas están en las áreas estratégicas y construcción,” El Universo (Guayaquil, Ecuador, June 18, 2012).

68 “Avanza negociación con China para financiar refinería de Pacífico,” El Comercio (Quito, Ecuador, April 30, 2012).

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Chapter 3

THE QUESTION OF CHINESE SOFT POWER

Introduction

As noted in previous chapters, the reemergence of China as a dominant global actor highlights longstanding ambiguities in US thinking regarding what constitutes national security. PRC policymakers have emphasized the “peaceful” nature of China’s rise and have generally avoided military or political actions that could be seen by the US as “threatening.” Nonetheless, the economic, institutional, and cultural battles through which the PRC has advanced its position have both leveraged and contributed to an erosion of the US strategic position globally. The advance of China and the multidimensional strategic challenge it poses to the United States is most effectively characterized by one of the most loosely defined and misunderstood buzzwords in the modern parlance: Soft Power.

The concept of “Soft Power” was introduced in 1990 by Harvard Professor Joseph Nye, who defined it as “a dynamic created by a nation whereby other nations seek to imitate that nation, become closer to that nation, and align its interests accordingly.” Although the term is used to refer to a range of concepts, the present article analyzes Chinese soft power in terms of the willingness of governments and other actors in the international system to orient themselves and behave in ways that benefit the PRC, because they believe doing so to be in their own interests.

Such a definition, by necessity, is incomplete. There are many ways in which other actors may decide that actions beneficial to the PRC are also in their own interests; they may feel an affinity for the Chinese culture and people and the objectives of its government; they may expect to receive economic or political benefits from such actions, or they may even calculate that the costs or risks of “going against” the PRC are simply too great.

Soft power is a compelling concept, yet operates through vaguely defined mechanisms In the words of Nye, “in a global information age…success depends not only on whose army wins, but on whose story wins.” The implications of soft power in the contemporary environment are difficult to evaluate because they involve a complex web of interconnected effects and feedback in which the ultimate results of an action go far beyond the initial stimulus and the ultimate importance of influence go far beyond what is initially apparent.

This chapter examines Chinese soft power in the specific context of
Latin America. The US has long exercised significant influence in the region, while the PRC has historically been relatively absent. Nonetheless, in recent years, China’s economic footprint in Latin America and its attempts to engage it politically, culturally, and otherwise, has expanded enormously. Understanding the nature and limits of PRC soft power in Latin America casts light on Chinese soft power in other parts of the world as well.

The Nature of Chinese Soft Power

In general, the bases of Chinese soft power differ from those of the United States, leading analysts to underestimate that power when they compare the PRC to the US on those factors that are the sources of US influence, such as the affinity of the world’s youth for US music, media, and lifestyle, the widespread use of the English language in business and technology, or the quantity of elites who have learned their professions in US institutions.

It is also important to clarify that soft power is based on perceptions and feelings, and not on objective reality. Although China’s current trade with and investment position in Latin America is still relatively limited compared to the US, its influence in the region is not so much based on the current size of those activities, but rather, on hopes or fears in the region of what it could be in the future.

Because perception, rather than reality, drives soft power, the nature of the PRC’s impact on each country in Latin America is shaped by its particular situation, hopes, fears, and prevailing ideology. The “Bolivarian socialist” regime in Venezuela looks to China as a powerful ally in its crusade against Western “imperialism,” while countries such as Peru, Chile, and Colombia view the PRC in more traditional terms as a very important investor and trading partner within the context of global free market capitalism.

Sources of Chinese Soft Power

The core of Chinese soft power in Latin America, as in the rest of the world, is the widespread perception that the PRC, because of its sustained high rates of economic growth and technology development, will present tremendous business opportunities in the future, and will be a power to be reckoned with globally. In general, this can be divided into seven areas: (1) hopes for future access to Chinese markets, (2) hopes for future Chinese investment, (3) the influence of Chinese entities and infrastructure in Latin America, (4) hopes for the PRC to serve as a counterweight to the US and Western institutions, (5) China as a development model, (6) affinity for Chinese culture and work ethic, and (7) the perception of China as “the wave of the future.”

In each of these cases, the soft power of the PRC can be identified as operating through distinct sets of actors: the political leadership of countries, the
business community, students and youth, and the general population.

Hopes for Future Access to Chinese Markets

Despite China’s impressive rates of sustained growth, only a very small fraction of China’s 1.3 billion-person population is part of the “modern” economy, with the resources that allow them to purchase Western goods. Estimates of the size of the Chinese middle class range from 100–150 million people, depending on the income threshold used, although the number continues to expand rapidly. Although selling to Chinese markets is a difficult and expensive proposition, the sheer number of potential consumers inspires great aspirations among Latin American businessmen, students, and government officials. The Ecuadoran banana magnate Segundo Wong, for example, reportedly said that if each Chinese would eat just one Ecuadoran banana per week, Ecuador would be a wealthy country. Similar expressions can be found in many other Latin American countries as well.

In the commodities sector, Latin American exports have expanded dramatically in recent years, including Chilean copper exports, Brazilian iron, and Venezuelan petroleum. In Argentina, Chinese demand gave rise to an entire new export-oriented soy industry, where none previously existed. During the 2009 global recession, Chinese demand for commodities, based in part on a massive Chinese stimulus package oriented toward building infrastructure, was perceived as critical for extractive industries throughout Latin America, as demand from traditional export markets such as the US and Europe fell off.

Beyond commodities, certain internationally-recognized Latin American brands, such as Jose Cuervo, Café Britt, Bimbo, Modelo, Pollo Campero, and Jamaican Blue Mountain coffee, sell to the new Chinese middle class, which is open to leveraging their new wealth to “sample” the culture and cuisine of the rest of the world. Unfortunately, most products that Latin America has available to export, including light manufactures and traditional products such as coffee and tropical fruits, are relatively uncompetitive in the PRC, and subject to multiple formal and informal barriers to entry.

Despite the rift between hopes and reality, the influence of China in this arena can be measured in terms of the multitude of businessmen who are willing to invest millions of dollars and man years of their time, and operate in China at a loss for years, based on the belief that the future of their corporation depends on successfully positioning itself within the emerging Chinese market.

The hope of selling products to the PRC has also powerfully impacted political leaders, seeking to advance the development of their nations. Chilean presidents Lagos, Bachelet, and to some degree Piñera, for example, made Si-no-Chilean trade relations the cornerstone of Chile’s economic policy, signing the first free-trade pact between the PRC and a Latin American nation in No-
November 2005. Peruvian President Alan Garcia made similar efforts to showcase that nation as a bridge to China when Peru hosted the Asia Pacific Economic Cooperation (APEC) summit in November 2008. Governments in the region have also invested significant sums of money in the China-related activities of trade promotion organizations such as APEX (Brazil), ProChile, ProComer (Costa Rica), Fundación Exportar (Argentina), y CORPEI (Ecuador), among others, as well as representative offices in Beijing, Shanghai, Guangzhou and other Chinese cities, with the objective of helping their nationals to place products in those countries. Latin American leaders, from presidents to mayors, led business delegations of hundreds of persons to the PRC and funded elaborate pavilions in Chinese culture and trade shows such as the Canton Trade Fair and the Shanghai World Expo in an effort to help their country’s businessmen sell products in the PRC.

Hopes for Future Chinese Investment

China’s combination of massive, sustained trade surpluses and high internal savings rates give the PRC significant resources that many in Latin America hope will be invested in their countries. Chinese President Hu helped to generate widespread awareness of the possibility of Chinese investment in the region during his trip to five Latin American countries in 2004, specifically mentioning tens of billions of dollars in possible investment projects. A public controversy over whether his use of the figure $100 billion was actually referring to trade or investment has only called more attention in Latin America to China as a potential source of funds.

Although the expected Chinese investment was initially slow to materialize, today, thanks to China’s growing familiarity with doing business in Latin America and its enormous financial reserves (including a foreign currency surplus that had reached $3.3 trillion by September 2012), the PRC has begun to loan or invest tens of billions of dollars in the region. This included more than $38 billion in loans to Venezuela for public spending and infrastructure projects and more than $40 billion in investment commitments; more than $8 billion in loans to Ecuador; a $10 billion loan to Petrobras for the development of its offshore oil reserves; more than $10 billion in acquisitions in Brazil’s petroleum sector and $1.7 billion in investments in the country’s power infrastructure; $10 billion to Argentina to modernize its rail system; a $1 billion Urea plant and $5.6 billion in acquisitions in the Argentine Petroleum sector, including both Occidental Petroleum and Bridas; and more than $10 billion in commitments to develop Peruvian mines, including Toromocho, Rio Blanco, Galleno, and Marcona, just to name a few.  

For Latin America, the timing of the arrival of the Chinese capital magnified its impact, with major deals ramping up in 2009, at a time in which many
traditional funding sources in the region were frozen because of the global financial crisis. Moreover, as Sergio Gabrielli, then president of the Brazilian national oil company Petrobras has commented, China is able to negotiate large deals, integrating government and private sector activities in ways that US investors cannot.  

Influence of Chinese Entities and Infrastructure in Latin America

Although the presence of Chinese corporations and workers in Latin America pales by comparison to that of the US, it is growing, and exerting an increasing weight in select countries.

Particularly in states such as Ecuador and Venezuela, Chinese corporations are becoming increasingly indispensable for the functioning of the extractive industries that generate significant portions of the state’s revenue. As noted previously, more than 38 companies are operating in the ground in Ecuador, including the principal non-Ecuadoran producers in the oil sector, the builders of eight major new hydroelectric projects: Coca Coda Sinclair, being worked by Sinohydro; Sopladora, being done by the Gezhouba Group; Toachi-Pilaton, being worked by China Water and Electric; Minas San Francisco and the Termoesmereldas II project, both being done by the Harbin Electric Company; and Delsitanisagu, Mazar Dudas, and Quijos, all being done by Sinohydro.

In Venezuela, Chinese companies are one of the key actors maintaining oil production in the mature oilfields of Lake Maracaibo and Anzoátegui, a key current revenue stream for the Chávez regime. In the Orinoco belt in the south of Venezuela, Chinese investment, technology, and manpower, including Chinese-made drilling rigs, are a key to the development of Venezuela’s future oil potential, including the Junin-4, Junin-1, Junin-8, MP-3, and Boyaca-3 oil blocks and the Mariscal Sucre gas fields, while a May 2010 agreement makes Chinese companies key players in the extraction of Venezuelan iron, gold, bauxite and coal.

Even beyond the countries of ALBA, Chinese companies are playing an ever greater role in national economies. More than 80 Chinese companies are present in Peru, for example, including five mining operations which are expected to contribute more than $10 billion in new investment in the country in the coming decade. In Mexico, 57 Chinese companies, and a total of 227 companies with some Chinese ownership, were operating in the country as of October 2011.

Although Chinese companies have yet to attain the level of “key employers” or occupy a significant position in most Latin American communities, they play a growing role in strategically important sectors in many Latin American countries, such as telecommunications, where the Chinese companies Hua-
wei and ZTE are increasingly important product, service, and infrastructure providers from Argentina to Venezuela, and most recently, Central America and the Caribbean, or in logistics, where companies such as China Shipping, China Overseas Shipping (COSCO), and Hutchison Whampoa play increasingly vital roles in Latin America’s foreign trade.

Ironically, Latin American Chinese communities have played a relatively limited role in this expanding influence. Although there are large, historically rooted Chinese communities in countries such as Peru, Ecuador, Panama, and Brazil, Chinese immigrants have traditionally sought to keep a low profile in their societies. The structure of these communities has also served to channel new Chinese immigrants into certain traditional occupations, such as restaurants, the retail sector, or farming, with the result that ethnic Chinese today have a relatively limited involvement in the emerging China–Latin America trade, even in key hubs for such trade, such as Colon, Iquique, or Ciudad del Este. Indeed, the expansion of Chinese communities in countries such as Trinidad, Suriname, Guyana, Venezuela, and Argentina, once “below the radar screen,” has fueled ethnic tensions with other communities and arguably contributed to perceptions in some quarters of the Chinese as a “threat.”

Beyond commercial ties, the PRC is also taking on an increasingly important role in regional institutions, such as the Organization of American States (OAS), the Inter-American Development Bank (IADB), and the Caribbean Development Bank, as well as interacting with new regional institutions such as CELAC. Although the PRC has only observer status in the OAS, for example, its delegation is very strong contributor to the activities of the body. With respect to the IADB, China has leveraged its “seat at the table” as an opening for doing business in the region, such as the $10.2 billion currency swap with Argentina, which it signed on the sideline of the IADB’s annual meeting in March 2009. In addition, through its initial financial contribution to the IADB, the PRC became part of a special committee overseeing loans to highly impoverished countries in the region, affording it expanded contacts with and subtle pressures over countries that do not currently recognize the PRC diplomatically, including Haiti, Honduras, and Nicaragua.

Hopes for the PRC to Serve as a Counterweight to the US and Western Institutions

China’s historical position as a “leader of the developing world” makes it the natural ally of the new generation of Latin American populist leaders, such as Rafael Correa, Evo Morales, and the late Hugo Chávez. During his first trip to Beijing after being elected president, for example, Evo Morales proclaimed himself to be a “great admirer of Mao.” During his September 2011 trip to the PRC, Evo Morales proclaimed that “China is a country so great that from here, I can
imagine that within a short time, the United States will be a colony of China.” Similarly, Hugo Chávez exclaimed that Mao and South American revolutionary icon Simon Bolivar would have been “great friends.” While these leaders may primarily be seeking Chinese investments and commodity purchases, the position of the PRC as a geopolitical “alternative” to the US shapes the way that they court the Chinese.

In permitting such hopes, the PRC has, to date, been very careful not to associate itself directly with the anti-US activities or rhetoric of these regimes, so as not to damage its strategically important relationship with the US and the West. Nonetheless, the relationship cannot avoid some flavor of the relationships between the Soviet Union and its Latin American client states during the Cold War. Bolivia turned to China to purchase K-8 combat aircraft, for example, after the US blocked it ability to procure aircraft from the Czech Republic.

The PRC as a Development Model

The tremendous, sustained economic growth that the PRC has enjoyed since opening up to the world in 1978, has caused many in Latin America to look to China’s integration of capitalism and authoritarian politics as a development model, even while the US combination of liberal democracy, free markets, and privatization is increasingly seen as ineffective for solving the region’s endemic problems, such as corruption, poverty, and inequality. For traditional Latin American elites, the Chinese model is particularly attractive because it suggests that it is possible to achieve prosperity and growth without relinquishing political power.

As with other Chinese sources of soft power, the impact of the “Beijing Consensus” in Latin America relies on perceptions rather than realities; differences between the two regions make the Chinese success story difficult to repeat in Latin America, including the obedience to authority in the Chinese work culture, Chinese willingness to save rather than spend, and another part of the world serving as the market for Chinese exports.

Affinity for Chinese Culture

The PRC has actively promoted Chinese culture and language throughout the world, by contrast, including such landmark events as the 2008 Olympics in Beijing, and the 2010 World Expo in Shanghai, visited by an estimated 5 million foreign tourists, as well as establishing almost 300 Confucius Institutes worldwide, including 21 officially listed in Latin America. Cultural exchanges are a featured part of China’s interactions with Latin America, consistent with the “non-threatening” character that Beijing wishes to emphasize in these interactions.

Despite PRC “marketing efforts,” in contrast to the global impact of US
culture, Chinese culture is arguably one of the PRC’s weakest levers of soft power in Latin America, with interest in Chinese culture arguably reflecting, more than driving, China’s influence in the region. Although some Chinese culture, such as the Chinese basketball star Yao Ming, or the movie *Crouching Tiger, Hidden Dragon*, is reaching the Latin American mainstream, perceptions of Chinese culture in Latin America are generally very limited and superficial, often based on media reports or experience with ethnic Chinese living in those countries. Such perceptions are often mixed, including respect for the Chinese work ethic, a sense of mystery regarding Chinese culture, and often a sense of mistrust arising from the perceived differences of that culture, and commercial competition from Chinese products.

### China as the “Wave of the Future”

Perhaps China’s greatest source of soft power is the most intangible. China’s emergence as a key global player is a phenomenon that has assumed almost mystical proportions within Latin America. The rapid growth in the PRC’s trade with and investment in Latin America, and the expansion of contacts at all levels, only reinforce the perceived significance of the “China’s rise,” as observed from Latin America.

In addition to the opportunity for commerce, Latin America’s belief in the rise of China and its globally transformational implications draws the attention of the people and leaders of the region to the PRC, and shapes their course of action. For Costa Rican president Oscar Arias, for example, establishing regular diplomatic relations with the PRC was a necessary part of ensuring the relevance of Costa Rica as an international actor.

At the popular level, the rise of China is arguably behind a swelling interest in the Chinese language in the region. The dedication of five or more years by students to gain a basic capability in the Mandarin language and its character set, for example, is arguably driven by their calculation that the ability to communicate in Chinese will be fundamental to the pursuit of opportunities in the PRC, and with Chinese businessmen and government officials, in the future.

While reports of slowing growth in China by the end of 2012 arguably deflated some of the more exaggerated of such proclamations, looming financial crises and stagnant growth in both Europe and the United States continued to make China’s more modest but still significant growth look good by comparison.

### The Use of Chinese Soft Power

One of the most important questions associated with the rise of China is how it is likely to use its growing soft power, both in Latin America and elsewhere in the world. At a superficial level, China’s official rhetoric concerning nonintervention in the affairs of other states as a key principle of Chinese foreign policy.
suggests that they will not use it at all. Moreover, as China has engaged Latin America from a relative position of weakness during the past decade, it has been notably deferential when its commercial interests have been adversely impacted by the actions of Latin American leaders. To date, it has also maintained a relatively deferential attitude even when the lives of ethnic Chinese in the region have been threatened through protests and other actions. Such examples notwithstanding, however, this section argues that the imperatives for China to use its growing soft power in Latin America will come from the growing presence of Chinese companies and personnel on the ground there, with both the corresponding duty to protect them, and a growing capability and growing confidence in their ability to do so.

It is important to note that the manner in which the PRC exercises its soft power will likely differ markedly from the way that the United States has exercised influence in the region to date. This is both because the geopolitical situation under which the PRC would apply such influence is very different than that confronting the United States during the previous century, and also because the Chinese understanding of power and how to achieve objectives is very different, albeit not necessarily better or worse, than that of the United States.

Nonetheless, based on the Western understanding of Chinese national interests and the projection of future imperatives arising from their growing physical presence in the region, it is reasonable to suggest that the Chinese government is likely to apply its growing soft power to advance some combination of the following objectives: (1) diplomatic isolation of Taiwan, (2) access to Latin American markets, (3) promotion and protection of Chinese business activities and nationals in the region, and (4) working against the consolidation of US influence in the region and its institutions.

Although the Chinese government repeatedly states its commitment to noninterference in the internal affairs of partner nations, in reality the PRC is as interested in such issues as any other outside country. Only the issues that the PRC focuses on, and the ways in which China applies pressure, differ.

**Diplomatic Isolation of Taiwan**

For the PRC, the government of Taiwan represents an important issue of political legitimacy and internal security. Currently, 12 of the 23 nations in the world that diplomatically recognize the government of Taiwan are found in Latin America and the Caribbean. Although the PRC does not publicly threaten to block investment in or loans to countries that do not recognize it, it repeatedly emphasizes the issue in its public diplomacy in the region and makes such investments and market access very difficult for those countries, while simultaneously nurturing expectations regarding the opportunities that diplomatically recognizing the PRC could bring. When Costa Rica changed its diplomatic recognition from
Taiwan to the PRC in May of 2007, for example, it received an aid package that included a $83 million soccer stadium, the purchase of $300 million in government bonds, the promise of highway, public works, and aid projects, and a billion dollar joint venture to expand the country’s petroleum refinery, as well as PRC aid in facilitating access to Chinese markets by traditional Costa Rican products such as coffee. In part, such Chinese generosity was directed toward the other countries in the region that still recognized Taiwan, in order to demonstrate the types of benefits there could be if they too were to change their diplomatic posture.  

Although the PRC and ROC have informally agreed to refrain from the use of economic incentives to competitively “bid” for diplomatic recognition, since Costa Rica’s switch the allure of the PRC has prompted declarations of interest in changing diplomatic posture by key leaders in virtually all states diplomatically recognizing Taiwan, including Panamanian president Richard Martenelli, then–Paraguayan president Fernando Lugo, Salvadoran President Maricio Fuenes, and Honduran President Porfirio Lobo—although each did so prior to assuming office.

Moreover, although the PRC and China have “honored” their diplomatic truce, ratified by the January 2012 reelection of Taiwanese president Ma Ying-jeou and his nationalist KMT party, Chinese companies have made significant commercial advances in countries recognizing Taiwan, including a contract to the Chinese construction company Sinohydro for construction of a major hydroelectric facility in Honduras, a coal-fired power plant in Guatemala, and contracts for the launch of a satellite, construction of a refinery, and the initial stages of a $30 billion canal in Nicaragua, as well as Chinese investment in a major new resort, Punta Perla, in the Dominican Republic. Similarly, in Central American and Caribbean countries diplomatically recognizing the PRC, commercial interactions have gone far beyond symbolic gifts such as clinics and cricket stadiums, and now include major new construction projects, from the Freeport container port and the $3.5 billion Baha Mar resort complex in the Bahamas, to the $400 million Jamaica infrastructure development program (JDIP), to the expansion of Guyana’s international airport, to multiple projects in Costa Rica from a solar power facilities, to the $1.5 billion upgrade of the refinery at Moin, to a segment of highway from the capital, San Jose, to the coastal town of Limón.

**Access to Latin American Markets**

Latin American markets are becoming increasingly valuable for Chinese companies because they allow the PRC to expand and diversify its export base at a time in which economic growth is slowing in traditional markets such as the US and Europe. The region has also proven an effective market for Chinese efforts to sell more sophisticated, higher value-added products in sectors seen as stra-
tegic, such as autos, appliances, computers and telecommunication equipment, and aircraft. In expanding access for its products through free trade accords with countries such as Chile, Peru, and Costa Rica, and penetrating markets in Latin American countries with existing manufacturing sectors such as Mexico, Brazil, and Argentina, the PRC has often had to overcome resistance by organized, often politically well-connected established interests in those nations. In doing so, the hopes of access to Chinese markets and investments among key groups of businessmen and government officials in those nations has played a key role in the political will to overcome the resistance. In Venezuela, it was said that the prior Chinese ambassador to Venezuela, Zheng Tuo, was one of the few people in the country who could call President Chávez on the telephone, and get an instant response, if an issue arose regarding a Chinese company.

At times, China has also applied more explicit pressures to induce Latin America to keep its markets open to Chinese goods. It has explicitly protested measures by the Argentine and Mexican governments that it has seen as protectionist, and in the case of Argentina, as informal retaliation, began enforcing a longstanding phytosanitary regulation, causing almost $2 billion in lost soy exports and other damages for Argentina. China has also used its economic weight to help it to secure major projects on preferential terms. In the course of negotiating a $1.7 billion loan deal for the Coca Coda Sinclair Hydroelectric plant in Ecuador, the ability of the Chinese bidder Sinohydro to self-finance 85 percent of the projects through Chinese banks helped it to work around the traditional Ecuadoran requirement that the project have a local partner. Later, the Ecuadoran government publicly and bitterly broke off negotiations with the Chinese, only to return to the bargaining table two months later after failing to find satisfactory alternatives. In Venezuela, the Chávez government agreed, for example, to accept half of the $20 billion loaned to it by the PRC in Chinese currency, and to use part of that currency to buy what eventually amounted to 3 million consumer appliances from the Chinese manufacturer Haier, for the government social program mi casa bien equipada. In another deal, the PRC loaned Venezuela $300 million to start a regional airline, but as part of the deal, required Venezuela to purchase the planes from a Chinese company.

Protection of Chinese Business Activities and Nationals

As with the US and other Western countries, as China becomes increasingly involved in business and other operations in Latin America, an increasing number of its nationals will be vulnerable to hazards common to the region, such as kidnapping, crime, protests, and related problems. In June 2011, for example, three Chinese working for the petroleum services firm Great Wall Drilling were kidnapped in Caquetá Colombia and held by the Fuerzas Armadas Revolucionarios
de Colombia (FARC) guerilla organization until November 2012. Similarly, the increasing presence of Chinese petroleum companies in the northern jungle region of Ecuador, for example, has been associated with a series of problems, including the takeover of an oilfield operated by the Andes petroleum consortium in Tarapoa in November 2006, and protests in Orellana related to a labor dispute with the Chinese company Petroriental in 2007, resulting in the death of more than 35 police officers, and forcing the declaration of a national state of emergency. Chinese operations including the Bosai mine in Linden, Guyana, the Rio Blanco mine in Piura, Peru, the Colquiri mine in Bolivia, and the Cerro Dragon gasfield in Argentina, among others, have similarly been the object of violent protests.

At the same time, as Chinese communities in the region have expanded in the region and have been linked in the public mind to China’s broader commercial expansion in their countries, tensions have risen with surrounding populations, occasionally giving rise to violent incidents. In 2004, ethnic Chinese shopkeepers in Valencia and Maracay, Venezuela, became the focus of violent protests associated with the Venezuelan recall referendum.

In Argentina, in 2007, a group of truckers went on strike against the Chinese shopkeepers in greater Buenos Aires that they had previously supplied, based on accusations of mistreatment by those shopkeepers. Behind the strike, however, was a broader frustration that the Chinese had displaced ethnically Spanish grocery store owners who had previously dominated the neighborhood, and that their ability to do so was based on “unfair competition” by those shopkeepers, seen to be supplied and protected by the “Chinese mafia.”

In Suriname, Chinese shopkeepers have similarly been caught up in ethnic violence with other ethnic groups in that country, including two major incidents in recent years: one on Christmas Eve 2009 in the city of Papatam, and a second in October 2011 in the town of Maripaston. Similarly in Guyana, in January 2013, a Chinese shop in the capital of Georgetown was attacked by a mob enraged over reports that its owner had beaten a young girl from the local community.

In some cases, the line is blurred between violence against the Chinese community because of their Chinese identity, and violence against them for other causes. In Venezuela, with an estimated 180,000 Chinese residents, and which crime rate is among the highest in the region, an estimated 1,000 members of the community have been victimized by violent crime in recent years.

As such incidents increase, the PRC will need to rely increasingly on a combination of goodwill and fear to deter action against its personnel, as well as its influence with governments of the region, to resolve such problems when they occur.
Blocking the Consolidation of US Influence in the Region and its Institutions

The rise of China is intimately tied to the global economy through trade, financial, and information flows, each of which is today highly dependent on global institutions and cooperation. Because of this, some within the PRC leadership see the country’s sustained growth and development, and thus the stability of the regime, threatened if an actor such as the US is able to limit that cooperation or block global institutions from supporting Chinese interests.

In Latin America, China’s attainment of observer status in the OAS in 2004 and its acceptance into the IADB in 2009 were efforts to obtain a “seat at the table” in key regional institutions and to keep them from being used “against” Chinese interests. In addition, the PRC has leveraged hopes of access to Chinese markets by Chile, Peru, and Costa Rica to secure bilateral free trade agreements, whose practical effect is to move Latin America away from a U.S.-dominated trading block (the Free Trade Area of the Americas), in which the PRC would have been disadvantaged.

Finally, the PRC benefits from the challenges posed to the dominance of the US in the region by regimes such as Venezuela, Ecuador, and Bolivia, and its trade and investment with those regimes help to keep them economically viable. Nonetheless, the PRC is careful to avoid association with the anti-US rhetoric and projects of those regimes, which could damage its more strategically important relationship with the US.

Limits to Chinese Soft Power

The growth and exercise of soft power by the PRC has limits that are important to recognize. As with the sources of Chinese soft power, those limits are not the same as the limits to US soft power. Limits to Chinese soft power in Latin America principally arise from the significant gap between the two cultures, the associated difficulty in learning each other’s culture and language, a lack of understanding of each side by the other, and a pervasive sense of mistrust of the Chinese within Latin America generally.

The cultural gap between China and Latin America touches upon many areas, from differing consumer preferences limiting the appeal of Latin American exports such as coffee and beef, to different attitudes toward authority in business and administrative dealings, contributing to labor problems and other difficulties where the PRC has operated in Latin America.

One of the most significant barriers between the PRC and Latin America is language. Whereas a relatively significant portion of Latin Americans have some ability in English, very few speak or read Chinese, and even fewer Chinese can communicate in Spanish, although the number is growing. Although Chinese-language programs are proliferating in Latin America, the difficulty and
time required to learn Mandarin and the Chinese character set is a powerful impediment to the growth of human ties between the two cultures, as is the very limited number of Chinese functionaries who can speak Spanish.

Compounding the language barrier is a relative lack of Chinese knowledge regarding Latin America and the Caribbean. Apart from major governmental institutes, such as the China Academy of Social Sciences (CASS), which currently has the world’s largest Latin America studies program, and truly multinational Chinese corporations such as Hong-Kong Based Hutchison Whampoa, China Shipping, China Overseas Shipping (COSCO), Huawei, and ZTE, the general knowledge of the region among Chinese businessmen and government functionaries is very limited, restricting the ability of the PRC to develop broad and sophisticated programs to advance its objectives in the region.

Perhaps most important, in Latin America despite the best efforts of Chinese businessmen and politicians to reach out, they are too frequently perceived as “not one of us…,” a reality reflected even in Chinese communities, which often remain only partly integrated, despite deep historical roots in many Latin American cities such as Lima and Guayaquil.

Such distance often translates into a persistent mistrust, even where both sides perceive benefits from cooperation. Latin American businessmen commonly express misgivings suggesting that the Chinese are aggressive and manipulative in business dealings or conceal hidden agendas behind their expressions of friendship and goodwill. Chinese companies in Latin America are often seen as poor corporate citizens,reserving the best jobs and subcontracts for their own nationals, treating workers harshly, and maintaining poor relations with the local community. In the arena of China–Latin America military exchanges, it is interesting to note that Latin American military officers participating in such programs are often jokingly stigmatized by their colleagues in ways that officers participating in exchange programs in the US are not.

Finally, Chinese influence is diluted by increasing interactions between Latin America and other extraregional actors, such as India, Russia, Iran, and others. Although the PRC is arguably the most significant new suitor of the region, it is not the only alternative. For Nicaragua and populist regimes in the Andean region, Russia provides important alternatives with respect to arms purchases, and energy sector investments. An $18 billion commitment by a Russian consortium to develop the Junín-6 oilfield in Orinoco, for example, may have helped to accelerate China’s subsequent commitment to invest $16.3 billion in Junín-4. In addition to Russia, India is increasingly engaging in commercial opportunities, particularly in high tech, services, and commodity sector investments, while challenging the PRC’s monopoly over “south-south” developing country partnerships in the region. When China cut off purchases of Argentine soy oil, for example, it was India that picked up the slack.
Chinese Learning

Despite the limits to Chinese soft power detailed in the previous section, as China deepens its engagement with Latin America, including the new physical presence of Chinese companies in the region, all sides will be in a phase of accelerated learning about the others. For the Chinese, such learning will increase the effectiveness and precision with which they are able to exercise soft power, both to avoid problems and to defend the interests of their companies and nationals. Chinese companies are learning how to work with the complex bureaucracies of the region, including participating in Western-style bid and proposal processes, and relating to Latin American labor forces, national and local governments, and communities. Sinologist Margaret Meyers argues, for example, that the Chinese experience with the political transition in Venezuela will teach Chinese investors to approach similar deals more cautiously in the future. Similarly, according to a Colombian diplomat, the experiences of the firm Sinohydro in Colombia have helped the firm to “master the inner workings of the Colombian parliament.”

Their ability to manage such interactions effectively will shape the degree to which the expanding engagement in the coming decades gives rise to conflict and stalemate, or whether Chinese and Latin partners are able to form constructive partnerships. By January 2013, for example, China’s Foreign Ministry spokesman, in announcing the PRC intention to strengthen ties with Latin America during 2013, was emphasizing China’s desire to “import American products of higher added value, in order to achieve…sustainable development,” indicating that the Chinese government had internalized and come to appreciate its relationship with the countries of Latin America.

In the end, thus, the ability of the PRC to manage the consequences of its expanding physical presence on the ground in Latin America, including the protection of its companies, workers, and interests, will likely reflect a balance between three dynamics simultaneously unleashed by that presence: expanding conflict and challenges, expanded soft power, and accelerated learning about how to use that soft power.

It is likely that there will not be one “resolution” of the impact of the new Chinese physical presence on the ground in the region, but rather, that the balance between conflict and harmony, China being seen in a positive versus a negative light, and other factors, will resolve itself in different ways, in different parts of the region, at different times, in a dynamic equilibrium that will constantly be in a state of evolution.

Strategic Implications

Analysts looking for signs of imminent Chinese coercion or intervention in Latin America are likely to be disappointed. Nonetheless, Chinese soft power in Latin
America still raises important national security issues, even if the PRC does not explicitly seek to subvert or marginalize the United States as part of its reemergence onto the world stage, and even if that presence creates opportunities, as well as risks.

In Latin America, as elsewhere, China’s currently modest influence is providing it with triumphs of ever-growing scale in strategically important business, culture, and technology arenas. Although no specific event may directly threaten the US national interest, the collective effect is to restructure the global flows of value added and influence in a manner beneficial to China, making the ability of the US to successfully pursue its own national goals and interests increasingly dependent on the acquiescence of the PRC.

For analysts focused on the “rise” of China in Latin America and elsewhere, the issue is not whether China is a “threat” or whether it has the right to pursue its national interests in Latin America and other parts of the world. Rather, it is important to recognize the dynamics that this reemergence creates in a region with close human, geographical, and economic ties to the United States, and to prepare to mitigate the risks, meet the challenges, and rise to the opportunities that China’s entry into Latin America makes possible.

Notes

1 This chapter is expanded and updated from the essay R. Evan Ellis, “Chinese Soft Power in Latin America: A Case Study,” *Joint Forces Quarterly* issue 60 (1st Quarter 2011): 85-91.
4 In 2009 PRC bilateral trade with Latin America, counting Cuba, was $111.5 billion, while US trade with the region was $530.0 billion, about 4.75 times larger. *Direction of Trade Statistics*, International Monetary Fund (June 2010).
9 “Ecuador promueve inversiones, comercio, y turismo en el norte de China,” *People’s Daily* (June 16, 2012).
10 “38 empresas chinas están en las áreas estratégicas y construcción,” *El Universo* (Guayaquil, Ecuador, June 18, 2012).
11 “Venezuela explotará hierro, acero, bauxita y oro con China,” official website of the


14 Alexander Ador Netto, Secretary for Multidimensional Security of the OAS, public comments as part of a panel on Chinese engagement with Latin America (George Washington University, April 6, 2010).

15 See also Mireya Tabuas and Maria Alesia Sosa, “No es un cuento chino,” El Nacional (Caracas, Venezuela, April 15, 2012).

16 “Evo anuncia siete convenios con China,” Los Tiempos (Cochabamba, Bolivia, August 16, 2011).


18 “Pekin se desmarca de vínculo ideológicos con Venezuela a la llegada de Chávez,” El Universal (Caracas, Venezuela, September 23, 2008).


22 See, for example, “China’s Policy Paper on Latin America and the Caribbean (full text),” Government of the People’s Republic of China (November 2008).


26 China aprueba seguir con plan de refinería con Recope,” Nación (San Jose, Costa Rica, October 10, 2011).

27 “País pide a China donación para ampliar ruta Río Frío-Limón,” Nación (San Jose, Costa Rica August 2, 2010).


29 “3 millones de equipos chinos para ‘Mi casa bien equipada,’” El Universal (Caracas, Venezuela, July 6, 2011). As of February 2011, the government had received 1.4 million of the appliances, and had sold 850,000 of them. See “Programa Mi Casa Bien Equipada ha vendido 850 mil equipos,” El Universal (Caracas, Venezuela, February 7, 2012).

30 “China prestará a Venezuela $300 millones para crear aerolínea,” El Universal (Caracas, Venezuela, April 24, 2010).

31 Vicepresidente les exige a las Farc liberar a tres cuidanos chinos,” El Tiempo (Bogotá, Colombia, June 10, 2011).

32 The released workers were the last hostages believed to be held by the FARC. “Liberaos por las Farc viajarían a China el lunes,” El Tiempo (Bogotá, Colombia, November 22, 2012).

33 “Chinese Company Loses Millions As Protest Continues in Guyana,” Stabroek News


38 “Los camioneros ratifican el boicot a los súper y autoservicios chinos,” *Clarín* (Buenos Aires, Argentina, June 26, 2006).


40 In that case, a mob attacked a Chinese store, provoked by word that a young afro-Guyanese girl had been beaten by the owner, who accused her of shoplifting. See “Mob Raids Store of Chinese Charged with Assault on Child,” *Stabroek News* (Jonestown, Guyana, January 10, 2013).


42 In many business and technical interactions, English is used as the common language between Chinese and Latin Americans.


44 Ibid.

45 “Chinese Foreign Ministry Spokesperson: China to Strengthen Ties with Latin America This Year,” *CRI Online* (January 28, 2013).
Chapter 4

Chinese Commercial Activities in Strategic Sectors

Overview

As the relationship between the PRC and Latin America has expanded during the past decade, the main thrust of Chinese activities has been the acquisition of Latin American commodities and, reciprocally, the sale of manufactured goods to the region. While pursuing its immediate commercial objectives in Latin America, however, the Chinese government has also sought to manage these engagements strategically. In addition to using investment and finance to secure reliable access to key commodities, Chinese companies, with the help of the Chinese government, have also sought to move up the value-added chain, selling more sophisticated, higher value-added products to the region and building a presence in strategically important sectors such as autos, buses and trains, heavy machinery, computers and telecommunications, and military goods.

The presence of Chinese companies in high value-added, technologically sophisticated sectors such as telecommunications and space in Latin America may be regarded as having a doubly strategic character. On one hand, the expansion and accumulation of technological prowess by Chinese companies in these sectors benefits the modernization and diversification of the Chinese economy and its movement from competitiveness based on wages, to that based on the sophistication and capability of its products. In addition, however, capability by Chinese companies in these sectors, particularly in Latin America, also has strategic significance from the perspective of how such capabilities could be used by the Chinese state were the current friendly competition between the PRC and the United States to devolve into something more confrontational.

The purpose of this chapter is not to establish whether or not the activities by Chinese companies and the PRC government in telecommunications and space in Latin America are being conducted with nefarious intent, but rather, to detail their nature and scope, and to analyze what their strategic implications might be. This chapter thus implicitly argues that it is legitimate to analyze the strategic significance of Chinese telecommunications and space activities in Latin America based on how the Chinese commercial presence in those sectors could be used, without needing to establish that the PRC has explicitly developed plans to use them in this way. Indeed, in October 2012 the Permanent Select Com-
mittee on Intelligence of the US House of Representatives used this logic when it examined the US national security implications of the activities of the Chinese telecommunication firms Huawei and ZTE.¹

Following in the spirit of the Committee, this chapter argues that particular attention should be given to the degree to which Chinese companies have come to occupy a major role in providing of telecommunications architectures across Latin America and are expanding their roles in building Latin America’s space architectures as well, particularly with the countries of ALBA, given the Committee’s conclusion that the PRC “has the means, opportunity, and motive to use telecommunications companies for malicious purposes.”² It concluded that “Huawei and ZTE cannot be trusted to be free of foreign state influence and thus pose a security threat to the United States and to our systems,” recommending that the Chinese companies be blocked from acquisitions, takeovers, and mergers in the United States, and that US government systems and contractors should exclude ZTE or Huawei equipment in their systems.³ Such declarations raise particular concern in a region where the same Huawei and ZTE are the producer of increasingly sophisticated cell phones, modems, and other telecommunications devices that contain or have access to a virtually limitless array of data, from the records of the physical movements of their users, to the data stored on or transmitted from their computers, whether personal, commercial, or governmental in character. Such words also merit closer consideration of a situation in which it is virtually impossible to find a government functionary, businessman, or ordinary person in the region whose most sensitive communications and information do not, at some point, pass through a Huawei or ZTE cell phone or data modem, over a Chinese built cell or fiber optic system, or get stored, at least temporarily, on a Lenovo computer.

**Telecommunications**

In its 2008 White Paper on Latin America, the Chinese government briefly mentioned communications systems as one example in which it sought to advance “practical cooperation” in building the region’s infrastructure.⁴ As with Chinese advances in other infrastructure segments such as work on roads and hydroelectric facilities, in the telecommunications arena, the Chinese government has kept its word. Today, Chinese firms are major players in virtually every major nation in Central and South America. The advance of Chinese telecom into Latin America has primarily been the story of two companies, Huawei and ZTE, and to a lesser extent, Shanghai Alcatel Bell. In each case, the expansion into Latin America represented part of the broader global expansion of these firms.

Huawei lists a corporate presence in 14 of the nations of Latin America, with a total of 10,000 employees⁵ in 19 regional offices, 3 software research and development centers and 3 training centers.⁶ Indeed, the firm even has a
corporate presence in nations such as Paraguay with which the PRC does not have diplomatic relations. The degree to which Huawei has become a core part of the telecommunications infrastructure of the region is illustrated by its own corporate publicity, in which it notes that it is currently “a leader in market share across a range of different technologies and infrastructures in the region, including being the largest provider for IP DSLAM and Next Generation Network applications, and second in market share for optical networks, routers, and LAN switches for the entire region,” and that it is “embedded in leading-edge technology infrastructures across the region, including having built 3rd Generation UMTS infrastructures in Brazil, Mexico, Argentina, Colombia, Venezuela, Chile, Peru and Ecuador.” Going further, Huawei notes that it has provided technology solutions to almost all of the other major telecom players in the region, including America Movil, Telmex, Telefonica, Millicom, Nextel, TIM, Digicel, CANTV, and CNT.

From the perspective of Huawei’s own leadership, Latin America is its fastest growing global market and its largest outside of Asia in terms of the number of persons employed.

Although ZTE does not make claims on its own website about its presence in Latin America in the manner that Huawei does, the firm lists 16 offices in the region, including ones in Panama, Paraguay, and Haiti, none of which have diplomatic relations with the PRC.

In general, the expansion of Chinese telecommunication firms in Latin America has been different from that of their Western counterparts. Huawei and ZTE have generally entered each new country-market in the region with a handful of senior executives operating out of small facilities with very low overhead, rather than beginning with an expensive, high-visibility initiative, as have some of their competitors. Indeed, in more than one country in the region, stories exist of Latin American government officials and telecommunication executives conducting high-level meetings with Huawei and ZTE executives in modest apartments being simultaneously used by the Chinese as their eating and sleeping spaces.

From such modest beginnings, the advance of Huawei and ZTE in each country has typically involved the winning of small infrastructure contracts enabling the expansion into new facilities, the importation of technical and managerial personnel from China, and the hiring of local workers as a larger presence is built in the country, both respect to the construction of networks and the sale of products such as cellphones, routers, modems, and other devices.

The technical solution offered in Latin America has reportedly drawn heavily on the experience of the companies in China, where, like in Latin America, the telecommunications infrastructure was unreliable and the consumers had very little money for expensive products and contracts. Both Huawei and ZTE, for example, have been at the forefront of the market in offering extremely inex-
pensive cell-phones and “pay-as-you-go” plans tailored for lower-income persons who traditionally do not enter into service contracts.\textsuperscript{10}

As they have expanded, however, a decisive factor in the ability of Huawei and ZTE to pursue opportunities at key moments within Latin America and elsewhere has been their ability to count on financing from Chinese banking partners.\textsuperscript{11}

With respect to their patterns of expansion within the region, both Huawei and ZTE focused their efforts on larger countries and markets such as Mexico, Brazil, Argentina, and Chile,\textsuperscript{12} but then also began to make important advances in the countries of ALBA where the favorable disposition of those governments toward the PRC expanded opportunities for commercial contracts with those states. Although Huawei and ZTE initially shied away from Central America and the Caribbean, where individual national markets were smaller and not all countries diplomatically recognized the PRC, by 2010, both Chinese companies had begun to make important advances there as well.

The expansion of both Huawei and ZTE in the region has included sales of retail products such as cell phones and data modems, as well as providing network services for the region’s governments and its major commercial telecommunication providers. By 2010, ZTE was selling telephones under the Movistar brand in Mexico, Colombia, Venezuela, Peru, Ecuador, Argentina, Uruguay, and Chile.\textsuperscript{13} In that year, the major Latin American telecommunications service provider Telefónica contracted with ZTE to introduce six ZTE cell phone models onto the market.

In addition to penetrating the cell phone market in general with low-cost devices, they have also made important advances by offering low-cost versions of more sophisticated “smart phones,” sold both under their own brand names and produced for cellphone service providers. In February 2011, for example, ZTE announced that it was launching a new high-end Android cell phone in the 12 Latin American markets where it has helped to build and operate a network for Movistar.\textsuperscript{14} From a strategic perspective, although there is no public evidence of wrongdoing by Huawei or ZTE, smartphones are potentially powerful tools if they were to be used nefariously by those with access to their hardware and internal software, due to the enormous amount of personal data that they poses on those who use them, including not only items such as financial records, email, and documents, but also a history of the location of the user, transmitted on a regular basis from a GPS device within the phone itself.\textsuperscript{15}

The following sections examine key advances by Huawei, ZTE, and other Chinese telecommunications providers with respect to both hardware sales and infrastructure contracts in individual countries and sub-regions of Latin America.
Southern Cone

As noted previously, many of the early efforts of both Huawei and ZTE to penetrate Latin American and Caribbean telecommunications markets focused on the large middle-income markets of the southern Cone.

For more than a decade, Brazil has been a sub-regional center of gravity for both Huawei and ZTE. Huawei established its first Latin American office in the country in 1999, and as of early 2013, a research center and a series of facilities across the country. In May 2012, Huawei announced the establishment of a $61.5 million electronics production and distribution hub in the Brazilian city of Sorocaba, near the port of Santos, to employ 400 persons, the largest such facility that Huawei has in all of Latin America. Reportedly, the facility will complement the other 11 hubs that Huawei operates in the country to serve both Brazil and the markets of neighboring Latin American states. Brazil represented $2 billion in gross earnings for Huawei in 2012, approximately two-thirds of all of the company’s earnings in South America.

With respect to networks, Brazil has also been a focal point for Huawei’s deployment of 4G networks in the region—the leading edge telecommunications technology at the time that this work went to press. In February 2011, for example, Huawei was selected by NII holdings, the parent of Nextel in Latin America, to build the organization’s next generation networks in Brazil and Mexico. Separately, the new “technology center” established by Huawei in São Paulo state was seen as part of the firm’s deployment of 4G systems across Brazil and from Brazil, in neighboring countries.

Like Huawei, ZTE also maintains a hub in Brazil, with announced plans to build a high tech industrial park with a research and development center, a $200 million production plant, and training and logistics facility in Hortolandia, São Paulo state. ZTE’s Hortolandia facility, built by renovating the Celestica electronics plant that had operated on the site until closing in 2009, also includes the final assembly of cell phones, allowing ZTE to realize significant tax breaks as a “local” producer, rather than importing its products into the country.

Like Huawei, but on a smaller scale, ZTE has won various contracts to build infrastructure in the country, including an award announced in October 2012 to construct a broadband network in conjunction with its Brazilian partner, TIM.

The focus by Chinese telecommunications firms on the Brazilian market goes beyond Huawei and ZTE. In June 2012 China Communications Services, a subsidiary of China Telecom, announced intentions to establish a Latin American operation in São Paulo, building on a license granted by the Brazilian government to the parent company in September 2011 to operate in the country.
Beyond Brazil, both Huawei and ZTE have also established a strong presence in the Argentine telecommunication market, including the same type of infrastructure contracts and product sales seen in Brazil, as well as the establishment of production facilities by each in Tierra del Fuego, in the southernmost part of the country, to achieve beneficial tax treatment as a “local” producer. Between Huawei and ZTE, total investment in these facilities in 2011 alone was reportedly $160 million. The Huawei facility was established in association with local partners New San and BGH, while ZTE announced a facility there in July 2011 with the same partner, BGH.

With respect to networks, by the end of 2012, Chinese companies in Argentina appeared to be positioning themselves not only as major network provider for the major Latin American telecommunications firms, but potentially to leapfrog commercial providers to monopolize the deployment of 4G technology into the country. In October 2012, as part of a trip to Beijing, Argentine Minister of Planning and Public Investment Julio De Vido reportedly met with representatives of Datang Mobile Communication corporation, where they are believed to have discussed employing the Chinese firm to build the country’s entire new fourth generation (4G) cell phone network, rather than the Argentine government’s auctioning off the required communications bandwidth to commercial providers to build their own networks.

In Chile the presence of Huawei and ZTE has been more modest than in Brazil and Argentina, yet still significant. Industry sources note that Huawei is involved as a partner or subcontractor with all of the major commercial operators in Chile, including Telefónica, Entel, and Claro, with a particularly important partnership with Nextel, building the 3G and other networks for the organization in the country, with a focus on rural areas previously lacking in coverage. In addition, during the June 2012 visit to Chile by Chinese premier Wen Jiabao, Huawei and ZTE signed various cooperation agreements, leading to an announcement in July 2012 that it was opening an “innovation center” in the University of Chile that would train ZTE engineers. In December 2012, the Chilean minister of Transportation and Telecommunications Pedro Pablo Errázuriz met with leaders from both ZTE and Huawei in China, seeking expanded investment by the Chinese companies in Chile, possibly to include their direct or indirect participation in the construction of new 4G networks in the country, to begin in 2013.

As in other countries in the Southern Cone and elsewhere, Huawei and ZTE have also been major cell phone vendors in Chile. Huawei reportedly sold more than 150,000 cell phones there in 2011, including low-cost smart phones, significantly expanding its market position.

In Uruguay, although the national market for telecommunications is smaller than those of its southern cone neighbors, the center-left government
of Jose Mujica has been receptive to leveraging the Chinese firms to expand and modernize the nation’s telecommunications architecture, including an accord signed by President Mujica during the visit to the country of Chinese Prime Minister Wen Jiabao, committing Uruguay to even greater cooperation with China in telecommunications. More concretely, in October 2012 the state telecommunications organization Antel announced that it was contracting with ZTE to install a new fiber optic network in the country, building on work that it had awarded to ZTE in 2011. During the trip to the southern cone by Chinese Prime Minister Wen Jiabao in June 2012, the government of Uruguay signed an agreement committing the country to even greater cooperation in the telecommunications sector.

**ALBA Regimes**

Beyond the expanding base of contract work and product sales by Chinese telecommunications firms in the southern cone, many of their most significant advances have come in the countries of ALBA, aided by the positive disposition of those regimes toward working with the PRC, in combination with the availability of vehicles for financing projects for organizations tied to those governments through Chinese banks.

Projects by ALBA regimes with the Chinese span the same gamut of product sales and telecommunication services seen elsewhere, but often in partnership or under contract with the Chinese firm in representation of the Chinese state. The blurring of the boundary between commercial transactions and state-to-state relationships in such cases is particularly problematic, insofar as commercial entities representing a geopolitical rival to the United States (China) are entering often opaque contracts in a strategically important sector with countries in self-declared opposition to the United States, such as Venezuela. In such relationships, the question is not whether, but where concern should begin for the United States, along the spectrum of coproduction of telecommunications hardware with the Venezuelan state, exclusive contracts for telecommunications architectures, and (as seen in the next section) space-launch services, or component, service, and training contracts with ALBA militaries. Indeed, because the ALBA countries are unique in having contracted with the PRC to develop and launch national communications, data relay, and earth observation satellites, work by Chinese telecommunications firms gives the PRC a unique strategic position in having built, and having knowledge of, significant portions of the communications, data, and command and control architectures of those countries in the region most hostile to the United States.

Of all the ALBA regimes, the penetration by Chinese telecommunications firms is arguably most extensive in Venezuela. As of 2012, Huawei alone had more than 1,400 workers in Venezuela, of which 400 were Chinese.

Since
the nationalization of the national telecommunications firm CANTV in 2007, the government has let major contracts to Huawei for the extension of the national fiber optic network to remote rural areas of the country.\textsuperscript{43} Similarly, the Venezuelan government has contracted with ZTE to provide cable TV infrastructure for CANTV,\textsuperscript{44} as well as communication antennas and services to the national electric corporation.\textsuperscript{45} Both Huawei and ZTE have also reportedly worked with telecommunications provider Digicel in the preliminary stages of introducing 4G networks into Venezuela.\textsuperscript{46}

Huawei, for its part, has been contracted by the Venezuela government to provide various training and services, including work for the Venezuelan military organization DICOFAN, while ZTE was awarded contracts with the Venezuelan industry of mining and basic industries.\textsuperscript{47} In the latter case, the contracts included a system for real time monitoring of mining activity in the country, of great potential commercial and strategic value to China were ZTE ever to surreptitiously provide information obtained through its construction of the network to the Chinese government or Chinese companies interested in Venezuelan mining.\textsuperscript{48}

With respect to commercial products, both Huawei and ZTE have sold their cell phones and other devices widely in Venezuela, and both have built manufacturing facilities there.\textsuperscript{49} ZTE was the first to establish a cell phone factory in Venezuela, building its facility in Punto Fijo, in the Paraguaná Free Trade Zone. The first telephone produced by the plant, called the “Vergatario,” was showcased by former Venezuelan president Hugo Chávez in May 2009 during one of his frequent television appearances.\textsuperscript{50} Huawei’s Venezuelan plant, announced in May 2010,\textsuperscript{51} was built in Oronoquia, and became operational in December 2012.\textsuperscript{52} Indeed, Huawei went even one step further, announcing in June 2012 that it had chosen Caracas as the site for its first dedicated retail outlet outside of the PRC.\textsuperscript{53}

In Bolivia, by contrast to Venezuela, the advance of Chinese telecommunications firms has proceeded more slowly, due in part to a lack of funding to develop the Bolivian telecommunications architecture in general. In recent years, however, both Huawei and ZTE have begun to make important advances there. In October 2009, 16 months after the nationalization of the telecommunications sector by the Bolivian government, the state organization running the sector, Entel, signed a $120 million contract with Huawei to implement the plan “Total Territorial Coverage” (TCT), with the object of providing service to 1.5 million new users in 12,000 localities.\textsuperscript{54} The company was also, at the time, working on GSM and 3G networks in support of telecommunication provider Tigo, as well as performing other contracts for Entel and the private firm Viva.\textsuperscript{55} Despite initial successes in implementing TCT, including building transmission towers and providing services in Oruro,\textsuperscript{56} Huawei ran into difficulties in com-
pleting the contract, and in December 2010 the Bolivian government declared Huawei noncompliant and charged it a $8 million fine.\textsuperscript{57}

The courtship of the Bolivian government by Chinese telecommunications firms was also visible in August 2011, when Bolivian president Evo Morales traveled to the PRC and included in his agenda separate meetings with executives from both Huawei and ZTE.\textsuperscript{58} Indeed, the following month, the Bolivian national telecommunications firm Entel awarded a major contract to Huawei to build infrastructure to expand cell phone coverage to rural areas.\textsuperscript{59}

In Ecuador, the firm Huawei has dominated the market for public telecommunications contracts. From 2007 through 2011, according to a report by the Guayaquil newspaper \textit{El Comercio}, Huawei won 61.4 percent of all contracts publicly awarded by the National Telecommunications Corporation of Ecuador (CNT), while ZTE won an additional 2.8 percent.\textsuperscript{60} Important specific victories include July 2011, when CNT awarded a contract for construction of a third-generation (3G) network to the firm Huawei, together with the firm Alcatel.\textsuperscript{61}

The Ecuadoran case, however, also showed the competition that often exists between Huawei and ZTE in Latin American and other markets. When ZTE lost a competition for video, voice, and data services to Huawei in March 2012 despite being the low-cost bidder, a series of public recriminations ensued, including a written protest to Ecuador’s president Rafael Correa, leading the Chinese embassy to intervene, directing the Chinese companies to refrain from such activities lest their actions cause “diplomatic problems.”\textsuperscript{62}

With respect to cellphones and other retail hardware, in 2010 ZTE introduced its product line into the country in conjunction with the telecommunications service provider Telefonica.\textsuperscript{63} In April of the same year, it initiated a project in the city of Chimbo to assemble low-cost cell phones for sale in the Ecuadoran market,\textsuperscript{64} in partnership with the Ecuadoran state.\textsuperscript{65}

Finally, Chinese telecommunications companies have also made significant advances Nicaragua, even though its current regime does not diplomatically recognize the PRC. In January 2011, China’s Xinwei Telecom Enterprise group was licensed to operate cell phone and internet services in the country and has announced plans to invest $2 billion in the country from 2013 to 2016,\textsuperscript{66} including $700 million for infrastructure so that it could provide initial service, alongside competitors Claro, Telefonica, and Movistar.

**Other Andean Countries**

In the Andean countries not currently part of ALBA, Chinese telecommunications firms have also made rapid advances, although often with a less explicit role for the Latin American government.

In Colombia both ZTE and Huawei have an established presence across
the country, performing government service contracts and selling cellphones and other products. In 2011, Huawei alone expanded its operations in Colombia by 50 percent, and by 2012 had a major role in the key telecommunication infrastructure activity in the country—the installation of a 4G “Long-Term Evolution” (LTE) network in the country. During the course of 2012 as well, both Huawei and ZTE expanded into major new facilities in the Colombian capital city of Bogotá. As of 2013, Huawei was the principal service provider for 3G networks in Colombia for the Tigo, as well as doing similar work for its competitor Movistar.

In Peru, Huawei has been active builder of infrastructure for the major telecom service providers, including a key role in the construction of a wideband CDMA network by Nextel in 2011, as well as a major contract with Telefónica for the modernization of its fixed telephone system. ZTE has also made significant advances in the country, including the launch in 2011 of the country’s first 4G broadband network, in conjunction with Chinese partner VelaTel (formerly ChinaTel). In July 2012, it was also announced that ZTE would be contributing key parts of the physical infrastructure for a new 2G/3G network to be built in the country by the Vietnamese national telecom provider Viettel, including building more than 2,000 base stations for the new network.

As in Colombia, Huawei and ZTE have also made significant inroads in selling their cell phones in Peru; in February 2012, Huawei announced that it was considering the establishment of a cell phone manufacturing facility in the country.

Caribbean Basin

The newest wave of significant advances by Chinese telecommunications companies in Latin America are occurring in the Caribbean basin. Prior to 2007, the sub-region was considered a relatively unprofitable market, with numerous individual countries, each with their own autonomous governments, many of which did not recognize the PRC diplomatically. Moreover, the region was dominated by a relatively well-established group of established telecommunications providers with strong relationships with local governments, making the prospect for penetration of the market by new entrants difficult.

In 2007, China’s absence from the Caribbean telecommunications sector began to change, with Huawei beginning to win a number of important contracts in Trinidad and Tobago, Jamaica, Aruba, the Cayman Islands, and Barbados. ZTE followed Huawei’s lead, developing a smaller, but important presence in Guyana, Guadeloupe, and Haiti, among others.

The expansion of the Chinese telecommunications presence in Cuba during this period had two important components. The first was the use of the Chinese to modernize the Cuban telecommunications infrastructure. By the end
of 2009, for example, Huawei was working to build a broadband internet service in the country. The second piece was the use of Chinese firms to connect Cuba to the outside world through fellow ALBA partner nation Venezuela. The work, awarded to Shanghai Alcatel Bell, was completed in February 2011, with the 1,000-mile cable extending from Camurey, in Venezuela to Siboney, Cuba. A secondary line also links Jamaica into the system. While the project in itself is modest, it has the effect of making Cuba, and to a lesser extent Jamaica, more dependent on the Chinese for international data connectivity.

One of the most significant Chinese telecommunication hubs in the Caribbean is arguably the Dominican Republic, where the firm Huawei has an 80-person office, providing hardware and services to all of the major telecommunications providers: Telmex (operating in Dominica as Claro); the French national telecommunications provider Orange; Tricom; and the local wireless broadband provider Wind Telecom. The relationship with Tricom includes an important contract won in July 2012 to upgrade its national network to a 4G LTE system, part of Huawei’s strategic aim to deploy 4G LTE throughout the region.

In addition to the Dominican Republic, Chinese telecommunication companies also have a growing presence in Trinidad and Tobago. Although the nation’s telecommunication provider TSTT had traditionally bought its equipment from the British company Nortel, in April 2012 Huawei won a $78 million contract to supply it components for the new mobile broadband network it was deploying. By November 2012, other telecom service providers such as British Telecom were also purchasing Huawei equipment to replace older components.

As in other parts of the region, Huawei and ZTE are increasingly selling their cell phones and other telecommunications devices in the Caribbean through major telecommunications providers. In Jamaica in December 2012, for example, Huawei launched a new tablet through the telecommunications company Digicel.

Finally, the advance of Huawei and ZTE in the Caribbean basin also includes the often overlooked nations of Suriname and Guyana. In Guyana, one of the first major advances for Chinese telecommunications providers came in December 2010, when the government awarded a $35 million contract to the Chinese firm Huawei to build a fiber optic cable connection from the capital Georgetown to the city of Latham on the border with Brazil, linking the Guyanese telecommunication infrastructure with that of Brazil. In addition, the contract also included construction of a 4G WiMax network providing high-speed wireless broadband coverage to the greater Georgetown area. By March 2012, the cable to Brazil was reportedly 85 percent complete, with follow-on plans to integrate the cable with infrastructure spanning the Guyanese coast from the Su-
In addition to these contracts, in April 2012 the Chinese telecommunications company Datang acquired a 20 percent interest in the national Guyanese telecommunications company, Guyana Telephone and Telegraph. And the same month, a Chinese company was awarded a contract to build a new 4G LTE infrastructure, with the construction of a data center and transmission towers to provide upgraded internet to the previously mentioned coastal region.

Central America

As in the Caribbean, Chinese companies had very little presence in the telecommunications market of Central America until very recently, arguably for many of the same reasons: the countries of the region were relatively small individual markets composed of countries that did not diplomatically recognize the PRC, and dominated by companies with strong particularistic relationships with the governments in place. Despite such difficulties, as in the Caribbean, both Huawei and ZTE appear to be advancing in Central America’s telecommunications markets.

In Costa Rica, the track record of Huawei in the nation since the country diplomatically recognized the PRC in 2007 has sparked controversy and criminal investigations. During 2007, the Costa Rican national telecommunications company ICE was exploring the upgrade of its wireless network to a 3G architecture from a legacy system composed of two incompatible systems, one built by Ericsson, and the other built by Alcatel. According to telecommunications industry experts, Ericsson had the inside track to build the new 3G network, but Huawei worked through the Chinese ambassador Wang Xiaoyuan, newly arrived following the country’s change in diplomatic recognition from Taiwan to the PRC, to convince the Costa Rican government to consider a bid by Huawei. Possibly sensing that Huawei now had the inside track, the other two major players in the market, Nokia and Ericsson, refrained from responding when the bid was put out by ICE. In August 2008, Huawei submitted a proposal, as the sole bidder, at 159 percent of what ICE initially estimated the project should cost, and was eventually awarded the contract. In 2012, Huawei was subsequently found guilty and fined for having colluded with other telecom providers in the country, Nokia, Ericsson, and Continex, so that they would refrain from bidding, enabling Huawei to secure a higher price to build the network.

The penetration of Huawei in selling cell phones through different providers to the Costa Rican and other telecommunications markets was illustrated dramatically in February 2013 when the company accidentally shipped a case of 1,000 phones purchased by the Costa Rican telecommunications agency ICE, bearing the logo of its competitor, Movistar.
In Panama, although the country itself does not diplomatically recognize the PRC, Huawei maintains alliances with Cable & Wireless Panamá, Telefónica, Digicel, Claro Panamá, and Cable Onda to provide networks and consumer telecommunications products to the Panamanian market.  

In Honduras, also despite a lack of formal diplomatic relations, a group of Chinese investors reportedly entered in negotiations in 2010 for the acquisition of the state Honduran telecommunication firm Hondutel, although the deal has remained paralyzed due to issues including Chinese insistence that the Honduran state assume liabilities for Hondutel’s pension obligations.

In Guatemala, ZTE is supporting Telefónica, which is operating in the country as Movistar, against Tigo, and Telmex, operating under the Claro brand.

**Mexico**

With respect to Mexico, both Huawei and ZTE have recognized the importance of the country as a market, and have set up significant telecommunications hubs there. Indeed, for Huawei, the country is currently the headquarters of the company’s Latin America operations. Huawei has had a presence in Mexico since 2001, including a production facility in Guadalajara, and a center of operations in Mexico City, subsequently expanded in 2008 to include a new software research-and-development facility. The companies have also had important successes at the local level, including a contract by ZTE to provide wireless internet service for all of the capital, cemented following a trip to China by Mexico City’s mayor Marcelo Ebrard.

As in other countries, Huawei has worked with the principal telecommunications companies in Mexico to build their networks. In February 2011, for example, Huawei was selected by Nextel to help the company build its new 3G Universal Mobile Telecommunications System (UMTS) network for all of Mexico (as well as for Brazil), putting Huawei at the heart of systems carrying the telecommunications traffic and data for one of the major networks for both of the largest and most sophisticated telecommunications markets in the region. It was also the technology provider behind a new offering by Mexico’s Salinas group, providing integrated television, telephone, and data service to Mexican homes.

As in other parts of the region, industry sources note that Huawei has thoroughly penetrated the Mexican market, not only as a provider of network services, but also as a provider of fixed telephones, cell phones, data modems, and telecommunications software. As of late 2011, the firm reportedly had 220 employees in Mexico, approximately 30 percent of whom were from the PRC.
Space

In addition to telecommunications, one sector in which China’s engagement with Latin America has had a particularly strategic character is space. In general, China–Latin America space cooperation is in its infancy, concentrated in Brazil and the countries of ALBA, but slowly expanding to encompass other states such as Argentina, Peru, and Mexico. China’s 2008 policy white paper on its relationship with Latin America and the Caribbean actually contains more detailed information on its military relationship with the region than space cooperation. As with Chinese advances in the Latin American telecommunications sector, the PRC’s growing engagement with Latin America in space and related technologies has potential strategic impacts, and thus is explored in greater detail in this section.

The Context of PRC Space Activities

China’s pursuit of space-related activities in Latin America is both driven and enabled by its own development of space as a strategically important sector. The PRC space program had its roots in the three-way competition with the United States and the Soviet Union during the Cold War, which highlighted the strategic value of rockets for penetrating enemy air defenses for rapid intercontinental delivery of nuclear arms. Since launching its first test payloads in 1964, China’s space program has performed over 100 orbital missions.

Today, concurrent with the economic and technology development of the PRC, the Chinese space program is pursuing a diverse array of objectives, from commercial satellite launches, to manned space flight (Project 921), to missions to the moon, Mars, and beyond. Current Chinese spending on space activities is estimated at $1.4–$2.2 billion per year, a level similar to that of France and Japan.

China’s principal launch vehicle for its space flights has been the Long March family of rockets, with an impressive record for reliability, including more than 50 consecutive launches without a failure between 1996 and 2006. China relies on the Long March not only for its own space missions, but also for the launch services it offers to potential clients in Latin America and elsewhere.

The PRC is moving away from a cold war posture not only in providing commercial launch services, but in its launch facilities. China’s three current space launch sites are closed bases in remote sites, as illustrated by Jiuquan, China’s primary launch site, located in the Gobi desert of Inner Mongolia. By contrast, the new Wenchang launch facility that China is developing on Hainan Island is much more accessible and much closer to the equator. The location will allow China to launch larger payloads with lower energy expenditure to equatorial orbit when the facility opens in 2014, thus making the facility competitive with existing equatorial sites such as Alcântara in Brazil and the Arianespace site in French New Guinea.
Since 2002, the PRC has launched 15 commercial satellites into orbit, including the Nigeria Communication Satellite Nigcomsat-1, the first Chinese communications satellite sold to a foreign country. Venesat-1, the satellite that China developed for Venezuela, was the first such satellite sold in Latin America. In building its presence in the commercial satellite market, China has competed on cost and the flexibility of its launch schedule. Indeed, the cost to the client for a commercial launch is as little as half that of its competitors. The PRC’s primary agent for foreign and commercial space activities is the China National Space Agency (CNSA), although the People’s Liberation Army (PLA) continues to play an important role in China’s space activities. In support of CNSA, space launches and related activities are executed by the state-owned enterprise China Aerospace and Technology Corporation, with a series of companies falling within this framework. One firm that is part of this business network is the Great Wall Industry Corporation (GWIC), the sole organization authorized by the Chinese government to provide satellite in-orbit delivery (IOD) services, commercial launch services and aerospace technology applications. Other firms include the China Academy of Space Technology (CAST) and China Academy of Launch Vehicle Technology (CALT), which regularly participate in China’s interactions with Latin American and other clients.

In building space relationships with countries in Latin America and elsewhere, China’s attempts to reach out have been limited by concerns over technology espionage and the quality of its space systems. The espionage issue, reflected in the 2008 conviction of Dongfan Chung in the U.S. for passing technical data to the Chinese while employed by Boeing, has been an impediment for governments and commercial companies to work closely with the Chinese on technologically advanced or sensitive space projects. A second challenge for the Chinese has been concern by clients regarding the reliability of the Chinese product, building on broader perceptions concerning the level of sophistication of Chinese space technology. This issue has been made worse with the failure of two of China’s DFH-4-type communication satellites, including Nigcomsat-1, and indications of problems with Venesat-1, as well as non-mission critical equipment failures on CBERS satellites.

As China has developed its space capabilities it has also sought to expand its international cooperation efforts, including involvement in multilateral forums. By 2006 China had signed 16 international space cooperation agreements with 13 countries, which included their participation in the International Space Assembly and the establishment of the Asia-Pacific Space Cooperation Organization (APSCO) in 2005.

The China–Latin America Space Relationship

PRC space cooperation in Latin America is oriented to support the broader Chi-
The Strategic Dimension of Chinese Engagement with Latin America

Chinese goal of developing this strategically important sector from an economic and technology perspective, as well as advancing its broader international political and strategic goals with respect to developing alliances and key influence relationships. Within this context, the pattern of China’s space cooperation with Latin America can be understood by dividing the region into four groups of countries: (1) those with limited space capabilities not actively pursuing space programs; (2) populist regimes purchasing Chinese satellite systems; (3) other countries developing limited space capabilities; and (4) Brazil as an emerging regional power with a multidimensional space program. The balance of this chapter analyzes China–Latin American space cooperation in terms of the distinct patterns of interaction seen in each of these four cases.

Countries Not Actively Pursuing Space Programs

Although many countries in Latin America can contract for space launch services, the majority (particularly in Central America and the Caribbean) do not have the economic size or level of technology and industrial diversification for which an integrated space program is a logical pursuit. Although many have highly educated personnel, university programs, and niche technology sectors that can contribute to regional programs, the PRC generally has not engaged with these countries on space issues to a significant degree.

Populist Regimes Purchasing Satellite Systems from the PRC

China’s most significant advances in space cooperation in Latin America in recent years have come with populist regimes politically disposed to do business with the PRC.

The Venezuelan government of Hugo Chávez provided the PRC with its first opportunity to develop and launch a fully Chinese satellite in Latin America, signing a contract in 2005 to develop and launch a communication satellite for Venezuela, Venesat-1. As with China’s development of the Nigerian communication satellite Nigersat-1, Venesat-1 was developed by Great Wall Industries and launched from the PRC. For the PRC, the Venesat-1 project was an important commercial deal, apart from its strategic utility. Venezuela paid China $406 million, including $241 million for developing and launching the satellite, financed by Chinese banks.

In addition, a primary control station to manage and communicate with the satellite was established within a military airbase in the remote plains of Guárico state, with a backup facility in the southeastern state of Bolivar. The control stations will be administered by the Venezuelan Science and Technology Ministry, and the recently nationalized Venezuelan telecommunications company CANTV will administer use of the spectrum by the satellite. CANTV is already working closely with the Chinese firms Huawei and ZTE in other parts
of the telecommunications sector, including expansion of the Venezuelan fiber optic backbone.\textsuperscript{125}

As part of the satellite package, 150 Venezuelan technicians were trained in the PRC to operate the satellite, and 30 Venezuelan students were given scholarships to do their doctoral dissertation in China on topics related to it. This training has provided the PRC with significant opportunities to build relationships with the new group of Venezuelan space leaders that the program had created.\textsuperscript{126}

The satellite became operational on January 10, 2009,\textsuperscript{127} although some evidence suggests that, like the Nigersat-1 which ultimately failed, Venesat-1 initially was not operating properly.\textsuperscript{128} As part of the venture, the nation of Uruguay came to hold rights to 10 percent of the bandwidth of the satellite, because it owned the orbital slot into which Venesat-1 was placed. Nonetheless, seven months after the satellite became operational, Uruguay had not yet made use of any of that bandwidth.\textsuperscript{129}

Following the success of Venesat-1, in September 2012 China launched a second satellite, the Venezuela Remote Sensing Satellite (VRSS-1), or “Miran-da,”\textsuperscript{130} deepening the relationship and the presence of Chinese personnel in the country, as well as sending Venezuelan personnel to China for training. By October 18, 2012, the satellite had reached its designated orbit and had begun to send images back to earth, apparently functioning normally.\textsuperscript{131}

Following the Venezuelan lead, as in its military relationship with China, in April 2010 the Bolivian government contracted with China for the development and launch of its own communications satellite, dubbed “Tupac Katari” after the Andean indigenous leader.\textsuperscript{132} The project required an investment of $300 million, of which $251 million was financed by China Development Bank through a loan with a 20-year repayment period.\textsuperscript{133} By December 2012, the satellite was reported to be 60 percent complete and moving into the assembly and testing phase with an anticipated launch date of December 20, 2013.\textsuperscript{134}

As with the China-Venezuela satellite project, the Tupac Katari project with Bolivia involved the construction of two ground stations in Bolivia by the Chinese contractor, with one in Amachuma, near the Bolivian capital of La Paz, and a second control station in the Department of Santa Cruz, to the East, with Chinese technicians involved in the construction of the facilities and the training of Bolivians in its operation.\textsuperscript{135} The Chinese organization doing the work on the satellite itself, the China National Aero-Technology Import & Export Corporation (CATIC), reported in June 2012 that it had 10,000 engineers assigned to the project, although it did not indicate how many of these were, or would be, working in Bolivia.\textsuperscript{136}

As part of the effort, in February 2010, Bolivia initiated a process to establish its own national space agency.\textsuperscript{137} As with the Venezuelan satellite projects,
the Tupac Katari project also involved the sending of Bolivian personnel to the PRC for training. Reportedly, 1,733 persons applied for the training, of which 64 were selected in October 2012 to be sent to the PRC. In 2012, even Nicaragua begun negotiations with the Chinese space launch organization Great Wall Industry Corporation for the development and launch of a communication satellite, referred to as “Nicasat-1” to be launched in 2016 at an estimated total cost of $300 million. The Nicaraguan state telecommunications organization Telcor initially took the lead in presenting the project on the Nicaraguan side. As with similar projects in Venezuela and Bolivia, the project is anticipated to involve the training of Nicaraguan personnel in the PRC.

In the cases of Venezuela, Bolivia, and Nicaragua the satellite projects were arguably important for the PRC, allowing its companies to prove the reliability not only of their launch services, but also their satellite technology. Through these projects they are gaining experience in doing business in the space sector of the region and positioning them to compete for the business of clients less ideologically disposed toward doing business with the PRC in the future, such as Chile, Argentina, and Mexico.

Beyond their contributions to the enhancement of the PRC space capability, China’s construction of ground control stations and the potential linkage to national telecommunication networks, also subject to significant contract work in each of the three cases, also gives the PRC unprecedented opportunities to understand the communication and space-technical architectures of each host country and to tap into them in the future, if necessary, to collect information or disrupt them. In the case of Venezuela, it is relevant that the Chinese telecommunication company Huawei plays an intimate role not only in the construction of the satellite command and control facility, but also in the construction of the Venezuelan fiber optic network. The previously mentioned infrastructure work of the Chinese company Huawei for the Bolivian state telecommunications firm Entel and the anticipated work of Xinwei in Nicaragua are of interest in this regard.

From a strategic perspective, the utility of projects such as those with Venezuela, Bolivia, and Nicaragua is also that they help major Chinese companies in their bid to become a commercially viable space launch and technology provider, in competition with established providers such as Ariane and Thales. Moreover, associated training of Latin American personnel in the PRC arguably provides China the opportunity to build relationships with, collect information from, and to some degree, to indoctrinate virtually the entire cadre of the recipient country’s military and civilian space-technical personnel.
Other Countries with Some Space Capabilities, Including Satellites

In addition to the Bolivarian socialist countries that have contracted with the Chinese to develop and launch satellites, six other nations in the region have space programs at some level: Argentina, Chile, Peru, Colombia, Mexico, and Brazil (which will be discussed in detail in the final part of this section). In each of these countries, the Chinese have sought to build a relationship in the space arena, including seeking to provide commercial launch services or technology collaboration, with mixed success.

In the case of Argentina, the first significant official cooperation with the PRC came in November 2004, during the visit of Hu Jintao and the signing of a framework agreement on “technology cooperation in the peaceful use of outer space.” The agreement included an expression of willingness by the Chinese government to provide Argentina commercial launch services, satellite components, and communication satellite platforms. Consistent with this accord, in May 2005 the Chinese government signed an agreement to provide technical support and equipment to the Argentine satellite manufacturer INVAP. At that time, INVAP was to support the Argentine national satellite company ARSAT in putting a new satellite into the 81-degree orbital position reserved for Argentina. In the end, however, Astrium and Thales Alenia Space, rather than China, were selected as the major equipment suppliers to INVAP. Moreover, although the PRC was also interested in providing Argentina with launch services, ARSAT ended up contracting with the French firm Arianespace to launch the satellite in mid-2012 from the equatorial launch site in New Guinea.

Beyond ARSAT, China and Argentina have also collaborated in the establishment of joint satellite tracking and control facilities in the south of Argentina, giving China access to coverage of the southern polar region that it lacks in the geographic position of its own country. The first significant manifestation of this collaboration was a 2005 agreement between China National Astronomical Observatories (NAO), China National Academy of Sciences (NAS), and the San Juan University in Argentina to construct a satellite laser ranging facility, subsequently completed February 22, 2006. Separately, in July 2010 a PRC delegation reportedly traveled to Neuquén, Mendoza, and Rio Negro, Argentina, to evaluate sites for the establishment of a new space antenna, and in July 2012 the Argentine Space Agency CONAE and the Chinese satellite launch and control organization CLTC signed an agreement by which the satellite monitoring and control facility would be constructed in Patagonia.

Beyond Argentina, delegations from the PRC have conducted exchanges with space-related bodies in Chile and Peru. In Chile, contacts led to the establishment, in February 2013, of a joint astronomy research center to support
enhanced collaboration in space activities between China and Chile, as well as with other nations of Latin America. The PRC was also reportedly interested in participating in the development and launch of Chile’s first satellite, the Sistema Satelital de Observación de la Tierra (SSOT). In the end, however, the development work was done by the European firm EADS Astrium, and the launch contract was awarded to Arianespace.

In Mexico none of the satellites developed and managed by the previously state-owned company SatMex have used China to develop or launch its satellites. Nor has there been significant open interaction between the Mexican government and the Chinese on space issues. Nonetheless, the 2010 establishment of a Mexican Space Agency has opened up an avenue for Mexico-China space collaboration in the future. In November 2012, for example, the Chinese Secretary General of the Asia-Pacific Space Cooperation Organization, Dr. Zhang Wei, visited the Mexican Space Agency and invited Mexico to join the Asia-Pacific Space Cooperation Organization (APSCO).

In the case of Peru, although the nation does not have near-term plans for launching a satellite, the combination of its position as a Pacific-facing economy and its level of technological development in select space-related sectors led it to join APSCO when it was established. Peru has sent high-level dignitaries such as its foreign minister to visit APSCO, has participated in APSCO activities such as the space navigation course in Beijing, and is currently considering expansion of its participation. Nonetheless, APSCO is relatively new, and has not yet conducted a significant number of activities. For example, in September 2010 in Karachi, Pakistan, APSCO held only its second annual symposium. Moreover, in some ways, APSCO has not oriented itself well toward Latin America. The official opening of the APSCO headquarters in Beijing, for example, was held on Christmas Eve 2009, one of the holidays most reserved for family rather than business in Latin America. Although Brazil has also analyzed the possibility of joining APSCO, and despite the organization’s previously mentioned courtship of Mexico, to date Peru remains the only Latin American participant.

**Brazil as an Emerging Regional Power with a Multidimensional Space Program**

The most significant and multidimensional space cooperation between China and Latin America has been its relationship with Brazil. Contrasted with other Latin American countries, even before beginning to work with China in the late 1980s, Brazil was actively working to develop space launch vehicles such as the VLS-1 as well as payloads such as its SCD-1 satellite.

Brazil’s cooperation with China on space issues began in the late 1980s, driven in part by a desire to diversify away from reliance on the United States. At this time the new U.S.-led Missile Technology Control Regime (MCTR) was
beginning to limit Brazil’s ability to obtain space-related materials and components. The regime’s limits came not only from the United States, but also from other countries participating. It was in this context that, in 1989, China entered a competition with the United States and France to launch a Brazilian communications satellite. China offered not only to launch the satellite on one of its Long March rockets, but also to transfer launcher technology that would benefit Brazil in the development of its own VLS-1 launch vehicle.

The primary venue for China-Brazil space cooperation is the China-Brazil Earth Resources Satellite (CBERS) program, established in 1998. To date, a total of three satellites have been launched through the program from the Taiyuan Satellite Launch Center in Shanxi, China, in 1999, 2003, and 2007. A fourth launch was initially scheduled for December 2012, but postponed until May or June 2013 following technical problems on the Brazilian side. To date in the CBERS program, Brazil has assumed approximately 30 percent of the project cost, while China assumed the remaining 70 percent, including the construction of ground stations. The importance of the project in the broader Brazil-China relationship is evidenced by the fact that a key stop during President Hu’s visit to Brazil in November 2004 was to a CBERS project site at the National Institute for Space Research (INPE) in São Paulo.

The China-Brazil space collaboration via the CBERS program has not been without its difficulties. The launch of the first joint satellite, originally scheduled for 1992, was delayed until 1998. Moreover, in August 2003, the first CBERS satellite experienced a malfunction, putting an end to all of its data transmissions, and in April 2005 one of two PRC-supplied imaging devices on the second CBERS satellite stopped working due to a power supply failure.

Despite such problems, space collaboration with China has been positive for Brazil overall, and has continued under its own momentum, even while many of the initial reasons for cooperation have gone away. Upon assuming his post in March 2008, the new head of the Brazilian Space Agency stated that Brazil cherished its ties with China and would deepen its cooperation with China in the field of space technology.

Potential Strategic Significance of PRC Telecom and Space Activities

In both telecommunications and space, the strategic significance of Chinese activities comes from three sources: (1) Chinese execution of the commercial projects described, in conjunction with local partners, supports technological advances by the Chinese in these sectors and maintains the corresponding technological base; (2) the act of physically constructing these assets creates opportunities for the Chinese to leverage them in the future for information and disruption activities; and (3) the Chinese personnel and operations on the ground
in Latin America for the operation and maintenance of these assets could potentially be used against the United States or other actors in the event of a future conflict with the United States.

Both the United States and the PRC recognize the concept of “strategically important” sectors of the economy in which there is a national interest to sustain capability. While executing projects in Latin America in the telecom and space sector may not generate technological breakthroughs for the Chinese companies doing the work, it provides practical experience that leads to incremental advances in those technologies, including applying and adapting them in different contexts and working through associated problems. Similarly, while the Chinese companies may provide the core technologies, working with Latin American partners and clients provides new insights with respect to those technologies.

With respect to both telecommunications and space technology, PRC collaboration with Latin America and the experience that it gains as a builder of networks in the region, working with other major telecommunications companies as well as a satellite developer and provider launch services, will presumably make the PRC a more formidable actor with respect to military as well as civilian telecommunications and space architectures in the future.

There is nothing inherently wrong, of course, with the PRC making advances in telecommunications and space, and, indeed, the Chinese would argue that the United States has no right to attempt to “hold the Chinese back” in the development of important technologies such as telecommunications and space. It is simply a reality that must be acknowledged that the good that such advances generate for the Chinese people and economy also benefits PRC strategic military capabilities that the United States one day may have to face. Indeed, in its response to questions by the House Permanent Committee on Intelligence, the Chinese telecommunications firm Huawei acknowledged providing telecommunication products and services to the People’s Liberation Army, although accounting for only a small portion of the company’s total sales. The investigation cited, as further indication of such support, evidence from a former Huawei employee that the organization had provided technology and services to an elite PLA cyberwarfare unit.

Beyond the contribution to Chinese military-technical capabilities in general, the construction and maintenance of space and telecommunications architectures and their associated components in Latin America creates opportunities for the Chinese to leverage these architectures for commercial and military intelligence collection, and potential disruption and denial in times of war. In its report on Chinese telecommunications firms, for example, the Intelligence Committee of the US House of Representatives argued that “to the extent these companies are influenced by the state, or provide Chinese intelligence services
access to telecommunication networks, the opportunity exists for further eco-
nomic and foreign espionage by a foreign nation-state already known to be a
major perpetrator of cyber espionage.\textsuperscript{178}

In his testimony before the House, then–Deputy Assistant Secretary of
Defense for the Western Hemisphere Rogelio Pardo-Maurer eloquently distin-
guished between the absence of a current threat versus the need to consider the
implications of present commercial developments for the future, saying, “There
is no evidence…that Chinese military activities in the Western Hemisphere, in-
cluding arms sales, at this time pose a direct conventional threat to the United
States or its friends and allies.” He then noted, “We need to be alert to rapidly
advancing Chinese capabilities, particularly in fields of intelligence, communi-
cations and cyber warfare, and their possible application in the region,” and “we
encourage other nations in the hemisphere to take a close look at how such ac-
tivities could possibly be used against them or the United States.”\textsuperscript{179}

Beginning with the populist governments that have contracted for sat-
ellite launch services, Chinese technicians, equipment, and training in the PRC
are becoming part of the culture for a new generation of space personnel in these
countries. This process is similar to the way that Soviet equipment, technology,
and personnel shaped the experience of a generation of Cubans and Nicaraguans.
It is likely that a positive Chinese performance in Venezuela and Bolivia will open
up the Chilean, Argentine, and Mexican markets to Chinese launch services and
satellites. Eventually, the Chinese could find business in the Peruvian and Colom-
bian markets as well. Such ventures will reinforce the growing presence of PRC
telecommunication companies Huawei and ZTE, making Chinese infrastructure,
components, and the companies that administer them an ever greater part of the
region’s telecommunications structures. For Latin American corporations and
government entities, including the military, an ever-greater portion of data and
message traffic will flow through, and depend on, Chinese-supplied infrastruc-
ture. Already the US sees a nontrivial portion of commercial and other message
traffic flow through Latin American communication architecture.

US concerns over Chinese information warfare capabilities and cyber
attacks against US government and industry targets are already well document-
ed.\textsuperscript{180} For the Chinese, building telecommunications architectures gives the Chi-
nese designers unique knowledge of the systems as well as of design capabilities
in either the hardware or software that could be used to collect data traveling
over those systems, introduce false information, or degrade or destroy them at
the moment of the perpetrator’s choosing. The vulnerability created is far larg-
er than is generally understood in an era in which everything from cables and
switches to servers and routers to modems and the computers they connect to
and the software that runs on each are, to some extent, made by Chinese com-
panies. The risk applies not only to military and other government users, but to
commercial and private ones as well. Similarly, with space assets such as Chinese-built satellites and ground stations and the Chinese-built telecommunications architectures they connect to, it is possible for such assets to be voluntarily put into the service of the Chinese state by the countries that own them, such as Venezuela, Bolivia, and Nicaragua, or to be used surreptitiously through the agency of the Chinese organizations that built them and who continue to provide personnel to operate and service them.

Moreover, although credible sources such as the US Congress have found evidence of questionable ties between Chinese telecommunications firms and the Chinese military and Communist Party, the argument of whether Chinese companies such as Great Wall Industries, Huawei, ZTE, or Shanghai Alcatel Bell are agents of the Chinese state is, to a large degree, beside the point. Even were such companies purely commercial, they are subject to influence from the Chinese state, whether financially, administratively, or personally. As the report of the House Intelligence Committee on Chinese Telecommunications Firms pointed out, “Even if the company’s leadership refused such a request, Chinese intelligence services need only recruit working-level technicians or managers in these companies,” while under Chinese law, such companies would be obligated to cooperate with requests from the Chinese government to use their systems or access them for reasons of state security.

It is unrealistic to presume that such collaboration would not occur when the leadership of the companies involved have close ties to both the Chinese Communist Party and the People’s Liberation Army, including Huawei, whose founder Ren Zhengfei was an engineer within the People’s Liberation Army.

Going beyond the Chinese-built equipment and architectures themselves, Chinese commercial facilities in the region, such as those of ZTE, Huawei, or Shanghai Alcatel Bell provide a cover for personnel and a base for resources in Latin America that could be used in time of conflict even if the products and architectures built by these Chinese commercial companies remained off-limits.

For many, such analysis may seem preposterous: a testament to those in the US predisposed to see the PRC as a threat and looking for reasons to block its peaceful rise. It is not. Rather, this chapter has sought to advance an open discussion of calculations that both the US and the PRC are surely making about each other, and should be acknowledged with openness and mutual respect.

Notes


2 Ibid., 2.
Ibid., vi.

“Full text: China’s Policy Paper on Latin America and the Caribbean,” *People’s Daily Online* (November 6, 2008).


Ibid.

Ibid.

“Ibid., vi.


In Chile, for example, ZTE was among the first to offer such products to the market. “Telefónica confía en América Latina para implementar su sistema móvil de bajo costo,” *El Mercurio* (Santiago, Chile, October 8, 2012).

In Chile, for example, an initiative by the firm ZTE to introduce the new WiMax wireless infrastructure in the country was advertised as being backed by the financing of Chinese banks. See “Empresa china estudia apoyar el desarrollo de banda ancha WiMax en Chile,” *El Mercurio* (Santiago, Chile, March 13, 2009).

The projects are described in general terms, in the websites of both companies. See, for example, “Huawei America Latina,” http://www.huawei.com/es/catalog.do?id=343. See also Jamie Hulse, “China’s Expansion into and US Withdrawal from Argentina’s Telecommunications and Space Industries and the Implications for US National Security” (Carlisle Barracks, PA: US Army War College Strategic Studies Institute, September 2007).

“Teléfono celular de marca blanca llegará a Ecuador,” *El Universo* (Guayaquil, Ecuador, February 17, 2010).

“Telefónica and ZTE to Strengthen Smartphone Offer in Latin America with Launch of Movistar Prime,” ZTE official website (February 17, 2011).

See, for example, David Kravets, “Appeals Court OKs Warrantless, Real-Time Mobile Phone Tracking,” *Wired Magazine* (August 2012).


Ibid.

Ibid.

“NII Holdings has Selected Huawei as UMTS Supplier in Mexico and Brazil,” press release, Huawei official website, accessed February 5, 2013.

In discussing Huawei’s establishment of a technology center in São Paolo State, Brazilian Communications Minister Paulo Bernardo expressed his hope that the center would help Huawei to implement its new 4G network across the entire country, including providing new coverage to rural areas, then use its base in Brazil as a launching point for deploying its networks more broadly in the region. “Chinese Telecom Company Can Have Technology Center in Brazil,” *Folha* (July 11, 2010).

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25 “ZTE Completes First Phase of Ultra Broadband Project for TIM Brazil,” ZTE official website (October 15, 2012).

26 “Chinese Telecom Firms to Expand in Latin America,” Xinhua (June 12, 2012).


28 “Empresa china confirmó inversiones en Tierra del Fuego y tiene previsto fabricar 500 mil celulares,” El Sureño (Tierra del Fuego, Argentina, July 9, 2011).

29 In the Project, TCL is operating in partnership with the local company Radio Victoria Fueguina. Orlando Andrada and Mariela Arias, “Al wok. China saltó al tercer puesto en la inversión extranjera en la Argentina,” La Nación (March 6, 2011).


32 Huawei reportedly registered $200 million in sales in Chile in 2010, less than a tenth of its activities in Brazil. “Tecnológica china Huawei proyecta alza de 50 percent de ventas en Chile,” El Mercurio (Santiago, Chile, June 13, 2011).

33 “Tecnológica china Huawei proyecta alza de 50 percent de ventas en Chile,” El Mercurio (Santiago, Chile, June 13, 2011).

34 “Chile y China empujan inversión y proponen duplicar comercio en visita de Wen” EFE (June 26, 2012).

35 “ZTE, Universidad de Chile to Open Innovation Center,” ZTE official website (July 12, 2012).

36 “Chile busca aumentar inversión extranjera directa china en sector de telecomunicaciones,” Business News Americas (December 10, 2012).

37 “Tecnológica china Huawei proyecta alza de 50 percent de ventas en Chile,” El Mercurio (Santiago, Chile, June 13, 2011).

38 “Marca china Huawei lanza en Chile dos nuevos smartphones,” El Mercurio (Santiago, Chile, December 10, 2011).


40 Industry analysts note that ZTE is a leader in implementing the technology involved, the next generation “Gigabit Passive Optical Network (GPON),” and will have a major role in building and maintaining similar architectures not only in Uruguay, but potentially throughout the region. See “ANTEL Selects ZTE for Uruguay National GPON Project,” ZTE official website (October 10, 2012). See also “Antel selects ZTE for GPON Network,” Business News Americas (September 22, 2011).

41 “Premier Wen Vows to Further Ties with Uruguay,” China.org (June 23, 2012).

42 Mireya Tabuas and Maria Alesia Sosa, “No es un cuento chino,” El Nacional (Caracas,
Venezuela, April 15, 2012).

43 “Venezuela CANTV Selected Huawei Technologies to Upgrade Its Optical Fiber National Backbone Network,” Huawei official website (December 31, 2004). In addition, evidence suggests that Huawei has been contracted by the Venezuelan government to implement a command and control system for the Venezuelan defense organization DICOFAN. See for example, Monica Suinaga, Huawei design engineer, online resume.


45 “Créditos pactados con China ascienden a $30 millardos,” El Universal (Caracas, Venezuela, November 25, 2011).


48 “Venezuela implantará sistema chino de monitoreo en minas,” Xinhua (November 24, 2011).

49 See, for example, Daniel Ricardo Hernandez, “Móvil bolivariano costar BsF 30,” El Universal (Caracas, Venezuela, March 5, 2009).


51 “Presidente anuncia operación de fábrica de celulares Orinoquia,” El Universal (Caracas, Venezuela, May 9, 2010).

52 “Gobierno destaca alta producción de celulares y computadoras,” El Universal (Caracas, Venezuela, December 19, 2012).

53 “Huawei inaugura su primera tienda comercial fuera de China,” Portafolio (Bogotá, Colombia, June 4, 2012).

54 “La empresa china Huawei se adjudicó proyecto TCT de Entel,” Jornada (October 8, 2009). See also “ENTEL ejecutará proyecto Territorio con Cobertura Total en 2010,” Jornada, (December 5, 2009).

55 “La empresa china Huawei se adjudicó proyecto TCT de Entel,” Jornada (October 8, 2009).

56 “Oruro es declarado ‘Territorio con cobertura total,’” Jornada (February 9, 2010).

57 “Multan con $US 8 millones a china Huawei por incumplir contrato,” Jornada (December 22, 2010).


59 “Bolivia y China firman 6 acuerdos de cooperación,” Los Tempos (Cochabamba, Bolivia, September 23, 2011).

60 Jeeyla Benitez, “Dos dragones chinos pelearon por jugosos contratos de la CNT,” El Comercio (Quito, Ecuador, January 16, 2012).

61 Ironically, Huawei’s closest competitor in the bid was ZTE. “Alcatel y Huawei logran adjudicación para instalar red 3G,” El Universo (Guayaquil, Ecuador, July 25, 2011).


63 “Movistar traerá a Ecuador nuevos dispositivos móviles,” El Comercio (Quito, Ecuador, February 17, 2010).
“Desde Guayaquil se empezará a ensamblar celulares a fin de mes,” El Universo (Guayaquil, Ecuador, October 4, 2010).

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“China’s Xinwei to Launch Phone Service in Nicaragua,” Reuters (January 11, 2013).

“Huawei apuesta por 4G como su ‘negocio del año,’” La Republica (Bogotá, Colombia, March 8, 2013).

“Huawei apuesta por 4G como su ‘negocio del año,’” La Republica (Bogotá, Colombia, March 8, 2013).


This work reportedly included the installation of a new core network replacing Telefónica’s legacy switched system. See “ZTE IMS to Update Telefónica Group in Perú Fixed Network,” ZTE official website (April 23, 2012).


“ZTE se adjudica proyecto de red inalámbrica Nacional 2G / 3G con Viettel,” Business News Americas (July 11, 2012).

“Huawei analiza instalar una fábrica en Perú,” El Comercio (Lima, Peru, February 6, 2012).


“ZTE to Roll out 3G Networks in French Caribbean and Indian Ocean,” ZTE press release (February 24, 2009).


“Cuba Gets Fiber-optic Cable Link to Venezuela,” Reuters (February 10, 2011).

“Cuba, Venezuela Link Via Undersea Cable,” The Right Perspective (January 23, 2011).

“Tricom implementará nueva red móvil 4g-LTE,” El Caribe (July 2, 2012).


“Huawei Media Pad 7 Lite: The Next Big, Little Thing,” Jamaica Observer (Kingston, Jamaica, December 4, 2012).

“First Phase E-governance Initiative 85 Percent Complete,” Guyana Chronicle Online (Georgetown, Guyana, March 6, 2012). According to one telecommunications industry expert interviewed off-the-record for this work, from Brazil another cable connects to a Huawei-built facility in Venezuela.

“First Phase E-governance Initiative 85 Percent Complete,” *Guyana Chronicle Online* (Georgetown, Guyana, March 6, 2012).


“Empresa china cobra 159 percent más por instalar red celular,” *Nación* (San Jose, Costa Rica, August 5, 2008).

Cristian Leandro Córdoba, “Contraloría congela bienes de 12 altos funcionarios del ICE,” *Prensa Libre* (San Jose, Costa Rica, August 6, 2012).


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Ibid.


The only reference to space is a portion of one sentence in the document: “The Chinese side will also strengthen cooperation with Latin America and the Caribbean in aeronautics and astronautics…and other areas of shared interest.” “Full text: China’s Policy Paper on Latin America and the Caribbean,” *People’s Daily Online* (November 6, 2008).


In October 2007, China put an unmanned probe in orbit around the moon, and contemplates manned missions to the moon in the future. Jeffrey Logan, “China’s Space
In August 2009, a LongMarch 3A malfunctioned, placing the Indonesian satellite that it was carrying into a useless orbit. Peter B. de Selding, “Burn-through Blamed in China Long March Mishap,” *SpaceNews* (November 19, 2009).


Although the Venezuela project was the first satellite that the PRC developed on its own for a Latin American country, China’s first official collaboration on such a project with a country of the region was the joint development of the first China-Brazil Earth Research Satellite (CBERS) with Brazil, beginning in 1988.

The satellite was launched into a 78-degree geosynchronous orbit. “Venezuela inicia operaciones del Satélite Simón Bolívar,” *El Universal* (Caracas, Venezuela, January 10, 2009).

“Chávez celebra satélite para construir el socialismo,” *El Mercurio* (Santiago, Chile, October 30, 2008).


Reports in 2009, denied by the Venezuelan government, indicated that very little TV programming was actually beamed down from Venesat-1, and internet traffic related to the satellite could not be found. Other complaints surfaced regarding the intermittent nature of the satellite signal, with one analyst declaring in July 2009 that “we now think the satellite is oscillating slowly on its axis.” Peter J. Brown, “Chávez Cherishes

139 Ibid.


141 “Primeras imágenes obtenidas por el satélite Miranda,” *El Universal* (Caracas, Venezuela, October 18, 2012).


143 “Afirmar que construcción de satélite tiene avance del 60 percent,” *El Diario* (La Paz, Bolivia, December 13, 2013).

144 Ibid. Reportedly three groups of Bolivians would be sent to China for different specialty courses, including satellite operation and satellite design. See also “Bolivian Satellite Operators to Be Trained in China,” *Xinhua* (July 24, 2012).


146 “Afirmar que más de 10 mil ingenieros y técnicos trabajan en construcción de satélite Túpac Katari,” *Agencia Boliviana de Información* (June 14, 2012).

147 “Bolivia: Space Agency to Be Established,” Defense Market Intelligence (February 12, 2010).

148 “Presentan a bolivianos que se capacitarán en China para operar el satélite Túpac Katari,” *El Diario* (La Paz, Bolivia, October 10, 2012).


151 Ibid.


154 In January 2013, China Xinwei announced plans to invest $2 billion in Nicaragua to build a telecommunications network. “China’s Xinwei to Launch Phone Service in Nicaragua,” *Reuters* (January 11, 2013).


157 Ibid.

158 “China Argentina Cooperate on Astronomical Research,” *People’s Daily Online* (Beijing, China, September 9, 2005).


160 “China Eyes Argentina for Space Antenna,” *Space Daily* (June 9, 2010).
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Indeed, the development contract for the current satellite being contracted by the company, SatMex-8, was recently awarded to the US-based firm Loral. Peter B. de Selding, “Satmx Orders Satellite from Space Systems/Loral,” SpaceNews (May 10, 2010).

Juan Arvizu and Horacio Jimenez, “Crean diputados agencia especial Mexicana,” El Universal (Mexico City, April 20, 2010).

Visita del Secretario General de la APSCO a la AEM,” Mexican Space Agency official website (December 10, 2012).

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An official APSCO summary of the March 26, 2010, meeting between the Secretary General of APSCO and the Foreign Minister of Perú, for example, reported that “Both sides agreed to continue their discussion on the commitment and more active participation of Perú in APSCO.” “Secretary-General of APSCO meets Foreign Minister of Perú,” APSCO official website (March 30, 2010). See also “Experts Meet in Beijing for APSCO Projects,” APSCO official website (March 29, 2010).


On March 17, 2010, a high-level Brazilian delegation headed by the president of INPE visited APSCO Headquarter and discussed with APSCO secretary general and officials about the possibility of Brazil attaining associate membership. “Brazil Explores Possible Membership in APSCO,” APSCO official website (March 23, 2010).

Brazil’s space program has been in existence since 1961, with its current coordinating institution, the National Institute for Space Research (INPE), in existence since 1990. In cooperation with the Brazilian Space Agency (AEB), INPE both develops satellites and indigenous launch vehicles. Luis Bitencourt, “Developing Countries and Missile Proliferation: The Cases of Argentina, Brazil and India,” Ph.D. dissertation (Washington, DC: Catholic University of America, 2001).

Ibid.

Ibid., 148.


Fabíola de Olivera, O Brasil Chega Ao Espaço: SCD-1 satélite de coleta de dados (São José

Fabiola de Olivera, O Brasil Chega Ao Espaço: SCD-1 satélite de coleta de dados (São José dos Campos, São Paolo, Brasil: Instituto Nacional de Pesquisas Espaciais, 1996).


Ironically, China and Brazil both ultimately joined the Missile Technology Control Regime. Bitencourt, “Developing Countries and Missile Proliferation,” 1,491.

“Brazil to Deepen Space Cooperation With China,” Space Daily (March 27, 2008).

The very title of the principal economic blueprint of the PRC for managing near-term economic development, for which the 12th and most recent iteration was released in May 2012, is the “Five-Year Plan on National Emerging Industries of Strategic Importance.” See Yao Lu, “China Releases 12th Five-Year Plan for National Strategic Emerging Industries,” China Briefing (July 25, 2012).


The committee ultimately concluded that the evidence that it examined would not allow it to rule out that Huawei was conducting research and development and other forms of support to the Chinese military. See “Investigative Report on the US National Security Issues Posed by Chinese Telecommunications Companies Huawei and ZTE,” US House of Representatives, 112th Congress (October 8, 2012): 34.


“La empresa china Huawei lanzó el smartphone más fino del mundo,” Clarin (Buenos Aires, January 10, 2013).
Chapter 5

The PRC–Latin America Military Relationship

Introduction

One of the most common statements made in discussions of Chinese engagement with Latin America is that such ties are primarily “commercial” in nature. While true, the focus on the commercial dimension of the relationship conceals the fact that over the past several years the People’s Republic of China (PRC) has also expanded its military ties with Latin America in several important ways, consistent with its own public declarations of intention. In November 2008, for example, the PRC issued its first official policy paper on Latin America in which it announced that it sought to enhance “mutual visits by defense and military officials of the two sides as well as personnel exchanges,” and to deepen “professional exchanges in military training, personnel training and peacekeeping.”

China’s military engagement with Latin America in recent years has both expanded and deepened in a quite public manner. High-level trips by Latin American defense and security personnel to the PRC and visits by their Chinese counterparts have become commonplace. The volume and sophistication of Chinese arms sold to the region has increased. Officer exchange programs, institutional visits, and other lower-level ties have also expanded. Chinese military personnel have begun participating in operations in the region in modest, yet symbolically important ways.

Since the awarding of port concessions in Panama to the Hong-Kong-based firm Hutchison Whampoa in 1997, Chinese military engagement with Latin America has been one of the most broadly discussed, but misunderstood dimensions of PRC activities in the region. The PRC’s military initiatives with Latin America are arguably not the largest or most strategically significant part of its rapidly expanding interactions with the region. Nor do they visibly threaten the United States or undermine pro-Western regimes in the same fashion as Soviet military engagement with Latin America during the Cold War. It is, however, significant, growing, and continues to be a key to the evaluation by US decision makers whether the Chinese presence in Latin America constitutes a strategic threat to the interests of the United States.

The purpose of this chapter is to analyze PRC defense and security ties in Latin America. It is divided into three sections: (1) objectives of PRC defense and
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security engagement with Latin America, (2) manifestations of that engagement, and (3) strategic implications.

Objectives of PRC Defense and Security Engagement with Latin America

Given the predominantly commercial nature of Chinese interactions with Latin America, it is important to begin the analysis of PRC military activities in the region with a discussion of Chinese motivations for engagement with Latin America in general, and how military ties and transactions simultaneously support and put at risk those goals.

While the PRC has publicly professed its interest in expanding military linkages with Latin America, it has given very little explanation of its reasons for doing so, or how its military activities fit into its broader engagement with the region. This does not imply that such motivations are inherently nefarious—only that they must be examined, based on the available evidence as well as current and historic patterns of Chinese decision making.

In the spirit of classical Chinese thinkers such as Sun Tzu, PRC military initiatives in Latin America should be understood as subordinate to, and in support of, long-term PRC national objectives in the region. In general, these objectives involve promoting and protecting China’s reemergence as a major global actor.

The imperatives and risks involved are a product of the export-led growth strategy that the PRC has pursued and refined since 1978. Specifically, it has leveraged the opportunities presented by global information and trade flow, and its initial comparative advantage in inexpensive, abundant labor to serve as a global manufacturing hub. In doing so, it has attracted and used foreign investment in a deliberate fashion to build its physical and technological infrastructure and diversify its economic base, moving progressively into ever higher-value added economic activities.

China’s pursuit of this strategy and its place in the global economy have created a number of imperatives: (1) securing access to reliable sources of primary products in support of manufacturing activities and capital formation, (2) ensuring the ability to feed the Chinese population as it both urbanizes and consumes more protein, (3) establishing and protecting markets for Chinese goods as its producers continue to expand production and move up the value-added chain, (4) securing access to technology and global information flows, (5) maintaining a presence in institutions key to China’s global economic transactions, and (6) avoiding the consolidation of an international coalition opposing the “rise” of the PRC.

Chinese military engagement with Latin America supports each of these imperatives, albeit often in indirect ways. President Hu Jintao addressed
the role of the Chinese military in support of national development objectives in his call for the PLA to carry out its “new mission in the new century.” Similarly, China’s 2006 National Defense White Paper refers to the role of the PLA in “fostering a security environment conducive to China’s peaceful development.” Similar language is contained in the November 2007 constitution of the Chinese Communist Party and the 2008 National Defense White Paper. Chinese authors have written about the new “interest frontier” of the PRC, suggesting that the PLA has an obligation not only to defend Chinese interests within the physical territory of the PRC, but to protect those interests that are found outside it as well.

Because US political leaders generally view military activities in a manner very distinct from trade and investment, Chinese leaders have incentives to be very cautious in their military engagement in order to avoid undermining important national strategic goals in Latin America. As a result, the imperatives for the PRC of military engagement in Latin America contrast sharply with conventional wisdom regarding the use of the military instrument.

These imperatives may be inferred to be as follows:

1. building goodwill, understanding, and political leverage;
2. creating the tools to protect PRC interests in-country;
3. selling Chinese products and moving up the value added chain;
4. positioning the PRC strategically in the region; and
5. reassuring the US and the West.

**Building Goodwill, Understanding, and Political Leverage**

For the PRC, military engagement is one tool, among many, for building political good-will and leverage in a country in order to make it more likely that the regime will not oppose the entry of Chinese products or act against its investments. Military activities are useful in this context because the armed forces remain an important political actor in most Latin American countries, although thinking of the military as a political instrument is also consistent with both Chinese communist and pre-communist philosophy.

Knowing and being on good terms with the military leadership of a Latin American country helps the Chinese to understand the overall political dynamic of that country, anticipate actions that could be taken against PRC commercial interests, influence the political leadership through military friends where necessary, and anticipate or avoid actions that could be taken by the armed forces in the political arena that could impact Chinese interests.

Within the larger framework of military engagement, people-oriented activities such as leadership visits, training, and exchange programs are particularly useful because they allow the PRC to confer personal benefits and establish relationships with current and future defense leaders, while avoiding the type of
symbolism that bases or military end item sales generate for Western analysts.

Creating the Tools to Protect Chinese Interests In-country

As Chinese companies and businessmen expand their physical presence in Latin America, they will experience a corresponding increase in the security challenges to people and operations that have confronted the companies of other countries operating in the region, including kidnapping, extortion, and violence associated with strikes, political protest, and terrorism. Chinese petroleum and mining firms operating in remote areas are particularly vulnerable, as seen by the violence against Andes Petroleum and Petroriental in the north of Ecuador in 2006\textsuperscript{9} and 2007.\textsuperscript{10} Problems may also be expected with the transportation of goods over newly opened highways and rail routes over the Andes and through the Amazon jungle, such as the northern and southern “bi-oceanic corridors” crossing Peru, the “interoceanic corridor” from the north of Chile through Bolivia and Brazil, and the future Manta-Manaus corridor.\textsuperscript{11} Cultural differences between the Chinese and local populations are also likely to contribute to tensions and increase the possibilities for violence, as seen in the 2007 truckers strike against Chinese shopkeepers in Buenos Aires,\textsuperscript{12} or the November 2004 violence against Chinese communities in Maracay and Valencia, Venezuela.\textsuperscript{13}

In the near term, PRC companies will have to rely upon Latin American police and armed forces, as well as private security and the payment of protection money, in order to avoid harm to Chinese personnel and operations. As the value of Chinese investments in the region and the resource flows from it grow, the PRC will have an increasing incentive to improve the functionality of these security forces, and to ensure that the protection of Chinese personnel and operations receives priority. Similarly, it will have incentives to become involved in issues of port and airport security in the region, as well as high-value geography that impacts the movement of goods, such as the Panama Canal, as well as highway, rail, and alternative canal routes crossing the continent.\textsuperscript{14}

Indeed, the PRC has already demonstrated a willingness to use its military to protect its commercial interests in Africa, citing threats to these interests as justification for deploying naval forces to conduct anti-piracy operations in the Gulf of Aden in December 2008.\textsuperscript{15} There is also already an ongoing debate within the PRC regarding the best ways to protect Chinese commercial operations, including discussions by retiring PLA military officers to form private security companies to support commercial ventures abroad.\textsuperscript{16}

Selling Chinese Products and Moving Up the Value-Added Chain

Although Chinese military exports are relatively small by comparison to other goods, they contribute to PRC national development in multiple ways. As with
other commercial products, military products generate export revenues for Chinese companies such as the Northern Industries Company (NORINCO) defense conglomerate, and sustain employment. Sales of nonlethal military goods such as clothing and personal equipment in Latin America by Chinese companies, for example, are an often overlooked but not trivial. Such sales also sustain the health of the PRC defense industrial base and help it advance its technical capabilities in support of national defense goals. This is particularly the case with respect to high-end goods such as radars, aircraft, armored vehicles, and other sophisticated military end items, or “dual-use” commercial goods, where sales in Latin America help China to test, prove, and refine its capabilities under field conditions in strategically important sectors.

**Positioning the PRC Strategically in the Region**

Chinese military thinkers, as do others around the world, recognize the implications of the emergence of the PRC as a principal global actor, including the need to prepare for large-scale hostilities to protect these global interests. Although the PLA is very careful to cast its military preparations as “defensive” in nature, debates within the PLA over the need to develop a “deterrent force” and references to an “active defense”\(^\text{17}\) implicitly acknowledge that Chinese thinkers have contemplated the necessity of carrying a future conflict to the adversary. Similarly, although the PRC currently lacks the capability to project significant military capability beyond Asia, the pursuit of “defense in depth” by the PLA Navy suggests an acknowledgment of conducting the battle as far away from its shores as capabilities will allow, while references in the 2008 defense White Paper to close coordination between military struggle and political, economic, and diplomatic endeavors\(^\text{18}\) suggest a global approach to thinking about warfare.

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. Nonetheless, in the long term, when the PRC is both economically and militarily more powerful than it is today, the ability to deter a strategic adversary such as the United States through holding it at risk in its own theater and disrupt its ability to project power at home before those forces can reach the PRC is consistent with the aforementioned concepts, including a holistic, asymmetric approach toward warfare.\(^\text{19}\)

Within such a manner of thinking, China’s military ties in Latin America afford geographically specific benefits, such as collecting intelligence on the operation of US forces, creating diversionary crises, closing down strategic chokepoints such as the Panama Canal, or conducting disruption operations in close proximity to the United States.
Reassuring the United States

As noted previously, the PRC’s pursuit of military objectives in the region is subordinate to its broader national objectives. Where the two conflict, the exact balance will reflect the perceptions of the Chinese leadership, national self-confidence, and their propensity for risk taking, which continues to evolve with each successive generation of Chinese leadership. Direct forms of security assistance, for example, may support the objective of protecting Chinese companies and resource flows, yet undermine the more important strategic objective of preserving access by the PRC to Western technology and markets. At the very least, China has strong incentives to portray all military interactions with Latin American states in a way that does not appear to threaten the United States, so as to minimize the risk of damage to its broader objectives. In many cases, this not only will impact how China represents its activities, but how it structures them. Gifts of military medical capabilities or logistics gear, for example, may be preferable to selling or donating more lethal end items because the former generates similar institutional goodwill and contacts, while appearing less threatening.

In general, as this section has suggested, the course taken by Chinese military engagement with Latin America in the medium or long term is likely to differ significantly from that witnessed with respect to Soviet military activities in the region during the Cold War. In general, the PRC is more likely to refrain from overtly provocative activities, such as the establishment of bases with a significant Chinese presence, overt military assistance to groups trying to overthrow a regime, unilateral military intervention in the region in a contested leadership situation, or participation in anti-US military alliances.

Manifestations of Chinese Military Engagement with Latin America

Chinese military engagement with the region may be understood in terms of five interrelated types of activities: (1) meetings between senior military officials, (2) lower-level military-to-military interactions, (3) military sales, and (4) Chinese physical presence within Latin America with military-strategic implications.

Meetings between Senior Military Officials

Based on official visits documented in the press, the number of visits by senior Chinese defense officials to Latin America and visits by their counterparts to China have increased over the past several years. The press accounts of the agendas of these visits suggest that the purpose is often to establish or strengthen relationships, including not only exchanging views on security matters, but also discussing or finalizing agreements for arms purchases, military exchanges, or other contacts and transactions.

Contacts between senior Chinese and Latin American defense leaders
have expanded over the past decade. They are somewhat more concentrated in the nations of ALBA, but include interactions between Chinese officials and their counterparts in all parts of Latin America and the Caribbean. Such contacts encompass both trips by Latin American senior defense officials to China and trips by Chinese officials to Latin America, as well as interactions in multilateral forums.

Recent interactions of note include, but are not limited to the following:

- In August 2010, Bolivian minister of Defense Ruben Saavedra traveled to the PRC to meet with his counterpart, then–Chinese Minister of Defense Cao Gangchuan.  

- In September, Cuban General Leopoldo Cintra Frias traveled to Beijing to meet with Minister Cao and other senior PRC defense leaders.  

- Later the same month, Chief of the PLA General Staff Chen Bingde traveled to Lima, Peru, for a visit that included a joint military-humanitarian exercise between Chinese and Peruvian armed forces and the donation of a mobile field hospital to the Peruvian Army.  

- Also in September, the new Chinese Minister of Defense Liang Guanglie traveled to Bogotá, Colombia, on the first stop of a three-nation visit to Latin America, meeting with Colombian Defense Minister Rodrigo Rivera and other senior Colombian officials and signing a defense cooperation agreement.  

- Following his visit to Colombia, Minister Liang traveled to Brasilia, where he met with Brazilian Defense Minister Nelson Jobim, reciprocating a visit paid by Jobim to China at the beginning of the same month.  

- The third leg of the September 2010 trip by Minister Liang took him to Mexico, where he met with the senior leadership of both institutions of the Mexican armed forces: The Ministry of National Defense (SEDENA) and the Ministry of the Navy (SEMAR).  

- In November 2010, Chief of Staff Chen traveled to Quito, Ecuador, on the first stop of a two-nation visit, meeting with the Ecuadoran Minister of Defense Javier Ponce as well as the head of Ecuador’s Joint Chief of Staff, Luis Ernesto Gonzalez.  

- In the second stop of his trip, General Chen traveled to Caracas, where he met with his Venezuelan counterpart, Defense Minister Carlos Figueroa, and to prepare the military portion of the agenda for the 9th annual ministerial-level meeting of the “China-Venezuela High-Level Mixed Commission,” held in Beijing during the subsequent month.  

- In December 2010, Chinese Defense Minister Liang Guanglie met with La-mure Latour, Minister of Defense of Suriname, in Beijing.  

- In May 2011, Peruvian Defense Minister Jaime Thorne met with Chinese Defense Minister Liang Guanglie and Vice Chairman of China’s Central Mil-
The Strategic Dimension of Chinese Engagement with Latin America

In June 2011, the Chilean Minister of Defense met with his counterpart, Chinese Defense Minister Liang Guanglie, in Beijing to discuss, among other issues, security cooperation between the two in the Asia-Pacific region. In October 2011, Guo Boxiong, a Vice-Chairman of China’s Central Military Commission and party member, met with General Leopoldo Cintra Frias, Cuban Defense Minister, as well as Cuban President Raul Castro, in Havana, Cuba.

In December 2011, Armando Pacheco, Commander of the Armed Forces of Bolivia, traveled to China and met with Chen Bingde, Chief of the General Staff of the Chinese People’s Liberation Army, and his subordinate, Xu Caihou, a Vice Chairman of China’s Central Military Commission. The Chinese public account of the meeting specifically mentioned a commitment to expand military exchanges.

In September 2012, Joaquin Quintas, Vice Minister of Cuba’s Armed Forces, met with Chinese Defense Minister Liang Guanglie and Vice Chairman of the Central Military Commission Guo Boxiong.

In September 2012, the Commander-in-Chief of the Chilean Air Force met with Chinese Defense Minister Liang Guanglie in Beijing. They discussed, among other issues, the expansion of ties between the air forces of the two nations and the associated expansion of cooperation in training activities.

In November 2012, senior defense officials from six Latin American countries, including Bolivia, Cuba, Colombia, Ecuador, Peru, and Uruguay, met with their Chinese colleagues in Beijing in the “1st China-Latin America High-level forum on Defense.” Attendees included the Chinese Minister of Defense Liang Guanglie and the Commander-in-chief of the Uruguayan army Pedro Siqueira.

Although little of the substance of the discussions during these visits makes it to the open press, their role in advancing military relationships between China and the Latin American counterpart nations have arguably been greater than is generally recognized: such visits allow the leaders involved to build familiarity and confidence by speaking face-to-face and to explore possibilities for future projects, from arms sales to expanded military exchanges. Such visits also generally include tours of host nation facilities and opportunities for informal discussion, raising possibilities for collaboration based on issues that have captured the attention of the leaders within the limits of their national policies. In some cases, initiatives prepared prior to the trip by staff officers or other officials are ratified during the high-level visit, while ideas generated during discussions become initiatives to be subsequently explored, administratively driven by the
declared interest of the senior leadership.

**Lower-Level Military-to-Military Interactions**

In the past several years, the PRC has expanded the quantity and scope of its military-to-military contacts at the institutional level, including its ongoing participation in the peacekeeping mission in Haiti and an increasing number of personnel exchanges for training and education, joint exercises, institutional visits, and symbolic activities. In each of these, the primary value for the PRC is arguably building relationships at the institutional level as well as at the personal level with future key figures in Latin American militaries. In the process, it has also been able to increase its understanding of Latin American militaries and the security environment of the region.

In Haiti, military police from the People’s Liberation Army served as part of the United Nations peacekeeping force (MINUSTAH) present in the country from September 2004 through the withdrawal of the last Chinese peacekeepers in October 2012.\(^38\) Haiti also has the dubious distinction of having been the site of the first officially recognized Chinese military casualties on Latin American soil. Eight members of the PLA were among the personnel killed in Haiti in January 2009 in conjunction with the earthquake that devastated the country.\(^39\) Four of the Chinese killed were members of the MINUSTAH police force, while the other four were part of a six-person working group from the Ministry of Public Security that was visiting the United Nations headquarters facility when its roof collapsed because of the earthquake.\(^40\) The bodies of the victims were subsequently returned to the PRC, where they posthumously received various honors.\(^41\)

The participation of the Chinese military in MINUSTAH for eight years until their September 2012 withdrawal arguably yielded great benefits for the PRC. It has given the People’s Liberation Army (PLA) and hundreds of its soldiers first-hand experience operating in the Latin American environment in a police and security role—something which will be of particular value in the future if China begins to provide security assistance to allies in the region in support of the protection of its nationals and ongoing operations. In addition, its presence in MINUSTAH allowed the PLA to better understand and build relationships with the militaries of Brazil and other nations working alongside it in the operation, even while fostering goodwill in the region toward the PLA as a contributor to the international order. Finally, the Chinese military presence in Haiti also arguably advances its effort to secure diplomatic recognition in the country.\(^42\)

In the realm of training and military education, Chinese institutions host Latin American military personnel from virtually every country in the region with which the PRC has diplomatic relations. The examples listed in the fol-
The National Defense University of the PLA has multiple institutions offering courses in both English and Spanish to Latin American officers. These include:

1. The Defense Studies Institute in Changping (near Beijing), a school especially for foreigners within the broader university, offering courses in both Spanish and English, including the following:
   - A five-month-long senior staff course, taught primarily in Spanish. The course, through a combination of Chinese instructors and Communist-party vetted translators. Latin American nations sending officers have included Mexico, Peru, Chile, Colombia, and Uruguay. The Chilean Army has been sending officers to the course since 1999, while the Uruguayans have been sending students since at least March 2009.
   - A three-month long course on strategy, campaign planning, and military thinking, attended by officers of the Chilean Navy, among others, since 1997.
   - A ten-month long course on “national defense and command,” taught in English, and attended by officers from the Peruvian Army, the Chilean Navy and Air Force, and the Uruguayan Navy and Air Force, among others.43
   - A five-month long course on military strategy, taught in Spanish, and attended by Peruvian army officers and Chilean air force personnel, among others.

2. The Army Command College, located in Nanjing, offers a four-month course in English and French, which has been attended by military officers from Latin American countries including Colombia, Peru, Barbados, and Jamaica, as well as Africa and other regions.

3. The Chinese Navy Command School, outside of Nanjing, offers a year-long senior command course in English. The course has been attended by Latin American military officers, among others, including officers from Uruguay44 and Brazil.45

4. In a facility near Shijiazhuang:
   - A five-month course on Special Forces operations at the tactical-operational level. It has been attended by officers from Uruguay for at least the past two years, and perhaps by members from other armed forces.
   - A five-month long infantry company course, attended by an officer from Uruguay in 2010, and perhaps others.

5. The Center of Military Instruction of the PLA offers a course on martial arts that has been attended by Chilean Marines, among others.

6. Other Chinese military institutes that have also hosted students from Latin
American countries include the following:

• The Naval Research Institute, near Beijing, which hosted a low-ranking officer from the Uruguayan Navy, and perhaps others, for a “masters” course in naval radar and sonar, during an 11-month long stay in Beijing from 2008 to 2009.

• An institute in Beijing hosted two low-ranking officers from the Uruguayan Air Force, and perhaps others during an 11-month stay in the city from 2008 to 2009—one for a “masters” course on aerial communication and one for a course on artillery repair.

Parallel to these programs, but on a much smaller scale, Latin American militaries also have hosted Chinese officers in their institutions. Examples include the following:

1. For several years, beginning in 2005, the Chilean Army language school hosted two Chinese professors for the Mandarin Chinese language, although as of January 2011, these instructors were no longer present.

2. In 2006, during a visit by a delegation from the Chinese National Defense University, the Chilean National Academy of Political and Strategic Studies (ANEPE) signed an agreement regarding officer exchanges and collaborative activities, although it has not yet been ratified.

Chinese collaboration with Latin American militaries on education and training is increasingly extending to tactical-level programs as well. During the November 2010 meeting between Chinese Defense Minister Liang Guanglie and Colombian Defense Minister Rodrigo Rivera, an expansion of Sino-Colombian military exchanges was agreed to, including the establishment of 10 places for Colombian generals and colonels in Chinese military academies and the sending of Colombian trainers to China for courses in sharpshooting, combat diving, survival, and riverine combat. By 2012, groups of Chinese officers were attending tactical training programs in Colombian bases such as Tolemaida. Similarly, during General Liang’s September 2010 meeting with Brazilian Defense Minister Nelson Jobim, expanded cooperation between the two countries in the area of basic training was discussed. In addition to opportunities for building personal relationships and gathering intelligence, such tactical-level courses also help the PRC to develop military capabilities in areas that may be useful in working more directly in the region’s unique operating environments.

An additional element of China’s construction of military relationships with Latin America is institutional visits. Such visits typically involve more people, but are much shorter in duration than training exchanges. Although the opportunities to develop personal ties are by necessity more superficial, such institutional visits allow the PRC to reach larger groups of personnel whose work touches many others, such as military professors and mid-grade officers, while also building or strengthening institution-to-institution linkages. Examples
include the following:

- Visits between Chinese and Chilean naval officers have occurred on an occasional basis since July 1996, but increased to one or two per year starting in 2005.
- In Argentina, there has been a similar increase in recent years, including visits by Chinese officials to the Argentine National Defense University and the senior war colleges.
- In Colombia, delegations from China’s National Defense University visit the nation’s war college on an annual basis.
- Visits by Peruvian officers occur on a regular basis, including a visit by a group from the Centro de Altos Estudios Nacionales in November 2012.

Beyond institutional visits, other ongoing contacts between Chinese and Latin American militaries include port visits by military training ships and warships by each side. The first such visit was made by the Chilean Navy training ship *Esmeralda* to the Port of Shanghai in 1972. By 2009, the *Esmeralda* had made 10 trips to Chinese ports. Reciprocally, in April 1997, the first Chinese naval flotilla visited Latin America. It included the missile destroyers Harbin and Zhuhai and the logistics ship Nancang, and made a port calls in Mexico, Peru, and Chile, as well as the US base at Pearl Harbor. The most recent such visit, at the time of this writing, came in 2009 from a Chinese naval flotilla that included the destroyer Shijiazhuang and the supply ship Hongzehu, making port calls in Valparaiso, Chile; Callao, Peru; and Guayaquil, Ecuador. Although nonthreatening in character, such visits benefit the PLA Navy, helping it to identify requirements for the use of Latin American ports by its ships in the future for maintenance, resupply, or other purposes.

In addition to bilateral contacts, such as those mentioned above, Chinese and Latin American militaries have occasional contact through conferences and other forums. The Chilean and Chinese navies, for example, have regular contact through the Western Pacific Naval Symposium, with the PRC having supported Chile’s admission to the organization. The Chinese, for their part, host various forums to which Latin American officers are invited, including an annual “symposium for upper level officers” in Beijing, which has been held at least five times. In addition, from November to December 2007 in the city of Qingdao, the headquarters of the PLA North Sea fleet, the Chinese held a seminar on the management of search and rescue operations in which a Uruguayan naval lieutenant, and perhaps other Latin American military officers, were present.

It is also important to mention Chinese military actions in Latin America, which are important primarily at the symbolic level. These include September 16, 2010, when an honor guard of 34 persons from the PLA participated alongside representatives from 15 other countries in a parade in Mexico City in commemoration of the 200th Anniversary of Mexico’s independence.
Military-to-military contacts also have come to include bilateral exercises. In November 2010, Chinese military personnel participated with 50 Peruvians in the humanitarian exercise “Angel de la Paz,” including deployment to the village of Villa Maria del Trunfo to perform medical services for the local population. The joint exercise simulated a response by the two armed forces to an earthquake, with an associated chemical fire, and was tied to the donation by the PLA to the Peruvian military of a mobile field hospital, and training of the recipients on its use in the facilities of the 1st Special Forces Brigade in Chorrillos, near Lima.

In December 2011, the PLA took a third major step in expanding its military activity in the region when it deployed the recently completed PLA hospital ship, N866, to the Caribbean. The ship, dubbed the “Peace Ark” made port calls in Cuba, Jamaica, Trinidad and Tobago, and Costa Rica as part of “Harmonious Mission 2011.” In those ports, it treated a range of medical conditions by the local populations, including local military and government officials, and hosted local dignitaries and press on board. As with the “Angel de la Paz” humanitarian exercise in Peru, the deployment of the Peace Ark was widely covered in the local press throughout the Caribbean, generating a significant amount of public attention, and presumably, goodwill toward the Chinese. On November 24, on its way back to the PRC, it also made a stop in the southern Chilean port of Punto Arenas, where it provided medical services to the local population.

While not threatening in and of itself, Chinese participation in humanitarian activities in Latin America may be understood as a logical step toward its participation in the response to an actual disaster, outside the framework of a multilateral force such as the United Nations. Such an offer of direct military involvement in a Latin American country would put US policymakers in an awkward position, since publicly blocking humanitarian assistance from the PRC could be construed as increasing the number of Latin American deaths from the disaster in order to keep the Chinese military “out of the US backyard.”

Military Sales to Latin America

As with military sales by other countries, Chinese military sales to Latin America help the PRC to strengthen its ties with the purchasers by meeting their specific needs and by tying those nations to Chinese logistics, maintenance, and training infrastructures. Such transactions also help the PRC to develop and sustain its own national defense industry and earn export sales revenues.

Rightly or not, Chinese arms sales to Latin America are arguably some of the most closely watched facets of China’s engagement with Latin America. Although U.S. leaders such as Assistant Secretary of Defense Frank Mora have observed that Chinese arms sales can contribute to security in the hemisphere, many politicians and other policymakers look to such sales as indications that
Chinese activities in the region constitute a threat to U.S. National Security.

In general, PRC military sales to Latin America have followed the pattern of its commercial sales. The first Chinese defense goods sold in the region were relatively inexpensive, unsophisticated items such as military clothing and personal equipment. In some cases, such goods entered Latin American militaries as donations, such as the $1 million per year in hats, gloves, and other nonlethal equipment donated by the PLA to Colombia. Frequently, Chinese goods have been offered by third-party importers representing companies such as NORINCO in the PRC, but licensed to do business with Latin American militaries.

At first glance, two facets of China’s advancing military sales to the region stand out. First is the degree to which sales of major military end items have generally correlated with the anti-US foreign policy orientation of the purchasers, with China’s major customers in the region being Venezuela, Ecuador, and Bolivia, and to a lesser extent, Argentina, Suriname, and Guyana.

Second, the number of problems that the PRC has had in its attempt to sell goods to the region has been particularly striking. These include contract disputes that have led to suspended procurements in Ecuador (over the purchase of a Chinese radar) and Argentina (over an armored vehicle), the crash of a recently delivered fighter in Venezuela, and the cancellation of publicly announced procurements of Chinese goods by Peru (MBT-2000 tanks) and Argentina (the X-11 helicopter), among others.

As with commercial goods, China’s ability to sell sophisticated military hardware to Latin America has been impeded by concerns over quality as well as the difficulty of maintaining and supporting the equipment. Such concerns have been particularly acute with respect to goods such as ships, aircraft, armored vehicles, weapons, and communication systems, in which lives on the battlefield could depend on the proper functioning of the equipment. The lack of a Chinese military presence in the region has compounded such concern; the absence of sales of Chinese gear in Latin America meant that Chinese military goods were “unproven” in the region, and thus more difficult to sell. Moreover, without a Chinese military presence in the region, maintenance and obtaining spare parts for Chinese goods was, in the minds of many leaders, a great risk.

Despite such obstacles, as in the commercial realm, with time the PRC and its defense companies have begun to move up the value-added chain to sell increasingly high value-added military goods in Latin America. In doing so, it has leveraged opportunities provided by regimes hostile to the US, such as Venezuela, Ecuador, and Bolivia, whose political orientation and inability to acquire Western military technology has led them to look to Chinese equipment.

The first major breakthrough for the PRC in military sales to Latin America was arguably Venezuela’s 2008 announcement that it would purchase
K-8 (Karakorum) aircraft, codeveloped with Pakistan.\textsuperscript{63} Venezuela’s decision to purchase the aircraft was driven in part by its inability to purchase US fighters or spare parts for its existing fleet of US aircraft, as well as successful US efforts to block other Western countries from selling to Venezuela similar aircraft that incorporated US technology.\textsuperscript{64} The agreement to ultimately purchase a total of 18 K-8 aircraft from China National Aero-Technology Import and Export Corporation (CATIC), along with armament and a supporting logistics package, was made in August 2008. In the second half of 2009, 11 Venezuelan pilots and 56 technicians were sent to China for training on the aircraft as pilots and maintenance and logistics support staff.\textsuperscript{65}

The first 6 K-8s were officially received in March 2010,\textsuperscript{66} with the other 12 arriving in August. They were initially assigned to the 12\textsuperscript{th} fighter Air Group, based at the air base Rafael Urdaneta de Maracaibo, and to the 15\textsuperscript{th} Special Operations group, at the air base Vicente Landaeta Gil de Barquisimeto.\textsuperscript{67} Based on Venezuelan satisfaction with the transaction, the government initially announced its intention to expand the number of K-8s to be purchased to 40, although the final order appears to have been 18.\textsuperscript{68}

Despite highly positive statements by the Venezuelan leadership regarding the K-8s, the acquisition has had its problems. In January 2010, one of the K-8s piloted by a newly trained Venezuelan crashed on takeoff out of the military airport in Barquisimeto, near Caracas.\textsuperscript{69} While the Chinese blamed improper maintenance by the recently trained Venezuelans, the Venezuelans pointed the finger at the Chinese for poor translations of the aircraft technical manuals into Spanish. In addition to the K-8s, the Venezuelan military leadership was also reportedly evaluating purchase of the more capable Chinese L-15 Air King, with a proposal by Hongdu Aviation Industry Corporation to sell the PRC 24 of the aircraft,\textsuperscript{70} although the matter has not been discussed publicly since 2009.

Beyond fighters, the government has also purchased 8 Y-8 Chinese medium military transport aircraft, each capable of carrying up to 88 persons or 20 tons of cargo.\textsuperscript{71} The first two aircraft were delivered in November 2012,\textsuperscript{72} with the remainder delivered over the period December 2012–January 2013. In August 2012, the first group of Venezuelan pilots and ground crew personnel were sent to the PRC to receive training on the new aircraft.\textsuperscript{73}

Finally in 2010, Venezuela also agreed to buy Y-12 aircraft and two helicopters from the Aviation Industry Corporation of China. The deal, worth approximately $300 million, involved the purchase of 27 Y-12s produced by the manufacturer Hafei to be used for the transport of passengers and cargo in the interior of Venezuela,\textsuperscript{74} as well as two helicopters.\textsuperscript{75}

Beyond manned aircraft, Venezuela has also evaluated purchases of Chinese Unmanned Aerial Vehicle (UAV) systems. In January 2009, for example,
the Chinese firm Poly Technologies presented a proposal to the government of Aragua for the sale of CH-3 UAVs and control stations, culminating in a demonstration flight to the leadership of the Venezuelan Air Force in January 2010. The marketing material for the UAVs provided by the Chinese touts their ability to “defend strategic installations.” Correspondingly, the Venezuelan state of Aragua, where the UAV was being marketed, is in or near two of the ground control facilities of the new PRC-launched Venezuelan satellite: Camatagua and El Sombrero (the “Manuel Rios” military base). Although the Venezuelan military ultimately turned to Iran to help produce the UAV, Venezuelan President Hugo Chávez said in a televised public statement that the PRC had an undisclosed role in UAV production.

In addition to aircraft, Venezuela has also indicated an interest in purchasing Chinese ground vehicles. In July 2012, President Chávez announced that Venezuela would purchase $500 million in armored amphibious vehicles from the PRC. The vehicles reportedly included light amphibious tanks, infantry fighting vehicles, armored personnel carriers, and self-propelled artillery. The Venezuelan armed forces were reportedly reorganizing to accommodate the new equipment, creating a new “3rd Marine Infantry Brigade” and restructuring the existing 4th Marine Infantry Brigade. In September 2012, Venezuela took arms sales from the PRC one step further, announcing the purchase of 8 Harbin Z-9C antisubmarine patrol aircraft from NORINCO.

Beyond the equipment mentioned above, Venezuela has also spearheaded the introduction of Chinese radars into the region. In 2005 the Venezuelan air force acquired JYL-1 radars, usable for air defense from the firm China National Electronics Import and Export Corporation (CEIEC), at a cost of $150 million.

The radars were acquired by the Venezuelan organization Compañía Anónima Venezolana de Industrias Militares (CAVIM), with the first delivered in January 2008, subsequently put under the command of the Venezuelan Air Force. They were used publicly for the first time in 2008 in an exercise with Brazil. By mid-2009 the Venezuelan military leadership was referring to a total of 10 Chinese radars being operational, and as of June 2009 Venezuela was evaluating the purchase of other Chinese radars to complement the capabilities of the JYL-1s.

In addition to the radars and aircraft, the Venezuelans have also contracted with the Chinese for the construction of military command and control facilities, with the Venezuelan defense organization DICOFAN working with the Chinese civilian telecommunications firm Huawei to implement the system.
support of the system, China has also funded a training program by Huawei for students of the Venezuelan military institute Universidad Nacional Experimental Politécnica de las Fuerzas Armadas (UNEFA), as well as the construction of a $54 million laboratory in the Venezuelan Armed forces technical university Instituto Universitario Militar de Comunicaciones y Electrónicas de las Fuerzas Armadas (IUM-COELFA).

In addition, by the end of 2010 the Venezuelan military leadership were evaluating the purchase of a broad range of Chinese systems, including command and control systems, HF, UHF, and VHF communications systems, IGLA missile systems, anti-aircraft guns, biodegradable mines, water purification equipment, bridging equipment, utility aircraft, antisubmarine aircraft, ground-attack aircraft, long-range sea surveillance aircraft, coastal patrol aircraft, frigates, submarines, and anti-submarine warfare (ASW) helicopters.

Beyond purchases of PRC military hardware, Venezuelan officials have also reportedly facilitated indirect purchases of military goods by criminal and insurgent groups such as the FARC. An investigation by the Colombian prosecutor’s office, for example, implicated the Venezuelan government official Amílcar Figueroa, presenting a “shopping list” of weapons for the FARC during his visit to the weapons manufacturer NORINCO in the PRC.

In addition to direct purchases of military goods and systems from the PRC, Venezuela has greatly facilitated the ability of the PRC to sell its military end items to other like-minded governments in the region, including both Ecuador and Bolivia. Following the lead of Venezuela, in September 2009 Ecuador negotiated a deal with the PRC for two radars, manufactured by China Electronics Technology Corporation (CETC), to be deployed to its northern frontier with Colombia for evaluation, with the option to purchase an additional four units, and ultimately the purchase of four such radars at a cost of $80 million. The acquisition was subsequently suspended, however, over problems regarding the unsuitability of the radars for the jungle conditions into which they were deployed, with the Ecuadoran government pursuing legal action against the Chinese supplier for breach of contract, with the Chinese agreeing to a settlement in 2013.

Beyond the radars, Ecuador has also explored the purchase of medium transport aircraft from the PRC. In July 2009, Ecuadoran Defense Minister Javier Ponce noted Ecuadoran interest in purchasing four military aircraft from the PRC for $60 million to replace its aging fleet of Brazilian Avro military transport aircraft. Although no purchases immediately followed the declarations, during the February 2010 visit to China by Chairman of the Ecuadoran Joint Chiefs of Staff General Fabian Varela, the PRC mentioned again that it was investigating the possibility of providing Ecuador with four MA-60s, at a price of $80 million. Subsequently, in August 2010 Ecuadoran Minister of Defense Javier Ponce
announced that he was sending a delegation to the PRC to negotiate the purchase of two of the MA-60s for $38 million, to be delivered by the end of the year.\textsuperscript{97} In 2011, however, the procurement was abandoned by Ecuador, reportedly following a prolonged inability to come to an agreement with the PRC regarding the technical specifications of the aircraft.\textsuperscript{98}

In addition to these transactions, the PRC has also donated military trucks and ambulances and other non-lethal goods to Ecuador. Indeed, during the February 2010 visit by General Varela to the PRC, China mentioned that they planned to double such donations.\textsuperscript{99}

Bolivia, in contrast to Venezuela and Ecuador, has a relatively long history of military equipment purchases from the PRC. Such purchases included HN-5 man-portable anti-aircraft missiles, purchased from China in 1997 and ultimately disposed of by then–acting Bolivian President Eduard Rodriguez Veltze shortly before he turned over power to incoming president Evo Morales, unleashing a storm of controversy within the country and a criminal investigation against Rodriguez Veltze.\textsuperscript{100} In addition, during the period 1987–1996, the PRC reportedly provided 10,000 AK-47 assault rifles to the nation’s armed forces.\textsuperscript{101}

Beyond such historical antecedents, under the presidency of Evo Morales, Bolivia has also followed the lead of Venezuela in acquiring military aircraft from the PRC. Aided in part by the personal recommendation of Venezuelan president Hugo Chávez to his colleague Evo Morales in October 2009, Bolivian Defense Minister Walker San Miguel announced the planned purchase of a squadron (6) of Chinese K-8 aircraft, for $58 million.\textsuperscript{102} The aircraft, the first combat aircraft acquired by the Bolivian military,\textsuperscript{103} were formally ordered from China in 2011 with the announced use as trainers, and in an air-intercept role against drug traffickers.\textsuperscript{104} The deal was financed with a 25-year concessional credit, with the aircraft delivered in August 2011.\textsuperscript{105} Upon receipt, they were reportedly deployed in the vicinity of Cochabamba for counterdrug interception missions, and represent the first combat aircraft acquired by the Bolivian military.\textsuperscript{106}

Although the K-8s are Bolivia’s first fighters, they are Bolivia’s second transaction with the PRC involving aircraft for its military. In March 2007, Bolivia announced the leasing of two MA-60 military cargo and passenger aircraft from the PRC as part of a larger deal that included the acquisition of military transport aircraft from Venezuela.\textsuperscript{107} The Chinese MA-60 aircraft were paid for by a $38.3 million loan from the PRC\textsuperscript{108} and delivered in February 2008.

Beyond the K-8s, in 2012 Bolivia became the first nation in the Americas to purchase Chinese military transport helicopters, ordering six H-425s for $108 million\textsuperscript{109} through a 20-year concessional loan at 2 percent interest.\textsuperscript{110} Although the official mission of the helicopters was civilian logistics and disaster relief, they were to be managed by the Bolivian military, implying a Chinese re-
relationship with the Bolivian armed forces for the maintenance of the helicopters as well.

In addition to its purchase of end-items, Bolivia has also received a series of donations of other military goods from the PRC. These donations have come in four major installments: In December 2006, the PRC announced the donation to Bolivia of 25-person assault craft, infantry and artillery munitions, night-vision goggles, and Kevlar helmets. In 2007 the Bolivian armed forces received 34 trucks from the manufacturer First Auto Works (FAW), five buses, three Toyota Land Cruiser SUVs, and a tow truck. In February 2009 it received 2 gunboats from the PRC. In March 2010 it received 27 buses for military transport, manufactured by the Chinese company Hinger, 21 Nissan light trucks, and 40 Yamaha outboard motors. The most recent donations, as of the time this went to press, focused on military engineering and road construction, including the March 2012 delivery of 274 pieces of heavy equipment, financed by a $40 million loan from the PRC, to outfit Bolivian engineering battalions forming the new Army Construction Command to build transportation infrastructure in the country. Similarly, in May 2012 the Bolivian military agreed to accept the donation of $3 million in Chinese communications equipment.

Although the most significant arms transactions between the PRC and Latin America have come in the “socialist” countries of the ALBA block, significant advances and near-advances have occurred in other countries as well. The most active and persistent interest in such purchases have arguably come from Argentina. In 2007, the country was reportedly considering purchase of the Chinese X-11 helicopter, as well as military trucks and radars to provide coverage for the Northern frontier. The military truck purchase apparently never occurred, and the helicopter acquisition was derailed when France, a major supplier to the Argentine armed forces, claimed that the Chinese product was an illegal copy of a similar helicopter marketed by Eurocopter and threatened to take actions against the Argentine military if they purchased the Chinese helicopter.

Despite the difficulties with the Chinese armored vehicles, in July 2012 the Argentine Defense Minister Arturo Puricelli announced an even more significant procurement from the Chinese, a Chinese helicopter that would be jointly produced in the province of Cordoba in the south of Argentina. Because the helicopter would be manufactured on Argentine soil, the implied presence of Chinese military and technical personnel in association with the project would be significant if the project went forward.

In addition to the abovementioned procurements, in 2008 the Argentine military initiated a procurement of WMZ-551 wheeled armored vehicles from the Chinese manufacturer NORINCO in order to outfit a mechanized battalion that was the Argentine contribution to the joint Argentine-Chilean peacekeeping force “Cruz del Sur.” In 2008 the Argentine Joint Staff purchased four of the vehi-
cles for evaluation for a price of $2.6 million, including a training and spare parts package. The vehicles initially saw service with the Argentine mechanized battalion in Gonaives, Haiti, where the Argentine combined mechanized battalion was deployed as part of the UN peacekeeping force MINUSTAH. Problems with the WMZ-551s, however, led Argentina to suspend the procurement after receipt of the first four vehicles.

Beyond Argentina, Peru has publicly contemplated acquisition of several different major end items from the PRC although, to date, none of the procurements have gone forward. In 2009, Peru almost became the first nation in Latin America to make a major purchase of armored vehicles from the PRC. A series of five Chinese MBT-2000 tanks were accepted from the PRC for evaluation by the Peruvian army and were featured prominently in a military parade in December 2009, followed by an announcement by then Peruvian Defense Minister Rafael Rey that a significant number of the tanks would be purchased for the Peruvian army. Amidst public controversy over the procurement, however, difficulties emerged with the ability of the Chinese producer to acquire the associated tank engine from its Ukrainian supplier, ultimately driving the Peruvian government to cancel the procurement, with the Peruvian Minister of Defense announcing that resources earmarked for the acquisition would be reprogrammed to dedicate more resources to fighting narcotraffickers and recuperating state presence in the Apurimac and Ene Valley Region (VRAE) in the interior of the country.

Despite such setbacks, public evidence suggests that Chinese contractors continue to work actively to sell their products to the Peruvian Ministry of Defense. In 2012, for example, the Chinese firm China Precision Machinery Import-Export Corp (CPMIEC) was revealed to be one of the bidders in an air defense system for the Peruvian government. Although they lost the bid to a consortium led by Northrup-Grumman, they were sufficiently sophisticated in operating in the Peruvian defense market, so as to freeze the process by contesting the contract award.

Beyond procurements, as noted previously, in 2010 Peru was also the recipient of the first major donation of military humanitarian equipment from the PLA, with the delivery of a mobile field hospital and other equipment during the second half of 2010. The donation had a total value of $300 million and included the training of Peruvian personnel on the equipment, culminating in a joint Chinese-Peruvian humanitarian exercise in November of that year. Since the delivery of the hospital, however, the unit has reportedly been dismantled, and its components distributed for use to various parts of the Peruvian armed forces. At a lower level, Peru has also purchased Chinese non-lethal equipment, and in 2007 signed defense accords with the Chinese to allow them to participate more directly in the Peruvian military acquisition system.
Peru has not, however, been the only US ally in the region to consider major purchases of Chinese military equipment. Since as early as 2006, Chinese military officials have discussed the possibility of selling armored vehicles and other equipment to the Colombian military. To date, Colombia has not pursued such transactions, in part due to concern over complications in the maintenance and support of such equipment and also because of the close Colombia-US defense and security relationship.

Beyond explicit military sales, both the Uruguayan police and the Peruvian National Police (PNP), and perhaps other police forces in the region, have explored purchases of Chinese equipment. The police force in Montevideo, for example, has purchased police cruisers of the Chinese brand Geeley. Similarly, in August 2007 the PNP contracted with a South Korean intermediary for the purchase of 700 Geeley police cars. As with the military sales, however, the transaction came under significant public scrutiny, and was eventually canceled.

At a lower level, as noted previously, the Colombian military has also been the recipient of approximately $1 million per year of non-lethal equipment, including gloves and winter hats to equip Colombian high-mountain battalions. In September 2010 the Colombians and Chinese affirmed and deepened that relationship with the signing of a defense cooperation accord. What had been an annual low-level flow of gear was modestly expanded in June 2012 when Colombian and Chinese armed forces signed a one-time agreement for the donation of $7 million in Chinese military gear to Colombia.

Beyond Colombia, the PRC has quietly provided modest quantities of military goods and training to nations throughout the Caribbean basin, including Jamaica, Suriname, and Guyana. In January 2012 the Jamaica Defense Force (JDF) received a gift of $7.5 million in non-lethal gear from the PRC. The donation came shortly after an operation in which the JDF had to re-take the Tivoli Gardens neighborhood in the capital, Kingston, by force, raising significant international criticism of the Jamaican government as well as exposing deficiencies in the capabilities of the JDF, with the consequence that the military aid from China was warmly received because of the vote of confidence that it represented in the Jamaican government.

With respect to Guyana, in March of 2012 the nation became the first to implement an in-country flight training program, run by Chinese personnel, to impart training on Chinese aircraft previously purchased by the Guyanese defense force. The program arguably represented a significant increase in the level of contact between the PLA and the small core of officers of the Guyanese Air Force. With respect to Suriname, like Jamaica and Guyana, the PRC has provided a modest amount of logistical goods and other materials, which has proven particularly important for the country given the suspension of aid from traditional benefactors, such as the Dutch.
Beyond the aforementioned countries, Costa Rica is also a strong candidate for the receipt of Chinese equipment and other assistance for its security forces. In November 2010, during a visit to Beijing, Costa Rican Prime Minister Rene Castro made a formal request to China for assistance in training and equipping its national police for operations against narcotrafficking. The Chinese are currently building a new training center for the national police in San Jose.

In the case of Brazil, which has its own well-developed defense industry, there have been no significant purchases of Chinese military hardware. The possibility of China-Brazil coproduction of military goods was discussed during the September 2010 meeting between Chinese Defense Minister Liang Guanglie and his Brazilian counterpart Nelson Jobim in Brasilia, but no concrete projects have gone forward.

There have also been some suggestions that Chinese small arms have made their way into the arsenals of Latin American countries. A version of the Colt M-4 rifle, manufactured by the Chinese arms conglomerate NORINCO as the CQ-M4 was reportedly spotted in 2008 photos of activities by the Paraguayan armed forces.

**Chinese Physical Presence within Latin America with Military-Strategic Implications**

To date, the PRC has been extremely cautious to avoid establishing an overt military presence in Latin America that could facilitate the emergence of a consensus within the U.S. and its allies to oppose PRC engagement with the region. Where it has done so, it has maintained a very low profile, or emphasized the scientific or nonmilitary character of that presence.

As noted previously, the PRC maintained a military police presence in Haiti as part of the MINUSTAH peacekeeping force from September 2004 through October 2012. Such participation arguably provided a valuable learning experience and engagement opportunity. While far more benign than other forms of presence, such as military bases, its activities in Haiti allows the PRC to gain experience and develop contacts in the region, while fostering goodwill among Latin American militaries that could facilitate its military access to the region in the future.

In Cuba, the PRC reportedly has a presence in three Soviet-era monitoring facilities: Lourdes, Bejucal, and Santiago de Cuba. During the Cold War, because of their proximity to the US, the bases were used for the collection of signals intelligence, such as intercepting radio transmissions, and could be used for similar purposes today.

In addition to their explicitly military presence in Haiti and Cuba, the PRC also has a series of government-operated scientific bases in Antarctica, since establishing its first base there, “Great Wall,” in 1985. Although the sites are
not military, they are supported by the PLA Navy, with the 1st Task Group, established in 2004 for the explicit purpose of supporting the base and conducting operations in the “Southern Ocean.”¹⁴⁸

Although the frigid temperatures and remoteness of its Antarctic facilities from the majority of Latin American states limit their military utility, as with the presence of Chinese peacekeepers to Haiti, the Antarctic bases have provided opportunities to interact with the Argentine and Chilean militaries. The Chilean base in Antarctica, for example, is located in close physical proximity to that of the Chinese, providing opportunities for communication and collaboration there. In addition, some have speculated as well that the PRC presence in Antarctica may also strengthen its claim to exploit mineral deposits there,¹⁴⁹ particularly when the current international treaty banning mining in Antarctica expires in 2048.¹⁵⁰

Beyond Haiti, Cuba, and Antarctica, the presence of Chinese logistics companies in major ports of the region arguably has some strategic military value, presenting a platform from which the PRC could smuggle people or material into the region under the cover of commercial operations, in the event that relations between the US and the PRC significantly worsen in the coming decades. Indeed, there is precedent for the use of Chinese commercial shipping for military purposes, from 1991 when the PRC enlisted the help of the commercial cargo ship Yongmen, owned by China Overseas Shipping Company (COSCO) to evacuate Chinese embassy personnel from Somalia.¹⁵¹

While it is important to acknowledge the long-term strategic military value of PRC physical presence in Latin America, it is also necessary to put it in proper context. It would be very difficult for the PLA to leverage this commercial presence to support their own projection of military power in the region, since commercial facilities cannot be readily transformed into military bases. Moreover, the proximity to the United States of any improvised military facilities would make them highly vulnerable to military action in the event of overt hostilities. Nonetheless, in such a “worse case” scenario of conflict between the United States and the PRC, such a presence would arguably allow the PRC to more easily deny the use of those facilities in the future for US and allied warships, or to disrupt commercial flows that support the US. The possibility that the firm Hutchison-Whampoa could use its port operations at Cristobal and Balboa, in the Panama Canal Zone, to close the canal to US warships exemplifies such concerns.¹⁵²

Strategic Implications

The PRC military relationship with Latin America is not as insignificant as much of the current discourse suggests, yet the challenges that it presents are often mischaracterized to either establish, or dismiss a “China threat” to the region.
From a US national security perspective, the most important dimensions of PRC military engagement with Latin America have to do with how the relationship is evolving as the PRC pursues its arguably legitimate national security interests, while remaining attentive to the United States, its most important strategic partner in the region. Chinese military interactions with Latin America, in and of themselves, are not necessarily a problem. The risk stems from what happens when the PRC, like the United States, is confronted with imperatives to protect its growing interests in the region in the face of organized crime or political turmoil that threaten its people, its investments in Latin America, or commercial flows, the disruption of which, by that time in the future, could cause serious damage to the Chinese economy. Equally troubling is how Chinese capital and weaponry could be used by populist regimes in the region hostile to their neighbors and the United States, or by terrorist groups and transnational criminal organizations. The principal risk is that such groups would acquire such weapons because of inadequate controls over them by the region’s governments, or because of inadequate attention by Chinese companies regarding to whom the weapons are ultimately being sold. Chinese arms sales and the PRC physical presence in Latin America also becomes problematic in the event that US-China relations degenerate, creating the paradox that US fears over how such weapons and ties could be used would contribute to the very friction between the two countries, which animosity could increase the possibility of their use.

Aside from such scenarios, even in the best of cases growing China–Latin America military engagement means that the US will find its freedom of action in the region constrained in ways they were not in the past. Latin America increasingly has other options, beyond the US, for its security cooperation, arms purchases, and personnel training. This will change how the region’s governments bargain when it comes to access to bases, intelligence sharing, joint operations, and permission for US direct action in the region, particularly in areas such as counterdrug and counterterrorism operations. At a minimum, Latin American regimes will be more likely to resist agreeing to US requests that are perceived to violate their sovereignty.

Based on its behavior to date, it is likely that the PRC will continue to expand its military engagement with Latin America, including arms sales, which will increase in volume and sophistication, building on the demonstration of its equipment in the ALBA countries and leveraging key breakthrough transactions when they occur—whether with Peru and Colombia, or elsewhere—in order to introduce end items into the mainstream arms market of the region. In following this course, although the PRC will likely remain highly attentive to the US response, they are also likely to become bolder over time, particularly with the consolidation of power by President Xi Jinping and the new fifth generation of Chinese leadership, younger leaders who have grown up in a PRC that is an
accepted political and economic power, confident of its place in the world.

Notes

1 This chapter is expanded and updated from the essay R. Evan Ellis, “China–Latin America Military Engagement” (Carlisle Barracks, PA: US Army War College Strategic Studies Institute, August 2011).

2 “Full text: China’s Policy Paper on Latin America and the Caribbean,” ChinaView (Beijing, China, November 5, 2008).


4 See, for example, Kevin P. Gallagher and Roberto Porzecanski, The Dragon in the Room (Stanford, California: Stanford University Press, 2010).

5 See Murray Scott Tanner, “How China Manages Internal Security Challenges and Its Impact on PLA Missions” in Beyond the Strait: PLA Missions Other than Taiwan, Roy Kamphausen, David Lai, Andrew Scobell, eds. (Carlisle Barracks, PA: US Army War College Strategic Studies Institute, April, 2009), 52.


7 David Lai and Mark Miller, “Introduction” in Beyond the Strait: PLA Missions Other than Taiwan, Roy Kamphausen, David Lai, Andrew Scobell, eds. (Carlisle Barracks, PA: US Army War College Strategic Studies Institute, April, 2009), 16.

8 See, for example, Editorial, “On the PLA’s Historical Mission in the New Stage of the New Century,” Jiefangjun Bao (January 9, 2006). For references for calls for the PLA to create a “strategic deterrent force” to protect its interests abroad, see PLA Daily editorial, “On the Military’s New Mission in the New Century” (January 9, 2006). Also see Luo Yabo, “A Scientific Interpretation of the PLA’s New Mission in the New Century,” Theoretical Studies on PLA Political Work, vol. 6, no. 3 (June 2005). For a good overview of the debate over how the PLA should defend its interests abroad, see David Lai and Mark Miller, “Introduction” in Beyond the Strait: PLA Missions Other than Taiwan, Roy Kamphausen, David Lai, Andrew Scobell, eds. (Carlisle Barracks, PA: US Army War College Strategic Studies Institute, April, 2009).

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Chapter 6

China–Latin America Organized Crime Ties

Introduction

In June 2010, Brazilian politics were rocked by the sacking of Secretary of Justice Romeu Tuma Junior for allegedly being an agent of the Chinese mafia. Three years earlier, in July 2007, then-head of the Colombian national police General Oscar Naranjo made the striking proclamation that “the arrival of the Chinese and Russian mafias in Mexico and all of the countries in the Americas is more than just speculation.” Although, to date, the expansion of criminal ties between the PRC and Latin America has lagged behind the exponential growth of trade and investment between the two regions, the two incidents mentioned above publicly highlight that criminal ties between the two regions are becoming an increasingly problematic byproduct of expanding China–Latin America interactions, with troubling implications for both regions.

Domains of Expanding Transpacific Criminal Ties

Although data to quantify the character and extent of such ties is lacking, the public evidence regarding such ties suggests that criminal activity spanning the two regions is principally concentrated in four current domains and two potentially emerging areas. The four groupings of current criminal activity between China and Latin America are: (1) extortion of Chinese communities in Latin America by groups with ties to China; (2) trafficking in persons from China through Latin America to ultimately smuggle Chinese into the US or Canada; (3) trafficking in narcotics and precursor chemicals; and (4) trafficking in contraband goods. The two potentially emerging areas are: (1) arms trafficking and (2) money laundering.

It is important to note that this analysis neither implicates the Chinese government in such ties, nor absolves it from such connections, although a consideration of incentives suggests that it is highly unlikely that the Chinese government would be involved in any systematic fashion. This chapter also does not suggest that the criminal ties spanning both regions reflect a coordinated group of purpose-driven criminal organizations. Rather, it calls attention to a problem that is an unfortunate but natural artifact of the expansion of human and commercial contacts between Latin America and Asia for which Latin America may be frighteningly unprepared.
The “Chinese Mafia” in Chinese Communities of Latin America

As in other parts of the world, organized criminal groups with linkages to mainland China, Hong Kong, Taiwan, and Macau have long operated within the relatively closed ethnic Chinese communities of Latin America. Some, but not all of these groups, referred to as the “triads,” had their origins as “secret societies” organizing Chinese Diaspora communities, with respect to both their new countries and to political activities in mainland China and surrounding areas, but that, over time, evolved into criminal groups.

Because ethnic Chinese communities abroad have historically been reluctant to report problems among their own members to non-Chinese host nation authorities, the activities of Chinese “mafias” in Latin America has been, to date, almost invisible. Nonetheless, in recent years, stories have increasingly begun to emerge regarding extortion and other criminal activity by such groups operating within Chinese communities in the major urban centers of Latin America. In Argentina, for example, where Chinese mafias with ties to the Fujian province have had a recognized presence since the 1990s, there have been increasing news accounts regarding extortion-related violence against Chinese shopkeepers. Indeed, accounts of such activities and related crimes against members of the Chinese business community and their stores have appeared in the press not only in the greater metropolitan area of Buenos Aires, but also in other parts of the country, including Mar del Plata, Bahia Blanca, and Lomas de Zamora. Similar incidents have also been reported in the interior of Argentina, including in the modest-sized provincial capital of Mendoza, where in one 48 hour period in 2011, authorities reported 30 separate extortion threats.

In Lima, Peru, and the urban area surrounding it, host to one of Latin America’s largest Chinese communities, similar accounts have emerged of “Chinese mafias” extorting ethnic Chinese owners of hotels, saunas, restaurants, discos, and other commercial establishments. Examples include an attack against a Peruvian Chinese restaurant in the neighborhood of Callao, involving a Molotov cocktail (presumably for not paying “protection money”), and reports of shopkeepers being extorted by members of the group “Red Dragon” from prisons in or near the capitol. Indeed, in contrast to the behavior of the Chinese mafia in other countries of the region, such groups in Peru have gone beyond extorting members of their own community to threaten the mainstream business community. In a high-profile case in August 2012, for example, Peruvian business executive Yeni Mendoza of the business group Gamarra was assassinated over what was believed to have been the failure to pay an extortion demand to the group Dragon Rojo.

In Venezuela, authorities have detected Chinese mafias operating in the country for at least the past three years. Similar accusations have been made con-
cerning the presence of the Chinese mafia in Guayaquil and other parts of Ecuador since at least 2009.  

In Panama, where the Chinese population is arguably the largest in the region in terms of percentage of the population, comments from Panamanian government officials have appeared in the press referring to Chinese bands active in the country involved in the extortion of members of the local Chinese community and other crimes. Publicly, the killing of five Chinese youth in the neighborhood of Chorea received national attention not only for the brutality of the killing, but for the perceived lack of a substantial response by the national police. Members of the public security forces, speaking off the record for this investigation, acknowledge that the Chinese mafia is very active in the country.

In the Caribbean basin, a number of violent assaults against Chinese in 2012 have highlighted the presence of Chinese mafia groups there as well, including a widely publicized double homicide in Trinidad in July 2012. The Caribbean’s Implementation Agency for Crime and Security (IMPACS) has reportedly been following the activities of Chinese criminal gangs in the region since at least 2006. In Paramaribo, Suriname, suspicious incidents in recent years have included a 14-year-old Chinese boy who was found chopped to pieces in front of a popular tourist hotel, and, separately, the double beheading of a Chinese father and son.

Sometimes it is difficult to distinguish the Chinese mafia from the powerful but legitimate support structures of the local Chinese community. It is said that such mafias provide capital to help Chinese entrepreneurs establish their businesses, a wholesale network for the goods sold in those stores, “organization of the market” assuring individual shopkeepers individual segments of the neighborhood, and of course, protection services. On the other hand, in the case of Suriname, the official “club” Kong Njie Tong Sang and others representing the established Chinese community, is instrumental in providing revolving credit to the younger Chinese immigrants, while the hundreds of Chinese shops in the capital Paramaribo depend on a handful of Chinese wholesalers from the older generation Chinese Surinamese community. Yet such structures do not make the established Chinese-Surinamese community a criminal “mafia.”

The activities of Chinese mafia groups create an inherent criminal link between the two regions, insofar as threats against family in China are often used as one tool for extorting Chinese in Latin America. A particularly worrisome example of such ties is the presence of the Chinese mafia in Tapachula, in the state of Chiapas, which serves as a point of entry into Mexico for Chinese and others crossing at Frontera Corozal following trafficking routes up the Atlantic coast of Mexico, currently controlled by Los Zetas.

Although such activities and ties are troubling in and of themselves, in the context of expanding flows of people, products, and money between China
and Latin America, the risk is that these mafias, with their connections to Asia, will opportunistically expand into other types of activities associated with those flows. In Peru for example, the group “Red Dragon,” whose activities were once principally confined to extorting local Chinese restaurant owners and shopkeepers, has over time diversified to involvement in global human smuggling networks, and, most recently, into the trafficking of cocaine and synthetic drugs from Asia.²¹

**Trafficking in Persons**

Currently, smuggling of persons from Asia through Latin America to Canada and the United States is the largest visible transnational criminal linkage between the two regions. The presence of illegal Chinese immigration into Latin America has been recognized as a significant problem by multiple organizations, including the UN Office against Drugs and Crimes.²² Such trafficking is highly lucrative, generating $70,000 or more per person and representing a $750 million per year business for the Chinese mafias alone, according to one estimate.²³

Many of the routes used to move Chinese immigrants go through Europe, then to different parts of South America. In the special case of Suriname, many of the Chinese immigrants come through the Netherlands, although Dutch authorities have recently taken steps to stop these flows.

Many of the Chinese immigrants moving through the region begin their trips through South America in the Pacific coast nations of Colombia, Ecuador, or Peru,²⁴ with patterns in such flows being strongly affected by changes in the patterns and policies regarding enforcement in these countries. In 2007, for example when Colombia ceased requiring visas for Chinese nationals to enter the country, the nation’s security service, the Departamento Administrativo de Seguridad (DAS), reported an increase in Chinese nationals transiting through the country, ultimately leading the government to reimpose the visa requirement.²⁵

A similar dynamic occurred in neighboring Ecuador the following year, when in February 2008 that country dropped its own requirements for a visa for Chinese nationals entering the country, prompting a large increase to almost 6,000 Chinese entering the country through official immigration channels that year, and the appearance in the media of trafficking of Chinese as an issue.²⁶ Associated with this phenomenon, there was a new wave of detentions as those Chinese were moved by Chinese mafia groups such as Red Dragon overland through Colombia, then northward toward the United States.

Like Colombia and Ecuador, Peru has also been beset by problems involving Chinese mafias such as Red Dragon’s illegally moving immigrants through the country, often across its border with Ecuador,²⁷ and acquiring documents for them. In at least one case, government employees of the national document registry (RENIEC) were implicated in providing false identity documents
as part of this process, including one case in which 22 members of RENIEC were accused of issuing false birth certificates. Beyond the Pacific coast countries which often serve as points of entry, a portion of the Chinese trafficked into the region enter through Brazil, where a visa is not required for Chinese citizens. One network, detailed in a Uruguayan media exposé, brought Chinese to Brazil by aircraft, then smuggled them overland and across river borders into Uruguay to Argentina. In other cases, the Chinese travel overland through Bolivia and Paraguay, ultimately remaining in countries such as Argentina, or later moving on toward the United States. In Bolivia in particular, a number of detentions of Chinese traveling through the country without proper documents have been reported in recent years.

As with Peru and elsewhere, such activities have also come to involve government workers in the process of obtaining false identity documents. In 2006, for example, 16 current and 12 former Bolivian Congressmen were implicated in a scandal involving the granting of false visas to Chinese immigrants.

Although a portion of the Chinese who enter the region through such illegal trafficking networks remain in South America, the majority continue journeying toward the United States and Canada, often traveling overland through Central America and Mexico. Anecdotal evidence of such flows of Chinese through Central America include an incident in April 2011 in which the head of the Panamanian immigration directorate was implicated in the generation of false immigration documents for Chinese passing through the country. An expansion in the flow of Chinese immigrants through Costa Rica has also been detected, with an increase in the corresponding number of detentions.

Anecdotal public evidence also suggests a correlation between Chinese entering the Pacific coast of Latin America and illegal flows of Chinese migrants through Central America. Between January 2006 and 2007 alone, detentions of Chinese illegally passing through in Costa Rica, Panama, and Colombia registered a 2,500 percent increase, after the previously noted policy change in which the Colombian government temporarily suspended the visa requirement for Chinese nationals.

With respect to flows of migrants through Mexico itself, authorities distinguish between two separate routes. First, as noted in the previous section, Chinese crossing through the southern border of Mexico enter principally at Frontera Corozal, in the state of Chiapas, into the Mexican city of Tapachula, where there is a sizeable ethnic Chinese community. They then follow a route that begins with a journey by train to the Atlantic coast, then following the coast north to the United States. Second, Chinese migrants enter directly from Asia, passing through ports on the Mexican Pacific coast, including Puerto Vallarta in Jalisco, Manzanillo in Colima, and Coyacan, in Mazatlan. Still others come in by air directly to Mexico City, where the activity of Chinese trafficking networks
has been publicly reported by the Attorney General’s office.

Part of the worrisome dynamic created by such flows of Chinese immigrants is the opportunity for interaction between the mafias linked to China, such as Red Dragon, which ostensibly manage the journeys of these immigrants, and the Latin America–based criminal groups that control the territory through which they pass, such as Mexico-based transnational criminal organizations. Chinese immigrants entering Mexico through the Pacific Coast, as noted previously, must pass through areas in which illicit activities such as human trafficking are controlled and taxed by the Juarez and Gulf cartels, while those following the route from Central America up the Gulf coast follow routes currently controlled by los Zetas. Among other risks, the interactions associated with the implied collaboration between Chinese groups and the Mexican cartels are its potential to diversify into other forms of collaboration, as well as competition.

Although the Central America–Mexico route is a major pathway for Chinese bound for the United States, it is also important to mention other routes, such as through Venezuela and the Caribbean. The use of Venezuela reflects both the sizeable Chinese community there, and the increasing corruption of authorities at all levels. On multiple occasions, authorities detected and acted against Chinese trafficking networks operating out of Puerto Ordaz, in the northeast of Venezuela, with one major case reported in 2007 and another reported in December 2011, in which the Venezuelan intelligence service SEBIN found the government equipment for the production of documents in the hands of the group.

In Trinidad and other parts of the Caribbean, authorities have registered an increase in trafficking of Chinese since 2006. Analysts in Trinidad have expressed concern that the officially authorized entry of Chinese workers for the growing number of construction projects being done by Chinese firms in the region may also facilitate illegal human trafficking flows, with Chinese overstaying their work permits and being smuggled by the Chinese triad-affiliated “snakehead gangs” into the United States. In Suriname, similar patterns are suspected of Chinese entering the country on work permits, facilitated by the government’s revolving construction agreement with China Dalian, then overstaying their visas. In Guyana, in one case, undocumented Chinese workers were exposed in the nation’s gold mining sector.

**Trafficking in Narcotics and Precursor Chemicals**

Beyond human trafficking and extortion in Latin American Chinese communities, troubling new trans-Pacific ties appear to be forming in the domain of narco-trafficking. Mexican cartels, such as Sinaloa and Tijuana, source many of their precursor chemicals from Asia, particularly those for methamphetamines, such as ephedrine and pseudoephedrine. The Mexican cartel “Jalisco Nueva Gener-
“ratification,” for example, imports both cocaine from Colombia and ephedrine from China.\textsuperscript{50} Multiple seizures of such chemicals coming from China and India and entering Mexican commercial ports such as Lazaro Cardenas and Michoacan, have been made in recent years by Mexican authorities.\textsuperscript{51} In September 2012, for example, Mexican authorities intercepted 32 tons of precursor chemicals in the port of Manzanillo, sent from China to the state of Colima in the Mexican Pacific.\textsuperscript{52}

Although publicly available evidence does not make it clear whether Chinese organized crime groups are involved or whether the Mexican cartels are simply buying precursor chemicals from Chinese companies with lax controls,\textsuperscript{53} anecdotal evidence such as the case of Zhenli Ye Gon case\textsuperscript{54} suggests that Chinese organized crime is likely involved.\textsuperscript{55}

Shipments of precursor chemicals from China also appear to be sent increasingly to Guatemala for the production of synthetic drugs in clandestine laboratories there. Press reports of interceptions of large quantities of such chemicals bound for Guatemala appear regularly in the press. In August 2012, for example, Guatemalan authorities reported intercepting a shipment of 80 barrels of cocaine paste in the port of Quetzal in a container sent from Taiwan,\textsuperscript{56} then just three days later, 40 barrels of precursor chemicals were discovered in the same port, also coming from Taiwan, with the destination believed to be drug labs operating in remote regions of the country.\textsuperscript{57} A major interception of 720 barrels of precursors going from China to Guatemala had previously been reported in April of the same year.\textsuperscript{58} In at least one major case, precursor chemicals imported from China into the Mexican port of Michoacan had an ultimate destination of the Port of Corinto, in Nicaragua, suggesting that drug labs using Chinese precursors were beginning to operate in that nation as well.\textsuperscript{59}

Precursor chemicals from China have also been intercepted coming into countries such as Peru, where both the Sinaloa and Tijuana cartels are believed to be operating.\textsuperscript{60} Moreover, the Peruvian connection suggests the possible emergence of a global narcotics supply chain, with precursor chemicals such as kerosene moving to “source zone” countries such as Peru, where the drugs are made and ultimately transshipped by Mexico-based cartels to the United States and elsewhere.

In addition to precursor chemicals, criminal groups are also smuggling finished drugs between the two regions, with the growing potential for collaboration and competition between Chinese and Mexican criminal organizations. Recent cases suggest that the Sinaloa cartel, for example, is attempting to enter the Asian market.\textsuperscript{61} The number of Colombians imprisoned in the PRC for attempting to smuggle drugs into China reportedly increased by a factor of five from 2011 to 2012.\textsuperscript{62} According to authorities, the network reportedly involved collaboration between Chinese mafias and Mexican drug gangs with persons to
carry the drugs recruited in rural Colombia, flown to Peru or directly to Brazil where they were loaded with drugs, then flown to Dubai or Qatar, or directly to Hong Kong or Guangzhou.\textsuperscript{63} As with human trafficking, the routes used appear to vary, and change over time in response to enforcement patterns. A high profile case during 2011 involved cocaine smuggled from Mexico to Hong Kong.\textsuperscript{64} In another case cocaine was reportedly being sent from Colombia to Panama and Costa Rica, then onto the PRC, among other destinations.\textsuperscript{65} Documentation of at least one case involving drug shipments from Colombia to China indicates that Chinese organized crime groups were the purchasers on the other end, while the group on the Latin American side handled the logistics and realized the profit. A kilogram of cocaine arriving in China sold for an estimated $55,000, almost triple what the same product would sell for in the United States.\textsuperscript{66} In one case, a major shipment of drugs was intercepted coming into a port in Hong Kong from Ecuador.\textsuperscript{67} Cocaine has been intercepted following a southern route from Chile to Asia,\textsuperscript{68} and some interactions have been reported between Mexican drug cartels and Asian heroin-trafficking groups.\textsuperscript{69}

**Trafficking in Contraband Goods**

In addition to people and narcotics, the flow of illicit merchandise from China to Latin America, including pirated software, music CDs, and brand name clothes,\textsuperscript{70} presents an opportunity for collaboration between organized crime in the sending and receiving countries, particularly where Chinese merchants in Latin America are vendors of those goods or where the territory in question is dominated by Latin American criminal organizations such as Mexican cartels, or even street gangs. Chinese groups such as the Flying Dragons and Tai Chen, for example, have been identified as importers of contraband goods into the tri-border area.\textsuperscript{71} Chinese gangs in Venezuela reportedly rob merchandise and resell it to Chinese merchants in their protection network.\textsuperscript{72} Mexican groups such as Los Zetas appear to take a cut from groups distributing pirated Chinese software. Beyond just distribution, Mexican authorities interviewed for this study indicated that there are indeed emerging ties between the cartels and Chinese organized crime in the importation of contraband goods, including the port of Veracruz, previously controlled by Los Zetas, as well as various Pacific Coast ports. As of the writing of this chapter, most of the retail sales of Chinese contraband goods, such as the market of \textit{Tepito} in Mexico City, were still being run by Mexicans, although Mexican authorities indicated that Chinese merchants and associated criminal organizations have an important role “behind the scenes.”

Interaction involving the flow of illegal commercial goods is not, however, limited to the retail sector. In Michoacán, the La Familia cartel was identified as organizing and taxing the illegal extraction of ore from mines in the region and its sale to China.\textsuperscript{73} Chinese criminal groups are similarly reported
to be engaged in illegal mining in the remote province of Madre de Dios in southeastern Peru. As the volume of the contraband flow increases between the regions as part of the expansion of all trade between the regions, the prospects seem high for organized crime on both sides to more actively seek to capture this revenue stream.

**Arms Trafficking**

Although much attention is given to flows of firearms from the US into Mexico, the PRC, through the black market, is one of the principal providers of military-grade munitions to the region. A particular problem is Chinese arms smuggled into Mexico, often through the US. In 2008, for example, the commander of the 8th Military Zone of Mexico, Luis Villegas, claimed that Chinese arms were being smuggled across the US border into Tamaulipas, along with US and Russian arms. Chinese-manufactured grenades and other military hardware have been seized in Puebla, and elsewhere in Mexico, although it is not clear that the Mexican cartels are purchasing directly from Chinese criminal groups or Chinese arms companies.

Reports suggest that such arms enter through many of the same Pacific Coast ports in which ethnic Chinese and contraband goods are smuggled into the country, including the port of Manzanillo (by coincidence, controlled by the Hong Kong-based logistics company Hutchison Whampoa), and are smuggled into the country in containers of Chinese merchandise.

Although there is little evidence that the Chinese government is knowingly involved in the trade, the degree to which Chinese arms companies such as the Northern Industries Corporation (NORINCO) ensure that their weapons are not sold or diverted into the black market is not clear. Recognizing such concerns, the Chinese government promulgated Law on Control of Guns in July 1996, issued regulations on the Administration of Arms Export in October 1997, and started amending the regulations from October 2002, allowing sales only to licensed buyers.

In arms trafficking, as noted in a previous chapter, there are also troubling “gray areas,” as highlighted in a recent investigation by the Colombia prosecutor's office implicating a Venezuelan government official for the purchase of Chinese weapons by the FARC.

**Money Laundering**

Finally, as banking and commercial ties expand between China and Latin America and as options for converting Chinese currency into dollars or Latin American currencies increase, criminal groups on all sides may increasingly use trans-Pacific financial flows to hide income and protect illicitly gained wealth. There is evidence that such activities have already begun to occur, taking advantage of
the difficulty of Latin American investigators in following or scrutinizing transactions in Asia. In March 2010, for example, the Mexican Federal Police made public a case in which the Colombian Valle de Cauca cartels, in their dealings with the Mexican group La Familia, had sent part of their earnings to the PRC.  

Chinese-owned gambling operations in Latin America also present significant opportunities for money laundering, given the large cash flows involved with such establishments, just as the Russian mafias operating in Panama and Uruguay reportedly use casinos there to launder money.  

In a similar vein, as with all major gambling-oriented commercial establishments, new Chinese gambling facilities such as the $3.5 billion Baha Mar resort currently being built in the Bahamas could play such a role. Finally, although there are currently few indications that flows of money by Chinese investors into the British Virgin Islands and the Cayman Islands play a major role in money laundering by Chinese criminal groups, evidence suggests that a variety of Chinese entities already use these destinations for tax shelter purposes, implying that it is reasonable to expect that Chinese criminal entities will increasingly use them to hide their earnings as well.

**Strategic Implications**

Latin American law enforcement is woefully unprepared to meet the challenge of increasing criminal ties between the two regions. In particular, police forces already overwhelmed by a lack of resources, competing demands, corruption, and low levels of trust from the societies in which they operate, have little ability to penetrate Chinese communities where the new criminal activities are taking place, including basic activities such as gathering evidence and obtaining witnesses. Authorities not only lack ethnically Chinese agents, but also lack reach back to technical contacts in Asia who can provide background information regarding the people and gangs that they are investigating, as well as basic language to even interrogate suspects and witnesses in the communities in which the crimes they are investigating occur.

In some cases, the Chinese or Taiwanese embassies have provided assistance in operations involving Chinese communities, as was the case in Ciudad Guyana in December 2011, where the Chinese embassy helped local authorities to analyze documents, computer records, and other assets seized. During a police investigation into the Chinese mafia in Mar del Plata Argentina in December 2011, for example, specialists had to be brought in from Buenos Aires, because the locals in the area where the crime was committed were from Fujian and didn’t speak Mandarin Chinese, let alone Spanish. Nevertheless, the anecdotal stories of technical assistance from Taiwan or the PRC only underscore the degree to which Latin American security forces lack linguistic, human, and technical capability to follow the trail of criminality into Chinese communities,
or the contacts to follow it back to Asia itself.

A compounding problem in managing such criminal activities throughout the region is that the police have historically not made significant effort to penetrate the Chinese communities in their jurisdiction, all too often allowing what happens in the Chinese barrios to be the business of the Chinese communities. A senior officer from the Trinidad & Tobago Criminal Investigations Unit referred to the “culture of the Chinese…to ‘keep things to themselves.’” In some cases, including one case in Peru covered in the media, authorities publicly deny that Chinese gangs even exist.

Although the existence of criminal ties with the PRC is not one of the major problems currently facing Latin American governments, it is one that is likely to become greater with the expanding commerce and investment between the two regions. Based on historical precedents to date, activities by Chinese triads and tongs is likely to grow among Chinese communities in major Latin American cities, diversify into other activities, and forge new linkages with other criminal organizations, as happened with the Red Dragon organization in Peru, which evolved from extortion to human trafficking to narcotics and other activities.

Human trafficking flows are likely to expand with the growing number of Chinese workers, including the new influx of loan-backed Chinese construction projects in the Caribbean. Purchases of precursor chemicals from China and India by Mexican drug cartels is likely to expand into other forms of collaboration, as well as competition for “turf” in overlapping business areas such as Pacific maritime logistics. Mafias on both sides of the pacific are likely to become increasingly involved in taxing, and perhaps controlling, the growing and highly lucrative contraband trade. New trans-Pacific banking ties, increasing currency convertibility, and Chinese-owned casinos in Latin America will present new, and difficult to monitor, options for both Latin American and Chinese criminal organizations to launder money and protect assets.

Such concerns apply across a range of scenarios for the future of China–Latin American relations. If the Chinese economy slows, for example, floating urban populations in coastal urban areas are likely to expand the pool of US-bound migrants for human trafficking organizations to move through Latin America. If Chinese economic growth remains strong, flows of people, container traffic, and financial transactions will proliferate the number of opportunities for organized crime on both sides to move merchandise.

Beyond Latin America, expanding China–Latin America criminal ties impact the US in a myriad of ways. First, the majority of ethnic Chinese being smuggled through Latin America and a good portion of the synthetic drugs produced from precursor chemicals originating in the PRC are destined for the US. Second, expanding opportunities for money laundering through involving
Chinese banks and companies benefit Latin America–based transnational criminal organizations (TCOs), such as the Mexican cartels and Colombian criminal bands (BACRIM), that the United States is directly engaged in combating. Moreover, an increase in the power of Latin America–based TCOs, or alternatively, an increase in violence due to “turf wars” with Chinese mafias would further destabilize areas such as Mexico, Central America, and the Caribbean, which are closely connected to the United States in economic and human terms, and whose most vulnerable and marginalized historically seek refuge in the United States when conditions worsen.

Finally, although Chinese communities in Latin America are not themselves a threat, given evidence that they are the nexus for organized crime ties between the PRC and Latin America, it is a national security risk that US and Latin American authorities have almost no visibility into them.

The United States has a strategic interest to work with both the PRC and Latin American governments to manage the challenge posed by expanding China–Latin America criminal ties. Indeed, this area is arguably one of the most promising arenas in which the PRC, the United States, and Latin America can work together for the benefit of each and, in the process, build confidence not only in the China-US bilateral relationship, but also Latin America’s view of the US as a partner. The US already has programs for working with the Chinese on criminal issues in major cities with substantial Chinese populations, including San Francisco and Los Angeles. Through multilateral forums, and empowered by new trilateral agreements, the US, China, and Latin American authorities should set up multinational anti-crime mobile assessment and training teams and, eventually, “fusion centers” in the region. The Chinese government would provide translators with experience in Mandarin, Cantonese, Hakka, and other dialects, as well as access to Chinese police and other databases. The US should involve agencies such as the DEA, ATF, FBI and select state and local police forces, and use its own experiences in working with the Chinese on crime issues to help Latin American police forces do so effectively.

It is perhaps ironic, but collaboration between the United States, China, and the countries of Latin America on organized crime could be an important vehicle for building confidence and helping to overcome some of the tension as China expands its presence in Latin America in the context of the dominant US position there. Indeed, if such collaboration were channeled through multilateral American institutions such as the OAS, it could show that continuing to include America in the region and its institutions is desirable, as it reaches out to China and other actors.
Notes

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3 Francisco Gómez Silvia Otero, “Alertan sobre la presencia de mafia rusa y china,” *El Universal* (Mexico City, Mexico, July 31, 2007).

4 “Aislados por el miedo a la violencia,” *La Nación* (Buenos Aires, Argentina, October 11, 2011).


7 “Un nuevo golpe de la ‘mafia china,’” *Clarín* (Buenos Aires, October 2, 2011).


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12 “El 95% de las llamadas de extorsión sale de las cárcceles de Lima,” *El Comercio* (Lima, Peru, January 28, 2012).


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26 Manuel Pascual, “Funcionarios de RENIEC Perú implicados con mafia china que trafica personas,” *La Gran Época* (July 31, 2011).


33 “Con trabajo en equipo se destapó el caso de las visas,” *La Razón* (La Paz, Bolivia, December 13, 2006).

34 “Capturan a traficante de chinos,” *Reforma* (Mexico City, Mexico, October 23, 2010).

35 “Borrando las huellas,” *La Estrella* (Panama City, Panama, April 26, 2011). See also “Tráfico de chinos en el gobierno del cambio,” *La Estrella* (Panama City, Panama, April 25, 2011).


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Chapter 7

A “Strategic Triangle” between the PRC, the US, and Latin America?¹

Overview

As noted in the introductory chapter, an underlying theme behind this work’s examination of China’s impact on the strategic landscape of Latin America is that an interrelationship exists between the actions of the PRC in Latin America and the security dynamics of both the US and the region. While scholars have long written of a relationship between the United States, the PRC, and China as “triangular,” the purpose of this chapter is to examine the concept critically, to establish whether it is accurate to talk about such a “triangle,” and if so, what it means.

The first major reference to this “triangular relationship” was “Latin America, China, and the United States: a Hopeful Triangle,” the brief 2007 essay by Juan Gabriel Tokatlian.² However, it was arguably Barbara Stallings’ 2008 article, “The US-China-Latin America Triangle: Implications for the Future,” that most definitively introduced the concept; it appeared in China’s Expansion into the Western Hemisphere, the first English-language book by a major publisher on the China-Latin America relationship.³ Since that time, the term has been used in other significant works on China’s engagement with the region, including the January 2011 study “China, Latin America, and the United States: The New Triangle,” published by the Woodrow Wilson Center, the Institute of the Americas, and the China Academy of Social Sciences.⁴

Despite references to a China-US-Latin America triangle in press accounts and academic literature, the term is not a well analyzed academic construct, making it more of a label whose use is associated with a certain level of “intuitive validity.” At a superficial level, the logic of the term proceeds from the close historical linkage of the United States and Latin America, both in a positive and a negative sense. It is difficult to talk about the PRC’s significant expansion in the region without reflexively thinking of the reaction of US policymakers or the possible impacts on US corporations and interests. Ironically, China’s own political traditions and strategic interests also lead it to pay particular attention to the United States as it engages with Latin America. Despite emphasis on a “south-south” approach to its interaction with developing countries, such as those of Latin America,⁵ the PRC has proceeded very cautiously in those relations. This
can be seen, to some degree, as implicit recognition of the region as a US “sphere of influence” and mirrors the PRC’s likely desire to see the United States treat Asia as a “Chinese sphere of influence.” Although the PRC has publicly rejected the concept of “G-2” diplomacy, coordinating with the United States to “administer” the current global order, its strategic dialogue with the United States over Latin America gave the appearance that, at least in that region, it was willing to conduct precisely such “coordination.”

The triangle concept has a certain resonance in both the United States and the PRC, but it is more problematic when viewed from the perspective of Latin America. The region would, arguably, prefer to see itself as strengthening relationships with multiple extra-regional actors as it projects more extensively into the global arena, rather than being “trapped” as a leg in a triangle with the two current global powers. Moreover, many in Latin America would take issue with the concept of the region as a “unitary actor.” Indeed, discussions of China in Latin America are replete with concerns about the region’s inability to present a unified position in dealing with the PRC.

This chapter seeks to critically analyze the concept of a triangular relationship among the United States, China, and Latin America, both theoretically and empirically. In so doing, it argues that the notion of a triangular relationship is flawed and facilitates erroneous assumptions about the dynamics affecting the three actors. Yet, the concept is useful in that it highlights an important series of interdependencies and serves as a point of departure for a discussion on the types of bilateral and multilateral coordination that are advisable.

Problems with the Triangle Concept

As with any paradigm for simplifying and organizing thinking about a complex reality, the “triangular” characterization is incomplete. Such simplification is a common and, perhaps, necessary, part of the analytical process. The more serious problem with the paradigm, however, is that the nature of that simplification conceals some of the most important and most consequential behaviors for understanding the dynamics of China’s increasing engagement with the Western Hemisphere.

Like the triangle itself, these flaws take on an interrelated form:

- The triangle masks other important actors that must be considered in the dynamic.
- The triangle incorrectly encourages a view of Latin America as a unitary actor.
- At its core, the triangle is a subtly neocolonialist way of approaching Latin America and its external relations.
Other Actors

The triangle concept downplays the importance of other actors whose interaction with the United States, China, and Latin America are also important. These include India, Russia, Iran, and Europe. While the triangle does not exclude these other actors per se, the focus on the interaction among China, the United States, and Latin America tends to conceal how other states, as well as non-state actors, play key roles in that dynamic. For example, the sometimes competing, sometimes complementary balance in Brazil’s relationships with India and China, played out in the Brazil-Russia-India-China (BRICS) and India-Brazil-South Africa (IBSA) forums, is arguably as relevant to Brazil’s foreign policy as is its relationship with the United States. Similarly, although much of the foreign policy of the Chávez regime is defined in terms of its opposition to US “imperialism,” Venezuela’s reliance on Russian arms, Chinese money, and its “anti-US” alliance with Iran occupy roughly equal importance. With respect to Argentina, when the PRC ceased taking in that nation’s exports of soy oil, India stepped up its purchases, helping to save Argentina from a much more significant economic problem and, in the process, weakening the PRC’s ability to pressure the Argentine government.¹⁰ In states that were Soviet clients during the Cold War, such as Cuba and Nicaragua, the importance of Russia as a partner in some sectors of some countries, and in some moments, rivals or exceeds, that of the PRC.

While the triangle concept conceals other actors that play a fundamental part of the dynamic in the hemisphere, it is important to understand that Latin American nations themselves generally do not define their external relations principally in terms of a triangle involving the United States and China. Indeed, while both China and the United States are important external referents for the region, Latin American countries and actors increasingly look toward the world in terms of a plurality of actual and potential partners, including Asian states other than China, such as Japan, Korea, and India, as well as actors such as Russia, the European Union, and Iran. The importance of those partners varies according to context (political alliances versus economic partnerships versus military sales, etc.). The importance also varies according to which Latin American country is doing the looking.

During the Cold War, Latin American states sometimes took a United-States-versus-the-Soviet-Union approach (although the nonaligned movement in the Cold War was an attempt to avoid being pulled in a triangle with the two superpowers). However, Latin American countries today do not conceptualize their external relations in terms of ties with the United States versus the PRC.

Latin America Not a Unitary Actor

The triangle concept implies that it is valid to group together the nations of Latin America with respect to their relationships with the PRC and the United States.
But this is not the case. Latin America can be physically grouped as a geographic region, but referring to Latin America as one leg in a triangular relationship incorrectly assumes that actions by the other legs—the United States and China—impact Latin America as a whole. It also falsely assumes that Latin America “as a whole” deals with the United States and China.

While it is possible to discuss the overall triangular set of interactions at some level of abstraction, the nature of the relationship between each state and the PRC, and between each state and the United States, varies dramatically.

Moreover, for many countries in the region, the most important issues and external relations are with each other, rather than with the United States or the PRC. Further complicating matters, the dynamics of the countries’ relationships with the PRC and the United States impact their relationships with each other. Brazil’s relationship with Peru and other nations on the western coast of South America, for example, is affected by its expanding ties with Asia, which increase the importance of access to the Pacific Ocean. Venezuela’s interest in exporting oil and minerals to China provides an incentive to improve relations with Colombia, in order to realistically contemplate overland highway, rail, and pipeline links between Venezuela and Colombia’s Pacific ports. Similarly, growth in trade between the PRC and virtually all of the Atlantic-facing nations, including Brazil, Argentina, and Uruguay, give the governments and companies of those nations interest in the Panama Canal expansion project.

A Neocolonialist Paradigm

Although the concept of a triangle to define the relationship among China, the United States, and Latin America is not, in itself, morally offensive, it subtly advances a neocolonialist paradigm by suggesting that best way to understand Latin America’s complex relationships with important parties beyond the region is to focus on two countries, the United States and the PRC. It also implies that the actions and decisions of these two actors will largely define outcomes for Latin America as the third “leg” of the triangle. This is flawed on two counts. First, as already noted, it conceals other possibilities, including a dynamic relationship between Latin America and multiple other global actors, creating space to have multidimensional relationships and achieve benefits from interactions that permit the growth of all parties. Second, it implies a logic, and perhaps even a legitimacy, for the United States and China to “coordinate,” not only with respect to their policies toward and activities in Latin America, but also in their “management of” Latin America as the two dominant stewards of the global order, just as Great Britain, France, and Spain negotiated over colonies and “subordinate” states in a prior era.
Applying the Triangle Concept

Against a backdrop of cautions about the flaws and analytical pitfalls of the triangle concept, the balance of this paper turns to the interdependencies implied by that triangle and their significance. There are three important sets of interdependencies in this complex group of relationships: the impact of the China-Latin America relationship on the United States, the impact of the US-Latin America relationship on the PRC, and the impact of the US-China relationship on Latin America.

Impact of the China-Latin America Relationship on the United States

China’s relationship with the nations of Latin America impacts the United States, both in terms of the US relationship with the region and the US relationship with China itself. These effects are economic, as well as political and social.

In economic terms, the region’s purchase of goods from the PRC displaces the region’s purchase of products from US companies to some degree. Despite the adverse effect of direct competition from China, 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.

The mixture of competition and complementarity in investment is similar. Chinese investment in Latin America, to some degree, gives Chinese firms control over the region’s resources, such as petroleum and minerals. This implies that companies from the United States and elsewhere must source those same resources from other regions in order to service their customers or, alternatively, buy the resources at less advantageous prices and conditions on global commodities markets. Such logic suggests that commodities such as petroleum and minerals, over time, would cost US consumers more or that periodic sourcing problems would become more probable. Nonetheless, with most commodities available in a number of regions, and with the major Western multinationals still enjoying global positions that are generally stronger than those of the major Chinese state-owned enterprises, the extent of damage felt by the United States as a result of Chinese investment in Latin America is limited at best.

At the same time, Chinese purchases of US assets in Latin America provide liquidity to US companies to invest elsewhere. Although it eventually fell through, the $7.1 billion deal in which China National Overseas Oil Corporation was to purchase 30 percent of the assets of British Petroleum (BP) to help BP cover obligations stemming from the Deepwater-Horizon oil spill in the Gulf of Mexico, is a primary example.\(^\text{11}\)

Beyond such “direct” impacts of Chinese investment in Latin America, in sectors such as cars, heavy machinery, and telecommunications equipment,
investment by Chinese companies in the region also situates them to enter US markets. Such has been the case with the Chinese computer manufacturer Lenovo, which positioned itself to invest in the Mexican maquiladora sector with the hope of assembling Chinese cars using Chinese components for export to the United States, leveraging advantageous tax treatment under NAFTA. Similarly, investment promoters have cited other Latin American opportunities as indirect channels to the US market. They include Chinese companies’ production in Central America in order to export goods to the United States under the advantageous tax terms CAFTA, or production in Colombia, Panama, and Peru in order to enter the United States under the bilateral free trade agreements those nations share with the United States—although the ability to meet the provisions of the relevant agreements (particularly domestic content requirements) in order to realize such a tax savings is questionable. To date, Chinese investments in final assembly operations in Latin American countries, with an eye on entering the US market, have been limited. To a lesser extent, Chinese companies may see sales to Latin American markets as a way of incrementally increasing quality, giving them the experience and reputation required to successfully penetrate more discriminating US markets.

Moving from economics to political and social interdependencies, it is important to note that Chinese trade and investment with Latin American regimes indirectly undermine the ability of the United States to pursue its agenda in the region. This agenda focuses on multiple topics, from trade and respect for private property, to defense of the interests of US companies, to adherence to certain principles of democracy and human rights.

With respect to trade and investment, the availability of the PRC as an alternative market was one factor leading Latin America away from the US-oriented Free Trade Area of the Americas trading regime and, instead, toward establishment of a network of bilateral free trade agreements. Under these agreements certain nations, such as Chile, Peru, and Costa Rica, would attempt to both take advantage of the emerging Chinese market and serve as the link through which other nations in the region would do the same.12

Loans, investments, and commodity purchases from China allowed regimes relatively hostile to the United States, such as Venezuela, Bolivia, and Ecuador, to turn their backs on Western lending institutions like the International Monetary Fund and the World Bank. They also opened the way in some cases for default on loans, the nationalization of industries, or other actions hostile to the interests of Western companies; in the short term, these regimes were able to sidestep the negative consequences that such actions bring from traditional capital markets.

Over the long term, however, there is potential for a “feedback effect” beneficial to the United States and other Western investors. High interest rates
in the case of Ecuadoran loans\textsuperscript{13} and the questionable loan terms in Venezuela\textsuperscript{14} have already been used as political fodder by the opposition in those countries,\textsuperscript{15} increasing the likelihood that an explicit movement away from such loans and capital, and back to Western financial markets and institutions, may be on the agenda when changes in political regime occur in these states.

Chinese purchases, loans, and investments in Latin America have undercut the United States’ leverage in demanding adherence to certain practices of democracy, human rights and free trade. This is particularly relevant with respect to the nations in ALBA. In contrast to Western governments and institutions, Chinese investors traditionally do not link their loans and investments to the political practices of the recipient states. That said, special treatment of Chinese investments and protection from expropriations and other administrative action for companies operating in the country are often implicit conditions of Chinese investment—even where the same regimes are taking actions that prejudice Western companies. Similarly, as suggested previously, diplomatic recognition of the PRC is implicitly recognized to facilitate access to Chinese loans, investments, and markets, although significant loan packages for construction work by Chinese firms in Honduras and Nicaragua during the past three years suggest that this linkage is not as strong as it once was.

The economic success of the PRC, while pursuing relatively mercantilist policies and limiting democratic freedoms and Western-style human rights, sends a powerful message to Latin American regimes and societies that growth and prosperity can be achieved independent of adherence to Western economic proscriptions, political norms, and human rights practices. It is important to distinguish the lesson from Beijing that “prosperity can be achieved without heeding the United States” from the concept of a specific “Beijing Model” that the West can follow. Latin American leaders do not have to believe that they can follow in Beijing’s footsteps, only that they do not have to follow in those of the United States.

With respect to defense and security relationships, China’s engagement with Latin America has the potential for both positive and negative impacts on the United States. On the positive side, China’s donation of goods to countries and its sale of goods at relatively low prices have contributed to the ability of governments in the region to assert control over national territory and meet such challenges as narcotrafficking. The previously noted sale of Chinese K-8 aircraft to Bolivia\textsuperscript{16} and the sale of radars to Ecuador\textsuperscript{17} (despite problems with the acquisition)\textsuperscript{18} are examples. The donation of trucks and buses to the Bolivian armed forces and nonlethal gear to the Colombian\textsuperscript{19} and Jamaica Defense Forces\textsuperscript{20} are other such examples.

Meanwhile, PRC loans for regimes hostile to the United States, such as those of the late Hugo Chávez (and now Nicolas Maduro) in Venezuela,
Rafael Correa in Ecuador, and Evo Morales in Bolivia, provide these regimes with liquidity they would not otherwise have. This indirectly helps them persist in policies that are potentially harmful to US interests, such as allegations that the Venezuelan government provided support for the FARC as well as to radical indigenous groups in Peru, Bolivia, and elsewhere.

China’s willingness to sell low-cost arms to countries such as Venezuela has undermined the ability of the United States to work with its allies to impose arms-purchase controls on certain regimes. Chinese sales of K-8 and Y-8 aircraft to Venezuela, mentioned earlier, as well as sales of mobile radar systems, are the two highest-visibility examples. Chinese loans to Venezuela have also indirectly freed that government’s funds in other areas, making it easier for it to acquire an estimated $11 billion of military equipment from Russia since 2007, including Mi-17 helicopters, Su-24 fighter aircraft, Kalashnikov rifles, tanks, and armored vehicles.

Beyond the nations of ALBA, Chinese military training and educational opportunities for virtually all Latin American countries that diplomatically recognize the PRC have opened the door for officials of these militaries to obtain a diversity of experience, undercutting to some degree their interest in working with the United States as a military partner. Nonetheless, the relatively low level of Chinese military engagement with the region to date has limited this impact.

Expansion of Chinese humanitarian military initiatives to the region, including participation in MINUSTAH, the Angel de Paz bilateral humanitarian exercise between Peru and the PRC in November 2010, and the visit of the hospital ship USS Comfort to the region in December 2011, represents an important additional dimension of this effect. At best, such initiatives send a subtle message to regional militaries that the United States is not the “only game in town,” (although US failure to give greater priority to the region arguably undercuts US influence more than any Chinese initiative). At worst, these initiatives permit the Chinese to enhance their working knowledge of Latin America’s militaries and facilities while allowing them the experience of operating in the region. The value of this experience would become obvious in the remote and undesirable event that the “friendly competition” between the PRC and United States turns more hostile and the Chinese seek to project a less benevolent military presence into the region.

Chinese military engagement with the region is also likely to cause discomfort because of the United States’ traditionally close security relationship with countries in Latin America. The PRC’s position may present particular challenges with respect to initiatives to ensure the security of Chinese companies and nationals. The growing physical presence of Chinese companies in the region in the coming years is likely to drive them, and their government, to
collaborate more closely with Latin American security forces in managing the risk that comes from operating in remote or dangerous areas in extractive industries and on construction projects. This is already happening in Honduras, where the Honduran military provides security for Chinese firm Sinohydro work on the Patuca III hydroelectric project, as well as in Colombia, where China and the Colombian government coordinated to secure the release of the Great Wall Drilling Company oil crew kidnapped in Colombia in June 2011. In the course of protecting their companies and nationals, Chinese private security firms have also inadvertently become involved in violence in the region.

Chinese engagement with Latin America—economic, military, or otherwise—also impacts the United States at the political level. Hu Jintao’s five-nation trip to Latin America in November 2004, in conjunction with Chinese attendance at the APEC summit in Santiago, Chile, sparked a wave of political activity in the United States. This included not only public events by Washington, DC, think tanks but also hearings on Chinese engagement in Latin America in both the US House of Representatives (April 2005) and the US Senate (August 2005). Indeed, Latin American leaders recognize the effect their China initiatives have within the US political system. The February 2011 announcement Colombian President Juan Manuel Santos made to The Financial Times concerning Chinese plans to build a “dry canal” across Colombia, for example, seemed timed to influence US congressional approval of the US-Colombia Trade Promotion Agreement.

Chinese engagement with the region ultimately impacts the United States in broader terms, because the United States is intimately tied to the region in geographical, human, and economic terms. To the extent that PRC activities in Latin America inadvertently generate economic displacement and sociopolitical problems among nations in the region, the resulting turmoil potentially spills over to the United States. Examples could include future crises in countries that become heavily dependent on Chinese loans, such as Venezuela and Ecuador, political tension sparked by displaced manufacturing sectors in countries such as Brazil and Mexico, or controversy over the entry of Chinese firms into new extractive sectors such as agriculture in Brazil and Argentina or mining in Peru. Reciprocally, to the extent that Latin America’s exports to the PRC increase prosperity and bolster development, the US benefits: Latin America is able to purchase more US goods, and Latin American migration to the United States for economic reasons does not grow.

Impact of the US-Latin America Relationship on the PRC

In economic terms, the attractiveness of the US market and trade agreements between the United States and Latin American countries condition where in the region Chinese investors calculate it profitable to go. Chinese auto companies and other manufacturers investing in the Mexican maquiladora sector, for example,
have been motivated in part by interest in exporting Chinese firms’ products to the US market under provisions of NAFTA. The possibility of countries in Latin America serving as export platforms for Chinese goods into the United States has also been mentioned in the context of the US-Colombia Trade Promotion Agreement and in the process of negotiating and securing approval for CAFTA.

In a more diffuse fashion, because of the close economic relationship between the United States and Latin America, US consumption and business activity that indirectly benefits Latin America enables the region to purchase Chinese products. At the level of the commercial enterprise, exports to the United States from the region may include goods sourced in China by Latin American manufacturers. At the personal level, some of the corporate earnings and salaries from these companies naturally go to the purchase of goods from the PRC, among other sources. Beyond corporations, although not traditionally considered in such terms, a portion of the approximately $50 billion in remittances sent annually to families in Latin America by immigrants living in the United States ultimately enables the purchase of Chinese goods in the region.

The ability of the United States to serve as a market and a source of investment for Latin America has influenced the region’s receptivity toward the PRC. The initial openness of the region to promises of investment and trade by Chinese President Hu Jintao came just after Latin America reached a historic low with regard to flows of investment from the United States and other sources. The 2007–2009 global financial crisis, which significantly impaired US purchases of Latin American exports and US credit to the region, strengthened the perceived importance of the PRC for Latin American governments, and Chinese commodity purchases and investments emerged as one of the key factors helping these governments weather the crisis. Nonetheless, as noted earlier, while the PRC has occupied an important symbolic role as the largest and most visible source of new capital and markets, it has not been the only player to which Latin America has looked as the region seeks to engage globally. Attention has also been given to India and other emerging markets of Asia, as well as traditional players, such as the European Union, and actors such as Russia and Iran.

At the political level, US engagement with Latin American countries has impacted the ability of the PRC to develop military and other ties in the region. Although journalistic and academic accounts often suggest that the 19th century Monroe Doctrine continues to be pursued by contemporary US policymakers, with a presumed desire to “keep China out” of the region, official US policy has repeatedly met Chinese initiatives in the hemisphere with a cautiously welcoming tone. Nonetheless, Latin America’s own leadership has responded to Chinese initiatives with a view of how engagement with China could damage its relationship with the United States. Colombia’s close relationship with the United States, for example, made the military leadership of the country reluctant
to procure major military items from the PRC.  

The same logic has also applied to countries such as Venezuela, Ecuador, and Bolivia, for whom embracing the PRC politically and economically signaled displeasure with the United States. The degree to which a “bad” relationship with the United States has propelled a “positive” relationship with the PRC has increasingly gone beyond symbolism. As noted in previous chapters, the desire of Venezuelan President Hugo Chávez to diversify away from Venezuelan dependence on the United States as the nation’s primary oil export market, for example, opened the door for massive loan-backed Chinese construction projects, the purchase of Chinese commercial goods, and greatly expanded participation by Chinese oil companies. US refusal to sell F-16 fighter aircraft and components to Venezuela in 2006 prompted Venezuela to engage with China and other countries to procure military hardware. Similarly, as noted previously, Bolivia purchased Chinese K-8s after the United States blocked it from acquiring a comparable aircraft from the Czech Republic.

**Impact of the China-US Relationship on Latin America**

This section considers the impact of the interaction between China and the US on Latin America, as distinct from the impact of the PRC alone on Latin America, which is considered in detail in Chapter two of this work.

In the commercial realm, US purchases of goods from PRC companies often come at the expense of Latin American exporters, thus mirroring the impact of Latin American purchases of Chinese goods on the United States. This has been shown, in particular, by the loss in Mexico’s market share vis-à-vis China in the US market.

PRC interactions with the United States also affect Latin American currencies. Specifically, US officials’ argument that there is an “undervaluation” of the Chinese currency, the RMB, against the US dollar not only undermines the competitiveness of US goods but also undermines the competitiveness of goods from Latin American economies that use dollars (such as Ecuador and El Salvador) and those whose currency value is closely tied to the US dollar (such as Brazil’s real).

With respect to investment flows, there is a concern that capital injected into the PRC by US-based multinationals would otherwise have gone to destinations such as Latin America. Indeed, evidence indicates that expanded investment by Western companies into the PRC in the early 2000s came, to some degree, at the expense of FDI going into Mexico and Colombia. Reciprocally, decisions by US firms not to invest in China (in light of weak intellectual property protection, the inability to withdraw profits from China, or other concerns) potentially frees resources for projects in other global destinations, including Latin America.

Companies and projects in Latin America have been benefited from
other actions,\(^\text{41}\) such as the PRC government’s desire to diversify away from holding its foreign reserves primarily in US treasury assets,\(^\text{42}\) including high-profile opportunities such as the Commodity Investment Fund in 2007. Still, although not a likely scenario, were the PRC to rapidly unload its holdings of US treasury assets because of a loss of confidence in the United States’ ability to pay or a (possible but improbable) scenario of escalating hostilities with the United States, a financial crisis could be generated that would adversely impact Latin America—as well as the rest of the globe.\(^\text{43}\)

In the political realm, China’s relationship with the United States has conditioned how the PRC behaves toward Latin America, just as Latin America’s relationship with the United States conditions how it behaves toward the PRC, and Latin America’s relationship with China conditions its behavior toward the United States. This is because the reemergence of China in the contemporary global system is tied to access to developed country markets and technologies. Since the United States is one of the principal markets and technology sources, it carries critical strategic value for the PRC.

Whatever the truth regarding America’s “decline,”\(^\text{44}\) the United States still retains considerable power in the global system, as well as influence with allies and within global institutions. Theoretically it retains the ability to significantly impair the reemergence of the PRC were a consensus to appear in the United States to deny the PRC access to technology and markets and to use alliance structures and institutions to motivate others to follow suit.

Because of this, China’s leadership and that of its companies and agents have proceeded with caution in their relationships with countries that are overtly hostile to the United States.\(^\text{45}\) These include Venezuela, Ecuador, and Bolivia. China’s leadership has also been cautious with countries politically close to the United States, such as Colombia,\(^\text{46}\) and those geographically close, such as Mexico.\(^\text{47}\) While the PRC has proceeded in supplying billions of dollars in loans to the ALBA countries, often to fund construction projects for Chinese companies or for the purchase of Chinese goods, it has been prudent about becoming associated with initiatives and rhetoric linked to regimes that could be perceived as hostile to the United States.\(^\text{48}\)

**Strategic Implications**

Interdependencies among the United States, the PRC, and Latin America call attention to the importance for each to consider how engagement with one partner will impact, and will be interpreted by, the other. However, as noted in previous sections, there are several key things that this interdependence *does not* imply.

First, it does not imply that the China–Latin America–US triangle should be assumed to be the most important relationship binding these actors
(even though it may be true in some cases). Russia, Iran, India, and the European Union, among others, have important relationships in the region, including a role in the dynamics of the China–US–Latin America triangle itself. India, for example, may be a useful US partner in certain parts of Latin America—such as the English-speaking Caribbean, Mexico, Colombia, Chile, Brazil and the Southern Cone—as the United States addresses China’s engagement with those countries.

Similarly, it may be better at times to view individual Latin American countries in terms of interactions and tradeoffs among a multiplicity of external partners—among them the United States, China, India, Russia, and the European Union—rather than thinking first of a triangle involving the region, the PRC, and the United States.

In addition, many of the effects of the interactions between two sides of the triangle, particularly the United States and the PRC, go far beyond the triangle itself. Some are best characterized as global in nature, rather than just influencing Latin America. Indeed, the ripples produced by US-China dynamics on international markets, currency relationships, and financial transactions, among others, often produce effects in Asia or Europe that eclipse those felt in Latin America.

The interdependence of the United States, the PRC, and Latin America does not mean that the United States and China should treat Latin America as a “unitary actor.” Nor should the United States and Latin America necessarily “pact” with respect to their collective treatment of Latin America, even were this possible given the divergent interests and commercial competition among US and PRC interests in the region. In a similar fashion, it is unlikely and inadvisable that Latin America, through an entity such as UNASUR or ECLAC, should coordinate with the PRC to assert a joint position toward the United States, just as it is unrealistic and inadvisable for the United States, through the Organization of American States or other multilateral forums, to forge such a joint position with the states of Latin America toward the PRC.

If it is not advisable or feasible for two parties in the triangle to develop a coordinated posture toward the third, neither is it necessarily in the strategic interests of any one party to seek to ensure that all three actors are automatically represented in the arenas in which they interact. For example, for the United States to bring the PRC into current bilateral security relationships or multilateral security institutions as a partner could send an undesirable signal that it unequivocally encourages and facilitates PRC engagement. Such a US posture could accelerate a process that should be approached cautiously in order to best serve US interests. Similarly, China’s pursuit of commercial and strategic interests with countries such as Venezuela, Ecuador, and Bolivia may be favored by an engagement that excludes the United States, just as part of the point of China’s
interactions with multilateral regional bodies, among them UNASUR, CELAC, and ALBA, is that these forums, by design, exclude the United States.

Still, there are interactions for which dialogue that simultaneously involves the PRC, the United States, and Latin America are constructive, as addressed in the final chapter of this work. Even if China’s current rate of economic growth slows significantly, as analysts were predicting at the outset of 2012, the structure of the current, globalized world order implies 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 the European Union, India, and a host of other extra-regional actors. The United States is affected by this engagement, just as US activities in the region impact the PRC. This is not because the United States has a privileged position in the hemisphere but because it is inherently connected with Latin America in geographic, human, economic, and other terms. Thus, it is in the interests of the United States to recognize the interdependencies among itself, the PRC, and the nations of Latin America as one triangle among many. It is also in the interests of the United States to simultaneously engage with all relevant parties to ensure that those relationships develop in a manner that furthers the region’s stability and advances the interests of all parties involved, wherever those interests coincide.

Notes
7 See, for example, “US Assistant Secretary Thomas Shannon to Visit China,” Peoples Daily Online (April 11, 2006).
8 See, for example, “Opportunities for Convergence and Regional Cooperation,” report of the High-Level Summit of Latin America and the Caribbean, Economic Commission for Latin America and the Caribbean (February 2010).
The term “poli-lateral” is used instead of the more conventional term “multilateral” to emphasize that Latin America should not be treated as a single actor in such interactions, nor should interactions necessarily be thought of in terms of traditional “multilateral” forums such as the Organization of American States or the United Nations.

Mercedes Colombres, “Según la Oncca, la crisis con China por la soja no frenó exportaciones,” La Nación (Buenos Aires, Argentina, July 21, 2010). See also Juan Carlos de Pablo, “Se triangula aceite a China, pero no es gratis,” La Nación (Buenos Aires, Argentina, July 25, 2010).


Strong ideological opposition to the Free Trade Area of the Americas by states such as Venezuela, as well as concerns by nations such as Brazil that the United States would use such an agreement as a platform for exporting finished manufactured goods to the region while continuing to protect its agricultural markets against the entry of Latin American products were also important factors in the “death” of the agreement.

“Ecuador negocia crédito de $ 2.000 millones con China,” El Universo (Guayaquil, Ecuador, June 15, 2011).


See, for example, Fernando Villavicencio V., Ecuador Made in China (Quito, Ecuador, 2013). See also “Chinese Loans Put Venezuela over Barrel,” The Washington Times (February 22, 2012).

“Avión K8 que ensambla Bolivia tiene antecedentes de falla en Venezuela,” Los Tiempos (Cochabamba, Bolivia, June 24, 2011).

“Ecuador instalará cuatro radares en la frontera con Colombia este año,” El Universal (Caracas, Venezuela, August 16, 2010).

“Fiscalía investiga FAE por contrato de radares,” El Universo (Guayaquil, Ecuador, May 21, 2012).


Ellis, “China-Latin America Military Engagement.”

“Venezuela compró armas a Rusia por 11.000 millones dólares,” El Universal (Caracas, Venezuela, April 14, 2011).

Nonetheless, the scope of Chinese military initiatives in the region is modest compared to US programs in the region. See Ellis, “China-Latin America Military Engagement.”

“Secuestran a tres chinos en Caquetá,” El Tiempo (Bogota, Colombia, June 9, 2011).

“Propuesta china de un ‘canal seco’ revive un viejo sueño,” El Tiempo (Bogota, Colombia, February 15, 2011).

“Rail Alternative to the Panama Canal Proposed by China to Colombia,” Mercopress (February 14, 2011).

Aside from the heated debate in the United States regarding both the contributions...
and harm to the US economy by such immigration, it is important to recognize that migrant traffic—particularly across Central America through Mexico—has the undesirable side effect of providing a source of illicit revenue (via extortion) to the transnational criminal organizations operating in the area. It is also a source of manpower for their activities, which include illegal narcotics smuggling and feeding the ranks of the cartel “armies.” And there is the associated impact on organized crime and drug flows that such human flows imply.

Examples include Chinese automakers FAW and Geeley. See Marla Dickerson, “Mexican Retailer, Partner to Build Cars,” Los Angeles Times (November 23, 2007). See also Emanuel Moreno, “La empresa china Geeley se instalará en León,” El Sol del Bajío (July 11, 2008).


Foreign direct Investment in Latin America and the Caribbean 2010, Economic Commission on Latin America and the Caribbean (May 2011).

See, for example, Dai Bingguo, “Stick to the Path of Peaceful Development,” China Daily (December 13, 2010).

See, for example, the statement by former Assistant Secretary of State for the Western Hemisphere Arturo Valenzuela in Zhang Ting, “China ‘Not a Threat’ in L. America,” China Daily (August 19, 2011).


Chinese loans to Venezuela to date under the Chávez regime exceed $33.5 billion, including three injections of $4 billion each into the Heavy Investment Fund, $20 billion for the Long Range fund, and $1.5 billion to cover Venezuela’s obligations for the Abreu e Lima oil refinery, among others.

“Bolivia confirma compra de cazas chinos y un avión presidencial ruso,” El Universal (Caracas, Venezuela, October 10, 2009).


One vehicle for this impact would be to create a US liquidity crisis that would rein in investment spending and expand payrolls by US corporations, ultimately impacting US consumption. Latin American exporters of capital goods would, presumably, be affected first under such a scenario, followed by Latin American retailers.


This has not prevented China from extensive commercial engagement with Colombia, particularly under its new president, Juan Manuel Santos.

This does not, however, explain the relatively large number of commercial initiatives that China has pursued in the Bahamas, whose islands are close to the southeast of the United States. These initiatives include operation and development of the Freeport Container Terminal and construction of the $3.5 billion Baha Mar resort in Cable Bay.

See, for example, “Alianza china con Venezuela es comercial y no ideológica,” *El Universal* (Caracas, Venezuela, April 7, 2010). See also “Periplo accidentado,” *El Universal* (Caracas, Venezuela, September 27, 2008).
Chapter 8

The Way Forward

Introduction

This work has shown that China’s engagement with Latin America is relevant to the defense and security of the region. While virtually every aspect of this engagement affects the strategic environment of Latin America, the nature and extent of these impacts from a defense and security standpoint vary greatly. Some elements, such as military-to-military ties and arms sales, are immediately recognizable to security analysts, yet to paraphrase the congressional testimony of former Deputy Assistant Secretary of Defense Rogelio Pardo-Maurer, they do not imply a Chinese intention to establish a permanent military presence in the region or to pose a conventional military threat to the US or its allies in this hemisphere.

Other aspects of Chinese engagement, such as commercial activities in the areas of telecommunications and space, and the presence of Chinese-built and Chinese-maintained infrastructure in these sectors, have potentially dramatic implications were the United States and the PRC ever to have to fight a global military engagement. At the same time, however, acknowledging and attempting to mitigate these risks presents the United States with a strategic paradox; taking actions based on the possibility that the PRC could be an enemy in the future helps to ensure that it will become one.

Still other dimensions of the relationship, such as growing China–Latin America organized crime ties, are consequences that must be addressed by national security planners. They should not be viewed as a source of conflict between the US and the PRC, but rather represent an opportunity for the US, the PRC, and the states of Latin America to work together on common problems for the benefit of the region.

Policy Recommendations

In the current world order, characterized by ever greater connectedness with respect to flows of information, goods, people, and money, the linkages that have grown between the PRC and Latin America, particularly in the past decade, are unlikely to disappear any time soon.

The dilemma for US and other policymakers is that in facing the complex mix of opportunities and threats presented by expanding Chinese engage-
ment with Latin America, the three principal groupings of policy alternatives each involve significant risks and downsides: (1) attempting to “contain China” in the region, (2) accelerating its entry by collaborating with it as a partner, and (3) trying to manage the status quo.

It would be both unrealistic and unwise for US policymakers to think in terms of “containing the PRC” in Latin America. Not only is it impossible to block flows of people, information, and commerce between the PRC and the sovereign states of the region, but it would likely do more damage to the image of the US in the region than any long-term strategic benefit that it might bring about. If the alternative offered by the PRC undercuts the disposition of Latin American governments to work with the US on issues such as democracy and human rights, being seen as trying to “keep China out” of the region will make its member states even less disposed to cooperate with the US.

On the other hand, reaching out to “welcome” the PRC into the hemisphere as a partner would be a bold step, but would certainly accelerate the rate of advance of the PRC into the region by sending a signal to those Latin American governments and commercial players “on the fence” that the US “endorsed” dealing with Chinese companies, banks, and government organizations. US-Chinese “partnerships” would also accelerate this advance by helping the Chinese to build institutional and personal ties that they could then leverage separately for their own commercial and strategic purposes. While this work has argued that there is little evidence that the Chinese are using their current commercial ties for military purposes against the United States and the region, it has also shown that Chinese activities in some sectors do raise concerns and, over the long term, the development of these positions does strategically damage the position of the United States and its allies in the region, both commercially and otherwise. As the chapter on the impact of the PRC on the region and the chapter on organized crime linkages showed, such expanding ties do have negative consequences for the region that, while not the “fault” of the Chinese companies or governments, must be planned for.

Finally, the continuation of the current strategy of “managing” the US-China-Latin America relationship as the Chinese presence in the region gradually expands arguably presents lower short-term risks to the US than the other strategies, but also is the strategy that offers the least hope for a positive outcome over the long term. On the one hand, an attitude of “cautious acceptance” of PRC activities in the region sustains historically rooted perceptions by the countries in the region that the US continues to subscribe to some version of the classic “Monroe Doctrine” in which it regards the region as a series of “protectorates,” while also failing to create a venue for improving US-China relations. In short, such a US policy may delay both the advance of the PRC in Latin America and the accumulation of strategic dominance by the PRC globally, but at the end of the
day, absent an unforeseen global shift such as the collapse of the PRC in its own economic, ethnic, and demographic contradictions, the US will still confront a PRC that is a global peer competitor and a Latin America in which the PRC has a strong strategic position while the US faces resentful neighbors.

In consideration of the challenges presented by the expansion of Chinese engagement in Latin America and the Caribbean and the strategic dilemma that it poses, this work argues that the most effective policy response is to try to cooperate and coordinate more effectively with China in the region, while at the same time working with both the PRC and its neighbors to define the regime in which that cooperation occurs to include maximum norms of transparency and multilateralism. Doing so will make it difficult for any party to pursue a course of action that could deliberately harm the other.

Beyond such considerations, if wisely managed, trade and investment from the PRC can contribute to the development of the region and help it to manage many of the security and other challenges that it currently faces. Such contributions include not only the expanded resources that come from product sales to, and investments from, the PRC, but also collaboration with and support from the Chinese government in areas such as transnational organized crime and humanitarian operations.

Finally, although the fortunes of both the PRC and the United States may rise and fall in the coming years, they are bound in a web of mutual interdependence in both economic and strategic terms. Although the PRC may be viewed as a strategic competitor to the United States, it is in the interest of the United States that such competition occurs in the framework of acknowledged mutual interdependence and respect, defined by cooperation where possible, rather than the inevitability of conflict.

This work argues that cooperation with the PRC in Latin America and elsewhere should not depend on the expectation of the PRC’s “good behavior” but, rather, by the difficult calculation that it is in the interests of both the US and the PRC, and the international community more broadly, to effectively manage the competition rather than fight a war of global proportions. Within this conceptual framework, the guiding principle of the policy recommendations proposed by this paper is the promotion of closely monitored cooperation, where possible, and to create vehicles and expectations of transparency for an increase in the costs of treachery and a decrease in the possibility that it will succeed and benefit the perpetrator.

As part of this cooperation, in dealing with Latin America itself, the US, with or without the collaboration of the PRC, should work with the region to help it to manage its new engagement with the PRC in ways that leverage newly available resources from exports to and investments from the PRC, to effectively use them to address the challenges created by the new engagement, and,
ultimately, to develop the region. This includes working with the Latin America and the Caribbean customs and taxation authorities to help it to more efficiently and effectively collect tax and royalties revenues from the new transactions and root out corruption, as well as to conduct technically correct and objective public bidding processes and negotiate balanced, technically detailed agreements that effectively protect the interests of all stakeholders. Such support might also include support in increasing the effectiveness of programs dealing with poverty, crime, education, and other developmental issues. Where appropriate, it should also focus on the security problems of the region, including new patterns of transnational crime, and violence against at-risk populations.

There are a number of areas in which such collaboration could be pursued with immediately fruitful results. Instead of parallel but separate missions by Chinese and US military hospital ships to the region, Chinese personnel could be brought onto missions by US hospital ships in the region. Reciprocally, US personnel could be brought onto missions by PRC hospital ships in the region to expand the capabilities and number of people who could be served by each mission while ensuring that both countries benefitted from the goodwill generated by the activity, without the sense that the two countries were using their hospital ships to compete against each other for goodwill. Such policies could also be expanded to other humanitarian missions, as well as exercises in preparation for natural disasters such as hurricanes, tropical storms, and earthquakes to ensure the most effective multinational response when such disasters actually occur.

Beyond humanitarian missions, the militaries of the PRC, the United States, and the states of Latin America should jointly pursue educational and training in the region. US military, PLA forces, and the Colombian military, for example, could develop a joint counterterrorism training facility. Similarly, the US, the PRC, and Chile could develop a joint professional military course on strategy, perhaps taught in the region at Chile’s strategic-level military school, ANEPE. In the process, the US, the PRC, and Latin American partners would learn from each other’s doctrine and tactics, and in the process reinforce mutual confidence and develop capabilities that would benefit the security environment of the region. A similar model could also be applied for multilateral police training in the region, with benefits to the public security forces of the region. Where appropriate, equipment and other resources could be simultaneously donated from the United States and the PRC. Spillover benefits of such training would also include a deepened appreciation by the Chinese of the public security environment of the region.

Taking collaboration in the training of public security forces one step further, the PRC, the US, and Latin American governments could also collaborate in the domain of private security. As Chinese companies expand their presence on the ground in Latin America, they are increasingly confronting the same
challenges of social mobilization, crime, and terrorism that Western companies have long confronted in these countries, yet Chinese companies have very little experience with contracting private security forces in the region and are arguably reluctant to develop close formal relationships with Latin American militaries for fear of generating misunderstandings with the United States. By contrast to US-China collaboration in the public security arena, the analogous collaboration in the private security arena would have to be informational and advisory in nature, with the US, PRC, and Latin American governments sharing information regarding best practices for evaluating, hiring, and employing private security firms, as well serve as a clearinghouse of information regarding the public records of the companies involved, on the model of that pursued by Supervigilancia, the organization supervising private security firms and services in Colombia. Such collaboration would help Chinese companies make better decisions and more effectively protect their personnel, while also avoiding misunderstandings with the United States involving Chinese use of private security forces in the region. Beyond such benefits, such collaboration could also become a forum for coordination between the PRC and Latin American militaries for the protection of their corporations and employees in a manner that did not create concern on the US side.

As an extension of collaboration in the public security arena, the US, the PRC, and the governments of Latin America could also work together in the area of combating trans-Pacific organized crime. The United States, which already collaborates with the PRC to some degree in this area, could leverage its relationships with Latin American police and security forces to help the PRC and the states of Latin America organize effective joint organizations, centers, and information-sharing arrangements in areas such as the fight against human trafficking, money laundering, and criminal cartels. Particularly fruitful areas might include organizing flows of technical information and contacts between the PRC, Latin American countries, and the US, providing translation services for the analysis of documents, the questioning of subjects and the conduct of investigations, and the establishment of multinational “fusion centers.”

Indeed, “three-way” collaboration between the US, the PRC, and Latin America is likely to be particularly useful since many of the emerging new trans-Pacific criminal ties involve activities in each of the three. Narcotics flows, for example, may involve precursor chemicals purchased from China, with synthetic drugs manufactured in Central America and Mexico and sold in the United States, with the earnings repatriated to Mexico-based drug cartels using, in part, Asian financial institutions.

Finally, the United States, the PRC, and the governments of Latin America should conduct joint international crisis exercises in the region, with the objective of identifying potential sources of friction and resolving issues
before they occur. Such activities might focus on scenarios of political change, accompanied by violence and uncertainty, in countries in which both the United States and China have strong strategic or commercial interests. Taking a page from interactions between the United States and the Soviet Union, such exercises should include not only strategic-level play, but also experiments with units at the tactical level to test theses regarding the potential for escalation under conditions of tension and uncertainty and the corresponding identification of actions to address problems where they were identified.

Turning from specific initiatives to general principles for future interactions, it is important for the United States and the PRC to maintain an ongoing dialogue with Latin America regarding the activities of each in the region. The Latin America subchapter of the US-China Strategic and Economic Dialogue, initiated by then–Assistant Secretary of State for the Western Hemisphere Thomas Shannon and continued by his successors Arturo Valenzuela and Roberta Jacobson, is a good model for such coordination. Arguably, however, such dialogue could be deepened by creating US-China working level subgroups that meet on a monthly basis to identify issues of concern and, where appropriate, elevate them to higher levels for resolution.

Nor should such dialogues be limited to bilateral engagements. Where possible, a greater effort should be made to engage the PRC through multilateral forums in the region, potentially under the auspices of the Organization for American States or the United Nations, so as to establish the precedent of working together, and avoid the impression that the United States and the PRC were “conspiring” to manage the affairs of Latin America.

In general terms, the goal of all of the activities outlined in this section is to establish the precedent of inclusion, multilateralism, and transparency so that the burden of proof would be to explain why the PRC or the US should be excluded from a major activity involving Latin America and the United States, rather than why they should be included. It also seeks to leverage the capabilities of the US, the PRC, and Latin American governments, working together to improve the security environment in the region for the benefit of all parties concerned, while building mutual confidence and trust.

Conclusions

In the realm of security and defense, the United States, the PRC, and Latin America are bound by interdependence. China’s engagement with Latin America, both military and commercial, impacts the security and defense environment of the region, both positively and negatively. At the same time, the United States is linked to Latin America in geographic, economic, and human terms. What happens with respect to the security environment in the region impacts the United States. Finally, the US-PRC relationship affects, and is affected by,
Latin America. If the global strategic competition between the United States and the PRC degenerates into a new geopolitical conflict, Latin America will be one of the battlefields in which that competition plays out. Reciprocally, the outcome of US-PRC interaction in Latin America has ramifications for the interaction between the two powers globally; if the US and China come to “square off” over an issue in Latin America such as Chinese support for ALBA or the activities of Chinese telecommunications companies, it could propel the global PRC-US relationship toward conflict. On the other hand, if the US and the PRC find a path to cooperate and build confidence in Latin America, it could define the path for the two powers to avoid conflict as they necessarily co-exist and interact globally.

In the process of working with the PRC in Latin America, the United States faces the risk of prematurely ceding strategic terrain to the PRC and thus accelerating its own global demise. Clearly, such collaboration much be managed with the utmost caution and with “eyes wide open” on all sides. At the same time, the US may have few other good choices. Cautious collaboration with the PRC may be the best option that the United States has to positively impact the rules of the game in which the PRC presence in Latin America and the broader emerging global competition between the United States and the PRC play out.

Notes

1 House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on “China’s Influence in the Western Hemisphere,” serial, no. 109-63 (April 6, 2005).

2 The seminal work arguing this concept is arguably Moses Naim, *Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy* (New York: Random House, 2006).