

Testimony to the Western Hemisphere Subcommittee of the House of  
Representatives Committee on Foreign Affairs

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Mr. Chairman and Members of the Subcommittee: I welcome this opportunity to share the results of my study of growing Chinese involvement in Latin America. This study coincides with concerns about improving Chinese economic, diplomatic, and military capabilities around the world at the same time that U.S. ties with its neighbors in the hemisphere are fraying. While I do not believe that Chinese involvement currently indicates a serious threat to the security of the United States, I believe that Beijing seeks to establish networks which will benefit its interests for the long term, possibly to the detriment of U.S. security.

The recent spate of press reports on China's growing energy and natural resource consumption is an initial explanation for Beijing's growing interest in South America. While the continent remains at least fourth on China's list of priorities, the vast array of natural resources available, coupled with a growing population eager to increase its consumption of goods, makes Latin America ever more enticing. The People's Republic of China (PRC)

seeks to put a modest investment in diplomatic, military, cultural, and trade relations for a possible long-term gain of significant proportion.

Beijing has expanded its role in South America since 1970, although the six nations of Central America, with their small populations and predominantly agricultural-export economies, retain diplomatic recognition of Taiwan. Prior to 1970, only Cuba maintained diplomatic ties - and ideological solidarity - with the PRC, after Castro transferred his allegiance in 1960. Beginning with Chile in 1970, however, all but one South American state have moved to recognize Beijing as the capital of China instead of Taipei. Paraguay has been the sole outpost for Taiwan since Uruguay finally abandoned Taipei in favor of Beijing in 1988.

For much of the past thirty years, China's ties with South American states have come in fourth place, behind growing interests in bilateral relations with the Pacific Rim (especially United States and Southeast Asia), European, and African states. The last of these is a region with which China could pretend "Third World solidarity" and considerably influence in the absence of competitors. Trade with South America has grown slowly, because Beijing's interests have been elsewhere. At the same time, the region has been absorbed first, with the trauma of the "external debt crisis" (1980-1989) and then the giddiness, followed by profound disappointment, of the "marketization-democratization" processes of the 1990s. Along with

these processes were the implied expectations that Washington, absolved of the Cold War requirements, would finally turn its attention to the long-desired partnerships with states in its own hemisphere. The 1990 “Free Trade Zone of the Americas” proposal by the first President Bush, followed by the ratification of the North American Free Trade Agreement (NAFTA) and 1994 Miami Summit commitment to finalise a free trade pact for the entire region, were initial indications that Washington would finally carry out its word. Instead, the 1990s turned into a period of severe disappointment as free markets led to rampant corruption and unfulfilled expectations in Latin America while Washington became the world's superpower rather than a partner for the region. In short, neither side of the western hemisphere had a pressing reason to raise the other in its list of priority relationships.

Many U.S. analysts were startled when PRC President Jiang Zemin embarked on a tour of South America as the EP-3 incident unfolded in early April 2001. A constant stream of senior People's Liberation Army (PLA) officers and PRC political leaders had been arriving in various South American capitals for many years. (Indeed, Latin American military officers had long been welcomed to the PLA's National Defense University foreign course for professional military education when officers from the “western world” were not welcome to Beijing.) Jiang's willingness to be out of the country at a time of such sensitive negotiations with Washington

indicated not only his confidence in the political and diplomatic leadership left behind in Beijing, but the importance he attached to China's relations with South America. The trip to Chile, Argentina, Brazil, Venezuela and Cuba sent that message to these states. A string of meetings between senior officials from the region and the PRC followed Jiang's 2001 visit. Defense Minister General Chi Haotian held talks with Colombian and Venezuelan defense authorities and National People's Congress head Li Peng spent significant time in Uruguay, Argentina, and Cuba during a three-week trip abroad. A host of South American military and political leaders regularly make their way to the PRC for talks on trade, investment, military exchanges, and political ties.

In November 2004, both Presidents Hu Jintao and George W. Bush visited the region in conjunction with the APEC summit in Santiago. What was most noteworthy about these visits was Chinese President Hu Jintao's visit to four Latin American countries rather than the summit itself. While President Hu met with President George W. Bush for fifty minutes in one of the first foreign discussions the latter has had since his reelection victory, the meeting was anticlimactic compared with the interest that Hu's tour generated in the region. Hu's was not the first visit by a Chinese president but China remains an exotic place in the Latin American mind. The historical connections which China has long had with Africa, for example,

have not existed with Latin America even though the majority of regional states shifted diplomatic recognition from Taipei to Beijing as early as 1970. The ties between Beijing and Latin American states have remained relatively low-keyed. Latin America, particularly Brazil, has had a history of some Chinese immigration but at a miniscule level compared with that of Italy, Germany or other European states. Latin America just hasn't had China much on its mind.

Two fundamental shifts, one on each side of the Pacific, have made this infatuation with Hu and China possible. On the Chinese side, energy requirements have grown, along with Beijing's increasing global presence and confidence. Beijing routinely has major delegations visiting states around the world.

Hu's visit to Latin America was seen in China as an unexceptional event in conjunction with a major world meeting of interest to the People's Republic. Fear of a negative U.S. reaction was not a concern; the trip through Brazil, Argentina, Chile and even Cuba attracted little attention in the United States, generating some curiosity on the part of regional specialists, but not the sustained concern one might have expected if U.S. attention was not consumed by events in southwest Asia and the Middle East.

For Latin America, long impatience with U.S. neglect translated into virtual giddiness at the Chinese leader's appearance in the

region. The contrast between President Hu's triumphant week-long tour of the region contrasted starkly with President George W. Bush's limited time in Santiago, followed by four hours on an island off the Colombian coast. Additionally, the protesters who filled the Santiago's streets indicated that the U.S. President's message was not welcome in Latin America. Ironically, Hu Jintao's vision of greater economic, financial, trade, and technology ties was precisely the sort of engagement that Latin America has long wanted from Washington. Latin America was ready to welcome someone who came with a smile and an outstretched hand, rather than the lecture and wagging finger Latins have received from so many high level U.S. visits. While Latin American sky-high expectations of enhanced ties with Beijing are probably exaggerated and likely to lead to disillusionment, the partner in this case is fresh and hence likely to be forgiven if it does not come through immediately. After all, Latin America has awaited Washington's attention for generations. Surely, some will argue, China merits some time to get serious about its long-term interest in greater economic and political interaction with Latin America. Beijing will not fully meet the expectations of Latin Americans because the leadership appears to be calibrating carefully its involvement in the region. Hu visited Fidel Castro's Havana but it was a low-key affair concentrating on possible biotechnology sharing between the two regimes. This did not

even attract much attention. That Hu did not include oil-rich but politically unstable Venezuela on his itinerary is a key indicator. In 2001, Jiang Zemin stopped in Caracas on his extended tour of the region. That preceded the 2002 coup attempt where Washington appeared to be on the wrong side (supporting the coupmeisters) and has led to a terrible state of affairs between Caracas and Washington. While Hu would like to solidify ties with Venezuela to increase the access to petroleum supplies, he delicately avoided that stop. By meeting with President Hugo Chávez Frías, the Chinese would have attracted much more attention and potentially negative consequences. Additionally, Hu chose not to visit Colombia where there are many resources, including petroleum that interest Beijing, but President Bush has his strongest regional ally in Álvaro Uribe Vélez.

Despite seven decades of attempting to industrialize their economies, South American states still depend almost entirely on exporting raw materials and light processed goods. Brazil is the exception, having worked assiduously over the past twenty years to develop an autonomous space program, with an equatorial launch site that appeals strongly to Beijing. Petroleum leads the list of resources South American states have to offer the PRC. Despite the erratic nature of its current government, led by the virulently anti-U.S. President Hugo Chávez Frías, Venezuela is an important source of energy to China. Beijing has invested over \$1 billion in the nation and seeks to maintain good, even warm, relations with

Caracas, primarily to take advantage of orimulsion, a Venezuelan petroleum product. China also seeks to buy petroleum elsewhere in Latin America, which may contain as much as 14% of the recoverable petroleum deposits in the world.

Ecuador is another particular target of PRC petroleum interests, who hope to sign exploration agreements which will lead to a "strategic alliance" between the two states. China has also shown interest in projects in Argentina, Colombia, and Mexico. Quito, however, has moved with great caution for fear that such an agreement might leave the country too dependent upon SINOPEC, China's leading overseas petroleum investor. The Ecuadoran response highlights the residual concern that smaller states have of Chinese investment becoming so significant that it will create a dependence that South American states ardently hope to avoid.

However, Latin America does not interest Beijing solely for energy resources; the region is an important source of a variety of other minerals and foodstuffs. Brazilian president Luiz Inacio "Lula" da Silva's May 2004 state visit to China highlighted the range of desirable items beyond petroleum, including uranium, soybeans, and aircraft. Indeed, one of the changes in China that has received little attention in the outside world is how China will feed itself. As China works to decrease its dependence upon a highly inefficient agricultural sector, food for the vast population is



increasingly important. Buying that food from abroad, especially the successful agricultural products of Latin America, is a logical trade item for China and the region. As Latin American states are increasingly efficient at producing food, Beijing can buy at a more reasonable price than trying to reform agriculture at home.

South America is important for two other reasons as well. Brazil and Surinam, a remote and oft-forgotten state in the northeast of the continent, both offer space launch facilities with geography far superior to anything available in China. While ties to these states have not fully developed, the likelihood of Beijing increasing its interests there is high.

Additionally, South America is a region with which the PRC has a natural affiliation in its traditional role as "protector of the Third World." The South American experience with colonial and U.S. interventions over the past century has made Beijing's search for like-minded states to create a block in the international community to protect sovereignty against "hegemony" an attractive prospect. This is a natural area for ties to grow, as the power of the United States is so important to both the PRC and Latin America. It is easy for U.S. strategists to underestimate the importance of national prestige for all of these states. Informal alliances in organizations such as the United Nations, allow voting blocks to deliver messages otherwise difficult to convey to a hyperpower accused of unilateralism.

People frequently ask me about Beijing's interests in the Panama Canal because Hutchinson-Whampoa, a company long-associated with the PLA. I do not find Hutchinson-Whampoa involvement in the Canal particularly significant for two important reasons. First, with the changes taking place in the PRC in the 1990s, the PLA has been pressured to discontinue most of its financial links with non-military activities such as Hutchinson. In exchange for withdrawing from the commercial sector, the PLA has seen hefty increases in its budget for the past decade. More significantly, Panama still retains recognition of Taiwan as the government of China. Indeed, Panama is seen by Taipei as 'the jewel in the crown' of its formal allies around the world. If Beijing were as able to control Hutchinson as is widely assumed, the first thing it would have done is to pressure Panama to switch recognition from Taipei. That symbolism is something that bothers Beijing profoundly and they would have moved quickly to remedy the 'problem' that currently exists.

Finally, Beijing maintains a minor interest in Latin America because of increasing concerns about "Triad" activities in the Tri-border area (where Brazil, Argentina and Paraguay meet) as well as in Paraguay itself. Criminal syndicates operating in the area have been cited in international law enforcement's concerns about the growing transnational illegal activities in the Tri-border area. Beijing monitors this activity but has little

control, since it does not have relations with Paraguay and the problem is not yet a major threat in the eyes of Buenos Aires or Brasilia.

The future relationship

The potential for longer-term rivalry between China and Brazil, the likely South American leader, is currently ignored for the sake of creating better ties, as evidenced by President Lula's recent visit to the PRC. Beijing's path to increased interest and influence in Latin America will be marked by many bumps along the way. Latin America is an area of growing, logical interest to Beijing, but there is no reason to believe the southern hemisphere states will suddenly leap to the top of Beijing's priority list. The region may also grow skeptical of Beijing as the latter's power grows, and it assumes roles more in keeping with a superpower than a victimized state. Latin America is highly sensitive to states that can violate sovereignty issues at will, the essence of hyperpower status.

Beijing's interests in Latin America also include its quest to isolate Taiwan further by enticing Latin American nations to shift diplomatic recognition from Taipei to Beijing. Six Central American states, and Paraguay, recognize Taiwan as the government of China but Beijing will undoubtedly try to change that equation in the future as it continues pressuring Taiwan to abandon independence goals.

None of this is good news for Taiwan in the region. While the Hu visit focused on strengthening ties with South American states, it also emphasized how little Taiwan presence there is in that hemisphere, Paraguay being the sole state formally to recognize Taiwan instead of Beijing. Taiwan has given some indications that it hoped that other South American states might join those which recognize it by helping Taiwan with entry into various international organizations or pressing Beijing to accept Taiwan as a state. The success of Hu's visit made this already extremely remote possibility disappear in the reality of South American states embracing Beijing wholeheartedly.

Latin America probably read too much into Hu's tour, but it was a highly successful visit by the Chinese leader. Beijing must now calibrate subsequent ties to maximize Chinese economic benefits from the region without alarming Washington. This will be an interesting test of the sophistication of Chinese strategy in Latin America.

For the immediate and intermediate term, Beijing will do nothing to upset its trade relationship with the United States. The access to the U.S. market far outweighs any possible benefits that China might gain from greater relations with Latin America, including access to Venezuelan petroleum. The desire to continue the economic growth that has given the Communist Party its ability to claim successes, hence keeping it in power, would be seriously undercut by any actions that caused Washington to

shut off that market access. This risk is too high for the Party to take and this is a conscious calculation on the part of the Chinese leadership.

But, Beijing remains interested in exploiting all cracks in the Latin American system which would allow them access. These cracks may be microscopic, such as a relatively low level trade visit, or considerably greater, to include more visits by the heads of state from the region. Beijing can simply wait for the Latin American leadership to make the first moves and respond appropriately since the Latin American leadership is increasingly reacting to its growing frustration with the state of the overall regional ties with Washington. As long as Washington continues to promote democracy and free trade in the Middle East to the perceived exclusion of Latin America, this region is going to reach to China as a market and as a counterbalance to the United States. While Latin America seeks to create this balance in an effort to get Washington's attention, it will increasingly benefit Beijing's goals of finding new markets, new sources of raw materials, food, and energy resources while also strengthening ties with a portion of the world where Beijing has had little historical connection but where ties in the future look lucrative and encouraging.