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## “The Military-Strategic Dimensions of Chinese Initiatives in Latin America”

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### Introduction

In April 2006, U.S. Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon traveled to Beijing to discuss the Chinese relationship with Latin America. The visit was a landmark, in that it was the first time that a high-level U.S. delegation had gone to China solely to talk about Latin America.<sup>1</sup> Although the discussions were amiable,<sup>2</sup> the trip highlighted the transformation of the strategic landscape in Latin America with the dramatic expansion of China’s presence in the region. Against a backdrop of diplomatic and military actions waged by the United States to keep other

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<sup>1</sup> Andrés Oppenheimer, “EE.UU. y el ‘peligro chino’ en América Latina.” *El Comercio.com*. Lima, Perú. April 11, 2006. See also “EE.UU. y China hablan de América Latina.” *BBC Mundo.com*. April 14, 2006.

<sup>2</sup> The Chinese reportedly gave Shannon assurances that their intentions remain more economic than political but acknowledged that their growing relationship with Latin America has a military component. Luis Ramirez, “U.S. Watching China’s Growing Influence in Latin America.” *VOA News*. April 19, 2006.

powers out of Latin America, with the Shannon visit the United States was now acknowledging the reality of China as a strategic player in the region.

Although Chinese ties to Latin America predate the creation of the modern People's Republic of China, the level of diplomatic and economic engagement began expanding exponentially with the opening of China to the world in 1978, and has only reached politically and strategically significant levels under the present Chinese government of Communist Party Chairman Hu Jintao.

Chinese engagement with Latin America is primarily driven by economic motivations, although a range of other diplomatic and strategic goals have come into play once economic need led a new generation of Chinese leadership to abandon its traditionally cautious stance toward the hemisphere. Since adopting a more market-oriented economic policy in 1979, the Chinese economy has been growing at an annual rate of 9.6% per year.<sup>3</sup> Compounding this sustained, rapid rate of growth, the structure of the Chinese economy is increasingly concentrated on manufacturing operations, requiring an ever expanding supply of primary products to feed its factories,<sup>4</sup> and food to feed its people as they move to urban areas.<sup>5</sup> As a consequence, China has increasingly had to look abroad to obtain the primary products that it has needed to sustain these rates of growth. The Chinese “go out” strategy, reflected in the past two Chinese 5-Year plans, explicitly recognized this need, empowering and encouraging Chinese companies to build relationships abroad to obtain resources to sustain Chinese economic growth.<sup>6</sup>

During the past decade, China has rapidly constructed new relationships with all parts of the world in search of primary products and new markets for its goods, including significant new initiatives in Africa and Central Asia in search of energy resources.<sup>7</sup>

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<sup>3</sup> “China reporta 9,9% de crecimiento de su PIB en el 2005.” *El Comercio.com*. Lima, Perú. January 25 2006.

<sup>4</sup> According to the PRC Ministry of Commerce, for example, some 19.4% of Chinese imports in 2005 were for acquiring capital goods, while 74.7% were for interim products—generally materials used to produce other items. Only about 6% of Chinese imports in 2004 were for finished goods. A consequence of sustained growth emphasizing manufacturing and fixed capital formation is that, although China only accounts for 4.4% of global GNP, it consumes 7.4% of the world's oil, 31% of the world's coal, 30% of the world's iron, 27% of the world's rolled steel, and 40% of the world's cement. “China remains developing nation despite GDP hike.” *Business China*. [www.businesschina.com](http://www.businesschina.com). January 3, 2006.

<sup>5</sup> In a nation of 1.3 billion people, Chinese agricultural production has been limited by problems with water and usable terrain, including the impact of pollution, migration out of rural areas and encroachment of urban developments on previously agricultural land.

<sup>6</sup> See, for example, “State of the Market” *China Economic Net*. <http://en.ce.cn>. 24 February 2006.

<sup>7</sup> Indeed, during the first 8 months of 2006, the fastest growing source of Chinese imports was Africa, with a 42.9% expansion. China imported \$19 billion in goods from Africa during this period and \$13.5 billion from Oceania, versus \$21.7 billion from Latin America. “Import Sources by Continents/Regions (2006/01-08).” October 12, 2006. Ministry of Commerce. People's Republic of China. “Export Markets by Continents/Regions (2006/01-08).” October 12, 2006. Ministry of Commerce. People's Republic of China.

## **Character of the Chinese Relationship with Latin America**

Although the primary driver of Chinese engagement with Latin America in recent years has been economic, the focus of Chinese interest and the character of the relationship vary significantly by country and subregion.

In South America, China has been interested in the larger economies of the region, not only for their primary products, but also as markets for Chinese manufactured goods. Although much attention is given to Chinese commodity purchases, China today actually sells more goods to Latin America than it buys from it.<sup>8</sup>

By contrast to South America, Chinese relations with Central America and the Caribbean have been focused on convincing the nations of these regions to de-recognize Taiwan and shift diplomatic recognition to the People's Republic of China as the legitimate government of mainland China. The exception to this pattern is Cuba, in which geographic proximity to the United States combines with other factors to give the island nation strategic significance for the Chinese that is disproportionate to its size.

***Southern Cone*** – In the case of South America, Chinese interest has been primarily concentrated on Brazil, Argentina, Chile and Venezuela. Each of these nations has well-developed primary product export sectors that provide China with critical resources it needs to fuel its industry and feed its population. Reciprocally, these countries also have sizeable economies and mean income levels high enough to position them as significant potential purchasers of Chinese manufactured goods.

Brazil and Argentina have played a major role as suppliers of soy products and other foodstuffs to China.<sup>9</sup> Chile, which combines a sizeable agro-industry with high-volume Pacific Coast ports, is significantly expanding its role as an agricultural supplier under the bilateral free trade agreement that it signed with China, which went into effect in early 2006. Brazil has also played a key role as a supplier of iron and steel,<sup>10</sup> and is a minor supplier of petroleum,<sup>11</sup> while Chile has been China's major supplier of copper.<sup>12</sup> While

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<sup>8</sup> During the first 8 months of 2006, China purchased \$21.7 billion in goods from Latin America, while selling \$22.1 billion in goods to the region. Although Chinese imports from Latin America increased by an impressive 26.6% during this period, Chinese exports to the region increased by 50.4%. "Import Sources by Continents/Regions (2006/01-08). October 12, 2006. Ministry of Commerce. People's Republic of China. "Export Markets by Continents/Regions (2006/01-08). October 12, 2006. Ministry of Commerce. People's Republic of China.

<sup>9</sup> Brazil, for example, supplies 30% of all Chinese soy product imports. See "China in Latin America: Trade, Not Military Involvement." *Latin America-Asia Review*. Congressional Research Service. July 2006. p. 6. See also "Soybean oil demand." *China Economic Net*. <http://en.ce.cn>. February 22, 2006

<sup>10</sup> Brazil supplies 16% of PRC iron ore imports. See "China in Latin America: Trade, Not Military Involvement." *Latin America-Asia Review*. Congressional Research Service. July 2006. p. 6.

<sup>11</sup> In July 2005, Petrobras signed a long-term contract to sell 12 million barrels of oil per day to the PRC firm Sinochem for \$600 million, although there have been some problems with the implementation of this agreement. Sam Logan and Ben Bain, "China's Entrance into Latin America: A Cause for Worry?" *Americas Program*, International Relations Center. August 24, 2005.

other nations such as Peru have also exported significant quantities of primary products to China, the volume of Chinese trade with Brazil, Argentina, and Venezuela outstrips the rest, and helps to explain why Hu Jintao chose these three nations as the primary focus of his landmark visit to the region in conjunction with the Asia Pacific Economic Cooperation (APEC) forum in November 2004.

Of the nations in the Southern Cone, Chile is arguably positioned to most rapidly expand its strategic relationship with China. In the commercial realm, Chile has signed a network of interlocking free trade agreements, not only with China, but also with the United States and other Asian nations, positioning Chile to leverage its efficient, high-volume deepwater ports to serve as Asia's commercial gateway to Latin America.<sup>13</sup> Chile also currently has the largest concentration of language and business programs oriented towards doing business with China,<sup>14</sup> as well as a reputation for political stability, bureaucratic efficiency and respect for contracts, which serve to accelerate the use of Chile as a strategic hub for China's commercial initiatives in the region. In addition, in the military sphere, until late 2006 provisions of the U.S. Servicemen's Protection Act having to do with international criminal court jurisdiction prohibited the United States from conducting military education and training activities with Chile, creating a vacuum in which the Chileans increasingly began looking toward China, among other nations, to build new partnerships.

In the case of Brazil and Argentina, the level of development of the two economies introduces other strategic dimensions into their relationships with the PRC.<sup>15</sup> Both Brazil and Argentina possess a nuclear industry, which could create opportunities for new partnerships as China proceeds with plans to construct 42 new nuclear reactors over the next 20 years to meet domestic power generation needs. Although China is currently focused primarily on Australia as a uranium supplier,<sup>16</sup> for example, Brazilian uranium is

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<sup>12</sup> Beginning in the 1990s, copper became an essential export to China, with the PRC currently buying approximately 20% of Chile's copper. Starting in 1999, however, Chile began to diversify its exports to China to include other raw materials and commodities. China Minmetals and China Development Bank are currently attempting to finalize a deal that will provide the Chilean state copper company, Codelco, with up to \$2 billion in financing through advance commodity purchases so that Codelco can increase its mining capacity for export to China. Rodrigo Cárdenas. "Codelco-Minmetals: se sella pacto con cambios en el precio." *El Mercurio.com*. Santiago, Chile. February 23, 2006.

<sup>13</sup> Florencia Jubany and Daniel Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective." Canadian Foundation for the Americas (FOCAL). March 2006. p. 8.

<sup>14</sup> The Chilean newspaper *El Mercurio*, for example, reported a virtual avalanche of interest in learning Mandarin Chinese in Chile following the signature of the Free Trade Agreement with China in November 2005. "Crece interés por aprender chino mandarín." *El Mercurio.com*. Santiago, Chile. January 23, 2006. See also Ximena Pérez Villamil. "El chino mandarín está de moda." *El Mercurio*. April 15, 2006.

<sup>15</sup> In addition, the regional leadership role that Brazil has historically exercised in the region makes China's relationship with the country strategically important. In this context, it is important to note that the current United Nations force in Haiti, which features the first deployment of Chinese soldiers to Latin American soil, is under Brazilian leadership. See "China in Latin America: Trade, Not Military Involvement." *Latin America-Asia Review*. Congressional Research Service. July 2006. p. 5.

<sup>16</sup> "Canberra y Pekín firman acuerdo sobre energía nuclear." *Nacion.com*. San Jose, Costa Rica. April 2, 2006. See also "Howard ve 'posible' pronta firma de exportación de uranio a China." *Nacion.com*. San Jose, Costa Rica. March 27, 2006.

potentially available for export to China. Similarly, in 2004, China and the Argentine nuclear organization, *Comision Nacional de Energia Atómica* (CONEA), were reportedly discussing collaboration on a new 300 megawatt 4<sup>th</sup> generation nuclear reactor design.<sup>17</sup> Both Argentina and Brazil also have a mature aerospace industry with ties to China that have technology transfer implications. The Brazilian aircraft manufacturer Embraer, for example, recently extended its joint venture with the 2<sup>nd</sup> China Aircraft Industrial Corporation (CAIC II),<sup>18</sup> described by the Chinese periodical *People's Daily*, as “one of China’s ten major military company groups.” Brazil and China have also collaborated on the development and launch of four satellites under the China-Brazil Earth Research Satellite (CBERS) program, involving among, other things, Brazilian digital imaging technology that may have helped the Chinese to augment their over-the-horizon military targeting capability.<sup>19</sup> In the case of Argentina, the nation has collaborated with China in developing and fielding its SAC-C surveillance satellite, as well as developing and deploying a satellite laser ranging facility at San Juan University in Argentina. Although Brazilian space cooperation with the PRC is more advanced than that of Argentina, Argentina has space launch and observation facilities at very southern latitudes, which are of value to China in observing or potentially launching satellites into near-polar orbits.

***Andean Region*** – While the nations of the Southern Cone are increasingly important economic partners for the Chinese, the nations of the Andean ridge region represent a mixture of opportunity and danger that continues to test the limits of Chinese engagement in the region. In each of the Andean nations, in order to secure access to resources and build political relationships, China is forced to walk a tightrope between playing its historic role as a disruptive revisionist power and acting as a traditional commercial capitalist stakeholder.

Venezuela’s relationship with China is asymmetric and unstable. China is primarily interested in Venezuela because of oil. When heavy oils are counted, Venezuela has the world’s second largest petroleum reserves, behind only Saudi Arabia.<sup>20</sup> China has been frustrated, however, with the treatment that its national champion oil companies such as CNPC have received at the hands of the Venezuelan state. Moreover, although Venezuelan president Hugo Chávez has aggressively courted the Chinese as a strategic and ideological partner, China is wary of allowing its relationship with Chávez to unfold in a way that could undermine its more important strategic and commercial relationship

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<sup>17</sup> R. Evan Ellis. “U.S. National Security Implications of Chinese Involvement in Latin America.” Strategic Studies Institute (SSI). Carlisle Barracks, PA. 2005, p. 13.

<sup>18</sup> Under its most recent contract, China will buy 1000 jets from Embraer for \$2.7 billion USD. “China’s NPC consolidates strategic alliance with Brazil.” *People’s Daily Online*. September 4, 2006.

<sup>19</sup> R. Evan Ellis. “U.S. National Security Implications of Chinese Involvement in Latin America.” Strategic Studies Institute (SSI). Carlisle Barracks, PA. 2005, p. 11. See also “Six Brazilian companies will build Sino-Brazilian Earth Resources Satellites.” *Gazeta Mercantil*. February 11.

<sup>20</sup> “Venezuela begins to measure its high-density oil reserves.” *People’s Daily Online*. Beijing, China. November 9, 2005. Venezuela’s current goal is to increase oil exports to China from the current level of 150,000 b/d to 1 million b/d by 2012. “Latin America / China: Oil interests come to the fore.” *Oxford Analytica*. September 29, 2006.

with the United States<sup>21</sup>...or that the spread of Chávez's "Bolivarian socialism" throughout the region could disrupt other economies in the region with which it has much more significant trade ties.

Despite such concerns, the PRC has cautiously acceded to Venezuelan enthusiasm to expand the PRC-Venezuelan strategic relationship. Venezuela and Cuba are the only two nations in the hemisphere to which China has sold significant military goods. In 2004, for example, China sold 3 JYL-1 Mobile Air Defense Radars to Venezuela,<sup>22</sup> and offered to sell FC-1 and J-10 fighter aircraft. U.S. special ops trainers in Venezuela were replaced by People's Liberation Army (PLA) trainers after U.S. forces were kicked out of the country in April 2002.<sup>23</sup> China has also sold logistics aircraft, military uniforms and other non-lethal military supplies to Venezuela.<sup>24</sup> Nonetheless, the largest Venezuelan military purchases, including the acquisition of helicopters and large quantities of assault rifles, have been Russian rather than Chinese equipment.

As with Venezuela, Bolivia presents the Chinese with both significant opportunity and risk. Bolivia is a nation rich in natural gas, iron and other resources of interest to the Chinese. Moreover, the economic shakeup occasioned by Bolivia's current attempt to nationalize its oil industry represents an important opportunity for China to expand its presence in the region. At the same time, as also suggested by the Venezuelan case, the quantity of Chinese capital and expertise tied up in its feverish expansion at home leaves it few real resources to replace the exodus of Western capital and expertise from Bolivia's petroleum industry. Moreover, the considerable uncertainty surrounding the Bolivian constituent assembly, and even the future of the Morales regime, create an environment in which China risks both economic loss and finding itself in the middle of a high-profile political quagmire in the heart of the region.

Peru, Ecuador and Colombia each have significant, but largely unrealized strategic and economic value for the Chinese. All three nations have Pacific ports that may become increasingly important as trade volumes with the Chinese expand. Ecuador has the third largest proven petroleum reserves in Latin America. In September 2005, a Chinese consortium led by CNPC acquired control over 143 million barrels of these reserves, control over Ecuador's only non-state-owned petroleum pipeline<sup>25</sup> and virtually half of Ecuador's privately held oil assets in 2005, only to suffer the fate of other multinationals as the caretaker regime of Alfredo Palaccio raised royalties on oil companies to near confiscatory levels. The Chinese firm Hutchison Whampoa, with alleged ties to the

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<sup>21</sup> Daniel P. Erikson, "A Dragon in the Andes? China, Venezuela, and U.S. Energy Security." *Military Review*. July-August 2006., p. 89.

<sup>22</sup> See also June Teufel Dreyer. "China's Activities in Latin America." Unpublished manuscript. University of Miami. [www.miami.edu/chp](http://www.miami.edu/chp). June 2006.

<sup>23</sup> Florencia Jubany and Daniel Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective." Canadian Foundation for the Americas (FOCAL). March 2006. p. 10.

<sup>24</sup> Daniel P. Erikson, "A Dragon in the Andes? China, Venezuela, and U.S. Energy Security." *Military Review*. July-August 2006., p. 87.

<sup>25</sup> Florencia Jubany and Daniel Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective." Canadian Foundation for the Americas (FOCAL). March 2006. p. 27.

Chinese People's Liberation Army, was also a candidate for the redesign of a major Ecuadorian port in the vicinity of the U.S. forward base at Manta, from which Ecuador's new president, Rafael Correa, wants the United States to withdraw.

Peru, under the regime of Alan Garcia, is rapidly expanding its commercial ties in metals, minerals and agriculture and has cautiously expanded military-to-military cooperation.<sup>26</sup> On the other hand, the impoverished and alienated indigenous population that fueled the presidential bid of radical nationalist Ollanta Humala could paralyze the new Peruvian government, as the indigenous population successfully did in Bolivia and Ecuador. For this reason, the Chinese need to make a strategic decision whether to position themselves to work with the indigenous people if they come to power.

In Colombia, ironically, the success of the regime of Alvaro Uribe in reducing criminal and guerilla violence has positioned the country to play an expanding role as a purchaser of Chinese manufactured goods, and potentially, as the location of a new overland pipeline route for getting Venezuelan oil to Pacific ports for ultimate transport to China. Although Colombian president Alvaro Uribe has emphasized that his overtures to the PRC are strictly matters of business and investment, the expansion of the relationship with Colombia is particularly risky for the Chinese, given that the nation is arguably the closest ally of the United States in the region, and that there are a non-trivial number of U.S. troops on the ground in the country.

***Central America and the Caribbean*** – While economic motivations have dominated the expanding Chinese engagement with South America, Chinese relations with Central America and the Caribbean have focused on the issue of inducing nations that diplomatically recognize Taiwan as the legitimate government of China to recognize the PRC.<sup>27</sup> The issue not only has deep resonance in Chinese domestic politics and ideology, but the international isolation of Taiwan is also seen as part of the PRC's long-term national security strategy for dealing with the issue as a “domestic” problem.<sup>28</sup>

The dominance of the Taiwan issue in Chinese relations with this subregion reflects a confluence of circumstances: First of all, 12 of the 26 nations that still recognize Taiwan as the legitimate government of mainland China are located in Central America and the Caribbean. At the same time, the economies and populations of these nations are relatively small, rendering them relatively susceptible to incentives such as economic aid

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<sup>26</sup> In September 2006, Peruvian military leaders, including Peruvian Air Force commander Felipe Conde, met with their Chinese counterparts in Beijing and pledged to continue to enhance military-to-military relationships with their Chinese counterparts. “China Enhances Military and Trade Relations with Latin American States.” Xinhua News Agency. 5 September 2006. Prior contacts included a July 2005 meeting between Chinese Minister of Defense Cao Gangchuan and Peruvian Defence Minister Roberto Chiabra in Beijing, as well as an August 2003 meeting between People's Liberation Army Chief of Staff Liang Guanglie and Chairman of the Peruvian Joint Chiefs of Staff, Victor Bustamante, in Beijing

<sup>27</sup> See Cynthia Watson, “Adios Taiwan, Hola Beijing: Taiwan's Relations with Latin America.” *China Brief* 4:11 (May 27, 2004): 9.

<sup>28</sup> See Riordan Roett. “Relations Between China and Latin America/the Western Hemisphere.” Statement Before the Subcommittee on the Western Hemisphere House International Relations Committee, United States Congress. April 6, 2005.

packages. When Dominica switched its recognition from Taiwan to the communists in January 2005, for example, the small island nation received an aid package from the PRC that averaged out to \$1,600 for every person on the island.<sup>29</sup> Reciprocally, the purchasing power of these nations is currently limited, and their primary product export sectors are relatively small, making them of limited interest to the PRC in the near term as markets for Chinese manufactured goods or sources of primary products.

Currently in the Caribbean, four nations are the focus of particular Chinese attention for their continuing recognition of Taiwan: the Dominican Republic, Haiti, St. Kitts & Nevis, and St. Vincent. The Chinese decision to contribute a contingent of 140 military police to the 6000-man United Nations Stabilization Mission for Haiti (MINUSTAH), for example, was seen as motivated in part by its desire to pressure the new Haitian government to change recognition.<sup>30</sup> In Central America, the issue has been mentioned in recent years by presidential candidates in Costa Rica and Panama,<sup>31</sup> and Nicaragua will probably switch its recognition. Chinese discussion of a major port investment on Panama's pacific coast, and the making of significant financial contributions to the widening of the Panama Canal, may be targeted both to facilitating Chinese access to the resources of other Latin American nations and to inducing Panama to change its position on Taiwan.<sup>32</sup>

The exception to the preceding characterization of Chinese interests is the case of Cuba. The PRC currently operates a signals intelligence collection facility at Bejucal,<sup>33</sup> and potentially also uses Chinese personnel at a new technical university in Santiago for intelligence collection.<sup>34</sup> The proximity of Cuba to the U.S. mainland gives it strategic military value for the Chinese and also serves as a symbolic quid pro quo for the U.S. presence on and support for Taiwan.<sup>35</sup> In addition, because Cuba is the standard-bearer for the revolutionary left in Latin America, support for Cuba is a necessary and valuable

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<sup>29</sup> Steven W. Mosher. "Red China on the March." *National Review.com*. February 14, 2006. Similarly, when Grenada switched diplomatic recognition in January 2005, it received a new soccer stadium, scholarship funds, and renovations of the island's main hospital. See also "Dominica and China mark second anniversary of diplomatic relations." *Caribbean Net News*. March 24, 2006.

<sup>30</sup> Florencia Jubany and Daniel Poon, "Recent Chinese Engagement in Latin America and the Caribbean: A Canadian Perspective." *Canadian Foundation for the Americas (FOCAL)*. March 2006. p. 11. Jubany and Poon note that the Chinese similarly obstructed a request for the extension of the MINUSTAH mission in 2005 to put diplomatic pressure on Haiti over Taiwan.

<sup>31</sup> In the Panamanian presidential election in 2004, the opposition candidate Guillermo Endara Gilimany raised the issue of a switch in recognition. Although he was defeated by Martin Torrijos, the temptation to switch recognition, in exchange for expanded PRC investment, remains a factor in Panamanian politics. Similarly, in Costa Rica, the opposition candidate Otton Solis raised the issue of recognizing the PRC during the 2005 Presidential election, although he was ultimately defeated by Oscar Arias.

<sup>32</sup> See Chung-chian Teng. "China and Latin America in 21<sup>st</sup> Century." Unpublished Manuscript. National Chengchi University, Taipei, Taiwan, ROC.

<sup>33</sup> Hamish McDonald, "China Loves the Buena Vista, Castro Provides Chinese Military Spying Stations in Cuba." *Sidney Morning Herald*. February 27, 2003.

<sup>34</sup> William Ratliff gives a skeptical, yet thorough, account of open source evidence concerning Chinese activities at Bejucal and Lourdes. "Mutual Back-Scratching in Havana and Beijing." *Cuban Affairs*. Vol. 1, Issue 1. January 2006.

<sup>35</sup> See William Ratliff. "China Goes South of the Border." *Hoover Digest*. 2005. No. 1.



investment by which China maintains its claim to be a “revolutionary power” and leader of the Third World movement—particularly valuable when positioning itself to conduct business with ascendant indigenous movements in nations such as Bolivia, Ecuador, and potentially, Peru. On the other hand, Cuba is also valuable to the Chinese for its nickel and potentially, for its oil.<sup>36</sup> Cuba has the world’s fourth largest nickel reserves.<sup>37</sup>

### **Strategic Implications**

The expansion of China’s relationship with Latin America has a number of military and other strategic implications:

***Sustained Resistance to the U.S. Model of Government and Economic Growth*** – For Latin America, China provides a compelling illustration that an underdeveloped country can achieve rapid economic growth and prosperity without liberalizing its political system.<sup>38</sup> Although the lessons and prerequisites of the “Chinese model” are ambiguous, the sheer magnitude of the Chinese success story, coupled with Chinese economic and diplomatic overtures to Latin America, provide a compelling argument to those in the region who wish to resist the U.S. agenda for democratic institutionalization, free trade and economic reform. This influence, even more than actual Chinese investment and political and/or military support, may “tip the scales” in helping to strengthen anti-U.S., anti-democratic and a anti-free market leaders in countries such as Ecuador and Nicaragua, or sustain the influence of such forces in the opposition in countries such as Peru and Mexico.

***Increasing Importance of Pacific Ports*** – As the volume of trade between Latin America and Asia increases, the volume of commercial activity in Latin America’s Pacific ports, such as Guayaquil, Callao and Valparaiso will increase. This increase will expand requirements for port security and the monitoring of operations through these ports in ways that will require associated governments to reallocate resources, deploy new technologies and modify their manner of operating and organizing. These needs, and the expanding importance of maritime transit routes from these ports to Asia, may present new opportunities for the United States to expand its strategic partnerships with Latin American nations. Conversely, it may also drive an expanded security partnership between those same Latin American nations and China to protect shared interests in those ports and transit routes.

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<sup>36</sup> Cuba may have up to 9.3 billion barrels of oil in the North Cuba basin, rivaling that found in the Alaska National Wildlife Refuge. NewsMax.com. 27 April 2006.

<sup>37</sup> In July 2004, the Chinese firm Minmetals signed an accord to invest \$500 million in a nickel processing plant in Camarioca to help Cuba expand its output. “Cuba entre China y Venezuela” *BBC Mundo*. January 27, 2006. A further \$1.3 billion in Chinese investment in the nickel fields in Camaguey province is also anticipated. See “Cuba’s International Economic Strategy Pays Off.” Cuba Policy Report. *The Lexington Institute*. February 4, 2005. See also “Transnacional minera china busca alianza de largo plazo con Cuba.” *Cubamet*. Havana, Cuba. November 29, 2004.

<sup>38</sup> See Humphrey Hawksley, “China’s new Latin American revolution.” *Financial Times.com*. April 5, 2006.

***Chinese Communities and Capital as Increasing Factors in Regional Politics*** – Expanding trade, investment and tourism from China will expand the size and wealth of Chinese communities in Latin American nations. As in other parts of the world in which ethnic Chinese have played an important part in the local economy, these communities will likely play a significant role in the developing commerce between Latin America and China. Their expanding numbers and commercial importance will also make them an increasing factor in the politics of the Latin American nations in which they live.

***New Patterns of Organized Crime*** – As in other areas of the world, the expansion of trade between China and Latin America will also increase the volume of other activities, including narco-trafficking, merchandise smuggling, human trafficking and money laundering. Increasing volumes of commercial transactions and the flow of people, as well as the expansion of Chinese communities in Latin American Pacific coast cities, are likely to expand the presence of the Chinese triads and other Chinese Asian criminal organizations in the region. On one hand, this expanded presence may give rise to new forms of collaboration between Chinese and Latin American criminal organizations, such as the expanded use of Latin American criminal infrastructure to smuggle Chinese nationals and narcotics into the United States. On the other hand, it may lead to “turf wars” and other forms of conflict between Chinese and Latin American organizations that could expand violence in Latin American cities and restructure the power and organization of criminal networks in the region.

***Increasing Constraints to U.S. Operations*** – The increasing Chinese commercial presence in the region will increase constraints to U.S. operations in areas such as counter-narcotics and security assistance. Operations against money laundering in Latin America, for example, will become more complicated when pursuing activities in Chinese-owned banks. Similarly, counter-drug and counter-terrorism operations may increasingly need to take into consideration the presence of Chinese facilities and workers in areas such as remote oilfield operations. At the very least, as the April 2005 visit by U.S. Assistant Secretary of State Tom Shannon to China illustrated, China now “has a seat at the table” in Latin America and may need to be coordinated with before Washington conducts major operations that could be misunderstood or potentially damage PRC interests in the region.

***Expanded PRC Intelligence Collection and Technology Acquisition Opportunities*** – Through both its commercial activities in the region and the overt presence of its security personnel, China will have increasing opportunities to collect intelligence on U.S. forces, operations, doctrine and tactics, and military-relevant technologies. The Chinese presence at Bejucal, and potentially at Santiago (Cuba), gives the Chinese valuable opportunities to collect signals intelligence from a location very close to the U.S. mainland. Chinese commercial operations in strategic locations such as Freeport (Bahamas), the Panama Canal, and potentially in Manta (Ecuador), provide the Chinese with a reasonable cover for placing personnel and equipment for observing U.S. military and commercial activity in the region. New Chinese partnerships with militaries that previously had a close relationship with the United States, including not only Venezuela, but also, for example, Chile, afford the Chinese opportunities to learn U.S. doctrine,

tactics and standard operating procedures. Chinese high-tech commercial partnerships with Latin American governments and companies such as Embraer aircraft production in Harbin, or Chinese collaboration with Brazil on CBERES, will increasingly give the Chinese opportunities to absorb military-relevant technologies formerly developed through the help of U.S. companies and universities.

***New Opportunities in Wartime to Disrupt U.S. Operations*** – While China is not currently building a significant military presence in Latin America, the human and commercial infrastructure that it is building in the region increasingly give China a powerful lever for disrupting and distracting the United States in the Western Hemisphere should Sino-U.S. relations turn sour in the future. Although the inability of aircraft carriers to transit the Panama Canal limits its military value, China’s ability to leverage its physical presence in the canal to covertly introduce assets into the region and close down the canal in wartime could have a significant impact on U.S. logistics flows and other dimensions of military planning.<sup>39</sup> Similarly, China’s ability to conduct disruptive operations through covert forces under the cover of Chinese commercial assets across the region could delay the entry of the United States into a conflict, weaken its ability to project power and force it to divert a portion of forces destined for other theaters. It should be noted, however, that while Chinese use of its commercial assets in this manner represent a logical strategy, nothing in open source literature indicates that the Chinese are currently doing so.

***Expanded Opportunities to Work Together to Pursue Joint Interests in the Region*** – Despite the presumptions in the previous section of a rivalry between the United States and China in the Western Hemisphere, China’s expanding relationship with Latin America also generates motivations and opportunities for collaborating more closely with the United States. First, as China develops an increasing reliance on Latin America for primary products such as petroleum, metals and foodstuffs, it will increasingly share an interest with the United States in promoting a climate of political stability and institutional predictability in countries of the region. In this sense, China shares the U.S. interest in preventing Chávez’s Bolivarian socialist revolution from plunging the region into political chaos, and may become the most important extraregional partner that the United States has for keeping the Venezuelan problem in check. Similarly, in countries such as Bolivia and Ecuador, China may play a key role as a model and as an interlocutor, helping newly empowered indigenous movements in these countries find a path to development that does not return their countries to closed economies and political violence. Finally, in areas such as terrorism, money laundering, and counternarcotics, the United States and China may have important new opportunities to collaborate in the region through information sharing and even joint operations.

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<sup>39</sup> The argument that China could use its commercial position to deny passage to U.S. ships has been made since the signing of the original contract by Hutchison-Whampoa Ltd. to acquire 25-year leases on ports at each end of the canal. See Rowan Scarborough, “China company grabs power over Panama Canal.” *Washington Times*. August 12, 1999. See also George Gedda, “Weinberger warns China may try to take over Panama Canal.” *Associated Press*. December 7, 1999.

## **Conclusion**

In summary, whether the net strategic implications of the growing Chinese relationship with Latin America are positive or negative depends on the manner in which the United States leverages the opportunities and manages the threats presented by the dynamic. What is clear is that the Chinese presence in Latin America is an enduring phenomenon that changes the landscape for U.S. planners in ways that require ongoing examination by U.S. decisionmakers, as well as their Latin American and Chinese counterparts.

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