

China's Presence in Latin America: A View on Security from the Southern Cone

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THERE IS NO contemporary analysis that can possibly disregard China, a commercial, financial, and political presence of mythical proportion that has been created around a growth that, from a distance, looks like some strange miracle.¹

From the Southern Cone and at a distance of 10,000 miles, almost 40 hours of flights and stopovers or a number of weeks at sea to deliver cargoes, we try to imagine China and its people. In an enormous country, the Chinese number some 1.3 billion people who walk the opposite side of the globe. A great majority of them speak Mandarin, which is the most widely spoken language on Earth. They are there down under—on the other side of the planet—with their feet pointed directly at us. In 2006, China will probably leap from the seventh to the fourth most economically powerful nation on Earth, eclipsing the United Kingdom, France, and Italy.²

After more than a quarter century of gradual market reforms in the Peoples Republic of China (PRC) and their impact in achieving an average economic growth of 9 percent per annum, the impetuous advance of the Asian power in economic and political terms, even the power of its ideas, has become evident. During the Industrial Revolution, Great Britain required 70 years to double the real per capita income of its population. When the United States emerged as the world's principal industrial power between 1890 and 1920, it took 35 years to double real per capita income. China has done it in nine years.³ In 2005, China's foreign trade exceeded \$1.4 trillion, an increase of 24 percent over the previous year; its trade surplus tripled to \$101.9 billion; and the Central Bank of Beijing accumulated a reserve of \$711 billion.

China appears to have changed the nature of the world commodities market. It has replaced the United States as the principal consumer of coal, steel, copper, aluminum, magnesium, and zinc. The United States outpaces China only in oil consumption, but even there the Chinese are gaining. China's oil consumption has doubled since 1994, and current demand shows a 9 percent increase annually, while the rate of increase for the United States is 4 percent per annum.

To appreciate China's impact on the world commodities market, consider what her insatiable consumption of commodities implies. 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. Overall, China's increased demands have driven a sustained increase in the price of metals. Copper,

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PHOTO: Supporters of Chinese President Hu Jintao wait to see him outside the National Congress in Buenos Aires, Argentina 17 November 2004. (AP Photo)

for example, reached its highest price in 15 years in 2005.

There is no doubt that China's inclusion in the World Trade Organization will have an impact on international trade. On the positive side for Latin America, China's doors are now open to a wide variety of Latin American goods. Moreover, because China can no longer openly subsidize certain products such as steel, it is having less of an effect on the international market. On the other hand, low salaries and labor costs in China are forcing Latin American countries to compete with Chinese workers in labor-intensive industries. Nevertheless, economic relations between China and Latin America are, and should remain, beneficial for all concerned, especially for those South American countries whose economies complement China's.

Economic Exchange

Latin American and Caribbean countries have an abundance of many of the key resources China needs, and they have centuries of experience in providing and exporting raw materials to industrialized or industrializing nations. If the PRC uses its "soft" economic power, it need not resort to heavy-handed persuasion in either region. Economic necessities have convinced many Latin American and Caribbean countries that trade with China provides a good counterbalance to trade asymmetry with the United States.⁴

"Northern" Latin America

Cuba. China and Cuba share a common ideology, communism, which facilitates China's involvement in Cuba. After the 2004 Asia-Pacific Economic Cooperation (APEC) summit meeting and state visits to Argentina, Brazil, and Chile, Chinese President Hu Jintao visited Cuba, where he signed 16 bilateral trade agreements and committed China to invest more than \$500 million in the country. Overall in 2004, Chinese-Cuban bilateral trade expanded 36 percent, to a total of \$401 million. The two countries also conducted the first annual forum on "Chinese-Cuban Investment," with the support of 400 businesspersons in both countries.⁵

Mexico. Chinese trade with Mexico has expanded at the same rate as Chinese trade with the rest of Latin America. Between 1998 and 2003, Mexico's exports to China grew 337 percent, while its imports

from China increased 476 percent. In 2004, trade between China and Mexico was more than \$7 billion, a 44 percent increase over the previous year.

In contrast to other Latin American countries, Mexico has a large and growing trade deficit. Mexican imports from China in 2003 were approximately \$9.3 billion, compared to exports of only \$463 million to China. While the economies of many other Latin American nations complement China's, Mexico competes directly with the People's Republic, particularly in the low-value-added, labor-intensive manufacturing sector.

Mexico has a significant amount of oil and other strategic materials and a number of developed port facilities along its Pacific coast, but it consumes almost all the oil it produces, and its proximity to the United States could make China wary of aggressive, short-term investment. Nonetheless, Chinese Vice-President Zeng Qinghong visited Mexico during a swing through Latin America and the Caribbean in January and February 2005.⁶

Panama. Panama's strategic importance to China lies in the Panama Canal and related infrastructure for transporting goods from the Atlantic to the Pacific Ocean. Oil pipeline expansions will permit 100,000 to 800,000 barrels of oil daily to move between Panama's two coasts, lowering the cost of Venezuelan crude sold to China. China has leased port installations in Cristobal and Balboa and will probably develop the former U.S. naval base in Rodman in order to potentially control maritime traffic at both ends of the Canal.

South American Countries

Bolivia. China is primarily interested in Bolivia's natural gas and other strategic materials, although exporting some of these resources hinges upon better port access. Bolivia's ability to export natural gas also depends on changes to the Hydrocarbon Law of 1996, currently under revision by the government.

Chinese trade and investment in Bolivia is relatively modest, the most important initiative being the construction of a urea plant to produce 180,000 tons of synthetic ammonia and 300,000 tons of urea. Natural gas, which Bolivia has in quantity, is one of the key elements in the production of urea.⁷ Bolivian president Evo Morales has visited China to meet with high-level authorities there.

Brazil. China's number-one Latin American trading partner and a competitor of Argentina's in the Southern Common Market free trade zone, Brazil is a top producer of soybeans, soy oil, iron, steel, and wood. China is particularly interested in Brazil's iron and oil. It plans to build a gas pipeline through Brazil and to conduct joint exploration and refinery development with the state-owned petroleum company, Petrobras. China is also interested in soybean, beef, and chicken production and has therefore pledged to help modernize Brazil's transportation infrastructure and expand its rail system. The two countries also work closely in the aerospace arena. They have jointly developed and launched two research satellites and plan to launch another two by 2008.

When Brazilian President Luiz Inácio Lula da Silva traveled to Beijing in 2004, 400 Brazilian businesspersons accompanied him. This is understandable. Trade between China and Brazil grew by an impressive 69 percent in 2003, to \$6.7 billion, and China announced \$3 billion in new investments in Brazil. Brazil's direct foreign investment in China will soon reach \$5 billion.

Chile. The first Latin American country to sign a free trade agreement with the PRC, Chile has 38.3 percent of the world's copper reserves and is the world's number one producer of copper, while China occupies the number three spot in reserves (6.7 percent) and is seventh among producers. China's copper consumption has increased 10 percent a year for the last five years.⁸ This has stimulated a substantial increase in the price of copper. It has also made Chile strategically important to China as a provider of copper. Chile has well-developed port facilities to support trade between the two nations, whose bilateral trade rose 50 percent in 2004, to \$5.3 billion. The Chinese firm Minmetals signed a \$1.93 billion accord with the Chilean copper production firm Coldeco to gain access to Chilean copper for the next 20 years.⁹

Colombia. Trade agreements between China and Colombia are somewhat limited, reflecting, among other factors, the strong bonds between Colombia and the United States. Colombian President Álvaro Uribe did visit China in 2005 to promote Chinese investment. Colombian and PRC interests in petroleum delivery are clearly confluent. The construction of oil pipelines through Colombia will allow



Flags of Brazil and China flew in Beijing's Tiananmen Square 24 May 2004 when Brazilian President Luiz Inacio Lula da Silva visited Beijing on a five-day tour of China.

Venezuelan oil to flow to the Panama Canal without any shipping costs.

Ecuador. Ecuador is important to China because of its strategic resources and Pacific ports, which are maritime conduits to China for goods produced elsewhere in Latin America. Chinese firms show interest in Ecuadorian oil, steel, and cement production. Chinese trade with the country has increased notably.

Paraguay. Paraguay is the only Latin American nation that recognizes Taiwan. A Chinese community of Taiwanese descent is active in the Tri-Border Area (where the borders of Argentina, Brazil, and Paraguay meet). Some 15,000 persons of Chinese origin live in the Paraguayan Tri-Border city of Ciudad del Este, in which the Taiwanese bank Chinatrust has established an international branch bank.

Peru. Zeng Qinghong visited Peru after the 2004 APEC summit and returned in January 2005 to strengthen commercial ties. As in Ecuador, China shows interest in oil products and in Pacific ports that can facilitate shipment of raw materials to China.

Uruguay. The Uruguayan Government wants to improve its export performance and negotiate a free trade agreement with the PRC. In the first 10 months of 2005, Uruguay exported products worth \$100 million to China while importing \$191.4 million worth of Chinese goods.

Venezuela. Venezuela is China's primary strategic partner in Latin America. Its president, Hugo Chávez, hopes to develop alternative markets for petroleum exports and to limit U.S. influence in the region. However, until an oil pipeline permits exports via the Pacific Ocean, only tankers whose size and displacement allows them to pass through the Panama Canal can deliver Venezuelan petroleum to China. Venezuela has given China permission to develop and exploit 15 oilfields with proven reserves. With China's help, Venezuela could double its oil production.

China will also help extract natural gas and coal, provide machinery and credit to increase food production, and invest in improvements to the rail system in order to transport Venezuelan products. Joint Chinese and Venezuelan efforts to develop telecommunications capabilities in Venezuela are underway, including the launch of a satellite for this purpose. Altogether, China has invested more than \$1.5 billion in Venezuela, the largest total in the region. Bilateral trade reached \$3 billion in 2005, the majority of which was Venezuelan petroleum exports.

A Case Study: China and Argentina

China is the number one Asian buyer of goods made in Argentina. Economic cooperation has led to binational enterprises and reciprocal protection of Sino-Argentine investments. China and Argentina do business in petroleum operations, port infrastructure, and machinery for hydroelectric dams. Chinese investments in Argentina are geared toward mining, chemical fertilizers, fishing, and electronics.

Argentine industrialists worry about an invasion of Chinese products.¹⁰ Argentine government, academic, and business circles, however, are optimistic about Argentina's commercial relationship with China.¹¹ Argentina has no ports on the Pacific, but because it is located precisely on the opposite side of the globe from China, the distance to China from Argentina's Atlantic ports is about the same as from those on the Pacific. Predominant winds and currents favor eastern routes for maritime traffic, and ports along the Rio de la Plata, the Paraná-Paraguay Waterway, and the South Atlantic coastline have improved in efficiency and offer lower transportation costs. The economic relationship between China and Argentina is a complementary one.¹² The

Chinese economic juggernaut could help Argentina recover from its 2001 economic collapse.

Argentina sells China oil-producing seeds and fruits, fats, animal and vegetable oils, skins and leathers, and pet foods. It imports Chinese machinery, electronic spare parts and equipment, washers, refrigerators, boilers, toys, and organic chemical products. Argentina is a copper and gold producer of regional and potentially global importance, exporting \$1.09 billion in these metals in 2004. In 1990, there were seven mining companies in Argentina; now, there are 55.

Argentina, along with Venezuela, Brazil, Chile, and Bolivia, appears to have the best prospects and the greatest economic opportunities with China, because these countries' economies complement China's.

Foreign Policies

As Julio Sanguinetti, the former president of Uruguay, has noted, "China has been a peaceful nation. It does not have the militaristic tradition of Japan and Russia. It practices a life philosophy that always tends to balance. Its men of State, since they left the nightmare of the Cultural Revolution in their wake, feel that this is their destiny."¹³

Of the 26 countries that recognize Taiwan as an independent nation, almost half are in Latin America and the Caribbean. This is a subject of some concern for Beijing.

Latin American/Caribbean Recognition

THE PEOPLE'S REPUBLIC	TAIWAN
Cuba (9/28/1960)	Belize
Chile (12/15/1970)	Costa Rica
Peru (11/2/1971)	Dominican Republic
Mexico (2/14/1972)	El Salvador
Argentina (2/19/1972)	Guatemala
Guyana (6/17/1972)	Haiti
Jamaica (11/21/1972)	Honduras
Trinidad and Tobago (6/20/1974)	Nicaragua
Venezuela (6/28/1974)	Panama
Brazil (8/15/1974)	Paraguay
Surinam (5/28/1976)	Saint Kitts and Nevis
Barbados (5/30/1977)	Saint Vincent and the Grenadines
Ecuador (1/2/1980)	
Colombia (2/7/1980)	
Antigua and Barbuda (1/1/1983)	
Bolivia (7/9/1985)	
Nicaragua (12/7/1985)	
Uruguay (2/3/1988)	
Bahamas (5/23/1997)	
Santa Lucia (9/1/1997)	
Dominica (3/23/2004)	
Grenada (1/20/2005)	

Cuba was the first Latin American nation to establish diplomatic relations with the New China. On 28 September 1960, the PRC and Cuba simultaneously issued a communiqué announcing the establishment of diplomatic relations between the two countries. According to the Chinese, the agreement between China and Cuba began a new era of Chinese-Latin American relations.¹⁴

On 15 December 1970, the Peoples Unity Government of Salvador Allende in Chile established diplomatic relations with China, making it the first South American state to do so. Other Latin American and Caribbean countries followed suit, while 12 countries in the region still recognize Taiwan.

The significant Latin American voting bloc in the U.N. also stirs Chinese interest in Latin America. The PRC is a permanent member of the U.N. Security Council and considers itself a representative of Third World nations.¹⁵

With the exception of Paraguay, South America has not had conflicts with China. The governments of the region are moving toward the political left and, broadly speaking, consider U.S. cooperation during the last decade to have done more harm than good. China could perceive this as an opportunity to consolidate its gains in South America and, by extension, throughout Latin America and the Caribbean. China has been an observer nation in the Organization of American States since the 1990s, and as part of a peacekeeping force under U.N. mandate in 2004, it sent 125 police officers to Haiti—a country that recognized Taiwan at the time.

Potential Conflicts

The interests of powerful nations intersect in Latin America. The British have a presence in the Falkland Islands and foreign fishing fleets ply the fishing grounds beyond Latin American economic zones on the Atlantic and Pacific Oceans. Offshore oil and gas fields are becoming more profitable, underscoring the need to establish clear limits on use of the continental shelf and on scientific research in Antarctica. However, no enormous expenditures are required to protect these areas, and major conflicts are unlikely to spin out of control in the region.

China's quest for food for its enormous population and raw materials for its industry comes in the context of a water shortage in China and the abundance of water in Latin America, a situation

that might generate tensions over time, as well as fears of a "yellow danger" similar to the threat Japan was believed to have posed in times past.

However, South America and, by extension, all Latin American and Caribbean nations, have benefited from the economic bonanza delivered by the Chinese locomotive. Creating conditions that promote PRC investment is a high priority because the region believes the "Chinese presence . . . has a leveling effect in Latin America, especially vis-à-vis the United States."¹⁶

Even so, the enormous real and potential economic influence wielded by China in Latin America might generate unwanted muscle flexing. China's economic influence can also have undesired effects. Its demand for copper might produce asymmetries between neighboring countries whose defense budgets are linked to the price of copper (Chile is one such country). However, optimistic forecasters expect the PRC to have a small impact in Latin America, not to interfere with relations between the United States and the region, and to have its closest economic ties with countries outside the American sphere of influence.

Defense

China is implementing profound changes in its defense system. With military equipment technologically inferior to that of developed countries, the People's Liberation Army (PLA) has reduced its number of active-duty personnel and developed special troops and new tactics while maintaining a large defense budget.

To avoid arousing suspicions among neighboring countries and others around the world, the PLA has revised its doctrine and improved the transparency of its military plans and equipment by increasing military contacts with other Asian nations and with the rest of the world.

China has maintained military exchanges with 138 countries and conducted 41 bilateral and multilateral projects of cooperation. Its navy has conducted joint rescue exercises with Pakistan, India, and Thailand. Chinese military delegations have visited Latin America to gain experience in a number of areas ranging from equipment and weapon usage procedures to personnel administration, selection, and evaluation. The PLA has opened its bases to journalists and shown its installations and military lifestyle to the public.



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Chinese paramilitary soldiers train in Shanghai, 25 July 2006, to mark China's Army Day.

Exchanges conducted with Latin America include—

- Visits by ministers of defense and chiefs of the joint staff and the armed forces.
- Visits by other high-ranking military authorities.
- A three-month PLA military doctrine and national defense course conducted annually in Beijing for international officers.
- A “Forum for Security Cooperation with an Eye for the Future between China and Latin America” seminar in China for high-level military officers (colonel or equivalent) from Latin America. (Paraguay was excluded due to its relationship with Taiwan.)

Internal Security: Triads

Eclipsed by trade, political problems have taken a back seat in the Chinese-Latin American agenda. However, it is possible to find subjects linked to security that merit attention. The presence in the region of Chinese Triads is one such security concern.

Operating on mainland China, Taiwan, Macao, and in Chinatowns in Europe, North America, South Africa, Australia, and New Zealand, the Triads are criminal organizations whose origins date back several centuries. Based in Hong Kong since 1949, they formed as patriotic societies and rose to key positions in the power structure of China before losing their *raison d'être* and becoming mafia-like criminal groups.

Fifty Triad groups are active in modern-day Hong Kong, the most important being the Sun

Yee On, Wo Shing Wo, and 14K. Triad activities include drug trafficking, money laundering, illegal immigration, gambling, prostitution, car theft, racketeering, and theft of intellectual property such as computer software, music CDs, and boxed films. These groups are difficult to penetrate, given the ethnic and cultural elements that unite them. They have worldwide connections, and have adapted their businesses to modern times. One of the most powerful Triads in Latin America appears to be Fu Chin, whose primary business is human trafficking.¹⁷

It is reasonable to suspect the existence and development of Triads in the Tri-Border Area, especially in Ciudad del Este and Buenos Aires, Argentina, where the ethnic Chinese population approaches 45,000 and more than 4,000 small supermarkets belong to members of the Chinese community.

China and the Environment

Economic growth in China and India is one of the major threats to the global environment in the 21st century. The Worldwatch Institute says the two countries have the fate of the planet in their hands in the next few years. They can continue economic development without any concern for the environment—with unpredictable consequences for the climate and nature—or they can move to the vanguard of sustainable development and renewable sources of energy. Worldwatch says there are reasons for optimism: “Opinion-makers in China and India recognize that the model for economic growth with intensive consumption of raw materials does not work in the 21st century. China and India can overtake industrialized nations in a period of ten years and become leaders in the world market in energy and sustainable agriculture.” The Institute notes that per capita carbon dioxide emissions in the United States are six times those of China and twenty times those of India.¹⁸

Observations

Neither large-scale nor threatening, Chinese commerce with Latin America trails the United States's, the European Union's, and Japan's. Beijing's goals in Latin America are to find new markets for China's wide array of exportable goods and to obtain natural resources to support its internal development.

China's relations with Latin America support other Chinese goals, such as the diplomatic isolation of Taiwan. The PRC does not appear to have an appetite to challenge the United States in Latin America; rather, it sees the region as a part of its growing sphere of influence—not in word, but deed—and hopes to gain access to technologies, improve its international image, and support Chinese communities while avoiding any association with Chinese criminal organizations.

In the past, Beijing focused its attention on Washington and Moscow, but today it has strong ties with the rest of the international community, and Latin America is part of this agenda. Betting that Latin American countries will be relatively stable and not present strategic difficulties, China has already developed economic, political, and military bonds with them. PRC and Latin American relations include aerospace cooperation, Chinese influence over the Panama Canal, and Chinese-Cuban military and intelligence cooperation.¹⁹ One note of concern is that the Chinese undertake projects of such magnitude that the Latin American, Caribbean, and Southern Cone states risk losing control over their economies, natural resources, and environments.

Chinese immigration over many years has had a notable effect on Latin American cultures and economies. Crimes committed by Chinese Latin Americans are an internal security concern.

China is preoccupied with military cooperation and wants to make such bonds as strong as possible. This is a by-product of the strong influence the Chinese military has over its foreign ministry rather

than of any well-thought-out mutual agreements with Latin American ministries of defense. However, opportunities in this area merit further study. PRC peacekeeping operations in Haiti present an excellent opportunity for operational exchanges and lessons learned that go beyond China's limited U.N. police functions there.

Some observers believe China's soft economic power could become too great an influence over Latin American economic elites, intellectuals, and technocrats because of the allure of China's strong economic growth, huge profits, internal order, and ironclad rules for conducting business.²⁰ U.S., European, and Asian academic and political circles also decry the lack of political freedom in China, but to no effect.²¹

U.S. national security operatives in Latin America worry about Chinese power. In something of a paradox, U.S. Government officials say Washington must closely monitor the growing Chinese economic, cultural, and diplomatic presence in Latin America just when commercial, financial, and political ties between China and the United States are increasing.²²

Another paradox: Washington is increasing tensions by voicing suspicions and issuing alerts regarding China, while Latin American neo-liberals (traditionally aligned with the United States) and the predominantly leftist governments of the region increasingly admire and do business with China. More social restraints, less corruption, and a better distribution of wealth might overcome the second paradox, despite Washington's continued suspicion of Chinese activities in the region. **MR**

NOTES

1. Julio Sanguinetti, "China ya hizo pie en América Latina," *Diario La Nación*, Buenos Aires, Argentina, 15 December 2005. The author was president of Uruguay from 1985-1990 and from 1995-2000.

2. These predictions began to take form on 20 December 2005, when the National Statistics Office of China issued the results of its recalculated GDP for 2004.

3. J. Castro, dissertation at Seminario Internacional: V Encuentro Nacional de Derecho Minero y VI Encuentro Latinoamericano y del Caribe de Legislación Minera, Buenos Aires, Argentina, 6-7 September 2005.

4. "Bush goes to Beijing, China goes to Latin America," *Council on Hemispheric Affairs (COHA) Research 05.05*, 14 November 2005, United States.

5. R. Evan Ellis, "U.S. National Security Implication of Chinese Involvement in Latin America," June 2005, United States, <www.carlisle.army.mil/ssi>.

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8. Carlos Tramutola, Pablo Monat, Lucio Castro, "China, como puede la Argentina aprovechar la gran oportunidad," *Editorial Edhasa*, Buenos Aires, Argentina, 2005, 83.

9. R. Evan Ellis.

10. *Ibid.*, 12.

11. Tramutola, Castro, Monat, 196.

12. *Ibid.*

13. Sanguinetti.

14. Xu Shicheng, at the conference "El desarrollo de las Relaciones Chino-Latinoamericanas y la Política China hacia América Latina," Latin America Institute, Academy of Social Sciences of China, September 2005, PRC.

15. Guillermo R. Delamer, Lyle J. Goldstein, Jorge Eduardo Malena, and Gabriela E. Porn, "Chinese Interests in Latin America," *The Newport Papers* (2004), 87.

16. Sanguinetti.

17. Delamer, Goldstein, Malena, and Porn, 91.

18. No other information given.

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21. Fabian Calle, "Los EE.UU frente al ascendente "soft" y "hard power" chino en América Latina," Center for Opening and Development of Latin America, online at <www.cadal.org>, 2005, Argentina.

22. CRS report for the U.S. Congress, "China's Growing Interest in Latin America," 20 April 2005; Charles Shapiro, Principal Deputy Assistant Secretary of State for Western Hemisphere Affairs, testimony before the Senate Subcommittee, "The Role of China in Latin America: Diplomatic, Political and Economic Consequences," 20 September 2005; GEN Bantz Craddock, Commanding General, U.S. Southern Command, testimony before the House Armed Services Committee for "Fiscal Year 2006 National Defense Authorization Budget Request," 9 March 2005.