U.S.-China Relations in a Global Context:  
The Case of Latin America and the Caribbean

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Today, there is little doubt that the People’s Republic of China has moved from the periphery to become a central actor in Western Hemisphere affairs. By almost every conceivable metric, including presidential visits and high level diplomacy, the pace of trade and investment, and the level of cultural exchange, China’s relations with Latin America have never been so robust. Moreover, this deepening relationship has occurred against the backdrop of three inter-related trends. First, China’s high rate of economic growth has driven its search for new markets as well as endowed it with greater resources to cultivate political alliances throughout the world, including Latin America. Second, Latin American and Caribbean economies are seeking to diversify their trade partners and take advantage of the economic opportunities presented by China. Third, Latin America remains an important battleground for diplomatic recognition between China and Taiwan as Beijing attempts to pry loose Taipei’s remaining allies in the region.

President Hu Jintao’s successful visit to Latin America in November 2004, during and after the Asia-Pacific Economic Cooperation (APEC) summit, marked the moment when China’s expansion into the Western Hemisphere drew widespread notice in the United States. After the summit in Chile, President Hu traveled to Argentina, Brazil, and Cuba, and he subsequently returned the following year to visit Canada and Mexico. This spate of high level diplomacy between China and the Western Hemisphere prompted a flurry of articles and policy reports from U.S.-based institutions that sought to explain increased Chinese activity on America’s southern flank. Some observers fretted that the combination of an expanding China, the rise of the political left in Latin America, and the declining U.S. image and influence in the region would create a potentially negative situation for U.S. interests in the hemisphere. However, many of these initial fears proved to be exaggerated, although areas of concern remain. In November 2008, President Hu returned to the region to attend the APEC summit in Peru and then traveled on to Costa Rica and Cuba. This time, in the context of the worsening global economy, concerns about how a Chinese economic slump may undermine the region’s economic growth was as much of a concern as any increase of Chinese influence.

China’s global search for the commodities necessary to sustain its rapid economic expansion forms the bedrock of its relationship with Latin America. The pace of trade between China and the region has skyrocketed from $10 billion in 2000 to over $140 billion in 2008. This is an impressive figure, although still well below the $560 billion in U.S.-Latin American trade, and only half the $280 billion in trade between Europe and Latin America. Still, China is now Latin America’s third largest trading partner after the United States and the European Union, and its clout is poised to grow.

According to the official Chinese trade figures for 2008 released by Xinhua Economic News Service, Brazil was China’s largest trading partner last year with two-way trade totaling $48 billion, followed by Mexico with $17.6 billion, Chile with $17.5 billion, and Argentina with $14.8 billion. Peru, Venezuela, Panama, and Colombia rounded out China’s top eight trading partners in the region. It is striking to note that Chile is on the verge of edging out Mexico to become China’s second largest trading partner, reflecting the fact that Chile became the first ever country to sign a free trade agreement with China in 2005. China has completed trade negotiations with Peru and is
in negotiations with Costa Rica. However, China only joined the World Trade Organization in 2001, and is still in the very early stages of plotting its long term trade strategy.

**Political and Security Concerns**

Does China’s renewed economic presence in Latin America pose a short term or long term threat to U.S. political and security interests in the Western Hemisphere? This question defies an easy “yes” or “no” answer. While China’s engagement in Latin America appears highly dynamic at a moment when the U.S. influence has diminished sharply across the region, there are few signs of any real frictions between the U.S. and China in Latin America. Indeed, China is sensitive to U.S. perceptions of its involvement in Latin America and clearly places its highest priority on its relations with Washington. For its part, the U.S. supported China’s bid to become an observer of the Organization of American States in 2004 and recently approved China’s admission into the Inter-American Development Bank as a donor member. Still, U.S. officials expressed some concerns about China’s activities in the hemisphere, principally related to Venezuela and Cuba, as well as questions about the Chinese role in managing the Panama Canal. Bilateral tensions could grow over time, although it is equally possible that the economic links with China can play a positive role in helping to build a more prosperous and globally-minded Latin America. Indeed, given the rapid advancement of globalization, it is important to remember that China is just one of many non-hemispheric actors deepening ties with Latin America – a group that includes strong U.S. allies like the European Union, Japan, India, and South Korea, as well as current or potential rivals such as Iran and Russia.

The relationship between China and Venezuela’s Hugo Chavez has been the subject of substantial debate and analysis. Much of this has been driven by Chavez’s obvious interest in developing China as an export market for petroleum products, but China has shown little enthusiasm in becoming entangled in Chavez’s larger goal of counter-balancing U.S. influence in the hemisphere. Chavez has pledged to sell China 1 million barrels of oil per day by 2011, but the two countries have been slow to hit their targets. While Chavez’s own comments have sparked speculation and concern that the Venezuelan government may attempt to cut off oil supplies to the United States and sell to China instead, the logistical difficulties and transportation costs remain daunting. In any case, Venezuela is currently heavily dependent on its sales to the U.S., and since oil is a fungible commodity on the global market the U.S. could simply purchase oil from alternative sources.

China is currently the second largest trading partner of Cuba. Cuba’s main exports to China include nickel and sugar, and Havana is buying a range of Chinese consumer goods, as well as buses and trains to help alleviate the island’s transportation crisis. Chinese officials stress that they want to maintain positive relations with Cuba and adhere to their policy of non-intervention in the affairs of other states. Still, their renewed economic engagement in Cuba has helped to revive the Cuban economy.

China’s role in Panama has been another area of U.S. concern, driven mainly by the geo-strategic importance of the Panama Canal. Indeed, when the United States
formally handed over control of the Canal Zone to Panama on December 31, 1999, there was a swathe of commentary that the move would endanger U.S. interests due to the fact that Hutchison-Whampoa, a Hong Kong company with ties to the Chinese military, had won a contract to manage two canal ports. During the past eight years, however, trade through the Panama Canal has proceeded uninterrupted. The United States and China now rank as the two top users of the canal, and companies from the two countries have joined with a Japanese firm in a consortium to bid for a role in the expansion of the Panama Canal.

More broadly, China’s military relations with Latin America and the Caribbean remain underdeveloped and there are few signs that China is pursuing the goal of conventional power projection into the Western Hemisphere. There is active satellite cooperation between China and several countries in Latin America— including Brazil, Argentina, and Venezuela. Since 2004, China has deployed about 125 riot police in Haiti as part of the 9,000 troop strong United Nations peacekeeping mission there.

The diplomatic tussle between Taiwan and China remains a contentious issue in the region, especially in the Caribbean and Central America. Beijing rigorously promotes its “One China” policy, which means that non-recognition of the Taiwanese government is a prerequisite for conducting formal diplomatic relations with the People’s Republic of China. Although Latin American countries involved in this geopolitical chess match have little individual clout, together they make up the most significant group of states caught in the cross-strait tug-of-war, representing 12 of the 23 countries that recognize Taiwan. Today, Taiwan preserves relations with Guatemala, Belize, El Salvador, Honduras, Nicaragua, and Panama, as well as the Dominican Republic, Haiti, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Paraguay—the lone holdout in South America.

**Potential Areas for Collaboration**

Latin America may offer fewer possibilities for U.S.-China collaboration than other areas of the world. A U.S.-China security dialogue on Latin American issues is not likely to be a high priority for either country, and China’s security interests in Latin America are minimal. While Chinese and American business interests are generally perceived to be competitors in the region, there may be occasional opportunities to collaborate on major infrastructure projects such as in the case of the Panama Canal. The U.S. is unlikely to rely on China to help mediate disputes with governments in the region where relations with Washington are strained, such as Cuba, Bolivia, Nicaragua, and Venezuela. If Chinese officials could encourage further markets reforms in Cuba, then this could be quite welcome from the U.S. perspective, but the current Cuban leadership has resisted entreaties to embrace “the China model” of economic reform.

Thus far, U.S.-China collaboration in Latin America and the Caribbean has proved most fruitful when conducted under the auspices of existing multilateral institutions, such as development projects undertaken through the OAS or China’s participation in the UN peacekeeping mission in Haiti. China’s participation in the Inter-American Development Bank will pave the road for enhanced economic cooperation in a multilateral setting. In the short term, continued regional collaboration by China and the
U.S. in multilateral institutions holds the most promise for cooperation between the two countries in Latin America and the Caribbean.