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POWER STRUGGLE IN THE BACKYARD:

China's Assertion in Latin America and the Caribbean

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Introduction

When the US realised that the USSR had plans to install its missiles in Cuba, it was threatened and agitated enough to bring the whole world to a standstill. It would be so since Cuba was and still is considered to be in the backyard of the US. A rival's reception in its backyard is enough to disconcert a country, and here we are talking about the installation of missiles, especially during a volatile period of the Cold War. Rewinding history to sixty years might not be necessary when just a year ago another such crisis took place in the form of the Russia-Ukraine Crisis. The Crisis, according to Russia, was exacerbated by the expansion of NATO in its backyard. In his 2014 blog, titled '*Why the Ukraine Crisis is the West's Fault*', John J. Mearsheimer writes, "Washington may not like Moscow's position, but it should understand the logic behind it. This is Geopolitics 101: great powers are always sensitive to potential threats near their home territory." (Mearsheimer 2014).

The term "backyard" has huge significance in international relations. It might not be used literally, but "backyard politics" has been fundamental throughout history in the context of wars and conflicts. In his book '*Tragedy of Great Power Politics*', Mearsheimer also mentions that "Insular powers, however, might be attacked over land by a rival great power if that adversary can deploy troops on the territory of a minor power in the insular state's backyard."

The objective of this essay is to highlight the significance of Latin America and the Caribbean (LAC) in the relationship between the U.S. and China. The trade between the two countries since 2010 has more than doubled, and China now stands to be South America's leading trade partner. Chinese investments are majorly deployed in the space industry and the energy infrastructure of the region. Beijing is also gradually expanding its diplomatic, cultural, and military presence in the region. For instance, during COVID-19, millions of Chinese vaccines and medical equipment were supplied to the region.

Consequently, the United States and its allies fear that Beijing's sole motive for building these relationships is to pursue its geopolitical goals, including the further isolation of Taiwan, and bolster authoritarian regimes.

Importance of Latin America and the Caribbean (LAC)

Latin America and the Caribbean (LAC) has long been neglected or ignored. Some would argue that this neglect comes from LAC's restricted role in global diplomatic affairs owing to its many internal problems: the constant struggle for democracy, extreme economic volatility, burgeoning inequality, or deep-seated corruption. Indeed, these issues do not leave much energy or resources for external diplomacy at the helm of governments or civil societies.

However, the winds have been shifting. LAC has been gaining the spotlight in global affairs. Brazil has been making efforts to gain a permanent seat in a reformed UN Security Council, which might put the region on a global stage and provide it with a much-required representation. Along with this, Argentina, Brazil, and Mexico are members of the G20 group, which is significant as the members try to achieve some coordination of policies in the fields of finance, trade, and investment. In Diplomatic parlance, it is better for a country to be in a room and be part of the conversation than to be outside the room and play guesswork.

If the diplomatic efforts were not apparent, then the fact that the world cannot move towards a green and sustainable economy without Latin American countries should bring out the urgency and relevance of this region. The word "Lithium" began coming up in our conversations as the world and various national governments began their push towards "net zero emission". Lithium is an important mineral that is a key component in rechargeable lithium-ion batteries. These batteries are used in wide-ranging devices, from smartphones and laptops to electric vehicles and energy storage systems. In short, a shift to a green and clean economy is next to impossible without this mineral. Interestingly, Latin America holds three of the largest lithium reserves in Bolivia, Argentina, and Chile, respectively. With an estimated population of 650 million people, Latin America and the Caribbean provide an attractive market for foreign investors.

The region serves as a gateway to both North and South America. The Panama Canal is a key waterway that connects the Atlantic and Pacific Oceans and is a vital trade route for ships to not

just travel between North and South America but also between Asia and the East Coast of the United States. The geopolitical significance of this region was ascertained at the time of the Cold War, with the region witnessing an increase in hostility between the two superpowers, the US and the USSR, during the Cuban Missile Crisis.

US-LAC Relations: Sour Candy

The trajectory of US and Latin American relations can be illustrated through the instance of Cuba because, at the end of the Spanish-American War, the Treaty of Paris led to the acquisition of the Spanish colonies of Puerto Rico, Guam, and the Philippines by the United States. This was a major event that would mark the beginning of the rise of the United States as a superpower and also the United States' perspective of considering Latin America as its younger brother, who is always expected to align with "Big Brother's" whims. The United States has played "Big Brother" with all its neighbours. In Latin America, it has always been politically and economically influential. This influence, a great number of times, has resulted in regime change for an individual or political party of its preference. For instance, the CIA orchestrated a military operation in Cuba wherein some Cuban exiles were trained to overthrow the regime of Fidel Castro. The operation failed and eventually led the way for the Cuban Missile Crisis.

More often than not, US presidents have been dismissive of their Southern neighbours. In 1913, Woodrow Wilson invaded Mexico to remove Victoriano Huerta from power, who ironically reached the presidency that year through a coup orchestrated by the U.S. ambassador in Mexico City. Wilson justified this with, "I am going to teach the South American republics to elect good men!" This attitude could be seen half a century later, when Henry Kissinger famously stated that "history has never been produced in the South." (Piccato and Finchelstein 2016). Such statements not only disregard the sentiments and struggles of South Americans in attaining liberties or independence but also covertly justify the US support of military coups in the region.

Another issue that has burgeoned the creation of anti-American sentiments in LAC is the role of corporations and their exploitation of natural resources. The US has often imposed free trade agreements and other policies that give US companies access to Latin American markets. This

obstructs the exports from LAC of their own products to the US. It would not be far-fetched to say that the US was greatly responsible for the economic and political instability that is witnessed today in LAC, as over the years, it has supported military coups in many LAC countries, from Cuba to Brazil, Chile, Argentina, etc., wherein the U.S.-supported regimes were the ones involved in the exploitation of natural resources by American companies.

In March 2023, General Laura Richardson, Commander of United States Southern Command (USSOUTHCOM), stated that the United States' comparative trade advantage in the region is eroding (Gen. Laura J. Richardson 2023). She points out the statistics that “in 2002, PRC trade with Latin America and the Caribbean was just \$18 billion; in 2022 it ballooned to \$450 billion. The number is expected to increase to \$700 billion by 2035.” (Gen. Laura J. Richardson 2023)

China's Ambitions in the Region

China's deemed president for life, Xi Jinping, set an ambitious goal for the five-year period between 2015 and 2019 of \$500 billion in trade with the Latin American and Caribbean region (LAC) and \$250 billion in direct investment (Xinhua 2015). Over the last two decades, China has shown a growing interest in strengthening its economic and financial linkages with LAC. As a whole, the percentage of LAC's exports to China of its total exports increased from 1.3% in 2000 to 14.5% in 2020 (Ding , et al. 2021). In October 2019, the State Grid Company of China purchased Chiquinta Energia, the third largest electricity distributor in Chile, for US\$3 billion. Two months later, China Yangtze Power International acquired Luz del Sur, the largest electricity company in Peru, for US\$3.6 billion. Both acquisitions were among the largest FDI ever received by Chile and Peru (Ding , et al. 2021).

In a report published by the U.S.-China Economic and Security Review Commission in 2018, the executive summary read that China is the region's second-largest trading partner after the United States and the number one trading partner for Brazil, Chile, and Peru. In 2016, China accounted for nearly 9% of LAC exports and 18% of LAC imports. The report also states that the rapid growth of LAC imports from China is decreasing the U.S. market share in the region and increasing the region's economic dependence on China. Chinese banks are financing more infrastructure in

Latin America than the World Bank and the IADB combined (US-China Economic and Security Review Commission 2018).

China has been expanding its footprint in global finance, most notably through the Belt and Road Initiative (BRI). BRI provides large state-owned enterprises to overcome the limitations of domestic capacity; hence, a shift towards overseas markets for investment opportunities becomes a natural choice. China's Ministry of Commerce's (MOFCOM) FDI stock data indicate that Brazil is the main destination of Chinese investment, wherein Chinese Mergers and Acquisition (M&A) almost doubled from US\$12.5 billion in 2011-14 to US\$23 billion in 2015-18, or about 5 percent of Brazil's GDP in 2018. (Ding , et al. 2021).

Latin America has proven to be a beneficial market for Chinese military equipment. With next to no arms sales to the region before 2005, China is now a key supplier to Latin America. Venezuela continues to lead in China's LAC arms sales, according to SIPRI. Bolivia, for example, has secured deals worth \$58 million and \$108-113 million in 2009 and 2012, respectively, for China's Karakorum trainer jets and Panther helicopters. Interestingly, in 2009, Peru, a key economic partner for the United States in the region and supporter of the U.S.-led Trans-Pacific Partnership, purchased 15 of China's FN-6 portable surface-to-air missiles (SAMs) in a \$1.1 million deal, along with ten more of its SAMs. In March 2023, Argentina revived the deal of buying Chinese JF-17 fighters after halting the deal last year (Nixon 2016).

China has also exerted its soft power in the region through Confucius institutes and various multilateral platforms such as the China-Community of Latin American and Caribbean States (CELAC) Forum, the United Nations, the Organisation of American States (OAS), the G5 Group (Brazil, China, India, Mexico, and South Africa), BRICS, and the BASIC Group. President Xi Jinping has visited the region 11 times since taking office in 2013. Seven countries—Argentina, Brazil, Chile, Ecuador, Mexico, Peru, and Venezuela—have also signed strategic partnerships with Beijing. Such a committed diplomatic outreach provides Beijing with an automatic advantage in its strategy to isolate Taiwan, which, to a large extent, has been extremely successful. The Global Civilisation Initiative (GCI) by the Chinese government aims to leverage growing people-to-

people exchanges in media, politics, and educational exchanges to influence the opinion of LAC towards China and garner support for China's foreign policy objectives.

Cause of Worry to the US

The political systems in major Latin American countries have been transitioning to nationalism or hyper-nationalism. In many countries, anti-American governments have ascended to power, which has made China's engagement in the region smooth and robust. Two of China's biggest trading partners in LAC, Brazil and Argentina, have shown their willingness to settle trade with China in yuan. Argentina will aim to buy around \$1 billion of Chinese imports in April using the yuan and hopes to pay for around \$790 million of monthly imports in Chinese currency. These countries are seeking to reduce their reliance on the US dollar, with officials earlier this year launching discussions on a common unit of account to bypass the dollar in bilateral trade. In 2017, Venezuela stopped using U.S. dollars in its oil trade activities in response to U.S. economic sanctions.

General Laura Richardson, in her statement before the 118th Congress, said, "The PRC is investing in critical infrastructure, including deep-water ports, cyber, and space facilities which can have a potential dual use for malign commercial and military activities." "In any potential global conflict, the PRC could leverage strategic regional ports to restrict U.S. naval and commercial ship access", she added. (Gen. Laura J. Richardson 2023)

General Richardson, in a way, validates the paranoia of the US relating to an "unchecked rise" of China. Chinese companies, mostly sponsored by the PRC, are engaged in or bidding on several projects associated with the Panama Canal, which is known to be a global strategic chokepoint. With 11 PRC-linked space facilities across five countries, it is not untrue that the PRC has been developing its space domain awareness and consequently upgrading its military capabilities in the region. Such an enhancement in space and satellite technologies can provide China an easy and effective surveillance of the world's largest economy. Her statement released by the House of Armed Services Committee is an alert and a cry for help from the U.S. government to better their relations with the LAC countries, or the U.S. would be looking at a dangerously close and powerful China in its backyard.

To take an example from Indian history as a metaphor that would define the U.S. trajectory in the region is when in the 1970s, Indira Gandhi was completely isolated with a ‘Grand Alliance’ of opposition parties standing against her, she still managed to win. Why? While the ‘Grand Alliance’ was selling the medicine of “Indira Hatao”, Indira Gandhi was selling the dream of “Gareebi Hatao,” which resonated more with the masses and created hope in them. While the US is fixated on opposing China and makes it the major or sometimes sole topic of discussion with other countries, including LAC, China is selling dreams and hope of a brighter future to these countries by focusing on trade, investment, and infrastructure.

The Future of the Region

Latin America’s external relations have historically been shaped mainly by the region’s relationship with the United States and Europe. China’s interest in LAC extends beyond investments and resource exploitation. LAC provides China with an opportunity to create its presence in America’s backyard, just as America has its presence in China’s apparent backyard in the Indo-Pacific. Also, Chinese investments enforce a diplomatic thrust over the region, which enables the countries to align with China, not just economically but also politically. The world has been seeing China reap the fruits of the seeds it sowed in the LAC with the denunciations of Taiwan and the recognition of the People’s Republic of China. Since Taiwanese President Tsai Ing-wen took office in 2016, Panama, the Dominican Republic, El Salvador, and Nicaragua have all switched their allegiance to Beijing. Last month, in March 2023, Honduras also ceased its diplomatic ties with Taiwan. Out of 33 Latin American countries, only three (Guatemala, Haiti, and Paraguay) are left that recognise Taiwan. This sort of diplomatic influence provides China an edge over its contemporaries without wielding swords. The greater the number of countries that will ally with China, the greater will be its presence and, consequently, its monopoly over Western institutions like the WTO and the United Nations.

China has been influencing the world with its economic might to gain political and diplomatic dominance; LAC too is part of such a pattern. China has ambitions to become the sole superpower of the world, and it cannot be done without influence or allies. China aims to amplify and

strengthen the strategic synergy with Latin America to also increase and lead the Global South. Lastly, the U.S. “pivot to Asia” and China’s increasing presence in America’s “backyard” cannot be observed as separate events, as they are largely interlinked. China’s penetration into LAC is predominantly an endeavour to counterbalance the U.S. presence in Asia.

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