

China's Growing Relationship with Latin America and the Caribbean In the Context of US Policy Toward the Region

by

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Introduction. The purpose of this paper is to characterize China's growing relationship in Latin America and the Caribbean from a US perspective, the US response to that relationship, and some of the opportunities and challenges that the changing relationship creates for all parties. It argues that some of the greatest challenges are likely to come not from China-Latin America military engagement, but rather, from the growing physical presence of Chinese companies on the ground in the region, and byproducts of expanding commercial interactions such as trans-pacific criminal activity.

The activities of Chinese companies and the needs of the overseas Chinese community in Latin America and the Caribbean will challenge the Chinese government to make difficult decisions regarding when and how to support its people and companies abroad. These choices will impact China's relationships in the region, as well as its relationship with the US.

Prior to 1997, senior-level US policymakers arguably paid relatively little attention to Chinese initiatives in Latin America. It was in January of that year that the government of Panama focused the world on the Chinese presence in the hemisphere when it granted the Hong-Kong based firm Hutchison-Whampoa a 25-year renewable concession to operate port facilities on both sides of the Panama Canal,² just as the US government was returning control of the Canal Zone to Panama.³

The November 2004 visit of President Hu Jintao to the region for the APEC Leaders Summit in Santiago, Chile produced another spike in attention,⁴ driven by talk of \$100 billion in Chinese investment in, or bilateral trade with the region (depending on the translation) within the course of the next 10 years.

In the years that followed the Santiago APEC summit, the PRC's exponentially expanding commercial engagement with Latin America attracted the attention of policymakers and

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² The 25-year concession was awarded to Hutchison-Whampoa in January 1997 in Panama Public Law No. 5. See Constantine C. Menges. *China: the gathering threat*. Nelson Current. 2005. p. 396

³ See, for example, Steven Mufson, "In Panama: Ports in a Storm; GOP Critics Decry Hong Kong Firm's Role at Each End of Canal." *Washington Post*. December 8th, 1999.

⁴ See, for example, "Foreign Minister Li Zhaoxing Comments on the Fruitful Results Of President Hu Jintao's Trip to Latin America." *Ministry of Foreign Affairs of the People's Republic of China*. November 26, 2004.

businessmen in both the US and Latin America, with PRC-Latin America bilateral trade expanding from \$49 billion in 2005,⁵ to more than \$238 billion by 2011.⁶

Most recently, the character of PRC engagement with Latin America and the Caribbean has begun to shift with the new physical presence of Chinese companies in the region, as well as deepening military engagement and growing trans-Pacific organized crime ties.

This paper examines China's growing relationship with Latin America in the context of US policy toward the region, through five steps. It begins with an examination of US policy objectives toward Latin America and the Caribbean, as relevant to PRC activities there. It then characterizes China's growing presence in the region as relevant to those objectives. Next, it turns to how the new physical presence of Chinese companies in the region will impact the region itself and create dilemmas both for the companies themselves and for the Chinese government. Then, it examines how the US is responding to these new dynamics. Finally, it analyzes a range of possible scenarios for the region that could arise from these dynamics, and their implications for China.

US Policy Toward Latin America

The United States government recognizes that the US is connected to Latin America and the Caribbean not only in geographic terms, but also through strong economic and human ties. Former Secretary of State Hillary Clinton referred to the "power of proximity."⁷

In commercial terms, US levels of trade with and investment in Latin America and the Caribbean are greater than that with any other region of the world.⁸ At the same time, strong and sustained migration from the region to the United States means that a significant portion of the population of the United States has family in the region. In short, what happens in the region directly affects not only US economic interests, but also personally affects US extended families. In addition, the geographic relationship means that many of the most significant challenges to the US homeland come through the region, including narcotics and organized crime, the threat of terrorists crossing US borders, and the refugees produced when disruptive events occur in the region.

If the US is perceived as "neglecting" the region to focus on national security issues in other parts of the world, it is not because it does not see the region as important, but rather, because

⁵ *Direction of Trade Statistics Yearbook*. International Monetary Fund, 2012. p. 924

⁶ *Direction of Trade Statistics Yearbook*. International Monetary Fund, 2012. p. 155

⁷ Charlene Porter, "Clinton Seeks to Build on Power of Proximity in Americas." U.S. Department of State. <http://iipdigital.usembassy.gov/st/english/article/2012/04/201204133806.html#ixzz2f9Rwrl5W>. April 13, 2012.

⁸ US trade with the Western Hemisphere in 2012 was \$1.46 trillion, or 38% of all U.S. trade globally. The next closest region was Asia, with which the U.S. registered \$1.29 billion in trade. "U.S. Trade by Geographic Regions." U.S. International Trade Commission, <http://dataweb.usitc.gov/scripts/Regions.asp>. Accessed September 17, 2013.

the region has, in recent times, been relatively free of direct challenges to the US national security, thus allowing the US to focus on more distant parts of the world.⁹

Specific US policy goals toward Latin America reflect the nation's values in economic, political and social matters:¹⁰

- Economic partners that are democratic, stable, and prosperous;
- Friendly neighbors that help secure our region against terrorism and illegal drugs;
- Nations that work together in the world to advance shared political and economic values.

While not a complete or detailed statement of US policy toward Latin America and the Caribbean, each of the three goals contains a different dimension of what the US seeks in the region, and by implication, the lens through which it interprets growing commercial and other forms of engagement by the PRC there.

Economic Partners that are Democratic, Stable and Prosperous. The choice of the word “partners” in the statement is not accidental, but rather, highlights the intimate relationship that the United States has with the countries in the region in economic and other terms.

The word “partner” also reflects the particular tone of the current administration, first showcased in the speech of President Barack Obama in the 2009 Summit of the Americas, in Port of Spain, Trinidad,¹¹ and at the next summit, in 2012, in Cartagena, Colombia.¹² Through such language, the United States emphasizes that it does not seek to impose its will on countries of the region, but rather, work together in a manner consistent with their choices and preferences. For the same region Secretary of State John Kerry entitled a planned speech to a September 2013 conference in Washington DC “the power of partnership,”¹³ and the term was featured prominently by Roberta Jacobson during her testimony to Congress.¹⁴

⁹ Assistant Secretary of State Roberta Jacobson, in her February 2013 Senate confirmation hearings, for example, characterized the region as dominated by “opportunities” that can be pursued to make the region better, rather than “threats” that must be addressed. See Roberta S. Jacobson, “Statement Before the Subcommittee on the Western Hemisphere of the Committee on Foreign Affairs.” U.S. Department of State. <http://www.state.gov/p/wha/rls/rm/2013/205468.htm>. February 28, 2013.

¹⁰ Bureau of Western Hemisphere Affairs. U.S. Department of State. Official mission and objectives statement. <http://www.state.gov/p/wha/about/>. Accessed September 16, 2013.

¹¹ “Remarks by the President at the Summit of the Americas Opening Ceremony.” Port of Spain, Trinidad. <http://www.whitehouse.gov/the-press-office/remarks-president-summit-americas-opening-ceremony>. April 19, 2009.

¹² “Remarks of President Barack Obama -- As Prepared for Delivery -- Summit of the Americas Opening Plenary” The White House. Official Website. <http://www.whitehouse.gov/the-press-office/2012/04/14/remarks-president-barack-obama-prepared-delivery-summit-americas-opening/>. April 14, 2012.

¹³ Lamentably, Secretary Kerry was forced to cancel the speech because of responsibilities related to the then developing situation in Syria. See “Canceled Due to a Scheduling Conflict: Secretary Kerry To Deliver Remarks on

In the same fashion, the United States has consistently emphasized the rights of governments in the region to develop relationships with the PRC or other countries as they choose, although it may have opinions concerning the nature or consequences of those relationships.

It is also noteworthy that “economic partners” is the subject, and not the object of the sentence. As noted previously, the bonds of family and proximity mean that the countries of Latin America and the Caribbean are almost inherently significant economic partners for the United States. Such faith helps to explain US confidence that the economic ties being built by the PRC in the region are more likely to compliment, rather than conflict with the region’s economic relationship with the US.¹⁵

The aforementioned observations notwithstanding, the focus of the sentence, and the US objective, is that its partners there be “democratic, stable and prosperous.”

The appearance of “democratic” as the first term reflects the emphasis that the United States places on democracy as a value in the region, connected to the centrality that “democracy” holds for the US as a central value in its own national identity. This is important in understanding the sincerity of the US concern in some contexts that Chinese engagement with nations in the hemisphere may sustain regimes which are, in its judgment, undemocratic, or weaken democratic institutions in others.

The inclusion of the word “stable” reflects the US belief that rapid or extreme change outside of the channels established by a society’s legal or normative structures, tends to produce results adverse to the wellbeing of that society, and the US. Accordingly, the social protests or displacement of persons which may be occasioned by large-scale projects involving Chinese companies in the region are a source of concern for the United States because of their potentially adverse effect on stability, although in principle the United States does not deny the right of the region to contract with whom it chooses.

Finally, the term “prosperity” reflects a sincere US desire for the well-being of the region. It is an intimate term not found as often in US references to other regions, and reflects the US tendency to see the region as its “neighborhood”.

It also reflects the US understanding that regimes with less poverty and inequality are likely to be better neighbors and partners, including trade, political and cultural interactions, and being

Latin America at the 17th Annual CAF Conference.” U.S. Department of State. Notice to the Press. <http://www.state.gov/r/pa/prs/ps/2013/08/213670.htm>. August 30, 2013.

¹⁴ Roberta S. Jacobson, “Statement Before the Subcommittee on the Western Hemisphere of the Committee on Foreign Affairs.” U.S. Department of State. <http://www.state.gov/p/wha/rls/rm/2013/205468.htm>. February 28, 2013.

¹⁵ Through globally integrated supply chains, for example, Chinese companies may establish production facilities in Mexico oriented toward exporting goods to the US market under the provisions of the North American Free Trade Agreement (NAFTA).

less likely to serve as bases for crime and terrorism. For the United States, thus, Chinese engagement with the region which contributes to its prosperity is generally seen positively.¹⁶

Friendly neighbors that help secure our region against terrorism and illegal drugs. The second of the three US policy goals for Latin America reflect the importance for the US that its geographically close neighbors do not contribute to security threats facing the nation, and ideally, help the US to keep the “neighborhood” free of those threats.

The choice of the word “friendly” to modify neighbors in the phrase is significant. The US looks with deep discomfort at the prospect of having states actively hostile to its interests on, or close to, its borders. The indirect role of the PRC in economically underwriting the survival of regimes such as that of Venezuela is thus a matter of concern for the United States, even if the PRC does not associate itself with the anti-US rhetoric and actions of such regimes.¹⁷

The choice of “terrorism” and “illegal drugs” highlight that a principal concern of US policymakers looking at the region is that hostile or poorly governed states could serve as a base of operations for the entry into the United States of those intending to do it harm.¹⁸ The link between narcotrafficking in the region, and the threat from criminals in the United States was emphasized by Assistant Secretary of State Roberta Jacobson’s May 2013 speech to the Council of the Americas, saying “for years I’ve pointed out that our law enforcement agencies believe that Mexican drug cartels are active in over 250 cities in the United States...How can that NOT matter to us?”¹⁹

While the State Department has been less vocal with respect to terrorist threats to the US from the region, in December 2012, President Obama signed the “Countering Iran in the Western Hemisphere” act, passed with strong Republican support in the Congress.²⁰

¹⁶See, for example, “Asia, the Americas, and U.S. Strategy for a New Century.” Remarks by William J. Burns, Deputy Secretary of State. Remarks at World Affairs Councils of America National Conference. Washington, DC. <http://www.state.gov/s/d/2011/176667.htm>. November 4, 2011.

¹⁷ “Pekín se desmarca de vínculo ideológicos con Venezuela a la llegada de Chávez.” *El Universal*. Caracas, Venezuela. September 23, 2008.

¹⁸ Despite initiatives at the state level to legalize marijuana in Colorado and Washington, the current administration has been consistent at the federal level on legalization. In the words of President Obama at the 2012 Summit of the Americas in Cartagena, “I know there are frustrations and that some call for legalization. For the sake of the health and safety of our citizens - all our citizens - the United States will not be going in this direction.” “Remarks of President Barack Obama -- As Prepared for Delivery -- Summit of the Americas Opening Plenary” The White House. Official Website. <http://www.whitehouse.gov/the-press-office/2012/04/14/remarks-president-barack-obama-prepared-delivery-summit-americas-opening/>. April 14, 2012.

¹⁹ Roberta S. Jacobson, “Remarks at the 43rd Annual Washington Conference on the Americas.” U.S. Department of State. <http://www.state.gov/p/wha/rls/rm/2013/209381.htm>. May 8, 2013.

²⁰ “Countering Iran in the Western Hemisphere Act Of 2012.” Public Law 112–220. <http://www.gpo.gov/fdsys/pkg/PLAW-112publ220/pdf/PLAW-112publ220.pdf>. December 28, 2012.

In this arena, increasing trans-pacific criminal activity accompanying China-Latin America economic interactions are an item of concern,²¹ as is economic interactions which fund government officials with ties to criminal groups. The United States is also concerned over the use of the region for other types of criminal activity, such as human trafficking and kidnapping, as well as the use of the region to launch cyber attacks and cyber crime.²² On the other hand, PRC aid to law enforcement in the region, as well as the extra resources available for fighting criminals generated by exports to the PRC, are positive elements of PRC activities in the region.

Nations that work together in the world to advance shared political and economic values. For the US, democracy and free markets are not values imposed by the US on the world, but rather, principles that the US believes are good for all nations, and thus hopes that its partners will join it in supporting, whether in regional forums such as the Organization of American States, or broader ones, such as the United Nations. As Secretary of State John Kerry put it, “Quite simply, people everywhere share the same values, share the same universal values, and they resonate in every single human heart. Those values don’t belong to any one country. They don’t belong to a party. They don’t belong to one leader. They don’t belong to an ideology.”²³

To this end, initiatives such as the Pacific Alliance and the Trans Pacific Partnership are positive developments for the United States as multilateral initiatives defining the emerging trans-Pacific regime in ways that the US believe will contribute to the well-being of all peoples of the region.²⁴

Reciprocally, the role of the PRC in providing an “alternative” for regimes which do not wish to adhere to such standards is an item of concern for the US because it weakens the culture of shared values such as democracy, free markets, and transparency, that it seeks to promote throughout the region.

²¹ For a detailed account of such activities, see R. Evan Ellis, “Chinese Organized Crime in Latin America” *Prism*. Vol. 4. No. 1. December 1, 2012 pp. 67-77.

²² For an analysis of how Chinese telecommunications activities in Latin America and the Caribbean could link to US sensitivities over cyber issues, see R. Evan Ellis, “The Strategic Dimension of Chinese Activities in the Latin American Telecommunications Sector.” *Revista Científica ‘General José María Córdova’*. Ed. Jesús Alberto Suárez Pineda. Vol. 11. No. 11. January-June 2013. Pp. 121-140.

²³ John Kerry, “Remarks on a 21st Century Pacific Partnership.” U.S. Department of State. <http://www.state.gov/secretary/remarks/2013/04/207487.htm>. April 15, 2013.

²⁴ The official U.S. statement on acceptance as an observer to the Pacific Alliance, for example, said “The United States applauds the progress the Pacific Alliance has made to integrate its markets and the strong economic policies pursued by its members as examples for Latin America. We intend to use our observer status to recognize and support these achievements and to advance the values we share with the member states, including commitments to expanding free markets, reducing inequality, opening trade, and welcoming foreign investment.” “The United States’ Participation as an Observer to the Pacific Alliance.” Official Statement. U.S. Department of State. <http://www.state.gov/r/pa/prs/ps/2013/07/212205.htm>. July 19, 2013.

China's Growing Presence in Latin America.

While some in the US see nefarious motives behind the growing engagement by the PRC and its companies in Latin America,²⁵ the prevailing US government and academic discourse accepts that such interactions are driven by economic imperatives associated with the development of the Chinese state. These include access to reliable sources of primary products, assuring the ability to feed the Chinese population, establishing and protecting markets for Chinese goods and services, and seeking access to technology and global information flows.²⁶

While such imperatives, in themselves, are not seen as malevolent, US analysts understand that their pursuit by Chinese companies and the Chinese government may adversely impact the US commercial interest in the region, produce adverse consequences in areas such as governability and economic development, or undercut the interest of governments in the region to cooperate with the US with respect to the values and standards that it seeks to promote in the region.

At the same time, as the government of China seeks to support the activities of its companies and nationals in Latin America, it must balance conflicting imperatives. On one hand, the development of the PRC arguably benefits from a “multipolar” world order in which the US and its philosophies do not dominate key institutions or bilateral relationships. The hostility of Venezuela, Ecuador, Bolivia and others toward Western governments and financial institutions, for example, created significant opportunities for Chinese companies and financial institutions to pursue business there.

On the other hand, the US and other developed nation governments continue to be among China's most important markets and sources of investment and technology, while the Chinese economy is integrally linked with Western financial markets. Thus, if the US decided that the “China threat” required blocking PRC access to US markets, technology and capital, China's economic development could be seriously damaged, even if the US and global economy would suffer as well. Thus, as the PRC government has welcomed, and has sought to benefit from the “multipolarity” represented by regimes such as ALBA, it has also arguably been cautious not to publicly associate itself with the anti-US political projects of those regimes.

Nonetheless, each generation of Chinese leadership has interpreted the appropriate “balance” between pursuing global relationships and reassuring the United States in a different manner. President Xi Jinping's decision to use his June 2013 trip to the United States to also conduct

²⁵ See, for example, Roger F. Noriega, “Chávez and China: Challenging U.S. Interests.” *AEI Online*. <http://www.aei.org/article/foreign-and-defense-policy/regional/asia/chvez-and-china-challenging-us-interests/>. April 20, 2010. See also Manuel Cereijo, “Inside Bejucal Base in Cuba: A Real Threat.” *The Americano*. <http://theamericano.com/2010/08/27/bejucal-base-cuba-real-threat/>. August 27, 2010. See also Nelson Chung, “US faces surprise attack with canal giveaway: Analyst.” *Global Security*. November 17, 1999.

²⁶ For an analysis of these objectives, see R. Evan Ellis, *China in Latin America: The Whats and Wherefores*. Boulder, CO: Lynne Rienner Publishers, 2009.

state visits with ten leaders in three countries very close to it (Costa Rica, Trinidad and Tobago, and Mexico) sent a symbolic message that his government may not be as deferential to US sensibilities as was that of his predecessor.²⁷

In addition to issues arising from expanding trade with China and the presence of its companies in the region, two aspects of the relationship are likely to draw particular attention from the US, as well as in the region: trans-Pacific criminal activities associated with the new commerce, and China-Latin America military engagement.

Trans-Pacific Criminal Activities. Trans-Pacific criminal activities involving Chinese groups in Latin America and the Caribbean are likely to receive increasing attention because the security forces of the region have very little capability to investigate them, including pursuing evidence involving Chinese companies and the Chinese community. Such activities also reinforce the sense of mistrust toward Chinese, however unfair such perceptions may be.

The principal areas in which such crime has been observed to date include trafficking in persons, narcotics and precursor chemicals, contraband goods, money laundering, and arms trafficking.²⁸

Trafficking in persons presents a potentially significant challenge for the Chinese government in its relations with Latin America. While the vast majority of ethnic Chinese in the region are law abiding citizens, the frequent placement of illegal Chinese migrants within Chinese ethnic communities contributes to perceptions that the entire Chinese community is complicit in such activities. Moreover, the visible increase in the size of Chinese communities in the small states of the Caribbean basin due to such traffic feeds arguments that the Chinese community as a whole is a “threat” to the broader society.

The illegal movement of Chinese immigrants through the region also drives ties between the Chinese groups moving them, such as Red Dragon, and the criminal organizations controlling the routes on Latin American territory, such as Los Zetas,²⁹ with Pacific Coast ports such as Puerto Vallarta, Manzanillo, and Coyacan of particular interest, as well as border towns such as Tapachula, Mexico.³⁰

In the realm of narcotics, materials are flowing both to and from the PRC. On one hand, Chinese (as well as Indian) companies are believed to be selling precursor chemicals such as ephedrine and pseudoephedrine to criminal organizations with laboratories in Mexico and

²⁷ See, for example, “From pivot to twirl.” *The Economist*. July 8, 2013. See also R. Evan Ellis, “China’s New Backyard.” *Foreign Policy*. <http://www.foreignpolicy.com>. June 6, 2013.

²⁸ See see R. Evan Ellis, “Chinese Organized Crime in Latin America” *Prism*. Vol. 4. No. 1. December 1, 2012 pp. 67-77.

²⁹ Ernesto U. Savona. “Case Studies of Organized Crime”

³⁰ See see R. Evan Ellis, “Chinese Organized Crime in Latin America” *Prism*. Vol. 4. No. 1. December 1, 2012 pp. 67-77.

Central America,³¹ while cocaine is exported from source zone countries in the Andean region to cities such as Hong Kong and Macau, and is believed to enter the PRC from there. The Sinaloa cartel, for example, is believed to be attempting to enter the Asian market.³² Cocaine has also been intercepted en route from Chile to Asia,³³ and interactions have been reported between Mexican drug cartels and Asian heroin-trafficking groups.³⁴

With respect to Chinese contraband goods entering Latin America and the Caribbean, most of the traffickers appear to be businessmen from the region, rather than from China, although individual cases have been identified, such as Chinese groups the Flying Dragons and Tai Chen importing contraband goods into the tri-border area.³⁵ In general, the association between Chinese goods and criminal activities in Latin America and the Caribbean contributes to a negative perception toward all Chinese merchandise and merchants in the region, and by association, impairs the positive attitude that the Chinese government is trying to build there.

China-Latin America Military Engagement. For analysts in the US, PRC military engagement with Latin America has been a phenomenon of great interest for evaluating the intentions of the Chinese government as it expands its relationship with the region.³⁶

The Chinese military relationship with the region may generally be divided into three categories: arms sales, training and institutional interactions, and the physical presence of PLA forces in the region.³⁷

³¹ “Capo mexicano capturado coordinaba el tráfico de drogas de Colombia y China.” *Noticias 24*. <http://www.noticias24.com>. Mexico City, Mexico. March 12, 2012. See also “Cárteles mexicanos insisten en fabricación de droga, pese a limitantes.” *La Prensa*. Mexico City, Mexico. December 15, 2009. See also “Solo mafias china y rusa superan al narco.” *El Universal*. Mexico City, Mexico. <http://www.eluniversal.com.mx>. July 28, 2010.

³² “Los hermanos González, juzgados en Malasia por “narcotráfico”” *La Prensa*. Mexico City, Mexico. <http://www.oem.com.mx/laprensa/notas/n2052932.htm>. April 24, 2011. See also “Arestan a 5 mexicanos en Hong Kong por tráfico de droga.” *Milenio*. Mexico City, Mexico. <http://www.milenio.com>. September 19, 2011.

³³ Ernesto U. Savona. “Case Studies of Organized Crime” <http://people.exeter.ac.uk/watupman/undergrad/rtb/caseorg.htm>.

³⁴ Ernesto U. Savona. “Case Studies of Organized Crime” <http://people.exeter.ac.uk/watupman/undergrad/rtb/caseorg.htm>.

³⁵ Rex Hudson, “Terrorist and Organized Crime Groups in the Tri-Border Area (TBA) of South America. Report. Washington, DC: Federal Research Division, Library of Congress. www.loc.gov/rr/frd/pdf-files/TerrOrgCrime_TBA.pdf. 2003. See also Alejandro Kenny, “China’s Presence in Latin America: A View on Security from the Southern Cone.” *Military Review*. September-October 2006. Pp. 60-66.

³⁶ See, for example, Bill Geertz, “Rising Red tide: China encircles U.S. by sailing warships in American waters, arming neighbors.” *Washington Times*. Washington D.C. <http://www.washingtontimes.com>. June 7, 2013. See also Cynthia Watson, “The Rise of Latin America : China’s Use of the Military Instrument in Latin America: Not Yet the Biggest Stick”. *Columbia Journal of International Affairs*. Vol. 66, No. 2, Spring/Summer 2013, p. 101. See also Gabriel Marcella, “China’s Military Activity in Latin America.” *America’s Quarterly*. <http://americasquarterly.org/Marcella>. Winter 2012.

Where Chinese arms sales to the region has crossed the threshold from low value goods to sophisticated vehicles and systems, it has generally done so leveraging politically sympathetic governments such as those of Venezuela, then spread to allied governments such as Bolivia, Ecuador, and most recently, Argentina. The sale of 16 K-8 fighters to Venezuela, for example,³⁸ was followed by the sale of six to Bolivia,³⁹ while the sale of JYL-1 air defense radars to Venezuela⁴⁰ led to a similar sale to Ecuador.⁴¹ Both Bolivia and Ecuador have pursued independent programs as well, including the lease of MA-60 Chinese transport aircraft by Ecuador,⁴² and the purchase of H-425 Chinese helicopters by the Bolivian armed forces.⁴³

Venezuela continues to be the principal point of entry for Chinese military goods into the region, including Y-8⁴⁴ and Y-12⁴⁵ aircraft, in addition to the previously mentioned K-8s, plus announced purchases of amphibious assault vehicles⁴⁶ and Z-9C antisubmarine helicopters,⁴⁷ among others. Nonetheless, while such sales have arguably helped Chinese weapons companies demonstrate their goods and build experience in Latin America, Venezuelan arms sales to China remain eclipsed by purchases of Russian equipment, which has exceeded \$11 billion since 2005.⁴⁸

Chinese equipment sales to Latin America have also suffered a series of significant setbacks, including the crash of a K-8 fighter near Barquisimeto military airport in Venezuela,⁴⁹ the cancellation of a transport aircraft purchase,⁵⁰ and later radar acquisition contract with the government of Ecuador,⁵¹ the cancellation of the planned purchase of MBT-2000 tanks by the

³⁷ For a detailed analysis of Chinese military activities in Latin America, see R. Evan Ellis, "China – Latin America Military Engagement." Carlisle Barracks, PA: U.S. Army War College Strategic Studies Institute. <http://www.strategicstudiesinstitute.army.mil/pubs/>. August 2011.

³⁸ "En agosto llegan 12 nuevos aviones K-8." *El Universal*. Caracas, Venezuela. June 30, 2010.

³⁹ "Bolivia builds defenses against 'poachers' of resources." *UPI.com*. August 9, 2010.

⁴⁰ Maria Daniela Espanoza. "FAN utilizará radar de origen chino en ejercicio con Brasil." *El Universal*. Caracas, Venezuela. August 21, 2008.

⁴¹ "Ecuador instalará cuatro radares en la frontera con Colombia este año." *El Universal*. Caracas, Venezuela. August 16, 2010.

⁴² "Proyectos de la Fuerza Aérea Ecuatoriana. Saorbats. Accessed January 13, 2011. See also "Ecuador comprará aviones de transporte militar chinos." *El Universo*. Guayaquil, Ecuador. August 16, 2010.

⁴³ "Cámara de Senadores sanciona Ley para adquisición de helicópteros multipropósito de China." *Los Tiempos*. Cochabamba, Bolivia. March 9, 2012.

⁴⁴ "Venezuela compra a China 12 aviones de transporte." *El Universal*. Caracas, Venezuela. November 29, 2010.

⁴⁵ "AVIC bags big deal in Venezuela." *People's Daily Online*. July 13, 2010.

⁴⁶ "China vendió vehículos blindados anfibios al ejército venezolano." *La Republica*. Lima, Peru. July 5, 2012.

⁴⁷ Oliva Kroth, "Venezuela's military empowerment under President Chávez." *Pravda*. September 18, 2012.

⁴⁸ Stephen Blank, "Moscow Rediscovered the South American Arms Market." *Global Security News*. <http://global-security-news.com>. May 10, 2011.

⁴⁹ "Se cayó avión militar en Barquisimeto." *El Universal*. Caracas, Venezuela. July 21, 2010.

⁵⁰ "FAE desiste de comprar aeronaves a China por un 'desacuerdo técnico'" *El Universo*. Guayaquil, Ecuador. July 4, 2011.

⁵¹ "Fiscalía investiga FAE por contrato de radares." *El Universo*. Guayaquil, Ecuador. May 21, 2012.

Peruvian government,⁵² the termination of the acquisition of WMZ-551 armored personnel carriers by the Argentine government after buying only four vehicles,⁵³ and the loss of a bid for an air defense system contract in Peru.⁵⁴

On the other hand, Chinese arms companies appear to be making progress, adapting to local conditions and sensitivities in order to take weapons programs forward. In Argentina, for example, Chinese companies have announced plans for the co-production of the Chinese X-11 helicopter⁵⁵ and the FC-1 fighter,⁵⁶ in both cases, by forming partnerships with Argentine industry that includes performing a part of the production on Argentine soil.

Another important part of the Chinese arms relationship involves the donation of dual-use vehicles such as trucks and busses as gifts to build good will and open doors within Latin American military institutions. The PLA has provided regular gifts of trucks and busses to the Bolivian military since before 2006, and more recently, to the Ecuadoran military.⁵⁷ Other important gifts included the donation of a field hospital unit to Peru in 2006, and most recently, the donation of 14 trucks to the Antigua and Barbuda defense forces for training in September 2013,⁵⁸ and 10 trucks and busses to the Suriname Defense Force, announced in August 2013. Smaller donations which have been similarly useful in opening doors and maintaining relationships, include the gifting of non-lethal aid to the Jamaica Defense Force shortly after its difficult experience in responding to violence in Tivoli Gardens in May 2010,⁵⁹ as well as gifts to the Colombian⁶⁰ and Guyanese⁶¹ defense forces, among others.

Beyond arms, the Chinese military has built its relationship with Latin America and the Caribbean through visits, training, and professional military education. In addition to leadership and institution-to-institution visits, the Defense Studies Institute of PLA National Defense University in Chanping conducts strategic level courses for military officers from every country

⁵² "Gobierno suspende indefinidamente compra del tanque chino MBT-2000." *La Republica*. Lima, Peru. April 7, 2010.

⁵³ Jorge Elias. "Opinión: Llegaron los VCTP WMZ-551B1 chinos." *Desarrollo y Defensa*. September 10, 2010.

⁵⁴ Kelly Hearn, "China-Perú military ties growing stronger." *The Washington Times*. Washington D.C. May 27, 2012.

⁵⁵ "Puricelli destaca "asociación estratégica" con china en materia de defensa." *TELAM*. July 4, 2012.

⁵⁶ Richard D. Fisher, Jr., "Argentine officials confirm joint-production talks over China's FC-1 fighter." *Janes*. <http://www.janes.com/article/23497/argentine-officials-confirm-joint-production-talks-over-china-s-fc-1-fighter>. June 23, 2013.

⁵⁷ "China Duplicará Colaboración Militar Copn Ecuador, Según Fuerzas Armadas Del Vecino País." *El Tiempo*. Bogotá, Colombia. February 15, 2010.

⁵⁸ Martina Johnson, "ABDF gets much-needed donation from China." *Antigua Observer*. <http://www.antiguaobserver.com/abdf-gets-much-needed-donation-from-china/>. September 13, 2013.

⁵⁹ "China sends \$3.5M in military equipment to Jamaica." *Today Online*. January 15, 2011.

⁶⁰ "Colombia and China sign a Military Cooperation Agreement." Colombia Air Force. Official Website. June 26, 2012.

⁶¹ "GDF Officer Cadet heads to China for specialist pilot training." *Guyana News*. August 29, 2012.

in Latin America and the Caribbean with which the PRC maintains diplomatic relations.⁶² It also teaches other courses involving officials from Latin America and the Caribbean in PLA land forces and PLA naval facilities near Nanjing⁶³ and Shijiazhuang, among others. In addition, a portion of tactical training associated with the sale of Chinese aircraft and other equipment is conducted in the PRC,⁶⁴ and the PLA has begun conducting counternarcotics training for the Costa Rican national police.⁶⁵

Such professional military education and training activities are arguably as important for the PRC as arms sales, in that they allow the PLA to develop personal relationships with current and future leaders of the Latin American armed forces, and improve their understanding of how Latin American militaries function as key institutions within Latin American societies.

Finally, the PRC has exerted a small, periodic military presence in Latin America. This included participation in the UN peacekeeping force in Haiti from 2004 through September 2012,⁶⁶ the Angel de la Paz joint humanitarian exercise with Peru in November 10, and the deployment of the hospital ship "Peace Arc" to the Caribbean in 2011.⁶⁷

Challenges for Chinese Companies in Latin America

While the evolution of China-Latin America organized crime ties and military relationships will continue to attract the attention of the US, the most significant challenge for the PRC in Latin America is likely to arise from the increasing physical presence of its companies on the ground in the region.

The growing physical presence of Chinese companies in the region reflects the development of those companies and the expanding needs of the Chinese economy, as well as the maturation of physical, financial, and other infrastructure that enables their presence. The presence is concentrated in select sectors, each with its own dynamics and challenges: primary product

⁶² R. Evan Ellis, "China – Involucramiento Militar en América Latina: Buena Voluntad, Buen Negocio, y Posición Estratégica?" *Air & Space Power Journal en Español*. 2nd Trimester 2012. Pp. 43-56.

⁶³ "Simpósio InterNacional no Naval Command College do Exército Popular de Libertação de China." PlanoBrazil. December 18, 2010.

⁶⁴ See, for example, "Aviación recibe primeros seis aviones chinos de combate K-8W." *El Universal*. Caracas, Venezuela. March 13, 2010.

⁶⁵ "Costa Rica pidió a China Continental entrenamiento policial." *El Nuevo Diario*. Managua, Nicaragua. November 3, 2010.

⁶⁶ Jia Wen. "Remembering Chinese peacekeepers in Haiti." *Global Times*. January 19, 2010.

⁶⁷ As examples of press coverage of the visit, see, "Ja welcomes China medical ship." *Jamaica Observer*. Kingston, Jamaica. October 30, 2011. See also Glen Mohammed, "Patients praise visiting Chinese medical Ship." *Trinidad Express*. November 10, 2011. See also Irene Rodriguez, "Barco hospital chino llegó para atender población puntarenense." *Nación*. San Jose, Costa Rica. November 23, 2011.

industries such as petroleum, mining and agriculture, construction, manufacturing and retail, and special services sectors such as telecommunications, logistics and banking.⁶⁸

As they establish themselves in the region, Chinese companies and their personnel become subject to local laws, the decisions of the governments, and other imperatives of the environments in which they operate. At the same time the new presence produces impacts and reactions within the region itself. On the other, it creates challenges for Chinese companies who, under some circumstances, will turn to their government for help.

Based on the empirical evidence to date, these challenges are likely to involve the approval of acquisitions, the winning of proposals and the establishment of projects, relations with local labor forces, subcontractors, local communities, environmental groups, and governments, and the physical security of Chinese companies and labor forces.

While, to date, the Chinese government has publicly been relatively deferential when problems have emerged involving its companies and personnel, actions such as the 2010 suspension of soy oil shipments from Argentina⁶⁹ suggest that, under some circumstances, it may use its influence to advance or protect the interests of its companies and nationals, albeit in a form that is very different than that used by the West.

Chinese Soft Power. In building relationships in Latin America and the Caribbean, and seeking to support its companies and nationals, the PRC has soft power which is both greater than is commonly recognized, and from different sources.⁷⁰

By contrast to the US, the PRC does not benefit from a significant group of people in the region who speak the Chinese language, have attended Chinese educational institutions, or feel a particular affinity toward its culture (although PRC programs are making some headway in this area).

Instead, the greatest sources of leverage for the Chinese government and its companies in Latin America and the Caribbean is how residents of the region hope to benefit from engaging the PRC, even if those hopes and perceptions are not entirely accurate. Such hopes include access to the large and growing Chinese market, not only for primary products, but also consumer goods. It also includes hopes for Chinese loans and investments. For a subset of regimes in the region such as those of ALBA, it also includes the hope that the PRC may serve as a counterweight to the US and Western Institutions, thus allowing those regimes to pursue their

⁶⁸ See R. Evan Ellis, *China's New Physical Presence in Latin America: Challenges for the Chinese and Impacts on the Region*. Boulder, CO: Lynne Rienner Publishers. Forthcoming.

⁶⁹ "Cristina regresó de China sin soluciones para la venta de soja." *Clarín*. Buenos Aires, Argentina. <http://www.clarin.com>. July 17, 2010.

⁷⁰ For a detailed discussion of Chinese soft power in the Latin America, see R. Evan Ellis, "Chinese Soft Power in Latin America: A Case Study." *Joint Forces Quarterly*. Issue 60. 1st Quarter 2011. Pp. 85-91.

policies free of constraints from Western investors, banks and governments.⁷¹ Even beyond ALBA, Latin American governments recognize that the PRC plays an ever greater role in the global economy and politics, adding importance to understanding and maintaining an effective relationship with it.⁷²

Finally, as will be discussed in a subsequent section, Chinese companies are increasingly operating on the ground in the region itself, giving them leverage as employers, providers of revenue to governments, and as actors in the community, even as this same presence multiplies opportunities for conflict.⁷³

Chinese soft power in Latin America and the Caribbean also faces important limits. These include differences in culture and language and a pervasive sense of mistrust of the Chinese within the region in general. From a Latin American perspective, such mistrust is reinforced by a perception that Chinese personnel (because of the same language barriers and cultural norms) do not interact with or play an active role in the local community.

The PRC will also face dilemmas about when and how to use that influence, given its long-espoused principal of non-intervention in the affairs of other states.⁷⁴

Current US Policy Response to Chinese Engagement with Latin America and the Caribbean

From the beginning, the US response to growing engagement by the PRC and Chinese companies in Latin America and the Caribbean has emphasized the right of the region to maintain relations with whom it chooses, and a desire to avoid that China's pursuit of imperatives associated with its national development in the current interconnected world order

⁷¹ For leaders such as the late Venezuelan president Hugo Chavez and the president of Bolivia Evo Morales, the role of the PRC also has a political dimension connecting back to the period of Chairman Mao, whether or not that connection is analytically sound. During a trip to China, Venezuelan president Hugo Chavez claimed that the South American revolutionary hero Simon Bolivar and the Chinese revolutionary leader Mao Zedong would have been "great friends." See Alberto Alemán Aguirre, "Relaciones que saben a petróleo." *El Nuevo Diario*. Managua, Nicaragua. August 15, 2012. Similarly, during his January 2009 trip to China Morales exuberantly declared himself to be a "great admirer of Mao." See also Mireya Tabuas and Maria Alesia Sosa. "No es un cuento chino." *El Nacional*. Caracas, Venezuela. <http://el-Nacional.com>. April 15, 2012.

⁷² Then Costa Rican President Oscar Arias, for example, changed the diplomatic posture of his country, in part, because of his belief that the growing importance of the PRC made relations with it fundamental to the future position of Costa Rica in the international community. See R. Evan Ellis, *China in Latin America: the Whats and Wherefores*. Boulder, CO: Lynne Rienner Publishers, 2009.

⁷³ For a more detailed account of this phenomenon, see R. Evan Ellis, "China, S.A. as a Local Company in Latin America" *Regional Insights*. William J. Perry Center for Hemispheric Defense Studies. No. 1. 2013. See also R. Evan Ellis, "Learning the Ropes." *America's Quarterly*. Vol. 6, No. 4. Fall 2012. Pp. 28-33. See also R. Evan Ellis, "The Expanding Chinese Footprint in Latin America: New Challenges for China, and Dilemmas for the US." *French Institute of International Relations (IFRI)*. No. 49. http://www.ifri.org/?page=contribution-detail&id=7014&id_provenance=88&provenance_context_id=2&lang=uk. February 2012.

⁷⁴ For an authoritative assertion of this principle with respect to China's relationship with Latin America, see "China's Policy Paper on Latin America and the Caribbean (full text)," Government of the People's Republic of China. November 2008.

degenerates into geopolitical conflict.⁷⁵ Indeed, in this and other respects, US policy toward the activities of the PRC government, Chinese companies, and other Chinese actors in Latin America has been relatively consistent across both Republican and Democratic administrations, and between the Department of State and the Department of Defense.

On one hand, the US has recognized the right of Latin American states to maintain relationships with whom they wish. At the same time, however, it has also repeatedly expressed concerns about the lack of transparency of some of those interactions,⁷⁶ as well as the indirect effects of those interactions on governability and standards that it and other states seek to promote there.

In the military sphere, then Deputy Assistant Secretary of Defense Frank Mora acknowledged the right of Latin American militaries to build relationships with whom they wished, and noted that the capabilities provided by Chinese arms sales and training could help build capacity in the region, yet expressed concern over the lack of transparency in that relationship.⁷⁷ Similarly, his predecessor Rogelio Pardo-Maurer similarly testified before the US Congress in April 2005 that there was “no evidence that Chinese military activities in the Western Hemisphere, including arms sales, pose a direct conventional threat to the United States,” yet qualified his comments by adding “this is not to say that there are no concerns.”⁷⁸

Returning to the analysis of US policy goals presented in the first section of this paper, it is possible to extrapolate several principles for how the U.S. will likely respond to Chinese initiatives in Latin America, although such principles solely represent the analysis of the author:

- In general terms, the US is likely to welcome PRC commercial engagement to contribute to the development and prosperity of the region, if these activities are conducted in a transparent fashion, and the competition for winning contracts or penetrating markets is conducted in a fair market-oriented practices.
- The US will look favorably upon Chinese assistance, trade, loans and investment and other activities that is conducted in a transparent fashion, does not seek to undermine the country's relationship with the US or Western companies, and:
 - Increases the capability of institutions of democratic government
 - Helps the government or region combat or resist terrorism

⁷⁵ See, for example the statement by former Assistant Secretary of State for the Western Hemisphere Arturo Valenzuela, in Zhang Ting, “China ‘not a threat’ in Latin America.” *China Daily*. August 19, 2011.

⁷⁶ See, for example, “Asia, the Americas, and U.S. Strategy for a New Century.” Remarks by William J. Burns, Deputy Secretary of State. Remarks at World Affairs Councils of America National Conference. Washington, DC. <http://www.state.gov/s/d/2011/176667.htm>. November 4, 2011.

⁷⁷ Frank. O. Mora. Presentation to the conference “Strategic Implications of China's Evolving Relationship with Latin America.” Fort Lesley J. McNair. Washington D.C., November 6, 2009.

⁷⁸ Rogelio Pardo-Maurer. Testimony to the House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on “China's Influence in the Western Hemisphere.” Serial. No. 109-63, April 6, 2005.

- Helps the government or region combat crime and insecurity, particularly emerging trans-Pacific organized crime
- The U.S. may look on the activities of the PRC government, Chinese companies, or other Chinese actors in the region with particular concern if they:
 - Appears to use its political or economic relationships to plan or conduct acts that harm the United States or its interests, or to enable or encourage other actors to do so.
 - Provide financial or other forms of support to regimes which are non-democratic or hostile to the United States, particularly if such interactions are conducted in a secretive fashion.
 - Appear to weaken democratic institutions
 - Appear to increase corruption or crime
 - Appear to generate instability
 - Otherwise appear to weaken governability in a way that increases risks that the region may be used by transnational criminal or terrorist groups

Possible Future Scenarios

Beyond general principles, the evolution of the Chinese position in Latin America and the Caribbean and the US policy response depends on the interaction of multiple factors, and is thus difficult to predict.

Within each country of the region, the position of the PRC will reflect a balance between three dynamic processes: (1) increasing conflicts associated with the expanding Chinese physical presence in the region, (2) learning by all sides associated with that physical presence and the more intensive interaction associated with it, and (3) increased Chinese leverage as a product of the greater importance of the PRC and its agents to the livelihood of the country. In some countries, conflict will outpace learning, leading to the failure of projects and a net negative attitude toward the PRC, Chinese companies, or the Chinese in general. In other cases, the PRC government and Chinese companies will learn how to operate effectively in the local cultural context and use their new influence to overcome challenges, leading to positive results. The specific outcomes in each country and situation are thus likely to be different, producing a complex tapestry in which the PRC succeeds and is well regarded in some places, but not others.

Defining Moments. As the dynamics detailed in the previous paragraph play out, there may also be “defining moments” in one or more cases that play a particularly significant role in shaping China’s relationship in that country and its position in the region. For such events, the greatest impact comes not from the event itself, but how actors in the country, and the region, may change how they think about China, and the opportunities and threats it presents, based on their interpretation of what happened.

There are at least two such types of events involving choices by the PRC regarding whether and how to defend the interests of its companies, people, and other interests against specific challenges that it will face in the region:

First, the PRC will face actions by governments in the region against its companies and nationals that it believes are unjust and harmful to its interests. Choosing not to act will send a significant message, yet attempting to use its economic or diplomatic leverage in a heavy-handed fashion could also go wrong, or convince decision makers in the region that the PRC represents a “new imperialism” that they must guard against.

Second, the PRC could become caught up in the violent collapse of a Latin American government with which it had a strong relationship and many projects, with many vulnerable personnel and valuable assets in the country as the situation deteriorates. It could become convinced that multilateral solutions would be too slow, or would not adequately protect its people and assets. Particularly if Chinese companies, workers, or ethnic Chinese were targeted in the chaos, the PRC would have to choose whether to accept those deaths and losses, or become involved in protecting them in a more intrusive manner than when they previously evacuated personnel from deteriorating situations in Somalia and Lybia.

Such a crisis could also define the PRC image in ways that it did not intend. Chinese companies might contract large private security forces as the situation deteriorated, as in Africa. If those forces then behaved badly, it would taint the Chinese image in the region.

Beyond “defining moments,” the dynamics between China, the US and countries of the region can also be analyzed through *scenarios*. While the five scenarios presented in the following paragraphs do not capture all possibilities, they suggest a reasonable range of what might happen in the coming years:

- Indeterminate Continuation of the Status Quo
- Progressive Integration and Partnership
- Emergence of Regional Blocks
- Economic Crisis
- Global Conflict

Indeterminate Continuation of the Status Quo. The PRC continues to grow at current rates. PRC trade with the region, and the presence of Chinese companies on the ground in the region continues to expand. Growth rates in the US and Europe remain approximately at current levels without significant change. There are no significant upheavals in the politics or economics of Latin America and the Caribbean. The position of China in select countries of the region continues to strengthen, with an expansion of loans, investments, work projects, and product sales. In others, by contrast, there is increasing resistance to trade with and investment from the PRC. Negative attitudes toward the PRC, Chinese companies, and Chinese

ethnic minorities appear in some places, giving rise to actions against Chinese companies and violence against ethnic Chinese. Nonetheless, the degree of polarization remains limited, without extreme violence or diplomatic ruptures, with the possibility of the relationship improving where it is poor, or vice versa.

Progressive Integration and Partnership in the Region. With some improvement in current economic conditions, Chinese companies continue to grow in sophistication in dealing with the West and expand their physical presence in Latin America and the Caribbean, supported by the expansion of supporting financial, informational, regulatory, and logistics infrastructures, and in conjunction with local partners. Adapting to the exigencies of operating in Latin America and the Caribbean, Chinese companies become truly global in their operating style, employing principally local staff and management in their Latin American operations, and becoming participants in Latin American communities. Chinese companies build a presence in both socialist countries of the region, and market-oriented ones.

Through increasingly close relationships between Chinese and Latin American partners, and the integration of research and development and supply chains globally, the issue of the “Chinese” identity of companies fades, just as it largely did with Japanese and Korean companies operating in the region previously.

Emergence of Regional “Blocks.” The region splits along ideological lines over the issue of how to engage with the PRC and the rest of Asia (not *whether* to do so). The ALBA regimes pursue a model of interaction based on state-to-state negotiations regarding projects and commercial flows. States of the “Pacific Alliance” pursue an approach emphasizing free markets, contracts, transparency and agility. A third group, led by Brazil, takes a more mercantilist and protectionist approach that permit some cooperation, but also generates continuous conflict between with the PRC countries over taxes and regulations, and requirements for permitting Chinese investments and works projects.

Economic Crisis. Slowing growth in the PRC, and continued stagnation in the US and Europe continue to depress commodity prices, causing the PRC lose its part of its appeal as a purchaser of goods from Latin America. At the same time, difficult economic conditions within the PRC, as well as in the developed world, cause Chinese companies and banks to reach out even more aggressively to Latin America and the Caribbean as alternative markets and capital destinations, causing business groups in Latin America to such companies as more of a threat.

The deteriorating economic environment within Latin America, and in the competition for export markets such as the United States, causes Chinese companies to be seen in more zero-sum terms. Shrinking economic opportunities also increase social tensions in those countries with the result that, particularly in the Caribbean, expanding Chinese communities and their perceived displacement of non-Chinese shopkeepers are viewed more critically by the broader population, fueling ethnic tensions.

In the more extreme variants of this scenario, a collapse of the international financial system with spillover to the PRC causes the suspension of major Chinese works projects in Latin America. Parts of Latin America begins to question its assumptions regarding whether the PRC really would overtake the US as the world's biggest economy, or whether it would become paralyzed by internal economic contradictions. The region's orientation toward the PRC becomes less favorable than currently. Political leaders and businessmen accelerate their turn to other parts of Asia and the developing world in building new trade relationships and attracting investment.

Global Conflict. The security situation in Asia deteriorates, pitting the PRC and the United States against each other in a conflict that takes on global dimensions, including military actions, as well as mutually devastating hostilities in the trade, finance, cyber, and other arenas. Alliances and commercial assets in Latin America and elsewhere in the become tools in the struggle between the two powers.

Conclusion

The future of China's relationship with Latin America involves a complex interaction between governmental and private actors on the Chinese side, within the US, and in Latin America itself.

Despite some of the more negative scenarios presented in the previous paragraphs, there is good reason to believe that the "triangle" of China-US-Latin America and Caribbean relationships can remain positive if they are well managed. In the US tradition, acknowledging mistrust and competition is a necessary part of building trust and harmony.

There is certainly some mistrust between the US and the PRC. Moreover, the activities of both China and the United States in Latin America and the Caribbean, including those of its companies and nationals, may create some adverse consequences for the other. Nonetheless, *there does not appear to be a fundamental conflict of national interests at the present time* between the goals that each country is pursuing in Latin America and the Caribbean. Indeed, there are many areas of shared interests, and opportunities to work together. Finding the path to do so is not a choice, but a necessity, since the consequences of hostility for the US, the PRC, and for the rest of the globe are truly frightening.