

# CHINA AND LATIN AMERICA

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MARCO CEPIK – 2019

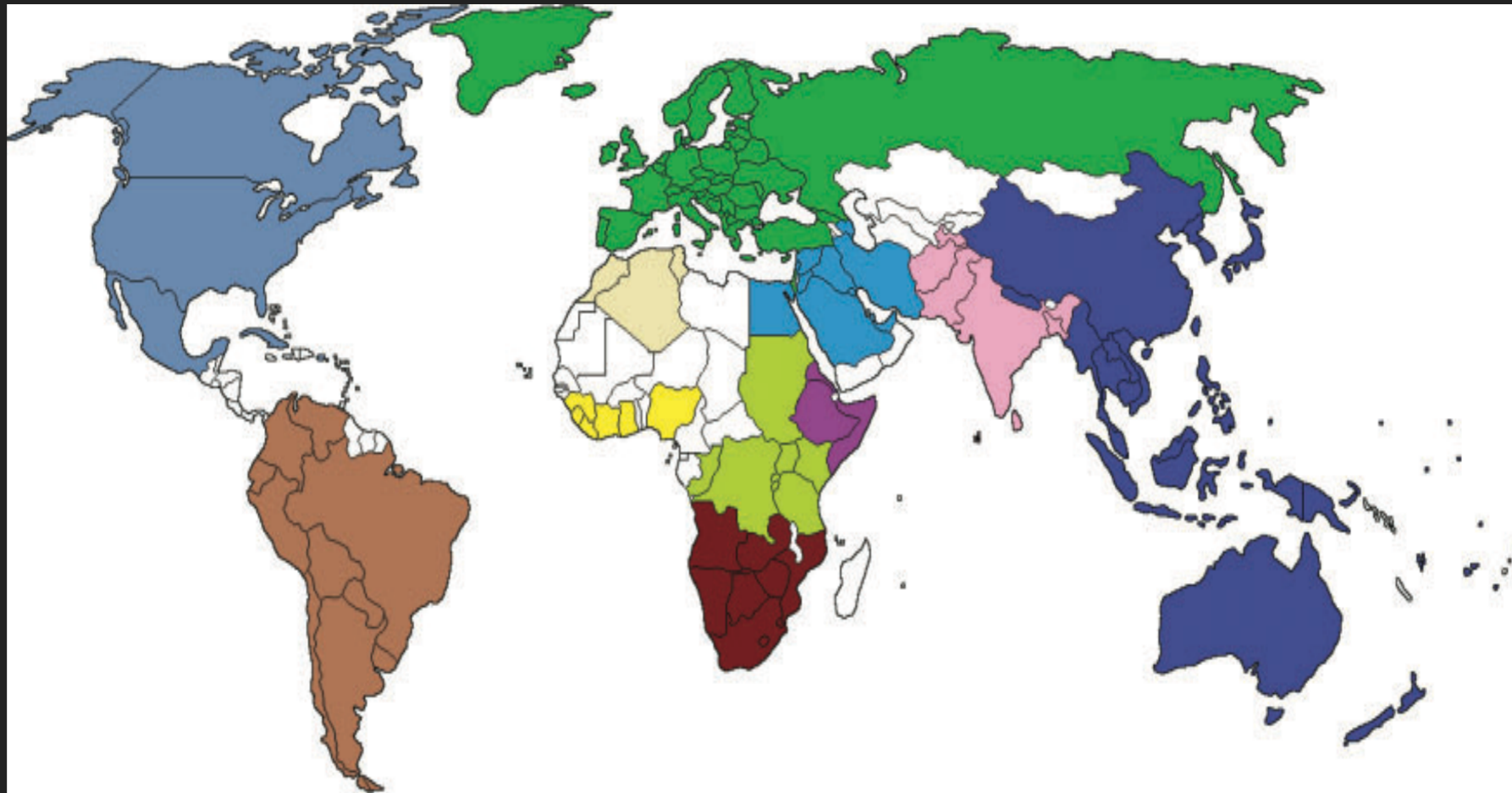
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# CONTENTS

1. LAC context
2. USA-PRC strategic balance
3. PRC policy towards LAC
4. USA responses
5. Challenges for PRC

# 1. LAC CONTEXT

# WORLD REGIONS 2001 - 2010



Source: Volgy et al (2017), page 460

# ABILITY TO REACH AND WILLINGNESS...

ABILITY follows Mesquita (1981) loss of strength gradient:

$$P_{ij} = \text{Power}^{\text{LOG} [ (\text{MILES}) / (\text{MILES PER DAY}) + (10 - E) ]}$$

WILLINGNESS as the regional proportion of foreign policy activity

Volgy et al (2017, p. 459)

- 
- 42 million square kilometers (20 million is land)
  - 33 sovereign countries, plus 20 dependencies
  - 645 million people (2017), 66.90% in BR, MX, CO, and AR
  - Ethnic, linguistic, religious, cultural diverse (50.8% mestizos)
  - Very unequal and authoritarian societies
  - 200 year old states with relative low capacity and weak democracies
  - Semiperipheral status in world economy hinders integration

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	<b>Income Gini</b>	<b>Wealth Gini</b>	<b>Share of World GDP (%)</b>
<b>UNITED STATES</b>	<b>37.80</b>	<b>85.90</b>	<b>21.67</b>
<b>MEXICO</b>	<b>45.90</b>	<b>73.20</b>	<b>2.08</b>
<b>BRAZIL</b>	<b>44.90</b>	<b>83.20</b>	<b>2.88</b>
<b>GUATEMALA</b>	<b>44.5</b>	<b>77.90</b>	<b>0.10</b>

**SOURCE: WEF. Inclusive Development Inequality Index, 2018, p. 12–23.**

<b>Two commodities % of exports</b>	<b>1913</b>	<b>2014</b>	<b>Main Products 2013/2014</b>
<b>MEXICO</b>	<b>40.6</b>	<b>17.5</b>	<b>Silver-Copper / Oil-Cars</b>
<b>VENEZUELA</b>	<b>73.4</b>	<b>80.1</b>	<b>Coffee-Cacao / Crude-Refined Oil</b>
<b>BRAZIL</b>	<b>78.2</b>	<b>22.1</b>	<b>Coffee-Rubber / Iron-Soybean</b>
<b>ARGENTINA</b>	<b>43.2</b>	<b>22.8</b>	<b>Maize-Wheat / Soybean-Trucks</b>

**SOURCE: KLINE & WADE & WIARDA (2018) Latin America Politics Development, pages 61 and 67**



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- LAC projection GDP real growth % from 1.7 (2018) to 2.4 (2019)
  - GDP real growth % in 2017: BR (0.9) / MX (3.0) / CO (1.8) / AR (2.8)
  - GDP per capita (current USD): 10,541 (2018)
  - Exports (million USD): 960,894 (2018)
  - Imports (million USD): 909,716 (2018)
  - Global Fiscal Result / GDP: from - 6.2 % (2017) to - 5.4 % (2018)
  - Current Account / GDP: from -1.7% to - 2.2%
  - Urban unemployment rate: 8.2 %

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**“LATIN AMERICAN SMALL GRAND STRATEGIES HAVE ATTEMPTED TO RESPOND IN FUNDAMENTAL TERMS TO SITUATIONS AND PROCESSES INVOLVING NEIGHBORING COUNTRIES; THAT IS, THEY HAVE BEEN CONCEIVED AND DEVELOPED TO FACE LOCAL CHALLENGES AND THREATS INDEPENDENTLY OF THE DYNAMICS TYPICAL OF THE GLOBAL POWER GAMES. HOWEVER, THEIR IMPLEMENTATION HAD A DIRECT AND IMPORTANT IMPACT ON THE DISPLAY OF THE STRATEGIC OPTIONS RELATED TO THE LOGICS OF AUTONOMY AND ACQUIESCENCE AND CONSEQUENTLY ON THE RELATIONSHIPS OF THE REGION WITH THE REST OF THE WORLD, PARTICULARLY WITH THE UNITED STATES.”**

**Russell & Tokatlian (2014, p. 62)**

## **2. USA-PRC BALANCE**

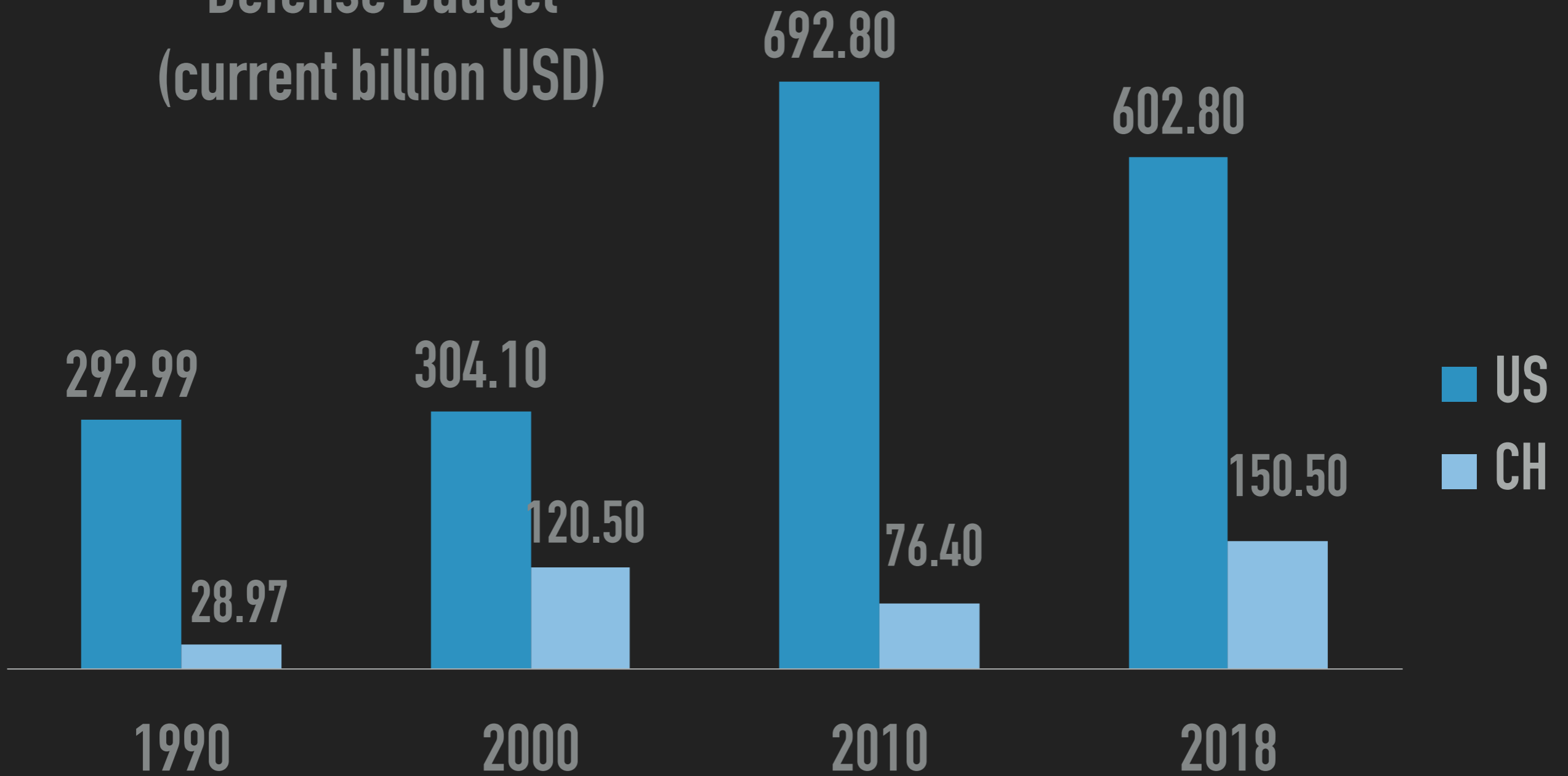
**THE STRATEGIC BALANCE BETWEEN UNITED STATES AND  
CHINA AS A PREDICTOR VARIABLE EXPLAINING THE  
OUTCOMES OF AN INCREASED ROLE OF PRC IN LATIN  
AMERICA**

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**“THE PAX AMERICANA IS IMPERILED BY THE SHIFTING OF THE WORLD’S ECONOMIC – AND GEOPOLITICAL – CENTERS OF GRAVITY FROM THE EURO-ATLANTIC WORLD TO ASIA, WHICH PRESAGES THE END OF THE WEST’S FIVE CENTURIES OF GLOBAL DOMINANCE.”**

**Layne (2018)**

## Defense Budget (current billion USD)



Source: IISS (1991; 2002; 2010; 2018)

# DEFENSE BUDGET

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■ US ■ CH ■ BR ■ MX ■ AR ■ CO



# ICBM

1200

1000

800

600

400

200

0

US

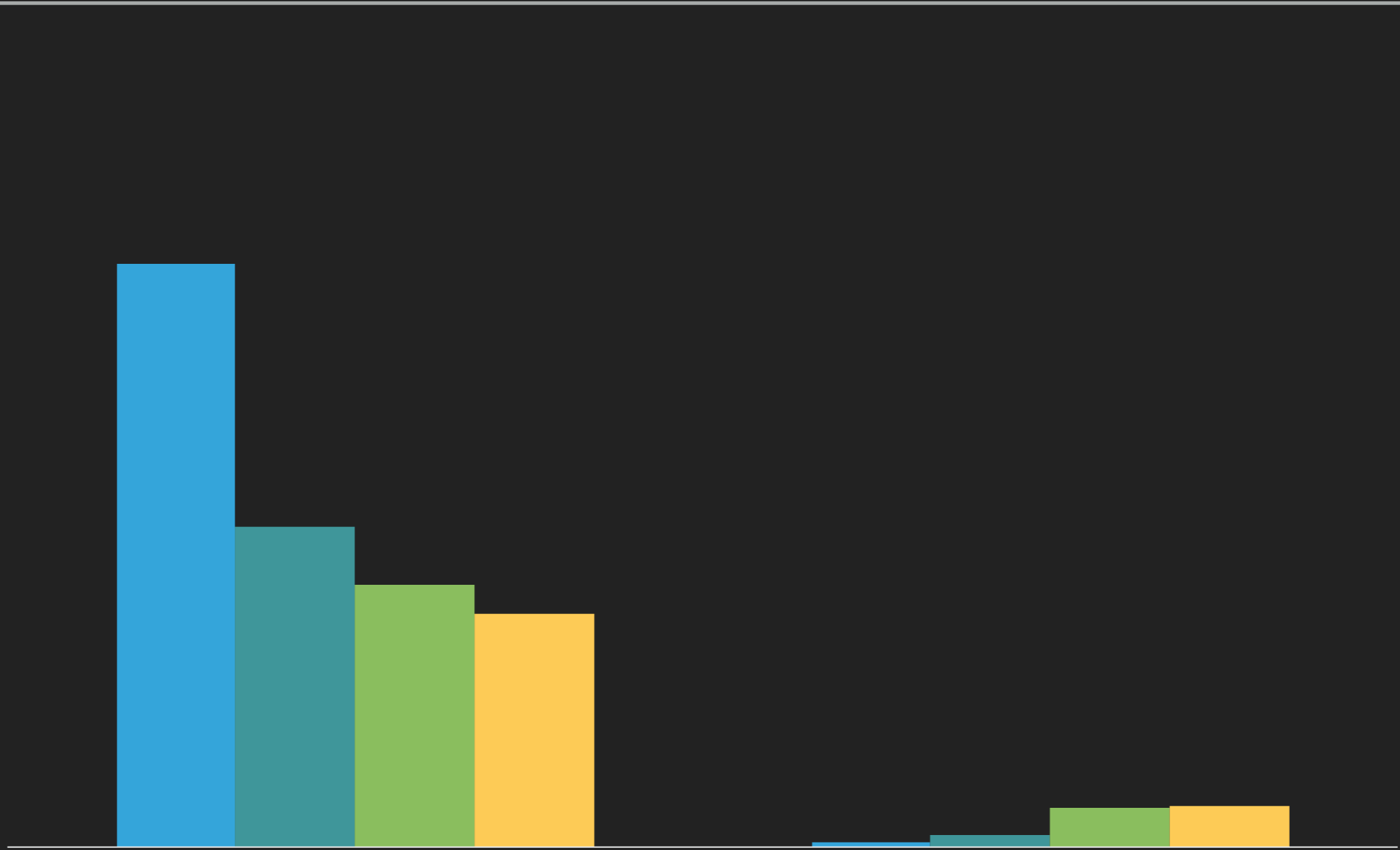
CH

■ 1990

■ 2000

■ 2010

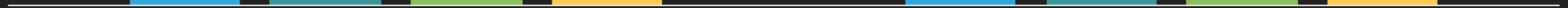
■ 2018





# WARHEADS

12000  
10000  
8000  
6000  
4000  
2000  
0



US

CH

2000 2005 2010 2018

# SATELLITES

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■ US ■ CH ■ BR ■ MX ■ AR ■ CO



# COMBAT CAPABLE AIRCRAFT

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■ US ■ CH ■ BR ■ MX ■ AR ■ CO



## ACTIVE MILITARY FORCES (MILLIONS)



Source: IISS (1991; 2002; 2010; 2018)

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**Beijing increasingly perceives United States as a revisionist great power trying to encircle the PRC by bullying a Cold War 2.0 attired as arms race, expanded military alliances, trade and tech securitization with extra-economic coercion.**

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**“U.S. ADJUSTMENT AND ACCOMMODATION TO THE RISING ECONOMIC POWER OF THE EAST ASIAN REGION IS AN ESSENTIAL CONDITION FOR A NON-CATASTROPHIC TRANSITION TO A NEW WORLD ORDER”.**

**Arrighi and Silver (1999, p. 289)**

# 3. PRC POLICY TOWARDS LAC





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# LAC POLICY IS CONSISTENT WITH GRAND STRATEGY

- PRC 13th Five Year Plan (2016–2020)
- Building the Belt and Road (2017)
- 19th CPC Congress Report (2017)
- UN 2030 Sustainable Development Goals
- UNFCCC Paris Agreement COP 21
- 2021 100th anniversary CCP
- 2049 100th anniversary PRC

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**“CHINESE ECONOMIC POLICY IN LATIN AMERICA WAS CONDITIONED BY THE DECLINE OF THE HEGEMONIC INFLUENCE OF THE UNITED STATES IN THE REGION. [...] THERE WAS AN INVERSELY PROPORTIONAL RELATIONSHIP BETWEEN THE INVESTMENTS MADE BY CHINESE STATE-OWNED COMPANIES, THE GRANTING OF BANK LOANS, THE EXPORTS OF MANUFACTURES WITH THE HEGEMONIC INFLUENCE OF THE UNITED STATES EXERCISED IN THE REGION. IN OTHER WORDS, BEIJING FILLED THE GAP LEFT BY A DECREASE IN THE AMERICAN PRESENCE IN ITS OWN ‘BACKYARD’.”**

**Urdinez (2017)**

# THROUGH A ROBUST POLICYMAKING MATRIX

<b>Decide</b>						<b>Monitor</b>
			<b>Sector</b>			
			<b>Military</b>	<b>Economy</b>	<b>Diplomacy</b>	
	<b>Level</b>	<b>Tier 1</b>	<b>CMC</b>	<b>CFEAC</b>	<b>CFAC</b>	
		<b>Tier 2</b>	<b>PLA</b>	<b>MOFCOM</b>	<b>MFA</b>	
<b>Tier 3</b>		<b>PLA-Navy</b>	<b>MOFCOM-CIPA</b>	<b>MFA-DLACA</b>		
<b>Evaluate</b>						<b>Implement</b>

- 
- Central National Security Commission (中央国家安全委员会)
  - Central Foreign Affairs Commission (中央外事工作委员会)
  - Central Military Commission (个机构两块牌子)
  - Central Financial Economic Affairs Commission (中央财经委员会)
  - NPC and CPPCC Special Committees of Foreign Affairs
  - Ministry of Foreign Affairs (外交部)
  - Ministry of Commerce (商务部)
  - National Development and Reform Commission (国家发展和改革委员会)
  - Ministry of Industry and Information Technology (工业和信息化部)
  - Ministry of State Security (国家安全部)
  - Ministry of Defense (国防部)

- 
- People's Bank of China (中国人民银行)
  - China Development Bank (国家开发银行),
  - EXIM Bank of China (中国进出口银行)
  - China Export & Credit Insurance Corporation (中國出口信用保險公司)
  - MFA's Department of Latin America and Caribbean Affairs (拉丁美洲司),
  - MOFCOM's China Investment Promotion Agency (商务部投资促进事务局)
  - MOE's HANBAN (国家汉办是中国教育部直属事业单位)
  - Hengqin China-Latin America Economic and Trade Cooperation Park (Zhuhai)
  - China Council Promotion of International Trade (中国国际贸易促进委员会)
  - State Owned Enterprises ((State Grid, Three Gorges, China National Petroleum etc.)
  - Private enterprises (Alibaba, Didi Chuxing, Huawei etc.)

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# USING LEGITIMATE DIPLOMATIC INSTRUMENTS

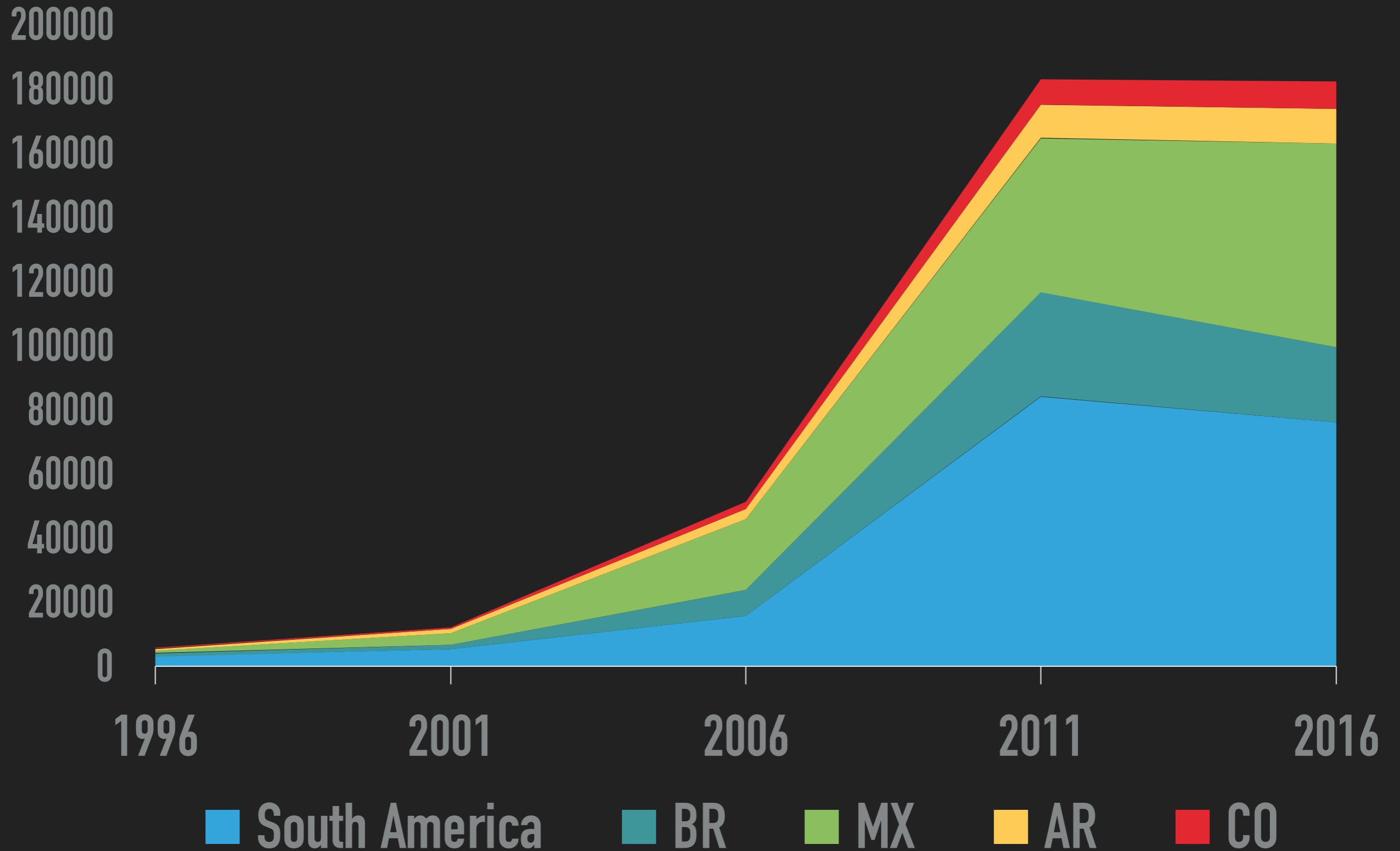
- BRICS Forum (2010)
- BRICS New Development Bank (2014)
- China-CELAC Forum (2015)
- Second China's Policy Paper on LAC (2016)
- 2013-2018 Diplomatic Relations: Costa Rica, Panama, Dominican Republic and El Salvador
- 10 of 66 Strategic Partnerships in 2018: BR, VE, MX, AR, PE, CH, CR, EC, UY, BO
- In January 2018, a new China-CELAC Joint Action Plan (2019-2021) was adopted
- Xi Jinping visited TT, CR, MX, AR, BR, CU, VE, EC, PE, CL, and PA (2013-2018)
- June 2018: AR, BO, BR, CL, EC, PE, VE as members/prospective AIIB
- December 2018: 15 LAC Countries signed BRI related MOUs with China (103 countries total)

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# TO ACHIEVE SOUNDING ECONOMIC RESULTS

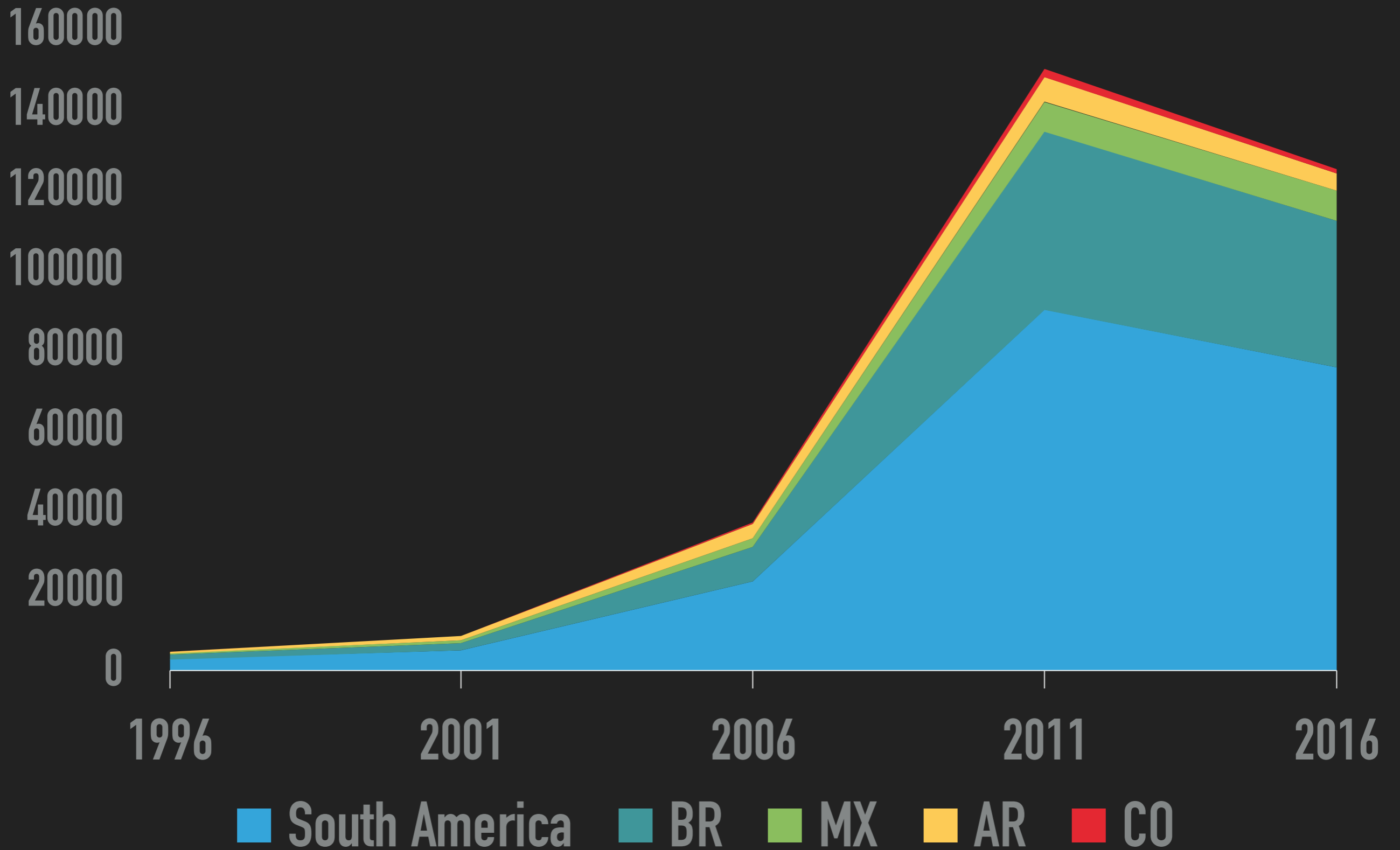
- CH-LAC trade increased 22-fold in 2007-2017, reaching USD 258 billion
- 1.8 million jobs were created in LAC (1995-2016) tied to China
- CH sovereign lending to LAC: USD 29 billion (2015) to 09 billion (2017)
- CH total stock OFDI to LAC in 2016: USD 207.1 billion (15.26% of total)
- CH was 9% of LAC's exports and 18% of its total imports in 2016
- CH was the second trade partner for LAC in 2018
- CH among top three trading partners of BR, AR, MX, and CO (imports)
- LAC-CH trade deficit in 2018 as the lowest since 2009 (-0.4%)

# CHINA EXPORTS TO





# CHINA IMPORTS FROM



# 4. USA RESPONSES



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# LAC POLICY COMBINES TRUMP AND DoD AGENDA

- National Security Strategy (December 2017)
- National Defense Strategy (January 2018)
- Nuclear Posture Review (February 2018)
- Space Policy Directive-3 (June 2018)
- National Cyber Strategy (September 2018)

- 
- From ABM to INF, USA behaves as a revisionist great power
  - Since 2003, erosion of UN and Bretton Woods governance
  - After 2017, explicit confrontation with China and Russia
  - NMD, CPGS, USCYBERCOM, USINDOPACOM, Space Force USSF
  - Declining Russia reacted militarily in Ukraine and Syria
  - Ascending China prefers limited buildup and global diplomacy
  - “China and US remain in the same big boat” . . . Zhao Suisheng

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# WITH COLD WAR 2.0 OVERTONES

- NSS 2017: “China seeks to pull the region into its orbit with loans . . . .”
- Tillerson praising Monroe Doctrine set the course (Feb 2018)
- Trump’s wall: immigration as crime, drugs and terrorism
- John Bolton’s Troika of Tyranny (Cuba, Venezuela, Nicaragua)
- Venezuela: from threat to sanctions to regime change (2018–2019)
- USSOUTHCOM Faller: “China supports malign actors” (Feb 2019)
- Regional allies enthusiasm spectrum: from Bolsonaro to Moreno . . .

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# AND AD HOC INSTRUMENTS

- Kimberly Briar's DoState Bureau of Western Hemisphere Affairs
- Trump Team: Elliot Abrams, John Bolton, Marco Rubio...
- SOUTHCOMM Theater Strategy 2017-2027
- TPP withdraw enfeebles the Pacific Alliance (MX CO PE CH)
- Rushed United States-Mexico-Canada trade deal (USMCA)
- Trump-Xi meeting during G20 in Buenos Aires (November)
- USD 60 billion USA International Development Finance Corporation

**“NO EXTRA-REGIONAL POWER, INDIVIDUALLY OR JOINTLY, HAS THE MILITARY DEPLOYMENT THAT THE US HOLDS IN THE REGION: THE SOUTHERN COMMAND, LOCATED IN MIAMI; THE RE-ACTIVATION, IN 2008, OF THE FOURTH FLEET (DISSOLVED IN 1950); MILITARY BASES (IN CUBA AND HONDURAS); COOPERATIVE SECURITY LOCATIONS (IN EL SALVADOR AND ARUBA-CURAÇAO) AND THE SO-CALLED COOPERATIVE SECURITY ORGANIZATIONS (DEFENSE COOPERATION OFFICES, DEFENSE REPRESENTATION OFFICES, MILITARY DEFENSE ADVISORY GROUPS, DEFENSE COORDINATION OFFICES) IN DIFFERENT COUNTRIES OF LATIN AMERICA.”**

**Tokatlian (2018)**





**“(... ) COMPARISON OF CHINESE AND US ARMS SALES SHOWS THAT IN 2015 THE USA ACCOUNTED FOR 41% OF ARMS TRANSFER AGREEMENTS WITH DEVELOPING NATIONS AND CHINA JUST 9%. (... ) FROM 2012 TO 2015, THE USA AND WESTERN EUROPE AVERAGED 66% OF ARMS SALES TO LAC, WHEREAS CHINA AVERAGED 16.3%.”**

**Wise and Chang (2017)**

# COMPARING USA AND CHINA IN LAC – 2016

	USA	CHINA
Trade Partner Rank	1st	2nd
Largest Export Market	20 countries	03 countries
Largest Import Source	25 countries	06 countries
Share LACs Exports	45 %	09 %
Share LACs Imports	32 %	18 %

Source: KOLESKI & BLIVAS (2018)

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**“US TRADE AND INVESTMENT FLOWS TO LAC STILL TOWER OVER THOSE BETWEEN CHINA AND THE LAC REGION. ON TRADE, IN 2016 TOTAL TRADE (EXPORTS AND IMPORTS) BETWEEN CHINA AND LATIN AMERICA AMOUNTED TO NEARLY US\$ 213 BILLION, WHEREAS TOTAL US–LAC TRADE WAS ABOUT US\$ 758 BILLION THAT SAME YEAR. ON FDI, THE USA ACCOUNTED FOR 20% OF LAC’S OFDI INFLOWS IN 2014 (US\$ 31.8 BILLION), COMPARED WITH CHINA’S 6% SHARE THAT SAME YEAR (US\$ 9.5 BILLION).”**

**Wise and Chang (2017)**

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# 5. CHALLENGES FOR PRC



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**“THIS LEADERSHIP MUST BE WILLING AND ABLE TO RISE UP TO THE TASK OF PROVIDING SYSTEM-LEVEL SOLUTIONS TO THE SYSTEM-LEVEL PROBLEMS LEFT BEHIND BY U.S. HEGEMONY. THE MOST SEVERE AMONG THESE PROBLEMS IS THE SEEMINGLY UNBRIDGEABLE GULF BETWEEN THE LIFE-CHANCES OF A SMALL MINORITY OF WORLD POPULATION (BETWEEN 10 AND 20 PERCENT) AND THE VAST MAJORITY.”**

**Arrighi and Silver (1999, p. 289)**

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# CHALLENGES ARE OUTSIDE-IN AND INSIDE-OUT

## From OUTSIDE:

- Main variable is the outcome of trade talks with USA
- Pragmatic country-to-country refinement is due
- South-South Cooperation for Development MX, BO, CU, UY
- Trade, investment and financing BR, AR, CO, PA
- Market access, local job creation, technology development: CR, PE, CL
- Keeping the China-CELAC Forum alive is crucial
- Venezuela as the litmus test for everyone involved with LAC



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## From INSIDE:

- How to growth 6 to 6.5% and prevent debt buildup: reforms and safety net
- US (2.3%), EU (1.9%), Japan (0.5% ) growth rates in 2019 are the real bad news
- Avoid MFA–DLACA 80 diplomats becoming a bottleneck to LAC policy
- 39 state organs in the Preparatory Committee and CCF Follow Up
- 22 embassies, 40 diplomats in Brazil, 13 in Mexico
- Strength SASAC–PBC–NDRC–MOFCOM coordination of funds and projects
- HKNDG (Cayman) and CNPC “Loan for Oil” program as negative examples
- Better coordinate province and local governments initiatives
- Use 60 academic LAC centers in China to assess “tractability” of challenges

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## IN SHORT

- China does not displace US Hegemony in LAC
- China relies on Economy and Diplomacy
- Trump government aggressive agenda has some LAC support
- China shall offer LAC respect, Kapital, South–South agenda
- China wants diplomatic support and logistic sustainability
- LAC lacks grand strategy and minimal coordination
- Americas 2018: US (Y 31%, N 53%, ? 17%), China (Y 30%, N 33%, ? 36%)
- Remember Huntington (1968): institutionalization matters

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**Thank you**

**Obrigado**

**谢谢**