

UNIVERSITY OF CENTRAL OKLAHOMA
Edmond, Oklahoma
GRADUATE COLLEGE

POWER IN THE 21st CENTURY:
CHINA'S SOFT POWER IN LATIN AMERICA AND ITS GLOBAL RISE

A THESIS

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

degree of

MASTER OF ARTS IN POLITICAL SCIENCE - INTERNATIONAL AFFAIRS

By

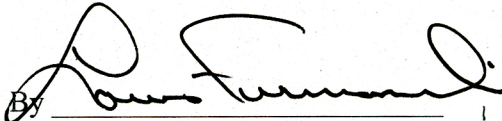
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Edmond, Oklahoma
2013

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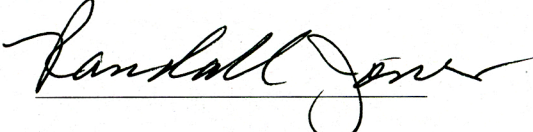
A THESIS

APPROVED FOR THE DEPARTMENT OF POLITICAL SCIENCE

DECEMBER 11, 2013

By 
Chairperson





ACKNOWLEDGEMENTS

For my wife Audra, whose love and devotion, patience, and friendship are true gifts. For my sons, Eli and Max, who missed time with their daddy during this process: always finish what you start, work hard, overcome adversity, and never give up. Even when it's difficult.

Thanks to Dr. Louis Furmanski, my thesis advisor, for his knowledge and guidance on this project. The world needs good teachers that care and he is one. Many thanks to the College of Graduate Studies at the University of Central Oklahoma for developing and fostering disciplined graduate programs that allow full-time working professionals to earn a degree of their choosing.

ABSTRACT

The People's Republic of China pursues soft power in the western hemisphere to support its national interest. Joseph Nye's concept of soft power lacks the necessary detail to be considered mature theory, focuses far too heavily on soft power resource supply, and fails to account for state utility of soft power. As a result, Nye is wrongfully dismissive of China's soft power presence and capabilities. As the case of Latin America demonstrates, China's "utility of scale" soft power approach enables China to exact favorable policy outcomes that serve the national interest by driving its continued economic growth. Chinese soft power in Latin America has peripheral strategic implications, but does not directly impede on the long held Monroe Doctrine; rather, it very deliberately respects it. China's soft power reinforces a key component of PRC grand strategy called "hemispheric hedging," which provides a conceptual construct for understanding comprehensive Chinese smart power.

INTRODUCTION

While international affairs have been complicated in the first decade of the twenty-first century by the rise of non-state actors and their increasingly asymmetric impact on the international system, growing evidence suggests the system will become further structurally complex due to rising state powers over the course of the coming decades. As rising powers attempt to reshape the international order in their favor, they are increasingly likely to challenge the preponderance of United States power and influence and the international order. China's emergence as a global power has promoted great debate among scholars and policy makers with regard to what its rise means for the United States, the East Asian region, and for the overall global order. U.S. policymakers in Congress and the executive branch clearly believe a rising Asia represents one of the clearest global strategic demarcations of the twenty-first century, specifically considering "China's reemergence as a major power with global impact is especially affecting the regional balance of power."¹ Indeed, abundant evidence suggests a U.S. "strategic pivot" toward East Asia is well underway.² In a November 2011 opinion-editorial entitled "America's Pacific Century," Secretary of State Clinton explained this pivot explicitly:

"One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment -- diplomatic, economic, strategic, and otherwise--in the Asia-Pacific region."³

¹ Blair, Dennis C. *Annual Threat Assessment of the Intelligence Community for the Senate Select Committee on Intelligence*, Unclassified Statement for the Record, Committee Hearing: Feb 12, 2009, p. 21-23; <http://intelligence.senate.gov/090212/blair.pdf>, accessed November 26, 2010.

² Lieberthal, Kenneth. 2011. "The American Pivot to Asia." *Foreign Policy*. December 21, 2011. Accessed at http://www.foreignpolicy.com/articles/2011/12/21/the_american_pivot_to_asia

³ Clinton, Hillary. 2011. "America's Pacific Century." *Foreign Policy*. November 2011. Accessed at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century?page=full

This strategic pivot centers on China's rise as a regional and global power. China's sustained exponential economic growth over the previous three decades has made it the world's second largest economy,⁴ raised the standard of living for many of its citizens and has substantially elevated its international profile. This rapid economic explosion has expanded Chinese interests globally. China's "peaceful rise" thesis,⁵ as defined in China's transformation era under Deng Xiaoping and his successors, has centered on its economic growth, primarily driven by exporting manufactured goods for global markets. However, a more recent component of China's overall grand strategy is a developing "soft power" approach as its reach has become more global in scope. This paper will unpack and closely analyze the Chinese approach to statecraft, focusing on its global "soft power" initiatives: the manner in which they have been deployed around the world to serve PRC interests and how global soft power pursuits are connected with solidifying regional hard power capabilities in East Asia. As Chinese grand strategy illustrates, soft power is a legitimate and necessary instrument of power, but also acknowledges that hard power projection capability cannot remain static if a rising power seeks to challenge the status quo order. Chinese utilization of soft power in Latin America provides an excellent case study for the manner in which China deploys soft power resources: "utility of scale." This paper will examine the ways PRC soft power has been deployed and toward what ends in Latin America. Additionally, the question of effectiveness of PRC soft power will be addressed. Perhaps most importantly, this paper seeks to demonstrate how China's authoritarian-capitalist development model allows for "hemispheric hedging," or greater integration of soft power and military

⁴ "Gross Domestic Product 2011." World Bank. Accessed at <http://databank.worldbank.org/databank/download/GDP.pdf>

⁵ Bijiang, Zheng. "China's 'Peaceful Rise' To Great-Power Status," *Foreign Affairs*: Vol 84 No. 5; Sept-Oct 2005, pp. 18-24.

strength in both the western and eastern hemispheres. That is, soft power and economic power increases in one region are more easily correlated with increases in military power projection capability in another region, when the state is controlling the use of soft and hard power resources.

While not an explicit work of IR theory, this paper will first examine some of the theoretical underpinnings of "power" in the academy literature, scrutinize some of its assumptions and apply these analyses to the Chinese power model. Neorealism and neoliberalism are given primacy for discussion's sake—as these theories demarcate the primary division of the power paradigm—and each will be discussed in terms of its value for the U.S.-Sino relationship and for the broader global order. Additionally, the traditional definition of soft power, as defined by Nye, will be scrutinized. Secondly, this paper explores how China has deployed its soft power in Latin America, examines the interplay between soft and hard power, and considers whether or not soft and hard power should be considered mutually exclusive. Additionally, I hope to demonstrate soft power's place in realist thought while countering neoliberalism's misgiving that soft power's deployment necessarily increases cooperation among states, particularly as it applies to the Chinese power model and the East Asian region. Thirdly, I will examine China's rise and its dynamic affect on the international system, the East Asian region, and how the trajectory of U.S.-Sino relations will drive the security environment of East Asia.

POWER IN INTERNATIONAL POLITICS AND IR THEORY

Power has long been the empirical currency for examining the structure of the international system and the ways in which states interact. In international politics, “power” is defined as the ability of state “A” to get state “B” to do something it would not otherwise do.⁶ However, since the end of the Cold War, there has been much scholarly debate as to the changing nature of power in today’s international system.⁷ Each of the theories of international relations addresses power differently. This paper gives neorealism and neoliberalism primacy for discussion’s sake, as these theories provide the primary division of the power paradigm. Neorealists emphasize traditional hard power resources that rely on empirical measurement, such as military strength, whereas the neoliberal institutionalist approach stresses soft power resources, a far less empirical approach stressing the intangible aspects of power. As will be discussed, the above division is less stark than realists or neoliberals would argue or acknowledge, and the integrated PRC power model offers an excellent example.

The realist position follows a predictable historical and repetitious pattern with respect to the logic of state behavior. For realists, interest defined in terms of power is the ultimate measure of how states interact with one another, however the various strands of realism are marked by differences across the analytical spectrum. Classical realists, such as Morgenthau, hold that states pursue power because “politics, like society in general, is governed by objective laws that have their roots in human nature.”⁸ Neorealists, also known as structural realists, hold

⁶ Dahl, Robert A. *Who Governs? Democracy and Power in an American City*.

⁷ See Nye, Joseph S. 1990. “The Changing Nature of World Power.” *Political Science Quarterly* Vol. 105 No 2.

⁸ Morgenthau, Hans J. 2005. *Politics Among Nations: The Struggle for Power and Peace*. 7th Ed. (New York: McGraw-Hill) Chapter 1.

that states compete for power in an international system defined by anarchy. Therefore all states seek security by maximizing power because the structure of the international system does not ultimately offer a higher authority than the state itself. Additionally, states tend to pursue regional hegemony when given the opportunity and when they have accumulated enough power to do so.

Neoliberalism, commonly known as neoliberal institutionalism, holds that the tenets upon which realism is based have evolved, enabling states to fashion international institutions that promote and better enable cooperation among states, despite the anarchic international environment.⁹ Keohane and Nye first explored the evolving nature of interstate relations by challenging the realist assumption that states pursuing power and self-interest did not necessarily restrain prospects for cooperation because international political economies and globalization were producing economic interdependence, thus making the state less a center of gravity.¹⁰ They argue, because complex interdependence ties the actions and interests of states together, cooperation is not only possible, but necessary. While interstate interdependence offers states opportunities and incentives to cooperate, current and historical examples demonstrate that it does not necessitate cooperation. One primary critique of liberal institutionalism is that it disregards the any state's tendency to oppose the relative gains such institutions may provide

⁹ Sterling-Folker, Jennifer. 2010. "Neoliberalism." Dunne, Kurki, Smith eds. *International Relations Theories: Discipline and Diversity*. 2nd ed. (pp.116-134) New York: Oxford University Press.

¹⁰ Keohane, Robert O. and Nye, Joseph S. 1977. *Power and Interdependence*. 2nd ed. New York: Harper Collins.

¹¹ Mearsheimer, John. "The False Promise of International Institutions." *International Security*. Vol. 19, No. 3 (Winter, 1994-1995). pp. 5-49.

other states.¹¹ As such, one can argue that states in Asia pursue international institutions only if it is in their national interest to do so.

THE THEORETICAL PERSPECTIVES AND U.S.-SINO RELATIONS

China's emergence as a global power has promoted great debate among scholars and policy makers as to what its rise means for the United States, the East Asian region, and for the global order. While many agree a rising Asia represents one of the clearest global strategic demarcations of the twenty-first century, there exists a diversity of opinion among policymakers on exactly what this means for the future trajectory of the U.S.-China relationship.¹² Similarly, scholars are divided as to what China's rise means and, while, multiple IR theories are often applied to explain future trajectories for the American-Sino relationship, within each exists a diversity of thought. Does China's emergence represent a threat to United States interests which should be constrained? What does China's exponential economic growth and its emergence as the world's second largest economy mean for its foreign policy and power projection capabilities in East Asia? What role, if any, will continued rapid economic and social change in China play in its own domestic politics and will this affect how China chooses to project power both regionally and abroad? What role will the interdependent economic relationship and respective domestic politics play in the future of the U.S.-China relationship? The literature suggests that

¹² This diversity among policymakers often falls along the fault line of PRC domestic policy projections as it relates to extraordinary economic and social change.

three primary theoretical lenses have been applied to analyze this issue, with a diverse spectrum of optimistic and pessimistic views existing within each theoretical posture.¹³

NEOREALISM: THE LOGIC OF STATE BEHAVIOR AND THE TRAJECTORY OF U.S.-CHINA RELATIONS

For the realist¹⁴, any state's most important goal is survival, because without survival, no other goal has relevance.¹⁵ States compete for power and influence in an anarchic international system¹⁶ in which no higher authority exists. Powerful states attempt to establish a hegemonic presence in their respective regions of the globe and attempt to constrain the power of any other state from reaching into the region—often through economic means first and, in turn, hastening military power projection. Furthermore, dominating the region becomes the most realistic manner in which a state can best manage its superpower status without overextending itself globally. Some realists part with others with regard to whether or not states can predict the intentions of other states with any degree of certainty over time.¹⁷ Lastly, states recognize that in an anarchic international system in which offensive capabilities and potential malignant threats

¹³ Friedberg, Aaron. "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*, Vol.30, No.2 (Fall 2005), pp.7-45.

¹⁴John Mearsheimer, the R. Wendell Harrison Distinguished Service Professor of Political Science at the University of Chicago, is widely known for public lectures on the U.S.-China relationship and is the foremost offensive realist in the field of IR theory.

¹⁵ John Mearsheimer. 2001. *The Tragedy of Great Power Politics*, (New York: W.W. Norton) p. 65.

¹⁶ Kenneth Waltz, *Man, the State, and War: a Theoretical Analysis* (New York: Columbia University Press, 1954, 1959, 2001) Preface to the 2001 edition, pp. x-xi.

¹⁷ "Conversations in International Relations: Interview with John J. Mearsheimer (Part II)," *International Relations*, Vol. 20(2): pp. 231-234.

from other states dominate the competition, the best way to survive is to become as powerful as possible.¹⁸ However, some diversity exists within the realism school of IR theory with respect to the rise of China and usually amounts to a debate over projections regarding “China’s peaceful rise to great-power status”¹⁹ and whether or not a peaceful trajectory will continue or is even possible.

With respect to China, a pessimistic realism (often termed “offensive realism”) suggests that China is learning from the United States regarding these aforementioned principles which largely guided U.S. foreign policy since the nation’s founding.²⁰ The U.S. policies of state expansion (Manifest Destiny) and regional hegemony (The Monroe Doctrine) have deterred any other state power from dominating the Western Hemisphere and have clearly benefited the U.S. national interest economically and militarily. In recent years, and more noticeably in recent months, China has sought to aggressively expand its naval and air power capabilities by deploying an increasingly sophisticated submarine fleet in the strategically important South China Sea, commissioning its first aircraft carrier, and making the world’s first anti-ship ballistic missile (ASBM) operational. These actions have considerably increased maritime tensions in the region.²¹ With respect to military airpower, China has begun to build—after years of reverse-engineering Russian-acquired technology—and sell its own fighter jets²² and has declared an Air

¹⁸ Mearsheimer, John. 2006. “China’s Unpeaceful Rise.” *Current History*; Apr 2006. pp. 160-62.

¹⁹ Bijian, Zheng. 2005. “China’s ‘Peaceful Rise’ To Great-Power Status,” *Foreign Affairs*: Vol 84 No. 5; Sept-Oct 2005, pp. 18-24.

²⁰ Mearsheimer, John. 2006. “China’s Unpeaceful Rise,” *Current History*; Apr 2006; pp. 160-62.

²¹ Cropsey, Seth. 2010. “Keeping the Pacific Pacific: The Looming U.S.-Chinese Naval Rivalry,” *Foreign Affairs*, Sept. 27. <http://www.foreignaffairs.com/articles/66752/seth-cropsey/keeping-the-pacific-pacific>.

²² Page, Jeremy. 2010. “China Clones, Sells Russian Fighter Jets.” *The Wall Street Journal*, Dec 4. <http://online.wsj.com/article/SB10001424052748704679204575646472655698844.html>.

Defense Identification Zone (ADIZ) in the strategically valued East China Sea.²³ How will the United States react to China's growing regional hegemony? Realism suggests that, if history is any indicator, it will react just as it did throughout the twentieth century to other Eurasian state powers—Imperial Germany, Imperial Japan, Nazi Germany, and the Soviet Union—that sought regional hegemony: they will constrain it.²⁴ For a pessimistic realist, the rise of China will not and cannot be peaceful.

Other notable realists have adopted a more optimistic position (defensive realism) on China: while they agree the behavior of states within the realist theoretical construct will likely lead to an intense security competition between the U.S. and China in the coming years and decades, they *also* acknowledge other mitigating factors which may affect the manner and timeline in which China continues its rise.²⁵ These mitigating factors are threefold: Firstly, China currently lacks the military power to be a true peer competitor with the United States; secondly, Chinese economic growth could slow in the coming years and decades due to an aging population, the world's largest middle-class, and a one-child population control policy; thirdly, nuclear deterrence will maintain a stability to keep the relationship “in bounds.”²⁶ Nevertheless,

²³ Szechenyi, Nicholas, Victor Cha, Bonnie S. Glaser, Michael J. Green, Christopher K. Johnson. 2013. “China's Air Defense Identification Zone: Impact on Regional Security.” *Center for Strategic and International Studies*. Nov 26, 2013. <http://csis.org/publication/chinas-air-defense-identification-zone-impact-regional-security>

²⁴ Mearsheimer, John. 2010. “The Gathering Storm: China's Challenge to U.S. Power in Asia,” Fourth Annual Michael Hintze Lecture in International Security, The University of Sydney (Australia: Aug 4, 2010), <http://mearsheimer.uchicago.edu/pdfs/T0008.pdf>.

²⁵ Walt, Stephen. 2010. “How Long Can Beijing and Washington Handle Their Relationship?” *Foreign Policy*, blog posting Sept 15. http://walt.foreignpolicy.com/posts/2010/09/15/how_long_can_beijing_and_washington_handle_their_relationship.

²⁶ Walt, Stephen. 2010. “China's New Strategy” *Foreign Policy*, blog posting April 26, 2010, http://walt.foreignpolicy.com/posts/2010/04/25/chinas_new_strategy

they expect China will, given a persistent rate of economic growth, continue on its path of military buildup and increase regional security tensions and that other powerful nations, such as the U.S. and its strategic allies in the East Asian region, will attempt to balance these actions.

LIBERALISM: CHINA'S RISE & ECONOMIC INTERDEPENDENCE, INTERNATIONAL COOPERATION

The liberal internationalist position asks the same question with respect to the rise of China and its underpinnings for the U.S.-China relationship: will the rise of China lead to a relationship destined for aggression and confrontation with the U.S., or will the convergent relationship be deepened by further bi-lateral cooperation and stability through the furthering of democratic principles and economic interdependence? Liberalism, in contrast to realism, posits the latter, but also has its own optimists and pessimists.

The liberal posture toward China's rise centers on the idea that continued bilateral economic exchange will further anchor the platform for good relations between the U.S. and China in the twenty-first century. The greater trade volume and investment between the two nations, the greater the chances for a relationship governed by stability: one that neither side will attempt to disrupt. From 1978 until the end of the twentieth century, the value of U.S.-China trade moved from \$1 billion to almost \$120 billion annually. By 2004, this figure almost doubled to \$245 billion.²⁷ In 2010, China surpassed Japan as the world's second largest economy next to the United States. While the \$7.5 trillion economy of China remains small

²⁷ Friedberg, Aaron. 2005. "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*, Vol.30, No.2 (Fall 2005), p. 12.

compared to the \$15 trillion U.S. economy, the Chinese growth trends are remarkable: just five years ago, China's GDP was half of what it is now. In 2000, average per capita income in China was \$930 compared with \$3,600 in 2009.²⁸ U.S. investors continue to pour billions of dollars of capital into China each year. This bilateral trade relationship, from the liberal perspective, promotes stability among nations and is rooted in a quote often attributed to the classical liberal and French political economist Frederic Bastiat: "If goods don't cross borders, then armies will."

Another key component to the liberal idyllic posture is the proliferation of international institutions. Liberalism in international relations assumes an optimistic possibility for human progress in world affairs and that, international institutions, and the institutional norms they promote, will foster this progress and therefore prevent conflict. As one would expect, liberal institutional theory is a stark deviation from the realist perspective which highlights no higher authority than the state. Liberalism argues that any Chinese trend toward realism is eroded by the tenets of international institutions²⁹ and this debate sharply divides prominent IR scholars.³⁰ With respect to China, its membership in formal international organizations has doubled since 1977 from 21 to 52 in 1997 and its membership in NGOs exploded from 71 to 1,163 during that same period.³¹ Other liberal models in the literature have explored whether or not the U.S. policy of engagement with China has succeeded in reducing security risk, though acknowledging

²⁸ U.S.-China Economic and Security Review Commission, "The U.S.-China Trade and Economic Relationship's Current Status and Significant Changes During 2010" *2010 Report to Congress of the U.S.-China Economic and Security Review Commission*, p. 17.

²⁹ Hempton-Jones, Justin. "The Evolution of China's Engagement With International Governmental Organizations," *Asian Survey*, Vol.45, No.5 (Sept-Oct 2005) pp. 702-721.

³⁰ Keohane, Robert and Martin, Lisa. "The Promise of Institutional Theory" *International Security*, Vol. 20, No. 1 (Summer 1995) pp. 39-51.

³¹ Friedberg, Aaron. "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*, Vol.30, No.2 (Fall 2005), p14.

that a future successful trajectory in China is beholden to and perhaps slowed by several factors including potential further suppression of domestic demands for democratization, social unrest caused by environmental neglect, and the status of Taiwan.³² Since the end of the Cold War regional institutions in East Asia have promoted dialogue among nations including the Asia-Pacific Economic Cooperation (APEC) forum, the Association of Southeast Asia Nations (ASEAN), and the East Asia summit. Specific to China, the PRC entered the World Trade Organization (WTO) in 2001 and the nuclear non-proliferation regime in 1996. Optimistic liberals holds that these developments will deter the PRC from acting to disrupt the global order because with these organizations comes accountability and expectations, both to which the Chinese government have willingly submitted by joining the international community.

Lastly, the liberal lens of IR stresses the importance of the spread of democracy throughout the world. No issue is of greater importance to the optimistic liberal's position with respect to China than that of democratization. The idea that democracies do not war with one another is a long-held belief among liberal IR scholars³³ and U.S. policymakers have used this belief to justify policies of democracy promotion across the globe. While IR liberals believe that the process of Chinese democratization remains slow and acknowledge a cloud over the PRCs willingness to allow reforms to proliferate, its progress cannot be denied.³⁴ Rooted in Kantian

³² Dunne, Kurki, Smith, eds. 2010. *International Relations Theories* (New York: Oxford University Press: 2007, 2010 2nd ed), pp.111-12.

³³ Russett, Bruce and Christopher Layne, David Spiro, Michael Doyle. 1995. "The Democratic Peace," *International Security*, Vol.24 No.4 (Spring 1995), pp.164-84.

³⁴ Pei, Minxin. 2000. "China's Evolution Toward Soft Authoritarianism," in Edward Freidman and Barrett McCormick, eds., *What If China Doesn't Democratize? Implications for War and Peace* (Armonk, NY: Sharpe, 2000), pp. 74-98. Minxin Pei, Asian scholar and Senior Associate for the China program at the Carnegie Endowment for International Peace, is widely known for his critique of the Chinese government's purposeful slowing of democratization and political reform in recent years.

democratic peace theory, liberalism holds that as China further democratizes, relations with the United States will further stabilize and remain peaceful throughout the twenty-first century.

However, there exists a liberal skepticism toward the idea that the aforementioned principles can prevent a neorealist trajectory for U.S.-China relations defined by bipolar security competition that mirrors the U.S.-Soviet relationship during the Cold War. Such a pessimism argues that, while China's growing participation in international organizations and its bilateral trade relationship with the U.S. are both fine and good, China remains slow in its transition of governance and some evidence suggests that China's rate of democratization is slowing, leaving some scholars to theorize that China remains on a trajectory of "trapped transition."³⁵ The concern here lies in the fact that China is by no means a democracy and is defined by continued authoritarian political controls and that nations in this perpetual state of motion toward full democratization become defined by increasing instability and "hyper-nationalist rhetoric"³⁶ tend to go to war.³⁷ Other IR scholars have noted that when states struggle to maintain an authoritarian power structure, they look outside of their borders and begin a nationalist drumbeat—look no further than Iran's nationalist quest for nuclear capabilities as a primary example. Former Secretary of State Condoleezza Rice³⁸ has spoken of this phenomenon of state behavior

³⁵ Pei, Minxin. 2006. *China's Trapped Transition: the Limits of Developmental Autocracy*, (Harvard University Press, 2006).

³⁶ Friedberg, Aaron. 2005. "The Future of U.S.-China Relations: Is Conflict Inevitable?" *International Security*, Vol.30, No.2 (Fall 2005), p. 30.

³⁷ Mansfield, Edward D. and Jack Snyder. 1995. "Democratization and the Danger of War," *International Security*, Vol.20, No.1 (Summer 1995), pp. 5-38.

³⁸ While Dr. Rice's early scholarly work is clearly realist, she has described the Bush administration's foreign policy as a hybrid realism-Wilsonian internationalist model.

in interviews.³⁹ One can argue that the current security situation in East Asia mirrors this. There is little question that Chinese nationalist rhetoric has grown in the region and has its neighbors concerned, particularly as it relates to its territorial island disputes with Japan—some scholars have noted that these recent naval incidents at sea are not recent at all, but rather, part of a longstanding aggressive Chinese narrative in the region.⁴⁰

It can also certainly be argued that the current authoritarian status quo will be difficult for the PRC to maintain in light of the exponential economic and social change in China. For example, the social unrest in the aftermath of the 2008 Chengdu earthquake in which schools collapsed while Chinese Communist Party (CCP) buildings remained standing.⁴¹ Considering domestic responses to product safety issues including toys, baby formula,⁴² and drug safety⁴³—most of which included government executions of those responsible—it is difficult to imagine the world continuing to accept the status quo without consequences, whether from international institutions or from within China itself.

³⁹ Video interview with Fortune Magazine, http://money.cnn.com/video/fortune/2009/09/17/f_mpw_rice_iran.fortune/

⁴⁰ Pedrozo, Raul. 2010. “Beijing’s Coastal Real Estate: A History of Chinese Naval Aggression,” *Foreign Affairs*, Nov 15, 2010. <http://www.foreignaffairs.com/articles/67007/raul-pedrozo/beijings-coastal-real-estate> .

⁴¹ Yardley, Jim. 2010. “Chinese Are Left To Ask Why Schools Crumbled.” *The New York Times*, http://www.nytimes.com/2008/05/25/world/asia/25schools.html?_r=1&scp=1&sq=grief%20in%20the%20rubble:%20chinese%20are%20left%20to%20ask%20why%20schools%20crumbled&st=cse,

⁴² Barboza, David. 2009. “Former Head of Chinese Dairy Pleads Guilty.” *The New York Times*, Jan 1, 2009, <http://www.nytimes.com/2009/01/01/world/asia/01milk.html?scp=9&sq=chinese+product+safety+executed&st=nyt>

⁴³ Kahn, Joseph. 2007. “China Quick to Execute Drug Official.” *The New York Times*, Jul 11, 2007, <http://www.nytimes.com/2007/07/11/business/worldbusiness/11execute.html?scp=3&sq=chinese+product+safety+executed&st=nyt>

ANALYSIS: U.S.-CHINA RELATIONS AND THE IR THEORETICAL PERSPECTIVES

Which of the theories holds the most promise for explaining Sino-American relations in the twenty-first century? To regard such a complex, multi-faceted power relationship as strictly adherent to one theory and to entirely disregard all others is a short-sighted venture. The China engagement policy secretly implemented by Kissinger under President Nixon in the early 1970s began as a realist venture of national interest to take advantage of a soured relationship between the Soviet Union and China and open up a second front for Soviet containment during the Cold War. Clearly the U.S.-China relationship has evolved into one of far greater complexity since the beginnings of reform in China during the 1970s but is the relationship zero-sum or positive-sum? What trajectory will the relationship follow in the future?

Given historical perspectives and recent events in particular, it does seem clear that the realist lens holds the most promise for the long-term analysis of U.S.-China relations: a growing Chinese regional hegemony in east Asia is stirring concerns among its neighbors and it is clear the U.S. will seek to balance Chinese power in the region as it relates to its other partners in Japan, South Korea, Australia and India. Recent events, such as Chinese naval buildup, anti-ship ballistic missile (ASBM) development, and high-profile, territorial air and naval disputes with Japan over the Senkaku/Diayou islands in the East China Sea lend themselves to the regional hegemony line of logic and there is recent and clear evidence that the United States is willing to push back. Firstly, history suggests it will do so, as has been previously discussed. Secondly, recent events suggest the U.S. is increasingly unwilling to embolden Chinese power in the region. For example, an examination of the tensions on the Korean Peninsula illustrates this: in 2010, tensions in the East Asian region remained high in response to the North Korean shelling

of a South Korean island and revealed to the world a previously undisclosed uranium enrichment facility;⁴⁴China immediately requested a resumption of the Six Party Talks in Beijing, a prospect the U.S. immediately declined and ordered increased joint naval exercises with both South Korea⁴⁵ and Japan.⁴⁶ The U.S. rejection of a resumption of the Six Party Talks represents a growing impatience with China on North Korea and a U.S. unwillingness to allow Beijing to control the situation in the region; however, the U.S. has invited two of its regional partners, Japan and South Korea, to Washington for multi-lateral talks on North Korea⁴⁷—a clear diplomatic response to growing Chinese regional hegemony, while remaining economically committed to China. Also, in a trip to Asia during his first term, President Obama indicated his support for a permanent seat for India on the United Nations Security Council—a very clear message that the U.S. desires to act as an offshore balancer of Chinese power and influence not only in the region but also within international institutions.⁴⁸ This confirms a long-held criticism of the IR liberal’s position with respect to international institutions and China: as the Chinese economy continues its exponential expansion and as China participates in an ever-increasing

⁴⁴ Lim, Bomi “North Korea Confirms Uranium Program Amid Tensions Over Shelling.” *Bloomberg Business Week*, November 29, 2010 <http://www.businessweek.com/news/2010-11-29/north-korea-confirms-uranium-program-amid-tensions-over-shelling.html>.

⁴⁵ MacLeod, Calum. 2010. “North Korea: Joint Exercise Pushes Countries to ‘Brink of War’.” *USA Today*, Nov 26, 2010, accessed at http://www.usatoday.com/news/world/2010-11-26-korea_N.htm

⁴⁶ Memmott, Mark. 2010. “Obama urges China to Put Pressure on North Korea.” *The Two Way: NPR’s News Blog*, Dec 6, 2010 <http://www.npr.org/blogs/thetwo-way/2010/12/06/131844609/obama-urges-china-to-put-pressure-on-north-korea>.

⁴⁷ Dougherty, Jill. 2010. “U.S., Japan, S. Korea to Meet on N. Korea.” *CNN International Edition*, Dec 4, 2010. <http://edition.cnn.com/2010/POLITICS/12/03/meeting.north.korea/>

⁴⁸ Stolberg, Sheryl Gay and Jim Yardley. 2010. “Countering China, Obama Backs India for U.N. Security Council.” *The New York Times*, published Nov 8, 2010 and accessed at http://www.nytimes.com/2010/11/09/world/asia/09prexy.html?_r=1&scp=1&sq=india%20security%20council&st=cse

number of international institutions, China uses its membership to further promote China's national interest. Realism correctly asks: if China's membership in international institutions does not change its regional behavior, then how can the liberal institutionalist position hold for a peaceful rise?⁴⁹ Another liberal IR argument holds that when goods and services cross borders, armies do not. Economic relations in Europe at the end of the 19th century were strong among nations in the region and this failed to prevent the largest loss of life in world history in World War I. Additionally, the constructivist position, though useful in intent and satisfactorily empirical, in practice it "lacks theoretical substance and is under-specified."⁵⁰

While the realist perspective remains the most useful, particularly with respect to growing Chinese hegemony in Asia, it remains less clear that, if indeed as realism suggests, the U.S.-China relationship is a zero-sum game, cooperation could never result.⁵¹ As economic interdependence has deepened between the two nations, the respective domestic polities have direct effects on one another—this will likely continue with a growing intensity. Never before, has the U.S. been engaged in a deep, bilateral, economically interdependent relationship whose future remained glaring with such a disproportionate amount of uncertainty. For example, the U.S. has long enjoyed China-financed profligate deficit spending, an increasingly unsustainable practice, given U.S. long-term debt on pace to reach 90% of GDP by 2020 and an annual deficit

⁴⁹ Mearsheimer, John. 1995. "The False Promise of International Institutions," *International Security*, Vol. 19, No.3 (Winter 1994/1995) pp. 5-49.

⁵⁰ Checkel, Jeffrey. 1998. "The Constructivist Turn in International Relations Theory," *World Politics*, Vol.50, No.2 (Jan 1998) pp. 324-348.

⁵¹ Christensen, Thomas. 2006. "Fostering Stability or Creating a Monster? The Rise of China and U.S. Policy Toward East Asia." *International Security*, Vol.31 No.1 (Summer 2006) pp. 81-126.

and U.S. federal spending reaching 24% of GDP in 2010.⁵² In exchange, China has enjoyed a disproportionately large trade surplus effectuated by a deliberately undervalued Chinese currency and exponential economic growth that, despite the troubles associated with the global financial crisis, has continued to average at least 8% annually.⁵³ U.S. debt held by the public is scheduled to rise to approximately 90% of GDP, or the equivalent to \$170,000 per capita as soon as 2020, according to Congressional Budget Office projections. Post-2020 looks exponentially worse for the U.S. as an aging “baby boomer” population places unsustainable burdens on domestic entitlement programs. How does any of this relate to China? Central banks of developing countries have added “between \$700 billion to \$900 billion to their dollar portfolios in each of the past three years,”⁵⁴ mostly in U.S. Treasury securities, and the largest by far has been China. The U.S. domestic policy debate will affect its foreign policy prospects and its relationships with its foreign bond holders, namely: China. More simply put: domestic politics matter.

Just as the domestic debate in the U.S. on China remains heightened, it is important to remember the same is occurring in China as it determines the type of power it chooses to become as its growing economy fosters social change.⁵⁵ Just as U.S. domestic fiscal policy could dramatically impact its foreign policy decisions in the coming decades, China’s domestic polity could also dictate the type of rising power China will become. Many scholars assert that external

⁵² “The Moment of Truth.” Report issued by *The National Commission on Fiscal Responsibility and Reform*, Dec 1, 2010. The bipartisan “Deficit Commission” was assigned by President Obama to prescribe solutions to America’s long-term fiscal problems.

⁵³ According to Congressional Research Service statistics, in 2009 China’s foreign exchange reserves were in excess of \$2 trillion and in excess of 45% of Chinese GDP, a disproportionately high number.

⁵⁴ Altman, Roger and Richard Haas. 2010. “American Profligacy and American Power.” *Foreign Affairs*, 89.6 (2010): pp 25-34.

⁵⁵ Lam, Willy. 2010. “Is China Afraid of Its Own People?” *Foreign Policy*, posted Sep 28, 2010. http://www.foreignpolicy.com/articles/2010/09/28/is_china_afraid_of_its_own_people

threats are less likely to determine the nature of China's rise, but rather, its domestic economic and social change from within will be the primary determinant.^{56 57} An intense bi-polar security competition is clearly not in either country's national economic interest—the risks clearly far outweigh any perceived benefits—and yet, the security situation in Asia remains heightened and has escalated between 2010-2013, which argues well for realism. But does realism detrimentally downplay the importance of domestic politics? Other scholars have certainly contended this is the case, particularly with respect to domestic foreign policy institutions.⁵⁸ But, in the age of the global economy, domestic politics are increasingly evermore intertwined with the conduct of foreign policy and national interest and perhaps no international relationship better illustrates this than that of U.S.-China.

The rise of China will dominate the foreign policy discussion as the most important issue of the twenty-first century and the U.S.-China relationship will remain the most important for the overall global order. From a theoretical perspective, the realist posture holds the most promise for the analytical framework of U.S.-Sino relations given the history of state behavior but the argument that security conflict is inevitable remains clouded by a diverse set of factors, the most important of which is the domestic politics of both nations. Now that analysis of the two theories

⁵⁶ Economy, Elizabeth. 2010. "The End of the 'Peaceful Rise': even China's elites don't know where its headed." *Foreign Policy*, Dec 2010. http://www.foreignpolicy.com/articles/2010/11/29/the_end_of_the_peaceful_rise

⁵⁷ Gilboy, George and Eric Heginbotham. 2010. "China's Dilemma: Social Change and Political Reform." *Foreign Affairs*, October 14, 2010. <http://www.foreignaffairs.com/articles/66773/george-j-gilboy-and-eric-heginbotham/chinas-dilemma>

⁵⁸ Zegart, Amy. 1999. *Flawed by Design: The Evolution of the CIA, JCS, and NSC* (Stanford, CA:Stanford University Press, 1999) pp. 3-5.

has been conducted, let us examine the conceptual framework of soft power and how it fits into the two primary theories of international relations.

SOFT POWER DEFINED: PROMISE, BUT PROBLEMATIC

The term “soft power,” as defined by, Joseph S. Nye, is:

“getting others to want what you want--(it) co-opts people rather than coerces them. Soft power rests on the ability to shape the preferences of others.”⁵⁹

That is, a state may, by pursuing certain strategies, win desired political outcomes through means of attraction rather than threats or coercion. The soft power concept has grown throughout the academy literature since its official introduction by Nye in his 1990 book, *Bound to Lead*, and as will be discussed here, it has received much attention from Chinese academics and PRC policymakers and strategists. According to Nye, one of the primary problems with the realist approach to international relations is it defines power solely by the empirical measurement of resources, such as military size and hard power projection capability. Nye believes this over-reliance of realists on empirical measurement of traditional power resources is incongruous with the assumption that nations with the most resources always get the policy outcomes they desire. Soft power thus stresses the intangible aspects of “attractive” power such as culture and shared values.⁶⁰ According to Nye, soft power is “the ability to get what you want through attraction rather than coercion or payments.”⁶¹ Nye argues very clearly in his most specific work on the

⁵⁹ Nye, Joseph S. 2004. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs. p5.

⁶⁰ Nye, Joseph S. 2004. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs. Chapter 1.

⁶¹ Ibid.

topic, *Soft Power: The Means to Success in World Politics*, that in the reordered, post 9-11 world, U.S. foreign policy represents precisely the above paradigm. While remaining the nation with the most resources, outcomes are not always congruous with the leverage of those resources. For Nye, the neglect of soft power's importance is the root cause of this incongruity in U.S. foreign policy.

While the conceptual framework of “soft power” clearly exists in international politics, its abstract nature lacks enough strength to tangibly stand alone as mature theory. First, Nye's writings on soft power lack specificity. Nye offers no persuasive model to explain the different ways states can convert their soft power resources into the foreign policy outcomes they desire.⁶ He offers neither a specific framework under which a state would be best served to deploy soft power over military might—only that it should—nor does he explain how soft power can complement hard power except only to say that it works best when it does. Additionally, Nye gives little attention to the fact that, in many cases, soft power resources are not wielded by states. For example, American culture is most often exported by the private sector through capitalist global markets, not the U.S. government. While this can potentially provide positive outcomes over the long-term, such as certain states becoming increasingly attracted to the capitalist system, it does not always necessitate alignment with U.S. interests in the short term. Conversely, British culture is exported through film, television, fashion, and soccer, yet has produced little by way of long-term, measurable policy outcomes for Great Britain. Such cultural dominance has not increased the British government's influence internationally and it certainly did not prevent the precipitous British decline as a global power post-World War II. Put

⁶² Ding, Sheng. 2008. *The Dragon's Hidden Wings: How China Rises With Its Soft Power*. United Kingdom: Lexington Books. p.39.

more plainly, simply because the world may be transfixed by the latest season of internationally popular British television series *Downton Abbey*, does not mean the world will be transfixed by the will of the British state.⁶³ While this would seem to point one toward the liberal IR lens—the idea that more is taking place beneath the state level in the post-Cold War era of globalization—the state remains the primary vehicle by which power is acquired and deployed in the international system.

Secondly, Nye blindly rejects certain variances that should be considered under the soft power conceptual framework. For example, Nye persistently discusses economic power as hard power, a mistake when one considers the economic factors often associated with the power of attraction. While the U.S. economy has struggled to recover from the financial crisis and Great Recession of 2007-2009, it remains difficult to argue that U.S. economic power has not been the centerpiece of U.S. attractiveness to the world since the end of World War II. However, the anemic growth of the U.S. and global economies and skyrocketing U.S. sovereign debt levels have given rise in recent years to some discomfort among rising powers with the U.S. dollar as the world's reserve currency and American economic leadership. As will be discussed, one aspect of China's soft power appeal, particularly in left-leaning Latin American countries, centers on its hybrid authoritarian-capitalist economic model. These appeals are achieved through non-coercive economic means to directly serve China's self-interest.

It makes little sense to consider soft power and economic power mutually exclusive. What else is economic power if not using non-coercive means, in a voluntary exchange of goods

⁶³ Egner, Jeremy. 2013. "A Bit of Britain Where the Sun Still Never Sets: 'Downton Abbey' Reaches Around the World." *The New York Times*, January 3. Accessed at http://www.nytimes.com/2013/01/06/arts/television/downton-abbey-reaches-around-the-world.html?_r=0

or services, to co-opt a state into wanting what you want. It follows then that trade, foreign direct investment, and foreign aid programs are certainly soft power and China deploys soft power through these means across Latin America. Interestingly, the U.S. deployed similar soft power resources in Europe as it came-of-age as a global superpower with the Marshall Plan in the aftermath of World War II. As Mills writes:

"George Marshall believed that a European recovery program could succeed only if European governments, working together, played a key role in its design. He understood that if the United States used its economic power to bully a weakened Europe into accepting America's vision for the future, America doomed the cooperation necessary for getting Europe back on its feet as a region." ⁶⁴

Clearly, Marshall understood the role of co-optation. Interestingly, the Marshall Plan is widely argued by scholars, including Nye, as the quintessential example of American soft power:

"This popular cultural attraction helped the United States to achieve important foreign policy goals. One example was the democratic reconstruction of Europe after World War II. The Marshall Plan and NATO were crucial instruments of economic and military power aimed at achieving that outcome."⁶⁵

A notable and fascinating difference between the U.S. and Chinese soft power models is the timing in which soft power resources were deployed during their respective rises to power. Only after World War II did the U.S. realize that winning the peace would require more than hard power and the Marshall Plan was born. The U.S. deployed soft power in the aftermath of World War II, only after its military victory: rapid, large-scale military buildup to defeat a continental hegemon in Europe and a maritime hegemon in the Pacific followed by rapid, strategic deployment of soft power resources under the Marshall Plan. The Chinese approach is entirely

⁶⁴ Mills, Nicolaus. 2008. *Winning the Peace: The Marshall Plan and America's Coming of Age as a Superpower*. New Jersey: John Wiley and Sons Publishing. p. 115.

⁶⁵ Nye, Joseph S. 2004. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs. p48.

opposite and deliberately so: proactive, global deployment of soft power resources through foreign direct investment, trade, and foreign aid to build the PRC economy, bide time and avoid military conflict with the sole superpower until an increasingly multipolar international system emerges which might become increasingly favorable to PRC interests. This long-term strategy finances China's gradual, (though intensifying) massive military buildup and solidifies regional hard power projection capabilities in East Asia. If the initial U.S. approach to soft power was "winning the peace" after World War II, then the Chinese soft power approach might be considered "maintaining the harmony" abroad to avoid global conflict while consolidating power in its own hemisphere. To achieve this, China executes a "hemispheric hedging" strategy, which will be discussed later at length.

Thirdly, and most importantly, Nye focuses almost exclusively on enumerating soft power resources rather than elaborating on how those soft power resources should be utilized. This analytical oversight is ironic given Nye's primary critique of the realist school of international relations theory is its tendency to focus far too heavily on the enumeration and empirical measurement of hard power resources. Even when discussing the three primary resources of soft power, Nye offers conditions upon which of these resources may or may not achieve an outcome:

"The soft power of a country rests primarily on three resources: its culture (in places where it is attractive to others), its political values (when it lives up to them at home and abroad), and its foreign policies (when they are seen as legitimate and having moral authority)."⁶⁶

⁶⁶ Nye, Joseph S. 2004. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs. p11.

While China's soft power may currently lag behind that of the U.S. and other developed Western nations, the PRC has been successfully deploying soft power resources to achieve measurable outcomes and only when it is in the national interest to do so. Nye himself has been wrongly dismissive of China's growing soft power by focusing on the limited supply of Chinese soft power which, according to Nye, results from its authoritarian domestic political model, rather than the manner in which that soft power resource supply is utilized.⁶⁷ Nye's analysis is the equivalent to saying a quarterback that only throws 10 passes in a football game, but completes 9 of 10 for 250 yards and 3 touchdowns is not playing the game well. To further the analogy, its not the supply of opportunities that matters, its how one chooses to use those opportunities—the utility—that matters. Scholars and policymakers have noted that China has been deliberately pragmatic in its approach to soft power pursuits in various regions in recent years.⁶⁸ This paper holds that, because China focuses its soft power resources on utility of those resources,⁶⁹ rather than the supply of resources in and of themselves, China achieves more desirable policy outcomes. Chinese scholars have even discussed this pragmatic nature of PRC soft power pursuits:

"Chinese foreign policy has attempted to reassure others of its non-threatening intent, enhance acceptance by the international community, and proactively realign the international environment to its liking. It is with these goals in mind that the instruments of soft power are conceived and pursued. Some of these are more 'natural' insofar as they extend from the

⁶⁷ Nye, Joseph S. 2012. "China's Soft Power Deficit: to catch up its politics must unleash the many talents of its civil society." *The Wall Street Journal*, May 8. <http://online.wsj.com/news/articles/SB10001424052702304451104577389923098678842>

⁶⁸ Friedberg, Aaron. 2011. *A Contest For Supremacy: China, America, and the Struggle For Mastery in Asia*. New York: Norton. p. 228.

⁶⁹ I use the term “utility of scale” to describe this soft power pragmatism and is further discussed throughout this paper. “Utility of scale” is defined as means, timing, and frequency of soft power resource deployment.

domestic path of reforms and opening up since the the late 1970s. Other soft power practices, however, result from more deliberate choices."⁷⁰

Furthermore, China's utility of soft power based on self-interest makes the case that soft power is best explained under the theoretical umbrella of realism, rather than liberal internationalism as suggested by Nye. In many ways, Chinese soft power should be considered a pursuit of what noted realist E.H. Carr called the "harmony of interests."⁷¹ This turn of phrase by Carr is strikingly similar to one coined by former Chinese President Hu Jintao called "harmonious world":

"...even though our world has different contradiction and conflicts, and there are an increasing number of factors concerning instability and uncertainty, peace and development remain the themes of the present era. The world needs peace, the people want cooperation and nations long for development. These are the irresistible trends of our times."⁷²

This pursuit of harmony at home and abroad has recently been a priority among PRC leadership as China negotiates the trajectories of its global rise to power.

THE EMERGENCE OF CHINESE SOFT POWER IN THE WESTERN HEMISPHERE

In November of 2004, while the United States had its political and foreign policy focus on the Iraq War, something relatively new was occurring in China. PRC President Hu Jintao was making his first state visit to Latin America, a region traditionally thought of as America's

⁷⁰ Deng, Yong. 2009. "The New Hard Realities: 'Soft Power' and China in Transition." Mingjiang Li ed. *Soft Power: China's Emerging Strategy in International Politics*. (pp.63-82) United Kingdom: Lexington Books. Chapter 4.

⁷¹ Carr, E.H. 1939. *The Twenty Years' Crisis: An Introduction to the Study of International Relations*. New York: Harper-Collins. 2nd Ed. Chapter 4.

⁷²The People's Daily Online. 2009. *President Hu Elaborates the Theory of Harmonious World*. Accessed at <http://english.peopledaily.com.cn/90001/90780/91342/6824821.html>

“backyard” under the Monroe Doctrine. While the American media was paying close attention to the electoral aftermath of a U.S. presidential election and the ongoing war and counterinsurgency efforts in Iraq, China was taking advantage of newfound international opportunities. In a speech to the Brazilian National Congress Hu made this quite clear:

"Sino-Latin American co-operation is facing an unprecedented historical opportunity. We should seize it and work side-by-side to push this friendly co-operation towards continuous progress."⁷³

Hu's trip to the region lasted twelve days and included state visits to Brazil, Argentina, Chile, Cuba, and attending the 12th Summit of the Asia-Pacific Economic Cooperation forum (APEC) in Santiago. The Chinese Foreign Minister noted the trip's successes and explained to the accompanying media that the visit:

"reaches the goal of expanding consensus, enhancing mutual trust, exploring cooperation and seeking common development...This visit lays a new foundation, opens up a new situation and injects new vitality into the development of China-Latin America traditional friendly ties...President Hu held candid and in-depth talks with the leaders of the four countries on consolidating the traditional friendship and strengthening mutually beneficial cooperation in the new situation. The two sides deepen political mutual trust and expand the consensus of enhanced cooperation. President Hu declared with President Lula that both sides will replenish and deepen China-Brazil strategic partnership, determined together with President Kirchner the launch and development of China-Argentine strategic partnership, decided with President Lagos to upgrade China-Chile all-round cooperative partnership and confirmed with President Fidel Castro to continuously consolidate and develop China-Cuba traditional friendly cooperation. All this lays a solid foundation for China to develop long-term and stable all-round friendly cooperation with the four countries."⁷⁴

Does Hu's trip to Latin America mark the beginnings of Chinese soft power pursuits? Not at all, but it marked the quietest major hemispheric shift in international politics of the twenty-first

⁷³ Ministry of Foreign Affairs of the People's Republic of China. 2004. *Hu Jintao Addresses the Brazilian Parliament (Full Text)*. Beijing: Ministry of Foreign Affairs. <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t170363.htm>

⁷⁴ Ministry of Foreign Affairs of the People's Republic of China. 2004. *Foreign Minister Li Zhaoxing Comments on the Fruitful Results Of President Hu Jintao's Trip to Latin America*. Beijing: Ministry of Foreign Affairs. <http://www.fmprc.gov.cn/eng/topics/huvisit/t172349.shtml>

century. The PRC was very clearly sending the message that it desired global power status and, again undercutting Nye's thesis on soft power, it would pursue soft power when it was in China's national interest to do so. This "utility of scale," as this paper holds and Chinese scholars confirm, is the key to China's soft power successes.⁷⁵ The timing of the trip tells much about the PRC willingness to escalate soft power pursuits rooted in national interest in a part of the world traditionally viewed as America's backyard under the Monroe Doctrine.

The fact that the U.S. was embroiled in two major conflicts in Central Asia and the Middle East when Hu made this historic trip to Latin America should not remain unexamined: if the PRC desires global great power status, there would likely not be a better opportunity to serve PRC national interests than when the world's superpower was devoting precious attention and scarce resources to fight two wars abroad and their influence and popularity in their own "backyard" was at an all-time low.^{76 77} If we are to believe that China's expansion into Latin America and the Western Hemisphere at this particular moment in history is indeed happenstance, perhaps we should consider the trajectory of U.S.-Latin American relations just prior to 9-11.

⁷⁵ Li, Mingjiang. 2009. "Soft Power: Nurture, Not Nature." Mingjiang Li ed. *Soft Power: China's Emerging Strategy in International Politics*. United Kingdom: Lexington Books. Chapter 1.

⁷⁶ Rohter, Larry. 2005. "Bush Faces Tough Time In Latin America." *The New York Times*, Nov 2. http://www.nytimes.com/2005/11/02/international/americas/02latin.html?pagewanted=all&_r=1&

⁷⁷ Hakim, Peter. 2006. "Is Washington Losing Latin America?" *Foreign Affairs*. Jan-Feb issue.

THE DECLINE OF U.S. INFLUENCE IN ITS "BACKYARD"

Building upon their newfound friendship, newly elected President George W. Bush and newly elected Mexican President Vicente Fox quickly developed a bilateral commission in 2001 to negotiate a deal on many of the countries' shared policy concerns including curbing illegal immigration, improving trade ties, and cooperation on fighting drug trafficking. The two leaders met twice in April and June of 2001.

On September 6, 2001, in a joint appearance on the White House lawn, President Bush declared the twenty-first century the "Century of the Americas."⁷⁸ The following day, President Fox gave a speech to a joint session of the U.S. Congress and was given a standing ovation. Obviously, U.S. attention shifted away to other priorities after the events of the week that followed. A National Public Radio news correspondent stationed in Latin America noted: "it was as if Latin America had been cast into some permanent twilight, semi-forgotten even as extraordinary events unfolded."⁷⁹ As U.S. interests shifted to fighting terrorism and its state sponsors in the Middle East and Central Asia, promises made to improve relations with the Latin American region came apart at the seams. This is not to suggest the shift in U.S. interests was not justified, but rather, to acknowledge the shift in strategic focus had consequences (whether intended or not) in other areas. In sum, an influence vacuum in the region began to open-up in 2004 and China sought to fill it. David Fleischer, a political scientist at the University of Brasilia put it this way:

⁷⁸ White House Archives. 2001. "Remarks by President George Bush and President Vicente Fox of Mexico at Arrival Ceremony." *The White House*. Washington D.C. <http://georgewbush-whitehouse.archives.gov/news/releases/2001/09/20010905-2.html>

⁷⁹ Hadden, Gerry. 2011. "After 9/11, U.S. left Latin America at the Altar." CNN Editorial, Sept 7. <http://www.cnn.com/2011/OPINION/09/06/hadden.latin.america.9.11/index.html>

“...Latin America was totally forgotten...A lot of Latin Americans thought that was great: better to be forgotten than be taken care of too much. The U.S. opened a void, and the Chinese came right in.”⁸⁰

However, this recent history was not the sole reason for decline of U.S. leadership and influence in the region. It was merely the crescendo. The story of the decline of U.S. influence in Latin America has roots dating back to the Cold War and its aftermath. The United States and the Soviet Union fought critical, ideologically-charged proxy battles for influence across much of the developing world during the period between 1946 and the fall of the Soviet Union, including many across Latin America. During this period, the U.S. funneled support to governments and guerillas fighting against leftist factions across Latin America thought by the U.S. to be expanding communist influence in the region after the Castro victory of 1959 in Cuba. Whether Nicaragua, Chile, Guatemala, or, most famously Cuba, the proxy struggles between the Superpowers during the Cold War were clearly evident in the U.S. "backyard." After the fall of the Soviet Union and the eastern bloc, the U.S. embarked on a renewed approach to revitalizing and reopening many of the closed economies of Latin America. Utilizing normative, Washington-based international institutions such as the World Bank and the International Monetary Fund (IMF) the U.S. promoted the so-called "Washington Consensus" to bridle the nations of the region willing to liberalize their economies, remove barriers to trade, and reduce the role of the state in economic activity.⁸¹ The reduction in trade barriers clearly helped some Latin American countries during the 2000-2008 capital flight from equity markets to

⁸⁰ Bevins, Vincent. 2011. "Brazil's Commodities-Heavy Trade With China Gives Some Pause." *Los Angeles Times*. July 16. <http://articles.latimes.com/2011/jul/16/world/la-fg-brazil-china-20110716>

⁸¹ Weitzman, Hal. 2012. *Latin Lessons: How South America Stopped Listening to the United States and Started Prospering*. New Jersey: John Wiley and Sons Publishing. p.11

commodities. It can also be argued the Washington Consensus helped to improve trade between the U.S. and Latin America through multilateral and bilateral free trade agreements. In 1990, U.S.-Latin American trade amounted to \$118 billion. By 2000, it had grown to \$380 billion and, in 2008, to more than \$665 billion.⁸² While this appears to be excellent news for U.S. interests at face value, the most interesting aspect of these numbers lies in the trade balance trend between the U.S. and Latin America. In 1990, less than 40 percent of U.S. exports went to Latin America but that number grew to 22 percent in 2000 and again to 24 percent in 2010.⁸³ But how did trade-flow the opposite direction look?

In 1990, Latin American exports were highly valued by the U.S., accounting for 47 percent of Latin American exports. That momentum continued and the U.S. accounted for 56 percent of Latin American exports in 2000. But over the next decade, the U.S. began to weaken as a destination for Latin American exports. Very noticeable changes began to emerge in 2009, as the number fell to 39 percent of exports worth \$285 billion. Without question, the dip in 2009 most certainly correlates with the 2008-2009 global financial crisis, but the number crept only crept back up to 42 percent, or \$361 billion in 2010.

Latin American export diversification was well underway: China's share of Latin American exports exploded from 0.8% in 1990 to 10% in 2008.⁸⁴ The United States was becoming less and less important to Latin America and China was becoming increasingly important. Table 1.1⁸⁵ reflects this; while the U.S. remains the top trading partner for South and

⁸² Ibid. p. 12

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ See p. 33.

Central America, the important trends should be noted. Between 2000-2009 South American and Central American exports to the U.S. dropped more than 10 percent in all but three countries. In sharp contrast, China became a top export destination for South and Central American countries during this time period, netting a greater than 10 percent *increase* from all but three nations. Commenting on the "Washington Consensus" and its place in the big picture of emerging markets, former President Hu Jintao said: "Global institutions had failed to fully reflect the changing status of developing countries in the world economy and finance."⁸⁶

⁸⁶ Fornes, Gaston and Alan Butt Philip. 2012. *The China-Latin America Axis: Emerging Markets and the Future of Globalization*. London: Palgrave Macmillan. p 5.

TABLE 1.1 Changes in Latin American Export Patterns to Primary Destinations Between 2000-2009 in Percentage of Total Exports

		China		Asia Pacific		U.S.		EU		Latin America/ Caribbean	
		2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
		S O U T H A M E R I C A	Argentina	3.0	6.6	9.4	15.3	12.0	6.2	18.0	18.6
Bolivia	0.4		2.5	1.4	18.5	24.0	7.7	17.3	9.1	44.2	59.9
Brazil	2.0		13.2	10.3	26.1	24.3	10.2	28.0	22.2	24.8	20.1
Chile	5.0		23.2	26.1	46.1	16.5	11.3	25.2	19.6	21.9	19.1
Colombia	0.2		2.9	2.6	6.0	50.4	39.7	13.9	14.2	28.9	24.6
Ecuador	1.2		0.9	10.9	2.6	37.9	33.5	12.9	15.0	31.5	42.6
Paraguay	0.7		1.1	2.0	1.1	3.9	1.8	13.6	16.0	74.5	75.1
Peru	6.4		15.4	16.9	26.9	28.0	16.3	22.0	15.6	18.1	14.9
Uruguay	4.0		4.3	8.3	8.5	8.3	3.3	16.3	15.1	54.2	39.9
Venezuela	0.1		2.9	1.9	7.6	59.6	48.8	5.8	9.4	19.6	10.4
C E N T R A L A M E R I C A	Costa Rica	0.2	8.8	5.5	17.7	52.0	35.8	22.1	17.4	19.0	27.3
	El Salvador	0.0	0.1	0.4	2.8	65.5	46.6	5.7	5.8	27.8	43.5
	Guatemala	0.1	0.4	3.6	3.2	44.0	42.5	10.9	5.5	35.6	40.1
	Honduras	0.0	1.5	1.6	4.7	79.3	40.7	4.5	23.0	6.0	29.8
	Mexico	0.2	0.6	1.4	2.4	88.2	87.6	3.5	3.8	3.6	3.2
	Nicaragua	0.0	–	0.8	2.5	57.2	29.5	16.4	13.3	23.4	68.1
	Panama	0.2	2.5	2.0	8.2	45.9	42.6	21.7	24.4	23.2	19.5

Source: Fornes, Gaston and Alan Butt Philip. 2012. *The China-Latin America Axis: Emerging Markets and the Future of Globalization*. London: Palgrave Macmillan

 Decrease of >10%  Increase of >10%

THE EVOLUTION OF CHINA'S SOFT POWER INFLUENCE IN THE WESTERN HEMISPHERE

Since the Chinese Communist Party (CCP) seized power in mainland China in 1949, PRC foreign policy toward the developing world has progressed through three stages and has trended toward pragmatism over time.

From 1949 until the end of the Cultural Revolution, China's foreign policy with the developing world was guided by Maoist ideology. China viewed world order through the lens of Mao Zedong's "Three Worlds Theory" which held that the two Superpowers—the United States and the Soviet Union—made up the "first world," China and the remainder of the developing world in Africa, Latin America, and Asia comprised the "third world," and the developed, non-Superpower nations were the "second world."⁸⁷ During this period, China's foreign policy toward the developing world was comprised of large foreign aid packages and exporting communist revolution. Across Africa, Asia, and Latin America, the PRC provided aid to these "brothers of the third world" in exchange for the diplomatic support needed by the then largely isolated PRC.⁸⁸

From the mid-1970s until the end of the Cold War, China's foreign policy with the developing world became more pragmatic, concordantly with the Deng Xiaoping reform era. Because Deng's approach was less ideological, the developing world became less a centerpiece as economic reforms began to take hold and the PRC turned away from the idea of exporting revolution and began to postulate the idea of a "peaceful rise."

⁸⁷ Yee, Herbert S. 1983. "The Three World Theory and Post-Mao China's Global Strategy." *International Affairs (The Royal Institute of International Affairs)* Vol. 59, No. 2 (Spring, 1983), pp. 239-249

⁸⁸ Ding, Sheng. 2008. *The Dragon's Hidden Wings: How China Rises With Its Soft Power*. United Kingdom: Lexington Books. p. 132.

Since the end of the Cold War, as the structure of the international system has undergone significant change, China has sought to rekindle and strengthen its diplomatic, economic, and strategic ties to the developing world, but through an evermore pragmatic, soft power dynamic that focuses on China's self interest and its global rise. Across the developing world, particularly, where nations feel alienated by U.S. foreign policy, there is a noticeable uptick in Chinese cultural, diplomatic and economic activity. Many of these countries, including those across Latin America, are increasingly attracted to a rising and powerful China both as an economic opportunity and a potential transformative alternative to the Washington Consensus that could shape the future of the international system by nudging its structure in the multipolar direction.⁸ These measures of attraction are very clearly soft power resources China has used to advance its national interest.

Sino-Latin American relations has mirrored this trajectory. During much of the Cold War, China's relationships in the region were driven by ideological alignment and centered on symbolic diplomatic support and shared ideology. When China began its "opening up" and domestic economic reforms of the Deng era, it mirrored the approach with the rest of its "third world brothers" and relationships in the region trended toward pragmatism. At the end of the Cold War, as democratization took hold in many parts of Latin America, China began pursuing relations in the region for economic and strategic reasons and despite a continued economic presence by the United States, many nations across South America, Latin America and the Caribbean have taken a long lens view of China's burgeoning role in the region. China's soft

⁸⁹ Ibid. Chapter 8: p. 131-148.

power in Latin America should be examined from multiple angles to adequately understand how the PRC has expanded its influence throughout the region.

CHINA: LATIN AMERICA'S APPEAL AND PRC SOFT POWER RESOURCE

DEPLOYMENT IN LATAM ⁹⁰

"South America is going to be the hot spot for Chinese investment in the coming ten years...Entrepreneurs who want to 'challenge the blue ocean' should be ready to go to South America" -Chen Yuan, President, China Development Bank⁹¹

In 2005, the U.S. House of Representatives Subcommittee on the Western Hemisphere held hearings to examine the significance of Chinese influence in the Latin American region and determined that U.S. power, position, and influence remained superior to China and that PRC economic engagement did not represent a threat to U.S. security.⁹² While this author contends that 2005 and 2013 reflect very different answers to the strategic questions surrounding the burgeoning Chinese influence in Latin America and the Caribbean, we must first examine why China believes its national interest is best served by expanding foreign policy and soft power influence in the "U.S. backyard" and understand how its national interests vary by the regions of Latin America in which they are pursued.

Without question, a primary reason for China's expanded soft power influence into the Western hemisphere is to further expand its explosive economic growth by expanding trade with

⁹⁰ Ellis, R. Evan. 2011. "Chinese Soft Power in Latin America: a case study." *Joint Force Quarterly*. Issue 60, 1st Quarter 2011. Washington D.C.: National Defense University Press.

⁹¹ See note 89.

⁹² U.S. Congress. House of Representatives. Subcommittee on the Western Hemisphere. 2005. *China's Influence in the Western Hemisphere*. 109th Congress. 1st Session. http://commdocs.house.gov/committees/intlrel/hfa20404.000/hfa20404_of.htm

the Latin American region. As China strives toward great power status, the CCP leadership remains very conscious of how intimately connected its economic power is with its global rise. Since 1989, China has sustained annual GDP growth averages in excess of 9.3% and in 2010 the PRC economy, at \$5.88 trillion, was more than one-third the U.S. economy and overtook Japan as the world's second largest economic power. Prior to the global financial crisis of 2008, PRC economic growth had accelerated to more than 11 percent per year. China's economic growth rate eased down to 7.9% or \$8.28 trillion in 2012 but remains on track to make it the world's largest economy at least by 2027, according to Jim O'Neill head of global asset management at Goldman Sachs.^{93 94} With respect to emerging markets, and Latin America specifically, China seeks regional strategic partnerships that will support its need for the natural resources and raw materials required to build and grow the Chinese economy. Because the growth of its economy has centered on exports abroad, many of the emergent economic sectors in the Chinese economy are highly interconnected to foreign markets. This proclivity toward exports is evident in PRC trade surpluses with much of the world. While these trade surpluses remain significant, it should be noted they are trending downward. In 2007, China had a net trade surplus of \$262.2 billion.⁹ In 2010, China's trade exceeded \$2.97 trillion its trade surplus fell to \$183.1 billion. Chinese

⁹³ O'Neill, Jim. 2011. "Welcome to a Future Built in BRICs." *The Telegraph*, November 19. <http://www.telegraph.co.uk/finance/financialcrisis/8900851/Jim-ONeill-Welcome-to-a-future-built-in-BRICs.html>

⁹⁴ Goldman Sachs global asset management chief, Jim O'Neill, first coined the term BRICs in a 2001 research paper for Goldman Sachs' Global Economics Series which examined the relationships between the world's leading developed economies and the leading emerging economies of Brazil, Russia, India, and China. The study can be accessed at <http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf>

⁹⁵ Ministry of Commerce, People's Republic of China. 2007. "Main Indicators of Foreign Trade and Economy." <http://english.mofcom.gov.cn/article/statistic/iein-dicators/200802/20080205371703.html>

manufacturing is heavily dependent upon primary product and raw materials inputs, much of which must be imported from abroad.

Secondly, China views Latin America as a potential market for Chinese goods and deploys soft power to ensure current markets are protected and new markets may be acquired. Because the Chinese economy has relied so heavily on its exports to drive economic growth, it makes sound sense for China to continuously diversify its export markets. The 2008 global financial crisis, caused primarily by risky U.S. mortgage loans bundled and packaged into debt securities and sold into markets around the world, emboldened China's need to diversify its export markets away from their U.S. consumer-heavy dependence in order to sustain economic growth.⁹⁶ As the financial and liquidity crisis deepened, it resulted in economic contraction among the developed countries including China's largest export customers, the U.S. and Europe. Economic contraction meant less consumer spending and, therefore, less demand for Chinese exports. Additionally, the Chinese import presence in developed countries often leads to domestic manufacturing job losses, accompanied by domestic political pressure to intervene. As foremost Chinese scholar on Sino-Latin American relations, Jiang notes:

"China views the United States as a country that uses its economic leverage to exert political pressure on China, which is one reason that China seeks to diversify its economic relationships...Latin America with a population of more than 500 million and an economy of nearly \$3 trillion, is an attractive market for Chinese products."⁹⁷

⁹⁶ Ellis, R. Evan. 2009. *China in Latin America: the whats and wherefores*. Boulder: Lynne Rienner Publishers. p. 13.

⁹⁷ Jiang, Shixue. 2008. "The Chinese Foreign Policy Perspective." Riordan Roett and Guadalupe Paz eds. *China's Expansion Into the Western Hemisphere*. (pp.27-43) Washington, D.C.: Brookings Institution Press.

The value orientation of many Latin American consumers makes the low prices of Chinese-manufactured goods increasingly affordable and desirable. Even more expensive goods such as vehicles and computers offer the Latin American consumer choices and options. In addition to the traditional products, many Latin American markets offer new avenues for informal, contraband Chinese products that violate intellectual property rights, an increasingly serious point of contention between the U.S. and China.^{98 99}

Thirdly, the PRC deploys soft power resources through foreign direct investment (FDI), foreign aid, and loan programs in the region. Latin America and the Caribbean combine to make the region the second largest recipient of PRC overseas foreign direct investment (OFDI) between 2000-2011.¹⁰⁰ According the Inter-American Dialogue, a Washington-based think tank:

“Since 2005, China has upwards of \$87 billion in loan commitments to Latin American countries. China’s loan commitments of \$37 billion in 2010 were more than those of the World Bank, Inter-American Development Bank, and U.S. Export-Import Bank combined.”¹⁰¹

To suggest that such programs do not lend themselves to attractive power falls prey to Nye’s limited definition of the soft power concept. Why would Chinese FDI be so much more attractive to countries across Latin America rather than U.S. FDI? For several decades the region, particularly portions of Central and South America have sought to shake the influence of

⁹⁸ Ellis, R. Evan. 2009. *China in Latin America: the whats and wherefores*. Boulder: Lynne Rienner Publishers. p. 14.

⁹⁹ Blair, Dennis and Huntsman, Jon. 2013. “Protecting U.S. Intellectual Property Rights.” *The Washington Post*. May 11. http://articles.washingtonpost.com/2013-05-21/opinions/39419359_1_protecting-u-s-u-s-pacific-command-china

¹⁰⁰ Peters, Enrique Dussel. 2012. “Chinese FDI in Latin America: Does Ownership Matter?” *Working Group on Development and Environment in the Americas*. Discussion Paper No. 33. Tufts University. <http://ase.tufts.edu/gdae/Pubs/rp/DP33DusselNov12.pdf>

¹⁰¹ The China-Latin America Finance Database, launch page. The Inter-American Dialogue. http://thedialogue.org/map_list

the United States and neoliberal western institutions such as the World Bank and International Monetary Fund (IMF). Many leaders across the region see, in China, an increasingly exemplary development model competing directly with U.S. power and influence across the world, and foreign aid and development programs that do not interfere with domestic affairs and come with fewer democratic strings attached.¹⁰² Interestingly, upon former Chinese President Hu Jintao's state visits to the region in 2004, the previous three years had seen FDI in Latin America plummet from \$78 billion in 2000 to \$36 billion in 2003.¹⁰³

Lastly, while China's soft power presence in Latin America and the Caribbean may appear solely driven by economic rationale, the strategic implications and partnerships cannot be ignored, firstly, because the Chinese government views the region through a strategic lens. PRC government documents fully support this premise:

“the Chinese government regards China-Latin American relations from a strategic perspective, and devotes itself to establishing and developing comprehensive cooperation partnerships of equality and mutual benefit and the collaborative development with the Latin American and Caribbean nations.”¹⁰⁴

Military-to-military exchanges, nuclear and other high-technology agreements, have become an increasingly mitigating factor in the region. Also, a centerpiece of Chinese engagement across the region is to support its "One China" policy by pursuing diplomatic relations with certain nations to further isolate Taiwan. More than half of the countries around the world whom

¹⁰² Mitchell, Derek J. 2007. “China and the Developing World.” *The China Balance Sheet in 2007 and Beyond*. Ch. 6 http://csis.org/files/media/isis/pubs/090212_06china_developing.pdf

¹⁰³ Economic Commission for Latin America and the Caribbean, “Foreign Investment in Latin America and the Caribbean, 2003,” May 2004, p. 13.

¹⁰⁴ "China's Policy Document to Latin America and Caribbean," quoted from http://news.xinhuanet.com/newscenter/2008-11/05/content_10308177_1.htm.

diplomatically recognize Taiwan are located in Latin America and the Caribbean and, as we will see, China aggressively courts these countries with diplomatic and soft power fervor. These aggressive soft power moves have strategic implications for east Asia and in the western hemisphere. The PRC strengthening its “One China” policy by weakening Taiwan’s diplomatic allies has very clear political and strategic implications for east Asia and cross-strait relations.

Having shown Nye’s definition of soft power to be unnecessarily limited by its discounting the attractive nature of economic power, additional strategic implications of China’s soft power influence in Latin America come to light. These strategic implications demonstrate the “hemispheric hedging” smart power strategy the PRC is increasingly executing successfully. China has increased military-to-military engagement and cooperation in the region and has developed aerospace, military, and space cooperation with certain countries in the region. China has very aggressively sought to build an alternative to the Panama canal through Nicaragua. Each of these developments has peripheral strategic implications for the western hemisphere. China’s core regional focus is raw materials acquisition and natural resource production, trade, and expanding its export markets, all to support its economic growth. However, as China continues to parlay its economic growth for the expansion of its military size, scope, and capabilities in east Asia, then it should follow that soft power deployment in the western hemisphere has strategic and hard power implications for east Asia.

LATIN AMERICA: THE DRAGON'S ATTRACTION

The magnetism of China for the Latin American region is two-fold. First, Chinese economic growth provides a massive market for Latin American nations with commodity supply and export capabilities. China's demand for agricultural commodities and other raw materials to support their economic growth has skyrocketed in recent years and countries across Latin America have aggressively sought to meet it. Many maintain a bullish outlook on the benefits of this commodity boom for the Latin American region. Ironically, many neoliberal western institutions, deemed a structural part of the Washington Consensus such as The World Bank and the International Monetary Fund, have agreed with ideologically-opposed leftist nations of the region and openly declared the commodities demand boom and increased economic engagement by China a critical component of continued Latin American development. Others are far more bearish—arguing the proponents of engagement with China are overly optimistic¹⁰⁵—and the commodities boom has created too broad a dependence on China as an export market for a region that historically has failed to measurably diversify its economic output. That is, Latin America has always produced commodities for export and has done so well. These critics argue the China commodities boom has not helped Latin America to the extent many believe, has lessened the region's ability to diversify its economies and has failed to guard against the dumping of Chinese products on Latin American shores. Ultimately, critics believe this is

¹⁰⁵ Jenkins, Rhys. 2010. "China's Global Expansion and Latin America." *Journal of Latin American Studies*. Vol. 42, No. 4 (Nov 2010) pp. 809-837

harming domestic Latin American manufacturing, further lessening the region's ability to diversify its economic output.¹⁰⁶

Secondly, many Latin American countries view China as an alternative development model to U.S. free market capitalism and the neoliberal "Washington Consensus."¹⁰⁷ This is particularly the case in countries across the region who have taken a political turn to the left in the last decade.¹⁰⁸ Since the election of Hugo Chávez in Venezuela in 1998, Latin America has experienced unprecedented electoral victories for the political left. Although many of the following are more pragmatic than Chávez's Bolivarian leftist vision, these political victories include Néstor Kirchner (2003) and Cristina Fernández de Kirchner (2007 and 2011) of Argentina, Luis Inácio (Lula) de Silva (2002 and 2006) and Dilma Rousseff (2011) of Brazil, Ricardo Lagos and Michelle Bachelet of Chile (2000 and 2005 respectively), Evo Morales of Bolivia (2005 and 2009), Daniel Ortega of Nicaragua (2006 and 2011), Rafael Correa of Ecuador (2007 and 2013) and others have expanded their economic and strategic relationships with China, at least in part, to demonstrate that Latin America, as a region, no longer needs the United States in order to thrive. This is not entirely a logical assumption, but does make for sound

¹⁰⁶ Gallagher, Kevin P. and Roberto Porzecanski. 2009. "China and the Latin American Commodities Boom: A Critical Assessment." Working Paper for the Political Economy Research Institute at the University of Massachusetts at Amherst. p. 2. Accessed at http://scholarworks.umass.edu/cgi/viewcontent.cgi?article=1161&context=peri_workingpapers

¹⁰⁷ Halper, Stefan A. 2010. *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-First Century*. (Philadelphia, PA: Basic Books).

¹⁰⁸ Castañeda, Jorge G. 2006. "Latin America's Left Turn." *Foreign Affairs*. Vol. 85, No. 3 (May-Jun 2006). pp. 28-43.

domestic political rhetoric for leftist leaders in a region that has sought to shrug-off U.S. influence.¹⁰⁹

SOUTH AMERICA: THE SOUTHERN CONE AND CHINA

Economic calculations, driven by raw materials and commodities, dominate the relationships between Southern Cone nations and China. Two countries (Argentina and Brazil) of the four Latin American nations with whom the PRC has signed “strategic partnership” agreements (Brazil, Argentina, Venezuela, Mexico) call South America’s Southern Cone region home. Brazil and Argentina receive the “strategic partner” designation by PRC leadership for their ability to export commodities and other high-value raw materials vital to Chinese economic growth. The commodities boom in South America from 2000-2008, largely driven by Chinese consumption, has clearly benefitted the region in many respects, but much debate persists among Latin American and Chinese scholars and experts with respect to the cost versus the benefits to the region.¹¹⁰

¹⁰⁹ Fernández Jilberto, Alex E. and Hogenboom, Barbara. 2010. “Latin America—From Washington Consensus to Beijing Consensus?” Alex E. Fernández Jilberto and Barbara Hogenboom eds. *Latin America Facing China: South-South Relations Beyond the Washington Consensus*. (pp. 184-187) New York: Bergham Books Publishing.

¹¹⁰ Ferchen, Matt. 2011. “China-Latin American Relations: Long-term Boon or Short-term Boom?” *The Chinese Journal of International Politics*. Vol. 4. 2011. pp.55-86.

BRAZIL

China and Brazil have both evolved into emerging capitalist economies as members of the BRICS bloc and each have chosen to orient themselves toward global markets, rather than remaining strictly tethered to their respective regional markets in Latin America and East Asia. This desire for a multipolar global order will remain a primary strategic point of alignment for the two nations as they (and the rest of the BRICS) continue their respective rising. Brazil and China established official diplomatic relations in 1974, making Brazil one of China's oldest trading partners in the Latin American region and the preponderant regional economic player for China. Brazil is the region's largest exporter to China, representing 36% of total Latin American exports. Brazilian economic growth between 1951 and 1980 averaged 6.8 percent annual gross domestic product (GDP) and reached an astonishing 11.2 percent between 1968-1974.¹¹¹ This exponential economic growth emboldened the Emilio Mèdici-led Brazilian government (1969-1974) to formulate a development plan with specific targets to expand reach into the global markets and established the primary goal for "integration into the network of developed countries by the end of the 20th century."¹¹² After the Cold War ended, Brazil began to reevaluate its diplomatic positions and, in 1993 under then Brazilian President Itamar Franco, made Asia a top diplomatic priority. During that same year, China declared Brazil a "strategic partner" making it the first Latin American nation to be granted such a designation. While China and Brazil experienced a sporadic on-again-off-again history as modest trading partners, it was

¹¹¹ Ellis. p. 49.

¹¹² Zhiwei, Zhou. 2012. "Analysis on Brazil and China's Rapid Development and Mutual Policy." He Shuangrong ed. *China-Latin America Relations: Review and Analysis*. (p. 130) United Kingdom: Paths International Ltd (translated version) and China: Social Sciences Academic Press.

not until this designation and China's subsequent engagement in the region beginning in 2000 that this bilateral relationship truly began to blossom. Former Chinese President Hu's 2004 trip to Brazil and subsequent talks with Brazilian President Luis Inácio Lula de Silva formed the foundation of the current cooperative relationship between the two largest BRIC nations and current Chinese President Xi Jinping and Brazilian President Dilma Rousseff have continued this strategic partnership.

According to the Brazilian central bank, trade with China has increased \$68.78 billion over a nine year period, from \$6.68 billion in 2003 to \$75.46 billion in 2012.¹¹³ In 2009, China surpassed the U.S. as Brazil's number one trading partner, likely prompting U.S. concerns that resulted in a state visit to Brazil by U.S. President Barack Obama in 2011.

China has specific economic interest in Brazilian commodities and raw materials. Most Brazilian agricultural commodity exports to China are soybeans and soy oils. In 2006 Brazilian soybean exports to China amounted to eleven million tons, up 100 percent over the previous two-year span.¹¹⁴ Global demand for Brazilian soy in 2013 is at an all-time high, largely driven by insatiable Chinese consumption for foodstuffs. Though Brazil leaped the U.S. as the world's largest producer of soy in 2013, it has exposed Brazil's "decrepit" infrastructure¹¹⁵ weaknesses and challenged Brazilian capability to reliably deliver increasingly high volumes of raw

¹¹³ 2013. "China-Brazil Trade Ties Propel BRICS Co-op." *China Daily*. Mar 26, 2013. http://www.chinadaily.com.cn/china/2013-03/26/content_16344363.htm

¹¹⁴ Ellis, R. Evan. 2009. *China in Latin America: the whats and wherefores*. Boulder: Lynne Rienner Publishers. p. 50.

¹¹⁵ 2013. "Infrastructure. The Road to Hell: Getting Brazil Moving Again Will Need Lots of Private Investment and Know-How." *The Economist*. From print edition Sep 28, 2013. <http://www.economist.com/news/special-report/21586680-getting-brazil-moving-again-will-need-lots-private-investment-and-know-how-road>

commodities to market. Over the last twenty years, Brazil has tripled its capacity at the nation's largest port, Santos, and still demand has continued to outpace improvements to transportation infrastructure.¹¹⁶ In December 2012, President Dilma Rousseff announced a \$26 billion investment package to modernize Brazil's ports in response to global demand for the nation's rich agricultural products.¹¹⁷ However, the World Economic Forum's Global Competitiveness Report for 2013-2014 ranks Brazil's overall quality of infrastructure at 114th of 148 other nations, a pitiful showing for a country with such strong export strength. Chile, Mexico, Guatemala, El Salvador, Ecuador, Suriname, Guyana, Uruguay, Costa Rica, Dominican Republic, Peru, and Nicaragua all rank higher than Brazil for their overall infrastructure quality.¹¹⁸

While agricultural commodities dominate trade with Brazil, this may soon be eclipsed by PRC interest in Brazilian oil. Recent offshore discoveries have made Brazil a significant oil exporter.¹¹⁹ As of 2012, China has provided more than \$10.3 billion in loans to Petrobras (the Brazilian state-owned oil company) to develop and operate Brazil's precious Pre-Salt Oil Fields offshore.¹²⁰ This impressive level of investment was offered in return for the promise of Brazilian exports from the project's production.

¹¹⁶ Carneiro, Julia. 2013. "Brazil Congestion Delays Export of Record Crop." *BBC News Latin America and Caribbean*. April 19. <http://www.bbc.co.uk/news/world-latin-america-22188250>

¹¹⁷ Ibid.

¹¹⁸ Schwab, Klaus. 2013. "Global Competitiveness Report." *World Economic Forum*. p.431-440. http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

¹¹⁹ Barrionuevo, Alexei. 2008. "Underwater Oil Discovery to Transform Brazil Into a Major Exporter." *The New York Times*. January 11. http://www.nytimes.com/2008/01/11/business/worldbusiness/11iht-oil.1.9147825.html?pagewanted=all&_r=0

¹²⁰ "China-Latin America Finance Database." *Inter-American Dialogue*. http://thedialogue.org/map_list

As of 2013, all four of China's state oil firms have a strong position in Brazil totaling more than \$17 billion in total investments since 2010.¹²¹ These developments in China's deepwater oil and gas drilling capabilities has strategic implications for its own hemisphere given China's increasing willingness to flex its military muscle over maritime territorial disputes with its neighbors.¹²²

While trade has dominated China's priorities in Brazil, the aforementioned infrastructure deficiencies among other factors have lead to an unprecedented increase in Chinese FDI. By helping upgrade Brazilian infrastructure, China reinforces its ability to extract raw materials and natural resources with increasing efficiency. In 2012, former Premier Wen Jiabao visited multiple Latin American countries and suggested the creation of a China-LATAM cooperative forum. To spur the discussion, Wen offered an initial \$15 billion for infrastructure loans.¹ Chinese FDI in Brazil has increased rapidly between 2007-2012.

Levels of Sino-Brazilian strategic and military cooperation are increasing and can be correlated with increased bilateral economic interaction. In 2009, the Chinese and Brazilian militaries signed a five-point consensus on military to military cooperation including increasing military bilateral personnel exchanges, coordinating on peacekeeping operations, and enhancing collaboration on military industrial science and technology.¹²⁴ This consensus established the

¹²¹ Ma, Wayne and Lee, Yvonne. 2013. "Chinese Hunt for Oil in Brazilian Deep." *The Wall Street Journal*. October 22. <http://online.wsj.com/news/articles/SB10001424052702304402104579151004170173822>

¹²² Ibid.

¹²³ Abdenur, Adriana Erthal. 2013. Working Paper. "China in Latin America: Investments in Port Infrastructure." *BRICS Policy Center*. <http://bricspolicycenter.org/homolog/arquivos/WPchla.pdf>

¹²⁴ Yan ed. "China, Brazil Reach Five-Point Consensus To Strengthen Military Exchanges." *Xinhua*. http://news.xinhuanet.com/english/2009-11/17/content_12471017.htm

Joint Commission on the Exchanges and Cooperation Between the Chinese and Brazilian Defense Ministries.¹²⁵ In 2013, Chinese naval warships visited multiple ports in South America including Chile, Brazil, and Argentina. Additionally, Brazil and China have jointly launched earth resources satellites for the monitoring of natural resources, agricultural and urban development zones.¹²⁶ Of these developments, the naval military-to-military exchanges may be the most significant and signal growing capabilities and strategic cooperation.

ARGENTINA

China and Argentina established official diplomatic ties in 1972 when Argentina dropped its recognition of Taiwan in exchange for recognition of Beijing, twenty-three years after the Chinese Communist Revolution. In the early years of their very limited bilateral relationship, the two countries built mutual trust with one another by turning a blind eye to their respective domestic politics. China stayed out of human rights issues concerning the military dictatorship ruling Argentina at the time. Argentina was the first member of the international community to send a presidential delegation to China despite the diplomatic isolation following the infamous Tiananmen Square protest crackdown in 1989.¹²⁷ While the bilateral relationship has a history of high-level visits to promote trust, the economic and strategic relationship has grown in accordance with China's level of interest and engagement with the LATAM region. In June

¹²⁵ Ibid.

¹²⁶ Zhiwei, Zhou. 2012. "Analysis on Brazil and China's Rapid Development and Mutual Policy." He Shuangrong ed. *China-Latin America Relations: Review and Analysis*. (p. 137) United Kingdom: Paths International Ltd (translated version) and China: Social Sciences Academic Press.

¹²⁷ Ellis, R. Evan. 2009. *China in Latin America: the whats and wherefores*. Boulder: Lynne Rienner Publishers. p. 63.

2004, Argentine President President Néstor Kirchner lead a large delegation of more than 270 businessmen, ministers, and provincial governors on an official state visit to China in hopes of expanding the political, economic, and trade parameters between the two countries.¹²⁸ After a week of bilateral talks, the two nations signed their first series of five cooperative agreements covering the “civil aviation transportation, co-operation in public health and medical sciences, cultural co-operation, investment and agriculture” sectors.¹²⁹ When Chinese President Hu Jintao made his first trip to Latin America in November 2004, the two nations signed agreements that resulted in \$20 billion in PRC investment commitments over ten years.¹³⁰

Similar to Brazil, much of Argentina’s trade relationship with China centers on its ability to export commodities to meet Chinese consumption and demand. China is Argentina’s second largest trading partner and the largest buyer of agricultural commodities and, in 2011, bilateral trade was valued at \$14.8 billion.¹³¹ Argentina is the world’s third largest soy producer and, although second in the region only to Brazil, Argentine soy exports to the PRC boast a nonetheless impressive percentage of 23 percent of Chinese soy imports.¹³² Additionally, Argentina is the second largest global producer of corn. In recent years, Argentine soy

¹²⁸ 2004. “Kirchner Leads Trade Delegation to China.” *Mercopress*. June 25, 2004. <http://en.mercopress.com/2004/06/25/kirchner-leads-trade-delegation-to-china>

¹²⁹ Shangwu, Sun. 2004. “China, Argentina Sign Co-op Agreements.” *China Daily*. June 29, 2004. http://www.chinadaily.com.cn/english/doc/2004-06/29/content_343579.htm

¹³⁰ 2004. “Argentina Gets China Investment.” *BBC News*. Nov 17, 2004. <http://news.bbc.co.uk/2/hi/americas/4018219.stm>

¹³¹ 2012. “Argentina/China Sign a Raft of Agreements to Boost Trade and Investment.” *Mercopress*. June 26, 2012. <http://en.mercopress.com/2012/06/26/argentina-china-sign-a-raft-of-agreements-to-boost-trade-and-investment>

¹³² Ellis, R. Evan. 2009. *China in Latin America: the whats and wherefores*. Boulder: Lynne Rienner Publishers. p. 65.

production has catapulted the country into the good graces of global markets. The 2013-2014 Argentine soy crop is estimated at 57.5 million tons, or more than 20 percent of all global soybean production,¹³³ largely driven by Chinese demand. Despite its niche in the soybean and agricultural export markets, Argentina's increasing willingness to allow Chinese foreign investment when combined with the world's third largest shale gas reserves, has produced significant growth in the country's oil and gas sector.

China's increased foreign direct investment (FDI) in Argentina over the last decade in the energy and infrastructure sectors has been the most significant bilateral development. Much like their Brazilian neighbors, Argentina has vast commodity production and supply with outdated, crumbling infrastructure by which to transport it. New deals in 2012 and 2013 notwithstanding, Argentina has attracted the third largest levels of Chinese FDI in Latin America according to the Inter-American Dialogue's China-Latin America finance database.¹³⁴ These deals consisted of four loans totaling \$11.8 billion between 2010-2011, all infrastructure investments in light, subway, and high-speed rail systems.¹³⁵ Additionally, in 2013, Chinese FDI has included multi-billion dollar deals in freight rail and hydroelectric power. Argentina's President Cristina Fernandez de Kirchner recently nationalized two freight rail lines to finalize \$2.1 billion of PRC loan commitments to Argentina to upgrade the nation's freight rail system from the Andes foothills in the north all the way to the Atlantic coast, cutting commodities transportation costs

¹³³ Roming, Shane. 2013. "South American Farmers On Track to Smash Soybean Production Record." *The Wall Street Journal*. Dec 6, 2013. <http://online.wsj.com/article/BT-CO-20131206-708472.html?dsk=y>

¹³⁴ "China-Latin America Finance Database." *Inter-American Dialogue*. http://thediologue.org/map_list

¹³⁵ Hall, Simon. 2010. "China to Invest in Argentine Railways." *The Wall Street Journal*. July 13, 2010. <http://online.wsj.com/news/articles/SB10001424052748704518904575364523811330964>

and expediting China's ability to extract raw materials at an even quicker pace.¹³⁶ The fact that the Argentine head of state would nationalize the nation's freight rail infrastructure in order to secure PRC financing for the upgrade project demonstrates precisely how strong Chinese soft power is in Latin America.

In accordance with the "big picture" of global energy demand, Argentina has begun to aggressively seek investment to explore many of its vast, yet untapped oil and gas reserves. Regional supply and demand trends and projections indicate that in the two-decade period from 1990-2010, oil and gas demand has decreased in the Americas and has shifted toward Asia, largely driven by Chinese economic growth. This trend is expected to continue as Asian demand is projected to cut demand in the Americas in half between 2010-2030.¹³⁷ However, over the same span from 2010-2030, Asian supply is projected to diminish and North and South American supply is projected to continue rising as the technological applications of horizontal drilling and hydraulic fracturing have made previously untapped shale oil and gas reserves recoverable. This surge of production and supply in the Americas is expected to make the region competitive with, if not superior to, the Middle East.¹³⁸ In the case of Argentina, oil and natural gas exports to China represented a very modest 7.7 percent of total exports to the PRC in 2004.¹³⁹ There are signs that this number will increase significantly due to Chinese investment. In 2010, CNOOC

¹³⁶ Gonzalez, Pablo and Craze, Matt. 2013. "Argentina Banks on Railroads to Prolong Soybean Boom: Freight." *Bloomberg News*. June 18, 2013. <http://www.bloomberg.com/news/2013-06-19/argentina-banks-on-railroads-to-prolong-soybean-boom-freight.html>

¹³⁷ U.S. Department of State. Bureau of Energy Resources. 2013. *Energy in the Americas*. Presentation to the 2013 EIA Energy Conference. Washington D.C.: Department of State. <http://www.eia.gov/conference/2013/pdf/presentations/nerurkar.pdf>

¹³⁸ Ibid.

¹³⁹ Ellis. p. 66.

Ltd., one of China's state-owned oil firms purchased a \$3.1 billion stake in a unit of Bidas Energy Holdings LLC, to boost exploration and production. The deal, coined "a beachhead in Latin America,"¹⁴⁰ made CNOOC a 50% stakeholder in Bidas Corp. which conducts oil and gas exploration in Argentina, Bolivia, and Chile.¹⁴¹ This was followed by another 2010 deal when China Petrochemical Corp. purchased Occidental Petroleum's Argentine operations for \$2.45 billion.¹⁴² Argentina's need to explore domestic reserves has even more become apparent. In 2012, the resource-rich nation officially became a net importer of oil and gas for the first time in twenty years, largely due to poor domestic energy policy, and has since aggressively sought after multi-billion dollar Chinese investments in the oil and gas sectors.

In recent years, Chinese state telecommunications giants Huawei and ZTE have also expanded their interest into the robust Argentine telecommunications and space industries while U.S. companies have fled the country due the economic instability that followed Argentina's deep economic crisis in 2002.¹⁴³ PLA connections to the Chinese telecommunications companies has raised eyebrows in the region.

¹⁴⁰ Hook, Leslie and Webber, Jude. 2010. "China Taps Into Argentina's Oil Prospects." *Financial Times*. <http://www.ft.com/intl/cms/s/0/7acec448-0626-11e0-976b-00144feabdc0.html>

¹⁴¹ Lee, Yvonne and Gopalan, Nisha. 2010. "CNOOC Acquires Argentina Oil Assets." *The Wall Street Journal*. March 14, 2010. <http://online.wsj.com/news/articles/SB10001424052748704416904575121130528712408>

¹⁴² Ibid.

¹⁴³ Hulse, Janie. 2007. "China's Expansion into and U.S. Withdrawal from Argentina's Telecommunications and Space Industries and the Implications for U.S. National Security." *Strategic Studies Institute*. U.S. Army War College. <http://www.strategicstudiesinstitute.army.mil/pubs/summary.cfm?q=806>

CHILE

In many ways Chile has positioned itself as a leader among Latin American countries in its bilateral economic ties with the PRC, since becoming the first LATAM nation to grant diplomatic recognition to the PRC in 1970. Its geographic position along the Pacific coast is ideal for Asia-Pacific trade and is among the most stable and prosperous nations of the LATAM region. Notably, Chile holds the top spot in Latin America for human development, income-per-capita, and economic freedom.¹⁴⁴ The overall maturity of Chile's commercial infrastructure for conducting business has facilitated the Chile-China relationship through the establishment of professional cooperative non-governmental organizations such as the Chile-China Chamber of Commerce and the Chile-China Business Council.¹⁴⁵

Chile's geographic comparative advantage enhances PRC ability to extract raw materials for its continued economic expansion at reduced costs when compared with other nations of the region that lack adequate infrastructure. Concordantly, Chile is a member of the Asia Pacific Economic Cooperation (APEC)—one of only three Latin American member countries—and in 2005, Chile became the first nation in Latin America to sign a free trade agreement (FTA) with China.¹⁴⁶ Since the signing of the China-Chile FTA trade increased 22 percent over a seven year span and China became Chile's top trading partner, overtaking the U.S. in 2007 despite the U.S.-

¹⁴⁴ Fornes, Gaston and Alan Butt Philip. 2012. *The China-Latin America Axis: Emerging Markets and the Future of Globalization*. London: Palgrave Macmillan. p.55

¹⁴⁵ China-Chile Business Council. <http://en.cciip.org.cn/ccbc/c/2010-04-12/198.shtml>

¹⁴⁶ China-Chile FTA. PRC Ministry of Commerce. <http://fta.mofcom.gov.cn/topic/enchile.shtml>

Chile FTA also in effect.¹⁴⁷ In 2012, Chilean exports to China were \$18 billion, almost doubling Chile's exports to the U.S. at \$9.4 billion.¹⁴⁸ While Chile imports more goods from the U.S. than any other country in the region, its export reorientation toward China is reflective of the broad regional trends discussed earlier. In 2012, the two countries agreed to double their bilateral trade to \$60 billion by 2015.¹⁴⁹

Chile is the largest copper producer in the world and, unsurprisingly, China is Chile's largest copper customer. Copper mining provides 20 percent of Chilean GDP and 60 percent of total Chilean exports.¹⁵⁰ China's domestic economic growth has caused a migratory population shift whereby rural Chinese workers are increasingly moving to the nation's cities in the east to find jobs. In China, as in other emerging markets, these population shifts have increased the global copper demand for everything from electrical wiring, cars, bridges, and almost any other aspect of city life that uses electricity. According to *The Economist*:

“In 2000-05 the government's income from mining averaged \$2.1 billion a year. As Chinese growth accelerated, that rose to \$11.5 billion a year between 2005 and 2011. But the boom owed almost everything to the copper price.”¹⁵¹

¹⁴⁷ Mallèn, Patricia Rey. 2013. “Trade Between Chile And China Grew 22 Percent In 7 Years As China Became Chile's Biggest Trading Partner.” *International Business Times*. September 6. <http://www.ibtimes.com/trade-between-chile-china-grew-22-percent-7-years-china-became-chiles-biggest-trading-partner>

¹⁴⁸ Ibid.

¹⁴⁹ 2012. “China, Chile aim to double trade by 2015: Premier Wen.” *Reuters*. June 26, 2012. <http://www.reuters.com/article/2012/06/26/us-chile-china-trade-idUSBRE85P1BV20120626>

¹⁵⁰ 2013. “Mining in Chile: Copper Solution.” *The Economist*. April 27, 2013 print edition. <http://www.economist.com/news/business/21576714-mining-industry-has-enriched-chile-its-future-precarious-copper-solution>

¹⁵¹ Ibid.

This phenomenon is precisely where critics of LATAM-Sino relations and its resulting commodities boom have valid concerns—a lack of diversity in economic output presents precarious problems associated with price volatility if Chinese commodities consumption and economic growth slow down.¹⁵²

Chinese foreign direct investment in Chile has been relatively limited.¹⁵³ Between 2005-2012, Chinese FDI reached \$650 million, consisting of infrastructure investment in construction of a 3G communications network,¹⁵⁴ and a \$550 million loan in 2005 to CODELCO, Chile's state-owned copper mining company, to improve the company's efficiency and technological capabilities.¹⁵⁵

Beyond the significance of their economic relationship, China and Chile have friendly military-to-military relations rooted in their mutual desire to protect maritime trade routes that drive the trade flows to and from their nations. While Chile continues to value their strategic relationship with the U.S., these high-level military-to-military interactions should be noted. While these interactions have occurred regularly throughout the 2000s, and most recently in

¹⁵² Chinese economic growth has slowed in 2012 and 2013, however GDP growth remains well above 7 percent.

¹⁵³ Gachùz, Juan Carlos. 2012. "Chile's Economic and Political Relationship With China." *Journal of Current Chinese Affairs*. Vol. 43, No. 1 (pp. 133-154) <http://journals.sub.uni-hamburg.de/giga/jcca/article/view/497/495>

¹⁵⁴ "China-Latin America Finance Database." *Inter-American Dialogue*. http://thediologue.org/map_list

¹⁵⁵ Gallagher, Kevin P. and Irwin, Amos, and Koleski, Katherine. 2012. "The New Banks in Town: Chinese Finance in Latin America." *Inter-American Dialogue*. p. 6 <http://www.thediologue.org/PublicationFiles/TheNewBanksinTown-FullTextnewversion.pdf>

2011, the Chinese and Chilean navies recently pledged closer ties and cooperation during talks in Beijing,¹⁵⁶ and conducted a joint naval exercise in Chilean waters in October 2013.¹⁵⁷

THE ANDES REGION: NEW PRC PRAGMATISM ENGAGES CHÀVEZ’S BOLÌVARIAN LEGACY

China’s bilateral relations with the countries of South America’s Andean region has focused almost exclusively on acquisition of natural resources. At first, glance, one might suspect a certain amount of ideological alignment to drive bilateral relationships with many of the left-leaning nations of the region. The 1998 election of Hugo Chàvez in Venezuela marked a significant shift to the left on the region’s political spectrum. Over the decade that followed, Chàvez exported his populist, socialist vision to neighboring countries with a degree of measurable success. Whereas China would have been more likely to engage a Latin American authoritarian political figure like Chàvez as a “brother” of the third world when its relations with the region were guided by Maoism’s Three Worlds Theory, today’s Chinese Communist Party (CCP) has opted for pragmatism and stability to build its economic power through natural resource extraction. Virtually every activity China pursues in the Andean region of South America centers on oil and gas asset acquisitions and infrastructure investments to secure the flow of energy.

¹⁵⁶ 2011. “China-Chile Pledge to Enhance Military Cooperation.” June 9, 2011. *Xinhua*. http://news.xinhuanet.com/english2010/china/2011-06/09/c_13920663.htm

¹⁵⁷ 2013. “PLANs Taskforce Conducts Maritime Joint Exercise With Chilean Navy.” *The People’s Daily*. Oct 14, 2013. <http://english.people.com.cn/90786/8424217.html>

VENEZUELA

Venezuela and China officially established diplomatic relations in 1974 but the relationship lacked significance until charismatic populist Hugo Chávez assumed the presidency in 1998. China's relationship with Venezuela expanded significantly under the late Chávez and has further solidified under his successor, Nicolás Maduro. Chávez's legacy of leftist populism, rooted in socialist domestic policy and anti-American foreign policy, has been exported to multiple neighboring countries, wielding a great deal of influence in South America and the western hemisphere. While China may have seen some long-term potential for alignment with Chávez ideologically, all signs point toward pragmatism and the "utility of scale" soft power approach, despite the significant political risks to China for increased engagement with a charismatic political leader such as Chávez.

In Venezuela, China fuels its economic thirst for oil. An extraordinarily significant, though often little understood fact, in 2010 OPEC certified new oil tar sands deposits in Venezuela's resource-rich Orinoco river basin giving Venezuela the world's largest proven oil reserves, leapfrogging Saudi Arabia. Venezuela's almost 300 billion barrels of oil equivalent (BOE) in proven reserves represented almost one quarter of total OPEC proven reserves at 24.8 percent by the end of 2012.¹⁵⁸ Additionally, Venezuela has one of the world's largest natural gas reserves, and second only to the United States in the western hemisphere, at 148 trillion cubic feet.¹⁵⁹ Given China's demand for energy to fuel economic growth, and Venezuela's

¹⁵⁸ 2013. OPEC Annual Statistics Bulletin. http://www.opec.org/opec_web/en/data_graphs/330.htm

¹⁵⁹ Corrales, Javier. 2010. "China and Venezuela's Search for Oil Markets." Alex E. Fernández Jilberto and Barbara Hogenboom eds. *Latin America Facing China: South-South Relations Beyond the Washington Consensus*. (pp. 115-132) New York: Bergham Books Publishing.

extraordinary supply, it is no mistake that the PRC would proactively deploy soft power with its designated “strategic partner” Venezuela.¹⁶⁰

China’s initial appeal for Venezuela was two-fold. Firstly, building strong bilateral ties with China provided Chávez an opportunity to shake the history of U.S. influence in Latin America that he believed had impeded Latin American self-determination for decades. Just as Latin American independence hero Simón Bolívar shed the region’s influence of Spain, Chávez hoped to free Latin America from the shackles of the Monroe Doctrine and the Washington Consensus to achieve the democratic populist dreams of his Latin American leftist forefathers.¹⁶¹ To demonstrate that Latin America no longer needed the Washington Consensus, Chávez believed the Chinese authoritarian development model represented a viable option for influence in Latin America that was sufficient for his anti-Americanism. Secondly, just as the PRC was (and still is) proactively seeking energy import markets, Venezuela was (and still is) proactively searching for energy In Venezuela, China fuels its economic thirst for oil. export markets. Chávez hoped to diversify Venezuela’s oil markets away from the United States by opening the door to Chinese investment. Evidence suggests that Venezuela has accomplished this to an extent. Bilateral trade between the two countries was \$350 million in 2000 and has exploded, reaching \$23 billion in 2012 and is expected to reach new heights in 2013.¹ Petroleum exports account for 95 percent of total Venezuelan exports, and as Table 1.1

¹⁶⁰ Venezuela, Brazil, Argentina, and Mexico are the only Latin American countries to be officially declared “strategic partners” by the PRC.

¹⁶¹ Birns, Larry and Frederick B. Mills. 2013. “Hugo Chávez, the Unraveling of the Washington Consensus and the Skewed Future Direction of U.S.-Latin American Relations.” *Council on Hemispheric Affairs*. March 13, 2013. <http://www.coha.org/21906/>

¹⁶² Jiao, Wu. 2013. “China Signs 12 Deals with Venezuela.” *China Daily*. Sept 23, 2013. http://www.chinadaily.com.cn/world/2013-09/23/content_16985752.htm

demonstrates, from 2000-2009 total Venezuelan exports to the U.S. dropped 10.8 percent from 59.6 percent to 48.8 percent.¹⁶³ During this same 2000-2009 period Venezuelan exports to China increased 2,900 percent.¹⁶⁴ The U.S. remains Venezuela's top oil customer, but the trends speak to petroleum export diversification away from the U.S. In 2007, Chávez nationalized more than \$30 billion in oil assets in the OPEC country's resource-rich Orinoco river basin oil field by seizing a majority stake and forcing American multi-national oil giants Conoco-Phillips and Exxon-Mobil out of the country.¹⁶⁵ Despite the surrounding political and financial turmoil caused by Chávez's ineffective attempts to use Venezuela's state-owned oil company, PDVSA, to fund his populist domestic social welfare programs and despite Chávez's March 2013 death,¹ China has remained unwavering in their commitment to protect and secure their substantial energy investments in Venezuela.

Venezuela is by far the single largest recipient of Chinese foreign direct investment in Latin America and the PRC deploys its "utility of scale" soft power approach to support its energy demand objectives. At a glaring \$44.5 billion in 2012, Venezuela has received more than 3.5 times the amount of Chinese FDI than number two recipient Brazil.¹⁶⁷ These PRC investments, largely made by the China Development Bank, span the infrastructure, mining,

¹⁶³ Fornes, Gaston and Alan Butt Philip. 2012. *The China-Latin America Axis: Emerging Markets and the Future of Globalization*. London: Palgrave Macmillan.

¹⁶⁴ Ibid.

¹⁶⁵ 2011. "Factbox: Venezuela's Nationalizations Under Chávez." *Reuters*. Dec 1, 2011. <http://www.reuters.com/article/2011/12/01/venezuela-nationalizations-idUSN1E79I0Z520111201>

¹⁶⁶ Parker, James. 2013. "China's Hugo Chávez Blues." *The Diplomat*. March 7, 2013. <http://thediplomat.com/2013/03/chinas-hugo-chavez-blues/>

¹⁶⁷ 2012. "China-Latin America Finance Database." *Inter-American Dialogue*. http://thediologue.org/map_list

housing, and oil and gas industries. Interestingly, between 2007-2010 the three largest loans have been tied directly to Venezuelan oil flows for export.¹⁶⁸ Not included in these numbers are Sino-Venezuelan agreements signed by Venezuelan president Maduro and Chinese President Xi during Maduro's state visit to Beijing in September 2013. These twelve agreements dealt with infrastructure improvements, a \$5 billion Venezuelan line of credit with China Development Bank for social program development, education, and a joint \$1.4 billion deal between Chinese state-owned oil firm China Petrochemical Corp and Venezuelan state-owned firm PDVSA to develop the Junin-1 heavy oil bloc of the Orinoco belt which is expected to produce 200,000 barrels of oil per day. Additionally, the Export-Import Bank of China agreed to loan the Venezuela state-owned petrochemical company Pequiven \$390 for the construction of a new port.¹⁶⁹ Each of these, point to a strategic bilateral partnership that continues to grow to new heights, but some have argued that, due to the financial problems Chávez policies have caused domestically, President Maduro is desperate for cash infusions.¹⁷⁰

Given the size of trade and investment flows, the strategic implications of the Sino-Venezuelan relationship deserve examination. Due to this privileged economic relationship, Venezuela has offered Chinese manufacturers favor in strategically sensitive sectors. For example, Venezuela has purchased six K-8 light-attack aircraft and committed to purchase twelve more. Additionally, China has built and launched a satellite for Venezuela, reciprocated by

¹⁶⁸ Ellis, R. Evan. 2010. "Venezuela's Relationship with China: Implications for the Chávez Regime and the Region." *University of Miami, Center for Hemispheric Policy*. https://umshare.miami.edu/web/wda/hemisphericpolicy/Ellis_Venezuelas_Relationship_w_China.pdf

¹⁶⁹ See note 164.

¹⁷⁰ Nagel, Juan. 2013. "Venezuela's Manchurian President." *Foreign Policy*. Oct 8, 2013. http://transitions.foreignpolicy.com/posts/2013/09/26/venezuelas_manchurian_president#sthash.pkWuQg8W.dpbs

Venezuela's purchase of sophisticated military air-defense radar hardware from China. In a sign of the Chávez regional influence, longtime Chávez ally Bolivia purchased six K-8 military aircraft and contracted with a Chinese firm to launch a communications satellite.¹⁷¹

CENTRAL AMERICA & MEXICO

China's soft power objectives in Central America and the Caribbean center on its "One China" policy. Both Central America and small island nations across the Caribbean are critical diplomatic battlegrounds with the Republic of China (ROC) or Taiwan. Roughly half of the remaining nations that diplomatically recognize Taiwan are located in Central America and the Caribbean and this guides much of Chinese engagement with the region.

NICARAGUA

In 2006, leftist Sandinista leader Daniel Ortega's victory in the presidential elections in Nicaragua led to an immediate reinstatement of relations, albeit not official diplomatic recognition, with Beijing, after a fifteen-year hiatus. While Ortega threatened to remove diplomatic ties with Taiwan, he has thus far opted not to do so but rather simply returned Nicaragua's relationship with the PRC to the status it enjoyed during Ortega's first Presidential stint from 1985 to 1990. As of July 2013, Chinese private and state-owned enterprises have a major \$40 billion investment plan to construct a new canal through Nicaragua, an unbelievable investment considering it is five times more costly than Nicaragua's annual GDP. The canal's

¹⁷¹ Ibid. See note 170.

capacity will allow for maximum tonnage cargo ships and the development project will be managed and controlled by HK Nicaragua Canal Development, a Hong Kong company, and will include a transoceanic railway, highway and airport development, oil pipelines, ports on Atlantic and Pacific coasts, and free trade zones.¹⁷² When one considers the history of U.S. influence over the Panama Canal under the Monroe Doctrine, this project gathers increasing strategic priority. China has been exploring ways to cut costs on shipping raw materials and other natural resources from the Atlantic coastal regions of Latin America. A Chinese-controlled canal supports their capacity and capability to move products crucial to China's economic growth in a more efficient manner and improve its strategic position in Latin America.

COSTA RICA

In 2007, in a surprising and significant diplomatic win for the PRC, Costa Rica became the first Central American country to shift its diplomatic recognition from Taiwan (ROC) to Beijing (PRC). This development demonstrated the PRC ability to unleash its “utility of scale” soft power approach to obtain a very significant policy outcome.

Few countries in Latin America have reoriented their trade flows more than Costa Rica. In 2000, Costa Rican exports to China consisted of a mere 0.2 percent of total exports. In 2009, after the diplomatic switch from ROC to PRC, Costa Rican exports to China had exploded to 8.8 percent of total exports, a 4,400 percent increase between 2000-2009.¹⁷³ Moreover, during this same time period, Costa Rican exports to the U.S. fell 16.2 percent to 35.8 percent of total

¹⁷² Menéndez, Fernando. 2013. “Everyone Gets a Canal.” *U.S.-China Focus*. July 5, 2013. <http://www.chinausfocus.com/foreign-policy/everyone-gets-a-canal/>

¹⁷³ See Table 1.1

exports. These figures suggest China rewarded Costa Rica handsomely for its historic diplomatic switch.

Since its diplomatic recognition of the PRC in 2007, China has built and paid \$73 million for a new Costa Rican 40,000-person capacity national sports stadium and purchased an undisclosed percentage of a \$300 million Costa Rican bond issue.¹⁷⁴ Additional aid came from the PRC to Costa Rican disaster relief efforts.¹⁷⁵

MEXICO

If ever there were two countries that one would expect to be economic competitors, it would be China and Mexico. Indeed, there is a substantial, pervasive argument in the literature that suggests the consequences of China's increased engagement with Latin America have been the most negative for Mexico.¹⁷⁶ This strand of the literature holds that Latin America should remain wary of China's new involvement in the hemisphere and makes three key points: first, China has presented an enormous competitive challenge and is interrupting the diversification of the Latin American economy in the twenty-first century; second, this competitive challenge to economic diversification is more pronounced in Latin American countries whose product exports have diversified from commodities-centric toward higher technology and manufactured goods. Mexico provides the ideal example, and Gallagher and Porzecanski make this case well by examining Mexico's top export categories in 1980, 1990, and 2005.

¹⁷⁴ Ellis, p. 217.

¹⁷⁵ Ibid.

¹⁷⁶ Gallagher, Kevin P. and Porzecanski, Roberto. 2010. *The Dragon in the Room: China & the Future of Latin American Industrialization*. California: Stanford University Press.

Table 1.2 Mexican Global Exports By Category

Rank	1980	1990	2005
1	Petroleum	Petroleum	Petroleum
2	Natural Gas	Motor vehicles	Motor vehicles
3	Fruit & Vegetables	Power generating machinery	Telecom equipment
4	Nonferrous metals	Fruit & Vegetables	TV receivers
5	Coffee & Tea	Nonferrous metals	Motor vehicle parts
6	Fish	Iron and steel	Office machines
7	Motor vehicles	Electrical machinery	Electricity distribution equipment
8	Textile fiber	Organic chemicals	Trucks
9	Inorganic Chemicals	Office machines	Electrical machinery
10	Metal Ore	Misc. manufactures	Electrical circuits

Source: Gallagher, Kevin P. and Porzecanski, Roberto. 2010. *The Dragon in the Room: China & the Future of Latin American Industrialization*. California: Stanford University Press. p. 107.

As Table 1.2 reflects, Mexico’s export economy diversified significantly over this thirty-five year period, moving from strictly commodities exports to higher technology manufactures. It is important to note petroleum has remained Mexico’s top export, however it is the diversification that has occurred in the subsequent

nine categories that is most relevant when considering the impact of increased PRC engagement with Latin America.

China conferred “strategic partner” status on Mexico in 2003 when the bilateral relationship began to develop more rapidly. In 1972, when Mexico formally established diplomatic relations with the PRC, bilateral trade was a mere \$13 million per year but has increased exponentially over time.¹⁷⁷ By 2005, China had become Mexico’s second largest trading partner and between 2000-2009 Mexican exports to China increased by

¹⁷⁷ Ellis p. 200.

300 percent.¹⁷⁸ While Mexican exports to China between 2000-2009 follow very similar trends to the rest of Latin America with exponential volume increases to China over that period, Mexico is set apart from most of Latin America with respect to its trade with the United States. Between 2000-2009, Mexico is one of only three countries in Latin America in which trade with the U.S. did not decrease by a minimum of 10 percent.¹⁷⁹ Thus, Mexico followed the regional trends of expanding trade volume with China; however, the data suggests Mexico did *not* reorient its trade away from the U.S. toward China. For Mexico, the most troubling aspect of its bilateral trade with China is that China runs a significant balance-of-trade surplus. In 2007, Mexico exported \$3.3 billion in goods to the PRC, while Chinese exports to Mexico were valued at \$11.7 billion.¹⁸⁰ This dramatic trade imbalance, when combined with the types of products being exported,¹⁸¹ could spell trouble for Mexico's global economic competitiveness. However, there are growing signs that Mexico is likely to follow the rest of Latin America and reorient exports toward China to compensate. Mexico has recently voiced its desire to double its oil exports to China in 2014 and begin diversifying away from an increasingly energy independent United States.¹⁸²

¹⁷⁸ See Table 1.1 Changes in Latin American Export Patterns to Primary Destinations Between 2000-2009 in Percentage of Total Exports.

¹⁷⁹ Ibid.

¹⁸⁰ 2008. "Total Import and Export Value by Country (Region)." *Ministry of Commerce*. People's Republic of China. Feb 4, 2008. <http://english.mofcom.gov.cn/aarticle/statistic/ie/200802/20080205371690.html>

¹⁸¹ See Table 1.2

¹⁸² Garcia, David Alire. 2013. "Mexico Ramping Up Oil Exports to China, India." *Reuters*. Aug 9, 2013. <http://in.reuters.com/article/2013/08/09/mexico-oil-idINDEE97809B20130809>

China has found inroads to FDI in Mexico difficult, largely due to the U.S.-Mexico bilateral economic relationship. The U.S. remains Mexico's largest trading partner and foreign direct investor by far. Chinese foreign investment has been limited to a \$1 billion loan from the China Development Bank to upgrade telecommunications infrastructure.¹⁸³ However, recent developments might be a sign of things to come for Chinese FDI. Infuriating its leftist membership, the Mexican Congress voted in December 2013 to lift the seventy-five year monopoly of the state-owned oil firm, Petróleos Mexicanos. This is projected to attract tens of billions of dollars of FDI in Mexico's oil industry.¹⁸⁴ To be sure, the U.S. will compete aggressively, but given China's oil demand, the PRC is likely to increase its involvement in Mexico substantially.

Strategically and militarily, China's interactions with Mexico have also been of less substance and much of the relationship has been driven by bilateral meetings to discuss increasing military cooperation. There seems to be little substance to these interactions. Chinese Defense Minister Liang Guanglie visited Mexico City in September 2010¹⁸⁵ but the visit did not produce anything specific. As will be discussed, it does not serve China's grand strategy well to be deliberately provocative with its military in the western hemisphere, much less with a trading partner like Mexico, positioned so geographically near the United States.

¹⁸³ 2012. "China-Latin America Finance Database." *Inter-American Dialogue*. http://thediologue.org/map_list

¹⁸⁴ Montes, Juan and Laurence Iliff and David Luhnnow. 2013. "Mexico Congress Passes Historic Energy Bill." *The Wall Street Journal*. Dec 12, 2013. <http://online.wsj.com/news/articles/SB10001424052702303932504579254013051981266>

¹⁸⁵ 2010. "Chinese, Mexican Defense Ministers Hold Talks on Military Cooperation." *Xinhua*. http://news.xinhuanet.com/english2010/china/2010-09/02/c_13475069.htm

THE EFFECTIVENESS OF CHINA'S SOFT POWER

China has begun to aggressively wield its soft power in Latin America since it began decisively increasing its engagement with the region in the 2000s. When Joseph Nye's concept of "soft power" is more accurately defined to include aspects of economic power and the PRC authoritarian-capitalist development model is taken into account, China's soft power in Latin America can be measured more accurately by including trade, foreign direct investment, and foreign aid programs. As discussed, Nye's definition of soft power fails to include economic power and its various forms as soft power resources. Clearly, economic power is extraordinarily attractive and co-optive in nature. At the very structural heart of economics, whether at the micro or macro level, is the concept of voluntary exchange:¹⁸⁶ the act of buyers and sellers freely conducting voluntary market transactions. When a consumer selects a commercial product or service to purchase, on some level or another, they have found that product or service to be attractive or appealing and believe the value ascribed to the product or service by the seller serves their self-interest. The transaction is entirely voluntary in nature. The same is true of states and, due to its authoritarian-capitalist model, the same is true of the way China has deployed soft power in Latin America. Economic transactions such as trade and foreign direct investment, because they are entirely voluntary and not coerced, should clearly be considered soft power, a critical error in Nye's development and analysis of the soft power concept. Simply put: nation "A" is more likely to get nation "B" to want what nation "A" wants when

¹⁸⁶ Musgrave, Richard Abel. 1939. "The Voluntary Exchange Theory of Public Economy." *The Quarterly Journal of Economics*. Vol. 53, No. 2. (Feb 1939) p. 213-237. <http://www.jstor.org/stable/1882886>

nation “A” has made multi-billion dollar investments in nation “B” and increased levels of and reduced barriers to free trade with nation “B.”

As we have seen, Nye, while he does discuss the need for states to utilize soft power resources, he does not discuss the timing of how, when, and how often (timing, means, and frequency) it should be utilized. It is this “utility of scale” that matters most when analyzing soft power resource deployment and is the primary reason why PRC soft power resource deployment in Latin America has been so effective. Just as financial resources can be spent wisely and unwisely, in large or small amounts, timely and untimely, so too can soft power. In stark contrast to China, the United States has a tendency to not understand these aspects of soft power. Often, this is associated with the tendency of U.S. foreign policy to wield hard power first and soft power later and the fact that U.S. soft power is often wielded by the private sector, not the U.S. government. Analogously, a market investor may make a small but timely investment that brings huge returns or may make a massive, yet untimely investment that incurs incredible and costly losses. With respect to PRC statecraft and soft power deployment, the Latin American case study is particularly fascinating because each of these “utility of scale” factors (timing, means, frequency) is in play. The evidence strongly suggests the timing of China’s increased engagement in Latin America was no mistake. To be sure, China had begun to look abroad for the natural resources and raw materials needed to continue fueling its exponential economic growth and Latin America is a resource-rich region of the world. However, to do so in the U.S. “backyard” at a time when the attention of U.S. foreign affairs was focused almost exclusively on the Middle East and Central Asia (Iraq and Afghanistan) and when U.S. influence in Latin America was at an all-time low, is a vitally important point. China wields soft power under a

“utility of scale” model—only when the means, timing, and frequency reinforce its own self interest—this enables China to maximize policy outcomes and execute its “hemispheric hedging” strategy effectively.

Also, China’s soft power influence in the region has been effective because of its ability to attract and co-opt nations who see China as a potential alternative development model to the United States. While many nations in the region continue to maintain good relations with the U.S., the trends toward Chinese orientation and engagement, particularly on trade and investment, are rather staggering.

Lastly, Chinese soft power pursuits in Latin America are effective primarily due to the nature of the PRC authoritarian-capitalist model of statecraft which is better suited to execute a “utility of scale” approach to soft power deployment. While U.S. soft power resources clearly dwarf those of China, authoritarian-capitalism allows China greater state control over its soft power resources—the state is the primary orchestrator of soft power. This is not to at all downplay the importance of the current U.S. soft power resource supply advantage, but simply to highlight that a vast supply of soft power resources does not always correlate with policy outcomes. China’s “utility of scale” model approach to soft power deployment in Latin America focuses on serving national interest, thereby increasing the efficiency and likelihood of successful policy outcomes. Unlike the U.S., when China wields soft power, whether economic or cultural, the soft power resource is often wielded by the state itself. In the case of Latin America, this allows for highly effective comprehensive, smart power deployment.

STRATEGIC IMPLICATIONS FOR THE WESTERN HEMISPHERE?

As we have seen, China's military has not been the primary instrument of power guiding its engagement with Latin America as it is not currently in its national interest to do so. This distinction falls to soft power guided by a "utility of scale" approach. By engaging Latin America with its "utility of scale" approach to soft power, the PRC does not appear to be actively seeking to militarily undermine the Monroe Doctrine—presumption of U.S. dominance of the western hemisphere—rather, Beijing appears to be very consciously respectful of it.¹⁸⁷ Any strategic misstep or direct military provocation of U.S. dominance in the western hemisphere would be catastrophic to China's "hemispheric hedging" strategy by simultaneously disrupting its ability to extract resources and raw materials needed for continued economic expansion and its desired trajectory for East Asian regional hard power dominance. China has no interest whatsoever in mimicking Soviet behavior in Cuba during the Cold War, for example, as this would virtually guarantee failure of these strategic objectives. The literature notes that the Chinese military (the People's Liberation Army or PLA) has constraints in Latin America; most notably, Chinese Communist Party (CCP) control of the PLA and the lack of a global military reach and capability.¹⁸⁸ While the CCP is making massive investments to modernize the PLA and strengthen military power, the strategic focus is not global in nature, but regional. Indeed, throughout history, no powerful nation-state has achieved global hegemony without first achieving it regionally.

¹⁸⁷ Watson, Cynthia. 2013. "China's Use of the Military in Latin America: Not Yet the Biggest Stick." *Journal of International Affairs*. Spring/Summer 2013, Vol. 66, No. 2.

¹⁸⁸ *Ibid.* p. 105-106.

While blatant military provocation of the U.S. in Latin America does not support China's strategic goals, the goal of any PLA military presence might be best described as attaining strategic position, while supporting its primary economic goals for the region.¹⁸⁹ Strategic implications in the western hemisphere for the increased economic presence in Latin America are more peripheral in nature. First, as China has increased its economic engagement with the region, China has also increased its military-to-military cooperation and engagement. Just as a lack of U.S. attention to Latin America opened the door for Chinese soft power deployment, it can be argued a similar dynamic exists with U.S. military-to-military engagement with the region¹⁹⁰ despite the fact the U.S. remains the preponderant military power in the region. As has been discussed, military-to-military personnel visits and exchanges and bilateral cooperation on satellite, communications, and aerospace technology demonstrate the PRC's desire to connect with their designated strategic partners in Latin America in ways that extend beyond economics.

The implications of certain Chinese infrastructure project investments in the region also move beyond economics and into the strategic realm. The proposed Sino-Nicaraguan canal project is an excellent example. A Chinese-constructed and controlled alternative to the Panama canal would allow for a heavy-volume increase in raw materials and commodities that can be shipped at lower import cost and could potentially allow for PLA naval navigation from Pacific to Atlantic oceans with less U.S. oversight and influence. This is not meant to suggest that the U.S. controls the Panama Canal. In fact, in an interesting twist of Chinese influence in the Latin

¹⁸⁹ Ellis, R. Evan. 2011. "China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position." *Strategic Studies Institute, U.S. Army War College*. August 2011. <http://www.strategicstudiesinstitute.army.mil/pdf/PUB1077.pdf>

¹⁹⁰ Fitch, J. Samuel. 1993. "The Decline of U.S. Military Influence in Latin America." *Journal of Interamerican Studies and World Affairs*. Vol 35, No. 2 (Summer 1993).

American region, when control and administration of the Canal Zone was returned to Panama in 1999 by the United States, a Hong Kong-based company, Hutchison Whampoa Company, was granted the contract to provide operational support.¹⁹¹ However, U.S. influence with Panama remains strong and Panama remains one of the strongest diplomatic allies for Taiwan in the world.¹⁹² Presumably, the PRC would prefer Panama switch its diplomatic loyalties, but if the \$40 billion proposed Nicaraguan canal project were to be built, it would again demonstrate Beijing's willingness to use the "utility of scale" soft power approach to achieve its economic goals and improve its strategic positioning. These types of strategic implications do not raise too many eyebrows in Washington and are relatively expected, given China's economic engagement with the region. These PRC strategic developments are not of themselves provocative of the United States in its own "backyard" nor are they intended to be. Any such provocation would undermine PRC "hemispheric hedging" grand strategy. China conducts itself in the western hemisphere so as to achieve economic objectives and foster military-to-military relationships to build strategic position without aggression.¹⁹³ Ellis puts it this way:

"In the long-term, Chinese commercial activities in Latin America supports the PRC strategic military position in a possible conflict with the United States, without implying that the PRC either seeks, or expects, such a conflict."¹⁹⁴

¹⁹¹ Watson, 2013. p.104.

¹⁹² Ibid.

¹⁹³ Ellis, R. Evan. 2011. "China-Latin America Military Engagement: Good Will, Good Business, and Strategic Position." *Strategic Studies Institute, U.S. Army War College*. August 2011. <http://www.strategicstudiesinstitute.army.mil/pdffiles/PUB1077.pdf>

¹⁹⁴ Ellis, R. Evan. 2012. "Chinese Military Activities in Latin America Panda or Dragon?" *Perspectiva*. No. 28. pp. 27-76. http://www.ndu.edu/chds/docuploaded/Chinese_Military_Activities_Latin_America_Evan_Ellis_Translation.pdf

China has parlayed its economic power, gained in part through “utility of scale” soft power deployment in Latin America for regional military power in Asia and, just as it deploys soft power with a “utility of scale” to hedge its bets in Latin America, so too does China pick its spots to hedge militarily in east Asia: hemispheric hedging.

PRC STRATEGIC FOCUS: HEMISPHERIC HEDGING & REGIONAL DOMINANCE

How do Chinese soft power pursuits in Latin America possibly impact events in East Asia? The answer is rooted in a relatively simple line of reasoning. The authoritarian capitalist model, because it is state-control-centric, allows China to achieve effective policy outcomes with its “utility of scale” soft power approach which bolsters the size and scope of China’s economic growth. The more effectively and efficiently the PRC extracts raw materials and natural resources, the greater the likelihood China’s will continue this rapid and tireless economic growth. As China’s economic power grows, so too does its military power and its willingness to use it in its own hemisphere. This “hemispheric hedging” is a key component of China’s grand strategy and the most appropriate way to conceptualize Chinese smart power. In a recent written exchange on the U.S.-China relationship, noted realist John Mearsheimer discussed the bi-hemispheric strategic approach of Chinese statecraft and power pursuits:

“From China's point of view, it would be ideal to dominate Asia, and for Brazil, Argentina, or Mexico to become a great power and force the United States to concentrate on its own region. The great advantage the United States has at the moment is that no state in the Western Hemisphere can threaten its survival or security interests. So the United States is free to roam the world causing trouble in other people's backyards. Other states,

including China of course, have a vested interest in causing trouble in the United States' backyard to keep it focused there.”¹⁹⁵

“Hemispheric hedging” centers on the idea, that because no nation-state can achieve hegemony in another region without first achieving it in its own, a state must hedge its bets abroad through economic, cultural, and other non-military means, while consolidating the requisite capabilities for dominance in its own region. As hard power grows, a state may begin to hedge its bets militarily in its own region. This is precisely the case with China. As we have seen demonstrated in Latin America, China hedges in the western hemisphere by deploying a “utility of scale” soft power approach to serve its national interest with continued economic growth. As economic power has grown, so too has PRC/PLA military capabilities and its willingness to hedge strategically in east Asia. The United States does not seem alarmed by the nature of Chinese hedges in the western hemisphere,¹⁹⁶ but when one accounts for the manner in which the PRC hedges with its “utility of scale” soft power approach, China’s hard power hedges in the eastern hemisphere show increasing cause for concern.

¹⁹⁵ Brzezinski, Zbigniew and Mearsheimer, John. 2010. “Clash of the Titans.” *Foreign Policy*. July 30, 2010. http://www.foreignpolicy.com/articles/2005/01/05/clash_of_the_titans#sthash.wJ3AsDuR.dpbs

¹⁹⁶ Lanxin, Xiang. 2008. “An Alternative Chinese View.” Riordan Roett and Guadalupe Paz eds. *China's Expansion Into the Western Hemisphere: Implications for Latin America and the United States*. (pp. 56-57) Washington, D.C.: Brookings Institution Press.

PRC POWER: MILITARY MODERNIZATION AND INVESTMENT

Since 2011, the United States has reasserted itself in the East Asian region to reassure its allies that U.S. leadership in Asia will remain the centerpiece of U.S. foreign policy and grand strategy.¹⁹⁷ Why the refocused efforts in Asia? Simply put: the strategic implications of rising Chinese hard power in the eastern hemisphere. While scholars and policymakers have begun to question whether or not China is a revisionist power, increasing evidence suggests that China desires to dominate the region as the preponderant power,¹⁹⁸ much as the U.S. has dominated the Western Hemisphere, and utilize its newfound international role to expand its strategic reach beyond Asia.

While the People's Liberation Army (PLA) remains the world's largest army by size, U.S. policymakers and military leaders, and China's regional neighbors remain concerned about additional developments which greatly increase PRC power projection capability in the Asia-Pacific region. According to the annual 2011 U.S. Department of Defense summary report to Congress entitled *Military and Security Developments Involving the PRC*, Taiwan remains the short-term, primary strategic focus of PLA leaders and China is proactively seeking the ability to deter U.S. intervention in the event of military conflict with Taiwan.¹⁹⁹ The PRC and ROC signed the Economic Cooperation Framework Agreement in 2010 and, despite this recent warming of economic and cultural relations, Beijing continues its military buildup and persists in

¹⁹⁷ Paal, Douglas. 2012. "The United States and Asia in 2011: Obama Determined to Bring America 'Back' to Asia." *Asian Survey*. Vol. 52 No. 1 (Jan/Feb 2012) pp.6-14.

¹⁹⁸ U.S.-China Economic and Security Review Commission. 2007. Lewis, James. Testimony before the USCESC. "*China's Military Modernization and Its Impact on the United States and Asia Pacific Region.*" p.2. Accessed at <http://csis.org/files/media/csis/congress/ts070330lewis.pdf>

¹⁹⁹ Department of Defense. 2011. *Military and Security Developments Involving the People's Republic of China 2011*. p.1 Washington, DC: GPO. Accessed at http://www.defense.gov/pubs/pdfs/2011_CMPR_Final.pdf

its near-term focus on operationalizing “anti-access and area-denial” (A2/AD) capabilities in the Taiwan Strait such that the military strategic balance strongly favors the PRC.²⁰⁰ In support of expanding capability to deny access and deter intervention by the U.S. and its allies in the event of conflict with Taiwan, China has prioritized modernizing its land-based ballistic and cruise missile programs. In January 2007, China successfully tested an anti-satellite weapons system which used a kinetic kill vehicle (non-exploding, non-nuclear) to destroy a PRC weather satellite.²⁰¹ By December 2010, the PLA had between 1,000 and 1,200 short range ballistic missiles deployed opposite Taiwan and had greatly improved the accuracy and payload of these weapons.

However, it is China’s maritime ambitions which are the cause for greatest concern to China’s neighbors in the Asia-Pacific. Over the last two decades, the People’s Liberation Army Navy (PLAN) has modernized and transformed from a large fleet with little capability to a smaller force equipped with modern technology and increased multi-mission capability. According the U.S. Department of Defense:

“The PLA Navy possesses some 75 principal surface combatants, more than 60 submarines, 55 medium and large amphibious ships, and roughly 85 missile-equipped small combatants.”²⁰²

²⁰⁰ Ibid. p.2

²⁰¹ Kan, Shirley. 2007. “China’s Anti-Satellite Weapons Test.” CRS Report for Congress. Accessed at <http://www.fas.org/sgp/crs/row/RS22652.pdf>

²⁰² Department of Defense. 2011. *Military and Security Developments Involving the People’s Republic of China 2011*. p. Washington, DC: GPO. Accessed at http://www.defense.gov/pubs/pdfs/2011_CMPR_Final.pdf

While simultaneously developing and testing its own aircraft carrier,²⁰³ the PRC has developed and recently operationalized its DF-21D anti-ship ballistic missile, designed to destroy an aircraft carrier.²⁰⁴ ²⁰⁵ These capability enhancements are rightfully concerning to China's regional neighbors and they point to a China seeking to directly challenge U.S. naval power as the primary anchor of security stability in the region since the end of World War II.

Perhaps most importantly, rising Chinese naval power is likely to fan flames of highly controversial territorial disputes. Recently The Philippines sought U.S. counsel in a standoff over the presence of Chinese ships in the Scarborough Islands in the South China Sea and, as a result, conducted joint maritime military drills with the U.S.²⁰⁶ In November 2011, the U.S. and Australia deepened military ties and signed a status of forces agreement (SOFA) which would deploy 2,500 U.S. Marines in Australia. While a small number of forces, it remains the first long-term expansion of the American military in the Pacific since the U.S. exit from Vietnam.²⁰⁷ Japan and the U.S. have been in talks to realign U.S. military forces in Okinawa, Guam, and Hawaii²⁰⁸ and recently the two have broadened their security alliance to include stationing U.S.

²⁰³ 2012. "China's Aircraft Carrier Undertakes New Trial." *China Daily*. Accessed at http://usa.chinadaily.com.cn/china/2012-04/26/content_15153233.htm

²⁰⁴ Barnes, Julian; Hodge, Nathan; Page, Jeremy. 2012. "China Takes Aim at U.S. Naval Might." *The Wall Street Journal*. Accessed at <http://online.wsj.com/article/SB10001424052970204397704577074631582060996.html>

²⁰⁵ Erickson, Andrew S. 2013. *Chinese Anti-Ship Ballistic Missile (ASBM) Development: Drivers, Trajectories, and Strategic Implications*. Washington D.C.: Jamestown Foundation.

²⁰⁶ Mogato, Manuel. 2012. "Philippines, U.S. Stage War Games in Face of China Warning." *Reuters*. <http://www.reuters.com/article/2012/04/25/us-southchinasea-idUSBRE83O06220120425>

²⁰⁷ Calmes, Jackie. 2011. "A U.S. Marine Base for Australia Irritates China." *The New York Times*. <http://www.nytimes.com/2011/11/17/world/asia/obama-and-gillard-expand-us-australia-military-ties.html?pagewanted=all>

²⁰⁸ Tiron, Roxana. 2012. "Hawaii Said to Gain Marines From Japan Under U.S. Plan." *Bloomberg*. <http://www.bloomberg.com/news/2012-04-24/marine-bases-in-hawaii-said-to-gain-in-revised-guam-plan.html>

naval drones and surveillance aircraft to patrol disputed areas in the East China Sea.²⁰⁹ All of these signs point to increased military activity and rising instability throughout the East Asia and broader Asia Pacific region.

There is strong correlation between Chinese economic growth and growth in military spending. Growing empirical evidence suggests that China's centralized authoritarian-capitalist model better enables the PRC ability to parlay its global economic power into regional military power.²¹⁰ Just as China has become the world's second largest economy, it has also become the world's second biggest military spender next to the U.S. and over the previous two decades, the PRC has made significant investments in military modernization. It is no surprise the world's number two economy would invest in its military infrastructure. Due to a lack of transparency from Beijing, debate exists as to the exact numbers, but it remains clear that the Chinese Communist Party (CCP) currently presides over the world's largest and most rapid military expansion and continues to make military spending a major priority.²¹¹ Almost a mirror reflection of its overall GDP growth, estimates show the PRC defense budget has easily experienced double digit growth over the last two decades.²¹²

²⁰⁹ Steinhauer, Jennifer and Fackler, Martin. 2013. "U.S. and Japan Agree to Broaden Military Alliance." *The New York Times*. October 3, 2013. <http://www.nytimes.com/2013/10/04/world/asia/japan-and-us-agree-to-broaden-military-alliance.html>

²¹⁰ Dimitraki, Ourania and Ali, Faek Menla. 2013. "The Long-Run Causal Relationship Between Military Expenditure and Economic Growth in China: Revisited." *Defense and Peace Economics*. (July 2013) p. 12. <http://www.tandfonline.com/doi/pdf/10.1080/10242694.2013.810024>

²¹¹ Wan, William. 2013. "China Makes Increased Military Spending a Top Priority as People's Congress Meets." *The Washington Post*. March 5, 2013. http://articles.washingtonpost.com/2013-03-05/world/37448996_1_military-budget-annual-reports-luo-yuan

²¹² "China's Military Rise: The Dragon's New Teeth." *The Economist*. April 7, 2012. Print edition. Accessed at <http://www.economist.com/node/21552193>

Between 2001 and 2011, China's economic growth averaged 10.4 percent per year, while military spending averaged 10.3 percent (15.6 percent in nominal terms). According to the Stockholm International Peace Research Institute (SIPRI), a think tank, annual PRC defense spending increased from \$30 billion in 2000 to \$166 billion in 2012.²¹³ While the overall number is clearly dwarfed by the U.S. Department of Defense \$689 billion, the growth trends remain important to China's neighbors and to the United States. If current trends continue, PRC defense spending will surpass that of the U.S. after 2035, continuing increased tensions in the east Asian region and shifting the regional balance of power in Asia in China's favor. In fact, some scholars already believe China is nearing U.S. military power in east Asia. China notably spends more on its military than each of its regional neighbors Japan, South Korea, and Taiwan combined,²¹⁴ an important strategic fact given recent territorial disputes. Most recently, and arguably the most aggressive PRC hedge in Asia to-date, China declared an Air Defense Identification Zone (ADIZ) in the East China Sea which includes the much-disputed Senkaku/Diayou island chain.²¹⁵ This development proved provocative to Japan and the United States, who immediately tested China's resolve by conducting bomber flights into the newly declared zone near Senkaku/Diayou. Some even believe China may have hedged their bets too far with

²¹³ SIPRI Military Expenditure Database. Accessed at http://www.sipri.org/research/armaments/milex/research/armaments/milex/milex_database

²¹⁴ 2013. "China's Defence Spending: New Questions." *Strategic Comments*. International Institute for Strategic Studies.

²¹⁵ The dispute between China and Japan over this island chain extends even to its name. Termed Diayou by China and Senkaku by Japan, this chain of islands, while a longtime territorial dispute, is quickly becoming the most intense focus of the potential for security competition in east Asia.

the ADIZ.²¹⁶ Territorial disputes in the East China Sea and South China Sea, when combined with China's growing military power and willingness to wield its capabilities are signaling a Chinese desire to dominate the region and challenge U.S. hegemony by pushing the United States out of the region.²¹⁷

SUMMARY AND CONCLUSION

It is clear that China has pursued soft power in the western hemisphere to support its national interest. Joseph Nye's concept of soft power lacks the necessary detail, focuses far too heavily on soft power resource supply, and fails to account for state utility of soft power. As a result, Nye is wrongfully dismissive of China's soft power presence and capabilities. As the case of Latin America demonstrates, China's "utility of scale"²¹⁸ soft power approach enables China to exact favorable policy outcomes that serve the national interest by driving its continued economic growth. Chinese soft power in Latin America has peripheral strategic implications, but does not directly impede on the long held Monroe Doctrine; rather, it very deliberately respects it. A key component of PRC grand strategy is "hemispheric hedging,"²¹⁹ which provides a

²¹⁶ Ramzy, Austin. 2013. "Q&A: Rory Medcalf on the Meaning of China's Air Defense Zone." *The New York Times*. Dec 3, 2013. http://sinosphere.blogs.nytimes.com/2013/12/03/q-a-rory-medcalf-on-the-meaning-of-chinas-air-defense-zone/?_r=2

²¹⁷ Walt, Stephen S. 2013. "How Long Will China Tolerate America's Role in Asia?" *Foreign Policy*. Dec 2, 2013. http://www.foreignpolicy.com/posts/2013/12/02/whats_the_big_question_answer_the_us_and_china#sthash.8IxQJLZ6.dpbs

²¹⁸ Defined as timing, means, and frequency of utility.

²¹⁹ "Hemispheric hedging" centers on the idea, that because no nation-state can achieve hegemony in another region without first achieving it in its own, a state must hedge its bets abroad through economic, cultural, and other non-military means, while consolidating the requisite capabilities for dominance in its own region.

conceptual construct for understanding comprehensive Chinese smart power. China's soft power pursuits in Latin America (and the western hemisphere) have strategic implications for east Asia because the PRC authoritarian-capitalist development model allows greater state control over soft power resource targeting. As China's economic power has grown as a result of soft power pursuits abroad, its military power has grown at an equally fast rate, inducing the likelihood of regional conflict in east Asia, driven by a PRC desire to dominate its own region.²²⁰

²²⁰ Mearsheimer, John. 2005. "The Rise of China Will Not Be Peaceful At All." *The Australian*. <http://mearsheimer.uchicago.edu/pdfs/P0014.pdf>