

# China in Latin America: an inconvenient guest\*

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## ABSTRACT

The exponential involvement of China in Latin America has triggered a debate about the possible consequences of this may have on America's hegemony in the hemisphere. Even though China does not seem ready to challenge Washington's primacy in the region, its actions are affecting the balance of power. From a Neorealist theoretical approach, this research evaluates the economic and military ties between Beijing and the region, in order to answer the question: Is China undermining US hegemony in Latin America? It finds that China has emerged as an alternative source of financing for development projects and infrastructure, promoting the image of Beijing as a role model in the international arena, and hindering, meanwhile, Washington's exercise

of power. Military ties with the countries in the region have helped Beijing to strengthen its position in the global balance of power, but these are not being targeted to weaken US hegemony in the short-term.

**Key words:** Hegemony, Great Powers, Latin America, Economic Relations, Military Relations.

## China en América Latina: una invitada inconveniente

### RESUMEN

La creciente presencia de China en América Latina ha alimentado un debate acerca de las posibles consecuencias que puede tener para la hegemonía estadounidense en el hemisfe-

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rio. Aunque China no parece estar lista para competir por la hegemonía en la región, sus acciones están afectando el balance de poder. Desde una postura neo-realista, este ensayo revisa los vínculos comerciales y militares entre Beijing y América Latina, con el objetivo de responder la pregunta: ¿está China quebrantando la hegemonía de EE.UU. en la región? El documento demuestra que China ha emergido en los últimos años como una fuente alterna de financiamiento para proyectos de desarrollo e infraestructura y esto ha fortalecido la imagen de Beijing como modelo a seguir en el ámbito internacional, minando, al mismo tiempo, el ejercicio de poder estadounidense. Los vínculos militares con los países de la región han ayudado a Beijing a fortalecer su posición global en términos de distribución de poder, pero no se han enfocado en debilitar la hegemonía estadounidense en el corto plazo.

**Palabras clave:** hegemonía, súper potencias, Latinoamérica, relaciones económicas, relaciones militares.

Over the last four decades, China has ascended at a rate that, if it continues, would make the country powerful enough to rearrange the whole international system. After the collapse of the Soviet Union, the United States reconfirmed its dominant position and status as the only superpower, creating a unipolar world order (Brooks & Wohlforth, 2017). However, the Chinese economy today is the second largest in the world—measured by GDP—and it is expected to overtake the US as the largest economy by 2050 (Gray, 2017). Economic power translates almost inevitably into military and

political power. Over the last few years, China has been increasing its military spending and has modernized its armed forces (SIPRI, 2016; SIPRI, 2018). In addition, the Asian power has shown confidence to challenge the status quo in international issues such as the South China Sea dispute. China has used its economic and military power to build artificial islands and expand its military presence in order to gain control of the whole zone. During the last decade, Beijing has felt confident enough to open its first military base abroad, in Djibouti, develop the ‘Go Out’ policy to strengthen economic ties with different regions of the planet—including Latin America, and even to propose ambitious futuristic projects such as the Belt and Road Initiative. The hegemonic position enjoyed by the US in the unipolar world during the nineties and beginning of the two-thousands is now under scrutiny. China might not be ready to challenge the unipolarity of the international order yet, but its ascent has stimulated questions about a future bipolarity/multipolarity of the system and the consequences this may have on different regions of the world.

Latin America—LA—is geographically located in the closest sphere of US influence and this particularity has determined the relations between the hegemon, the region, and any foreign power throughout history. Even though the continent was dominated by European powers for centuries, after the wave of independence movements, the emergence of the US as the regional hegemon eradicated any attempt of further European intervention. Washington assured its dominance through the *Monroe Doctrine*. LA regained Washington’s strategic

attention during the Cold War, when the USSR inspired and supported leftist revolutions in Cuba, Nicaragua, El Salvador, Bolivia, Uruguay and Guatemala, among other countries. The presence of Moscow in America's 'backyard' triggered a wave of interventionism to stop the advance of Communism.

Nevertheless, with the collapse of the USSR, the US turned its attention to other areas of the globe, particularly the Persian Gulf during the conflicts in the nineties. The *War on Terror* made the region almost irrelevant in the new world order –with the exception of Colombia and its long-lasting civil war. The US faced the threat of non-State actors rather than the superpower competition of the 20<sup>th</sup> century and LA was not a natural niche for radical Islamism and terrorism. Even though America has historically been confident about the balance of power and its geostrategic advantage, Washington has always reacted when a foreign power has tried to modify the regional order. Beijing's actions in the region may not be seen as an imminent threat to US position; however, a growing Chinese presence in the region in the long-term can undermine Washington's influence, and thus can have consequences in the global distribution of power.

China has been increasing ties with LA in recent years. In 2001, President Jiang Zemin travelled to Chile, Argentina, Brazil, Cuba, Uruguay, Venezuela, and Mexico. From 2002 to 2008, President Hu Jintao visited Brazil, Argentina, Chile, Costa Rica, Cuba, and Perú. In 2012, Wen Jiabao travelled to the region. Xi Jinping visited Latin American countries in 2014, 2016 and 2018. These high-level meetings were accompanied by lower-level

contacts between diplomatic bodies, corporate and business representatives, and cultural and academic exchanges. Consequently, China is now LA's second largest trade partner, the main source of international public finance and has surpassed the US as the main destination for its exports (Yen-Pin & Vargas, 2017). Additionally, the Asian country is now the second user of the Panama Canal (He, 2007) and has signed long-term agreements for infrastructure development and exploitation of natural resources. Beijing confirmed the intention to stay long term in the region with the promise, made by Xi Jinping at the first ministerial forum between China and the Community of Latin American and Caribbean States – Celac- in 2015, to invest 250 billion dollars in LA over the next decade (Rajagopalan cited by Yen-Pin & Vargas, 2017). As Washington focused on other areas of the planet, Beijing built a relationship with LA that it expects to preserve and strengthen in the coming years.

Classic-Realism points out that states operate in an anarchical system and thus, "political action, itself, (is) inspired by the moral principle of national survival" (Morgenthau, 1978, p. 11). This theoretical approach is based on human rationality that aims to maximize gains while minimizing risks. This principle drives the foreign policy of a state. Accordingly, Hans Morgenthau (1978, p. 8) cited Max Weber to explain the permanence of this principle, "Interests not ideas dominate directly the action of men".

A set of realist theorists have changed the focus from human nature to the structure of the international system as the main driving principle. For Structural Realists or Neo-realists,

the way to guarantee the survival of a state is to protect or improve its relative position in the international structure. In an anarchic system, where no one sits above the great powers and there is no guarantee that no one will attack another, it is logical for a state to increase its relative power and the position in the structure to assure its survival (Mearsheimer, 2016). In the founding work of Structural Realism, *Theory of International Politics*, Kenneth Waltz (1979) argued that “the structure of a system changes with changes in the distribution of capabilities across the system’s units”. Thus, “states may alter their behaviour because of the structure they form through interaction with other states” (Waltz, 1979, p. 93). If a given state feels that the structure is changing because a redistribution of the capabilities is taking place, it is expected that the state will modify its behaviour to protect its position in the structure. Power is the means that allows the state to modify its behaviour, influence other states and the structure as a whole. Waltz (1979) highlighted that a state is powerful to the extent that its behaviour affects others more than others’ behaviours affect its own. In consequence, great powers are willing to compete for influence in different regions of the planet as this could affect the structure in their favour.

The rise of China and the growing ties with LA versus the historical relations between the US and the region are addressed from the Structural Realism theory. As any other region in the world, LA has been a field of competition between the great powers. The colonies in the subcontinent were providers of resources to finance the competition between European

powers. With the rise of the US as an industrial power, hegemony over the region was central to Washington’s security policy. The redistribution of capabilities after WWII created a bipolar world where the US and the USSR competed for global hegemony that included approaches to LA. Although the end of the Cold War modified the structure and the US emerged as the most powerful state in the world in a unipolar order (Brooks & Wohlforth, 2017), the fast rise of China over the last decades is putting pressure on Washington. From Structural Realism, the rise of China will mean a redistribution of the capabilities and a later modification of the structure. As Waltz pointed out, “states may alter their behaviour” to influence or respond to the changes of the structure (1979, p. 93), it is, therefore, not a surprise that Washington responds to Beijing and seeks to contain China.

The growing relations between Beijing and LA could be the first signs of a redistribution of power in the hemisphere. Mearsheimer indicates that the rise of China “is likely to be the most significant event in world politics over the course of the twenty-first century” (2014, p. 28), and also points out that “the United States is the only regional hegemon in modern history” (2014, p. 41). Hence, the interaction of these two events provides a unique opportunity to explore the impacts of a rising power in the region of an incumbent hegemon. This document questions if the activities of China in the region are undermining US hegemony. It finds that Chinese activities and links with LA, particularly in economic terms, have hindered US exercise of power, but that Washington still enjoys a position of

privilege and the region is not decisively in favor of China's grand strategy.

In *The Tragedy of Great Power Politics*, Mearsheimer (2014, p. 40) states that "a hegemon is a state that is so powerful that it dominates all the other states in the system" and adds that "no other state has the military wherewithal to put up a serious fight against it". Additionally, Paz (2012, p. 5) addresses the term as "an area where power is exercised at will and without interference". For Paz (2012, p. 1) a hegemonic challenge takes place when "a rising power defies the status quo created and/or sustained by a hegemonic power, seeking peer status or attempting to become the new hegemon".

However, following the assumption of Mearsheimer (2014), that in order to become a global hegemon one power must become first a regional hegemon in its own region, the study assumes that China is not capable of overthrowing the US as the regional hegemon in LA as Beijing has not reached hegemony in its own region. East Asia is the region where a fiercer competition between the two powers is taking place and although, The Thucydides Trap is a latent possibility between a declining Washington and a rising Beijing, it is not likely that the fight for LA will trigger the first bullet. This assumption explains why this research aims to discuss how China is undermining US hegemony instead of debating if China is challenging US hegemony or if there is a power transition the region.

According to the definition of hegemony adopted, any agreement, link or tie between LA and China that interferes with US exercise of power, is understood as an obstruction to

US hegemony. Based on the realist assumption of power as a zero sum game, any increase of Beijing's presence in the region would reduce US leverage and power in some way. Hence, if China continues its expansion, a competition for influence in the region can be expected. It is commonly agreed that China has been increasing its ties with LA over the last decades, but in order to measure the Chinese presence in the region, and thus the increase of its relative power, two dimensions are considered in this essay. First, the economic links, which considers trade agreements, investment of China in the region, share of China in Latin American trade, and long-term infrastructure and investment projects. Second, the military ties between Beijing and LA, arms sales, training and cooperation agreements, the presence of formal military bases, or other types of contacts with military purposes.

## THE ECONOMIC PRESENCE OF CHINA IN LATIN AMERICA

From a materialistic view, Keohane defined hegemony as "control over capital, markets and raw materials" (cited by Urdinez *et al.*, 2016). This means that any advance of China in LA in terms of economic agreements, stronger trade relations or large investment projects would undermine Washington's hegemony in the region. According to this approach, if China gains greater control of markets, capital or raw materials in LA, Beijing will gain relative hegemony at the expense of Washington, since power is a zero-sum game from a structural realist perspective. In this section, Keohane's materialistic approach is complemented with

other consequences of the economic involvement of China in the region that could hinder America's hegemony, in order to match the selected definition of hegemony for this research, as "an area where power is exercised at will and without interference" (Paz, 2012).

In November 2016, the People's Republic of China issued the second Policy Paper on LA and the Caribbean in order to reinforce a relationship that has been growing since the turn of the millennium. In around twenty years, China mutated from an insignificant player in the region to one of the most important trade and economic partners. The trade between LA and the Asian power has skyrocketed, rising from \$15 billion USD in 2001 to \$260 billion USD in 2014 (Yu, 2015). China has become the main source of international public finance for the region and the second largest trade partner (Esteban cited by Yen Pin & Vargas, 2017). In 2013, China overtook the US as the top destination for South American exports buying 14% compared to 12% for the US (Ray & Gallagher, 2015). Additionally, between 2003 and 2016, Chinese companies invested over \$110 USD billion in LA (Avendano, Melguizo & Miner, 2017). Beijing has also reached agreements with different countries in the continent to deliver important infrastructure projects such as a new interoceanic canal in Nicaragua or an express railway connecting the coasts of Brazil and Peru. In January 2015, President Xi Jinping promised to invest \$250 USD billion in the region at the first ministerial forum of China and the Community of Latin American and Caribbean States (Rajagopalan cited by Yen Pin & Vargas, 2017) – the China-CELAC Forum is an international body

that does not include the United States. The economic presence of China in the region is becoming increasingly evident and the Asian country has become an important player for the Latin American states.

According to some scholars, the economic interest of China in LA is driven by the necessity to secure access to natural resources and raw materials and open new markets for Chinese manufactured goods (Jenkins, 2012; Pham, 2010; Hsiang, 2016). LA import and export data confirm these hypotheses. According to the MIT Observatory of Economic Complexity (OEC), Brazil, Chile, and Peru have become the main exporters to China, accounting for 51%, 21% and 11% of the exports from the region respectively. Soy beans, Iron ore and Crude Petroleum comprised almost the totality of goods imported from Brazil between 2000 and 2016. Chile mainly exports Copper Ores, Copper and Iron Ores. In terms of imports, the OEC identified Brazil (35%), Chile (20%), Argentina and Colombia (11%) as the main destination for Chinese goods. The Chinese exports to these countries are made up of machinery, electronics, and garments. This relationship with LA responds to the main objectives of securing access to resources and raw materials, maintaining the level of production, and opening markets for Chinese goods and sustaining economic and industrial growth.

This data not only show a relative accomplishment of the Chinese objectives of opening markets and securing natural resources, but also a strengthening of Beijing's economic position in LA vis-à-vis the United States. According to data gathered from the World Bank, the WTO and the UN in the World Integrated

Trade Solution initiative (WITS), between 1999 and 2016, LA reduced its share of US imports from 49.43% to 32.71%; while, China increased its participation in the Latin American market in the same period from 1.9% to 18.41%. China's quest for natural resources is reflected in the growth of LA exports to that country, which soared from 0.74% in 1999 to 9.01% in 2016. However, the US remains the main destination accounting for 57.27% in 1999 and 46.11% in 2016. In both cases, China enjoyed a better situation in 2016 than in 1999, while Washington's economic position has weakened. In terms of LA imports, China has acquired an important share of the market, strengthening its global economic position and providing a relative degree of economic independence for the Latin American countries from Washington.

The 'go out' policy encouraged Chinese businesses to invest abroad in order to maintain the economic escalation of the country. As a consequence, Chinese Foreign Direct Investment (FDI) soared from less than two percent of the global total a decade ago to represent more than 10% in 2016 (Avendano, Melguizo & Miner, 2017). LA has received a cumulative flow of FDI from China of \$110 USD billion between 2003 and 2016, with \$60 billion USD destined to Brazil alone (Avendano, Melguizo & Miner, 2017). The Chinese FDI in LA has also reflected the two main economic goals discussed above. However, the last two years there has been a shift in the focus. Between 2013 and 2016, the extractive sector has lost

importance, falling from 60% to around 40% of the total FDI; while the service and alternative energy sectors gained preponderance, rising from 20% to 40% and from less than 5% to around 10% respectively (Avendano, Melguizo & Miner, 2017). According to Avendano, Melguizo and Miner, the shift is in response to a redesign of the Chinese internal and external economy (2017). Beijing is trying to evolve from an industrial economy to a more complex market of services and high-tech products. Additionally, this is a sign of the accomplishment of Beijing's objective of securing raw materials and commodities from LA and the construction of new partnerships in sectors that had not been explored before. The economic relations between the region and China, is therefore, reaching a new level of complexity and interconnection, indicating that Beijing plans to stay in LA in the long-term.

The evolution of the trade from extractive industries to different sectors has also been reflected in the Chinese participation in infrastructure projects in LA. According to Yen Pin and Vargas (2017), the neoliberal reforms imposed by the International Monetary Fund during the nineties have led to fiscal adjustments that have negatively impacted the investment in infrastructure, and as a consequence, LA countries have been willing to open the door to Chinese infrastructure investments. Consequently, 60% of China's Greenfield FDI' in LA between 2010 and 2014 corresponds to the construction sector (Ray & Gallagher, 2015). China accounted for 54%

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<sup>1</sup> The type of FDI where a new project is started from scratch and thus does not respond to mergers and acquisitions.

of the total FDI projects in the region in 2013, a figure that is distorted by the inclusion of the stagnant Nicaragua Canal project, but still important when one considers that in 2014 Chinese Greenfield FDI represented 17% of the total FDI projects (Ray & Gallagher, 2015). Apart from the Nicaragua Canal, there are other important infrastructure projects that China has committed itself to delivering. This includes a \$10 billion USD transoceanic railway from the coasts of Brazil to the Pacific coast of Peru, that would facilitate the transport of Brazilian goods to Asia, a \$7.6 billion USD 'dry canal' through Colombia's coasts in the Pacific and the Atlantic, and a \$7.5 billion USD railway in Venezuela (Yen Pin & Vargas, 2017). Chinese involvement in LA's infrastructure projects is not only sustained through FDI but also through loans and financing. Between 2010 and 2014, China lent the countries in the region \$93.7 billion USD, around half of it destined to infrastructure projects (Ray & Gallagher, 2015). Furthermore, in 2014 China accounted for \$22.1 billion USD in new loans, surpassing the combined loan values of the two multilateral traditional lenders of the region, the Inter-American Development Bank and the World Bank (Ray & Gallagher, 2015).

If hegemony, as defined by Keohane, is the "control over capital, markets and raw materials" (cited by Urdinez *et al.*, 2016), the growing economic presence of China has already undermined Washington's regional hegemony. As described above, during the last decades, China has increased its economic partner share with the region, has become an important source of FDI and one of the most prominent providers of international financ-

ing. Beijing has secured access to commodities and raw materials, and at the same time has opened new markets for its manufactured and technological goods, accomplishing some of the previously established objectives. The economic success in the regions has encouraged China to promote deals in industries not explored before and to participate in ambitious long-term infrastructure projects. On the other hand, Washington has seen its economic presence reduced although it remains the most important economic partner for most of the Latin American countries. LA imports from the United States have reduced and the US-led organizations such as the World Bank and the Inter-American Development Bank have lost importance in the region as China offers alternative financing.

Nevertheless, there are other consequences of the economic presence of China in the region, beyond the mere control of markets and goods, which can interfere in the US exercise of power and thus hinder Washington's hegemony. Beijing has established "strategic partnerships" with countries in the regions like Brazil, Venezuela, Peru and Argentina (Hsiang, 2016). These partnerships respond to a quest beyond markets and goods. According to Yu, the Chinese strategic goal is to create a sphere of influence "enhancing its hard and soft power in order to elevate China's status at the systemic level" (cited by Hsiang, 2016, p. 59). The Nicaragua Canal, the Transoceanic Railway from Brazil to Peru and the "Dry Canal" in Colombia, share not only the ambition of large infrastructure projects, but also the geopolitical strategy of reducing the costs of transporting goods from Brazil and Argentina to the Pacific



Ocean, and more importantly, bypassing the US-dominated Panama Canal. If these projects are completed, the China-LA cooperation link will trigger an important change in the global economy, since there will be a stimulation of economic development among developing countries replacing, at the same time, the complete reliance on Western countries from the past (Swaine cited by Hsiang, 2016). The connection between infrastructure projects and the Chinese 'grand strategy' in the region is based on the assumption that Chinese banks and companies reflect the geo-economic strategy given the state intervention and ownership (Urdinez *et al.*, 2016). This assumption is confirmed by data that reports that 81% of the Chinese FDI in LA is performed by State Owned Enterprises (Avendano, Melguizo & Miner, 2017).

China's willingness to finance and promote important projects for the development of the region can also impact Washington's image and prominence within LA. The neoliberal economic reforms forced by the World Bank and the International Monetary Fund caused some unrest in a big part of Latin American society that saw small advances in the reduction of poverty and a considerable increase in inequality. Unlike the US-led traditional multilateral lenders (like the World Bank or the Inter-American Development Bank), China, under the policy of non-intervention in domestic affairs, does not impose conditions for economic or political reforms to grant the loans (Avendano, Melguizo & Miner, 2017). Moreover, developing countries in LA and Africa have been able to compare Chinese growth and their "own stagnate growth while being lectured by the

International Monetary Fund and patronized by aid agencies" (Hsiang, 2016).

The inspiration in the developing world caused by Chinese growth is also sustained by the economic struggle in the United States. The Nobel-award winning economist, Joseph Stiglitz, suggests that "while China moved about 500 million out of poverty, America's middle class entered a period of stagnation"; this situation makes the US a less attractive role model to emulate in the world (cited by Hsiang, 2016, p. 47). This perception of China as a role model, added to the notion of a struggling American middle class and the disaffection for multilateral institutions of the current world order in the developing world and can strengthen Beijing's leverage to reach its goals at the global level. If LA countries find in China a partner to stimulate their economies and their infrastructure, they will be more willing to support China's vision of south-south cooperation and development, bypassing the American-led institutions. Without the requirements placed on LA countries to carry out democratic or economic reforms in order to be granted loans, the International Monetary Fund, the World Bank, the Inter-American Development Bank and the US, as regional hegemon, lose leverage in the promotion of values and norms of the current international system. Democracy and liberal economic reforms will no longer be part of the trade for 'development funds'. In that case, China will find friends "extracted from US claws" (Urdinez *et al.*, 2016) useful for promoting its vision of multipolar world, one of the objectives stated in Beijing's Second Policy Paper on LA and the Caribbean.

These economic relations have already shown some level of international political alignment between LA and China. Cheng (2006) highlighted how historically the “third-worldlist” orientation of China contributed to a 95% concurrence with LA in the United Nations votes. Additionally, Flores-Macías and Kreps (2013) found that growing commercial ties between China and LA and Africa has been translated into convergence of foreign policy. Particularly, “the more salient the trade relationship with China has become for African and Latin American economies, the more frequently these countries have voted with China on country-specific human rights votes in the UN General Assembly”, an important issue for China when promoting its vision of world order (Flores-Macías & Kreps, 2013). Furthermore, the relations have evolved throughout the last decades as China increased its presence in the region and the US lost strength. Urdinez *et al.* (2016) demonstrated that, between 2003 and 2014, the investment from Chinese banks and state-owned enterprises “has been stronger in areas where the US has exerted less hegemonic influence”. The research argues that China “is putting forth a contesting policy by actively engaging with pro-Chinese domestic constituencies” (Urdinez *et al.*, 2016).

The analysis of Urdinez *et al.* (2016) may suggest that China is occupying a power vacuum left by US own incapacity, and thus as a consequence of Washington’s own retrenchment. However, first, the strategy proved to be useful for Beijing as it strengthened the ‘Anti-American’ governments in the region, promoted new forms of international financing and development and established its own

presence in LA. Second, the Chinese economic relations with Brazil, Venezuela, Argentina, Peru, among others, could trigger a dialectical interaction that could push other countries historically aligned with Washington, like Mexico or Colombia, to China’s side. Third, as discussed above, China’s presence undermines US hegemony by offering alternative ways to finance the development, allowing LA countries to “minimize penalization in global capital markets and Western international financial institutions” (Gallagher *et al.*, cited by Urdinez *et al.*, 2016) for anti-democratic or anti-liberal market reforms. And fourth, the economic fuel has brought more countries into the Chinese sphere of influence who are willing to support Beijing’s vision of a new international order.

It could be argued that the penetration of LA was performed in a period when leftist governments emerged in the region, however, once the Chinese funds entered the countries it became difficult to reject them and China remained as an important economic partner despite the recent political shifts. With the change of government in Argentina, it was expected that Macri would drive the country back into the US sphere. However, according to the OEC (2018), China is still a key trade partner. Argentina’s exports to China have slightly reduced between 2008 and 2017, from 9.1% to 7.4% of the total. Furthermore, between 2008 and 2017 the imports from China have soared from 13% to 19%, while the imports from the US have reduced from 13% to 11%. Additionally, after the G20 Summit in Buenos Aires, Macri and Xi Jinping, announced more than 30 agriculture and investment deals to strengthen the commercial ties

(Henao, 2018). Despite the political disquiet in Brazil, by 2017 the country was the main destination for Chinese goods and FDI in the region, while the effect of the policies of Bolsonaro remain to be seen.

The dynamic of the regional government organizations has also reflected how Washington's hegemony has been hindered recently. When George W. Bush announced the war on Iraq, Washington used its economic pre-eminence to gain the support of LA countries. The Central American Free Trade Agreement –Cafta- had more geopolitical meaning than economic significance for Washington. The agreement had an estimated impact of less than 1% in US economy, while it was much more significant for Central American countries dependent on the American market (Taeheok, 2016, p. 234). Nevertheless, US Congress ratified the Cafta in 2005 and received in return the support for the war from the six Central American countries involved, in addition to Colombia, which by that time was receiving \$600 USD million a year in military aid (Taeheok, 2016).

However, the regional environment changed rapidly. Washington lost power in the traditional regional organizations and was excluded from the new organizations created. In 2005, the former Minister of Interior of Chile, José Miguel Insulza was elected as the Secretary-General of the Organization of American States. “It was the first time that a Secretary-General was elected without being pre-approved by the US”, moreover, Mr. Insulza was elected and occupied the office until 2015 (Hsiang, 2016). In 2006 the US proposal of a Free Trade Agreement across all

the continent, known as FTAA, failed because of the lack of support by left-ruled LA countries (Taeheok, 2016). In 2011, the Community of Latin American and Caribbean States – Celac- was created. The organization not only includes 33 countries and around 600 million people, but it also excludes the US and Canada and emerges as an alternative to the Organization of American States (Hsiang, 2016). Moreover, it was at the China-Celac forum in 2015 that Xi Jinping promised to invest \$250 billion USD. The new trade agreements in the region have also left Washington excluded. The Pacific Alliance links the economies of Peru, Chile, México and Colombia – the former two already have free trade agreements with China. In the Pacific Alliance the US and China act only as observers. While the Trans-Pacific Partnership –TPP-, which emerged as a strategy to retain Washington's economic power in South America and the Pacific strengthening economic ties with 11 states –including Japan, Australia, Singapore, Mexico, Chile among others-, mutated into the CTPP after President Trump withdrew the US from the agreement.

#### **CHINA MILITARY POWER IN LATIN AMERICA**

In *The Tragedy of Great Power Politics*, Mearsheimer (2014) used the size of the economy and the population of a given country as the main indicators of potential military might and its capability to become a superpower. China, as the biggest economy in the world – if measured by purchasing power parity-, or the second biggest measured by GDP, and as the most populous country in the world, has acquired both variables and hence, can become

a military power and, eventually, a superpower. Accordingly, China is currently the second military spender in the world, only behind the US. In 2017, China spent approximately \$228 billion USD, accounting for a 13% share of the world military expenditure (SIPRI, 2018). Additionally, even though Beijing argues that it has maintained a constant military budget of 2% of the GDP, as the Chinese GDP skyrocketed during the last decades the military expenditure rose from \$11.4 billion USD in 1989 to \$228 billion USD in 2017 (Sipri, 2016; Sipri, 2018). China has also stimulated the modernization of its military force throughout the last decades. The country started operating its first aircraft carrier in 2012, the fifth generation of fighter jets in 2017 and is speeding up modernization of its rocket technology and nuclear capabilities. Logically, the strengthening of Beijing's military power has been closely followed by Washington. In terms of LA, in the *2017-2027 Theatre Strategy* document, the US Southern Command has identified the greater presence of China, Russia, and Iran as a 'strategic challenge' (2017). According to the US Southern Command (2017), "These global actors view the region's economic, political, and security landscape as fertile ground through which to achieve their respective, long-term objectives and to advance interests that may be incompatible with ours and those of our partners", adding that "their vision for an alternative international order poses a challenge to every nation that values nonaggression, rule of law, and respect for human rights".

China's military expansion has somehow reached LA. According to Marcella (2012), China's military activity in the region falls

into five main dimensions: humanitarian, peacekeeping, military exchanges, arms sales and technology transfer. The first two categories are composed by individual events in the recent past. In 2011, China sent its hospital ship 'Peace Ark' to Central America and the Caribbean. The ship stopped in Cuba, Jamaica, Trinidad & Tobago and Costa Rica providing medical services to the local people and military (Marcella, 2012). Previously, in 2004, Beijing contributed with 130 riot policemen to the United Nations Minustah peacekeeping forces in Haiti. China is now the largest provider of peacekeeping forces of the five permanent members of the UN Security Council, and the deployment became the first Chinese uniformed formation to serve in the Western hemisphere and was maintained until the earthquake in 2010 (Marcella, 2012). Both events show Beijing's willingness to operate in the region and strengthen its soft power. The deployment of the 'Peace Ark' was a textbook example of using a military instrument in a non-military manner (Watson, 2013). A military vessel with a Chinese flag sailed around the Caribbean, demonstrating Chinese willingness to act as a global leader in a region traditionally unwelcome to foreign powers because of the Monroe Doctrine nature (Watson, 2013). Nevertheless, these were isolated events, peaceful in nature, which did not aim to directly harm US hegemony.

According to Paz (2012), based on the historical cases of Nazi Germany and the USSR in LA, when arms and weapons systems become an important portion of the trade, the threat perception of a hegemonic challenge in the United States gains importance. Therefore, the

increase of Chinese arms sales in LA during the last decade is likely to raise more concerns in Washington than the humanitarian and peace-keeping missions. The proliferation of leftist governments in the region, led by figures such as Hugo Chavez in Venezuela, Rafael Correa in Ecuador, the Kirchner family in Argentina and Evo Morales in Bolivia, facilitated a more fluid relationship with Beijing. Indeed, the most important Chinese military sales in the region took place while these presidents were in office. Between 2005 and 2012, China reached important deals such as the sale of K-8 Karakorum fighter jets to Venezuela and Bolivia, air search radars to Ecuador and Venezuela, surface to air missiles to Peru, among other less sophisticated equipment to Argentina, Paraguay, Mexico and Guyana (Marcella, 2012; Ellis, 2012). Other negotiated deals failed because of technical uncertainties or political decisions. The cancelation of a purchase of 5 armoured tanks by Peru, arguing difficulties with the engine supply for the engines of the vehicles, and the doubts that the Colombian army has, in terms of maintenance and technical support, for Chinese military products (Ellis, 2012) are examples of the former. The latter is exemplified by the announced intention to purchase around \$1 billion USD in Chinese weapons, including armoured personnel carriers, patrol vessels and fighter jets, by Argentinian President Cristina Fernandez de Kirchner in 2015 (Nixon, 2016), reversed by the new President Mauricio Macri, that instead reached an arms sales deal with the US, in 2017, the biggest since the Malvinas/Falklands war.

Even though the arms sales are a catalyser of distrust between competing superpowers,

the deals between China and LA are not significant for Washington and are not enough to increase the perception of threat. In 2009, Frank Mora, deputy assistant Secretary of Defence for Western Hemisphere Affairs, stated that China's arms sales and technology transfers are standard in the international community and that the new equipment can help LA to fight drug trafficking (cited by Marcella, 2012). Additionally, first, as US weapons systems become more specialized and expensive, China appears as a natural option for lower-tier weaponry more useful to LA needs (Watson, 2014). Second, the military budget of the countries in the region, with the exception of Brazil, is small and austere (Marcella, 2012). Third, as the region has built its military mainly from deals with the Western powers, more complex deals with China are difficult as countries are aware of the risk of mixing military equipment from different sources as it could make maintenance and readiness expensive and problematic (Marcella, 2012; Ellis, 2012). And fourth, the wave of leftist governments that facilitated the entrance of Chinese military sales is almost over, since Ecuador, Argentina, and Brazil have elected right governments and Venezuela is submerged in a profound social and economic crisis. In fact, the Venezuelan and Bolivian decision to buy Chinese K-8 fighter jets was shaped in part because of the impossibility of buying new American fighter jets or replacement parts for its American-made fleet, and the pressure that the US put on other western countries to block similar deals. In the case of Bolivia, for example, a specific deal with the Czech Republic was blocked (Ellis, 2012; Ellis, 2011).

Other elements of the relation between LA and China could trigger more distrust than the arms sales and the military transfer performed so far. In 2008, Venezuela paid the Chinese company, Great Wall Industries Corporation, \$406 million USD to develop and launch the satellite 'Simón Bolívar'. In 2013, Bolivia contracted the same company to develop and launch the satellite Tupac Katari, at a cost of \$300 million USD, of which the Chinese Development Bank financed \$295 million USD (Marcella, 2012). Moreover, Brazil and China have worked together on developing and launching 3 satellites, with more planned for the future (Marcella, 2012). The shift in Chinese foreign investment from extractive industries to service industries in the last few years may also be a matter of suspicion. Huawei, which has close ties with Chinese intelligence, has expanded its presence in the region and has built six out of the seven 4G mobile phone networks in Brazil (Coyer, 2016). According to the FBI, China could be using Huawei in America to spy on US citizens (Newsweek, 2018), and if that is the case, the network in Brazil could be used to feed Chinese intelligence of the hemisphere. The satellites can be used in the same manner. In 2017 China opened a space station in Patagonia, Argentina. Despite the fact that Beijing and Buenos Aires claimed that the facility is for peaceful purposes and for the exploration of space, the project has always been controversial. Argentina ceded part of its territory to a facility staffed and controlled by a unit of the People's Liberation Army (Robert Lee, 2016). Coincidentally, the space station is located at the same distance from the equator as Washington

and contains a 35 meter-diametric parabolic antenna; both the location and the antenna could be useful for non-civilian purposes like intercepting satellite communications or spying (Robert Lee, 2016).

Despite the possible military use for the satellites and the space station, China's preference for economic relations with the region over the military footprint is explained by a strategic choice, the recognition of its own current incapacity and the US military hegemony in LA. The global military presence for China is at an embryonic stage. The experience and potency that the PLA shows in East Asia is not reflected at the global level and do not pose a threat to the US. Rather than challenging the military balance, in LA, China has found a learning/training area for its own military. The, so far scarce, joint military exercises with countries like Brazil, Chile and Argentina, and the deployment of the military ship 'The Peace Ark' offered Beijing an opportunity to, first, learn military diplomacy with socially and culturally different countries, and second, work with US allies, collect information about the way the US engages and operates with allied navies (Watson, 2013).

Additionally, even though the deployment of the first aircraft carrier in 2012 was a demonstration of global aspirations, China lacks the majority of the naval and military deployments to exercise a global military presence (Watson, 2013). Moreover, Beijing does not have military bases or administrative agreements that allow it to establish a permanent presence in the region (Watson, 2013). Without the technical capacity to deploy self-sustaining operations and without bases

or agreements in LA, China is not currently able to use the PLA as an important element of power. Nevertheless, Beijing might not be interested in using the military hard-power to engage LA, since it has other strategic priorities in Asia, such as the South China Sea, the Taiwan Strait, and the Senkaku/Diaoyu Islands, more relevant for its rise as a regional hegemon in its own region. China is aware of the importance of the Monroe Doctrine and the risk of a formal military engagement in the region that could upset the US and undermine what it has already achieved (Watson, 2013). The conservation of the global order that allowed China's rise seems currently more important than the resources that LA can provide.

## CONCLUSIONS

In *The Tragedy of Great Power Politics*, Mearsheimer (2014) points out that to challenge the ruling power at a global level, a given rising power first has to become a regional hegemon in order to gain the freedom to play in other areas of the world. This research complements Mearsheimer's thesis demonstrating that a rising power can undermine other powers' hegemony without having to become a regional hegemon itself. East Asia is still a hegemony dispute arena between the US, China and second-tier powers like Japan and Russia. Nevertheless, without challenging the US condition of ruling Superpower, China has managed in the last decades to undermine Washington's hegemony in its natural closest sphere of influence: Latin America.

-Economic power has been China's principal tool to hinder America's hegemony. First,

the economic agreements with the region have provided China with raw materials, energy sources and new markets for its products to sustain the economic growth, challenging, meanwhile, America's prime position as the most important trade partner for most of LA countries. Second, China has emerged as an alternative source of financing for development and infrastructure projects without the reforms and requirements of the traditional Western multilateral institutions. Chinese economic capacity, coupled with the policy of non-intervention in domestic affairs, have motivated the countries in the region to deepen their economic relations which has been reflected in the creation of multilateral institutions such as the China-Celac Forum, the failure of America-led initiatives like the FTAA, and the exclusion of Washington in new organizations such as the China-Celac, the Pacific Alliance – in which US and China act as observer members, and the TPP – the latter by its own choice.

In the military realm, the engagement between China and LA has been more limited. Yet, Beijing has revealed its willingness to support regimes unfriendly to Washington, exemplified by the sale of fighter jets to Bolivia and Venezuela after Washington had blocked the deals with Western countries. The existence and strengthening of these intra-regional regimes contribute to interfering with Washington's exercise of power. Additionally, through the launch of satellites, the expansion of information and communication companies – namely Huawei-, and the construction of a space station in Argentina, Beijing improved its position in the global military balance of power, since all these elements can be used for

intelligence gathering and spying purposes in an eventual armed conflict. Nevertheless, as China has other strategic priorities in its own region, and the US remains by far the principal military partner and power in LA, the region currently does not seem important enough for China to trigger a direct military competition. The military realm has been carried out to support the Chinese grand strategy in the long term rather than to hinder America's hegemony in the hemisphere in the short term.

Even though most of the theory approaches Offensive and Defensive Realism as mutually exclusive strategies, this research shows that China is using both simultaneously in LA. The economic penetration of the region, displacing the US as the main trade partner for some of the countries, securing access to energy sources and raw material, financing regimes unfriendly to Washington and promoting ambitious infrastructure projects can be labelled under the total quest for power of the offensive realist theory. However, acknowledging Washington's military superiority in the region and avoiding any military presence that can cause discomfort to the US, is also a sign of a defensive realist strategy. China has been highly offensive in economic terms, but smartly defensive in military engagements in order to avoid a response from Washington that it cannot contain. Accordingly, this study suggests that Offensive and Defensive Realism can be part of the same grand strategy of a superpower and can be applied differently depending on the type of engagement, the region and the short and long-term goals.

In *Theory of International Politics*, Waltz (1979) identified a group of dimensions which

a state has to excel in in order to be top ranked in the structure including, the size of population and territory, resource endowment, economic capability, military strength, political stability and competence. In an integral approximation to power, while a given state has to excel in all the list to become a top power in the structure, this study suggests that this power can be undermined weakening only one or two of the capabilities. The economic relation between China and LA has been enough to affect US exercise of power, without profound military engagement. How a rising power uses different tools to impact an incumbent hegemon or a declining power is a topic that deserves further research.

The political and diplomatic approaches between China and LA must also be considered as one of the dimensions where China can interfere with America's hegemony. However, it is out of the scope of this study and should be engaged in further research. In the last decades, Costa Rica (2007), Panama in (2016) and Dominican Republic (2018) have shifted from diplomatic relations with Taiwan to China, mainly encouraged by the economic incentives of a fluent relation with Beijing. Vis-à-vis the United States, the diplomatic recognition of either Taipei of Beijing by the countries in LA seems a harmless decision for Washington's hegemony. However, the sustained reduction of diplomatic allies for Taipei will increase Beijing's confidence to 'resolve' the dispute in the near future, which could mean a military invasion of Taiwan. Additionally, the cultural and academic relations with Latin-American countries seem to be oriented towards the engagement of the future generation of leaders in



the region to promote the notion of China as a role model and vital partner for development and prosperity. In this context, both the soft power engagement and the diplomatic objectives of China in the region do not seem to target Washington's hegemony, but to strengthen China position and leverage to ascend in the global balance of power.

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