



LAC Focus: An Asymmetric Triangle

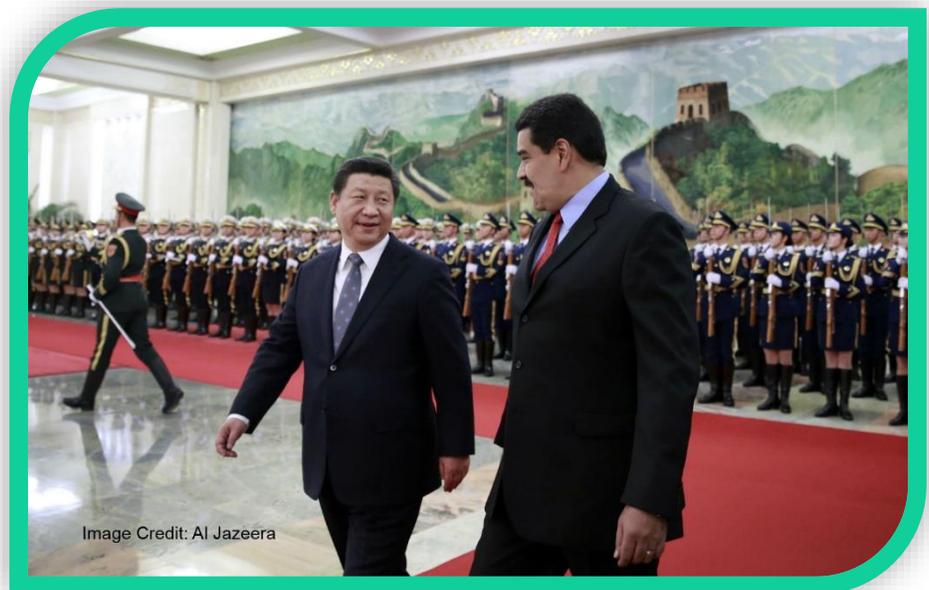


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CRIES
January 2016

Coordinadora Regional de Investigaciones Económicas y Sociales

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Acknowledgements

This document is based on the report of one of the two working groups, chaired by Professor Andrés Serbin from CRIES, during the conference "China-LAC Overall Cooperation: Opportunities and Challenges" organized by the Shanghai Institute for International Studies (SIIS) and held in Shanghai on the 24th of 25th of November 2015. We would like to specially thank Dr. Haibin Niu, one of the organizers of the conference, and the SIIS for authorizing its dissemination as one of the LAC Focus issues.

An Asymmetric Triangle: China, Latin America and the United States

At the 2015 Seminar on China-LAC Opportunities and Challenges hosted by the Shanghai Institutes of International Studies, our discussions were marked by the sense that the relationship between China, Latin America and the United States is entering a new phase. The past decade saw the rise of emerging powers such as Brazil and China, booming Chinese demand for South America's commodities, and above-average economic growth in Latin America even as the United States and other developed economies struggled to recover from the 2008 global financial crisis. But now South America faces a more challenging international scenario. The Chinese economy slows, bringing to a close the commodity supercycle. The United States, while benefiting from reinvigorated industrial and energy sectors, is faced with important challenges around the globe, ranging from the Syrian refugee crisis to terrorism to the conflict in Ukraine. These shifts in the global order and the relative power of China, the United States and Latin America will have important implications for what balance of cooperation, competition and convergence characterizes future relations among the three sides.



Even as we enter a new phase, we should keep in mind the asymmetrical nature of the China-LAC-US relationships. China and the United States are two of the most powerful states in the international system and their interests extend across the full range of global governance issues - security, economic, global commons – as well as regional

issues in the Asia-Pacific. This is very different from the China-LAC and US-LAC agendas, which tend to be narrower in scope, yet also differ strikingly from each other. China and Latin America relations focus predominantly on trade and investment, although Chinese President Xi Jinping has laid out an agenda for a broader relationship during his visits to the region. By contrast, the US – Latin America government-to-government relationship focuses on political and security issues such as democracy, human rights, crime, drug trafficking and migration. When it does focus on trade and investment, US attention tends to be targeted, such as on the Trans-Pacific Partnership, which only includes Chile, Colombia and Peru.

The heterogeneity of Latin America is a challenge for all sides of this triangular relationship. China has attempted to deal with the heterogeneity of Latin America by encouraging the region to form a coherent agenda, choosing CELAC as its preferred regional platform. For Latin American scholars at our Shanghai meeting, China choice of CELAC provides vests this institution

with greater prominence and coherence than what any country of the region might have achieved on its own. The proposals that China has made in the context of the China-CELAC forum suggest that China has a very clear view of its agenda towards the region, and a clear understanding of the logic underpinning its policy. But it finds in Latin America a lack of consensus, in spite of CELAC, on the relationship with China beyond the need for greater trade, investment and financing. From the Latin American point of view, there is a sense that China's relations with the region actually contribute to the lack of consensus by encouraging competition among Latin American countries for Chinese trade and investment.

By contrast, the United States has adapted to the heterogeneous nature of the region, setting aside the ambitious hemispheric agenda it pursued during the 1990s in favor of bilateral and plurilateral agreements with willing partners on issues such as trade, aid, and security. Not only is the focus different – mainly on political and



security issues – but the United States and Latin America have a deeper and longer relationship, for better and for worse. This includes both positive dimensions, such as the cultural and demographic links that tie the United States and Latin America together, as well as historical baggage that continues to produce some mistrust and distance between the sides. Nor is the United States able to offer the same types of favorable terms for financing and investment as Chinese state banks. In the United States, foreign assistance for Latin America has diminished and decisions on large-scale investments are largely in the hands of private sector actors, often made in accordance to strict investment criteria.

For Latin America, the question is how best to benefit from this triangular relationships. The slowing Chinese economy poses a risk to South American countries highly dependent on commodity exports. Latin American scholars also recognized that the reprimarization of South American economies as a consequence of the recent boom in trade with China would be difficult to overcome, even with promised Chinese assistance for industrial development. But some argued that the investment relationship could still be made right going forward, with greater attention to Latin America's real requirements for productive infrastructure. On the other hand, many agreed that the normalization in US-Cuba relations, the Trans-Pacific Partnership, improved US assistance to address the security crisis in Central America, and a successful 2015 Summit of the Americas marked a potential positive turning point in relations between the sides. But renewed US attention to Latin America also raises the specter of competition between the United States and China. Scholars from Latin America argued that

some level of competition among China and the United States was good for the region, an argument that their Chinese counterparts took issue with. For the Chinese, cooperation was the preferred approach, as competition was seen as potentially leading to conflict.

Given the lack of overlap between the China and US agenda in Latin America, it is difficult to envision many opportunities for cooperation, although there are always some areas of global governance - such as disaster response, climate change, peacekeeping – where all sides can make a contribution. But there is another alternative to competition and conflict, which is convergence. As China, the United States, and Latin American states work through issues on their mutual agendas, a process of learning and adaptation will occur. Chinese business practices will influence Latin America, and Latin America's vibrant civil society and media will condition the environment in which Chinese enterprises conduct business, much as US private and public sector actors operating in the region have to adapt to local laws and norms. The Chinese are increasingly recognizing the political risk associated with investing in the less stable countries in the region, which may yet lead them to converge on Western investment standards and risk-management practices. Citizen security is a common concern for all outside actors in the region, as well as for Latin America's citizens. These issues highlight the potential for convergence among the three sides that has not been sufficiently explored, and it should form one of the bases for a future research agenda on China-LAC-US relations.