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**PROTECTING CHINA'S BELT AND ROAD INITIATIVE:
BASE EXPANSION TO LATIN AMERICA**

by

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March 2020

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**PROTECTING CHINA'S BELT AND ROAD INITIATIVE: BASE EXPANSION
TO LATIN AMERICA**

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Lieutenant, United States Navy
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ABSTRACT

This thesis is a comparative analysis of China's influence in Djibouti and Panama. Specifically, this thesis asks what economic, political, and security factors contributed to the establishment of China's first overseas military base in Djibouti, whether these factors are found in Panama, and, if so, what explains the absence of a Chinese military base, or simply security cooperation, in Panama to date. Djibouti and Panama are both positioned at strategic waterways—the Bab al Mandeb and Panama Canal, respectively. China has economic interests in both Africa and Latin America and has stated it will extend its military to protect these interests. This thesis found that China has economic interests and influence in both Djibouti and Panama, but Panama does not have well-established political or security relations with China, as Djibouti does. China opened diplomatic relations with Djibouti in 1979, but China only opened diplomatic relations with Panama in 2017. Moreover, China does not have an apparent military relationship with Panama, while Panama's Public Force has worked with the United States in bilateral security interests revolving around the Panama Canal. This may explain why China has not yet established a military relationship with Panama. Nonetheless, China's rapidly growing economic influence in Panama may weaken U.S. economic, political, and security influence in Latin America.

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LIST OF ACRONYMS AND ABBREVIATIONS

BAM	Bab al Mandeb
BRI	Belt and Road Initiative
CELAC	Community of Latin American and Caribbean States
China Exim Bank	Export-Import Bank of China
DSCA	Defense Security Cooperation Agency
ECLAC	Economic Commission for Latin America and the Caribbean
FDI	foreign direct investment
FMF	foreign military financing
FTA	free trade agreement
FTZ	free trade zone
GOA	Gulf of Aden
HDI	human development index
IDB	International Development Bank
IMET	international military education and training
INSS	Institute for National Strategic Studies
IOR	Indian Ocean Region
ISR&T	Intelligence, Surveillance, Reconnaissance, and Target-acquisition
LAC	Latin America and the Caribbean
LATAM	Latin America
MOU	memorandum of understanding
MSR	Maritime Silk Road
NADR	nonproliferation, anti-terrorism, demining, and related programs
NEO	Non-Combatant Evacuation Operation
OAS	Organization of American States
OBOR	One Belt One Road
PCCP	Panama Colón Container Port
PLA	People's Liberation Army
PLAN	People's Liberation Army Navy
PME	professional military education
PNP	Panama National Police

PPF	Panama Public Force
PRC	People's Republic of China
SEZ	special economic zone
SOE	state-owned enterprise
USSOUTHCOM	United States Southern Command
WTO	World Trade Organization

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I. PROTECTING CHINA'S BELT AND ROAD INITIATIVE: BASE EXPANSION TO LATIN AMERICA

A. MAJOR RESEARCH QUESTION

China has been rapidly expanding its maritime presence, not only in the South China Sea but also further east into the Pacific and west to the Indian Ocean Region (IOR). China's maritime expansion revolves around the Belt and Road Initiative (BRI), also known as One Belt One Road (OBOR), Xi Jinping's economic and foreign policy plan announced in 2013 to integrate land and maritime trade networks, or the Maritime Silk Road (MSR), to bring Chinese goods to global markets.¹ In addition to the ambitious BRI, the 2015 Chinese military strategy recognizes the importance of the maritime domain and asserts that the People's Liberation Army (PLA) will protect China's territory, sovereignty, and interests.²

Within this foreign policy context, China has used Africa since 1996 to extract natural resources while also building schools, hospitals, and transportation networks in an effort to further develop poor African countries.³ Most notably, Djibouti is a focal point for China in extracting resources and connecting global trade through the Bab al Mandeb (BAM), the strategic waterway connecting the Red Sea, Gulf of Aden, and Indian Ocean.⁴ While China and Djibouti have mutually deepened their civil and military rapport since establishing a diplomatic relationship in 1979, China's interest in Djibouti has grown in

¹ The BRI is a global economic and foreign policy measure enacted by President Xi Jinping to expand China's economic reach. The BRI is developed around infrastructure and investment projects across the globe that give China economic and political influence and open up markets for Chinese goods. For more information on the BRI, see: Michael D. Swaine, "Chinese Views and Commentary on the 'One Belt, One Road' Initiative," *China Leadership Monitor* 47, no. 2 (2015): 3.

² "China's Military Strategy White Papers," Air University, 6, accessed April 5, 2019, <https://www.airuniversity.af.edu/CASI/Display/Article/1353697/chinas-military-strategy-white-papers/>.

³ Chris Alden, *China in Africa* (Chicago, IL: Zed Books, 2007), 3–4, <https://www.press.uchicago.edu/ucp/books/book/distributed/C/bo20848157.html>.

⁴ Raphael ZiroMwatela and Zhao Changfeng, "Africa in China's 'One Belt, One Road' Initiative: A Critical Analysis," *IOSR Journal of Humanities and Social Science* 21, no. 12 (December 2016): 10, 12.

recent years.⁵ That increased interest is because as China has invested in several large-scale infrastructure projects in Djibouti, beginning with the announcement of its first overseas military base in 2015, which marked a central move away from its historical foreign policy not to establish foreign military bases.⁶ Additionally, China presently supports counter-piracy operations off the coast of Africa from its base in Djibouti; these operations are aimed at protecting trade going through the strategic BAM chokepoint and Horn of Africa and at allowing China to act as a global maritime power. When it comes to trade, China has recognized the importance of the BAM and protecting sea lines of communication as its economic interests expand, which explains China's political and military influence in the middle east region.⁷

China is now trying to replicate its African strategy by developing economic and political relationships in the Western Hemisphere.⁸ As part of its efforts, China is focusing on boosting geopolitical and economic relationships with developing states to enhance cooperation and better exert "hard" and "soft" power.⁹ Xi Jinping ambitiously sought to trade \$500 billion with Latin America (LATAM) from 2015–2019, including direct investment of \$250 billion.¹⁰ Specifically, China has historic interest in the strategic Panama Canal. China's investment in operating at the Panama Canal dates back to 1997, when it signed leases to operate ports at the north end of the canal (Cristobal) and on the southern end (Balboa).¹¹ Additionally, China more recently started an estimated \$1 billion

⁵ Mike Chia-Yu Huang, "A New Game Started? China's 'Overseas Strategic Pivots' in the Indian Ocean Region," *China Report* 54, no. 3 (August 1, 2018): 278, <https://doi.org/10.1177/0009445518779164>.

⁶ Erica Downs, Jeffrey Becker, and Patrick deGateno, "China's Military Support Facility in Djibouti: The Economic and Security Dimensions of China's First Overseas Base" (Center for Naval Analyses Arlington United States, July 1, 2017), 1, <https://apps.dtic.mil/docs/citations/AD1038215>.

⁷ Geoffrey F. Gresh, "A Vital Maritime Pinch Point: China, the Bab al-Mandeb, and the Middle East," *Asian Journal of Middle Eastern and Islamic Studies* 11, no. 1 (March 1, 2017): 38, <https://doi.org/10.1080/25765949.2017.12023324>.

⁸ Lei Yu, "China's Strategic Partnership with Latin America: A Fulcrum in China's Rise," *International Affairs* 91, no. 5 (2015): 1049, <https://doi.org/10.1111/1468-2346.12397>.

⁹ Yu, 1048, 1067–68.

¹⁰ David Dollar, *China's Investment in Latin America* (Washington, DC: Brookings, 2017), 1, <https://www.brookings.edu/research/chinas-investment-in-latin-america/>.

¹¹ Katherine Koleski, *Backgrounder China in Latin America* (Washington, DC: US-China Economic and Security Review Commission, 2011), 25.

dollar project at the megaport facility at Margarita Island, just north of the Panama Canal, renaming it the Panama Colón Container Port (PCCP).¹² China has justified its military presence in Djibouti by supporting counter-piracy missions, which align with its “far seas protection” efforts to secure maritime trade and economic interests.¹³ Similarly, as China increases its economic and political footprint in LATAM, it may expand its military to protect economic trade routes like those in Africa, an effort that aligns with the objective in its 2015 military strategy to “safeguard the security of China’s overseas interests.”¹⁴

Additionally, China offers LATAM an economic and security alternative to the United States. China’s increase in trade with LATAM since the early 2000s contests longstanding U.S. hegemony and presence in the region and weakens U.S. security and influence in LATAM.¹⁵ Panama dropped its recognition of Taiwan and opened a diplomatic relationship with China in June 2017, which resulted in trade talks between China and Panama in 2018.¹⁶ Similarly, from 2007–2017, Ecuador reduced its ties to and economic dependence on the United States while strengthening its trade ties with China.¹⁷ The possibility of more substantial Chinese political, economic, and military influence in the region has the potential to affect U.S. relationships with LATAM countries and gives credence to China as a “world power” in the new era of great power competition. LATAM is another continent from which China can extract natural resources, develop economic relationships with new nations, and, as it has done in Africa, deploy the military to protect its trade.

Given these developments, this thesis asks the following question: To what extent are the economic, political, and military factors seen in the buildup of China’s first overseas

¹² Koleski, 25.

¹³ Jeff Becker, “What Does China Want in Djibouti?,” *The National Interest*, December 27, 2017, <https://nationalinterest.org/feature/what-does-china-want-djibouti-23827>.

¹⁴ Air University, “China’s Military Strategy White Papers,” 6.

¹⁵ Daniel Morgan, “Expanding the Rebalance: Confronting China in Latin America,” *Parameters* 45, no. 3 (Autumn 2015): 107, 109.

¹⁶ Koleski, *Backgrounder China in Latin America*, 25.

¹⁷ Koleski, 27.

military base in Djibouti similar to the economic, political, and military factors seen in its involvement in Panama? If they are similar, what, then, explains the absence of Chinese military bases in Panama so far?

B. SIGNIFICANCE OF THE RESEARCH QUESTION

The United States indicates in the 2018 *National Defense Strategy* that the international order is changing due to strategic competition from several states that affects U.S. national security—namely, threats from China, Russia, Iran, and North Korea.¹⁸ China as a competitor-is not only using predatory economic practices but also undergoing a military modernization.¹⁹ According to General James Mattis, China wants to pursue its military modernization to become a regional hegemon in the Indo-Pacific in order to displace the United States.²⁰ Additionally, China is strengthening political and economic relationships with LATAM via trade and encouraging countries to break diplomatic relations with Taiwan in favor of China.²¹ Arguably, China desires global supremacy.²² Identifying political, economic, and military focal points that China uses when determining its foreign relations may help direct U.S. policy toward fragile states that are likely to welcome Chinese economic investment or political and military influence. The 2018 U.S. *National Defense Strategy* clearly states that if the United States does not meet its defense objectives, it will lose global influence, partnerships will suffer, and its ability to access markets may decrease.²³ Partnerships are critical to success in the era of great power competition and global influence. Strengthening partnerships with allies and others alike allows the United States to use complementary resources and capabilities to deter its aggressors and maintain stability to support economic growth.²⁴

¹⁸ Department of Defense, *2018 National Defense Strategy* (Washington, DC: Department of Defense, 2018), <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

¹⁹ Department of Defense, 2.

²⁰ Department of Defense, 2.

²¹ Koleski, *Backgrounder China in Latin America*, 17.

²² Department of Defense, *2018 National Defense Strategy*, 2.

²³ Department of Defense, 1.

²⁴ Department of Defense, 8.

Identifying what China has done in Djibouti, along with Chinese military strategy and BRI projections, can thus provide clarity as to what similar actions China may take in Panama, and even LATAM. Answering the research question will add to the literature on China's growing economic influence and provide a blueprint of what China may be looking for when establishing overseas military bases. Identifying China's criteria for establishing new bases may give the United States a tool with which to identify countries potentially susceptible to Chinese influence and allow the United States to proactively strengthen those relationships.

C. LITERATURE REVIEW

China's engagement with other countries occurs on a global scale, yet in regard to the BRI, China continues to focus on Africa, the Indian Ocean Region (IOR), and Latin America (LATAM). This literature review provides an overview of the scholarly debates on Chinese engagement in Africa and LATAM. Analyses of China's engagement with the African continent describe China as a development partner, an economic competitor, and a colonizer.²⁵ As it does in the cases of Africa and the IOR, the literature on Chinese engagement in LATAM also points to complex economic, political, and expansionist views.

1. China's Desire to Develop Economic Partnerships

One corpus of literature indicates that China's strategy with respect to the African continent involves a desire to develop lasting partnerships and share its developmental expertise.²⁶ After all, as Cai notes, the BRI is China's greatest economic design.²⁷ Alden emphasizes that China is an economic partner with Africa and that both desire mutual economic success. Likewise, Davies et al. argue that China is investing in infrastructure and agricultural development across the African continent and is "uplifting the lives of a substantial portion of its people" but qualify that assertion by saying that China is likely

²⁵ Alden, *China in Africa*, 2007, 5-7.

²⁶ Alden, 126.

²⁷ Peter Cai, "Understanding China's Belt and Road Initiative," Lowly Institute, accessed March 2, 2019, <https://www.lowlyinstitute.org/publications/understanding-belt-and-road-initiative>.

strategically investing in resource-rich countries like Angola and Zambia, as well as politically strategic countries like South Africa and Ethiopia.²⁸ Brautigam agrees with Alden and Davies et al. that China is acting as Africa's partner. Through extensive research and fieldwork, Brautigam discounts claims of Chinese land acquisitions and Chinese peasants settling in Africa to support cheap labor.²⁹ Additionally, she claims that Africa openly seeks and accepts partners who will aid in development and that Africa is aware of any implications associated with Chinese investment, highlighted by Zhu in a review of Brautigam's book.³⁰ In sum, there is agreement among some scholars that China is acting in the best interests of countries with whom it is developing economic relationships.

The debate in the literature on Chinese engagement in LATAM is similar to that surrounding Africa. On the one hand, China desires a mutually beneficial relationship with its partners. Lei argues that China prioritizes its relationships with developing states and desires mutual advances, caveated by the assumption that China is not threatening to those states, "but an opportunity to gain wealth and prosperity."³¹ Dominguez echoes Lei's view about China's economic partnership in LATAM, arguing that China's domestic rise, along with growth in Chinese investment and trade, left lasting impressions on LATAM economies and enabled them to better cope with the global economic crisis of 2008.³² In a comprehensive literature review, Phillips presents China as complementary to the United States and LATAM. She highlights that the Chinese markets have a dependency on U.S. prosperity, indicating China is not in the hemisphere to "take on" the United States; instead, China values the global economy, including LATAM and the United States.³³ At the same

²⁸ Martyn Davies et al., "How China Delivers Development Assistance to Africa," *Stellenbosch: Centre for Chinese Studies* 68 (2008): 11.

²⁹ Deborah Brautigam, *Will Africa Feed China?* (New York: Oxford University Press, 2015), 2, <http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=4083511>.

³⁰ Zhiqun Zhu, "Will Africa Feed China?," *Journal of Chinese Political Science* 21, no. 4 (December 2016): 519–20, <http://dx.doi.org/10.1007/s11366-016-9447-6>.

³¹ Yu, "China's Strategic Partnership with Latin America."

³² Jorge I. Dominguez, "A View from Latin America," *Foreign Policy*, August 2003.

³³ Nicola Phillips, "Re-Ordering the Region? China, Latin America and the Western Hemisphere," *European Review of Latin American and Caribbean Studies*, April 15, 2011, 89–99, 94, <https://doi.org/10.18352/erlacs.9252>.

time, Lei points out that the United States still has deep political, economic, and cultural influence in LATAM, making it the most important actor in the region.³⁴

On the other hand, whereas many scholars see China as a mutually beneficial partner, others view China as an economic competitor as well. Taking a stake in both sides of the argument, Jenkins asserts there are both “complementary” and “competitive” aspects to the Chinese economic relationship with LATAM; the relationship is complementary because of the natural resource export market, yet is competitive because Chinese goods are more competitive compared to LATAM goods for U.S. and EU markets, including the technology, electronics, and automobile sectors.³⁵ Similarly, Gallagher and Porzecanski add that Chinese manufacturing is outperforming its LATAM counterparts in regional and world markets with high-tech exports, which could affect LATAM’s economic growth.³⁶ Additionally, China’s global economic rise and model for growth could be what LATAM countries need, indicating that the Washington Consensus is not the right model for economic growth in LATAM.³⁷ Ellis is more critical and notes that the Sino-LATAM relationship is based on comparative advantage where world markets are changing, and that profits from the LATAM “primary-product export boom” are flowing outward to private investors instead of being invested in the domestic economy and people.³⁸

2. China as an Economic Competitor

A separate body of literature presents China as an economic competitor concentrated on its self-interest and on obtaining resources without concerns for human rights, environmental issues, or other host country concerns.³⁹ While maintaining that

³⁴ Yu, “China’s Strategic Partnership with Latin America,” 1065.

³⁵ Phillips, “Re-Ordering the Region?,” 91–92.

³⁶ Kevin Gallagher and Roberto Porzecanski, *Dragon in the Room: China and the Future of Latin American Industrialization* (Redwood City, CA: Stanford University Press, 2010), 1, 64, <http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=618844>.

³⁷ Gallagher and Porzecanski, 1–2.

³⁸ Robert Evan Ellis, *China in Latin America: The Whats and Wherefores* (Boulder, CO: Lynne Rienner Publishers, 2009), 287–88.

³⁹ Alden, *China in Africa*, 2007, 5–6.

China is interested in resources in Africa, Alden notes that the reason Africa has embraced China as an economic and development partner needs further research and investigation.⁴⁰ Cai concurs that China is economically tying itself to BRI countries with intentions to advance Chinese manufacturing and lay a foundation for Chinese goods within host countries.⁴¹ In opposition to Brautigam, Okeowo says China is extracting natural resources from Africa while using Chinese companies and labor “without transferring skills and technology.”⁴² Alden notes that Chinese firms have recognized their poor environmental practices in Africa and have sought to work more transparently.⁴³

There are opposing views to the claim that China is an economic competitor in Africa. Despite identifying both beneficial and negative aspects to Sino-African relations, Alden disagrees with the notion that China is a competitor in Africa, highlighting the fact that China is a leader in foreign direct investment (FDI) in the continent.⁴⁴ Krupakar veers from that argument and asserts that although China’s economic assurances are a priority, China desires to shape the geopolitics in the IOR and become a “major security player” in the long term.⁴⁵

LATAM scholars also argue that China has alternative motives in the Western Hemisphere, seeking to gain an economic and political advantage in the region. Presenting a common view in the literature, Ellis argues that Chinese intervention in LATAM affairs aims to isolate Taiwan, access natural resources throughout the region, and establish markets and networks for Chinese products.⁴⁶ There is a unique relationship in the Western Hemisphere involving the United States, China, and LATAM. LATAM has readily

⁴⁰ Chris Alden, “China in Africa,” *Survival* 47, no. 3 (October 1, 2005): 147, <https://doi.org/10.1080/00396330500248086>.

⁴¹ Cai, “Understanding China’s Belt and Road Initiative.”

⁴² Alexis Okeowo, “China in Africa: The New Imperialists?,” *New Yorker*, June 12, 2013.

⁴³ Alden, *China in Africa*, 2007, 121.

⁴⁴ Alden, 127.

⁴⁵ Jayanna Krupakar, “China’s Naval Base(s) in the Indian Ocean—Signs of a Maritime Grand Strategy?,” *Strategic Analysis* 41, no. 3 (May 4, 2017): 207–22, 218, <https://doi.org/10.1080/09700161.2017.1296622>.

⁴⁶ Phillips, “Re-Ordering the Region?,” 94.

accepted many offers from China, which is subtly challenging the U.S. in the region.⁴⁷ Phillips sees Ellis' argument as a possible overstatement of China's economic competitiveness, but agrees that China desires a multipolar world order instead of the U.S.-dominated one.⁴⁸ Additionally, Phillips notes that China has been surreptitiously and aggressively using a strategy of "economic diplomacy" to dissuade LATAM countries from becoming closer with Taiwan.⁴⁹ Koleski proposes a similar idea, indicating China is using "checkbook diplomacy" to oust Taiwan as a competitor in LATAM by offering aid, mil-to-mil relationships, and economic boosts while also focusing on resource-rich countries.⁵⁰ Morgan offers a similar argument, asserting that China challenges U.S. political, economic, and military interests in both Asia and the Western Hemisphere and calls on the United States to incorporate a plan that covers both regions of interest.⁵¹ Jiang Shixue disagrees, arguing that China is not interested in geopolitical factors in LATAM, but rather possesses a shared interest in economic liberalization.⁵² Adding to Jiang Shixue, another Chinese view, from Xiang Lanxin, maintains that China has not yet characterized its role in LATAM affairs, although the United States perceives China's actions as geopolitical.⁵³ Thus, the consensus in this literature is that China is disrupting the labor and technology sectors and creating competition in U.S. markets in LATAM.⁵⁴

⁴⁷ Dominguez, "A View from Latin America."

⁴⁸ Phillips, "Re-Ordering the Region?," 94.

⁴⁹ Phillips, 94.

⁵⁰ Katherine Koleski, *Backgrounder China in Latin America* (Washington, DC: US-China Economic and Security Review Commission, 2011), 16.

⁵¹ Morgan, "Expanding the Rebalance," 103–14.

⁵² Jiang Shixue, "The Chinese Foreign Policy Perspective," in *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*, ed. Riordan Roett and Guadalupe Paz (Washington, DC: Brookings Institution Press, 2008), 40.

⁵³ Xiang Lanxin, "An Alternative Chinese View," in *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*, ed. Riordan Roett and Guadalupe Paz (Washington, DC: Brookings Institution Press, 2008), 45, 57.

⁵⁴ Phillips, "Re-Ordering the Region?," 91.

3. China's Military Expansion

A different group of scholars argues that military factors are more decisive regarding China's activities in Africa. Indeed, Kieven points out that China's interests expand beyond economic ones, suggesting there is a "strong military dimension" as well.⁵⁵ Saunders also veers from the economic discussion and highlights the importance of military diplomacy in U.S. partnerships. He goes on to say that China does not specifically cite partnerships as a goal, but that trends in Chinese military aid enhance political, economic, and military relations.⁵⁶ Alden, too, notes that China's geopolitical strategy aims to develop partnerships with African elites to displace western influence and to gain political control in Africa.⁵⁷ In this connection, Cai highlights that China's BRI is an attempt to gain leverage against its peers in Asia and the international community.⁵⁸ Along those same lines of gaining political influence, many Sinologists—in Kieven's view—debate whether the \$140 billion BRI plan is a shadow for China to quietly extend its military abroad.⁵⁹ On the same note, Saunders points out that China is emphasizing military diplomacy to support its foreign policy by developing partnerships, generating soft power, and shaping the security environment.⁶⁰ Alden contends that despite the problems the Chinese may bring to a country, China is still appealing because investment comes without the "conditionalities" that U.S. investments come with, such as supporting democracy or compliance with human rights regulations.⁶¹ Importantly, Alden also notes that China's waving of conditions attached to aid also depends on the host country's

⁵⁵ Anthony Kieven, "Is China's Maritime Silk Road A Military Strategy?," *The Diplomat*, 2015, <http://thediplomat.com/2015/12/is-chinas-maritime-silk-road-a-military-strategy/>.

⁵⁶ "Chinese Military Diplomacy, 2003–2016: Trends and Implications," *Institute for National Strategic Studies*, 11, accessed February 28, 2019, <https://inss.ndu.edu/Media/News/Article/1249897/chinese-military-diplomacy-20032016-trends-and-implications/>.

⁵⁷ Alden, *China in Africa*, 2007, 127.

⁵⁸ Cai, "Understanding China's Belt and Road Initiative."

⁵⁹ Kieven, "Is China's Maritime Silk Road A Military Strategy?"

⁶⁰ Institute for National Strategic Studies, "Chinese Military Diplomacy, 2003–2016," 1.

⁶¹ Alden, "China in Africa," 2005, 154–55.

diplomatic recognition of Taiwan.⁶² Some fear that China is imperialistic and acting out of self-interest by offering predatory loans to countries that cannot pay them back, or “debt-trap diplomacy,” with the intention of re-appropriating ports or territory once a country defaults on its loan, as it did with the Hambantota Port in Sri Lanka, and in Djibouti.⁶³ The U.S. *National Defense Strategy* highlights China’s use of “predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage.”⁶⁴ Brewster points to concerns over China’s “equity-for-debt swap” of the Hambantota Port in Sri Lanka in 2017, which would be ideal as a converted naval base.⁶⁵ Adding to the debt-trap diplomacy theory, the Center for Global Development concluded that eight BRI countries were at risk of debt distress or debt sustainability, including Djibouti, Pakistan, and the Maldives.⁶⁶ Roett and Paz add that China is establishing “condition free” diplomatic ties with countries in exchange for humanitarian aid, soft power, and FDI with unsound business practices, while also undermining human rights and democracy.⁶⁷ According to this view, predatory lending appears to be part of China’s strategy to further promote and extend its BRI interests, followed by deploying its military to protect its interests.

Some scholars argue that the maritime dimension is cardinal for China to protect its economic interests. For example, Krupakar points to three components to China’s maritime strategy: maneuver the PLA Navy (PLAN) to reinforce maritime trade routes and economic interests, advance its operational capacity to enable a permanent overseas presence, and deter the threat of the U.S. Navy in the maritime domain by increasing the

⁶² Alden, 155.

⁶³ “Is China Waging ‘Debt Trap Diplomacy’ Against Its Neighbors?,” China U.S. Focus, accessed April 22, 2019, <https://www.chinausfocus.com/finance-economy/is-china-waging-debt-trap-diplomacy-against-its-neighbors>.

⁶⁴ Department of Defense, *2018 National Defense Strategy*, 2.

⁶⁵ David Brewster, “China’s Play for Military Bases in the Eastern Indian Ocean,” Lowly Interpreter, accessed May 12, 2019, <http://www.lowlyinterpreter.org/the-interpreter/china-s-play-military-bases-eastern-indian-ocean>.

⁶⁶ “Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective,” Center For Global Development, 11, accessed February 27, 2019, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective>.

⁶⁷ Riordan Roett and Guadalupe Paz, *China’s Expansion into the Western Hemisphere: Implications for Latin America and the United States* (Washington, DC: Brookings Institution Press, 2008), 2, <http://ebookcentral.proquest.com/lib/ebook-nps/detail.action?docID=1069046>.

cost of conflict.⁶⁸ In line with these “historic missions,” Krupakar asserts that China’s military is taking a proactive approach to protect external interests and align with partner nations with similar interests.⁶⁹ Brewster contends that China’s base in Djibouti “represents a major symbolic and practical step in China's emergence as a global military power.”⁷⁰ Djibouti may be the beginning of a growing Chinese military strategy to expand outward. According to Brewster, China is looking at Gwadar, Pakistan for its next overseas base along with other “networks” of bases to protect its assets in the region.⁷¹ He goes on to say that China has underestimated security threats near BRI facilities, so the PLA may become a viable option for security despite China’s historic policy of only protecting citizens within its borders.⁷² You Ji argues that China is strategically shifting its military strategy to the Indian Ocean to safeguard its economic interests.⁷³

Similar to the argument for increasing Chinese presence in the region, Huang argues that China deviates from the U.S. strategy of global military bases and instead favors “overseas strategic pivots” consisting of support facilities and construction initiatives.⁷⁴ The overseas strategic pivots are similar to the “string of pearls” theory coined by Booz Allen Hamilton, which states China could build on its current commercial facilities and relationships to project its military in South Asia and into the IOR.⁷⁵ Yung finds that

⁶⁸ Krupakar, “China’s Naval Base(s) in the Indian Ocean,” 207.

⁶⁹ Krupakar, 208.

⁷⁰ David Brewster, “China’s First Overseas Military Base in Djibouti Likely to Be a Taste of Things to Come,” Lowly Interpreter, accessed May 11, 2019, <http://www.lowlyinterpreter.org/the-interpreter/chinas-first-overseas-military-base-djibouti-likely-be-taste-things-come>.

⁷¹ Brewster, “China’s Play for Military Bases in the Eastern Indian Ocean.”

⁷² David Brewster, “The Forces Needed to Protect the Belt and Road,” Lowly Interpreter, accessed May 12, 2019, <http://www.lowlyinterpreter.org/the-interpreter/forces-needed-protect-belt-and-road>.

⁷³ You Ji, “China’s Emerging Indo-Pacific Naval Strategy,” *Asia Policy* 22, no. 1 (August 13, 2016): 11–19, 11, <https://doi.org/10.1353/asp.2016.0035>.

⁷⁴ Mike Chia-Yu Huang, “A New Game Started? China’s ‘Overseas Strategic Pivots’ in the Indian Ocean Region,” *China Report* 54, no. 3 (August 1, 2018): 267–84, 279, <https://doi.org/10.1177/0009445518779164>.

⁷⁵ Christopher D. Yung and Ross Rustici, “*Not an Idea We Have to Shun*”: *Chinese Overseas Basing Requirements In* (Washington, DC: National Defense University Press, 2014), 14, <https://inss.ndu.edu/Media/News/Article/652894/not-an-idea-we-have-to-shun-chinese-overseas-basing-requirements-in-the-21st-ce/>.

China's current operations do not support the "string of pearls" network since China has been primarily operating out of "non-pearl" ports such as Djibouti and Karachi.⁷⁶ Additionally, he concluded that Pakistan is a likely location for China's next overseas base because Pakistan and China have similar interests and are trusted partners.⁷⁷ Jaishankar notes China's insistence to not follow in the footsteps of the United States in projecting its military internationally and discounts the string of pearls theory since China is operating from Djibouti, which is not a "pearl" candidate.⁷⁸ Lastly, Yung asserts that China does not have a sizable support infrastructure or logistics facility chain to gain military dominance in the IOR.⁷⁹

Although China's sole overseas military base is in Djibouti, much of the argument around China's BRI and militarizing the IOR revolves around the power struggle between China and India. According to foreign policy expert Dhruva Jaishankar, there are a number of plausible interpretations of China's goals in the IOR. David Brewster argues that competition in the IOR will increase between China and India.⁸⁰ Zhu Li dismisses concerns from India and agrees with the Chinese government that the BRI and MSR are economically advantageous.⁸¹ Jabin Jacob states that the MSR component of the BRI is a strategic play for China's domestic politics.⁸² Lastly, Ji concurs that the military element and approach by China in the IOR is clear; they are extending globally and altering strategy and doctrine.⁸³ That view is shared by Indian analyst Srikanth Kondapalli who emphasizes Chinese developments in infrastructure and arms deals in the IOR.⁸⁴ However, despite

⁷⁶ Yung and Rustici, 29.

⁷⁷ Yung and Rustici, 2.

⁷⁸ Jaishankar, Dhruva, "India and China at Sea: Competition for Naval Dominance in the Indian Ocean," *Contemporary Southeast Asia: Singapore* 40, no. 2 (August 2018): 346–48, 29, <http://dx.doi.org.libproxy.nps.edu/10.1355/cs40-2m>.

⁷⁹ Yung and Rustici, "Not an Idea We Have to Shun," 11.

⁸⁰ Jaishankar, "India and China at Sea," 346.

⁸¹ Jaishankar, 346.

⁸² Jaishankar, 346.

⁸³ Jaishankar, 347.

⁸⁴ Jaishankar, 347.

China's increased presence in the IOR, many authors agree that India still has the upper hand because China lacks necessary logistics, surveillance, and strike capability, which constrains its ability to project power.⁸⁵

Many scholars posit that Chinese military influence closely aligns with its geopolitical self-interest; this is often discussed in the context of China's growing economic influence and interest in the Western Hemisphere. Ellis points out that China's actions of consolidating its economic and military influence in the region make conflicts with the United States "no longer unthinkable."⁸⁶ Additionally, Ellis contends that the People's Republic of China's (PRC) military interactions in LATAM have increased as evidenced by the number of senior-level military meetings, mil-to-mil exchanges, and arms sales—all to support Chinese national development, build political leverage and knowledge in the region, and protect its business interests.⁸⁷ The same security concerns were highlighted by retired four-star General John Kelly, reiterating China's increased ties to U.S. partners through VIP visits, military exchanges and training, and the sale of arms.⁸⁸ Ellis goes one step further, highlighting how China is implementing its security goals: China is giving political, economic, and military support to countries opposing the United States and is securing its economic presence in important sectors close to strategic geographic areas to weaken the influence the United States has in the region.⁸⁹ Morgan adds that China's increased political and economic ties to LATAM are interrupting security and U.S. influence in the region.⁹⁰ Nolte describes the subtle changes in Chinese military

⁸⁵ Jaishankar, 347.

⁸⁶ Robert Evan Ellis, "Strategic Insights: The Strategic Relevance of Latin America for the United States," Strategic Studies Institute, December 8, 2014, <https://ssi.armywarcollege.edu/index.cfm/articles/The-Strategic-Relevance-of-Latin-America/2014/12/08>.

⁸⁷ Robert Evan Ellis, *China-Latin America Military Engagement Good Will, Good Business, and Strategic Position* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 2011), 1–2, 5, <https://permanent.access.gpo.gov/websites/ssi.armywarcollege.edu/pubs/display.cfm-pubID=1077.htm>.

⁸⁸ John Kelly, "Posture Statement of General John F. Kelly, United States Marine Corps Commander," U.S. Southern Command, February 6, 2014, http://www.southcom.mil/newsroom/Documents/2014_SOUTHCOM_Posture_Statement_HASC_FINAL_PDF.pdf.

⁸⁹ Robert Evan Ellis, *U.S. National Security Implications of Chinese Involvement in Latin America*: (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 2005), 345–46, <https://doi.org/10.21236/ADA434999>.

⁹⁰ Morgan, "Expanding the Rebalance," 109.

sales to LATAM, ranging from basic military clothing to more sophisticated equipment including radars and telecommunication systems to countries like Venezuela, Bolivia, and Ecuador.⁹¹ The level of Chinese economic and military threat to the United States in the Western Hemisphere is still contested, but Ellis dominates the debate: China challenges the United States as an economic and military partner as China continues to expand its military engagements with LATAM, which creates a security threat to the United States.⁹²

Contrary to the school of thought that claims China is ready for military expansion in the Western Hemisphere, Franz-Stefan argues that despite many improvements in the PLA, the massive Chinese military still has many weaknesses and would be unable to project power globally.⁹³ Yung concurs, stating that China does not currently have the infrastructure in place to support global PLAN major combat operations.⁹⁴ Furthermore, Tokatlian argues that if any military expansion has happened in the Western Hemisphere, it is from the U.S., not from China.⁹⁵ The dynamics in the Western Hemisphere should be viewed from multiple angles and different perspectives to take into account the complicated U.S.-Sino-LATAM economic and politic dynamic.

D. POTENTIAL EXPLANATIONS AND HYPOTHESES

The literature review indicates that China's development and influence in in Djibouti and Africa more broadly is parallel to China's economic expansion, investment, and influence in LATAM, including Panama. In a first time move to expand militarily, China extended its military to operate out of Djibouti to conduct counter-piracy missions to protect its maritime interests from the BRI. Similarly, China is expanding its influence

⁹¹ Detlef Nolte, "The Dragon in the Backyard: U.S. Visions of China's Relations toward Latin America," *Papel Politico* 18, no. 2 (December 2013): 587–98, 594.

⁹² Robert Evan Ellis, *The Strategic Dimension of Chinese Engagement with Latin America*, Perry Paper Series, No. 1 (Washington, DC: William JPerry Center for Hemispheric Defense Studies, 2013), 3.

⁹³ Franz-Stefan Gady, "Is the Chinese Military Weaker Than We Think?," *The Diplomat*, accessed April 8, 2019, <https://thediplomat.com/2015/02/is-the-chinese-military-weaker-than-we-think/>.

⁹⁴ Yung and Rustici, "*Not an Idea We Have to Shun*," 11.

⁹⁵ Juan Tokatlian, "A View from Latin America," in *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States*, ed. Riordan Roett and Guadalupe Paz (Washington, DC: Brookings Institution Press, 2008), 68.

economically and politically in LATAM by increasing trade and infrastructure projects and offering aid to countries in return for cutting ties with Taiwan. Via these connections, China is gaining more influence in the Western Hemisphere as suggested in the literature review. The economic factor from China is the primary driver of the case studies and research since that is the basis of the BRI and may play a role in determining where China wants to establish its next overseas military base.

Under these circumstances, I hypothesize that based on Chinese economic expansion through the BRI and the establishment of the military base in Djibouti to protect its assets, China is continuing to build relationships elsewhere in the world, including Latin America in general, and Panama in particular, that will allow it to use or build ports and other infrastructure as military or support facilities to protect and expand the BRI infrastructure and MSR architecture in order to advance its military and strategic goals. Specifically, I posit that China seeks relationships where it sees the potential for substantial economic and political ties that will give it placement, access, and influence within the country and region. If China has economic interests in the target country or surrounding area, it may be more likely to establish a base to protect its economic assets. As China develops dependency-based relationships with LATAM countries over time, it will have a better chance to harness its influence and become a stronger contender in the era of great power competition. As the BRI grows, China may need to utilize its military to protect sea routes that lead to the Pacific or vital waterways similar to the BAM, like the Panama Canal. The PLA's mission is to protect China's interests, so as the BRI expands, China has a reason to project its military to provide security for its ports, MSR, and economic interests abroad. This thesis aims to reveal whether or not China's approach in Djibouti is also apparent in Panama and even LATAM.

E. RESEARCH DESIGN

This thesis analyzes political, economic, and military trends seen in China's relationship with Djibouti and the establishment of China's first overseas military base. Next, the thesis evaluates the same variables in Panama to see if the trends are the same and are compatible with Chinese foreign policy in supporting its global BRI interests.

Panama controls the strategic Panama Canal connecting the Pacific and the Atlantic. Additionally, Panama cut its diplomatic relationship with Taiwan in favor of China.⁹⁶ The literature widely suggests China is undertaking predatory economics in the Indo-Pacific, specifically Djibouti; therefore, this thesis fills the gap in a similar discussion applied to the Western Hemisphere.

First, this thesis explored political factors such as historical diplomatic ties and engagements and the country's relationship with Taiwan and the United States. Next, the thesis identified economic factors including trade, amount of Chinese debt the country holds, infrastructure projects, and other FDI. Lastly, the thesis identified military indicators to identify the amount and effectiveness of senior military-level meetings, training and exercises, officer exchanges, arms deals, and port visits. The thesis then analyzed similarities and differences between Chinese engagement in Djibouti and Panama.

Djibouti is the primary case study since it is the only PLAN overseas base. As a basis for the project, both primary and secondary sources from the United States, LATAM, China, Djibouti, and Panama are used to analyze the many angles of the research question. Primary sources include government documents, laws, rules, and regulations. Secondary sources such as books, journals, and other scholarly articles supplement the primary sources to clearly identify Chinese foreign policy and perspectives from each country. Also, the sources include newspapers, think tanks and other reports to capture the rhetoric and tone from each country's perspective. Additionally, the thesis identifies trade deals and statistics, publicized infrastructure projects and contracts, arms deals, port calls, mil-to-mil engagements, and any domestic crisis the host nation is battling that could affect its willingness to work with China. Finally, the thesis focuses on U.S. policy in the region and ways to adapt to and counter China's growing presence and influence.

⁹⁶ "Panama Cuts Ties with Taiwan for China," BBC News, June 13, 2017, <https://www.bbc.com/news/world-latin-america-40256499>.

F. THESIS OVERVIEW AND CHAPTER OUTLINE

The thesis will utilize a three-pronged thematic approach—political, economic, and military—to identify Chinese influence in Africa and Latin America. The second chapter examines Chinese presence in Djibouti and determines what led China to establish its only foreign military base. The third chapter will look at Chinese political, economic, and military factors in Panama and identify similarities and differences with Djibouti. The last chapter will conclude with the findings—whether or not factors seen in Djibouti operate in the same way as in Panama—followed by policy recommendations that could assist in the mitigation of more significant Chinese influence in the Western Hemisphere and how to ultimately avert the establishment of a Chinese military base or additional Chinese influence in the region.

II. CASE STUDY OF DJIBOUTI: CHINA'S FIRST OVERSEAS MILITARY BASE

Since the 1990s, China has put forth a great deal of effort to integrate its government agencies in developing its policies with respect to Africa. Agencies involved include the Ministries of Foreign Affairs, Commerce and Finance, the National Development and Reform Commission, the State-Owned Assets Supervision and Administration Commission, and the Export-Import Bank of China (China Exim Bank),⁹⁷ which is a leading lender to Africa.⁹⁸ As China's global interests and economic footprint in Africa increase, its military is expanding to the continent to protect China's economic Belt and Road Initiative (BRI).⁹⁹ People's Liberation Army Navy (PLAN) missions launched from Djibouti since 2008 provide security for maritime interests in the region, but China has also increased arms sales to Africa to suppress terrorism and increase cooperation with the international community.¹⁰⁰ China's economic, political, and military influence in Africa is significant. Within this context, Djibouti stands as the location of China's first overseas operational base. As such, China has linked several infrastructure projects and economic chains throughout Djibouti to the port facility while simultaneously developing a greater military presence within the country and deepening its political influence via diplomatic talks and economic leverage. Evidence suggests that China values Djibouti's location, openness to foreign militaries, Chinese-owned and -operated infrastructure, dependence on Chinese capital, and support of China over Taiwan.¹⁰¹ As a result, China established its first overseas military base in Djibouti.

China's base, in the vicinity of the strategic Bab al Mandeb (BAM) strait, was not built overnight but was the result of long-term bilateral relations. Djibouti is a primarily

⁹⁷ Hanauer and Morris, *Chinese Engagement in Africa*, 35–36.

⁹⁸ Hanauer and Morris, 37.

⁹⁹ Harsh Pant and Ava Haidar, "China's Expanding Military Footprint in Africa" (ORF Issue Brief 195, September 2017), 2, 7; Harsh V. Pant, "Indian Foreign Policy: An Overview," *Asian Affairs* 48, no. 2 (April 2017): 383–85.

¹⁰⁰ Pant and Haidar, "China's Expanding Military Footprint in Africa," 5.

¹⁰¹ Downs, Becker, and deGategno, *China's Military Support Facility in Djibouti*, 41–42.

urban and poor society with high rates of illiteracy, is 94% Sunni Muslim, and has a population of approximately 884,000 as of July 2018.¹⁰² Additionally, the Human Development Index (HDI), which measures countries' human development using three criteria—health, education, and standard of living—ranked Djibouti 172 out of 189, nearly last on the global list comparing human development.¹⁰³ As such, Djibouti's socioeconomic problems make it open to outside investment and aid, regardless of where such assistance is coming from. China has increased trade, humanitarian assistance, and military relations with Djibouti over the last 40 years. Bilateral trade hit \$1.99 billion in 2015, a more than 75% increase since 1982; China also provided significant humanitarian assistance to the region in the form of food aid in 2011 and assistance to refugees in 2015.¹⁰⁴ During this span, the PLAN steadily increased port calls and now leases its first overseas base for approximately \$20 million per year, creating a source of revenue for Djibouti.¹⁰⁵ More recently, Sino-Djiboutian economic, military, and political relations have been strengthening simultaneously. China has invested in multiple large- and small-scale infrastructure projects that boost economic transport and trade in Djibouti, conducts counter-piracy operations in the waters surrounding Djibouti to protect trade and enhance partnerships, and ingrains itself politically in Djibouti with a hands-off approach to domestic politics, unlike the United States, which puts conditionalities on its partners. The relationship also makes Djibouti reliant on Chinese investment in order to promote economic growth.¹⁰⁶ This chapter will analyze how China's political, economic, and military relationships with Djibouti led to the development and August 2017 establishment of the Chinese military base.¹⁰⁷

¹⁰² Central Intelligence Agency, "Africa: Djibouti," World Factbook, October 25, 2019, <https://www.cia.gov/library/publications/the-world-factbook/geos/dj.html>.

¹⁰³ "Human Development Index," Human Development Reports, accessed November 8, 2019, <http://hdr.undp.org/en/composite/HDI>.

¹⁰⁴ Huang, "A New Game Started?," 278.

¹⁰⁵ Huang, 278.

¹⁰⁶ Joshua Fowler, "China's Multi-Faceted Economic Development Strategy in East Africa," *Orbis* 63, no. 2 (2019): 172, 174, 181, <https://doi.org/10.1016/j.orbis.2019.02.001>.

¹⁰⁷ "China's Djibouti Base: A One Year Update," *The Diplomat*, accessed August 5, 2019, <https://thediplomat.com/2018/12/chinas-djibouti-base-a-one-year-update/>.

A. SINO-DJIBOUTIAN ECONOMIC RELATIONS

China and Djibouti have mutually deepened their civil and military rapport since establishing a diplomatic relationship in 1979, based on common interests such as Djibouti's recognition of China over Taiwan and economic and military opportunities that benefit both countries.¹⁰⁸ China's infrastructure investment process in Djibouti is complex, with several tiers to the terms and contracts, but the use of Chinese services and equipment remains a constant in infrastructure related projects.¹⁰⁹ This benefits China as Chinese citizens, supplies, and equipment are utilized for Chinese-brokered deals. China has followed a path of establishing special economic zones (SEZ) with favorable investment incentives that make China the go-to partner in the region.¹¹⁰ Additionally, Fowler indicates that, "Chinese enterprises and state policy banks have financed and built the Addis Ababa-Djibouti Railway...and expanded the Port of Djibouti," and Djibouti's Doraleh port was also financed and built by Chinese state-owned enterprises (SOE).¹¹¹ These investment and infrastructure projects create opportunities and employment for Chinese civilians while also providing economic growth for Djibouti.

Within the framework of a broader policy—aimed at investments and infrastructure projects to enhance economic compatibility, establish export markets, and create employment for Chinese workers—China brokered a deal with Ethiopia and Djibouti in 2011 for construction of the Addis Ababa-Djibouti Railway, connecting Ethiopia's landlocked exports to the Port of Doraleh in Djibouti.¹¹² The Addis Ababa–Djibouti Railway is meant to assist transportation of exports and imports from Ethiopia, Djibouti,

¹⁰⁸ Huang, "A New Game Started?," 278.

¹⁰⁹ Fowler, "China's Multi-Faceted Economic Development Strategy in East Africa," 175.

¹¹⁰ Fowler, 176.

¹¹¹ Fowler, 180.

¹¹² Lloyd Thrall, "China's African Interests and Strategic Perceptions," in *China's Expanding African Relations*, Implications for U.S. National Security (RAND Corporation, 2015), 9, <https://www.jstor.org/stable/10.7249/j.ctt15zc655.9>; Fowler, "China's Multi-Faceted Economic Development Strategy in East Africa," 176.

and international shipping lanes, in an effort to make Djibouti an African transportation hub.¹¹³

China has also displayed goodwill towards Djibouti by financing a potable water project between Djibouti and Ethiopia, with construction beginning in 2015, to alleviate the drinking water problem in Djibouti.¹¹⁴ The Ethiopia-Djibouti water pipeline is an example of a Chinese loan that does not appear to directly benefit China other than strengthening its relations with Djibouti and giving it leverage if Djibouti defaults on the loan. The water pipeline can be characterized as an investment in the relationship rather than a direct economic investment. The project is meant to solve the drinking water problem in Djibouti for around \$332 million.¹¹⁵ China Exim bank is reportedly funding the majority of the project.¹¹⁶ Historically, Djibouti has been plagued with issues related to lack of water, so the project has hopes of alleviating some of that problem.¹¹⁷ China is likely seen as an angel investor to Djiboutians since no other investors were available.

In more recent years, China has been working with Djibouti and Ethiopia to broker a deal to export natural gas from Ethiopia to Djibouti, exemplified by the Damerjog Port-Ogaden Basin pipeline project.¹¹⁸ The Damerjog Port-Ogaden Basin pipeline is a newer example of Chinese investment and interests in Djibouti. The project's roots first emerged in the 1970s when Ethiopia found large gas deposits, followed in 2013 by China's POLY-GCL Petroleum Investments signing a deal with Ethiopia and beginning work in the area.¹¹⁹ China recognized the natural resource opportunity and the possibility of using

¹¹³ Dipti Ranjan Mohapatra, *Economic and Financial Analysis of Infrastructure Projects: An Edited Volume* (New Delhi: Educreation Publishing, 2017), 11376.

¹¹⁴ Deblina Roy, "Ethiopia-Djibouti Water Project to Be Inaugurated Soon," *African Review*, accessed July 27, 2019, <http://www.africanreview.com/manufacturing/water-a-environment/ethiopia-djibouti-water-project-to-be-inaugurated-soon>.

¹¹⁵ "China Funds Cross-Border Water Project in Djibouti, Ethiopia," AIDDATA, accessed July 27, 2019, <https://china.aiddata.org/projects/30888>.

¹¹⁶ Downs, Becker, and deGategno, *China's Military Support Facility in Djibouti*, 15.

¹¹⁷ Roy, "Ethiopia-Djibouti Water Project to Be Inaugurated Soon."

¹¹⁸ "Ethiopia and Djibouti Sign Deal to Build Gas Pipeline," Reuters, February 17, 2019, <https://af.reuters.com/article/investingNews/idAFKCN1Q60BW-OZABS>.

¹¹⁹ Reuters, "Ethiopia and Djibouti Sign Deal to Build Gas Pipeline."

Djibouti as a connection to extract it. Work on Djibouti's Damerjog port is in progress, and as with the railway, China is the leader in construction, materials, and financing for the project.¹²⁰ The pipeline is a newer project, but likely a part of China's strategic plans in the region to export resources.

Key findings from a 2017 Center for Naval Analyses report describe the economic interests of China's presence in Djibouti. First, China and Djibouti share economic interests, so their relationship has strengthened in the near-term.¹²¹ Djibouti's geographic location also offers a competitive advantage compared to other resource-rich countries in the region that are landlocked.¹²² China has invested large amounts of money and resources into Djibouti and the remainder of the region, not only to boost its BRI infrastructure and access to increase its ability to extract resources, but also to transport the resources to waterways from Djibouti.

Nonetheless, Djibouti is not a leading destination for Chinese foreign direct investment (FDI), trade, or loans. Leading beneficiaries of Chinese FDI even in 2014 were Algeria, Zambia, Kenya, Republic of Congo, and Nigeria, and in 2017, Djibouti was not even in the top 25 African countries receiving FDI from China.¹²³ Despite complex Chinese investment projects in Djibouti, Djibouti is not China's leading African trade partner in either imports or exports: As of 2017, the largest African exporters to China were Angola, South Africa, and The Republic of Congo, whereas the largest importers were South Africa, Nigeria, and Egypt.¹²⁴ Regarding Chinese loans to Africa from 2000–2017, Angola topped the list with \$42.8 billion, while Djibouti was not even in the top 15, with a total of \$14.6 billion over 17 years.¹²⁵ Moreover, while Djibouti is dependent on Chinese

¹²⁰ Fowler, "China's Multi-Faceted Economic Development Strategy in East Africa," 184.

¹²¹ Downs, Becker, and deGategno, *China's Military Support Facility in Djibouti*, iii.

¹²² Downs, Becker, and deGategno, iii–iv.

¹²³ "Data: Chinese and American FDI to Africa," China Africa Research Initiative, accessed July 23, 2019, <http://www.sais-cari.org/chinese-investment-in-africa>.

¹²⁴ "Data: China-Africa Trade," China Africa Research Initiative, accessed July 18, 2019, <http://www.sais-cari.org/data-china-africa-trade>.

¹²⁵ "Data: Chinese Loans to Africa," China Africa Research Initiative, accessed July 23, 2019, <http://www.sais-cari.org/data-chinese-loans-to-africa>.

investment to transition from an agrarian economy to a manufacturer-based economy,¹²⁶ it may also be at risk of defaulting on Chinese loans.¹²⁷

B. SINO-DJIBOUTIAN SECURITY/MILITARY RELATIONS

As the economic relationship between China and Djibouti has progressed, their security and military relationship has also greatly expanded over the last several decades. Indeed, China's economic ties to Africa, in general, and Djibouti in particular, along with energy and oil dependency, are encouraging China's development of strategic partnerships in the region in which its military is playing a vital role to the international community by assisting in counter-piracy operations to protect the collective region's economic interests.¹²⁸ Constant counter-piracy missions mean that replenishment of supplies is a frequent and necessary operation. As China increased its presence in the Gulf of Aden (GOA) in support of counter-piracy operations from 2009–2013, Djibouti was the port call of choice, allowing for resupply.¹²⁹

China's military relationship with Djibouti elevated as a result of port visits, training, and counter-piracy operations, as well as arms deals and delegations of senior personnel. Although relatively limited compared to arms deals with other Chinese partners, China delivered Y-12 transport aircraft and WMA-301 fire support vehicles to Djibouti between 2013–2015.¹³⁰ Additionally, China and Djibouti had eight senior-level military and diplomatic meetings from 2003–2016.¹³¹ Most meetings involved the Chinese Defense Minister, Chief of PLA General Staff, and the President of Djibouti.¹³² China recognizes the positive aspects of bilateral relations, and according to the Institute for

¹²⁶ Fowler, "China's Multi-Faceted Economic Development Strategy in East Africa," 181.

¹²⁷ Center For Global Development, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," 16.

¹²⁸ Institute for National Strategic Studies, "Chinese Military Diplomacy, 2003–2016," 9.

¹²⁹ Downs, Becker, and deGategno, *China's Military Support Facility in Djibouti*, 20.

¹³⁰ "Trade Registers," Stockholm International Peace Research Institute, accessed July 27, 2019, http://armstrade.sipri.org/armstrade/page/trade_register.php.

¹³¹ Institute for National Strategic Studies, "Chinese Military Diplomacy, 2003–2016," 62.

¹³² Downs, Becker, and deGategno, *China's Military Support Facility in Djibouti*, 23–24.

National Strategic Studies (INSS), those relations are a “high-level buy-in for a broader program of military-to-military activities.”¹³³

In this context, the base at Djibouti acts as a conduit to support resource extraction from east African countries and provide the PLAN a hub to complete counter-piracy operations to protect the BRI infrastructure and cooperate with the international community. The Chinese base in Djibouti appears to be more about strategic location to facilitate China’s broader economic relationships throughout eastern Africa rather than a specific partnership with Djibouti.

C. SINO-DJIBOUTIAN POLITICAL RELATIONS

Chinese assistance to Djibouti comes with a hands-off approach to Djiboutian internal affairs, with one caveat: it must follow the “One China” policy—i.e., severing ties with Taiwan.¹³⁴ China has engaged diplomatically with Djibouti far more than with many other African states. As defined here and as put forth by the INSS, political and diplomatic interactions include senior-level meetings, naval port calls, and military exercises.¹³⁵ According to the INSS, Djibouti had the third-highest number of PLA military diplomatic interactions among African states between 2003–2016, trailing behind South Africa and Egypt.¹³⁶ The base became operational in 2017 with PLAN vessels conducting routine operations at the port facility, so data from after 2016 is not included in this analysis. The INSS reported 23 naval port calls and eight senior-level meetings, totaling 31 China-Djibouti interactions, compared to a total of 32 for South Africa and 38 for Egypt. Port calls are particularly important; sources from China suggest “that port calls provide opportunities for ‘combined training, mutual understanding, and constructing friendly relations.’”¹³⁷ Senior-level meetings are also important because they give leaders and

¹³³ Institute for National Strategic Studies, “Chinese Military Diplomacy, 2003–2016,” 2.

¹³⁴ Hanauer and Morris, *Chinese Engagement in Africa*, 33.

¹³⁵ Institute for National Strategic Studies, “Chinese Military Diplomacy, 2003–2016,” 62.

¹³⁶ Institute for National Strategic Studies, 62.

¹³⁷ Institute for National Strategic Studies, 14; Wan Fayang, *Chinese Military Diplomacy—Theory and Practice* (Beijing: Current Affairs Press, 2015), 294–309.

decision makers a forum to negotiate their strategic objectives. Leaders within the PLA suggest that “Senior-level meetings, strategic dialogues, and functional exchanges are often used to deliver diplomatic talking points, nontraditional security operations provide public goods that enhance China’s international reputation, and military exercises are often presented as examples of international cooperation.”¹³⁸ However, the INSS reported zero Sino-Djiboutian military exercises between 2003 and 2016,¹³⁹ possibly because the Djiboutian naval fleet consists of relatively smaller vessels that may not be capable of operating with PLAN vessels.

China has also conducted humanitarian efforts in Djibouti to enhance its image and work on bilateral relations. In 2010, the PLAN deployed its hospital ship, also known as the “Peace Ark,” to Djibouti to provide free medical services, and again in 2017 to provide treatment along with medical training.¹⁴⁰ Djibouti was also utilized as a base of operations for China to facilitate and conduct non-combatant evacuation operations (NEOs) from Libya in 2011 and from Yemen in 2015.¹⁴¹

China has portrayed itself as an equal partner in the international community by engaging diplomatically while also providing training and aid to countries in the region. China favors and recognizes the importance of political relations and uses its military and resources to enforce those relationships. China engaged with Djibouti, Egypt, and South Africa, all of whom share a strategic position on the African continent. Djibouti sits along the BAM, with Egypt at the Suez Canal, and South Africa on the Southern tip of the continent, all strategic waterways for global shipping. Where China has an economic footprint and a port linking other African countries to strategic waterways for

¹³⁸ Institute for National Strategic Studies, “Chinese Military Diplomacy, 2003–2016,” 10; Li Lu and Li Jing, “‘Peace Mission’ Is Deeply and Broadly Meaningful,” PLA Daily, September 5, 2014, www.81.cn/jwgd/2014-09/05/content_6125535.htm.

¹³⁹ Institute for National Strategic Studies, “Chinese Military Diplomacy, 2003–2016,” 62.

¹⁴⁰ “Peace Ark: Onboard China’s Hospital Ship,” USNI News, July 23, 2014, <https://news.usni.org/2014/07/23/peace-ark-onboard-chinas-hospital-ship>; “Chinese Naval Hospital Ship Peace Ark Visits Djibouti,” Ministry of National Defense, accessed July 16, 2019, http://eng.mod.gov.cn/news/2017-08/24/content_4789816.htm.

¹⁴¹ Downs, Becker, and deGategno, *China’s Military Support Facility in Djibouti*, 22–23.

transportation of goods, its political and military footprints follow to ensure security for itself and its partners of interest.

D. CONCLUSION: ANALYSIS OF CHINESE ACTIONS AND INFLUENCE IN DJIBOUTI

Djibouti and China have complementary economic, security, and political interests, which have enabled China to establish its first overseas military base in Djibouti. China nurtured a long-term and friendly relationship with Djibouti, invested in it economically, built infrastructure, and provided security for the region to protect its investments. All in all, China's economic interests appear to be a driver of the extension of its military.

China seems more concerned with advancing its own economic and strategic interests rather than simply investing and assisting Djibouti's interests. China strategically built its relationship with Djibouti, thereby allowing China access to build and operate the port facility. However, despite China's investments in and interactions with Djibouti, Djibouti is not a leading economic partner with China, nor does it lead Africa in diplomatic and political relationships with China. China's investments are connecting Djibouti to important African states for the purpose of extracting and transporting resources. This suggests that China is looking for a strategic location for its next military base, similar to a strategic chokepoint like the BAM that has access to a range of maritime traffic and other markets and grants China the ability to police the surrounding waters. China's actions in Djibouti suggests that China favors location, Chinese-built and -operated infrastructure, dependence on Chinese capital, support of China, and openness to foreign militaries.¹⁴² These developments thus explain the military base in Djibouti and offer a possible criterion for future bases.

¹⁴² Downs, Becker, and deGategno, 41–42.

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III. CASE STUDY OF CHINA'S INFLUENCE IN PANAMA

Latin America (LATAM) has been a focal point of increasing Chinese influence since the beginning of the twenty-first century. Senior-level Chinese delegations of government officials and businessmen traveled to LATAM in the early 2000s to discuss the region's economy, politics, and security issues.¹⁴³ Broadly speaking, at that time, China used its economic boom to extend and develop relationships and markets in LATAM while also boosting LATAM's economic growth; China's need for commodities opened up export markets for LATAM countries.¹⁴⁴ Looking past the turn of the century, China increased its trade and influence in LATAM in the last decade as well, continuing the upward trend of trade and economic influence. Indeed, according to The Brookings Institution, trade between Latin America and China increased nearly 30 times during this period, from \$10 billion in 2000 to \$270 billion in 2012.¹⁴⁵ In 2018, China publicly announced that it wants Latin America to be involved in the One Belt One Road (OBOR) initiative, and LATAM appears to have welcomed it.¹⁴⁶ China has also looked to extend its military to the region, although the PLA is much less involved in LATAM than in Asia and Africa. The PLA's efforts in LATAM have focused on humanitarian assistance. Examples of China's military presence in the region include China's hospital ship "Peace Ark," which has visited several Latin American countries since 2011 to provide medical services to locals, military, and administrative personnel; visits included Peru in 2015, as a part of humanitarian assistance to the people and region; it also ported near Venezuela's

¹⁴³ Jorge Dominguez, "China's Relations with Latin America: Shared Gains, Asymmetric Hopes (2006): 1–59.," 2006, 2.

¹⁴⁴ Dominguez, 1, 11.

¹⁴⁵ Ted Piccone, "The Geopolitics of China's rise in Latin America," Brookings, November, 2016, <https://www.brookings.edu/research/the-geopolitics-of-chinas-rise-in-latin-america/>.

¹⁴⁶ Margaret Myers. "China's Belt and Road Initiative: What Role for Latin America?" *Journal of Latin American Geography* 17, no. 2 (2018): 239–243. <https://muse.jhu.edu/> (accessed November 2, 2018).

capital in response to the oil giant's worsening economic and humanitarian crisis.¹⁴⁷ Diplomatically, in addition to strengthening bilateral relations, China is also inserting itself into global and regional bodies such as the World Trade Organization (WTO), Organization of American States (OAS), International Development Bank (IDB), Economic Commission for Latin America and the Caribbean (ECLAC), and the Community of Latin American and Caribbean States (CELAC).¹⁴⁸ Overall, China's presence and influence in the LATAM region is apparent and does not appear to be decreasing in the immediate future as the BRI continues its expansion.

China has recently emphasized relations with Panama, as the Panama Canal is an economic hub and strategic waterway for global trade. Inequality in Panama is very high, but it also has one of the fastest-growing economies in LATAM, with a population of approximately 3.8 million as of July 2018, 85% of whom are Roman Catholic.¹⁴⁹ Additionally, the Human Development Index (HDI), which measures countries' human development using three criteria—health, education, and standard of living—ranked Panama 66 of 189, indicating Panama is near the top third of countries in regards to human development.¹⁵⁰ China's influence in Panama is predicated on China's BRI expansion efforts, whereby the Canal enables China to connect and gain access to other markets via the Colon Free Trade Zone (FTZ). This chapter will examine the Sino-Panamanian economic, military and security, and political relationships to assess whether or not Panama fits the parameters of China's military interests as determined by the analysis of China's relationship with Djibouti in Chapter two.

¹⁴⁷ Humanitarian assistance is a signature of the U.S. military. For more information, see: Gabriel Marcella, "China's Military Activity in Latin America," *Americas Quarterly*, Winter 2012, <https://www.americasquarterly.org/Marcella>; Martin Mejia, "Chinese Naval Hospital Makes First Stop in South America," *Stars and Stripes*, accessed October 7, 2019, <https://www.stripes.com/chinese-naval-hospital-makes-first-stop-in-south-america-1.385586>; Clbyburn Saint John, "Chinese Navy Hospital Ship Docks in Venezuela amid Crisis," *Fox News*, September 22, 2018, <https://www.foxnews.com/world/chinese-navy-hospital-ship-docks-in-venezuela-amid-crisis>.

¹⁴⁸ Willem Oosterveld, Eric Wilms, and Katarina Kertysova, *The Belt and Road Initiative Looks East: Political Implications of China's Economic Forays in the Caribbean and the South Pacific* (The Hague: The Hague Centre for Strategic Studies, 2018), 34, <https://www.hcss.nl/>.

¹⁴⁹ Central Intelligence Agency, "Central America: Panama," *World Factbook*, October 27, 2019, <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/pm.html>.

¹⁵⁰ Human Development Reports, "Human Development Index."

A. SINO-PANAMANIAN ECONOMIC RELATIONS

China and Panama's economic relationship is being fueled by a long-term connection focused on trade in the Panama Canal region. The Panama Canal is a focal point of Panama's history and economy and is a significant part of global trade. The Panama Canal, which has linked trade between the Pacific and Atlantic Oceans since its opening in 1914, provides significant income for Panama and is one of the busiest shipping routes in the world.¹⁵¹ The Panama Canal could be compared with the Suez Canal, Bab al Mandeb (BAM), the Strait of Hormuz, or the Strait of Malacca—all waterways that are vital to global shipping. The canal is ever more critical today, following expansion efforts in 2016 that enabled bigger ships with more cargo to pass through.¹⁵² These expansion efforts allow bigger "Panamax-size" ships that accommodate more than double the previous capacity, an increase from 5,000 containers to 13,000 containers, to pass through the canal.¹⁵³

As necessary as the canal is to Panama, it is also crucial to economic players and competitors around the globe. As of the end of 2018, the United States and China remain the top users of the canal, along with Mexico, Chile, and Japan.¹⁵⁴ In 1999, the United States handed over operations of the canal back to Panama as the 1977 Torrijos-Carter Treaty expired, giving Panama full rights over the strategic waterway.¹⁵⁵ In more recent years, China and Panama have been rapidly developing closer ties as China is investing in

¹⁵¹ BBC, "The Challenge of Expanding the Panama Canal," BBC Class Clips Video, accessed October 9, 2019, <https://www.bbc.co.uk/teach/class-clips-video/the-challenge-of-expanding-the-panama-canal/zhc87nb>.

¹⁵² "First Voyage through New Panama Canal," BBC News, June 27, 2016, <https://www.bbc.com/news/world-latin-america-36635198>.

¹⁵³ Arturo Wallace, "The Panama Canal's Unexpected Winners," BBC News, July 4, 2016, <https://www.bbc.com/news/world-latin-america-36676196>.

¹⁵⁴ "Panama Canal Annual Report 2018," Canal de Panama, February 26, 2019, 6, <https://www.pancanal.com/eng/general/reporte-anual/index.html>.

¹⁵⁵ Canal de Panama, 105.

transportation, technology, and communications projects around the country.¹⁵⁶ Since 2000, the list of major infrastructure projects built in Panama by China has included the Balboa Port, the Colón Container Terminal (phase III), and the Amador Convention Center, while the Martano natural gas power plant, Margarita Island Port, Panama Amado Cruise Terminal, and Chiriqui high-speed train are planned to be built at a cost in the billions of dollars.¹⁵⁷ The two countries are also in the process of negotiating free trade agreements to benefit both parties.

China understands the importance of the Panama Canal and its strategic location in the Western Hemisphere, recognizing its benefit to trading and logistics in the region. China sees Panama as a logistics hub, and, as noted in *Americas Quarterly*, it is “the second largest-user of the Panama Canal and the main exporter to the Colón Free Trade Zone.”¹⁵⁸ According to research from the U.S.-China Economic and Security Review Commission, China’s investments in Panama date back to 1997, when China signed leases with Panama to operate ports on the north end of the canal (Cristóbal) and the southern end (Balboa).¹⁵⁹ The Commission also described China’s more recent activity in starting the (estimated) \$1 billion project at the mega port facility at Margarita Island, just north of the Panama Canal, renaming it the Panama Colón Container Port (PCCP). The Landbridge Group, a private Chinese firm, collaborated with China Harbor Engineering Company (CHEC) to build and

¹⁵⁶ In the beginning of 2006, 26 countries worldwide, including 12 countries in the Western Hemisphere still had diplomatic and political ties with Taiwan, including Panama. However, as of 2018, Taiwan’s number has dwindled to diplomatic relationships with just nine countries in the Western Hemisphere, with Panama, Dominican Republic, and El Salvador establishing diplomatic ties with China as China offers better deals, incentives, and has more money to negotiate with. China’s dealing in the Western Hemisphere have hurt Taiwan’s global influence and partnerships and continue supporting the “One China” policy that Beijing promotes. For more information, see: Dominguez, “China’s Relations with Latin America: Shared Gains, Asymmetric Hopes (2006): 1–59.,” 15–16; Katherine Koleski, “China’s Engagement with Latin America and the Caribbean” (U.S.-China Economic and Security Review Commission, October 17, 2018), 3.

¹⁵⁷ Koleski, “China’s Engagement with Latin America and the Caribbean,” 30–37; “Amador Convention Center,” China Construction America, accessed November 6, 2019, <http://www.chinaconstruction.us/project/amador-convention-center/>.

¹⁵⁸ “How Latin America’s Leaders Are – and Aren’t – Working with China,” *Americas Quarterly*, accessed October 13, 2019, <https://www.americasquarterly.org/content/china-latin-america-relations>.

¹⁵⁹ Koleski, “China’s Engagement with Latin America and the Caribbean,” 25.

operate the port facility.¹⁶⁰ The port investment came shortly after the expansion of the Panama Canal in 2016 and puts China in a more significant position to influence the canal. The mega port project consists of three progressing stages: (1) increase the handling volume of the port facility, (2) add four new berths for larger ships, and (3) add a “logistics park” to incorporate more equipment and cranes.¹⁶¹ The purpose of stages one and two is to allow berthing and storage for the new Panamax-size ships.¹⁶² Increased ship sizes mean there is a higher capacity for goods, resulting in more trade and influence in the region.

Panama, like other Latin American countries, has welcomed such FDI in hopes of creating a better economy and more prosperous living conditions for its people. Incredibly, China has established bilateral investment treaties spanning 12 countries throughout Latin American and the Caribbean (LAC), and Panama was the number-one importer of Chinese goods in LAC during 2016.¹⁶³ For several years, China put some effort and resources into constructing an interoceanic canal through Nicaragua. A canal in Nicaragua would challenge the Panama Canal and give China a great deal of power and influence in the region; however, the idea has never come to fruition due to environmental factors and other internal hurdles. China’s interest in funding a canal in Nicaragua is another example of Chinese engagement in Latin American affairs and shows its interests in establishing a foothold at a strategic waterway. However, despite the billions of dollars China has invested in LATAM, not one country accounted for in LATAM is a top-10 destination on China’s global targeted investment list.¹⁶⁴

China’s FDI can have positive or negative effects depending on the support from the host government. Su and Delgado argue that the success of significant investments similar to the canal is dependent on the support from the banks and from the host country

¹⁶⁰ Koleski, 25.

¹⁶¹ Enrique Dussel Peters, “China’s Foreign Direct Investment in Latin America and the Caribbean: Conditions and Challenges” (Universidad Nacional Autonoma de Mexico, August 2019), 255.

¹⁶² “Chinese Firm Starts Work on \$1bn Panamanian Megaport,” *Global Construction Review*, June 12, 2017, <http://www.globalconstructionreview.com/news/chinese-firm-starts-w7rk-1bn-panama7nian-meg7aport/>.

¹⁶³ Koleski, “China’s Engagement with Latin America and the Caribbean,” 7.

¹⁶⁴ Dollar, *China’s Investment in Latin America*, 3.

in dealing with concerns from the local communities who could be affected by the construction and new infrastructure of proposed projects.¹⁶⁵ In the case of Nicaragua, the project did not have full support of the government because of environmental concerns; however, they did initially welcome it because their economy needed a boost. The investment still has not happened, and Nicaragua still has not experienced a significant influx in its economy. China is often willing to invest in weaker economies because it sees them as a long-term investment and will still be able to utilize its investments regardless of the host country's economy. A similar argument regarding Chinese investment could explain the new port facility at the Panama Canal, but China's investment would also consist of support from the Panamanian government and would generate a positive outcome for both players. Although Panama has a strong and growing economy, China's investment in the mega port is likely another step in creating more significant trade opportunities with Panama and swaying western influence in Latin America.

Additionally, Panama dropped its recognition of Taiwan and opened a diplomatic relationship with China in June 2017, resulting in trade talks between China and Panama in 2018.¹⁶⁶ In addition to the mega port construction, China Construction America, a state-owned Chinese company, developed a contract to build the Amador Convention Center nearby in 2018.¹⁶⁷ The \$193 million project includes three separate zones for hosting events and is the largest in Central America, carrying the benefit of expanding international conventions and tourism, thereby generating income for Panama in addition to the revenue from the canal expansion.¹⁶⁸ China is potentially at a more significant advantage to leverage trade in the region with access and influence on both ends of the canal along with the new port facility and other projects in the vicinity of the canal.

¹⁶⁵ Yen-Pin Su and Oscar-René Vargas Delgado, "Is China Becoming a Hegemonic Challenge in Latin America and the Caribbean? A Political Economy Analysis of the Nicaragua Inter-oceanic Canal Project," *Issues and Studies; Taipei* 53, no. 1 (March 2017): 1–32, <http://dx.doi.org/10.1142/S1013251117400021>.

¹⁶⁶ Koleski, "China's Engagement with Latin America and the Caribbean," 25.

¹⁶⁷ Koleski, 25.

¹⁶⁸ Chen Xiaowei, Zhu Dongjun, and Li Xiaoxiao, "Chinese Company Builds Panama's Largest Convention Center, Enhances Bilateral Ties," *People's Daily*, November 28, 2018, <http://en.people.cn/n3/2018/1128/c90000-9523012.html>.

In addition to port facilities on both sides of the canal, China also developed a plan for the Chiriqui-railway overland, a high-speed railway meant to transport people and cargo between Panama City and Chiriqui Province along the border of Costa Rica.¹⁶⁹ The plan developed after a Memorandum of Understanding (MOU) was signed in November 2017 when Panamanian President Juan Carlos Varela visited Beijing.¹⁷⁰ As of 2018, China and Panama are conducting a feasibility study for the railway, a project valued at \$5.5 billion, to be paid by Panama to China.¹⁷¹ Although the agreement is not finalized, the project has the potential to further the relationship between Panama and China, provide better transport options throughout the country, and give China more considerable influence in Panama as China branches out to complete other projects.

Two other significant developments in Chinese investment within Panama involve Shanghai Gorgeous Investment Development and the Martano power generation plant in Colón, as well as the Chinese telecommunications giant Huawei. Shanghai Gorgeous has been selected to head the power plant's expansion to provide power to Panama, beating out 14 other companies by offering power at a reported 30 percent lower rate than the competition, with Chinese investment in the project estimated at \$900 million.¹⁷² Additionally, tech giant Huawei has established its regional headquarters in Panama with direct investment of over \$50 million to include a training center and logistics hub,

¹⁶⁹ "Panama Creates Commission for China Railway Project," Panama Today, April 23, 2018, <http://www.panamatoday.com/panama/panama-creates-commission-china-railway-project-6707>.

¹⁷⁰ Kent Davis, "China in Panama: High-Speed Rail, Mega Infrastructure News + More," Panama Equity, September 28, 2018, <https://www.panamaequity.com/exploring-living-in-panama/china-in-panama-high-speed-rail-mega-infrastructure-news-more/>.

¹⁷¹ Robert Evan Ellis, "The Evolution of Panama-PRC Relations since Recognition, and Their Strategic Implications for the U.S. and the Region," Global Americans, September 21, 2018, <https://theglobalamericans.org/2018/09/the-evolution-of-panama-prc-relations-since-recognition-and-their-strategic-implications-for-the-u-s-and-the-region/>.

¹⁷² Peters, "China's Foreign Direct Investment in Latin America and the Caribbean: Conditions and Challenges," 8; "Colons \$1.8 Billion Chinese Projects," Newsroom Panama, September 18, 2018, <https://www.newsroompanama.com/news/colons-1-8-billion-chinese-projects>.

advertised as generating jobs in Panama.¹⁷³ China is thus involved in nearly every sector of Panama's economy, ranging from technology, industry, and agriculture to energy and trade.

Bilateral trade has gradually increased in the last 20 years and has the potential to receive a boost as the two countries have completed multiple rounds of free trade agreement talks since establishing formal diplomatic relations in 2017. A free-trade agreement could dramatically increase the amount and scope of trade between the two countries.¹⁷⁴ From 2010 to 2017, Panamanian imports from China steadily increased from \$5.65 billion (17% of total imports) to \$5.96 billion (24% of total imports), while Panamanian exports to China increased in dollar amount but decreased in percentage of total exports, going from \$26.2 million (2.4% of total exports) to \$56.8 million (1.9% of total exports); China was the top source of imports into Panama at \$5.96 billion, compared with the United States at number two at \$4.65 billion of imports into Panama in 2017.¹⁷⁵ Dating back to 2000, Panamanian imports from China were \$725 million (6.8% of total imports) with exports to China at \$1.8 million (.98% of total exports) compared to the United States as the number one export destination, with \$337 million (14% of total exports).¹⁷⁶ China announced positive progress in talks over trade in services and facilitation, investment, legal issues, and economic cooperation after it completed the fifth round of free trade negotiations with Panama in April 2019.¹⁷⁷ The next five to ten years could show significant increases in trade between Panama and China if a free trade agreement is finalized.

¹⁷³ Peters, "China's Foreign Direct Investment in Latin America and the Caribbean: Conditions and Challenges," 246. Huawei has won other contracts across LAC and at the same time has been criticized by security experts given the amount of data already being transmitted globally and putting China as the backbone of the infrastructure, making communications vulnerable to intrusion from Beijing. For more information on Huawei, see: Koleski, "China's Engagement with Latin America and the Caribbean," 15.

¹⁷⁴ International Financial Law Review, "Panama: Panama and China – a New Era," *International Financial Law Review*, December 11, 2017, 1, <http://search.proquest.com/docview/1987333096/abstract/E8DF26C90F8F4236PQ/1>.

¹⁷⁵ "Panama (PAN) Exports, Imports, and Trade Partners," OEC, accessed October 22, 2019, <https://oec.world/en/profile/country/pan/#Destinations>.

¹⁷⁶ OEC.

¹⁷⁷ "The 5th Round Negotiation of China-Panama FTA Held in Beijing," China FTA Network, April 29, 2019, http://fta.mofcom.gov.cn/enarticle/chinapanamaen/chinapanamaennews/201904/40438_1.html.

B. SINO-PANAMANIAN SECURITY/MILITARY RELATIONS

While both Chinese military engagement and influence in the region are rising, there is limited information available on Sino-Panamanian military and security relations. This absence of data may be explained by Panama's lack of a formal military force. With the ouster of military dictator General Manuel Noriega in 1989, Panama transitioned to a civilian-led government, disbanded its armed forces, and created the Panama Public Force (PPF), similar to a civilian police force or National Guard.¹⁷⁸ Panama is the second country in LATAM to demilitarize (1990), following Costa Rica, which demilitarized much earlier (1948).¹⁷⁹ As of 2019, the Panamanian Public Force comprises the Panama National Police (PNP), the National Air-Naval Service (SENAN), and the National Border Service (SENAFRONT).¹⁸⁰ According to the CIA, "in October 1994, Panama's National Assembly approved a constitutional amendment prohibiting the creation of a standing military force but allowing the temporary establishment of special police units to counter acts of 'external aggression.'"¹⁸¹

While evidence of Sino-Panama security and military relations is not apparent, the PPF does engage with nations such as the United States. The United States and Panama still participate in the annual PANAMAX exercise (first staged in 2003), meant to ensure defense of the Panama Canal. Not only does this exercise promote cooperation between 20 countries, it also helps protect against threats to the free flow of commerce.¹⁸² New Horizons is another U.S.-Panama exercise dating back over a decade, focused on

¹⁷⁸ John T. Fishel, "The Institutional Reconversion of the Panamanian Defense Forces," in *Post-Invasion Panama: The Challenges of Democratization in the New World Order*, ed. Orlando J. Pérez, 2000, 11. For more information on Panama's transition to a Public Force, see: John T. Fishel, *The Institutional Reconversion of the Panamanian Defense Forces.* *Post-Invasion Panama: The Challenges of Democratization in the New World Order*, 2000.

¹⁷⁹ Patrick Buscone, "The Demilitarization of Costa Rica" (master's thesis, Holy Cross, 2017), 17, <https://crossworks.holycross.edu/honors/10>.

¹⁸⁰ Central Intelligence Agency, "Central America: Panama."

¹⁸¹ Central Intelligence Agency.

¹⁸² "PANAMAX 2018," U.S. Southern Command, accessed November 9, 2018, <http://www.southcom.mil/Media/Special-Coverage/PANAMAX-2018/>.

humanitarian assistance including civil engineering and medical support services.¹⁸³ China may have tougher inroads with Panama's Public Force since the People's Liberation Army Navy (PLAN) does not regularly operate in the Western Hemisphere, nor does it have a noticeable relationship with the PPF. However, China may have the ability to coordinate with the PPF on humanitarian missions with the Peace Ark, on security for the economic interests in and around the Panama Canal and FTZ, and on any internal or external security threats affecting both Chinese and Panamanian interests.

C. SINO-PANAMANIAN POLITICAL RELATIONS

The formal political relationship between China and Panama has seen recent gains since Panama established official diplomatic relations with Beijing in 2017 and cut ties with Taiwan. As of April 2019, only nine countries in the Latin America and the Caribbean (LAC) region officially recognize Taiwan.¹⁸⁴ The diplomatic relationship between China and Panama has quickly provided an inroad for negotiations in several sectors, as "both countries are negotiating 19 memoranda of understanding, including agreements to enhance their respective industrial, logistics, infrastructure and tourism sectors, among others."¹⁸⁵ In addition to the negotiations, China's leading airline, Air China, has opened up direct flights from Beijing to Panama's capital, which is likely to generate more tourism and boost Panama's economy.¹⁸⁶

China also observes, or is a member of, multiple organizations rooted in LAC to which Panama also belongs. China's involvement in organizations such as the Community of Latin American and Caribbean States (CELAC) is likely paying dividends in China's insertion into Panama's political affairs since Panama is a standing member of the

¹⁸³ Dustin Mullen, "New Horizons 2018 Humanitarian Exercise in Panama Completed," U.S. Southern Command, June 27, 2018, <http://www.southcom.mil/MEDIA/NEWS-ARTICLES/Article/1561645/new-horizons-2018-humanitarian-exercise-in-panama-completed/>.

¹⁸⁴ Mark P. Sullivan and Thomas Lum, "China's Engagement with Latin America and the Caribbean," Congressional Research Service, April 11, 2019, <https://fas.org/sgp/crs/row/IF10982.pdf>.

¹⁸⁵ Elida Moreno, "Panama, China Sign Accords on Xi Visit after Diplomatic Ties Start," Reuters, December 3, 2018, <https://www.reuters.com/article/us-panama-china-idUSKBN1O22PE>; International Financial Law Review, "Panama."

¹⁸⁶ International Financial Law Review, "Panama," 1.

organization.¹⁸⁷ As noted by Sullivan and Lum, PRC President Xi Jinping participated in a forum with CELAC leaders in 2015, where they agreed to a “five-year cooperation plan covering politics, security, trade, investment, finance, infrastructure, energy, resources, industry, agriculture, science, and people-to-people exchanges.” This was followed by meetings in 2018 to extend the cooperation plan through 2021.¹⁸⁸

As of 2018, 12 LAC countries have signed a variety of BRI agreements, to include MOUs, cooperation, or framework agreements.¹⁸⁹ Panama was the first LAC country to establish a BRI agreement with China.¹⁹⁰ China is quickly moving to engage Panama despite having such a short “official” diplomatic relationship. In an effort to promote tourism and investment, Panama sent a delegation of immigration and security officials to China at the end of 2017 as part of an agreement to lift visa restrictions on Chinese visitors to Panama.¹⁹¹ Lifting visa restrictions is among several moves Panama and China are discussing to boost their political relationship. Xi visited Panama in 2018, just one year after the two countries established diplomatic ties in 2017.¹⁹² In other efforts, China lobbied unsuccessfully to build its new embassy at the entrance of the Panama Canal, a pivotal strategic move to assert its influence not only in Panama but in LATAM as a whole.¹⁹³ According to Youkee, despite Panama rejecting China’s request to build its embassy at the entrance of the canal, “Xi’s visit comes amid an escalating trade war

¹⁸⁷ CELAC is a regional organization combining 33 countries throughout LAC to provide structured policy, cooperation, and support of a variety of integrated programs in the region. The organization also excludes the United States in the forum. For more information on CELAC, see: “Seguimos Haciendo Historia,” Celac International, accessed October 12, 2019, <http://celacinternational.org/>; Sullivan and Lum, “China’s Engagement with Latin America and the Caribbean.”

¹⁸⁸ Sullivan and Lum, “China’s Engagement with Latin America and the Caribbean.”

¹⁸⁹ Rebecca Ray and Kehan Wang, “China-Latin America Economic Bulletin 2019” (Boston University, 2019), 1, Global Economic Governance Initiative, <https://www.bu.edu/gdp/files/2019/02/GCI-Bulletin-Final-2019-1-1.pdf>.

¹⁹⁰ Koleski, “China’s Engagement with Latin America and the Caribbean,” 26.

¹⁹¹ “Panama Lifts Visa Limits for Chinese Visitors,” South China Morning Post, October 18, 2017, <https://www.scmp.com/news/china/policies-politics/article/2115876/panama-lifts-visa-limits-chinese-visitors>.

¹⁹² Mat Youkee, “Panama the New Flashpoint in China’s Growing Presence in Latin America,” *The Guardian*, November 29, 2018, sec. World news, <https://www.theguardian.com/world/2018/nov/28/panama-china-us-latin-america-canal>.

¹⁹³ Youkee.

between China and the US, which has highlighted Panama's strategic importance as a pinch-point of world commerce."¹⁹⁴

Although China is strongly pursuing a political relationship with Panama, a timeframe for cooperation regarding a variety of issues is not clear. Specific terms and details about the 19–28 reported agreements on a wide variety of issues are largely unknown.¹⁹⁵ Despite irregularities in reporting on the number of agreements between China and Panama, the expansion of the BRI is consistent. Panama's opening of relations with China has given China access to a critical location in the region, which will likely allow trade expansion not only with Panama but with the rest of LATAM.¹⁹⁶ In 2018, President Varela said that trade agreements between Panama and China would promote economic growth, which would then assist in social development and benefit the people of Panama.¹⁹⁷ Other agreements include financial services between the National Bank and the Development Bank of China, multiple entry visas, cooperation amongst joint science and technology projects, cultural cooperation through industry and the arts, and agreements regarding the environment, including water, waste, and air pollution.¹⁹⁸ As a relatively new relationship develops, China's diplomatic influence only appears to be increasing.

D. CONCLUSION: ANALYSIS OF CHINESE ACTIONS AND INFLUENCE IN PANAMA

In regards to China and Panama, economic and political interactions are increasing since developing diplomatic ties; however, the military and security relationships are not

¹⁹⁴ Youkee.

¹⁹⁵ The amount of cooperation and number of agreements between China and Panama is disputed, ranging from 19–28 agreements. For more information, see: Don Giolzetti, "China's Front Door to America's Backyard," *The Diplomat*, June 28, 2019, <https://thediplomat.com/2019/06/chinas-front-door-to-americas-backyard/>; "China and Panama Sign 28 Cooperation Agreements," *Newsroom Panama*, April 12, 2018, <https://www.newsroompanama.com/business/china-and-panama-sign-28-cooperation-agreements>; Moreno, "Panama, China Sign Accords on Xi Visit after Diplomatic Ties Start."

¹⁹⁶ Minnie Chan, "Why Panama Ties Matter to Beijing," *South China Morning Post*, June 13, 2017, <https://www.scmp.com/news/china/policies-politics/article/2098152/why-diplomatic-ties-panama-are-so-important-beijing>.

¹⁹⁷ *Newsroom Panama*, "China and Panama Sign 28 Cooperation Agreements."

¹⁹⁸ *Newsroom Panama*.

active. On the other hand, China has been a part of Panama's trade since the turn of the century, and that is likely to increase as they finalize a free-trade agreement (FTA). Also, the opening of political and diplomatic relations is likely a driving factor for the FTA to succeed, even an incentive to boost the relationship. The military and security efforts between the PLA and PPF are mostly unknown and appear non-existent, but China may try to engage with the PPF as the BRI expands in the region and as China grasps more considerable influence around the Panama Canal.

The economically inspired developmental projects backed by China in Panama have been rapidly developing in recent years. Investment has taken priority as Panama welcomed China after cutting ties with Taiwan. Additionally, China is becoming a more important trade partner with Panama. China also wants to take advantage of the Colón FTZ, as it is a platform for Chinese manufactured goods and expanded markets. The Economic and Security Review Commission noted in 2016 that China comprised 31.3% of imports to Panama, yet less than 1% of exports.¹⁹⁹ Analysis of the commission's statistics reveals Panama's trade with the United States and China is inversely proportionate as the United States has a higher percentage of exports (20.6%) and a smaller percentage of imports (9.5%) with Panama.²⁰⁰ Although trade between China and Panama is not a new concept, their recently established diplomatic developments could mean considerably more influence from China with Panama at the free trade zone (FTZ) and in Panama's domestic issues—creating a possible conflict for the United States in the future. Additionally, collecting data on bilateral trade negotiations with China has been historically difficult since China does not publish many details about its transactions and deals.

The new political and diplomatic relations may assist China in gaining additional influence in Panama as senior officials from both countries have engaged with one another. The two countries are already working on an FTA, and Panama has signed on as a BRI country. Again, details of the agreements are unknown, but China appears to be engaging in a wide variety of other sectors within Panama. Interestingly, one of the agreements is

¹⁹⁹ Koleski, "China's Engagement with Latin America and the Caribbean," 25.

²⁰⁰ Koleski, 25.

alleged to be geared toward issues involving environmental pollution; however, China is plagued with air pollution, which is triggering health issues and threatening its economic stability.²⁰¹ Nonetheless, China is engaging in several sectors and offering money, resources, and expertise to cooperate with Panama and continue its efforts at BRI expansion.

Lastly, the military and security relationship are minimal. The absence of a security relationship may be because the PPF is not like a modern military and still shares engagements with the U.S. military due to exercises such as PANAMAX and the existing close relationship of both countries with the Panama Canal. Additionally, the PLAN does not regularly operate in the Western Hemisphere, have military experience in the region, or have the capacity or means of operating so far from China. Economic interests in Panama and at the port facility and FTZ give China an incentive to establish a working relationship with the PPF since China is concerned with protecting its economic interests.

²⁰¹ Minggang Peng et al., “Actual Air Pollution, Environmental Transparency, and the Perception of Air Pollution in China,” *The Journal of Environment & Development* 28, no. 1 (March 1, 2019): 79, <https://doi.org/10.1177/1070496518821713>.

IV. CONCLUSION: ANALYSIS, FINDINGS, AND RECOMMENDATIONS

This thesis has sought to uncover Chinese economic, political, and military influence in Africa and Latin America. To this end, it reviewed two case studies of Chinese influence: Djibouti and Panama. Based on these investigations, this chapter answers the research question: to what extent are the Chinese economic, political, and military conditions seen in Djibouti present in Panama. To answer that research question, this chapter assesses the hypothesis that China is developing economic and political relationships where it sees an opportunity to also deploy its military to protect its economic investments. This chapter first provides a comparative analysis of Chinese influence in Djibouti and Panama, followed by the findings, and ending with recommendations the United States can take to counter Chinese influence in Latin America. Ultimately, China does not have the political history or military and security relationships with Panama, and therefore, China will not likely put a military base in Panama in the near-term. The United States should focus on its military and security relationship with Panama to offset any Chinese engagement in Panama so the United States remains a partner of choice for Panama.

A. COMPARATIVE ANALYSIS: CHINESE INFLUENCE IN DJIBOUTI AND PANAMA

1. Economic Element Analysis

The two countries have different geography with different people and access to different markets and resources. Panama is demographically different from Djibouti, with areas of wealth and poverty, yet it has one of the fastest-growing economies in LATAM and a population over three times that of Djibouti at approximately 3.8 million as of July 2018.²⁰² The two countries have a different scale of development, as well, as suggested by the Human Development Index (HDI):²⁰³ Panama ranks much higher compared to

²⁰² Central Intelligence Agency, “Central America: Panama.”

²⁰³ Human Development Reports, “Human Development Index.”

Djibouti, making Panama less dependent on outside investment to boost the standard of living for its population. Therefore, Panama is a relatively more prosperous country than Djibouti, as noted in chapters II and III. Panama does not depend on Chinese trade and investments as it has relations with the world economy and control over trade transiting through the canal zone; however, Panama is benefitting from accepting China as an economic partner—as evidenced by Panama’s membership into the Belt and Road Initiative (BRI) and openness to Chinese investment and negotiations for a FTA. China’s investment and interest in Panama are directly related to Panama recognizing China over Taiwan, a condition that has allowed China to insert itself into Panama’s domestic affairs. Therefore, similar Chinese investments occur in both countries—including large infrastructure projects paid for and built by China. Djibouti on the other hand widely accepts aid from any nation willing to assist it and welcomes outside investment, no matter the circumstances.

Nevertheless, China gains significant economic benefits from each country. China is using Djibouti as a transit country to extract resources from the rest of Africa, as well as a conduit for readily available maritime trade at the mouth of the BAM. Similarly, in Panama, China’s presence in the FTZ and Panama Canal is opening China up to other markets for Chinese goods and an FTA with Panama. Chinese state-owned enterprises (SOE) are present in the negotiation, financing, and construction of infrastructure projects in both countries. From a comparative perspective, Chinese influence in both countries centers on Chinese investment leading to soft power that enables China to have a presence in the country and gives it access to other markets. China is heavily involved in the economic sectors in each country and has agreements from both countries to be involved in the BRI, opening the door for China to continue to engage economically. From an economic standpoint, China is similarly involved in Djibouti and Panama, with investments in infrastructure that lead to trade and expanding the maritime silk road (MSR).

2. Political Element Analysis

The previous chapters reveal that China's diplomatic relationship with Panama is still in the infant stages compared to the Sino-Djiboutian political relationship, which extends back several decades; however, China is making moves that indicate it wants to become closer with the Panamanian government. China has been engaging in senior-level meetings, port calls, and military exercises with Djibouti for the last 15 years, whereas China has only shared senior-level meetings with Panama in the past three years. However, this discrepancy is explainable: China's political relationship with Djibouti developed over a long period, supplementing both Djiboutian and Chinese economic interests as well. China's political relationship with Djibouti meshes with its economic interests and with its behavior in the East Africa region, especially the maritime environment. China has operated its Navy in a political fashion in the waters off the Djiboutian coast in counter-piracy efforts to support coalitions and act as a regional security partner. As China invests more in Djibouti, it has generated soft power that better enables it to influence the Djiboutian government. For example, China has invested in Djibouti to extract natural resources from other areas, so China has its own economic interests in mind, whereas Djibouti wants investment and also desires regional protection from piracy no matter who is investing or who is protecting the interests. Currently, China is fulfilling this role. Additionally, China has leveraged soft power in its actions toward Djibouti, acting as a political and security partner by deploying counter-piracy forces to the region to protect its economic interests, which also protect those of Djibouti. Simply put, Djibouti desires a political relationship that comes with economic aid, and China has filled the void for the time being.

With respect to politics in Panama, the only thing it currently has in common with Djibouti (aside from recognizing Beijing over Taipei) is the senior-level meetings with Chinese officials. Xi Jinping has made every effort to engage with Panama diplomatically since establishing ties with Panama in 2017. Meeting with Panamanian officials and opening direct flights from China are ways China has sought to spark Panama's tourism and open up new markets as the two establish an FTA and China gains more influence around the canal zone. As far as port calls and military exercises go, China does not

regularly operate in the Western Hemisphere, nor does it have a relationship with Panama's security force, a force that does not operate as a traditional military. All in all, in regards to Panama, China is engaging politically where it can fit in, but the military element is negligible since the People's Liberation Army-Navy (PLAN) does not operate in the region or have the capacity to maintain a forward presence. China's relatively new political relationship and lack of military engagement in Panama hinder China's ability to develop an overseas Chinese military base in Panama.

3. Security and Military Element Analysis

The two case studies illustrate differences in China's security and military relationship with Djibouti and Panama. China has engaged militarily with Djibouti but acts more as a security enforcer rather than interacting directly with the military, whereas China does not have any apparent military—or security—relationship with the Panama Public Force (PPF). One explanation is that China may not be trying to engage with the PPF, as there is not a known relationship or interaction between the PLAN and PPF. The lack of a security relationship is explained by Panama demobilizing its military in 1990. Additionally, the PPF has an existing relationship with the U.S. military, and both participate in the annual PANAMAX exercise, meant to simulate protecting the Panama Canal from external forces. Panama's relationship with the U.S. military is largely rooted in the fact that the United States controlled the canal for nearly a century and then passed the security role to Panama, but the present relationship emerges from a mutually shared economic interest in the canal and the free flow of goods. As Panama now retains full responsibility over the canal, it has accepted training from and works with the U.S. military so Panama can provide the greatest layer of protection and security over the canal zone. Another explanation for China's absence in Panama is rooted in China's lack of military capacity to operate so far from China's homeland. China has increased its operating distance from China in recent years and now regularly operates beyond the first island chain in the western Pacific in addition to operating in vicinity of its port in Djibouti and

the IOR.²⁰⁴ However, China's military does not regularly operate in the Western Hemisphere. Despite the PLAN's achievements in extending operations beyond the East and South China Seas, the PLAN does not have the logistical support facilities or diplomatic relations in the Western Hemisphere to support continuous operations and resupply efforts.

In Djibouti, the PLAN's actions are a cross between diplomatic and security interactions. As China has injected itself into economic and infrastructure investments in Djibouti, it has also deployed its military for two apparent reasons. First, China is out to protect its economic interests by having its military present in the region. Second, China is acting as a regional partner in supporting counter-piracy operations in the Red Sea and Gulf of Aden. Given Panama's relationship with the United States, China may not seek, or could have problems in developing a military and security relationship with Panama. The only benefit China does have is that it aims to protect its BRI interests, which correlates to a defensive posture, something Panama's security force has in common.

In sum, Djibouti and Panama are locations of similar geostrategic importance: both countries lie at the entrance of a strategic waterway that is critical to global trade and vital to China's BRI expansion. Djibouti resides at the Bab al Mandeb (BAM) strait, where the Gulf of Aden connects to the Red Sea, whereas Panama's territory splits the Atlantic and Pacific Oceans at the Panama Canal. The two countries have economic, political, and military and security differences as well, which in turn explain the variances in China's influence in these countries. First, Djibouti is less developed than Panama, so Panama has less of a need for the money and resources that China offers, yet there is similar infrastructure investment in each country. Second, Djibouti has a past political relationship with China lasting several decades, whereas Panama only has political relations lasting less than a half-decade, indicating China has more significant influence in Djiboutian affairs compared to Panamanian affairs. Lastly, Djibouti has a small military force, mostly relying on China and coalition counter-piracy forces to secure its waters, whereas Panama has

²⁰⁴ "China Moves Out: Stepping Stones Toward a New Maritime Strategy," Institute for National Strategic Studies, 1, accessed February 28, 2019, <https://inss.ndu.edu/Media/News/Article/652357/china-moves-out-stepping-stones-toward-a-new-maritime-strategy/>.

disbanded its military in favor of a security apparatus that acts more like a national guard or police force to protect its citizens and the canal zone, making a Panamanian relationship with the PLAN unnecessary.

These developments explain why Panama may not be the ideal fit for a Chinese military base at this time. Despite China not having a security relationship with Panama, China's economic interest in Panama is clear. China is investing in significant infrastructure projects in Panama and around the canal zone and is seeking to strengthen its relatively new political relationship to gain more influence in the region, specifically the Panama Canal. The main element China is lacking in its relationship with Panama is a military and security relationship that China can use to protect its economic interests. Simply put, China's lack of military engagement with Panama limits its ability to develop a base in Panama. To possibly rectify that issue, China is working on strengthening its economic and relatively new political relationship with Panama, which may eventually lead to a relationship between the PLAN and PPF. In other words, if China's military develops its capacity to operate far away from China's mainland and China and Panama begin to deepen their economic and political relationships, Panama may accept and work with China's military if it is there to protect shared Sino-Panamanian economic interests.

B. FINDINGS

In sum, this thesis found that although Djibouti and Panama both have similar Chinese economic influence within their countries, Panama does not have the historical political relationship or security associations with China that Djibouti does. China is involved with infrastructure projects, trade deals, and supplying financing, labor, and supplies in a similar fashion to both Djibouti and Panama. Despite the economic similarities in these relationships, China and Djibouti have deeper political ties than China has with Panama, which could explain how China was able to develop its first base in Djibouti. The governments of China and Panama are working on strengthening their political relationship, which may benefit China in the long term. Lastly, and despite the military base, the military and security relationship between Chinese and Djiboutian armed forces is minor since they do not regularly operate together, but China does play a security

role in the region, which they both equally rely on to protect economic interests. China has also engaged in port calls and senior-level exchanges with Djibouti. The Sino-Panamanian security relationship is widely unknown, but could develop as China develops more BRI-related interests in the region and shares economic interests and trade deals with Panama.

Based on these findings, this thesis concludes that China likely does not have the ability to establish a military base in Panama at this time because China lacks a strong political and security relationship with Panama. China has explicitly said that its military will protect its interests abroad. China has the desire as seen in its explicit interest in the Panama Canal region and evidence of its military deployment to Djibouti to protect Chinese economic interests in the Africa region, yet it lacks the historical political ties with Panama that would otherwise give it sufficient influence to deploy its military to the region to protect its BRI interests. China does not have a known security relationship with the Panama Public Force (PPF) either, making a security relationship aimed at mutual defense of the canal not probable in the near-term. In addition to not having a relationship with the PPF, China does not have the capacity to extend its military to the region. The PLAN does not regularly operate or port in the area and lacks any logistics or support facilities to accommodate forward presence operations in the Western Hemisphere.

C. RECOMMENDATIONS FOR THE UNITED STATES TO COUNTER CHINESE INFLUENCE IN LATAM

The findings of this thesis recommend that the United States should focus on its security and military engagement along with institution building in Panama. Broadly speaking, Ellis argues that the United States should focus on aiding partner nations in building stronger institutions and promoting democracy to counter Chinese influence in Latin America.²⁰⁵ In doing so, LATAM countries can leverage Chinese investment and broker deals that are economically beneficial for them so they are not burdened over China's predatory strategies.²⁰⁶ As Ellis asserts, "In the process, the culture of democracy

²⁰⁵ Robert Evan Ellis, "The Future of Latin America and the Caribbean in the Context of the Rise of China," Center for Strategic & International Studies, November 2018, 33, <https://www.csis.org/analysis/future-latin-america-and-caribbean-context-rise-china>.

²⁰⁶ Ellis, 33–34.

and institutions themselves will be strengthened and engagement with the PRC, rather than subverting democracy and regional prosperity, will complement the region's engagement with the United States and other global actors to advance the prosperity of the region.”²⁰⁷ Additionally, the United States Southern Command's (USSOUTHCOM) 2019 Posture Statement highlights the importance of U.S. partnerships and sharing democratic values to ensure security in the region.²⁰⁸ Admiral Craig Faller, USSOUTHCOM's Commander, highlights the importance of U.S. partnerships in the region: “Strong partnerships—founded in effective and transparent institutions, intelligence and information exchanges, institutional capacity building, education, exercises, and presence—are our primary bulwark against the influence of malign actors in the hemisphere and are bolstered by our work together on military professionalism.”²⁰⁹ Security assistance programs that provide education and military equipment to our partners in the region are imperative for strengthening partnerships and security.²¹⁰

However, in addition to Ellis' and USSOUTHCOM's strategy of strengthening institutions and democratic governance, rather than competing with China in the sectors where it has a foothold, the United States should focus on gaps of Chinese influence to remain the partner of choice in the region. In particular, the United States should strengthen its existing security and military relationship with Panama. China has engaged Panama economically and politically, yet there is little evidence that China has a security relationship with Panama. By contrast, the United States shares an economic, political, and security relationship with Panama. Given that China is strengthening its economic and political ties with Panama and does not have an existing security relationship with the Panamanians, to remain a partner of choice with Panama, the U.S. should focus on maintaining its economic and political relationships with Panama, while also increasing its security assistance and cooperation. The United States should not be as concerned with

²⁰⁷ Ellis, 33.

²⁰⁸ United States Senate, Committee on Armed Services, “Posture Statement of Admiral Craig S. Faller, Commander, United States Southern Command” (Washington, DC: United States Senate, Committee on Arms Services, 2019), 1–3.

²⁰⁹ United States Senate, Committee on Armed Services, 10.

²¹⁰ United States Senate, Committee on Armed Services, 10.

diminishing Chinese economic and political influence in Panama, but should focus on the security sector. Rather than try to counter all the economic and political moves China is making in Panama, the United States should focus its efforts on the Posture Statement of Admiral Craig S. Faller, Commander, United States Southern Command, and strengthening the security relationship. The United States needs to work through institutions like the Defense Security Cooperation Agency (DSCA) to advance U.S. interests by increasing security assistance to our partners.²¹¹ As USSOUTHCOM asserts, cooperation can “increase mutual understanding, interoperability, and collective readiness.”²¹²

In the near term, the United States should increase security assistance and cooperation with Panama in order to remain the security partner of choice. The United States must continue engaging Panama with an inter-agency approach to build partner capacity through increasing Professional Military Education (PME), training in real-world operations, and military equipment sales funded by International Military Education and Training (IMET) and Foreign Military Financing (FMF) programs. The United States provided approximately \$2.2 million in IMET funds to Panama from FY2016–18—not a significant amount compared to other U.S. partners in the region.²¹³ Furthermore, and despite a common goal of securing trade through the Panama Canal, arms and military equipment sales are a sector where U.S.–Panama relations are decreasing. According to the Stockholm International Peace Research Institute (SIPRI), the last arms sales from the United States to Panama were Bell-412 helicopters in 2009 and 2012 in addition to a King Air-350 ISR aircraft delivered in 2018, while there is no record of arms sales between

²¹¹ “DSCA’s mission is to advance U.S. national security and foreign policy interests by building the capacity of foreign security forces to respond to shared challenges. DSCA leads the broader U.S. security cooperation enterprise in its efforts to train, educate, advise, and equip foreign partners,” for more information on DSCA, see: “Mission, Vision, and Values,” Defense Security Cooperation Agency, accessed December 19, 2019, <https://www.dscamilitary.com/about-us/mission-vision-values>.

²¹² United States Senate, Committee on Armed Services, “Posture Statement of Admiral Craig S. Faller, Commander, United States Southern Command,” 10.

²¹³ Peter J. Meyer, *U.S. Foreign Assistance to Latin America and the Caribbean: FY2018 Appropriations*, CRS Report No. R45089 (Washington, DC: Congressional Research Service, May 9, 2018), 16–21.

China and Panama.²¹⁴ Interestingly, the first Bell-412 helicopter was financed by Taiwan, but in 2017, Panama cut ties with Taiwan in favor of political recognition of China.²¹⁵ Additionally, a CRS report outlined a 63% decrease in nonproliferation, anti-terrorism, demining, and related programs (NADR), IMET, and FMF funds from the United States to Panama when looking at FY2016–18 foreign assistance requests, which dropped from \$3.3 million to \$1.2 million in funds (FMF requested in FY2018 was zero).²¹⁶ The decrease in funds globally is attributed to the Trump administration’s hard stance on providing foreign aid to partner nations, instead favoring budgets to focus on domestic issues within the United States.²¹⁷ Though several forms of U.S. assistance to Panama are declining, the relationship between the U.S. and Panama continues and is possible through their mutually shared responsibilities and interests at the canal.

In conjunction with other foreign assistance funding, The United States must also continue military- and security-related exercises like PANAMAX and New Horizons to enhance and strengthen the security relationship with Panama. The United States should increase IMET funding to Panama to educate the PPF in security and U.S. military doctrine. IMET has the ability to enhance Panamanian leaders’ understanding of the United States, military and security issues, build rapport and future alliances, and increase the PPF’s capabilities to work in a combined environment with U.S. forces.²¹⁸ The United States should build partner capacity through training and provisions of equipment before, during, and after PANAMAX and other real-world operations to continually engage with the PPF. Increased training and working through an exercise together will strengthen U.S.–Panama security relations and increase interoperability. It will also build Panama’s capacity to operate independently and express its sovereignty over the Panama Canal while enhancing

²¹⁴ Stockholm International Peace Research Institute, “Trade Registers.”

²¹⁵ Stockholm International Peace Research Institute; Koleski, “China’s Engagement with Latin America and the Caribbean,” 25.

²¹⁶ Meyer, “U.S. Foreign Assistance to Latin America and the Caribbean: FY2018 Appropriations,” 9, 16–21.

²¹⁷ Meyer, 2, 5.

²¹⁸ “International Military Education & Training (IMET),” Defense Security Cooperation Agency, accessed December 10, 2019, <https://www.dsca.mil/programs/international-military-education-training-imet>.

U.S. security interests. Lastly, the United States should increase FMF funds for Panama to purchase Intelligence, Surveillance, Reconnaissance, and Target-acquisition (ISR&T) platforms to enhance Panama's capabilities and effectiveness in combatting internal and external threats to its own security and U.S. interests.

D. AREAS FOR FUTURE RESEARCH

The analysis of China's economic, security and military, and political indicators seen in Djibouti provide a framework that future research can use as a standard when identifying Chinese influence in other countries, including the rest of LATAM. Future research can be expanded to provide a more detailed look at indicators and provide one-to-one comparisons with Djibouti and also comparisons between LATAM countries to identify and possibly anticipate where exactly China will put its next overseas base.

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