
THE PACIFIC TRIANGLE:

THE UNITED STATES, CHINA, AND LATIN AMERICA

How Differing US and Chinese Foreign Policy
Goals Influence Trilateral Relations

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I. Introduction

Throughout American history, United States presidents and policy makers have used the Monroe Doctrine, the Roosevelt Corollary and the Truman Doctrine to codify, emphasize and enforce an underlying lynchpin of American foreign policy: Latin America was the backyard of the United States. Accordingly, foreign powers found meddling in the region could expect to be treated as hostile intruders. By the same logic, the United States asserted its right, at times implicitly, other times explicitly, to redesign its backyard as it saw fit.

Whether defending against European powers or the Soviet Union, the Backyard Doctrines were guarded jealously by the United States. For example, during the Cold War, the mere speculation of Soviet involvement in countries such as Guatemala (1950s), Chile (1970s) and El Salvador (1980s) triggered American reactions that stifled social and democratic development for decades. As late as 1991, the United States unilaterally invaded Panama to enforce a regime change.

However, since 1991, US foreign policy towards Latin America has grown increasingly distant, at times bordering on neglect. Meanwhile, The People's Republic of China, representing the worlds largest population, second largest economy, and military spending that has averaged 15% *annual* growth over the last 16 years¹ has made explicit billion dollar investments in Latin American countries from the Caribbean islands, to the Andean mountains; from the Brazilian Amazon to the Argentine Pampa.

The tremendous Chinese presence in Latin America suggests that the region is no longer exclusively the United States' backyard at all. In fact, as Latin American countries such as Brazil continue to emerge as global players, the trilateral relationship between China, the United States and Latin America will replace American hegemony as the defining feature of geopolitical relations in the Western Hemisphere.

This paper analyzes the nature of this emerging trilateral relationship. I begin by comparing United States foreign policy to Latin America with Chinese foreign policy to Latin America. I argue that in the post-9/11 era, the American approach has mostly emphasized drugs, migration and hemispheric political disputes. This is in sharp contrast to the Chinese approach emphasizing resource security, export market expansion, and courting political favor. Whereas the American approach has created contention and frustration,

Chinese foreign policy has sparked economic growth throughout the region. This contrast has led Latin American nations to pursue improved relations with China, while those with the United States stagnate.

The second portion of the paper features case studies of two triangular relationships that are particularly illuminating: US - China - Venezuela, and US - China - Brazil. In the case of Venezuela, I analyze what happens when US and Chinese foreign policies clash. I discuss how both major powers attempt to pursue their policies without directly engaging the other. In the case of Brazil, I consider how China has made significant inroads in a country that does not play an integral role in the drug trade, does not send excessive migrants north, is not politically radioactive, and thus, has essentially been overlooked by recent American foreign policy.

I conclude the paper by commenting on apparent American tolerance for China in what was once their backyard. However, I note a fascinating mirror image to this emerging triangle: In its foreign policy to East Asia, the US has been able to avoid geopolitical strife and pursue purely beneficial economic and security relations with countries wary of Chinese power. These relationships effectively allow the US to set up camp in China's backyard, much as China has in Latin America.

II. United States & China: Different Foreign Policy Approaches To Latin America

A. American Foreign Policy Towards Latin America: Limited and Contentious

In April of 2012, the Inter-American Dialogue issued an influential report entitled *Remaking the Relationship: The United States and Latin America*. The document juxtaposes economic growth and institution building throughout Latin America with the stagnant economy and increasing political polarization in North America. As a result, the paper concludes that, "Most countries (of Latin America) view the United States as less and less relevant to their needs – and with declining capacity to propose and carry out strategies to deal with the issues that most concern them."²

Unequivocally, the United States has and pursues important trade relationships with Latin America. Just like China, the United States has a strategic interest in Latin American commodities: The US imports 19.6% of its oil from neighbors to the south.³ The United States is still the biggest recipient of Latin American exports: Whereas the East Asian portion of Latin American exports has skyrocketed to 17%, the United States' share has

dropped to 40%.⁴ Perhaps more importantly, especially considering Chinese obsession with Latin commodities, the United States is a major purchaser of Latin American manufactured exports.⁵ At times, US foreign policy has sought to bolster economic ties, usually through regional free trade agreements that often require years of negotiation and little immediate economic payoff.

However, rather than tailoring a foreign policy that facilitates economic relations, the US continues to focus on Latin American vulnerabilities that have spillover effects in the United States. Recent dialogues at the Summit of the Americas in Cartagena, Colombia (April 14th-15th, 2012) illustrate American emphasis on 1) Drugs, 2) Immigration and 3) Hemispheric political divisions. Not only did these deflect attention from economic policy progress, but they also proved fruitless and underscored regional tension. I proceed to discuss these three emphases individually, underscoring their divisive effects.

1) Drugs: International drug smuggling is a major security concern for both Latin America and the United States. However, Latin American nations are growing increasingly wary of the American approach that, since the 1980s, has aggressively attacked the drug supply. The so-called “War on Drug” produced exhilarating victories over Colombian cartels in the 1980s, but region-wide success proved ephemeral. Mexican cartels emerged to fill the voids left by Colombian predecessors, while new supply chains through Central America devastated countries previously ravished by war, accustomed to violence and desperately poor. Mexico has tallied nearly 50,000 drug related death since 2006, while Honduras, neither a major supplier nor consumer but only a chain in the link, has emerged as the world’s deadliest country, with a murder rate 80 times that of Western Europe.⁶

In a striking break from years of solidarity with the United States on the War on Drugs, a number of Latin American countries are edging towards decriminalization and legalization. Guatemalan President Otto Pérez Molina, himself a former head of military intelligence, began floating a legalization plan that would, “remove (drug gang’s) main source of revenue” in early 2012.⁷ Frustrated Latin American leaders feel their countries pay high prices in violence and destabilization because the United States cannot control domestic consumption. Mexican President Felipe Calderon summed up this argument, stating pointedly that “nation’s should consider market alternatives if they cannot reduce demand.”⁸

In an aggressive move that forced the United States to address desires for a new approach, Colombian President Juan Manuel Santos put drug legalization on the agenda for

the recently held Summit of the Americas. At the agenda, American President Barak Obama flatly rejected any American participation in a decriminalization approach. “For the sake of the health and safety of our citizens, the United States will not be going in this direction,”⁹ he stated in Colombia, reiterating the position espoused by Joe Biden a month earlier in Mexico.

It is telling that at the Summit of the Americas, an event not scheduled to take place again for another three years, not only was significant time dedicated to the War on Drugs, but participants were unable to establish a cohesive approach. International drug trafficking will thus remain a time consuming and divisive issue in US-Latin American relations.

2) Immigration: Immigration, a second major emphasis of US policy towards Latin America, also does little to promote regional economic integration. With the United States in recession, the Mexican economy growing, and Mexican birth rates falling, illegal immigration to the United States is actually diminishing.¹⁰ However, immigration reform has become increasingly politicized in the United States, with “almost every candidate (in the Republican Party primaries) vying to be tougher than the next.”¹¹ The more extreme ideas that have emerged from this echo chamber, such as constructing a physical barrier along the southern US border, have “breed resentment across the region.”¹²

3) Political Contention: Finally, productive US foreign policy in the region is frequently thrown off track by lingering political divisions. Latin America appears to be increasingly unified behind an opposition to the United States’ embargo of Cuba, as well as in support of Argentine claims to the Falkland Islands (*Las Malvinas*). The United States rejects both of these sentiments.

Since the advent of the Organization of American States, a number of Latin American countries have been sympathetic to Cuba, and not entirely comfortable with the islands’ political and economic exclusion. The new consensus suggests that even those opposed to Castro’s regime believe the embargo “has been counterproductive, prolonging Cuba’s repressive rule rather than ending it.”¹³ Even President Juan Manuel Santos of Colombia, long a US ally, concluded that, “Cuba’s continued exclusion and the US embargo are unacceptable.”¹⁴ Meanwhile, in early April, María Emma Mejía, secretary general of UNASUR (an intergovernmental union comprising of Mercosul and the Andean Community of Nations), issued a declaration to the United Nations stating the support of all member states to Argentine claims over The Falkland Islands.¹⁵

Nevertheless, despite this apparent Latin American consensus, leaders were unable to issue a unified declaration following the 4/12 Summit, as the United States supported neither an embargo relaxation on Cuba, nor Argentine territorial claims. While these issues might seem trivial given the billions of dollars of potential trade, they are not. Cristina Fernández of Argentina was one of several Latin American presidents who left the summit before its official closure, in apparent protest, and the political disagreements “threatened to make this year’s meeting the last.”¹⁶

B. Chinese Foreign Policy Towards Latin America: Financially Stimulating

Whereas United States foreign policy to Latin America frequently gets bogged down in security issues and hemispheric politics, the overarching Chinese philosophy of nonintervention allows the giant to the east to tailor their foreign policy to be economically beneficial to Latin America. Certainly, the distance between China and the region aids this aspect of the relationship: Billions of dollars of Latin American drugs are not imported into China every year, nor does China have to grapple with millions of undocumented Latin American migrants. As such, China has been able to focus its foreign policy on areas of economic benefit, and not of defense.

In this section, I consider three key goals of Chinese foreign policy in Latin America: 1) To assure Chinese resource security, 2) To generate market access for Chinese manufactured goods, and 3) To extend Chinese influence into the Western Hemisphere. All three of these areas may be controversial, yet all three create economic benefits for Latin America. In fact, it is precisely these factors that *generated* recent impressive Latin American economic growth to begin with.

1) Resource Security: China has not recorded annual GDP growth below 7% since 1990. Its stunning growth is mirrored by its appetite for commodities. As a relatively resource poor country itself, Chinese growth, and, by extension, the entire People’s Republic of China governing system, faces a severe vulnerability regarding access to commodities. Latin America is rich in precisely the commodities that China craves, such as oil, copper, and soy, and China has pursued a foreign policy that will assure access to these resources.

The tool used by the Chinese to ensure resource security in Latin America is capital, and, according to Kotschwar, Moran and Muir, this tool is wielded in four basic forms:

- 1) Chinese state-owned investors take a large equity stake in an established project
- 2) Chinese state-owned investors take a large equity stake in a developing project

- 3) The Chinese government makes a sizeable loan to finance an existing producer with repayments made in commodities
- 4) The Chinese government makes a sizable loan to finance a developing project, with repayments made in commodities.¹⁷

China appears to employ different strategies depending on the strength of a given country. In the lesser developed Andes, China can, and prefers to, take a direct ownership role in commodity production. For example, in 1992, China's state-owned Shougang Group purchased a Peruvian iron-ore mine for USD\$118mn. Unlike loans and investments from the United States, this was a no-strings attached purchase that offered hard cash in exchange for hard minerals. This position has been profitable: the iron ore giant grew 123.9% in 2010, while profits reached USD\$700mn – a 456.1% increase over 2009 profits.¹⁸

However, the model offers more than just profits. Many Andean countries appear to have neither the physical nor institutional infrastructure to guarantee efficient exploitation of these resources.¹⁹ For example, the Chinese state-owned *Ecuacorrientes* is building the first large mine ever in Ecuador. *Ecuacorrientes* will pay a whopping 52% of the mine's profits to the Ecuadorian state in the form of royalties and taxes, and \$100mn in advance royalty payments that will be used to fund social development projects.²⁰ However, China will ensure access to upwards of 5 billion pounds of copper²¹ that would have otherwise remained buried deep within the earth.

In other cases such as Venezuelan and Ecuadorian oil, or Argentine and Brazilian soy, China assures access to the commodity by offering loans that are repaid in raw materials. This seems to be the preferred model when dealing with stronger states, such as Brazil and Argentina, or with sectors that inflame national pride, such as hydrocarbons.

These actions by Chinese state-owned firms can be quite controversial within Latin America. The Shougang Mine has suffered numerous labor disputes²², while Ecuadorians²³ and Brazilians²⁴ have expressed concern that the investments are tantamount to a forfeiture of domestic sovereignty.

However, the Latin American countries experiencing the most growth, such as Peru and Argentina, (as well as those with the most consistent growth, such as Brazil and Chile) are the ones that benefit the most from Chinese resource demand. Thus, while Chinese investments may be controversial, they will continue to be welcome in Latin America, as

they reflect dizzying access to no-strings attached hard currency – a stark contrast to the middling benefits offered by United States foreign policy.

2) Market Expansion: In part buoyed by Chinese demand for their commodities, much of Latin America has, itself, experienced heady growth that has created a burgeoning middle class of consumers. Chinese foreign policy would like to ensure that these consumers consume Chinese manufactured exports.

This effort has achieved notable success with Chinese exports to Latin America increasing from USD\$359bn to USD\$588bn just between 2001 and 2006.²⁵ With China's top ten exports all manufactured goods,²⁶ these goods are often in direct competition with the Latin American industrial sector. Mexico has suffered the worst, as Francisco Gonzalez writes: "Since 2002, China has become Mexico's second largest source of imports, with a big influx of auto part, electronics, toys, and footwear, all of which have hurt local producers who traditionally supply the domestic market."²⁷ Meanwhile, between Brazil, Argentina, and Chile, hundreds of anti-dumping cases have been brought against China in the World Trade Organization.

Chinese market expansion in Latin America is thus viewed negatively by the Latin American industrial sector. Some countries such as Brazil have even moved to limit free trade with import taxes on certain Chinese goods.²⁸ However, the Chinese goods do feed Latin American consumption at cheaper price levels, allowing more families to enjoy a middle-class quality of life. Thus, though controversial, as is excessive Chinese resource importation, this aspect of Chinese foreign policy is economically based, and does offer net gains to Latin American consumers.

3) Beachheads: A third element of Chinese foreign policy in Latin America centers on efforts to build positive relationships with the weakest, poorest, and most indebted countries of Central America and the Caribbean. China broaches this goal by offering economic concessions that, though controversial, are too valuable for vulnerable countries to overlook.

Such concessions can take the form of outright gifts, usually of the construction infrastructure sort. For example, China has gifted stadiums to Costa Rica, The Bahamas and Grenada. The concessions can also come in form of cheap financing; China's state-owned Export-Import Bank has invested USD\$2.6bn at a very low interest rate in the Baha Mar hotel resort in the Bahamas.²⁹

Originally, China used these loans to incentivize PRC state recognition, and to encourage severing of ties with Taiwan. After all, votes at the United Nations are counted equally, regardless of the size of the state. The Costa Rica stadium project was announced in 2007, shortly after then-President Oscar Arias suspended diplomatic ties to with Taiwan.³⁰

However, these concessionary financial relationships increasingly suggest a strategy of establishing a beachhead in the Americas. Poor Caribbean and Central American states have little bargaining power, and thus must accept that construction projects will be executed by Chinese firms, and by Chinese labor. Thus, Suriname, a country of 500,000 and a recipient of Chinese financing, currently has a Chinese population of 40,000, or nearly 10% of the population.³¹

C. Part II Conclusion – It would be silly to suggest that part of United States foreign policy towards Latin America does not consider economic ties with Latin America. In fact, with the exception of certain countries such as Brazil, the United States is still the number one trading partner for countries throughout the region. New free trade policies attempt to facilitate these relations.

However, despite recent free trade agreements with Colombia and Panama, American foreign policy towards Latin America is dominated by non-economic issues. Using the recent Summit of the America gathering in Cartagena, Colombia, I demonstrated how the US – Latin America dialogue is overshadowed by drugs, immigration and hemispheric politics. Not only do these topics not offer direct financial benefits for Latin America, but they are also topics of significant internal disagreement.

China's foreign policy to Latin America, on the other hand, focuses on resource security, market expansion and influence garnering. Though all three of these are certainly controversial, they also present clear economic advantages to Latin America, especially the cheap finance that offers a no-questions asked steady flow of capital.

III. Triangular Case Study: The United States, China, & Venezuela

The foreign policies of China and the United States appear most likely to clash in the resource producing countries of the *Alianza Boliviana para los Pueblos de Nuestra América* (ALBA), most notably Venezuela. The ALBA states, which have abandoned Washington Consensus-styled free market capitalism in favor of nationalized resource-based economies,

have seen political relations with the United States deteriorate. The US currently does not have an ambassador in Ecuador, Bolivia, or Venezuela.

Ruled by Hugo Chavez since 1998, Venezuela has been repeatedly rebuked by the Organization of American States for human rights abuses and democratic irregularities.³² Furthermore, its economy is in disarray. Inflation has topped at least 20% in all but one quarter since 4Q07, while total GDP growth since 2007 has been an underwhelming 2.22%, despite a period of surging oil prices. Murders averaged 53 a day in 2011,³³ while Venezuela's expanding role in the intercontinental drug trade is evidenced by recent revelations that a Supreme Court Judge was involved in drug trafficking.³⁴ In short, Venezuela has become a destabilizing force in the region the United States is expected to protect, and its involvement in drug trafficking represents a direct security threat to the United States.

Whereas Venezuela's posture draws the ire of US foreign policy, Venezuelan resources have attracted Chinese investment that helps prop up the anti-American regime. Beyond the billions of dollars of cash-for-oil loans, China has invested to improve Venezuelan infrastructure, both to endear the Venezuelans to the Chinese, and to facilitate the export process to China. For example, Chinese SOEs are building a 468-km railroad through the Venezuelan rainforest. This Tinaco-Anaco railroad line will "transport six million passenger and ten million tons of cargo per year."³⁵ As will be shown, despite conflicting foreign policy goals, both the United States and China move cautiously to avoid direct conflict. The US tolerates Chinese presence in Venezuela, while the Chinese are quick to dispel allegations that their relations with Venezuela are in any way ideological.

A) The Chinese Perspective: Chinese interest and investment in Venezuela is neither out of ideological support for Chávez, nor is it meant to prop up a regime antagonistic to the United States. Simply put, China needs oil. Since opening to the world, Chinese demand for oil has skyrocketed, with a 55% increase between only 2000 and 2006.³⁶ In the decades prior to this demand shock, the United States of America and other western powers sealed long term deals with more palatable oil producers (though countries such as Saudi Arabia hardly comply with Western notions of civil rights). Thus, in order to access requisite oil, China has been forced to deal with fringe governments and pariah states from Sudan and Angola in Africa to Ecuador and Venezuela in Western Hemisphere.

China would prefer economic relations with Venezuela and Ecuador to be as low profile as possible. In 2008, prior to a Chávez's visit to Beijing, a Chinese foreign ministry

spokesman underscored that, “our cooperation is based on the principal of equality, mutual benefit, and joint development, and is not against any third party.”³⁷ China has routinely downplayed allegations of military cooperation that Chávez has brazenly alluded to, and unlike Russia, China has steered clear of any conversations regarding nuclear development with Venezuela.³⁸

China is attempting to maximize a window of opportunity generated by a deteriorating relationship between the USA and a country with tremendous oil reserves. China hopes to gain preferential access to these reserves without drawing the ire of the United States.

B) The Venezuelan Perspective: Unfortunately for China, the Venezuelan reaction to increased Chinese investment has made a low profile relationship impossible. As scholar Gonzalo Sebastián Paz argues, Hugo Chávez has long sought international support in his confrontation with the United States.³⁹ Chávez has a knack for underscoring his emerging relationship with China exactly when relations become particularly tense with the US. Five days after Chávez expelled US ambassador to Venezuela Patrick Duddy in September of 2008, he announced a subsequent visit to Beijing. Upon his arrival, Chávez stated that it is “more important to be in Beijing than New York,” where the annual meeting of the General Assembly of the United Nations was then under way.⁴⁰ Scholar Javier Corrales sums up the Venezuelan approach perfectly: “Chávez has unilaterally deemed relations with China a ‘strategic alliance.’”⁴¹

C) The United States Perspective: China has complicated the US’s ability to achieve its foreign policy goals in Venezuela as Chinese courting of Venezuela has limited the U.S.’s ability to exercise economic diplomacy that might force Venezuela to discontinue truculent behavior. For example, from 1970-1973, the United States limited International Financing Institution funds to Chile, making the Chilean economy ‘scream.’ Access to Chinese cash flows eased Chávez’s 2007 decision to preemptively remove his country from both the International Monetary Fund and the World Bank.⁴²

Furthermore, as late as 2009, Venezuela sent 60% of its oil exports to the United States, which accounted for little over 10% of American imports.⁴³ This mismatch suggests that the United States was a significantly more powerful player in the relationship, and that discontinuing oil purchases as a political tool could have stung the Venezuelan economy. However, China and Venezuela entered into a 2010 oil-for-cash deal that sent USD\$20bn to

Venezuela in exchange for roughly 400,000 barrels a day over the next 25 years.⁴⁴ This has significantly diversified Venezuelan oil exports, down from 1.5bn barrels/day to the US in 1999 to 952,000 barrels/day to the US in 2011.⁴⁵ China's interest in Venezuelan oil means that the United States can no longer bilaterally cripple the Venezuelan economy.

The United States' reaction to Chinese influence in Venezuela has been muted. When pressed, however, US diplomats (true to their training) give limited, diplomatic responses such as, "we want to continue our mutually beneficial energy relationship with Venezuela."⁴⁶ The tepid US response appears to be based on three points: 1) The need to maintain strong bilateral relations with China, 2) Confidence that China cannot (in the short-term) replace the United States as the major recipient of Venezuelan oil, and 3) The belief that if the US can patiently outwait Chávez, the subsequent government will be friendly to the United States. I discuss each point in turn.

- 1) **Mutual Desire to Maintain Strong Bilateral Ties** – Unlike with the Soviet Union during the Cold War, the United States is highly financially integrated with China. The US cannot afford to take an overly aggressive approach to China in Venezuela that might jeopardize US-Chinese bilateral

With some estimates reckoning that China holds over USD\$1 trillion in US Treasury notes, China has clearly become not only a financier of Latin America, but of the United States as well.⁴⁷ As Washington continues to run deficits, it will continue to rely on Chinese purchases of US Treasury Bonds. A strong stance on Chinese involvement in Venezuela would be understood by the Chinese as an attack on their right to energy security, and could easily illicit financial repercussions.

- 2) **Confidence that China Cannot Replace the US as Venezuelan Oil Importer:** While Chinese demand has helped Venezuela diversify its export portfolio, America remains the major importer of Venezuelan oil. Venezuela's oil is heavy, sour, and difficult to refine. Unlike Chinese counterparts, American CITGO refineries are particularly well geared to handle Venezuelan oil. Furthermore, shipping to China requires a 40 day transit, as opposed to the four day transit to the United States. The massive costs for China and Venezuela of a full scale realignment of exports from the United States to China are extremely high, if not prohibitive.⁴⁸ Thus, at the moment, Chinese relations with Venezuela do not appear to represent an energy security threat to the United States.
- 3) **Waiting Out Chávez** – If Chinese investment in Venezuelan hydrocarbons does not represent an energy threat to the United States, then it is but Chávez'

combustible rhetoric that renders the China- Venezuela relationship controversial. Chávez' health is rapidly deteriorating while his pro-US opposition is gaining momentum in preparation for October 2012 elections. Chávez, who has undergone two separate series of chemotherapy sessions, might well not survive until October. He has never groomed an heir, and rivalries within his *Partido Socialista Unido de Venezuela* (PSUV) party make any post-Chávez cohesion unlikely.⁴⁹ If Chávez's regime is replaced by a pro-US government, Chinese investments in the country will appear far less threatening.

D. Part III Conclusion – Explanations for United States tolerance of Chinese involvement in Venezuela appear logical. Even the most hawkish scholars on the China-Venezuela relationship lampoon American inaction, but cannot seem to offer any sensible policy options that would not isolate the United States.⁵⁰

However, the tolerance reflects a tremendous shift in American foreign policy towards Latin America. During the Cold War, the mere suspicion of Soviet financing led the United States to use military, diplomatic and economic tools to suppress popular sovereignty from Guatemala to Chile.

Due to extensive financial integration with China, the United States cannot simply bully China out of the region. Even if such an attempt were successful, it would damage a crucial bilateral relation that has major implications beyond Latin America. Thus, in countries such as Venezuela, China and the United States pursue divergent foreign policies while avoiding direct contact.

IV. Triangular Case Study: The United States, China & Brazil

This paper suggests that major United States foreign policy initiatives in Latin America tend to focus on drugs, immigration, and hemispheric politics. Latin American countries that do not play active roles in these issues frequently feel overlooked by the United States. This is particularly true in the case of Brazil. Long an economic basket case and bloated backwater, Brazilian democracy has been entrenched (if not robust) since the Presidency of Fernando Henrique Cardoso (1995-2002). Meanwhile, the country has averaged over 4% GDP growth⁵¹ since Luiz Inácio Lula de Silva assumed office in 2003, while inflation has been held in check. During these years, Brazil became a world player, with an eye towards one day becoming a world power.

However, much to the chagrin of the Brazilians, they have struggled to maintain the attention of US Foreign Policy. The United States appears to expect Brazilians to instinctively follow American lead on global issues, and when Brazil does not, relations become increasingly estranged. Meanwhile, Brazil feels that the United States' foreign policy does not encourage their economic rise: if anything, the cheap American dollar is flooding the Brazilian market and putting upward pressure on the *real*. Overlooked by United States foreign policy, Brazil has actively increased economic ties with China. Should current trends continue, this south-south relationship could become the dominant force in Latin America, leaving the United States with no backyard at all. To better understand the intricacies of this triangle, I discuss the perspective of each country in turn.

A) The Brazilian Perspective: Rubens Barbosa, a former Brazilian ambassador in Washington, recently stated, “American officials seem to know less about Brazil than any other big economy.”⁵² Brazilians consistently perceive slights from Washington, most recently when President Dilma Rousseff was not afforded a state dinner during her trip to Washington (April 9th-10th, 2012). One Brazilian official, speaking anonymously, contrasted the tepid reception of Rousseff with the red carpet roll-out for British Prime Minister David Cameron a month earlier, “even though Brazil surpassed Britain last year to become the World’s sixth-biggest economy.”⁵³

While dinner might seem a trivial topic, other issues carry more weight. Brazil has consistently sought United States support in its bid to join the United Nations Security Council as a permanent member. American diplomatic support of Brazil would seem to be a minimal-risk venture. Brazil is a non-nuclear power in a relatively war free zone. It has led the U.N. stabilization mission in Haiti since 1994, and has helped the Colombian government rescue hostages held by guerrillas.⁵⁴ Nevertheless, American support for Brazil’s bid has been slow and unconvincing. For example, during Rousseff’s visit for example, President Obama ‘acknowledged’ Brazil’s aspiration for permanent membership, without supporting it.⁵⁵ This, Brazilians are quick to note, is in stark contrast to America’s support of India’s 2010 quest to join the council.

Economically, American foreign policy to Brazilian growth also appears aloof from the Brazilian perspective. In March 2012, the US Air Force cancelled a contract to purchase 20 Super Tucano Jets from Brazilian national-champion Embraer S.A. A small purchase by US military standards (the 20 aircrafts were to sell for USD\$355mn), the contract was “a

showcase deal for Embraer,”⁵⁶ and Brazilians expected the successful execution of the contract to lead to subsequent deals with Western European powers. The Embraer contract’s cancellation has thus caused considerable consternation. Furthermore, expansionary monetary policy in the United States has incentivized carry trade opportunities in Brazil, where the Central Bank base SELIC rate remains at relatively high at 9%. The influx of US dollars has appreciated the *real* to the detriment of the Brazilian manufacturing sector. These policy decisions may not have been made specifically to hurt Brazil, but they solidify the Brazilian perspective that they are being ignored by Washington.

From the Brazilian perspective, these United States’ lukewarm receptions and economic slights contrasts with the Chinese foreign policy approach, this has included billions of dollars invested in much needed Brazilian infrastructure (not to mention a state dinner held for President Rousseff in Beijing during her April 2012 visit). In 2010, Chinese foreign direct investment in Brazil topped USD\$20bn, making China the biggest investors in Brazil - quite a feat considering that in 2009, the Chinese ranked 29th in investment in Brazil.⁵⁷ Furthermore, it has been Chinese demand for Brazilian commodities that has helped spur Brazilian growth. For example 2009, Brazil exported USD\$6.3 billion in soybeans to China - 56% of all Brazilian foreign sales of this commodity.⁵⁸ Chinese state-owned enterprises such as Chongqing Wanzhou Grain and Oil Group have invested heavily in downstream Brazilian soy processing, thus solidifying a relationship the US Agriculture Department expects to grow exponentially.⁵⁹ Thus, for the Brazilians, Chinese foreign policy emphasizes traits that have lead to impressive Brazilian growth.

B) The United States Perspective:

Brazil does not play a key role in the drug trafficking chain that annually introduces billions of dollars of contraband in the United States. Illegal migration from Brazil is not a major issue, and while Brazilian politics tacked towards the center-left since the ascension of Luiz Inácio Lula da Silva (2003-2010), Brazil has not joined the explicitly anti-US ALBA. Furthermore, US resource security does not require access to Brazilian soy or iron. As such, American foreign policy has largely overlooked Brazil in the 21st century. In fact *because* Brazil is non-nuclear, and *because* Latin America is relatively stable, Washington policy makers appeared comfortable ignoring the country in the post-9/11 era.⁶⁰

With regards to Brazil’s United Nations Security Council bid, lack of American support reflects concern that Brazil will develop its own international politics, and not

blindly support American positions. President Lula's 2010 attempt to negotiate an anti-proliferation agreement with Iranian President Mahmoud Ahmadinejad was particularly met by American disapproval.

Faced with consistent Brazilian growth, as well as recent pre-salt offshore oil finds that could make Brazil one of the world's elite hydrocarbon exporters, the United States has made efforts to solidify the relationship. A major step in the right direction occurred when American policymakers allowed a long-standing tariff against Brazilian ethanol to expire on January 1st, 2012.⁶¹ However, the American absence from the region allowed another BRIC to develop important ties with Brazil.

C) The Chinese Perspective:

Whereas the United States found Brazil irrelevant to a foreign policy based on drugs, migration and regional politics, China has found Brazil particularly relevant to a foreign policy based on resource security and export market expansion. Successful execution of both prongs of this foreign policy left China as Brazil's number one trading partner by 2009.

China's approach to Brazil is not without controversy. With nearly 84% of Brazil's 2010 exports to China raw materials and 98% of China's exports to Brazil manufactured products, the relationship has spawned comparisons to colonial Latin American economies.⁶² However, while Brazil pushes for a 'more sophisticated relationship'⁶³ with China, Chinese foreign direct investment in the region will continue to guarantee preferential access to Brazilian commodities. For example, a USD\$10bn Sinopec investment in Petrobras could prove integral to Brazilian efforts to develop the infrastructure to extract oil from massive pre-salt reserves. Chinese investment could well give the East Asian country preferential access to Brazilian oil – access that could well have been American had the US not neglected Brazil.

V. Conclusion - No More Backyards

This paper analyzes how contrasting US and Chinese foreign policies to Latin America have shaped emerging trilateral relations. In an increasingly globalized world, American policy makers have focused on far flung international relations, while neglecting to tend to their 'backyard.' The scant attention that has been afforded to Latin America frequently goes to defense issues such as drugs, immigration and regional geopolitics. This does not necessarily reflect US incompetence: illegal drugs and migration are vital issues with security implications that the region must address.

China, however, has the major advantage of executing a foreign policy in Latin America that does not revolve around divisive, thorny issues such as the Western Hemisphere's drug trade. China's foreign policy can focus almost exclusively on mutually strategic interests. As such, ties between Latin America and China seem to be strengthening, as relations with the United States remain curt.

Through the case study of Venezuela, I reviewed the cautious outcome when these two foreign policies clash: Chinese economic relations with the Chávez regime sustain a government anathema to the United States. However, American tolerance of Chinese support of Venezuela suggests that the United States can no longer enforce Monroe Doctrine-esc control over the hemisphere. Meanwhile, the case study of Brazil reflects the window of opportunity for Chinese intervention in countries whose interests fell beyond the narrow scope of American foreign policy.

In closing, China's massive economic presence in Latin America, along with the emergence of Brazil as a global player, suggests that the United States will no longer enjoy complete hegemonic power in the Western Hemisphere. In part, this stems from the regions current preference for Chinese foreign policy opportunities over the opportunities created by America foreign policy.

However, it is also a function of a globalized world in which fewer 'backyards' exist. China's enviable position in Latin America is in some ways mirrored by the United States' enviable position in East Asia. Distrust of China has lead East Asian American allies such as Australia and The Philippines to invite a sizeable American military presence to the region – China would not yet dare place troops in South America. Similarly, the American led Trans-Pacific Strategic Economic Partnership (TPP), a free-trade proposal aims to economically engage East Asian countries while excluding China.

The pact is at least appealing to countries such as Vietnam, Singapore and Japan that are distrustful of China's regional aspirations. Thus, in a mirror opposite of the Latin American scenario, the United States can pursue a foreign policy in East Asia that focuses exclusively on mutually beneficial issues, while Chinese foreign policy in the region is bogged down by centuries of mistrust and geopolitical power jostling. Perhaps, in a financially integrated world, the globe's superpowers have learned to tolerate outside presence in their own backyard.

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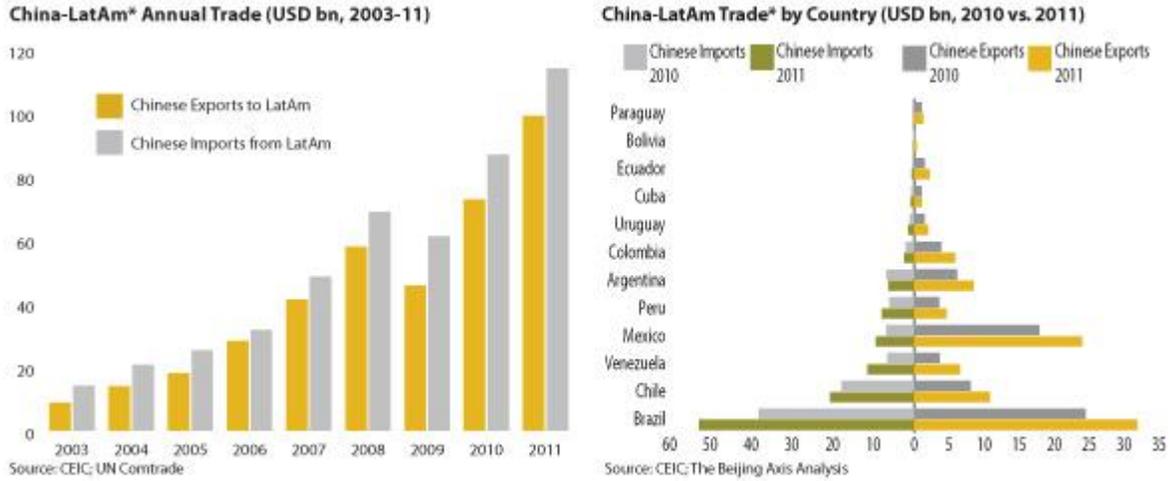
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VI. Appendix

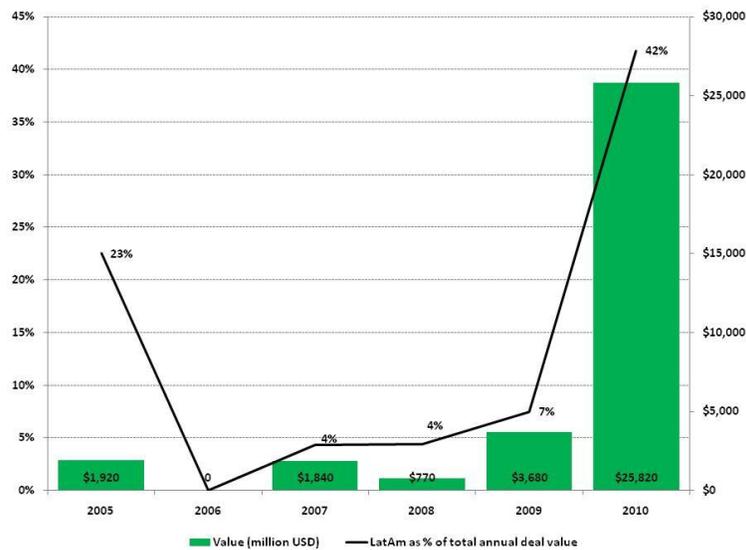
Figure 1



* Note: Latin America here refers to the Latin American Integration Association (LAIA). LAIA's members are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

Increasing economic relations reflect the active and expanding role of China in Latin America

Figure 2 Billions USD and % of Total Overseas Large Investments



As trade has increased, so has Chinese FDI in Latin America

Source: China Sign Post

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