



127 / 19

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China's Growing Influence in Latin America & Caribbean and Expanding BRI

Dr. E. Dilipraj

Research Fellow, Centre for Air Power Studies

On December 02, 2018, when the Chinese Presidential plane landed on the runway of Tocumen international airport, it marked the beginning of a new era in China-Panama bilateral relations. With the first ever visit by a Chinese President, Panama a small, yet strategically significant Central American country has gained prominence in contemporary geopolitics mainly for the following reasons- a) President Xi Jinping became the first Chinese President to visit Panama in its history, b) the first State visit by President Xi Jinping and the subsequent aid can be perceived as the Chinese acknowledgement and reward to Panama for severing its diplomatic relations with Taiwan while welcoming diplomatic relations with China in June 2017. Also, Panama was the first Latin American and Caribbean (LAC) country to become part of BRI project by signing a non-binding MoU in November 2017. Following suit, almost 15 LAC countries have joined BRI by signing similar non-binding MoU with China with the recent being Ecuador signing on December 13, 2018. Additionally, similar to the case of Panama, in 2018, El Salvador and the Dominican Republic also shifted diplomatic relations from Taiwan to China and signed BRI related MoUs.

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The rise of PRC in the global stage towards the end of the 20th century and in the 21st century is a well-known phenomenon. While mainly driven by its economic might, China is expanding its hard and soft power capabilities and is unswervingly challenging the US' preeminence on many fronts in global stage. The recent US-China trade war can be seen in this backdrop as a retort from the US to contain the Chinese expansion on global stage. Undeterred, China is also expanding its influence militarily but at the same time effectively using its diplomatic space for power projection. Further, while the Chinese expansion in the South China Sea towards the US Pacific base in Guam is considered aggressive; China is also diplomatically closing-in across the Atlantic towards the US and is in fact consolidating its presence in the Latin American Region.

Once considered as the backyard of the US, Latin American region is under greater Chinese influence in the 21st century. China has enhanced its engagement in the region mainly through trade and economic cooperation. In 2000, bilateral trade between China and LAC was worth \$12 billion and in 2017 that figure had risen to \$280

billion.¹ Latin American countries have evidently magnetized towards the Chinese money and the region has benefitted immensely with Chinese funds in recent years.

In order to increase its influence in the region China engages with the Latin American countries both bilaterally as well as multi laterally through *Comunidad de Estados Latinoamericanos y Caribeños* (CELAC). As a result of China's persistent pressure, China-CELAC First Ministerial meeting was held in January 2015 and a plan for cooperation was charted.

This highly successful meeting was followed up by Second China-CELAC Ministerial meeting in January 2018 conducted in Santiago, Chile. Apart from agreeing to cooperate in many mutual as well as global issues, China presented its BRI plan to the Latin American and Caribbean (LAC) countries. The participants of the meeting gave an overall consensus for the BRI plan by signing a 'Special Declaration on the Belt and Road'. According to the summit declaration known as "Declaration of Santiago", the LAC countries have considered that "the Belt and Road Initiative of the Chinese Government constitutes an important opportunity for the strengthening of cooperation for development between the countries." The forum also decided to continue the cooperation through 2021 and planned for their next meeting the same year.²

The Case of Panama

Historically, Panama emerged as a sovereign country with the help of the US by seceding from Colombia in 1903. Following this, the US Army Corp of Engineers were permitted to complete the construction of the Panama Canal from 1904-1914. Since creation, Panama has been an important strategic asset of the US mainly due the canal; to the extent that the US directly maintained control over the canal and surrounding Panama Canal Region until 1977 and partial control till 1999. Apart from being one of the most important strategic trade routes of the world, the Panama Canal also provides a significant amount of revenue to the country's GDP. Throughout the 20th century, the US played an important role in shaping the domestic politics of Panama so much so that in 1989 the US

military invaded Panama projecting to safeguard the lives of the US citizens in Panama, defend democracy and human rights, combat drug trafficking, and secure the neutrality of the Panama Canal. However, critics state that the invasion was to mainly capture the ally turned rogue de-facto ruler of Panama, General Manuel Antonio Noriega, to cover up CIA's mistakes in the country and to secure its national interest especially the control of Panama Canal. The US invasion of Panama was widely criticized by countries around the world. The United National General Assembly successfully passed a resolution related to the invasion calling it a "flagrant violation of international law and of the independence, sovereignty and territorial integrity of the States".³ Nevertheless, Panama maintains close relations with the US till date, even after the invasion, and the canal plays an important role in the US national interest.

Growing Chinese Presence

Post Chinese Revolution (1911) and the setting up of the Republic of China (ROC), Panama established its bilateral relations with the country. However, after 1950 when Peoples' republic of China (PRC) was created under the leadership of Mao, Panama did not shift its diplomatic relations but maintained its relations with ROC now in Taiwan. Given the US support for Taiwan and also Panama's close relations with the US, it was admissible for Panama to continue its relations with ROC instead of PRC.

Prior to the First China-CELAC Ministerial meeting and China announcing its BRI project in 2013, a seemingly unrelated event in the LAC region needs mention. While Chinese government and its Banks were investing heavily in LAC countries since the beginning of the 21st century, in 2013 a Chinese telecommunications tycoon, Wang Jing - the Principal owner of Beijing Xinwei, floated a proposal for construction of a 172 mile long canal across Nicaragua, which was seen as a rival project to the existing Panama Canal. Even while the feasibility study and other process were underway, the project was surrounded by huge skepticism, albeit support from Daniel Ortega's government in Nicaragua for this project.⁴ It was proposed that the \$50 billion canal would facilitate the crossing of ships that were too big

to pass through the Panama Canal. However, the stakeholders in Nicaragua were skeptical about how Wang Jing would be able to source the \$50 billion investment required for the project.

unjustly imprisoned⁵ Third and most importantly, the end of the canal project became imminent in June 2017 when Panama broke its diplomatic relations with Taiwan shifted its allegiances to PRC.

Image 1: Proposed Nicaragua Canal



Source: Carrie Kahn, "A Chinese Man, A \$50 billion plan and A canal to reshape Nicaragua, <http://www.npr.org/sections/parallels/2014/08/14/340402716/nicaragua-banks-on-its-own-canal-to-boost-economy>, accessed on January 28, 2019.

This project however reached its end much before it started due to several reasons. First and foremost Nicaragua, at least till the end of 2018, has officially not recognized People's Republic of China as 'real' China rather has political and diplomatic connections with Republic of China (Taiwan). Therefore, PRC neither has an Embassy nor a consulate in Nicaragua. Second, the project announcement worsened the domestic political situation in Nicaragua and series of violent protests erupted against the ruling President José Daniel Ortega Saavedra. In fact President Ortega has struggled to consolidate democracy and has proved himself incapable of dealing with civil unrest since his mandate began in 2006. Prior to the canal crisis, Ortega was already known to repress protests with force, evident in the case of the 2014 peaceful demonstration against the canal which was shut down aggressively by the military police, leaving dozens injured and

In this case, there arises the following few important unanswered questions related to Wang Jing's proposal to Nicaragua in 2013; Was Nicaragua used as a pawn to lure Panama towards China or was it a sheer coincidence that Panama recognized PRC over Taiwan mainly to benefit from the Chinese money which its fellow LAC countries are enjoying? Also, what prompted Wang Jing to propose such a big project in Nicaragua, a country which had no diplomatic relations with China?

President Xi's State Visit to Panama

President Xi Jinping's first State visit to Panama was on December 02, 2018 as part of his four country visit including Argentina, Panama, Spain and Portugal. After completing the G20 Summit combined with the State visit in Argentina, the Chinese presidential delegation reached Panama

for a 24 hour visit. The Chinese President was welcomed in the airport personally by his Panamanian counterpart, President Juan Carlos Varela. The two countries signed 19 agreements including an extradition treaty and a memorandum of understanding on commercial, tourism and educational matters. Apart from this, an accord was made from Beijing to Panama City for an undisclosed sum of non-reimbursable aid for various projects.⁶ During the visit, the two presidents also met with a group of entrepreneurs from the two countries who were in Panama City for a China-Panama business Forum. Recognizing the pre-existing cooperation between the two countries, the Panamanian President Varela stated that the business circles of the two countries have long been connected through the Panama Canal, ports and the Colon Free Trade Zone, a large free port located at the Atlantic gateway to the Panama Canal. He further stated that Xi's visit - and the investment it brought - meant that Panama could become "China's gateway to Latin America".⁷

The statement of President Varela became a reality as 14 more LAC countries followed in the lines of Panama and signed non-binding MoU with China on BRI. Also, even before the establishment of diplomatic ties, China was the second largest user of the Panama canal only behind the US. Now with the establishment of diplomatic relations and with un-disclosed amount of Chinese aid pouring into Panama, the country is deemed to become a central piece in China's LAC game.

Additionally, following Panama's diplomatic shift from Taiwan to China in June 2017, El Salvador and the Dominican Republic also shifted their diplomatic ties from Taiwan to China in 2018.

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Therefore, out of the 33 sovereign countries in the LAC region, 24 have officially recognized People's Republic of China as on January 2019. This political and diplomatic recognition from more and more countries year after year not only supplements the country's dream for a global role but also adds legitimacy to its 'One-China' policy. Greater political recognition, with enhanced economic cooperation in

terms of trade combined with closer cooperation through BRI would enable China to become an influential power in the LAC region directly challenging the US hegemony.

Conclusion

China's enhanced interaction with LAC has already created insecurity vibes among the US Strategic community which is evident from the writings of US based strategic scholars on the subject as well as from the statements of the leaders. For instance, following El Salvador's decision to switch diplomatic relations from Taiwan to China in August 2018, the White House issued a statement asserting that it would reevaluate the US relations with the Salvadoran government.⁸ Moreover, with more LAC countries joining the BRI bandwagon, the US has to re-strategise its interests in the region.

Greater political recognition, with enhanced economic cooperation in terms of trade combined with closer cooperation through BRI would enable China to become an influential power in the LAC region directly challenging the US hegemony.

However, the 15 countries that have joined BRI so far are smaller Central American and Caribbean countries besides countries such as, Venezuela, Ecuador and Bolivia which are known as the New-Left countries. The fact that the major economies of the region such as Brazil, Mexico, Argentina, Chile, etc are yet to join the project keeps the race open between the US and China for supremacy. The highly volatile political and economic situation in Venezuela, the coming to power of an ultra-right wing President Bolsanaro in Brazil, the retreating wave of 'Pink

‘tide’ phenomenon in the region and other high-level corruption charges faced by Presidents of Central American countries would all act as drivers in deciding the future course of events in the LAC which would have deep effects on China and its BRI.

Notes

¹“Chinese Belt and Road Initiative is an Opportunity for Inclusive and Sustainable Investments: ECLAC”, ECLAC, December 07, 2018, <https://www.cepal.org/en/news/chinese-belt-and-road-initiative-opportunity-inclusive-and-sustainable-investments-eclac>, Accessed on December 22, 2018.

² Ministerial Meeting of CELAC-China Forum, “Declaration of Santiago”, January 2018.

³ United Nations General Assembly, Resolution on “Effects of the military intervention by the United States of America in Panama on the situation in Central America”, A/RES/44/240, December 29, 1989, <http://www.un.org/documents/ga/res/44/a44r240.htm>, accessed on Feb 02 2019.

⁴ Sue Branford and Mauício Torres, “How Chinese Inters and Money have revive Brazil’s Ambitious Amazon

Railroad Network”, *Pacific Standard*, December 28, 2018, <https://psmag.com/economics/how-chinese-interests-and-money-have-revived-brazils-ambitious-amazon-rail-network>, accessed on December 30, 2018.

⁵ Beverley Goldberg, “Is the Nicaraguan mega-canal failure good news for indigenous communities?”, *DemocraciaAbierta*, August 27, 2018, <https://www.opendemocracy.net/democraciaabierta/beverly-goldberg/is-nicaraguan-mega-canal-failure-good-news-for-indigenous-communi>, accessed on January 03, 2019.

⁶“Panama and China sign 19 agreements during Xi Jinping State visit”, *Central American Briefing*, The Caribbean council, <https://www.caribbean-council.org/panama-china-sign-19-agreements-xi-jinping-state-visit/>, accessed on January 30, 2019.

⁷Weida Li, “China and Panama sign string of deals during Xi’s first state visit”, *GBTimes*, December 04, 2018, <https://gbtimes.com/china-and-panama-sign-string-of-deals-during-xis-first-state-visit>, accessed on February 02, 2019.

⁸Mark P.Sullivan and Thomas Lum, “China’s Engagement with Latin America and the Caribbean”, *InFocus*, *Congressional Research Service*, September 18, 2018.



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Centre for Air Power Studies
P-284, Arjan Path, Subroto Park, New Delhi 110010
Tel: +91 11 25699130/32, Fax: +91 11 25682533

Editor: Dr Shalini Chawla e-mail: shaluchawla@yahoo.com

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