

“Strategic Implications of China’s Evolving Relationship with Latin America.”

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Good morning. Let me begin by thanking the Brookings Institution and the Center for Hemispheric Defense Studies (CHDS)—both of which are invaluable institutions in providing insight and support to U.S. foreign policy-makers—for making this Conference possible. From Brookings, I’d particularly like to thank Mauricio Cardenas, Ted Piccone, and Kevin Casa-Zamora for their efforts in organizing this. From CHDS, I’d like to extend my gratitude to my good friend Richard Downie, Ken LaPlante, Evan Ellis, John Thompson, and Mike Borders. I would also like to thank all the presenters for their contributions and everyone in attendance. Finally, I’d like to especially thank the Chinese Ambassador to the U.S., the Honorable Zhou Wenzhong, for his willingness to share his insights on such an important topic. I am certain that his remarks will be illuminating for everyone here today.

It is truly an honor to have the opportunity to speak about China’s evolving relationship with Latin America, a relationship that is steadily changing the landscape in the region. Indeed, China’s increasing ties and investments in the Americas underscore the interconnectedness of the 21st century, one of the fundamental themes of President Obama’s recent address to the United Nations General Assembly. As President Obama eloquently stated, “in the year 2009—more than at any point in human history—the interests of nations and peoples are shared.” The President noted further that the

“traditional divisions between nations of the South and the North make no sense in an interconnected world; nor do alignments of nations rooted in the cleavages of a long-gone Cold War.” Thus, in accordance with the President’s vision of a truly global and interconnected world, it is clear that the international community must embrace a new era of engagement that is based on mutual interest and mutual respect.

The theme of an interconnected world and a new era of engagement is particularly relevant when discussing China’s role in the Western Hemisphere. In China’s engagement with the Americas, I see a unique opportunity for China’s cooperation within an international framework to create a more secure and prosperous Latin America.

China’s interests in the region are expanding because of its economic engagement. Indeed, the pace at which trade between China and the Western Hemisphere is increasing is striking. To briefly cite a few statistics from the International Monetary Fund (IMF), China imported \$21.5 billion worth of goods from Latin America in 2004. In 2008, China imported \$71.3 billion worth of goods from the region, more than triple what was imported just four years before. In 2004, the IMF reported total bilateral trade between the People’s Republic of China (excluding Hong Kong) and Latin America as \$39.3 billion. In 2008, the IMF reported that this figure had risen to almost \$147 billion.

Of course, these numbers still pale in comparison to U.S. trade in the Hemisphere. For example, the IMF reported total bilateral trade between the U.S. and the region as \$673 billion in 2008. Since the Commerce Department’s International Trade Administration

(ITA) started to keep statistics, the overall sum of U.S. foreign direct investment in the Hemisphere (again, excluding Canada) is 17.8% of our total foreign direct investment worldwide. Although this figure alone is illustrative of U.S. investment in the Americas, it becomes even more impressive when compared to what we have provided other regions in the world. Indeed, in terms of percentage, our total foreign direct investment in the Hemisphere equals our direct investment in Asia, the Middle East, and Africa combined!

Additionally, we should not forget that the nature of U.S. bilateral trade in the Hemisphere is fundamentally different than that of China's. While the U.S. is a strong net importer from Latin America, China is a net exporter. While the U.S. imported \$385 billion from the region in 2008 and ran a roughly \$100 billion trade deficit, China imported \$71 billion from the Hemisphere (more than five times less than the U.S.). The relative benefits of U.S. trade in the region are clear. Finally, the nature of our economic engagement in the Americas encompasses more than trade and investment. As neighbors who share large populations of common heritage, our economic relationship includes familial ties. The clearest example of this, of course, is the flow of remittances from the U.S. to Latin America and the Caribbean. The Inter-American Development Bank (IADB) estimates that \$42.3 billion in remittances will flow from the U.S. to the region in 2009, slightly more than two-thirds of the IADB's estimated world-wide total of remittances to the Americas.

I highlight these figures not because I fancy myself an economist or enjoy lulling my audience to sleep by rattling off statistics, but rather because it puts into perspective the relative depth, scope, and long history of U.S. engagement in the Hemisphere. I believe it is important to keep this history in mind in order to better frame discussions on countries whose engagement is relatively new to the region. Of course, my comments on history and context should not be misconstrued. The rapidity at which Chinese, Latin American, and Caribbean trade is growing is noteworthy because it increases the likelihood that China could become an enduring part of the economic landscape of the Americas. In the long-term, China's investments and interests are likely to expand and evolve in ways both easy and difficult to predict, which is precisely why we have gathered here today.

In returning to the notion of Chinese cooperation within a larger hemispheric framework, it is useful to highlight what the U.S. Department of Defense considers to be some of the region's biggest challenges. At the Pentagon, three challenges in the Western Hemisphere that cause great concern and are most likely to benefit from China's presence in the region include:

1. Under-governed and ungoverned territories;
2. Lack of economic opportunity; and
3. Narcotics, arms, and human trafficking and other forms of transnational crime.

It is my view that China's deepening engagement in the Hemisphere can, in cooperation with others, play a productive role in ameliorating some of the regional challenges I just

listed. In particular, Chinese engagement in the Americas can help address problems related to under-governed and ungoverned territories, the region's lack of economic opportunity, and the causal link between economic hardship and illicit trafficking. I am also open to exploring illicit trafficking as an avenue for future cooperation in the region.

When it comes to the problem of under-governed and ungoverned territories, policy prescriptions have typically looked at building law enforcement and military capacities as the solution. And this is a valid and important approach. Another potential way forward, however, is to approach this problem through economic investment that leads to socio-economic development. In this sense, China can play an important role because its presence serves as strong motivation for Latin American countries to improve their infrastructure in order to better capitalize on expanding Pacific markets. For example, investments have been made to enhance and modernize Pacific ports such as Ensenada, Buenaventura, Manta, Callao, and Iquique among others. The allure of Asian markets has also inspired new movement to connect distant corners of South America. In this case, examples include the Manta-Manaus corridor and the São Paulo-Iquique corridor.

If successful, these infrastructure improvements would create a degree of inter-connectivity within the region that has proved difficult in the past because of challenging geography and resource constraints. This inter-connectivity could decrease the number of territories in the region that lack adequate governance infrastructure because it would provide both an impetus for expanded government presence and more resources to make a more robust presence possible.

In terms of the Chinese impact on economic opportunity in the Hemisphere, the U.S. position applies to the Americas as it applies across the world. We seek a global economy that promotes and facilitates sustained growth and greater socio-economic inclusion. As President Obama has said, “we have a moral and pragmatic interest” in questions of development. We therefore welcome China’s economic engagement in the region as a natural by-product of the global economy in the hope that it fosters greater socioeconomic equality and further contributes to the sustained and increasingly equitable growth already under way in countries such as Brazil and Chile. Diversified economies help lead to dynamic growth and increased stability. Furthermore, greater socioeconomic equality and mobility also strips away much of the initial motivation for those who enter into the world of illicit trafficking: poverty.

Of course, productive engagement between the U.S. and China in the Hemisphere must be based on mutual respect and mutual interests, which will require that our relationship be rooted in mutual trust. Although I am optimistic, there are no guarantees that these conditions will be fulfilled. As a broad principle, the U.S. therefore seeks greater transparency from China about its interests and objectives in the region.

U.S. security and prosperity are inextricably linked to our hemispheric partners. Again, this view speaks to the increasingly inter-connected world that has provided the framework for my remarks today. From a regional perspective, the Obama

Administration's position is clear: our security and prosperity depend on the improving security and prosperity of the Hemisphere as a whole.

It would therefore be useful to have assurances, transparency, and concrete actions from China that demonstrate it is ready to move beyond access to markets and raw materials to include issues such as anti-corruption, more equitable development, and environmental protections in its hemispheric agenda. Concrete actions from China and its business community that promote sustainable and self-sustaining growth in the region will provide evidence that a convergence of interests between China and the U.S. in the Americas is not only possible, but likely.

There is another area where more transparency is necessary. The Department of Defense has taken note of an uptick in military-to-military relations between China and the region. As regional news outlets have reported, China is pursuing technology transfers, increasing the frequency of military educational exchanges, and selling sophisticated military items such as air surveillance radars and military aircraft. Other ventures have included space cooperation programs, perhaps most prominently the China-Brazil Earth Research Satellite (CBERS) program.

Of course, the provision of military goods and technology is standard in a global, open economy. Moreover, China has sold a number of goods that, if used appropriately, could contribute to combating the challenges in the region I listed earlier. Air surveillance and other radars, trucks, small boats, and night vision goggles improve domain awareness by

increasing governments' capacity to monitor territory for suspicious activity such as narcotics and arms trafficking. Similarly, the sale of military aircraft designated as trainers can facilitate the professionalization of pilots, a necessity for a country attempting to reduce under-governed and ungoverned territory.

Again, what I am driving at here is transparency. The U.S. Department of Defense would welcome the opportunity to dialogue with China on this topic and the others so far mentioned to forge a broader common understanding.

Fortunately, my predecessors in the Department of Defense and my predecessor counterparts in the Department of State have made such dialogue possible. Beginning in 2006, the State Department has arranged a Sub-Regional Dialogue with China on the Western Hemisphere. Among others, representatives from the National Security Council, Defense Department, State Department, USAID, and Commerce Department have participated in this forum with representatives from China's Department of Latin America and Caribbean Affairs, the Department of North America and Oceania, and the Chinese Embassy in Washington. The first Dialogue in 2006 was held in China and has alternated between Washington and Beijing ever since.

The Dialogue provides the perfect opportunity to exchange ideas on potential cooperation in the region, as well as to provide continuity in articulating and clarifying our respective goals and objectives. The next Dialogue should occur in the near-future and I look forward to not only attending, but actively participating. My goals are not limited simply

to continued participation; I will also seek to expand the Department of Defense's role in the Dialogue. In my view, this forum should be as broad and robust as possible.

In particular, I will be an advocate for exploring avenues in which we can pursue a collective approach to non-traditional threats in the region, especially in the area of counter-narcotics and, perhaps, other forms of trafficking. There seems to be consensus on this issue, the challenge at hand is how to turn such consensus into concrete action. Of course, I am also eager to hear what areas of cooperation China's delegation views as promising.

I have made frequent mention today of a new era of engagement, of the need for collective approaches, and of the unprecedented inter-connectivity of the contemporary international community. I fear, however, that my comments today might give the false impression that I am speaking of a new era of engagement only between governments, that the need for collective approaches is exclusively that of heads-of-state, diplomats, and other government officials, that the inter-connectivity I have highlighted is limited to the public sector. To be clear, that is not the impression I want to give, quite the contrary.

A new era of engagement requires that the larger civil society work on these issues. A collective approach demands that academics, think-tanks, foundations, international organizations, the private sector, government, and ordinary citizens from within and between nations have an ongoing conversation about the most pressing policy challenges of the day. In the process, the inter-connectivity already omnipresent in the world will

only deepen. And that is precisely why I am looking forward to hearing and learning from the panelists and audience today, all of whom bring a wealth of diverse experience and perspective. Thank you.