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ABSTRACT

China, a late entrant in Latin America, has now emerged as the region's major economic partner. Bilateral trade between the two stands today at more than US\$200 billion. By augmenting investments and trade in Latin America, Beijing has managed to project itself as an alternative to the United States, which had previously enjoyed overarching influence in the region. The US' inability to lead Latin America into a path of sustainable economic development—as promised in the 'Washington consensus' of the 1990s—further fuelled China's rise. This paper examines China's engagement in Latin America and proposes that Beijing's use of 'soft power' undermines US influence in the region. At a time when China is aggressively campaigning for the success of its Belt and Road Initiative (BRI), Latin American countries are welcoming giant infrastructure investments and aid from Beijing. This enables China to consolidate its position as a long-term player in the Latin American realm, much to the dismay of the US.

INTRODUCTION

The year 2017 was significant for China, as it hosted the two-day (Belt and Road Initiative) BRI summit in Beijing, attended by political leaders of 27 countries. Latin American leadership is keen on the prospect of becoming part of the comprehensive infrastructure plan, as evident in

the presence of the Chilean and the Argentine presidents at the Beijing Summit. Latin America has long been part of the US' sphere of influence, ever since the proclamation of the Monroe Doctrine in 1823.² However, the region's disinterest in becoming beholden to Washington is exemplified in the recent outreach to China.

This paper explores Beijing's expanding presence in Latin America, which has so far been characterised by their economic relations. China's rise has implications for the US, as the former continues to expand its political and military engagement with the region. The paper argues that China's growing influence undermines the US in Latin America, a region known as the "American backyard."³ Further, China's soft-power projection is intrinsic to Beijing's rise in the Latin American realm. The success of China's developmental model serves as a soft-power instrument as it presents an alternative to the US-inspired growth model. China's three decades of economic growth, without having adopted liberal democracy, comes across as a source of attraction for the Latin American elites.

For Latin American states, China's emergence as another pole in the Western hemisphere functions as a counter to the US, a country that has infringed on the political sovereignty of Latin American states on several occasions. In the wake of the US' economic retrenchment and its preoccupation with the Middle East, Latin American states sense opportunity in China's rise. China's growing demand for raw materials and natural resources make up for the loss in US demands, and the investments can potentially spur intra-regional trade and commerce. In line with this, Chinese initiatives such as the BRI, Asian Infrastructure Investment Bank (AIIB) and other infrastructure projects are garnering attention from the Latin American states.

The paper is organised into four sections. The first section discusses Latin America's evolving interest in China and details China's economic and political engagement in the Latin American realm. The second section discusses China's soft-power projection in the region to vie for influence. The third section examines the success of China's expanding role in Latin America. Finally, the fourth section discusses India's engagement in Latin America and gives the paper's conclusions.

US HEGEMONY AND LATIN AMERICA'S EVOLVING INTEREST IN CHINA

The US was the first nation to recognise the independence of multiple Latin American states in the early 19th century. In a comprehensive foreign-policy statement known as the Monroe Doctrine, the US sought to devoid the former colonial powers of any influence in the Latin American realm. In 1823, then US President James Monroe proclaimed, “The American continents, by the free and independent condition which they have assumed and maintain, are henceforth not to be considered as subject.”⁴ The Monroe Doctrine sought to position the US as the custodian of peace and stability in Latin America. However, the US' foreign policy with respect to Latin America has since become unilateral and meddlesome.

Contrary to James Monroe's declaration of American neutrality in Latin American affairs, the US—guided by domestic and external variables—intervened as many as 41 times between 1898 and 1994.⁵ In 1986, the International Court of Justice ruling sought reparations from the US for having violated the sovereignty of the Nicaraguan state. In 2002, the US provided logistical and financial support to the Venezuelan opposition leaders against the Chavez regime. The US also issued coercion-based threats to Nicaragua in 2002 and El Salvador in

2004 to influence the domestic politics of these states. During the 2007 presidential elections in Nicaragua, the US threatened to impose economic sanctions if the Sandinista, Daniel Ortega, was elected president.⁶ Further, former US Secretary of State Hillary Clinton acknowledged Washington's role in the aftermath of the Honduran coup d'etat of 2009.⁷ Therefore, from a radical perspective, the distinguishing feature of the US–Latin America relationship has been conflict and exploitation. In Lowenthal's analysis, the US is an aspiring hegemon seeking dominion over the Latin American states.⁸

On the other hand, from the perspective of liberal writers such as Arthur P. Whitaker, in the US–Latin America relationship, there has been “an essential compatibility of interest” among the nations involved. Latin American leaders routinely approach Washington, seeking resolution for political and economic woes. The Brady debt-relief proposal (named after then US Treasury Secretary Nicholas Brady) intended to end Latin America's decade-long, debt-induced recession. In 1995, a Washington-led rescue package helped prevent the collapse of Mexico's economy.⁹

Additionally, the US co-opted the Latin American states in curbing the looming menace of narco-trafficking in the region. The US continues to embolden the Colombian state against the FARC guerrillas.¹⁰ Washington has also supported institutional capacity-building in other Latin American states and has imparted more than US\$2 billion in aid to the region in 2016.¹¹ Thus, by the turn of the 20th century, with a gradual transformation in the global power structure, Latin America became the lynchpin in the articulation of US interests. In another addition to the Monroe Doctrine, the US in 1948 founded the Organization of American States, which advanced the ideas of human rights and democracy. The OAS also preserved Washington's interests

in Latin America by limiting the expansion of communist sentiments in the Latin American realm.¹²

However, a major shift in Inter-American relations became evident in the 2013 statement of former US Secretary of State John Kerry. At the OAS conference that year, Kerry announced that the “era of Monroe doctrine is over,” implying a downward spiral of the US–Latin America relationship.¹³ The Monroe Doctrine had two implications with respect to US' relationship with the Latin American states. First, it had reduced the scope of influence of any foreign power in what is referred to as the “American backyard.” Second, it emphasised the region's economic and political dependence on Washington, making the latter imperative in the Latin American affairs. Kerry's statement, thus, reflects the region's disillusionment with American unilateralism.

The apparent failure of the US-led order and the neo-liberal economic policies in the 1980s and 1990s, referred to as the Washington consensus, incentivised Latin American leaders to pursue independent policy decisions on security and economic issues. R. Guy Emerson argues that Latin America has found an independent path, in part due to the Washington's preoccupation with the war against terror. Therefore, while the US remains an important actor economically and politically, it no longer dominates in the Latin American realm.¹⁴

In 2006, socialist states of Venezuela, Cuba and Bolivia came together under the multilateral initiative of Bolivarian Alliance for the Peoples of Our America (ALBA). ALBA encouraged unconventional modes of cooperation, such as sharing of resources and professionals between its member states.¹⁵ The MERCOSUR, or the Southern Common Market—comprising Brazil, Argentina, Uruguay and Paraguay—has been described by the likes of Andres Malamud and Clarissa Dri as the

“most successful region order in Latin America.”¹⁶ The Community of Latin American and Caribbean states (CELAC) formed in 2010 aimed to strengthen regional integration. These institutions seek to limit the US' regional influence, even if not all have been very successful.¹⁷

Moreover, the stated regional efforts to achieve solidarity also reflects the inability of the OAS to deliver effective Inter-American cooperation. While an effective institutional solidity remains absent, these initiatives present an alternative to the US' version of “regionalism.”

Along with the additional regional arrangements that encourage cooperation, China's trade and investments have resulted in a new set of influences in Latin America. This means that Latin America is seeking new ways to integrate into the global system, which has changed during the last decade with China's rise. A significant area of research in Latin America's integration into the international political economy relates to China.¹⁸ A volatile economic situation, especially following the 2008 global financial crisis, has contributed to the two—Latin America and China—exploring new avenues of cooperation. Even before 2008, Latin America's economic growth had averaged only 6.6 percent,¹⁹ and it has hardly recovered since then. China's increasing demand for raw materials has pushed both Latin America and China to search for a viable partnership.

While Latin American economies have struggled to register an impressive growth rate, China's economic growth rate, too, has declined. In expanding cooperation, Latin America and China seek to overcome their dependency on the Western financial markets. The fear of an extended period of economic slowdown fuels China's interest in Latin America. Having identified Latin America as an expansive market

with abundant natural resources, Beijing initiated an overhaul of its engagement with the region in the 1990s.

According to scholars, between 1993 and 2008, 40 top-level visits from China have drawn the two sides closer. President Xi went to Venezuela and Cuba in 2014 to bolster ties with the socialist states.²⁰ Chinese leadership under Premier Li Keqiang visited Brazil in 2015. Brazil is not only China's partner country in the BRICS grouping but also the largest economy in the region. Three years after the bilateral visit of President Xi, China's BRI initiative has rekindled interest in the Latin American leadership: both Chilean President Michelle Bachelet and Argentine President Mauricio Macri attended the BRI summit held in Beijing in May 2017.²¹ Moreover, Chile and Bolivia have joined the AIIB, in which China holds 26.06 percent of votes.²² AIIB is a crucial institution for realising the BRI initiative.

China is already a significant partner to Latin America in terms of trade. While China's economic interest comes partly from its growing demand for natural resources, denser Latin America–China cooperation might push the US to realign its engagement in the region. Despite Chinese Foreign Minister Wang Yi commenting that China–Latin America cooperation is not directed at any third party but aims at promoting overall development,²³ China's rise in Latin America threatens the US' influence.

CHINA–LATIN AMERICA RELATIONS

The importance of resource-rich regions such as the Latin American states was first outlined during the tenure of Chinese President Jiang Zemin. In light of China's growing hostility towards the US, fuelled by the 1996 Taiwan crises and the bombing of the Chinese Embassy in

Belgrade in 1998, Jiang accelerated China's drive for economic modernisation. This was in line with the “going out” strategy Jiang had conceived in the late 1990s. Latin America emerged as an important region in meeting China's increased demand for natural resources such as oil and steel, crucial in the former's economic modernisation and industrialisation.²⁴

The opening of the economy for trade, and encouraging foreign investment during the tenure of Jiang Zemin, was largely derived from Deng Xiaoping's 'south-south' cooperation strategy, aimed at intensifying trade relations with the developing world, including the Latin American states. This eventually became the basis of China-Latin America relations.

Sustained diplomatic efforts contributed to the growth of Sino-Latin American trade. Bilateral trade amounted to a meagre US \$200 million in 1975.²⁵ By 1990, during Zemin's period, trade volume with Latin America soared to \$3 billion, compared to \$930 million Sino-African trade.²⁶ By the year 2000, Sino-Latin American bilateral trade peaked to \$12 billion, surpassing the \$10 billion-worth China-Africa bilateral trade. In 2016, the Sino-Latin American bilateral trade stood at \$216 billion.²⁷ Under the leadership of Hu Jintao, during 2003–2013, China signed the first FTA in the region with Chile and subsequently signed two more with Peru and Costa Rica in the year 2009 and 2010, respectively.

As the US was instrumental in China's market-reform policy, the fear of antagonising Washington had limited the prospects of China-Latin America partnership. China was initially careful in not associating with the anti-American rhetoric in the region. It was only in 1970 that 12 Latin American states, including Mexico and Brazil, switched alliance to

China and severed ties with Taiwan. The improvement of bilateral relations with the US and an increased focus on developing a south-south cooperation contributed to an overhaul of ties. Giving preference to “discipline over democracy” has allowed China to gain market access in authoritarian states such as Cuba and Venezuela.²⁹

The China-CELAC forum, established in the year 2000, aims at expanding the scope of partnership that is presently centred around trade. In the current context, China and the Latin American states have advocated for a multipolar world order. This is in line with China's 2008 policy paper on Latin America and the Caribbean, which aimed to promote an all-round partnership with the region. During the first ministerial conference of the China-CELAC forum in the year 2015, President Xi Jinping put forward a new cooperation framework for both sides. The Beijing declaration issued at the end of the ministerial meet represents a dissatisfaction with the current global architecture, dominated by the US. Xi has further promised to invest \$250 billion in Latin America within the next 10 years, in addition to augmenting the bilateral trade to \$500 billion by 2019.³⁰

Among the series of factors that have contributed to a more nuanced China-Latin America relationship is China's apparent disinterest in the domestic affairs of the Latin American states. Unlike the US, China has been able to augment ties with Latin America by adhering to its core foreign-policy principle of non-intervention. China has conceived strategic partnerships with Brazil, Argentina, Chile, Mexico, Peru and Venezuela, and in the year 2004, Brazil, Argentina, Venezuela, Peru and Chile acknowledged China as a market economy. Such an acknowledgment has made the imposition of trade barriers and penalties on Beijing difficult for dumping exports.³¹

Multiple Latin American nations besides Venezuela and Cuba have been resentful of US hegemonic influence and share a worldview similar to China's. In the case of the Syrian civil war, Brazil argued against the use of force to evict the Assad regime and insisted on respecting Syria's political and territorial sovereignty. During the 2015 visit of then Chinese Premier Li Keqiang, both Brazil and China showed commitment to the Paris Agreement on climate change. Brazil is also one of the top trading partners for China. In turn, China is Brazil's largest trading partner. Brazil draws the largest share of Chinese ODI (Overseas Direct Investment) and FDI (Foreign Direct Investment) in Latin America.³² That both at some point have checked the US influence in their respective regions further strengthens this strategic partnership.³³

In addition to its growing economic relations with the Latin American states, China–Latin America military ties, too, have picked up pace. China–Latin America military ties are categorised by high-level visits, exchange of personnel and collaboration on developing advanced weaponry. China, in 2004, sent riot police to Haiti as part of the UN stabilisation mission, despite's Haiti's reluctance to recognise Beijing's “One-China Policy.” In 2008, Venezuela inked a deal with China for the sale of K-8 trainer aircraft.³⁴ Subsequently, in 2009, under President Evo Morales and aided by Chinese loan, Bolivia purchased the K-8 aircraft after the US pressured Czech Republic to withhold the sale of L-159 light-attack aircraft.³⁵ Having conceived a strategic partnership with China in 2014, Argentina has shown interest in jointly developing advanced military hardware including the JC-10 aircraft. It has also expressed interest in the purchase of 14 JF-17 multirole combat aircrafts and 110 VN-1 8×8 armoured personnel carriers. China also supplied five Malvinas-class frigates to Argentina.³⁶

In addition to an interest in advancing its political and strategic relations, China's effort to deepen economic engagement with Latin America is fuelled by the concern of being overly dependent on the advanced economies in Europe and North America. The white paper published by China in 2011 highlights that trade with the US, the EU and Japan accounts for 39 percent of China's international trade. In Latin America, China aims to tap the region's vast consumer market and secure investments in the energy sector. This is critical for China's continued economic growth, and meeting an increased demand for oil and gas. Moreover, China considers Latin America significant in the effort to internationalise the yuan. The China–CELAC first ministerial conference deliberated on the expansion of local currency-swap settlements. China has already concluded a currency-swap agreement with Brazil and is seeking a similar one with Argentina and Chile.³⁷

China has identified Latin America as a supplier of primary resources, and thus, Chinese investments have been concentrated in the energy and mining sectors of the Latin American economy.³⁸ High-profile deals include a \$5-billion steel plant in Brazil, \$4.4 billion worth of commitment in Peruvian mines and \$16.3 billion to develop the Junin-4 oil bloc in Venezuela's Orinoco oil belt.³⁹

Despite its geographical disadvantage compared to the US, China has now become the second largest importer of commodities from Latin America and stands second in the use of the Panama Canal.⁴⁰ It is also the largest trading partner for Brazil, Peru and Chile.⁴¹ Latin American countries, on the other hand, have experienced a boom in the agriculture and mining sectors, benefiting from China's demand, which also makes up for the reduction in the American imports.⁴² Moreover, China is actively seeking to invest in ambitious infrastructure projects, such as the Trans-Amazonian Highway, a deepwater port in Suriname

and power plants in Argentina. China therefore holds significant economic relevance in the region at Washington's cost.

Thus, to see Chinese investments as part of a “zero-sum” game strategy, which benefits only Beijing, limits the analysis of the China–Latin America relationship. Moreover, the strategic aspect of Beijing's rise clearly challenges US hegemony. The following section examines the use of China's soft power in Latin America.

CHINA'S SOFT POWER IN LATIN AMERICA

Discussions on power have been an intrinsic part of the international relations (IR) literature. Nevertheless, the concept of 'power' remains contested and ambiguous. For Barnett and Duvall, power is how one state uses its material resources to compel another state to do something it does not want to do.⁴³ Weber's definition, on the other hand, conceptualises power as the ability to impose one's will upon the behaviour of others.⁴⁴ At the most basic level, power constitutes the ability of one actor to influence the action of others.

Power has been classified into “hard,” the use of coercion to extend influence, and “soft,” the use of cultural attraction for inducement. Both forms of power are used as part of statecraft to achieve foreign-policy objectives. Hard power involves the use of material resources such as military to compel the agent to change accordingly. The most basic attribute of hard power is the use of physical coercion. On the other hand, soft power is dismissive of coercion and based on attraction. Since its coinage by Joseph Nye in the 1990s, the term “soft power” has gained currency in the IR literature. Nye conceived soft power as the ability to attract others to make them do what you want.⁴⁵ His concept of inducement is centred on the agent and reflects

one's ability to affect and change the agent's preferences. Unlike hard power, which limits the preferences or pay offs to just two choices (often against the agent), soft power can be projected in a manner that seems beneficial for the agent as well.⁴⁶

In Nye's conception, soft-power driven attraction needs a pleasing culture, a set of values and an inclusive foreign policy. Other scholars have highlighted other instruments such as information and diplomacy as part of the soft-power apparatus.⁴⁷ The sources of soft power remain vague, and in practice, the dichotomy between hard and soft power is hard to qualify. According to Pelnens, soft and hard power are two sides of the same coin, and over time, a state can accumulate soft-power sources.⁴⁸

Nye's definition proposes that soft power is limited to democratic countries that have liberal economies and adhere to universal norms of human rights. However, since Nye defined culture in its broadest sense, one can see the three decades of economic development intrinsic to the Chinese society as a source of attraction. A society might seek to gain economic and political benefits from China's economic development, since soft power is based on perceptions and not on objective reality. As Janice Mattern says, "Attraction is rather a subjective experience." Thus, soft power's outcome varies from case to case.⁴⁹ Infrastructure projects such as the Trans-Amazonian Highway, which carry the perception of China's growing economic influence, could be considered soft-power instruments. Infrastructure projects, soft loans and technical-training programmes, too, carry the potential of inducement. Moreover, China's economic rise contributes to the former's soft-power projection, as it communicates the successful integration of capitalism and authoritarian politics among Latin American political elites. This is unlike the US-inspired developmental model, which combined free

market and privatisation but turned out to be inadequate to solve the region's endemic problems.⁵⁰

Thus, confining the evaluation of soft-power projection to the conventional medium of culture limits the analysis of China's soft power. As Joshua Kurlantzick points out, in the case of China, soft power constitutes all elements outside the security realm. Joshua argues that soft power wins the influence of the elites and of a broader section of a society. He adds that China has actively co-opted soft power to push the US out of regional influence, including Latin America.⁵¹

Chinese IR scholarship, in the backdrop of the US-containment strategy, has argued for the expansion of China's soft power, along with a transformation of the People Liberation Army Navy (PLAN) to narrow gap with the US. This becomes relevant in view of the US balancing strategy that is increasingly co-opting other Asian states in China's periphery. Extending cooperation to Latin American states, argue Chinese scholars, will constitute a counter attack on US encirclement efforts.⁵² According to R. Evan Ellis, since perception drives soft power, its impact varies from state to state. For instance, Venezuela and Cuba consider China an ally in their struggle against US imperialism. On the other hand, Brazil and Argentina see China as a source of investments and trade.⁵³

In Venezuela, China undercuts the former's dependence on the US by offering technical assistance in the energy sector. In March 2007, Venezuela sent a team of 71 engineers for technical training and Mandarin classes at Beijing Foreign Studies University. This was followed by extending cooperation and technical know-how on manufacturing the drilling equipment. By 2009, Venezuela was finally able to realise full operationalisation of equipment.

Sino–Venezuelan cooperation under former President Chavez expanded into the sectors of oil, finance, satellite construction and infrastructure. Being ideologically aligned, Venezuela has also succumbed to barter as a mode of exchange.⁵⁴ China, having loaned \$63 billion to Venezuela, now accepts oil as a mode of repayment.⁵⁵ Venezuela has emulated the ALBA model of exchanging goods and services with China. This exemplifies the soft-power approach in which China co-opted Venezuela using the medium of technology transfer to get access to energy supplies. Moreover, China is now a significant buyer of Venezuelan oil, thereby reducing dependence on American demands.

Though Cuba was the first Latin American state to recognise China, the bilateral relationship became severely affected post the Sino–Soviet rift. China's erstwhile leader, Deng Xiaoping, deplored Cuba, while the Cuban leadership resented China's market-reform policy. However, today, the Sino–Cuban relationship has largely recovered. Cuban elites have shown a great interest in learning from the Chinese reform experience. Recently, China collaborated with Cuba to develop an anti-cancer vaccine, Cimavax, that was approved for clinical trials in the US.⁵⁶ Further, having dealt with \$1 billion worth of Cuban debt and gaining access to a nickel field signifies that Beijing is willing to invest where the US' inflexibility was evident. Exchange of academics and professionals is also part of the Sino–Cuban partnership: out of the 12,000 who received scholarship from the Chinese Scholarship Council, 400 went to Cuba to study medicine. China's social engagement programmes encompass cooperation in advanced sectors, such as oil and pharmaceuticals with Venezuela and Cuba respectively. Hearn argues that such a strategy serves China's political and economic objectives, in addition to enhancing its political legitimacy.⁵⁷

In Nicaragua, China has commenced the construction of a canal that will eventually link the Pacific Ocean and the Atlantic Ocean. China has been able to capitalise on the tumultuous relationship between Nicaragua and the US. Upon the abolition of the deal between the US and Nicaragua in 1970, Hong Kong's HKND in 2013 acquired a 100-year concession to operate the canal. This falls in line with Beijing's policy of encouraging private companies to invest overseas in strategic sectors of a country's economy and incentivising them with low-interest loans and other benefits.

HKND has sought the involvement of the state-owned China Railroad Construction Corporation, experienced in overseas infrastructure projects. Despite the fears that the Nicaraguan Canal could adversely affect the environment, in future, it will be an alternative to the Panama Canal. China also plans to construct an elaborate free-trade zone, encompassing airports and highways around the canal. Thus, the Nicaraguan Canal is geopolitically significant. The second hyped infrastructure project is the Trans-Amazonian Highway that will cut across South America and, like the Nicaraguan Canal, will connect the Atlantic and the Pacific oceans. Then Chinese Premier Li Keqiang, in his 2015 visit, claimed that the highway will help in cutting the cost of Brazilian exports to China. With funding from China's Developmental Bank, the Nicaraguan Canal's construction cost is estimated at \$10 billion. Li Keqiang also promised to provide capital and expertise for the construction of the "Two Ocean Tunnel"⁵⁸ project, which will link Chile's Pacific coast to Argentina's Atlantic coast. The strategic significance of the connectivity between the Pacific and the Atlantic oceans was identified by Hernan Cortes during the reign of King Carlos V.⁵⁹

The Trans-Amazonian Highway and the Nicaraguan canal are important for Latin America in the absence of any source that could

meet the region's demand for greater investment in the infrastructure sector. Moreover, apart from adding to the infrastructure of Latin American countries, these projects have the possibility of boosting trade and commerce within the region and beyond, which is important for the diversification of Latin American economies. The need to spur intra-regional trade also emanates from the lack of a Pan-American trade bloc, despite the push of the Free Trade Area Agreement, consisting of 34 countries.⁶⁰ For China, these projects are also symbolic, as their completion will prove that Beijing has acquired the capacity to drive growth without relying on Western institutions such as the IMF and World Bank, whose funding comes with a prescription of systemic reforms.

Moreover, in China's soft-power projection, there has also been an increased focus on reforming the state's cultural arm. The Ministry of Culture is now independent and free to perform for international audience; it is no longer fully subsidised by the government, thus allowing it to find new avenues for expansion. China has also significantly expanded the presence of CCTV, which will enable the Latin American audience to gain insights into the Chinese culture and worldview.⁶¹ Further, China established 20 Confucius institutes in Latin America and has mooted cooperation with the Chinese diaspora community. In Mexico, the Overseas Affairs Office of the Chinese Ministry of Foreign Affairs encouraged Mexico's Chinese community to create a Chamber of Chinese Enterprise of the Northeast. The chamber aims to connect Chinese entrepreneurs with producers in Asia.

Another critical caveat that China's soft-power projection seeks to undermine is the recognition of Taiwan by 12 Latin America states.⁶² Support for Taiwan is particularly strong in Central America and the

Caribbean. China has intensively lobbied for the One-China Policy, intending to keep the region away from Taipei's influence.

Although, in 2008, China reached an agreement with the nationalist party that led to the settlement of diplomatic competition between the two, the victory of the Independent Party in Taiwan in the 2016 elections ended this settlement. In China's inducement strategy, which aims to turn Latin American states away from Taiwan, foreign aid and investments emerged as an effective tool. Grenada received \$6 million in grants and \$1 million worth of scholarships for revoking diplomatic ties with Taiwan.⁶³

LATIN AMERICA: SUCCESS OF CHINESE SOFT POWER?

At the 2011 G20 summit, Hu Jintao praised China's successful completion of 632 foreign infrastructure projects by 2010. However, two-thirds of the 70 projects planned between China and Brazil face practical difficulties.⁶⁴ The much-hyped \$20-billion investment in Argentina has not come to fruition either.

The economic engagement has drawn criticism from the likes of William Ratliff, who question the sustainability of China's rise in Latin American. In his words, "What a wakeup call it will be for China when it becomes another scapegoat in Latin America's perpetual failures."⁶⁵ Based on China's own socioeconomic inequalities, some scholars have suggested that the country's engagement might lead to the "Latin Americanisation of China."⁶⁶

The much-discussed mega infrastructure projects such as the Trans-Amazonian Highway and the Nicaragua Canal have created concerns of environmental degradation; these projects are only in the preliminary

phase of development. Further, non-state actors in Brazil and Peru have been critical of the incoming Chinese investments and its adverse impact on the environment.⁶⁷ People-to-people contact from a rise in tourist inflow from China has not picked up, reflected in the insignificant tourist traffic between the two.

Moreover, China's growing investments and trade in Brazil and Mexico has attracted public criticism. Mexico faces intense competition from Chinese exports and manufacturing sector, which has generated public resentment⁶⁸. In 2011, Mexico recorded a trade deficit of \$46 billion and a loss of 900,000 jobs.⁶⁹ Mexico is the most vulnerable country in Latin America, as it is economically dependent on the US, with 97 percent of its manufacturing exports facing competition from China.⁷⁰ Another Latin American country, Argentina, has instituted non-tariff barriers on categories of Chinese imports.

Latin American nations that have abundant oil reserves and extractive metals (sectors that have largely drawn Chinese investments) have made limited efforts to diversify their economies, which could have addressed the region's overdependence on primary resource exports.⁷¹ By giving the region's service industry little incentive to develop, the Organisation for Economic Cooperation and Development report highlights, China is pushing Latin America into a "raw materials" corner.⁷² This is evident in China's trade relationship in the region: its trade with Venezuela is centred on the latter's oil exports; with Peru, it is centred on mining; and Brazil, the largest economy in the region, relies on exporting iron ore and soy to China.

This relationship is often cited as that of core-periphery, where Latin America caters to Beijing's ever-increasing demand of resources. This, however, is only a partial explanation, as China, with ample foreign

reserves, is best suited to fill the region's infrastructure void, which constitutes an annual 5–6 percent of Latin America's GDP.

In a realm where Taiwan's bilateral trade had surpassed Sino–Latin American bilateral trade⁷³ Sino–Latin America stood at more than \$200 billion in 2016. China is now the largest trading partner for Brazil, Chile and Peru. This marks the tangible side of the Chinese engagement. Moreover, China's working relationship has greatly improved with former Taiwanese allies such as Panama, which now acknowledges the One-China Policy.⁷⁴

Military engagement, a sphere where China had traditionally been weak, has undergone change. R. Evan Ellis remarks that increasing Chinese military presence aims to strategically position the PRC in the coming decades.⁷⁵ This falls in line with the former's aim to secure a long-term presence in the region. China committed troops in the Peruvian “Angel de la Paz” military exercise and has moved on from supplying non-lethal weaponry; there remains a possibility of Latin American states being armed by China, as evident in the case of Argentina and Bolivia.

China's willingness to send troops to South Sudan to safeguard the infrastructure also makes the case for a larger Chinese military presence in Latin America. With its investments in the Nicaraguan Canal and the Trans-Amazonian Highway, a comprehensive military engagement in future is possibility. However, most significant is the change in the Latin American public opinion. In the 2013 Pew Research Center survey on global attitudes and trends, China received its highest ratings from Latin America and Africa. Of those surveyed, 71 percent in Venezuela, 65 percent in Brazil, 58 percent in Bolivia, 54 percent in Argentina, and 62 percent in Chile view China favourably.⁷⁶ In the global popularity

contest report released in 2017 by Pew Research Center, China is more popular than the US in Mexico, Chile, Peru, Argentina and Brazil, and enjoys strong support in Columbia.⁷⁷

In Argentina, there is a significant rise in the number of students enrolled in the Mandarin programme.⁷⁸ Brazilian leaders, too, have expressed interest in China and its export-led economic model. China's impressive socioeconomic overhaul and steady growth has thus won admirers from both the socialists and those who favour open-market economy. The Jamaican Prime Minister in 2004 said, "Time has come to explore and exploit new avenues for economic and trade cooperation between China and our region."⁷⁹

Overall, China has established itself as a major economic partner to the region. There emerges a possibility of a greater political and military cooperation between Latin America and China, in the backdrop of expansive economic ties. That said, China currently lags the US in Latin America, and is dependent on the Western markets for its rise. As Shirk says, China is a "fragile superpower."⁸⁰ Beijing's strategy, which focuses on expanding ties with the socialist states of Venezuela and Cuba, has a limited potential to counter the US influence in the region. The first reason is that the said socialist states do not vie for significant political or economic influence in Latin America. Second, China remains very much dependent on the expansive US consumer market to maintain a high economic growth rate.

In Latin America, both China and India seek to benefit from the region's proximity to the lucrative North American market. China is especially keen to exploit the numerous FTAs it has signed with Latin American states, which will allow it to circumvent the anticipated US trade barriers. A study by Inter-American Development Bank noted, "Near

shore advantages (e.g. cultural and physical proximity) give the region an important advantage for serving both the growing US Latino market and regional market; this fact has not gone unnoticed among the major Indian IT firms.⁸¹ The US continues to lead by maintaining robust economic relations with Latin America, along with a comprehensive military presence in the region. It undertakes several military exercises in the region, including the biannual RIMPAC, and has the fourth fleet patrolling the seas of the Caribbean and Central America. Several facilities dedicated to combating narco-trafficking in Honduras, Columbia and in other Latin American states add to the US' efforts.⁸² Nevertheless, China has paved its way for a deeper future engagement with Latin American countries.

CONCLUSION

China has been successful in registering itself as a major economic force in the Latin American realm. As this paper shows, poor economic growth and the US' failure to be an effective regional partner incentivised China to deepen cooperation with the Latin American states. China–Latin America trade is now significant. However, more striking are the strategy with which China is co-opting the Latin American states and that Latin American public opinion of China remains favourable.

Although China presently lags behind the US in terms of trade and military presence, it is effectively using its soft power to vie for influence in the region. Its soft-power projection is not limited to the cultural element but is complemented by the huge infrastructure investments it is undertaking in Latin America. This is aimed at securing a long-term presence in the region, which will be detrimental

for the US influence. In turn, China is poised to gain from the US retrenchment. Domestic factors, such as an increasing demand for raw materials and dependency on the developed markets of the West, fuels China's outreach to Latin American states. Thus, China continues to undermine the US economic influence in Latin America and is making efforts to replicate its success in the political realm.


Despite the realisation that Latin America stands as a strategically significant region in meeting Asia's growing demand for energy resources, India's outreach to Latin American states remains limited. The absence of any high-level state visit from India—since the 1968 visits of former Prime Minister Indira Gandhi to eight countries in the region—implies that Latin America does not hold much strategic relevance for Indian political elites.⁸³

Moreover, Indian Prime Minister Narendra Modi, following his assumption to office, missed the 2016 Non-Aligned Movement summit held in Venezuela. On the other hand, China, under the leadership of Xi Jinping, proposed the idea of creating a “China–Latin America community of common destiny.”⁸⁴ The first meeting of China–CELAC, held on 8 January 2015, highlights China's strategic ambition to create a sphere of influence in the region.⁸⁵

The absence of high-level state visits does not necessarily imply that India is unaware of China's expanding influence in the Latin American realm. For instance, in the case of Argentina, when China terminated soy oil imports in retaliation to the imposed tariff barriers on Chinese goods, India was quick to triple its soya oil imports from Argentina.⁸⁶ India even surpassed China in 2013–14, accounting for 50.1 percent of the total energy export to Asia from the Latin American and Caribbean countries. The share of India's oil imports from the region reached 20

percent in 2014. Also, India has created a significant presence in the service sector of Latin American economy and the share of extractive industries accounts for only 28 percent of Indian investments.⁸⁷

However, in terms of bilateral trade, India lags behind China: in 2016, when China–Latin America trade was more than \$200 billion, India–Latin America trade only amounted to \$25 billion.⁸⁸ It is noteworthy that while India recorded a trade deficit of more than \$10 billion with Latin America since 2015–16, Latin America's trade deficit with China amounted to \$13 billion in 2016.

In addition to exacerbating the US' fear, which seeks to preserve influence in its southern periphery, China's growing footprint might also incentivise India to go beyond the conventional means of engagement centred around trade and diplomacy, to deepen ties with Latin America. Although India's presence in Latin America is nascent compared to China's, a US–India strategic alignment in the Western hemisphere should be considered, in light of China's vision to establish a comprehensive partnership with the Latin American states. 

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