SLEEPING DRAGON?: CHINESE ENERGY SECURITY ASPIRATIONS IN SOUTH AMERICA, AND THEIR IMPLICATIONS FOR U.S. REGIONAL PRE-EMINENCE

A Thesis
submitted to the Faculty of the
Graduate School of Arts and Sciences
of Georgetown University
in partial fulfillment of the requirements for the
degree of
Master of Arts
in Security Studies

By

Douglas Patrick Stahl, B.S.

Washington, DC
November 15, 2009
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Douglas Patrick Stahl, B.S.

Thesis Adviser: Genevieve A. Lester, M.A.

ABSTRACT

This paper is intended to investigate the extent to which the People's Republic of China harbors future energy security aspirations in Latin America, and to what degree the United States ought to be concerned. In courting Latin America, China aims to satiate its growing energy demands, and likewise combat the influence of its political nemesis Taiwan for suitors. The United States, distracted by war and financial hardship, has long neglected its neighbors, and could potentially lose further influence beside a rising China. However, Sino-Latin American trade imbalances, coupled with Latin America’s traditionally geostrategic preference for American commercial markets will likely inhibit Chinese inroads, and ultimately serve to benefit continued American regional predominance. Case studies involving Venezuela, a quasi-political ally of the People’s Republic, and Brazil, an emerging trade juggernaut, will highlight the various challenges involved in PRC-Latin interests.
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Introduction

With his infamous November 2004 tour of Latin America, Hu Jintao initiated uproar in the United States – to the extent that Latin American politics ever concern policymakers in Washington. Pulling the spring-loaded Sino-Latin American relationship to the forefront, Hu’s visit culminated in the signing of thirty-nine separate commercial agreements with five nations and $30 billion in investment allocations. In response, Argentina, Brazil, and Chile proffered the coveted “market economy status” unto the PRC, thereby formally and mutually spurning the anti-dumping legislation written into WTO policy, and opening the door to unimpeded commercial cooperation. This trend is not limited to those few countries. He Li notes: “Through a mixture of development aid, trade ties, direct investment, and high-level political exchange, China has developed into a new but increasingly important player in Latin America.”¹ But to what extent should the United States read into these rosy negotiations? How deeply does China intend to influence a region traditionally guarded, and paternally goaded by Washington?

Since the People’s Republic presents the United States with its first major competitive presence since the Monroe Doctrine’s inception, and because most academic literature is merely prognostic and speculative in nature, analysts disagree over the depths to which China will fulfill policy aspirations via economic inroads. Will

Beijing utilize its new-found commercial prosperity as a springboard for political-military relations? Does its energy demand threaten American access to limited global oil supplies? Research largely suggests otherwise. Therefore, in an attempt to focus the debate, this paper will: address the PRC’s primary motives in courting Latin America—namely to diversify its energy and resource supply and to marginalize Taiwanese recognition; discuss the means and strategy with which Beijing engages the region; and finally, contrast US-Latin affinity with the Sino-Latin relationship. By highlighting vast trade asymmetries, emphasizing the Latin disadvantages inherent in further Chinese cooperation, and noting recent PRC compliance with international norms, this paper will suggest that Chinese overtures in Latin America are ultimately nominal compared to American regional hegemony. Though Beijing may gain soft regional influence through cooperative investments and apolitical standards, its interests do not pose a major security concern, and may in fact provide a platform of further collaboration with the United States.

**Motivation: Energy & Resources**

Bluntly, the conquest of energy and resources constitutes Beijing’s primary interest in the Latin American/Caribbean region. Home to a staggering 1.34 billion people, China remains the most populous country in the world, and consequently the most burdened by incessant per capita energy and resource constraints. As a result, the People’s Republic has aggressively targeted more widespread energy and commodity sources to fuel its unparalleled growth, and because Latin America harbors abundant
quantities of metals, petroleum, and foodstuffs, it stands to reason that Beijing would cultivate more cooperative relations there. To give credence to the enormous extent of China’s industrial fervor, Admiral Alejandro Kenny (Retired) of the Argentine Navy discusses PRC gains relative to the developed and industrialized world. Kenny notes: “Between 1990 and 2003, global oil consumption increased 13 percent; during the same period, Chinese consumption jumped 81 percent. Global demand for cement grew 52 percent; China’s more than doubled. Demand for stainless steel increased 48 percent; China witnessed an eight-fold increase. Copper consumption rose 39 percent; in China, it soared 423 percent!”2 This tremendous asymmetry, Kenny argues, is not only staggering but also unprecedented in the history of industrializing nations, and therefore challenging to PRC policymakers who must satisfy the relentless demand of a burgeoning population.

According to Kenny, Great Britain and the United States took 70 and 35 years, respectively, to double real per capita income while emerging sequentially as the world’s industrial powerhouses. China did so in nine years, culminating in 2005 when “China’s foreign trade exceeded $1.4 trillion,” signaling a 12-month increase of 24%; “its trade surplus tripled to $101.9 billion; and the Central Bank of Beijing accumulated a reserve of $711 billion.”3 To date, those reserves amount to $2.13 trillion.4 But as Susan Shirk

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3 Ibid, 60.
would argue, China has no other option than to continue growing; a failure to flourish might spark unrest and expose glaring regime vulnerabilities. Because party survival remains the primary goal of CCP leaders, “Keeping the economy growing by at least 7 percent per year is considered a political imperative to create jobs and prevent the widespread unemployment that could lead to large-scale labor unrest.” As a result, Beijing’s leaders are eager to secure more viable resources to sustain development and push its limits as a matter of survival.

According to Joshua Kurlantzick, China will import nearly 6.9 million barrels of oil daily by 2020. The University of Alberta, Canada speculates further, noting how “China’s energy consumption will increase to 15 million barrels per day by 2030 while its production will only be 4.2 million barrels,” thereby requiring a minimum import quota of 10.8 million barrels daily in the next twenty years (should this projection prove true). The rippling effects of Beijing’s energy demand have a profound impact on global supply. Kenny’s contemporary Dr. Francois Lafargue wrote in his June 2006 Military Review article that “Imports, which accounted for 27 percent of China’s oil consumption in 1999, 37 percent in 2002, and 43 percent in 2005, are on a constant upward swing,” noting how foreign energy dependence has thus become a

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7 “China Seeking New Energy Sources in Latin America,” China Institute: University of Alberta, Canada (12 April 2007) http://www.uofaweb.ualberta.ca/chinainstitute/
preoccupation of Chinese policymakers. In addition, “[China] has replaced the United States as the principal consumer of coal, steel, copper, aluminum, magnesium, and zinc, [and] China’s oil consumption doubled [from 1994-2006],” increasing 9% annually against the United States, wherein demand escalated only 4% yearly. Comparatively, it appears China has begun to edge the United States in Latin America, but because the PRC has started from a developmental base far below Washington, its growth (though staggering) is therefore less impressive. Nevertheless, Latin America provides an outlet for the People’s Republic to muster the requisite supplies to fuel its expanding future, and in a world of zero-sum resource competition where global powers contend for every minutia, this could prove dangerous to US interests. But to what extent has China truly capitalized upon this heretofore neglected market?

According to 2008 British Petroleum statistics, Central and South American countries possess a mere 9.8% of proven global oil reserves, 7.9% of which are in Venezuela alone. Furthermore, though the region proudly claims 8.5% of world production capacity, combined powerhouses Venezuela (3.4%) and Brazil (2.4%) still tailor their refineries to serve the US market, and even trail the United States in asserting 7.8% of global production. So realistically, Latin America has comparatively little petroleum resources to offer, regardless of Chinese desperation. Altogether, South and Central America in 2008 exported only 2,479 barrels of crude daily (6.3% of world oil

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9 Kenny, 60.
exports) against the Middle East and Africa which combined for over 25,000 barrels a day, or 64.3% of global exports. But Beijing’s interests are two-fold, and boasting “25 percent of the world’s reserves of silver, 30 percent of tin, and 45 percent of copper, Latin America constitutes a real reservoir of raw materials.”

Consequently, the PRC has engaged in two concurrent approaches: first, to develop the Latin infrastructure and refining capacity necessary to serve its own needs (while extracting what oil and natural gas it can); and second, to raid the region of its precious natural resources and industrial metals. This, in turn, permits the Chinese to utilize energy/resource cooperation as a springboard for trade, shoring up Beijing’s global rise. Joseph Y. S. Cheng, in his 2006 work entitled “Latin America in China’s Contemporary Foreign Policy” confirms China’s voracious appetite for growth. From 2000-2003, he comments, “China’s imports from Latin America increased 80.9%, 23.9%, 24.4%, and 80.3%” per year respectively. Of course, these staggering figures hold little weight once noting that, at its 2007 peak, the entire Latin American economy still only claimed a mere 5.7% of Chinese imports (a point which will be addressed later in this paper). Despite the incongruity, China continues to consume at an alarming rate, and in some sectors really does dominate the competition for Latin resources. He Li

13 Lafargue, 83.
observes that, as of 2006, Latin America offers “60% of Chinese imports of soybean (chiefly from Brazil and Argentina), 80% of fishmeal (from Peru and Chile), close to 60% of edible poultry offals (from Argentina and Brazil), and 45% of the wines and grapes (from Chile),” painting a broad image of some of the major Chinese imports.\textsuperscript{16}

Evidence of this two-pronged Chinese strategy for developing and exploiting the Latin region abounds. In August 2003, Ecuadorian President Lucio Gutierrez accorded to the \textit{China National Petroleum Corporation} (CNPC) prospecting rights for Ecuadorian oil fields; “A few months later, \textit{China National Chemical} (Sinochem) bought 14 percent of an oilfield in [Ecuador’s] Orellana Province from ConocoPhillips for $100 million.”\textsuperscript{17} Jointly motivated to challenge Taiwanese influence in the region and to secure oil reserves even as a minority stakeholder, Sinochem extracts 8,000 barrels daily from the 2,200 square kilometer field, which it shares in conjunction with Spanish \textit{Repsol-YPF} (55% stake) and Taiwan’s \textit{Chinese Petroleum Corporation} (31% stake).\textsuperscript{18} In addition, the People’s Republic secured the rights to Canadian \textit{EnCana Corporation’s} offshore and pipeline assets in 2006 for $1.42 billion.\textsuperscript{19} In Argentina, Chinese coffers have been even more generous. According to R. Evan Ellis of the \textit{Strategic Studies Institute}, Argentina’s \textit{Pluspetrol} sold 45% of its \textit{Pluspetrol Norte} brand to the \textit{China National Oil and Gas Exploration and Development Corporation} (CNODC) as early as December

\begin{itemize}
  \item \textsuperscript{16} Li, “Red Star Over Latin America,” 25.
  \item \textsuperscript{17} Lafargue, 81.
  \item \textsuperscript{18} Ibid, 81.
\end{itemize}
Furthermore, the Chinese petroleum firm Sonangol has entered a joint explorative venture with Argentina’s Energía Argentina SA (Enarsa), dedicating $4.82 billion to both the investigation of coastal oil fields and to secondary extraction from mature Argentinian wells. In the words of Joshua Kurlantzick, China wants to “control the entire [energy-producing] process, from oil field to tanker,” in order to ensure the integrity of its supply lines against international competitors like the United States.

Despite its integral relationship with the United States, even Colombia has succumbed to Chinese overtures, mainly via third-party Venezuela. Bogota’s Ecopetrol began joint studies with Caracas-based PDVSA (Venezuela’s national oil company) regarding the construction of a 1,100-1,300 km-long pipeline to transport Venezuelan crude from its Maracaibo region to Colombia’s Choco region and eventually the Pacific port of Tribugal. Such a development would have obvious implications. First, collaboration between the two enhances cross-border relations between Venezuela and Colombia, possibly generating stronger leverage vis-à-vis the United States. But more importantly, the pipeline improves Chinese access to Venezuelan oil by way of a Pacific port, vastly decreasing transport costs through the Panama Canal. In addition to this proposal, Ellis highlights that Caracas and Bogota have pondered the ambitious

22 Kurlantzick, 35.
construction of a 177 km-long natural gas pipeline from Colombia’s Guarija region to Venezuela’s Lake Maracaibo; it would transport 150-200 million cubic feet of natural gas daily, and again benefit Chinese interests by offering greater connectivity and access.\footnote{“La Respuesta de Hugo,” \textit{El Universal.com} (Caracas, Venezuela), 10 October 2004; source referenced from Ellis, “Open Source Report,” 9.}

Finally, Panama constitutes a country of strategic importance even beyond the canal – itself an obvious and critical chokepoint for international commerce. According to Ellis, “the most significant current initiative” in Panama instead concerns a 20-mile multi-purpose pipeline built 27 years ago, which parallels the Canal, and with Venezuelan/Chinese cooperation could increase its cross-country transport capacity from 100,000 to 800,000 barrels of oil daily.\footnote{Ellis, “US National Security Implications,” 18.} Again, low-cost shipping from the Atlantic-coast Venezuelan oil fields to the Panamanian coastline would constitute a significant improvement for Chinese tankers.

Of course, one would be remiss not to address Sino-Venezuelan oil cooperation, as it arguably poses the most precipitous threat to US oil interests in Latin America, and the most promising future for China. Accordingly, this paper dedicates a case study to that nuanced relationship in later pages, and so the aforementioned examples will suffice for now. Clearly, Beijing has actively engaged in energy exploration and infrastructural development since the early decade. Its motivation is likewise transparent – to create an infrastructure capable of delivering the maximum quantity of fuels to the Chinese
people, nourishing its growth. But more than just energy, the People’s Republic also pursues a second approach – the extraction of raw materials to support its burgeoning industry.

At the crux of Chinese mining aspirations lies Chile, a country upon which Beijing confers “strategic partner” status, and with which the People’s Republic has earned market economy status. China wasted no time in establishing its claims. On September 24, 2004, PRC-owned Minmetals commenced “exclusive negotiations” to purchase Canadian-based minerals firm Noranda (operating in Chile), a $5 billion transaction. Soon thereafter, Minmetals signed a $1.93 billion contract with Chilean-owned Coldeco in 2005 to assure PRC access to Santiago’s copper mines for 20 years thereafter. At the time according to Jorge Dominguez, Chilean copper constituted one-fifth of Chinese copper imports, and one-sixth of Chilean copper exports. This helps to illustrate the enormity of China’s share in Chilean resource mining, and again highlights Beijing’s dependence upon foreign imports to fulfill its industrial demand. The first non-Asian nation to sign a free-trade agreement with the PRC, Chile boasted $8.8 billion worth of trade with Beijing in 2006, again comprising mostly copper exports in exchange for Chinese textiles, clothes, and light engineering or electrical products.

26 Luz Maria Astorga, “Que gana Chile con el APEC?” El Mercurio (Santiago, Chile), November 12, 2004; referenced from Ellis, “US National Security Implications,” 9.
29 Li, “Red Star Over Latin America,” 25.
Symbolically, Chile represents the conundrum which Latin American nations have historically faced – namely, that an eagerness to develop is stymied by a dependence upon major powers to demand primary, minimally-valued products; China offers no different an alternative, though it claims to (a topic to be addressed later in this paper). Dubbed “vertical integration” by R. Evan Ellis, the Chinese seek not only a free market for industrial resources, but also “a strategy that focuses on securing the entire supply chain in critical industries” as mentioned earlier.\textsuperscript{30} Hence, Chinese wholesale investment in mineral firms and not just the minerals themselves. More recently, Beijing celebrated the signing of its second FTA in November 2008, securing the aforementioned free-market access to Peruvian copper and iron ore.\textsuperscript{31} The trade results will likely be similar.

**Motivation: Taiwan**

Nearly as important to foreign policymakers in Beijing is the desire to alienate the PRC’s most virulent rival, Taiwan. Because China places a premium on internal stability, and since Taiwan’s very existence threatens CCP credibility, this largely domestic issue even resonates throughout Sino-Latin American policy. Most major Latin American players formally recognized the People’s Republic in the early 1970s, on the heels of US National Security Adviser Henry Kissinger’s surprise visit to Beijing in July 1971. This thawing of Sino-American relations helped to set a more conciliatory

\textsuperscript{30} Ellis, 5.  
political standard, and entice most of Washington’s southern lackeys into similar bilateral relationships. Nevertheless, Taiwan still lays diplomatic claim to twelve Latin and Caribbean nations, accounting for half its global allies. Guatemala, Belize, Nicaragua, El Salvador, Honduras, and Panama represent “the strongest bulwark of support for the United States in the Western Hemisphere,” and not coincidentally retain firm ties with Taipei.  

Likewise, the Dominican Republic, Haiti, St. Kitts & Nevis, St. Vincent & the Grenadines, and St. Lucia round out Taiwan’s five Caribbean partners, alongside its sole South American holdout – Paraguay. As a caveat, Paraguay remains an active (though arguably weak) permanent member of Mercosur, South America’s Regional Trade Agreement comprising Argentina, Paraguay, Uruguay, and Brazil since 1991. Therefore, any Asunción-based free-trade agreements require universal approval from the market’s three other permanent members (all of whom recognize Beijing), which seriously hinders the development of bilateral trade between the overmatched allies.

Nevertheless, in an attempt to better coalesce its fragile relationships, Taipei has engaged many of its other partners in free trade agreements (FTAs), to include Panama in January 2004, Guatemala in 2005, Nicaragua in June 2006, and both Honduras and El Salvador in May 2007. Together, these bilateral concessions promote greater cooperation, and likewise offer the Taiwanese an indirect avenue into the US market via

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33 Ibid, 82.
34 Ibid, 76.
Washington’s regional free trade agreements. Not content to cultivate trade alone, Taipei also actively promotes its regional NGOs to influence popular support, which include World Vision Taiwan, the Taiwan Root Medical Peace Corps, the Chinese Fund for Children and Families, the Tzu Chi Foundation, and the International Cooperation and Development Fund (ICDF), Taiwan’s aid organization “under the guise of an independent foundation.”

Taiwan has even refused to stop short of engaging in outright bribery to maintain its partners. Respective Oriental Daily News and Renmin Ribao articles from May 27 and June 2, 2004 corroborated reports that Costa Rica’s foreign ministry accepted monthly Taiwanese endowments of $22,000 to pay its salaries between 1986 and May 2003. The reports also indicated that the President’s daughter, working in the Costa Rican embassy in Mexico City, acquired her $1,500 monthly salary from Taiwanese coffers. Daniel Erikson highlights another February 2005 story, in which Guatemalan media unveiled three clandestine Taiwanese wire transfers to President Alfonso Portillo, valued at $500,000 apiece. In a staggering third instance of outright malfeasance, Panamanian President (1999-2004) Mireya Moscoso reportedly received a $1 million birthday check from then-Taiwanese President Chen Shui-bian. Aside from the corrupt nature of Taiwan’s entreaties, what does this indicate about Taipei? Primarily, that ROC

35 Cheng, 522.
37 Erikson, “China, Taiwan, and the Battle for Latin America,” 79.
38 Cheng, 523.
policymakers will do anything to stay competitive in this Latin proxy-war, pitted against the Chinese juggernaut.

Altogether, Taiwan recognizes the priceless value of its Latin relationships in defending its own future existence, and therefore pursues aggressive diplomacy to achieve its ends. Its Central American bulwark even “justifies Taiwanese officials’ use of refueling stops in America to meet ‘unofficially’ with US policymakers,” before conducting official visits to its allies on the isthmus or in the Caribbean. Though Beijing still retains far superior Latin American relationships than Taipei, Beijing still intends to displace its rival in perceived zero-sum competition as a matter of regime legitimacy. Note however, that even as the Chinese aim to marginalize and eventually eliminate Taiwan’s Latin influence, PRC motivations are uniquely insular. Competition for Latin recognition remains more a function of China’s desire to oust its nemesis than to nurture global preeminence.

To fund this political chess match, China utilizes its vast financial reserves to buy off interests and offer aid to countries whose support hinges on the highest investor. According to Thomas Lum’s August 2008 Congressional Research Service Report, PRC overtures have swayed three countries since 2004, to include Dominica in March 2004, Grenada in January 2005, and Costa Rica in June 2007. Joshua Kurlantzick illustrates

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39 Erikson, “China, Taiwan, and the Battle for Latin America,” 72.
the Dominican situation, which itself is indicative of the greater Beijing-Taipei powerplay, as follows:

In Dominica, formerly an ally of Taipei, the prime minister reportedly requested nearly $60 million in aid from Taiwan in 2004. When Taiwan provided Dominica with $9 million, China responded by offering the former British West Indian colony roughly twice as much [as that requested], and Dominica switched recognition. Taiwan may offer a new package of $250 million in aid to Latin America, but it cannot match China's largesse.\(^{41}\)

Worth $112 million, the Chinese investment granted Dominica enough funds to construct a national stadium, renovate a hospital, and build a secondary school according to Jorge Dominguez.\(^{42}\) The outcome in Grenada was largely the same. Earning bids from both Taiwan and the PRC to reconstruct its national stadium before hosting the 2007 Cricket World Cup, Grenada chose Beijing’s offer, to which PRC policymakers attached a rider demanding the unconditional recognition of the People’s Republic over Taiwan. Taipei had offered $10 million to reconstruct damages endured through Hurricane Ivan; demonstrating uncharacteristic magnanimity, China pummeled its rival by offering to build 2,000 low-income houses, to endow the Grenadian government scholarship funds with $1 million cash, and to donate $6 million towards the completion of community projects begun by Taipei, in addition to granting an annual $1 million budget stipend from 2005-2009.\(^{43}\) Beijing not only outbid the Taiwan government by $2 million long-
term, but also supported infrastructural and housing development to benefit a more sustainable future ally.

PRC politics were ruthless in isolating Taipei, but effective in manipulating the short-term needs of relatively inconsequential governments, as Taiwan itself has done. This strategy has already begun to wear down Taipei’s resolve. As a presidential candidate, Taiwan’s Ma Ying-jeou called for a revolutionary “three-no’s” approach to China – no unification, no independence, and no force – while pledging to end dollar diplomacy in courting foreign relations.44 This presents a sharp contrast on the heels of Chen Shui Bian’s incendiary tenure, which repeatedly threatened to upset the status quo (which the United States advocates) as a means to leverage PRC concessions. More recently, Kuomintang chairman Wu Poh-hsiung met with PRC President Hu Jintao on May 28, 2008, “the highest-level encounter between the two sides since 1949.”45 So as Taipei cultivates a more conciliatory (arguably acquiescent) approach, Latin nations might perceive Taiwan as weak or vulnerable. This, coupled with many Latin states’ desires to improve their standing in the United Nations and thus increase their international leverage, will arguably presage more close-knit relations with China, a permanent Security Council member, over Taiwan, a non-factor.46

Whether or not China succeeds in ousting its political adversary from Latin America altogether, the bottom line remains that not a single principal player in the

44 Dumbaugh, 16.
region recognizes Taiwan to date. From Mexico, Chile, and Brazil to Argentina and Venezuela, all the major economies support the impetus behind Beijing’s global rise over Taiwan. But again, China’s “disproportionate attention and expense in courting [Latin American] micro-states” reflects a passionate desire to stamp out its domestic scourge, rather than any sort of hegemonic regional ambition.\(^{47}\) Similar to a quasi-Cold War, “the Latin American landscape is becoming host to an archipelago of bridges, roads, tunnels, and stadiums built as by-products of the cross-strait competition.”\(^{48}\) In effect, Latin America serves more as a proxy for the China-Taiwan battle than as a challenge to US influence, allowing the region’s smaller nations to hedge against the two Asian competitors for the best deal. The only major concern for US interests here involves Hong Kong-based Hutchinson Whampoa Limited, which handles 10% of global container traffic and over 30 ports, including 50-year leases on the Panama Canal facilities at Balboa and Cristobal.\(^{49}\) Though analysts like Dr. Lafargue fear that Chinese-controlled port facilities might divest the United States and Taiwan of leverage in Panama, there is little evidence to show the Chinese harbor the will, or the naval means, to withhold free passage through the lucrative waterway. And even if a substantial PRC stake in the Canal’s proposed reconstruction convinces Panama to eschew Taiwan for Beijing, the fact remains that the United States itself officially recognizes Beijing over Taipei. At least for the time being, it appears that China’s interest in supplanting

\(^{47}\) Dominguez, 18.
\(^{48}\) Erikson, “China, Taiwan, and the Battle for Latin America,” 85.
\(^{49}\) Lafargue, 83.
Taiwan’s partners is merely an extension of its parochial foreign policy, not a means to challenge the United States.

**Courting Regional Relationships**

Having established China’s primary motives in courting Latin America – namely energy resources and a desire to marginalize Taiwan – it is necessary to discuss Beijing’s modus operandi. After all, PRC self-interests do not necessarily correlate to those of its Central and South American partners, let alone the United States. To curry favor amongst the region’s major players (including Washington), the People’s Republic plays on three sentiments. First, Beijing paints itself amongst the world’s developing nations, leading a global impetus for greater recognition under the blanket of traditional US hegemony. Like many Latin American countries, the Chinese view themselves as aggrieved victims who suffer under the relentless scrutiny of human rights organizations and western political reform advocates. Second, the PRC willingly fills the vacuum left by American neglect, as the United States has mishandled its regional leadership role since 9/11. Increasingly, “[Latin Americans] view the United States as a country that rarely consults with others, reluctantly compromises, and reacts badly when others criticize or oppose its actions.” This sentiment is readily leveraged by PRC policymakers. But because both efforts are tailor-made to attract a woebegone Latin American audience, the People’s Republic balances its diplomatic discourse with a policy of strict non-confrontation regarding US precedents; stability has proven lucrative.

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and the PRC is unwilling to forsake its gains. This three-pronged strategy helps the PRC to court Latin American markets, while simultaneously reassuring its US counterpart of China’s benevolent aspirations in maintaining the status quo. The last thing Beijing would want is to disrupt relations in Washington over a sidebar in Latin America.

Master of the Developing World

First and foremost, the People’s Republic rallies support from the developing world by providing a functional alternative to Washington – one which respects mutual sovereignty, the integrity of domestic politics, and the freedom of ideological choice. “Chinese leaders portray their own country as a model of state-directed economic development… where the neoliberal economic model touted by international financial institutions – the model known as the ‘Washington Consensus’ – failed to deliver broad economic growth during the 1990s.”51 As a developing nation, China empathizes with what Washington might regard as second-rate powers in Latin America, and utilizes this link to nurture tighter relations. To that end, R. Evan Ellis comments that, “While the United States came to [the 2004 APEC Summit] talking about terrorism, deficits, and the North Korean nuclear program, the Chinese highlighted their potential as a new source of foreign investment and an enormous market for [Latin American-type] commodities.”52 Furthermore, Kerry Dumbaugh’s April 2009 CRS Report highlights how policymakers in Beijing maximize their lack of popular accountability at home to secure deals which the American moral imperative would prohibit. Dumbaugh

51 Kurlantzick, 36.
52 Ellis, 1.
comments that, “Beijing’s large, state-owned companies, with deep pockets and no
shareholders to answer to, also can afford short-term losses in pursuit of longer-term,
more strategic gains.” 53 Often in exchange for cooperative, non-intrusive relations (from
which the PRC undoubtedly anticipates a generous return), Latin American nations
receive a no-strings-attached investment or trade partner. “Unlike Washington, Beijing
does not lecture the states of the region on issues such as human rights, fiscal prudence,
and drug trafficking.” 54 This not only appeals to leaders who have grown tired of US
patronage and political meddling, but also plays on the mutual grievances common to
developing nations.

By publicly touting an amoral economic diplomacy, China aims to replace
stagnant pro-US policy with fresh Chinese sympathy, and has met with some success.
Indeed, Sino-Latin American trade ballooned fivefold in the six years from 2000 –
2006, reaching “an all-time high of $70 billion [in 2006], after growing 40% over the
previous year.” 55 In addition to financial inroads, the PRC has attracted other nations
snubbed by the world’s developed countries through various methods. In December
2004, Washington cut military assistance to Ecuador for Quito’s refusal to exempt
American soldiers from the International Criminal Court. Immediately afterward, “China
invited Ecuadorian officials to Beijing” in order to capitalize and offer reinvigorated

53 Dumbaugh, 17.
54 June Teufel Dreyer, “From China with Love: PRC Overtures in Latin America,” The Brown Journal of
55 Li, “Red Star Over Latin America,” 23.
relations. More recently, Bolivian President Evo Morales announced a joint venture in September 2009 in which his country would spend nearly $300 million to purchase a Chinese-launched telecommunications satellite. Such technological enterprises help to garner political support amongst allies. As He Li cautions, “with the rise of the left-of-center presidents in Venezuela, Brazil, Bolivia, [and] Nicaragua, China sees an opportunity to get support for its proposals to reform the UN voting system and to shield itself from international criticism on its human rights records.”

But in no way is the United Nations Beijing’s only pipeline to the developing world. China has also gained leverage through its cooperation with its BRIC (Brazil, Russia, India, China) partnership of IMF voting nations, which together account for 42% of the world’s international reserve assets. As of September 26, 2009, the IMF approved a 5% transfer of voting share to its emerging markets, which now exercise greater clout in the allocation of international developmental loans. By emphasizing a common history of neglect engineered by the world’s western nations (led by the United States, undoubtedly), China taps into Latin American sensitivities and is able to muster regional support for its cause.

56 Kurlantzick, 36.
60 Rastello, “G-20”
Weak Leadership from Washington

For its part, the United States has demonstrated weak regional leadership since 9/11, and has thus opened the door for Chinese investors and diplomats to fill the void. Though the United States has historically championed democracy and the spirit of mutual collaboration among North American allies, US policymakers are not shy about criticizing their fellow governments for missing the mark. In this regard, Peter Hakim comments, the United States sets a high standard and a paternalistic tone, having long “scolded Latin American countries for their violations of human rights and their shabby judicial procedures.”61 Applying the “double-edged sword” analogy coined by sociologist Seymor Lipset, Michael Shifter corroborates that American values are “characterized, on the one hand, by generosity and democratic openness and, on the other, by unbridled moralism, bordering on intolerance.”62 Certainly, US support for the April 2002 anti-Chavez coup seems to dictate this double standard, as do incidents in Guantanamo Bay and Abu Ghraib. In fact, Latin America’s distaste for the US intervention in Iraq was palpable. Indeed, six of the mere seven countries (there are thirty-four total in the region) which did support Washington (Costa Rica, the Dominican Republic, El Salvador, Honduras, Nicaragua, and Panama) were at the time

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61 Hakim, “Is Washington Losing Latin America?”
locked into US trade negotiations, while Colombia (the seventh) “receives more than $600 million a year in US military aid.”

But even if President Obama has since addressed issues like Guantanamo Bay and the War in Iraq, their stain has tarnished the US image abroad, and more importantly alerted Latin American neighbors that when pressed, the United States will act precipitously. In its most recent trial, the Obama Administration has failed to restore to office Honduran President Manuel Zelaya, ousted illegally on June 28 by rival Roberto Micheletti. Though Washington brokered a tenuous deal in October, the United States has since endured scrutiny for its failure to reinstate Zelaya outright (at the behest of OAS partners), and has instead championed popular elections which could validate the coup. China aims to solicit nations like Honduras, disillusioned by American indifference or ineptitude, to engender stronger relationships. Such relationships would not only lack the controlling, micromanaged flavor of US-led agreements, but also the force-fed democratic idealism which Latin Americans largely consider hypocritical.

In addition to political obstinacy, the United States refuses to budge on trade issues sensitive to Latin American economies, even in an era when Washington advocates free trade practices. From our neighbors’ perspectives, this refusal to cooperate is likely interpreted as disrespect, and blatant dismissal of their legitimate

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63 Hakim, "Is Washington Losing Latin America?"
interests. From agricultural subsidies to “harsh US antidumping rules… sky-high tariffs and quota limitations on sugar, orange juice, [and] cotton,” it appears that the US hypocritically endorses protectionism for its own benefit while chastising its use by others.\textsuperscript{66} Were the United States to advocate renewed negotiations in the World Trade Organization’s stalled Doha Round instead, a deal could possibly improve global GDP by $300-$700 billion annually.\textsuperscript{67} But Washington’s agricultural constituency refuses to budge, at the expense of global competitors.

Furthermore, David Goldwyn offers that “trade liberalization and increased GDP growth have not led to poverty alleviation or inclusion of excluded minorities in countries like Venezuela, Bolivia, Ecuador, and Peru,” which in turn have led to “a rejection of liberalized markets and the Washington Consensus.”\textsuperscript{68} Given Beijing’s hands-off, hyper-sensitive treatment of sovereignty, Chinese commercial relationships may prove more palatable in bridging the gap from US missteps. With the United States playing scapegoat, China can be selective, pragmatic, and shrewd with its investments and relationships, earning a trustworthy reputation. But frankly, because the United States is the self-proclaimed (and de facto) guardian of Latin America, it must carry much of the region’s baggage – to include investments, political support, and enough trade to keep the region economically viable. Just as it is worldwide, the United States is

\textsuperscript{66} Hakim, “Is Washington Losing Latin America?”
subject to intense scrutiny from the South (see: Zelaya controversy), but despite its occasional squabbles still maintains a far longer and more intimate history regarding Latin America. So while leadership might be weak, it remains leadership nonetheless. Because China recognizes the critical importance of Washington’s hand in Latin America, Beijing policymakers are careful to skirt the line between antagonism and benevolent opportunism.

Non-Interference with US precedence

For that reason, China employs its third and final diplomatic approach to the region – non-interference with US precedence. Despite its willingness to maximize US leadership shortfalls and muster a sense of mutual neglect amongst its developing partners, the People’s Republic has a vested interest in “promot[ing] itself as a benign, cooperative presence” to uphold Washington’s tolerance. Beijing does not aim to challenge or replace the sphere of influence carved out by the Monroe Doctrine because it prefers to grow alongside. In fact, compared historically, China’s recent Latin engagements have been far more stabilizing than its 1960s-era Communist subversion efforts. In this contemporary age, as China seeks to emphasize “peace and development [vice] armed struggle,” the PRC hopes to devote its time and energy into modernization. Of course, this bodes well for the United States, as policymakers encourage China to become a more responsible stakeholder in international affairs.

69 Kurlantzick, 35.
70 He Li, “Economic Diplomacy,” Problems of Post-Communism 45.2 (March/April 1998)
Joseph Cheng writes, “China is still under acute pressure to catch up with the developed countries; diversified sources of capital, technology, management know-how... [all] constitute part of Chinese leaders’ preferred scenario” for development; this can best be realized under the blanket of US hegemony. Likewise, He Li contributes that “Beijing no longer lambastes American imperialism since it is not in Beijing’s long-term interests to overthrow the present world order.” So while Beijing might capitalize upon Washington’s shortfalls, the PRC will not actively engage in precipitating them. Essentially, the Chinese derive too much benefit from growing under the shade of American primacy, and instead prefer to eschew the politics of revolution for peaceful, lucrative (often exploitative) development. Besides, “even avowedly anti-US [Latin American leaders] do not so much wish to – in the words of Castro, to replace one form of imperialism with another – as to have another source of income and influence.” As a result, part of Beijing’s Latin modus operandi is the strict adherence to non-confrontation with its American counterparts.

**Brazil: A Case Study**

To better examine the intricacies of the Sino-Latin courtship, Brazil offers a prime case study. The depth of its involvement with China provides a unique look at the benefits and detriments associated with Beijing-based relations, as well as the challenges ahead. A shrewd and calculating ally of both the People’s Republic and the United

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71 Cheng, 505.
72 Li, “China’s Growing Interest in Latin America,” 856.
73 Dreyer, 96.
States, Brazil could arguably become a contentious battleground for future influence and market share. But as this case study intends to show, the nuances of Sino-Brazilian relations closely mirror those of greater Latin America, and though Brasilia remains one of the region’s most robust China partners, the country still prefers its ally in Washington.

**China-Brazil Cooperation**

Before granting China “market economy status” (MES) in November 2004 to coincide with PRC President Hu Jintao’s infamous tour of Latin America, Brazil had already cultivated strong bilateral trade with Beijing. By 2003, China had become Brazil’s second-largest trading partner and Brasilia enjoyed a comfortable trade surplus with Beijing, doubling exports to $4.5 billion over the year.\(^74\) This trend, which has endured to the present, signified a rapidly expansive relationship in which both countries recognized their mutual compatibility. From the year 2000 to 2008, Sino-Brazilian trade ballooned from $1.08 billion to $48.5 billion, posting an impressive 50% annual increase over the latter years of 2006-2008.\(^75\) Much like the greater region, growth accelerated from a relatively nominal base, and was therefore exaggerated and at times lopsided, but nevertheless lucrative. Shortly after pronouncing China’s MES in 2004, nearly 30% of Brazil’s exports to Beijing were soybeans, with another 9% in soybean derivatives.\(^76\) To

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\(^76\) Dominguez, 19.
be fair, this constituted only 2.2% of Brasilia’s total global soybean exports against a
whopping 30% of China’s total soybean imports that year, indicating a relatively
favorable and balanced trade relationship. But by 2006, 28.95% of Brazil’s global
soybean exports arrived in China, indicating a drastic spike in Beijing’s market share
which could upset that balance. China’s incessant demand cannot afford the
vicissitudes of a sensitive foodstuffs market, and within the first eight months of 2009
has imported a record 29.9 million tons of soybeans, 40% of which were cultivated in
the United States rather than Brazil.

Sinopec, China’s state-owned petroleum firm, has solidified concurrent $1 billion
and $7 billion deals with Brazil’s Petrobras to build an expansive national north-south
pipeline and to “find, produce, and refine oil,” respectively. In addition, both nations
committed to a lucrative $10 billion oil deal in May 2009, in which Petrobras will
supply China with 160,000 barrels of crude daily until year’s end, at which point Brazil
is obligated to commit 200,000 barrels daily over the ensuing nine years. Moreover, in
an effort to avoid continued reliance on the wavering US dollar, the deal will involve
both nations’ individual currencies, a point of which Washington will surely take note.
Finally, in early September 2009 Petrobras and international partners announced a

77 Ibid, 19.
78 Embassy of Brazil in Beijing, “Brazil-China Trade,” China: Commercial Section, September 2009
http://www.brazil.org.cn/secom/comercio_en.htm
80 Dominguez, 18.
81 Chaturvedi, “Growing Brazil-China Trade Linkages”
major discovery in the Santos Basin which could possibly contain 2 billion barrels, in
effect doubling Brazil’s current production to 3.8 million barrels/day and topping off its
reserves at nearly 100 billion barrels – nearly equivalent to those in Venezuela and Saudi
Arabia. Of course Brazil’s state-owned licensing company, Petrosal, has been charged
with managing newfound offshore oil field rights, and “those pledging to incorporate
Brazilian ‘content’ – human or technical resources – will likely stand a better chance of
obtaining contracts.” For its part, China has historically imported its own labor and
technology to extract resources, as PRC policymakers prefer to control the entire
extraction process, as discussed earlier. This, of course, will have significant
ramifications for Chinese investors seeking greater access to the country’s energy
resources.

Similarly, iron ore has become the subject of intense focus in Beijing, and has
thus permeated Sino-Brazilian relations. Chinese Baosteel currently operates a $1.5
billion joint venture with Brazilian Companhia Vale do Rio Doce (CVRD) to
manufacture eight million tons of iron annually. According to the Brazilian Embassy in
Beijing, China increased its Brazilian iron ore imports from $1.79 billion in 2005 to
$2.63 billion in 2006, a 47% expansion. More recently, the PRC imported 444 million
tons of iron ore globally in 2008, accounting for 70% of all seaborne iron ore trade;

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83 Adam Green, “Oil Nationalism in Latin America,” Foreign Policy in Focus (21 September 2009)
http://www.fpif.org/fpiftxt/6429
84 Cheng, 516.
85 Embassy of Brazil in Beijing, “Brazil-China Trade”
Brazil was among the top three suppliers.\textsuperscript{86} But even if soy, iron, and oil constitute a lucrative trade relationship, all three commodities are low-value raw materials subject to the whim of international demand and, in the case of soy, crop cycles. Clearly not a stable affiliation by itself, Brazil has succeeded in courting more alternative Chinese commitments.

In October 1999, the two countries launched the first China-Brazil Earth Resources Satellite (CIBERS-1) via Chinese Long March 4B rockets off China’s Taiyuan space center.\textsuperscript{87} With Brazil providing 30\% of the funding and technology to China’s 70\%, this environmental monitoring satellite actually helped China “in developing real-time digital photo technology” for its military intelligence mechanism, while springing Brazil into the international space market; another was launched in 2004.\textsuperscript{88} In coordination with bilateral space cooperation, the tandem also engaged in aeronautical exchange. The world’s fourth-largest civil aircraft manufacture, Brazil’s Embraer agreed in 2000 to build 50 ERJ-145 aircraft in conjunction with China’s Harbin Aircraft Industry Group; the first successful flight occurred in December 2003.\textsuperscript{89} However, aeronautical and astronomical sectors aside, China has had its greatest bilateral success in cultivating a cause for the aggrieved developing world – part of the modus operandi mentioned earlier.

\textsuperscript{87} Dominguez, 8.
\textsuperscript{88} Ellis, 11.
\textsuperscript{89} “Chinese Get Brazilian Plane Built in China” \textit{Brazzil Magazine}, www.brazzilmag.com, February 8, 2005; referenced in Ellis, 11.
As part of the BRIC (Brazil, Russia, India, China) lobby, China and Brazil coordinate diplomatic and economic efforts to induce change within the US-led international system. Of late, the group has experienced enormous success. On the heels of its $30.4 billion credit extension in 2002 “to avoid massive default on its debt,” Brazil announced in early October 2009 that the nation would donate $10 billion to buy IMF bonds.\(^9^0\) Having settled its debt two years early in December 2005, Brazil’s recovery marks the emergence of the world’s developing nations in controlling IMF resources, as the BRIC countries now account for 1/6 of the $500 billion G20 donation.\(^9^1\) Even more impressive, Sandrine Rastello of Bloomberg News reports that BRIC nations now control 42% of international reserve assets other than gold.\(^9^2\) Whether or not the ascendance of BRIC nations is due to the failure of Washington’s international leadership, or simply the prudence of developing nations, this type of cooperation bodes well for the future of Sino-Brazilian relations, even as the PRC continues to exploit Brasilia for resources.

**Encouraging Signs for the United States**

As positive as the outlook for BRIC emergence may be, Sino-Brazilian relations still have a number of obstacles upon which the United States can rely to hedge against China. First, Brazil repudiated WTO anti-dumping measures upon granting the PRC its MES concession in 2004, even while having previously triggered 15 anti-dumping cases


\(^{91}\) Ibid.

\(^{92}\) Rastello, “G-20”
against China from 1995-2004. As a result, Brazilians watched helplessly as their trade surplus declined 51% through the months immediately following the concession.

According to a May 2009 MERCOSUR Report, Brazil’s trade imbalance widened in 2008 as exports increased 23.8% against the 50.7% growth of imports. This sort of lopsided performance – though positive in aggregate – might induce Brazilian officials to resent Chinese dumping practices and reinforce domestic production through more stringent protection-esque trade barriers, even if only by shoring up commitments to other MERCOSUR participants. Whether or not, the PRC still maintains an inconvenient advantage over Brazil’s low-value-added commodities. According to the Brazilian Embassy in Beijing, five materials comprised more than 70% of Brazil’s exports to the PRC in 2006: “soybeans (28.95%), no-agglomerated iron ores (25.5%), crude oils (9.95%), agglomerated iron ores (5.81%), [and] wood chemical paste (4.14%).”

Without a sound proportion of industrially-manufactured goods to export, Brazil could fail to maintain leverage against the Chinese industrial behemoth, and like other Latin counterparts will become dependent upon PRC demand to fuel bilateral trade.

China’s investment commitments have not fared much better. Though PRC President Hu Jintao dedicated $10 billion to Sino-Brazilian energy ventures in his

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93 Dominguez, 30.
94 Dreyer, 94.
95 MERCOSUR Report Number 13, Inter-American Development Bank – Integration and Trade Sector (May 2009), 41.
96 Embassy of Brazil in Beijing, “Brazil-China Trade”
November 2004 tour, much of it has not come to fruition. Indeed, behind the Cayman and British Virgin Islands, and Argentina (which together accounted for $4.61 billion or a 94.1% share of China’s 2007 Latin American ODI), Brazil placed fourth and earned a mere $51.1 million in PRC investments, or 1.04%. Again, this all reflects China’s primary interest in extracting the utmost resources for minimal regional investment, a strategy which belies the conciliatory tone germane to BRIC solidarity. But rather than rely on Chinese missteps to ensure its continued predominance, the United States has developed a powerful bilateral resume of its own.

According to the 2009 US Trade Policy Agenda, the United States exported $34 billion in goods to Brazil in 2008, an amount equivalent to 24% of all US exports to Latin America and the Caribbean that year, and 59% of all exports to MERCOSUR. Whereas China imported only $981.9 million worth of Brazilian oil in 2007 (0.99% of total PRC oil imports that year), the United States consumed $4.82 billion worth (1.45% of total US imports). In addition, oil giant Chevron has invested $3 billion into Brazil’s Frade oil field, and President Obama’s National Security Adviser James Jones is considering a $10 billion loan to assist Petrobras in recovering its offshore reserves.

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97 Cheng, 517.
101 Green, “Oil Nationalism in Latin America”
Finally, Harbin-Embraer manufacturing deal aside, the United States has engaged Brasilia in an effort to replace its aging fleet of F-5 and French Mirage fighters with Boeing F/A-18 Super Hornet aircraft, a deal valued at nearly $30 billion involving a proposed 120 fighters. This deal alone highlights American regional preeminence. Regardless of whether or not Sino-Brazilian trade now outmatches Brazilian-American trade, the United States still maintains robust political, economic, and military ties to Brasilia. In addition, it is clear that, like elsewhere in Latin America, China is primarily concerned with securing resources and courting friendships throughout the developing world – not challenging the United States. To the extent that Beijing’s intentions are not insular, they are concerned with the ascendance of BRIC partners into the international system, a development which the United States itself advocates. Even the CIBERS-series satellites arguably represent more a status symbol than a military engagement. Therefore Sino-Brazilian relations, like greater Sino-Latin relations, should not be feared by future American policy.

**Venezuela: A Case Study**

Whereas Sino-Brazilian relations are characterized by economic pragmatism and cooperation, Sino-Venezuelan relations are more contentious and politically-charged. Much like the broader region, Venezuela harbors resources which could prove both lucrative and beneficial to Beijing. But even if both parties offer mutual benefits, and are

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intertwined through oil, politics, and technology, China is better equipped to monopolize the outcome since Beijing sets the demand. To the contrary, Venezuela remains largely subject to the whims of the local US oil market, and its trade with China is often conditioned by an exaggerated, unrequited political agenda.

Limited Gains

According to Daniel P. Erikson, “China's oil consumption is increasing 7 times more quickly than that of the United States, at a rate of 7.5% annually.”

To satiate demand, Venezuela boasts the largest proven oil reserves outside the Middle East, at nearly 99.4 billion barrels in 2008, 87 billion more than its Brazilian counterpart.

This of course could change should Brazil develop the Santos Basin to its full potential. But nevertheless, Peter Wilson notes US Department of Energy data in suggesting that “Venezuelan oil exports to China have soared tenfold from 14,900 barrels a day in 2004 to more than 150,000 barrels [in October 2007].” Accordingly, Gabe Collins also points out that CNPC has acquired rights both “to operate 15 fields in eastern Venezuela” – potentially yielding one billion barrels – and to explore the “200-billion-barrel Orinoco Belt,” which already provides Beijing with 160,000 barrels per month.

In all, China imported 2.53% of its oil from Venezuela in 2007, or $2.51 billion worth –

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$1.52 billion more than what the PRC bought from Brazil. Finally, as if in competition with Brazil’s Santos Basin discovery, Venezuela inked a $16 billion deal with the People’s Republic in September 2009 for further exploration along the Orinoco Belt. So with the evidence supporting a burgeoning Sino-Venezuelan oil relationship, how can this paper remain pessimistic about China’s inroads?

Disproportionate Challenges

In his September 2008 visit to China, Venezuelan President Hugo Chavez promised to “jointly build two oil refineries” for the PRC in conjunction with a prior-established $6 billion bilateral agreement. But in practice, Venezuelan infrastructure cannot support this type of exponential growth. As Hugo Chavez continues to promise further cooperation to satisfy Chinese demands, he faces some serious impediments. Indeed, William Ratliff posits that, “Much of what China was buying in 2005 and early 2006 was Orimulsion, a dirty product made from low-grade oil from the Orinoco Tarbelt, and most of it was used for asphalt.” Since Chinese refineries lacked the capability and technology to refine the sulfurous heavy tar from which Venezuelan “sour crude” comes, its product only proved useful to Chinese industrial growth and development as a building material, leaving Beijing’s energy needs unfulfilled. Even so,

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107 Johnson, 33.
China remains optimistic. “By 2004, [Chinese refinery] capacity had climbed to 43 million tons [of sour crude] per year, or 863,500 barrels per day, just over 12 percent of China's total refining capacity of 7 million barrels per day.”¹¹¹ Then, as of 2006 China still anticipated “multiply[ing] its annual imports [from Venezuela] almost 5 times to reach 110 million barrels of oil and 1.8 million tons of Orimulsion in less than 7 years.”¹¹² But even with the requisite technology and infrastructure in place to refine Venezuelan crude, a second obstacle looms – transportation. In accordance with the law of comparative advantage, the United States will remain indefinitely more profitable to Chavez’s Petroleo de Venezuela, SA (PDVSA) as a function of geographic proximity; shorter travel reduces transaction costs. According to Peter Wilson’s *Business Week* investigation, the cost could exceed as much as $3.7 billion annually if Chavez were to ship oil through a 30-day tanker journey to China, vice the 5-6 day trip required to reach US Gulf ports.¹¹³ So why would Chavez insist on fulfilling Chinese requests anyway?

Similar to the greater Sino-Latin perspective, the answer lies in the promise of alternatives. Though Caracas may endure temporary losses to appease Chinese consumers, the long-term benefit associated with independence from the US market allegedly outweighs any short-term monetary losses. But where exaggerated political rhetoric may help bridge Venezuela’s economic gap, a modern China deals strictly in the business of tangible economic growth. Beijing wants no part of any US-Venezuelan

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¹¹² Lafargue, 82.
¹¹³ Wilson, 4.
ideological battle. Quite to contrary, the PRC now emphasizes a more prudent, return-based approach to investment:

China does not invest anywhere, including in Venezuela, without the expectation of something significant in return: oil, gas, nickel, soybeans... The measured implementation of Chinese pledges will be managed by capable and demanding Chinese experts who will have little patience with Maoist political and ideological posturings by Chavez if these stand in the way of tangible progress.  

This evidences the fact that Beijing has specific goals to meet, but is careful not to disrupt a delicate regional balance in attaining them – the third element to China’s Latin modus operandi outlined earlier. “As a latecomer to international energy markets, China finds that most of the good oil and gas assets in stable and respectable countries are unavailable because they are already owned by [Western oil companies],” comments Susan Shirk. So even if “Americans look askance at China's increasingly cozy relations with anti-American dictators in the oil-rich countries” such as Venezuela, the PRC is left with few other options than to tread as softly as it does deliberately. The truth of the matter is that “Hu Jintao will not, in the end, applaud the instability across Latin America that Mao once sought and that today's Maoist Chavez seems to favor,” both out of respect for the vastly superior Sino-US trade relationship, and out of

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114 Ratliff, 82.
115 Shirk, 138.
deference to the lucrative status quo.\textsuperscript{117} Besides, the numbers are not as persuasive as Chavez would suggest.

According to Gabe Collins in October 2006, “Daily [oil] production [was] at least 700,000 barrels lower than when Chavez came to power in 1999. The country [was] unable to meet its OPEC quota of 3.165 million barrels per day, even though it [held] more than seventy billion barrels in stated reserves.”\textsuperscript{118} Without the refineries, technology, investment, or personnel to do so, Venezuela simply cannot process its own oil. PDVSA is plagued by “poor management and lack of capital,” and has consequently failed to maintain steady growth, having instead curtailed production nearly 1.2 million barrels per day in the past ten years.\textsuperscript{119} Even more damning is the fact that of Venezuela's daily 2-million-barrel output, 2/3 is shipped to the United States, accounting for more than 10\% of American oil imports.\textsuperscript{120} In 2007, the United States imported $38.8 billion worth of Venezuelan oil, accounting for 11.63\% of all American oil imports that year – even more than Mexico.\textsuperscript{121} So despite all the rhetoric, Chavez cannot sever ties with the United States because China cannot supplant the magnitude and accessibility of American demand.

Essentially, the Venezuelan case reflects the Latin American dilemma itself. China has pledged to invest vast sums of money in order to elicit the resources it

\textsuperscript{117} Ratliff, 82.
\textsuperscript{118} Collins, 89.
\textsuperscript{119} Ratliff, 77.
\textsuperscript{120} Wilson, 4.
\textsuperscript{121} Johnson, 34.
demands. Like Latin America, Venezuela willingly accepts Chinese investment, hoping to earn a political, if not strategic partner to balance US hegemony and/or leadership failures as mentioned earlier. Nevertheless, China is more concerned about honoring Washington’s regional status quo than upsetting a balance. Even the battle over Taiwanese influence has affected the Sino-Venezuelan relationship, evidenced in November 2006, when Panama won a two-year term as the UNSC Latin American representative, “breaking a lengthy impasse between Chavez, who campaigned aggressively for Venezuela to assume the post, and the United States, which backed Guatemala – an ally of Taiwan – for the vacant seat.” ¹²² On balance, Sino-Venezuelan relations really account for little more than oil; the rhetoric is filler for Chavez’s self-serving propaganda.

Is the Sleeping Dragon Really Poised to Strike?

Having outlined the motives and means by which China has infiltrated Latin America, one must address the underlying question – should the United States be concerned? Based on three primary observations, the answer is unequivocally no. First, China’s Latin inroads do not threaten US predominance because, like past colonial powers, Beijing’s interests are extractive in nature and ultimately detrimental to Latin economic development (even if shrouded behind the veil of mutual cooperation and US disinterest). As such, the PRC subordinates Latin America’s industrial emergence to its own, and often undercuts Latin market viability; arguably, Latin leaders will quickly tire

¹²² Erikson, “China, Taiwan, and the Battle for Latin America,” 71.
of such exploitation. Second, the sheer volume of Sino-American trade vastly overmatches that between Beijing and its Latin partners. As a result, policymakers in China are surely more concerned with their standing in Washington, again supplanting second-rate interests in Latin America for the dictates of US policy. Finally, in coordination with its global emergence, China has indeed embraced a more catholic perspective. Having joined countless international organizations and observed a renewed sense of cooperation, Beijing will prove more malleable to the demands of a US-led international system, at least so long as it continues to flourish.

**China’s Opportunism**

First and foremost, China exports high-value-added goods to Latin America in exchange for raw materials, which accounts for a trade deficit in which Beijing exploits cheaper Latin resources to fuel its own industrial development. According to Professor Nicola Phillips, “In terms of profile, around 75% of Latin American exports to China [include] raw materials, foodstuffs and natural resource-based manufactured goods, concentrated particularly in copper, iron ore, nickel, soy, pulp, fishmeal, and sugar.”

Without the industrial base to support more high-value exports, Latin economies become cyclically dependent upon Chinese manufactures. In essence, China digs up Latin resources and raw materials, uses them to bolster its industry, and then exports more valuable goods back to Latin America for a lucrative return. Noting the trend from 1990 – 2007, Kati Suominen’s December 2008 Inter-American Development Bank (IDB)

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Nicola Phillips, “The Emergence of The People’s Republic of China in Latin America: Trade, Investment, and Development.” *Europe World Online*
Report shares that Latin ore and metal exports to the Asia-Pacific have increased from 31.1% to 45%, an indication of greater reliance upon raw materials to fuel Latin economies.\textsuperscript{124} Tellingly, China increased its share of global manufactured exports from 71.4% to 93.2% in the same period.\textsuperscript{125} Analysis would suggest that China’s increasing share of world manufactures continues to displace that of Latin America, forcing the region to export a greater proportion of raw goods to sustain its own growth. As a result, Latin industry atrophies and consumers become dependent upon Chinese goods, much like has happened in the United States. For that reason, Forrest Colburn suggests, “There is a fear that the net effect [of the Sino-Latin trade imbalance] will be an unintended but very real ‘shove’ of the region back into its traditional, colonial role of providing raw materials to power the industrial development of other parts of the world.”\textsuperscript{126}

As if this were not enough, China traditionally undervalues its currency as a means to remain highly competitive amongst international markets, and thereby attract its own foreign direct investment (FDI). This, in turn, allows Beijing factories to produce extremely cheap goods and dump them into foreign markets like Latin America or the United States, flooding out the domestic competition. In fairness, whereas previously the People’s Republic pegged its renminbi (RMB) arbitrarily to the US dollar, Beijing permitted its currency to float (with restrictions) against a range of competitive alternatives in July 2005. But in April 2009, Kerry Dumbaugh suggested

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\textsuperscript{124} Suominen, 2.
\textsuperscript{125} Ibid, 10.
\textsuperscript{126} Forrest D. Colburn, “Asia Looms Over Latin America,” \textit{Dissent} (Winter 2008), 9.
\end{flushright}
that the resultant 22% appreciation, allowing the RMB to trade at 6.8 per dollar by
March 2009, was not nearly indicative of the currency’s true value, and therefore
detrimental to free-market global economics nonetheless.\textsuperscript{127} Of course, this carries
severe implications for Latin America, whose industrial base is desperately competitive
with, and similar to developing China’s.

In no case is this more evident than in Mexico. In 2007, He Li reported that
China imported less than 1% of total Mexican exports, but was conversely responsible
for Mexico’s second-highest import value.\textsuperscript{128} Regionally, Mexico only accounted for
8.3% of Latin America’s exports to China from 1999 – 2004, while simultaneously
importing 24% of the region’s total.\textsuperscript{129} Engaging in fierce textile and light
manufacturing competition, Mexico has absorbed the brunt of misfortune. To combat the
China threat, Mexico enacted anti-dumping tariffs as early as 1993, which in one case
“amounted to imports bans” where rates exceeded 1,105% on Chinese shoes!\textsuperscript{130} The
tactic made little difference, since by 2003 85% of Mexico’s shoe manufactures had
shifted their operations to China, and in the decade’s first four years lost some 250,000
jobs to Beijing in the \textit{maquiladora} factory sector.\textsuperscript{131} Finally, since Mexico provides a
convenient avenue through which the PRC can dump its goods into NAFTA (and by
association the United States), the People’s Republic has begun to supplant the

\begin{itemize}
\item \textsuperscript{127} Dumbaugh, 8.
\item \textsuperscript{128} Li, “Red Star Over Latin America,” 25.
\item \textsuperscript{129} Phillips.
\item \textsuperscript{130} Cheng, 515.
\item \textsuperscript{131} Dominguez, 39.
\end{itemize}
traditionally-Mexican share of American imports. For example, China’s 11.4% share of US imports in June 2003 marked a 5.3% gain since 1995, against which Mexico posted a less significant 3% gain to hold 11.2% of the US market share.\(^\text{132}\) This indicates that China is not only accumulating US market share at a faster rate, but also held a greater share overall as early as 2003. This palpable economic competition has since demonstrated political ramifications. During a January 2005 visit to Mexico City meant to finalize Beijing’s accession into the IDB, Chinese Vice President Zeng Qinghong was publicly scorned by Mexico’s President Vicente Fox, who referred to the PRC as a competitor, not “strategic partner” as China prefers.\(^\text{133}\)

Overall, the Mexican case serves an extreme, but nonetheless indicative example of how China could potentially overwhelm Latin American economies. As demonstrated earlier, Brazil has witnessed similar issues. Peter Hakim fears that many Latin countries are presently “caught in a slow-growth trap, a consequence of the region’s low education standards, paltry investment in technology and infrastructure, pitifully low rates of saving, derisory levels of tax collection, and politically divisive inequalities.”\(^\text{134}\) For these numerous reasons, shrewd Latin policymakers will not likely be fooled by Chinese courtship, even if veiled beneath the rallying cries of mutual development and failed US leadership. Ideally, these leaders will recognize that while their extractive, foodstuffs, and light industries might experience a boom to support the Chinese market, the

\(^{132}\) Li, “China’s Growing Interest in Latin America,” 854.  
\(^{133}\) Dominguez, 40.  
\(^{134}\) Hakim.
resultant economic displacement will force “a wave of protectionist or populist politics” and in turn negate lucrative investments and trade relationships. Indeed, in the wake of earning market economy status from Argentina, Brazil, Chile, and Peru, the People’s Republic has already found it difficult to entice more clients; China’s trade advantages and dumping policies have already borne out and alienated future partners. For this reason, the United States should remain optimistic about its own future. The unbalanced nature of Chinese resource investments and trade relationships will cause Latin economies to atrophy. In the words of Joshua Kurlantzick, “Beijing could end up looking little different to Latin Americans than the old colonial powers, who mined and dug up the region, doing nothing to improve the capacity of locals.” This is a past to which Latin Americans are loath to return.

American Commercial Predominance

Whereas Sino-Latin economic engagement appears opportunistic and temporary, American commercial predominance thrives. First, the sheer historical volume of US-Latin commerce significantly outmatches that of any Sino-Latin partnership. This, coupled with mammoth Sino-US trade revenue helps to imbue the United States with leverage over both China and Latin America. Consequently, Beijing will continue to be far more concerned with interests in Washington, and the United States will likewise continue to dominate Latin trade relationships.

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135 Ellis, 28.
According to an October 2007 Journal of Strategic Studies article, Sino-Latin American trade rose to $70 billion by the end of 2006, capping a 500% increase since the turn of the century. \(^{136}\) Likewise, the Inter-American Development Bank highlights that Latin America’s share of PRC imports improved from 2.3% to 5.7% during the years 1990-2007. \(^{137}\) However, these gains are not indicative of the nominal base from which China and Latin America started, and more likely represent China’s shifting global trade preferences as it imports more raw materials and energy resources to fulfill its growth. Even as Latin America in 2006 boasted 3.7% of China’s exports and 4.3% of Beijing’s imports, He Li still noted that these numbers have remained historically consistent. \(^{138}\) Therefore, one might conclude that Sino-Latin American trade growth is more a function of China’s global rise than any sort of regional favoritism.

In terms of FDI, the China story is much the same. As of 2007, Latin America accounted for 18.5% of China’s total outbound direct investment (ODI), or nearly $4.9 billion of Beijing’s $26.5 billion in global investments. \(^{139}\) But $4.9 billion comprise the entire region’s investments, and PRC economists funnel the majority through the Cayman and British Virgin Islands – “tax havens where Chinese firms channel their funds, only to move them back as FDI, sidestepping strict foreign-exchange controls and tax regulations.” \(^{140}\) So upon closer inspection, the Cayman Islands ($2.6 billion) and the

\(^{136}\) Li, “China’s Growing Interest in Latin America,” 842.
\(^{137}\) Suominen, 9.
\(^{138}\) Li, “China’s Growing Interest in Latin America,” 843.
\(^{139}\) “Chinese Companies Invest Abroad,” 29.
\(^{140}\) Li, “Red Star Over Latin America,” 24.
British Virgin Islands ($1.88 billion) account for $4.48 billion (91.3%) of total Chinese ODI into Latin America in 2007, only to be “round-tripped” back to regions of higher priority investment. In fact, of China’s major regional partners, Argentina claimed only $136.7 million (2.8%), Brazil $51.1 million (1.0%), and Mexico a measly $17.2 million (0.3%) of the total share. Because FDI tends to follow the strongest trade and security relationships, these numbers offer a clear indication of Latin America’s negligible worth to policymakers in Beijing, and vice versa.

To evidence this phenomenon in political terms, Jorge Dominguez conducted a June 2006 study monitoring UN General Assembly voting correlation between major Latin players (Argentina, Brazil, Chile, and Mexico) versus China. Given the hype associated with Sino-Latin economic ties, Dominguez argued, one could logically assume China’s lucrative Latin partnerships would translate into political accommodation. His key finding, however, was that despite their more robust trade relationships vis-à-vis China, “Argentina and Chile have a General Assembly voting pattern closer to Japan,” and that altogether “the voting behavior of Argentina, Chile, and Brazil is approximately equidistant from China – they are just as likely to agree as to disagree.”

So arguably, Sino-Latin trade has yet to translate into political consolidation, which would suggest that the hype is just that – hype. In terms of policy, Dominguez concludes, the Latin General Assembly voting record “responds to long-

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141 “Chinese Companies Invest Abroad,” 30.
142 Ibid, 30.
143 Dominguez, 13.
The long-standing policy to which he refers, of course, is one strategically aligned with the United States.

Chinese rhetoric and political discord notwithstanding, the United States still tends to control the Latin market regardless. US-Latin trade totaled $550 billion in 2006 (as compared to $70 billion in Sino-Latin trade mentioned earlier) and 20 million Latino expatriates send more than $45 billion in remittances home annually. So though the Chinese claim to offer what the US cannot – mutual understanding from the developing world – trade trumps sentiment. According to Thomas Lum in his August 2008 CRS Report, Chinese regional influence pales in comparison to Washington, and he thus submits the following:

U.S. trade and investment in Latin America dwarfs that of China, while the future growth potential of such Chinese economic linkages with the region is limited by the advantages conferred to the United States by its geographic proximity to Latin America... remittance flows to the region amounted to almost $67 billion in 2007 (with three-quarters from the United States)—a sum greater than both foreign aid and portfolio investment flows...

The United States almost outpaces China’s bilateral trade with the region with its nearly $50 billion in remittances alone. Even the highly touted Sino-Latin energy relationship has failed to post significant numbers. Citing 2007 British Petroleum statistics, the University of Alberta (Canada) noted that China imported 40% of its oil from the

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144 Ibid, 15.
146 Lum, 155.
Middle East, 23% from Africa, and 21% within Asia.\textsuperscript{147} Of course, conspicuously absent from is the mere mention of Latin America as a major petroleum source at all. In the broader picture, China’s 7.99 million bpd consumption in 2008 (9.6% of world total) pales in comparison to the United States’ 19.42 million daily barrels (22.5%).\textsuperscript{148} Statistics prepared by Professor Gregg B. Johnson at the University at Buffalo, SUNY in February 2009 further highlight this trend. Between 2006-2007, China’s total Latin oil imports increased from $4.55 billion to $5.27 billion, but actually declined in percentage of Chinese global oil imports, down to 5.32% from an already meager 5.41%.\textsuperscript{149} Comparatively, Washington’s robust dependence upon Latin American oil highlights the advantage of geo-proximity over China. From 2005-2007, the value of Washington’s Latin oil imports have grown consecutively from $71.7 billion, to $86.3 billion and finally $89.9 billion, accounting in 2007 for 27% of US oil imports.\textsuperscript{150} Moreover, Washington imports from 14 Latin countries (including small contributors like the Dominican Republic, Uruguay, Panama, and Guatemala) whereas China taps only eight.\textsuperscript{151} The result is that Washington claims a $66.43 billion, six-country advantage in oil purchases over China, thereby solidifying a tighter relationship between the United States and its southern neighbors.

\begin{itemize}
\item \textsuperscript{147} “China Seeking New Energy Sources in Latin America,” \textit{China Institute: University of Alberta}
\item \textsuperscript{149} Johnson, 33.
\item \textsuperscript{150} Ibid, 34.
\item \textsuperscript{151} Ibid, 33-34.
\end{itemize}
Finally, Sino-American trade itself has become so critical to both partners that issues in Latin America pose little threat to this continued commercial juggernaut. As of 2008, the United States remained the largest PRC trade partner, commanding $409 billion in bilateral engagement.\textsuperscript{152} Though at the time, $266 billion accounted for the US trade deficit ($337.8 billion in imports versus $71.5 billion in exports), these numbers offer ample indication of the sheer size and scale of Sino-American trade; it alone rivals both participants’ commercial relations with the entire Latin region, let alone one particular country. The United States is not only Beijing’s top export destination – outranking Hong Kong, Japan, and South Korea – but also the PRC’s fourth-largest import supplier, behind only Japan, South Korea, and Taiwan.\textsuperscript{153} No Latin American nation factored into China’s top-ten trading partners in 2008, providing further evidence to support the theory that Sino-American ties are too significant to be compromised over Latin America. In addition, bilateral investment has soared. In May 2009, US Commerce Secretary Gary Locke announced the signing of 32 Sino-US trade and investment contracts totaling $10.6 billion and involving brand names like Cisco, Dell, Ford, and Hewlett-Packard.\textsuperscript{154} By courting favorable economic relationships, investing in underdeveloped countries, supporting lucrative trade opportunities, and bridging the gap between socio-cultural boundaries, China may emerge without posing a threat. In so


\textsuperscript{153} “US-China Trade Statistics and China’s World Trade Statistics”

doing, the PRC will surely defer to its stronger American partner in resolving more contentious issues, thereby preserving its lucrative relations. 

**Renewed International Cooperation**

Lastly, recent Chinese engagement in liberal multinational organizations suggests a cooperative, status-quo diplomacy rather than one of subversive intentions. As China has increasingly aligned with western institutionalism, the CCP no longer advocates a global proletarian revolution as it once did. The PRC joined the Inter-American Development Bank in September 1993, the Latin American Integration Association (observer status) in June 1994, the Caribbean Development Bank in May 1997, the World Trade Organization in 2001, and the Organization of American States (observer status) in 2004. In so doing, China continues to display a benign, constructive approach to Latin America, regardless of its aggressive need for precious resources. Whether or not this diplomatic resurgence indicates a shrewd attempt to discreetly influence Latin policy is really a non-factor since the United States continues to control regional trade and, by association, its politics. Washington should be content to accept cooperative Chinese overtures and nurture its rise into the international environment.

One example stands out. Whereas the PRC vetoed the dispatch of 155 UN peacekeepers to disarm Panama in 1997 (no doubt retribution for the country’s recognition of Taiwan), Beijing in September 2004 approved its first military deployment to the Americas. China delivered 125 riot police officers to help pacify Haiti under a Brazilian-led UN coalition, serving two interests. First, the deployment helped to
highlight Sino-Brazilian cooperation, both developing nations which share similar qualms about the US-led unipolar environment. Second, the move helped to marginalize Taiwan, to which Haiti was faithful at the time. But more importantly from the US perspective, the action signified a tangible step towards a more cooperative international Chinese presence – one backed by action rather than rhetoric. This, of course, is the hallmark of a more proactive international stakeholder, and should be welcomed by US policymakers.

Specifically with respect to Sino-American cooperation, the recent track record is promising, though tenuous at times. Kerry Dumbaugh observes in her April 2009 CRS Report how, during the Bush administration PRC officials engaged in “regular high-level visits and exchanges…resumed military-to-military relations, cooperated on anti-terror initiatives, and worked closely on the Six Party Talks to restrain and eliminate North Korea’s nuclear weapons activities.”\(^{155}\) By engaging China on issues of global stability and mutual security concerns, the United States can continue to shape the PRC’s rise into the developed world, and thus continue to develop a more vigorous relationship which Latin America cannot offer. At the same time, Joshua Kurlantzick highlights that “the spread of higher education in China [has] created a worldlier, more confident citizenry, [allowing] its population [to] put pressure on the leadership for a more proactive foreign policy.”\(^{156}\) This type of zealous internationalism has helped to foster consistent high-level Sino-American engagements to which the Obama

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\(^{155}\) Dumbaugh, 1.

\(^{156}\) Kurlantzick, 34.
Administration has added. Meeting with PRC President Hu Jintao on the sidelines of London’s G20 Financial Summit in April 2009, President Obama declared the inception of the US-China Strategic Economic Dialogue (SED).\textsuperscript{157} To demonstrate the priority with which both nations assign this dialogue, the SED will be co-chaired by US Secretary of State Hillary Clinton, US Treasury Secretary Timothy Geithner, PRC State Councilor Dai Bingguo, and PRC Vice Premier Wang Qishan to represent both nations’ diplomatic and financial interests. Again, Latin American nations are not privy to similar diplomatic exclusivity, which bodes well for US policymakers who might otherwise consider its sphere of influence to be threatened.

Even as China collects $2.13 trillion in US foreign exchange reserves since July 2009, the United States should remain optimistic.\textsuperscript{158} Because the PRC has become America’s most prolific creditor, and is in position to purchase a majority of Washington’s stimulus package debt, China has indeed invested a tremendous stake in both US and international stability.\textsuperscript{159} The People’s Republic cannot afford to lose billions of dollars in depreciated US currency (let alone defaulted debt), and is therefore inextricably tied to the US economy unlike any of its Latin American partners. Loss of faith in the US dollar would undoubtedly devastate China’s bond stockpiles, potentially precipitating widespread social unrest for which the PRC regime is ill-prepared. Beijing’s growth, therefore, correlates to Washington’s financial stability, which in turn

\textsuperscript{157} Dumbaugh, 11.
\textsuperscript{158} Ji, “China’s Forex Reserves Rise to Record $2.13 trillion”
\textsuperscript{159} Dumbaugh, 4.
supports the global economy. So by association, China will value its relationship in Washington far greater than those in Latin America.

Conclusion & Recommendations

This paper set out to address rising PRC energy interests in Latin America, and their resultant implications for US policy. In an attempt to prove that Chinese intentions are benign, this paper discussed its primary motivations in courting Latin American partners – namely, the solicitation of resources and the marginalization of Taiwan. But for Beijing to foster bilateral growth with its target Latin allies, PRC policymakers engage in a three-pronged diplomatic strategy to soften the sting of their truly exploitative aspirations. By nurturing a mutual sense of neglect amongst its developing allies in the global South; capitalizing upon Washington’s leadership failures within its traditional sphere of influence; and shrewdly adhering to a strict non-confrontation policy with regard to greater US security concerns, China garners Latin support without rattling Washington’s cage. But most importantly, Chinese progress is hampered by three considerations which should put Washington at ease. First, Beijing’s lopsided, self-interested, extractive relationships (exchanging high-value-added goods for raw materials) have proven difficult for Latinos to accommodate, given their history of quasi-colonial dependence. Second, the sheer size and force of US trade with both its Latin allies and China take precedence over any opposing Chinese interests in the region. Finally, the PRC’s interest in renewed international cooperation to facilitate its global rise demands that Beijing play by Washington’s rules.
With that in mind, I would suggest several recommendations for American policymakers to reinforce their grip on Latin America, threatened or not. First, Joshua Kurlantzick suggests that “Washington relies on elites – 20 percent of the population – to understand entire countries.”¹⁶⁰ I would offer that it could prove useful to cultivate more intimate relations by increasing student/business exchanges to Latin America, ramping up tourism campaigns, encouraging religious retreats, or supporting NGOs with grassroots-level access to the common people of Latin America who indeed matter. A greater presence at the lowest levels of Latin society would help put a face to the name in Washington, and likely highlight a culture which is undoubtedly more common to Latinos than China’s.

Secondly, hang-ups over immigration and US agricultural subsidies (one of the most divisive issues prolonging the Doha Round of WTO negotiations) need to be resolved, as they only hamper projects like the FTAA and send the message that Washington is too self-interested to care about its southern neighbors’ interests. “In recent past, Latin Americans have particularly welcomed four US initiatives: the Brady debt-relief plan, introduced in 1989; President George H. W. Bush’s 1990 proposal for a hemisphere-wide free-trade area; the 1993 adoption of NAFTA… and the rescue of the Mexican peso in 1995.”¹⁶¹ Since then, only the Millennium Challenge Account has gleaned Latin American support, but is flawed in that it was designed “to assist well-governed but very poor countries, and because Latin America’s income levels are

¹⁶⁰ Kurlantzick, “China’s Latin Leap Forward,” 40.
¹⁶¹ Hakim, “Is Washington Losing Latin America?”
relatively high, only a few states in the region are...eligible.”\textsuperscript{162} In adapting the Millennium Challenge account to better accommodate Latin partners, and by fostering a cooperative growth in which Washington is prepared to make trade concessions, the US could earn back some of its regional clout. Likewise, current political opportunities should not be overlooked. If Washington can successfully broker a deal over the Zelaya controversy, and support Brazil in its preparation for the 2016 Olympics, the United States might improve its image. Furthermore, Washington should re-evaluate its stance on the Free Trade Area of the Americas (FTAA) in order to engage in progressive, purposeful, and substantive future talks. To succeed in remaining Latin America’s most trusted benefactor, Washington needs to start acting like it. In the words of Daniel Erikson, far from reviving its Monroe Doctrine, Washington must “restore trust in inter-American relations as the region adapts to an increasingly globalized era.”\textsuperscript{163}

Finally, the United States should continue to engage China as a means to shape Beijing’s international arrival. What Washington gains from bilateral investments and the Strategic Economic Dialogue, it cannot afford to lose over 35% protectionist tariffs on Chinese tire imports. By promoting interdependency, Washington can, for now, ameliorate some issues associated with our vast trade deficit. But more importantly, a focus on Sino-US relations will reinforce the indispensable nature of both nations’ bilateral engagements, minimizing the political value of Beijing’s Latin partnerships. Issues such as terrorism, non-proliferation, North Korea, and Sudan all beg to be

\textsuperscript{162} Ibid.
\textsuperscript{163} Erikson, “Requiem for the Monroe Doctrine,” 58.
addressed, and could easily serve to foster greater cooperation amongst the world’s rising G2. After all, if the stated goal of the PRC is to embark upon a peaceful rise, the United States still rests in a position to dictate the means; Washington just needs to remain proactive.
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