
China's Strategic Partnerships in Latin America: Case Studies of China's Oil Diplomacy in Argentina, Brazil, Mexico, and Venezuela 1991–2015

By Yanran Xu

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In 2011, the Peruvian drug czar appointed by incoming President Ollanta Humala announced that U.S.-supported coca eradication was suspended in favor of locally-based alternative development and targeted efforts to dismantle organized crime rings. The American Embassy was not consulted on this decision and it took several days before the U.S. Ambassador could get a formal briefing from the Peruvian government.¹ This would have been unthinkable several years earlier.² More recently, U.S. Defense Secretary James Mattis, during a tour of four South American countries this August, expressed serious concern about growing Chinese influence in Latin America and issued a warning to partner nations about the risk of losing their sovereignty.³

However, the conditions encountered by Secretary Mattis during his trip are a natural result of the convergence of factors including the attention devoted by the U.S. defense and national security enterprise to other parts of the world, the relatively diminished level of American soft power due to the 2008/2009 financial crisis, and the emergence of China as South America's most important trading partner. Yanran Xu's book, *China's Strategic Partnerships in Latin America*, addresses this third factor through an examination of the Chinese

government's strategic partnerships and oil diplomacy in three South American countries and Mexico.

As a trilingual (English, Spanish and Mandarin Chinese) lecturer at the School of International Studies at Renmin University of China, Xu provides unique insights and sourcing. The book probably is best categorized within the field of international political economy (IPE) with its use of official government statistics and statements as well as a detailed secondary literature review. While the work understandably departs from some of the more suspicious views on China's presence in Latin America put forth by authors such as R. Evan Ellis at the U.S. Army War College, it is by no means an uncritical examination of China's policies toward the Western Hemisphere.⁴

The primary focus of the book is examining the impact of China's "Going Out Policy" (also referred to as Going Global Strategy) initiated in 1999 and consolidated globally and regionally in Latin America and the Caribbean during the course of the past two decades. Xu does this using the case study method, in particular looking at China's investments in and purchases of oil from Argentina, Brazil, Mexico and Venezuela. It also places China's engagement in the context of the One China Policy taking into consideration that half of the countries that maintain official diplomatic relations with Taiwan are found in Latin America and the Caribbean, even if those numbers are dwindling. Only as recently as August, the Central American republic of El Salvador changed its allegiance from Taiwan to mainland China.⁵ In resource rich South America, only Paraguay maintains official diplomatic relations with Taiwan.

While not good literature in the novelistic sense, Xu walks the reader through a clear and understandable research methodology based on the testing of four hypotheses paraphrased here. First, if a country

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is an ally of the United States its economic relations with China will be more balanced (realist). Second, if a country is economically interdependent with China its economic relations will also be balanced (IPE). Third, if a country is more economically diversified it is more likely to get a balanced deal from China (dependency theory). Fourth, if a country is left-leaning it will get a more balanced deal from China economically speaking (constructivist).

There is not sufficient space in this review to comprehensively summarize the author's detailed findings for each of these hypotheses. Nonetheless, it useful to note that a number of the more general findings. First, China's strategic investments and oil diplomacy generate important short-term economic benefits to governments in power, though the commercial relationships that emerge tend to undermine local industries making it difficult to compete with Chinese imports over the medium and long terms. Second, while the Chinese government is happy to be a thorn in the side of U.S. hegemony in Latin America it is careful not to cross any red lines and acts more cautiously in countries geographically closer to the United States. Third, Venezuela represents a problem for China but the natural resource access and political benefits that problem creates in stifling the U.S. political and military positions in Latin America outweigh any costs incurred to date.

According to Xu's framework Brazil, under the two governments of the Workers Party met the second and third criteria, being economically interdependent with China, having the region's most diversified economy and being governed by left-leaning governments, all suggesting that Brazil's strategic partnership is more balanced than not. She points to the fact that Brazil not only exports primary products, but has more developed technologies of interest such as those related to hydro-power and aviation. As Brazil appears to have tilted more rightward, at least in the

near-term, it is not clear how Xu thinks this will affect the balance in the strategic partnership.

On the other hand, Venezuela only meets two of the element of Xu's framework, being economically inter-dependent and being governed by a left-leaning government. However, Xu's analysis shows there is more than meets the eye in regards to the Bolivarian government's strategic partnership with China. First, while still engaged in hostile bilateral politics, nearly half of all Venezuelan oil still goes to the United States. Second, through Venezuela's Petrocaribe alliance, China benefits from the oil diplomacy exercised with the numerous Caribbean islands through their votes in the United Nations General Assembly and the Organization of American States even in cases where these island nations maintain diplomatic relations with Taiwan. Xu points out that for Venezuela the strategic partnership is tilted heavily in China's favor through ownership of current and future oil production. What is less clear is how much of the evolving Venezuelan crisis the Chinese will own.

Xu's analysis of Argentina was completed just as the right of center government of Mauricio Marci took power. Her framework analyzes the two Kirchner governments' strategic partnerships with China: highly inter-dependent with China in terms of soybean and petroleum exports and a left-leaning government.⁶ Argentina is a relatively diversified economy, but not in terms of its exports. Her analysis suggest that China has a strong upper hand in the relationship, evidenced by the inability of the current Macri government to shut down a Chinese satellite station set up by the previous government fearing retaliation by China with commodities exports.⁷

Finally, Mexico appears to have the most balanced strategic partnership with China due to its interdependence with the United States, though the China falls well behind the United States and Canada as a top trading partner. What China sees in Mexico, according to Xu, is geographical proximity to the U.S.

market and the ability to use Mexico as an export and trading platform to North America. In essence, Mexico has a balanced, but small strategic partnership with China lacking the interdependence and ideological affinity though this may change once Manuel Lopez Obrador takes power at the end of this year.

China's Strategic Partnerships in Latin America only discusses issues of military cooperation in passing. This makes sense in that Chinese military cooperation and arm sales to Latin America are limited, most notably the case of the satellite facility in Argentina. In stark contrast to Russia's interest in Latin America, the arms trade is a relatively minor part of China's economic ties with the region. While it has always probably been the case in one way or another, geostrategists increasingly look at the interaction of military and security concerns with the economic, technological, social, and environmental spheres. This raises a number of questions, to include how the U.S. Government decision in 2017 to withdraw from the Trans-Pacific Partnership that economically unites North and Latin America with the Asia-Pacific regions will affect the American defense and security postures in the Western Hemisphere. Ten former U.S. combatant commanders in March 2018 expressed their concern for this decision in a letter to President Trump, which suggests the debate about the relationship between legitimate domestic economic concerns and national security continues.⁸ Will it be possible for the United States to compartmentalize economic and security issues globally and within Latin America in the face of growing economic and political bonds with China? Will China's developing defense industry, unattached to criteria on good governance and human rights, eventually become more attractive to Latin American governments?

China's gains in Latin America achieved through strategic partnerships and oil diplomacy are probably an inevitable result of the country's unprecedented economic growth and need for commodities.

However, the relative reduction in U.S. influence is largely a result of inattention and the lack of a coherent strategy for the Western Hemisphere within the U.S. official strategic community. Xu's book, unsurprisingly, demonstrates that the Government of China takes a longer view on these issues showing a willingness to accept short-term difficulties in the name of longer-term objectives. **PRISM**

Notes

¹ Colletta A Youngers, "Peru Sends Mixed Signals on Drug Policy," *World Politics Review*, June 16, 2014, available at <<https://www.worldpoliticsreview.com/articles/13860/peru-sends-mixed-signals-on-drug-policy>>.

² It should be noted that the Peruvian government returned to the status quo in 2012 in large part owing to pressure by the armed forces to avoid losing ground to narco-insurgent groups such as the Shining Path.

³ Martin Arostegui, "James Mattis: Latin American Countries Selling out their Sovereignty to Russia and China," *Washington Times*, August 16, 2018, available at <<https://www.washingtontimes.com/news/2018/aug/16/james-mattis-south-american-countries-selling-sove/>>.

⁴ See Robert E. Ellis, *The Strategic Dimension of Chinese Engagement with Latin America*, Perry Paper Series No. 1, (William J. Perry Center for Hemispheric Defense Studies: Washington DC, 2013).

⁵ Yimlou Lee and Phillip Wen, "Taiwan Says China 'out of control' as it Loses El Salvador to Beijing," *Reuters*, August 20, 2018, available at <<<https://www.reuters.com/article/us-taiwan-diplomacy/taiwan-says-china-out-of-control-as-it-loses-el-salvador-to-beijing-idUSKCN1L6058>>.

⁶ Nestor Kirchner, served as President from 2003–07 but did not run for reelection, and was preceded by his wife, Christina Fernandez de Kirchner, who was elected in 2007 and served as President of Argentina until 2015.

⁷ Arostegui.

⁸ General Bantz J. Craddock, Commander SOUTHCOM (2004–06) and Former SOUTHCOM and NORTHCOM Commanders, et.al, March 15, 2018. Letter, *Inside Defense*, available at <<https://insidedefense.com/document/former-northcom-southcom-commanders-letter-trump-nafta>>.