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**China's Expanding Sphere of Influence into America's Backyard**

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MASTER OF MILITARY STUDIES

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## Executive Summary

**Title:** China's Expanding Sphere of Influence into America's Backyard

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**Thesis:** The security of U.S. national interests in Latin America and the Caribbean will most likely involve not military strategies to constrain China, but the diplomatic and economic elements of national power to ensure political stability and continued economic progress in the region.

**Discussion:** While the United States is focusing on the rise of China in the Asia-Pacific region, China has been quietly expanding its economic, political, and military influence into Latin America and the Caribbean (LAC). Taking China's strategic culture and history in the Asia-Pacific region into account may shed light on the intent China has towards Latin America in its efforts to expand its global economic and industrialization goals. China's investment in Latin America has the ability to change the relationship and notion of dominance that the United States has historically held in Latin America; a dominance that the United States has perhaps taken for granted. It is unclear at this time whether China's expansion into Latin America is in retaliation for the U.S. presence in the Pacific, a continued expansion of global ambitions, or benign development for economic growth and political stability. Additionally, concern has been expressed that China's expanding political, economic, and military influence in LAC could prove to be a future challenge for U.S. naval forces to freely transit through the region, utilizing an isthmian canal, during a time of crisis. Either way, the United States will need to expand its frame of reference from stability in the Asia Pacific to trans-oceanic access utilizing all elements of national power to manage China's growing sphere of influence.

**Conclusion:** The key to U.S. relations in Latin America and the Caribbean and dealing with the expanding Chinese influence will lie in establishing trust and security through diplomatic, economic, and military efforts that will help the United States to build and maintain existing and future relationships with LAC to continue stability efforts and economic progress in the region.

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*Preface*

The research question for this project began with an interest in China's influence in the South China Sea. As I conducted research, my mentor, Dr. Anne Louise Antonoff, began to point me in the direction of China's growing sphere of influence in Latin America and the Caribbean (LAC), America's backyard. The project then begged the question if China's expanding influence in LAC could affect the U.S. ability to maintain security and protect its own interests in neighboring states as the United States rebalances its efforts to the Pacific. Specifically, could Chinese involvement in the Panama Canal and investment in the Nicaragua Canal inhibit access for the U.S. Navy to transit between the Atlantic and Pacific Oceans? Ultimately, I do not believe Chinese involvement with the isthmus canals could stop the use of the passageways by the U.S. military. The more likely concern is that Chinese economic and military diplomacy in the region could prove to be a detriment to U.S. trade, investment, and bilateral relations with its neighbors to the south.

I would like to acknowledge the inspiration that I received from my mentor, Dr. Anne Louise Antonoff, to look at the challenge of China beyond the Asia Pacific. Her guidance and encouragement has allowed me to make great progress in my academic creativity and writing ability. I would also like to mention the extraordinary assistance that I received from the Marine Corps University (MCU) Leadership Communication Skills Center (LCSC) for their counseling and guidance in helping me find my voice in written assignments. Although all of the LCSC instructors were available and always willing to assist, I must give a personal and special thanks to Andrea Hamlen for the patience and support she has personally provided for practically every paper that I have written at MCU this year.

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While the United States is focusing on the rise of China in the Asia-Pacific region, China has been quietly expanding its economic, political, and military influence into Latin America and the Caribbean (LAC). Taking China's strategic culture and history in the Asia-Pacific region into account may shed light on the intent China has towards Latin America in its efforts to expand its global economic and industrialization goals. China's investment in Latin America has the ability to change the relationship and notion of dominance that the United States has historically held in Latin America; a dominance that the United States has perhaps taken for granted. It is unclear at this time whether China's expansion into Latin America is in retaliation for the U.S. presence in the Pacific, a continued expansion of global ambitions, or benign development for economic growth and political stability. Additionally, concern has been expressed that China's expanding political, economic, and military influence in LAC could prove to be a future challenge for U.S. naval forces to freely transit through the region, utilizing an isthmian canal, during a time of crisis. Either way, the United States will need to expand its frame of reference from stability in the Asia Pacific to trans-oceanic access utilizing all elements of national power to manage China's growing sphere of influence. The security of U.S. national interests in LAC will most likely involve not military strategies to constrain China, but the diplomatic and economic elements of national power to ensure political stability and continued economic progress in the region.

The expanding influence of China in Latin America and the Caribbean, America's 'backyard', has caused much debate among defense analysts and journalists to the potential for risk that it may pose to the strategic interests of the United States in the region. The U.S. foreign policy priorities in LAC include security and democracy promotion efforts to achieve long-term stability in the region, as well as free trade agreements and bilateral investment treaties between

eighteen Latin American and Caribbean countries and the United States to promote and protect trade and investment opportunities.<sup>1</sup> Dr. R. Evan Ellis, a research professor of Latin American Studies at the Strategic Studies Institute, U.S. Army War College, has dedicated several works to deciphering the Chinese involvement in Latin America and the strategic implications for the United States. Dr. Ellis contends that the United States is not giving adequate attention to China's growing influence, and this seeming indifference poses a significant risk to the U.S. national security.<sup>2</sup>

Riordan Roett and Guadalupe Paz, Brookings Institution editors of *China's Expansion into the Western Hemisphere*, present viewpoints from both skeptical intellectuals and those who feel China's interests in Latin America are more benign. Roett and Paz take the view that China understands the skepticism surrounding their interests in LAC, and concedes that transparency will be the most beneficial course of action for everyone involved.<sup>3</sup> The main conclusion from Roett and Paz's work is that the United States should not continue the debate of whether or not Chinese influence and investment has replaced the United States in Latin America. Instead, Roett and Paz suggest the United States should move forward and view China's expanding role in Latin America as an opportunity to strengthen the relationship between the United States, China, and Latin America.<sup>4</sup>

Chinese energy security and its increasing demand for resources have played a significant role in its shift into Latin America. Chinese companies have invested in Latin American projects such as road building, electric power plants, and shipping ventures. One of the largest joint ventures on the horizon is the current Nicaragua Canal project, which, if completed, is expected to rival the current shipping capacity of the Panama Canal. Discussion of China's investment in Latin America has not only focused on the economic aspect, but the military diplomacy that

China is also generating. In addition, many analysts have questioned the implications Chinese involvement in the Panama Canal and the possible future Nicaragua Canal may have for U.S. naval operations.

Alfred T. Mahan recognized the strategic importance of the Panama Canal during its construction, to allow for the U.S. Navy to transit freely between the Atlantic and Pacific coasts.<sup>5</sup> In the early twentieth century, Mahan already understood that the Pacific theater would play an instrumental part in U.S. maritime history, and that the Caribbean, and specifically the isthmian canal, would provide a vital link to that theater. During Mahan's time, U.S. foreign policy was still operating under the auspices of the Monroe Doctrine, "to limit or exclude European influence in the Western Hemisphere."<sup>6</sup> The creation of the Open Door policy opened up Asian markets in China for commerce with the Western powers, and it intended to provide European values and teachings to perhaps influence or shape a fledgling nation.<sup>7</sup> At that time, Mahan believed that China's affairs were hopelessly corrupt and in need of drastic reform. He also believed that China's sovereignty was vulnerable to expropriation from an external entity.<sup>8</sup> Still, the overall intention of the Open Door policy was to respect Chinese sovereignty and territory and to not interfere in China's national affairs "until they [became] internationally unendurable."<sup>9</sup> (This was an interesting omen that Mahan used the word "until" rather than "unless.") These policies relied on retaining a balance of power, both in the European theater and in the Pacific. They also required that the U.S. Navy bolster its strength to embrace and manage the nation's growing sphere of influence. In particular, Mahan believed that a key factor in harnessing this new influence was to build the Panama Canal to allow naval vessels to move rapidly between the Atlantic and Pacific Oceans.<sup>10</sup>

With Great Britain and Germany focused on the European theater, it was up to the United States and Japan to focus their military might to balance the power in the Pacific and protect their Pacific coasts in accordance with international law.<sup>11</sup> At that time, Mahan considered the U.S. Pacific coast as much more vulnerable than the Atlantic or Gulf coasts. He also noted that once the Panama Canal was completed, naval forces would be able to transit between the U.S. coasts in a timelier manner.<sup>12</sup> Forces permanently stationed on the Pacific coast would reduce reaction time, detachments, and shorten the sea lines of communication for the fleet.

Mahan's assessment of the strategic importance of the Panama Canal remains relevant today, with the caveat that the canal cannot currently accommodate the largest of modern maritime vessels. The canal allows the U.S. Navy to transit vessels and supplies between fleets as a cost and time saving measure. Mahan's concerns about vulnerability are perhaps not as significant today as during the early twentieth century. Today, the U.S. Navy maintains permanent fleets on both the east and west coasts of the United States, as well as in strategic locations around the world. Additionally, although many naval vessels can navigate through the Panama Canal, larger naval vessels, such as modern nuclear aircraft carriers, are too large to safely transit through the canal, and must instead sail around South America. Intriguingly, the Chinese are currently developing a deeper canal transiting through Nicaragua. If a deeper canal is constructed, and/or if the expansion of the Panama Canal makes it possible to send modern carriers through, both canals would become even more operationally beneficial for the U.S. Navy.

However, Mahan's insights into the future, based on events more than one hundred years ago, still offered another glimpse into the future we see today in the Asia Pacific. Mahan cautioned that one nation, such as Japan, could use the Open Door policy to its advantage in an attempt to

gain superiority against a disorganized state, such as China, through political or forceful control.<sup>13</sup> Given Japan's 1905 victory over Russia and its keen interest in the China market, American strategists and war planners developed a war plan, Plan Orange, to defeat Japan if its expansion into the Pacific incited a war with the United States.<sup>14</sup> The premise of the strategy was that Japan would attempt to "dominate the land, people and resources of the Far East," and would then attempt to remove the United States from its interests and possessions in the western Pacific -- Guam, Hawaii, and the Philippines.<sup>15</sup> The U.S. ideals of self-determination and open international trade would galvanize the United States to employ its industry and military forces to fight back with a counter-offensive to recover the lost territories and bring Japan to submission.<sup>16</sup> Given the geography of the Western Pacific -- with the American West Coast some 5,500 miles away by sea and key U.S. interests in the Philippines and Hawaii 3,000 and 4,000 miles away respectively -- this type of strategy would have to occur in the maritime realm.

Mahan did not believe that Japan was the only eastern state with potential future aspirations for national power. Despite the vastness of China's geographic region and the fact that its territories were constantly under encroachment, China already displayed early ambitions to develop and expand its independence. China's aspirations to become more self-reliant and independent of external aid were evident by the fact that it built a railroad from Peking to Kalgan, 122 miles, without foreign assistance and even planned to extend it another 150 miles without foreign aid.<sup>17</sup> Mahan predicted that despite Chinese innovation and national aspiration, the mere size of its country would prove to be a challenge to achieving its goals in short order. China would not be able to achieve the independence it sought until resources and development surpassed its growing needs.<sup>18</sup> Mahan also foresaw that the countries of the Far East would have to go through a formative period similar to Europe or the United States in forming a cohesive

community, although Western influence may help to enable that progress.<sup>19</sup> He was able to recognize that China, one day, would realize its own potential and develop ambitions to fulfill its rightful place in the hierarchy of nations.<sup>20</sup> Mahan's insight into China's ambition to achieve national unity was a critical foreshadowing of events that we see today in South East Asia.

In the context of China's policy in the South China Sea, U.S. history in the Caribbean could serve as a geopolitical model. In his book, *Asia's Cauldron*, Robert Kaplan compares the relationship between United States and the Caribbean in the early nineteenth century, based on geographical location, to China's claims in the South China Sea.<sup>21</sup> Zhao Hong submits, in "The South China Sea Dispute and China-ASEAN Relations," that the historical claims of China's sovereignty over areas in the South China Sea, indicated by the nine-dash line, have been officially included on Chinese maps since 1914.<sup>22</sup> The nine-dash line, comprised of nine dashes outlining China's claims in the South China Sea, encompasses the maritime area within the first island chain. The dashed line follows along the coast of Vietnam and continues south towards Malaysia before turning north along Brunei and the Philippines and ends just east of Taiwan. The nine-dash line continued to be included on maps published after 1949 when the People's Republic of China was formally established.<sup>23</sup> Chinese analysts contend that the nine-dash line preceded the guidelines set forth by the 1982 United Nations Convention of Law of the Sea (UNCLOS).<sup>24</sup> Additionally, the area included within the nine-dash line constitutes a major international shipping route comprising approximately one third of the global commerce and half of the global oil shipments between the Pacific and Indian Oceans.<sup>25</sup> China considers the maritime waters within the nine-dash line, as its sovereign territory, giving it primary rights to natural resources in the Spratly, Paracel, and Senkaku Islands.

As a geographical comparison, the Caribbean, already an established trade route between Europe and North America, was included by the United States as a maritime extension of North America in the 1823 Monroe Doctrine with the intent to keep European powers from reestablishing control in the Western Hemisphere. The South China Sea contains strategic sea lines of communication between the Pacific and Indian Ocean similar to those in the Caribbean, but on a much grander scale. Kaplan notes that China is attempting to assert its dominance and control in the region much like America did with respect to the Caribbean.<sup>26</sup> China is not above compromise for the use of its territorial claims by other regional nations as long as that conciliation is not so severe as to induce harsh criticism by Chinese nationalists.<sup>27</sup> Despite this concession, China still maintains a tumultuous relationship with other regional states and those territories encompassed within the nine-dash line, often resulting in violent maritime clashes and even death.

One distinct difference between the current issues in the South China Sea and the Caribbean is that at the time of the Monroe Doctrine, the Caribbean states were not well established.<sup>28</sup> Such is not the case with the nations bordering the South China Sea, such as the Philippines and Vietnam, which are currently involved in the maritime territorial disputes. Sovereignty among the territories in the Caribbean in the early twentieth century lay primarily with outside imperial powers. Today, the surrounding states today in the South China Sea have their own sovereign governments that prevent China from being able to assert control over their state rights. Yet another difference between these situations is that though the United States would stand against any European attempt to colonize of the islands, it did not claim possession of the islands themselves (though it eventually took Cuba and Puerto Rico from Spain, and aspired to buy the Danish West Indies.)<sup>29</sup> Despite these differences, China's assertion of its regional dominance

bears a slight resemblance to a strategic adaptation of the American Monroe Doctrine, only with Chinese characteristics.

Energy consumption and the demand for resources have fueled much of the ongoing territorial disputes in the South China Sea itself. Since the 1970s, demand for energy resources in the region has been on the rise due to massive economic development. At the same time, the region has been dealing with a decrease in available regional energy resources and competition on a global scale for conventional energy fuels.<sup>30</sup> As of 2013, China was the world's second-largest oil importer, although it ranked as fifth in the world for oil production.<sup>31</sup> These in-demand and vital resources are primarily shipped through the highly disputed regions in the South China Sea. The discovery of natural energy resources in the contested regions has fueled competition for exploration rights and the endeavor for energy security. Although China has engaged in some joint development ventures, it has not entirely conceded its claims on sovereign territories in accordance with UNCLOS.

China's growing need for natural resources is one of the primary reasons it has sought out relationships with the countries of Latin American and the Caribbean. Since the beginning of the twenty-first century, China's economic activities have increased significantly with many of the region's countries. Countries such as Argentina, Brazil, Chile, and Peru have engaged in bilateral trade agreements with China to provide natural resources that China requires.<sup>32</sup> Additionally, as a leading world importer for foreign oil, Beijing's concerns surrounding traditional resource availability prompted its decision to explore energy diplomacy in Latin America.

In his chapter, “A View from Latin America” in *China’s Expansion into the Western Hemisphere*, Juan Gabriel Tokatlian offers several reasons for China’s interest in Latin American resources. First, the instability in the Middle East and uncertainty with Russia raise questions about those regions’ continued role as primary sources for oil.<sup>33</sup> Secondly, the tensions in the South China Sea regarding energy exploration persuaded China to expand its portfolio and “disassociate energy security initiatives from other security matters.”<sup>34</sup> Energy demands have also forced China to find resources where they are available rather than where it is preferable.<sup>35</sup> China also carries little concern for political, social, and environmental consequences of how it conducts exploration operations. Additionally, China is in competition with countries such as India to find energy sources to meet the growing demand of its population.<sup>36</sup> Finally, Tokatlian contends that China’s interest and expanding energy ties are not a threat to the security interests of the United States.<sup>37</sup> Tokatlian asserts that Latin America has not yet established itself as a “solid, sustainable, and coordinated energy policy that provides the region a fluid, reliable, and secure energy supply.”<sup>38</sup> Furthermore, since neither China nor the United States has achieved a sensible strategic energy policy in the region, according to Tokatlian, China’s presence is not threatening.<sup>39</sup> Regardless, analysts remain distrustful of China’s intentions due to its reputation for consternation in South East Asia. Perhaps an understanding of Chinese strategic culture can provide insight into its decision-making, as it remains the foundation of China’s strategy.

To assess China’s motivations, analysts and planners should first study Chinese historical and ideological writings to understand the cultural and political influences that still resonate in its national strategy today. Chinese strategic culture can be compared to that of the Western idea of realism cloaked in Confucian rationalizations. This means that even if China is negotiating or delaying action rather than engaging in violent combat, it is really just biding its time as it is

always preparing to defeat the enemy. Alastair Ian Johnston argues that China is actually operating under two distinct strategic cultures.<sup>40</sup> The first is conflict adverse and defensive, while the second offers offensive military solutions to conflict.<sup>41</sup> Andrew Scobell proposes that the Chinese people rationalize that the use of offensive force is in reality a purely defensive measure and will justify its actions under that belief.<sup>42</sup>

The elements of the Chinese strategic culture resonate through all the elements of its national power – diplomatic, military, economic, and information/intelligence. Intellectuals with skeptical views of China's investment in Latin America might invoke Chinese culture and character, as well as its actions against its neighbors in the Asia Pacific region as a way to assess China's intention in LAC. Moreover, China's military strategic culture emphasizes denial and deception, and encourages confidence and patience while ensuring military capabilities, capacities, and intentions remain hidden.<sup>43</sup>

These cultural tenets, combined with sizeable annual increases in defense spending in recent years, have made many analysts and observers suspicious of China's true military intentions and capabilities. Over the last twenty years, China's military spending budget to modernize its force has significantly increased. Many analysts will contend that China employs a lack of transparency when it comes to how much it is actually spending to modernize its force, in accordance with its military strategic culture.<sup>44</sup> China's goal is to achieve recognition as a regional and global power, and to oppose American military forces as the United States adjusts its security strategy and presence in the Asia-Pacific. Given sufficient naval power, China could conceivably anticipate challenging U.S. naval power outside the Asia-Pacific in the future as well. It is important to remember that although China's strategic culture is adverse to chaos, its military stratagem includes watching, waiting, and maintaining a low profile while it prepares for

decisive success. If China were going to take decisive military action in LAC, it would most likely not incite conflict in the LAC region until it had a reasonable ability to project sizeable military power into the region.

Such speculation, however, begs the larger question: what is China's trajectory for developing a capability for force projection on a global basis? According to China's 2013 Diversified Employment of China's Armed Forces, the primary policies and principles that its armed forces will adhere to are "Safeguarding national sovereignty, security and territorial integrity, and supporting the country's peaceful development."<sup>45</sup> China also claims that its peaceful development efforts and national defense policy are strictly for the defense of its sovereign territory.<sup>46</sup> The white paper goes on to state that China's armed forces are also preparing to conduct operations overseas such as "emergency response and rescue" and to "provide reliable security support for China's interests overseas."<sup>47</sup> China has also stated that it is committed to international security cooperation and military exchanges with other countries and third parties should not consider this as any type of threat.<sup>48</sup> Ultimately, Chinese national security dictates not only a dominant presence in the South China Sea, but also secure access to resources outside the region.

Cooperation efforts and military exchanges may include forces from the People's Liberation Army Navy (PLAN), which are currently undergoing modernization to develop comprehensive offshore operations and blue-water capabilities. Naval modernization efforts include an aircraft carrier program, submarines, surface assets, and naval missile development programs.<sup>49</sup> Defense analysts and the world press have debated China's intent behind its carrier program, but many will argue that, due to its current limited cruising endurance and capabilities, China's carrier program most likely serves the purpose to intimidate its neighbors rather than to challenge the

U.S. Navy.<sup>50</sup> China's naval doctrine, logistics programs, and personnel development programs are also undergoing reform to adjust for the modernization of its naval force capabilities.<sup>51</sup>

Though China asserts that it has no aspirations to seek hegemony or engage in military expansion, Department of Defense (DoD) analysts assess that China's investment in its military programs and weapons productions will eventually enable the PLA project military power well beyond the South China Sea.<sup>52</sup> Even though many analysts believe that it will be many years before China's naval capabilities will come close to rivaling those of the U.S. Navy, especially outside of the Asia Pacific region, this DoD assessment should require the United States to expand its frame of reference, both politically and militarily, regarding China beyond the Asia Pacific.

While the United States is concerned with its geographic and economic relationship with Latin America, it does need to pay attention to increasing influence from outside nations, such as China, that may unbalance the current U.S. affiliations in LAC. Some observers may dismiss the growing concerns, but other U.S. academics, journalists, and officials express increasing apprehension of Beijing's involvement in Latin America and encourage the United States to continue initiatives with Latin America. Typically, the U.S. concern with Latin America and the Caribbean centers around transnational crime, border issues, and drug smuggling. Dr. Evan Ellis contends, "U.S. policymakers and analysts too seldom think in strategic terms about Latin America in the way that they do toward other parts of the world."<sup>53</sup> Perhaps the United States is taking its relationship with LAC for granted, leaving the door open for other governments to take advantage of the resource and investment opportunities available within LAC.

China's domestic military modernization and international resource objectives have been widely publicized, but its military involvement in the LAC region has not met with the same

public interest. Though the U.S. response to China's military involvement in LAC may seem subdued, military leaders are convinced that U.S. security cooperation efforts in Latin America continue to be a strategic importance for American military forces. In 2005, General Bantz J. Craddock, then U.S. Southern Command (SOUTHCOM) commander, testified during a congressional hearing that U.S. officials should not ignore the developing dynamic of Chinese involvement in Latin America.<sup>54</sup> General Craddock went on to cite the "PRC's 2004 Defense Strategy White Paper departs from the past and promotes a power-projection military."<sup>55</sup> The 2013 PRC Employment for the Armed Forces also emphasizes the use of its military to extend operational capabilities in overseas locations to protect China's interests.<sup>56</sup> Several observers have noted an increase in Chinese travel to the region over the last decade and a half to conduct arms sales and to participate in education and combat training exercises.<sup>57</sup> As of late 2014, Chinese President Xi Jinping had visited the region twice since taking over the office in 2013 to discuss bilateral agreements.<sup>58</sup> One important note is that although several Chinese military leaders have made regular visits to the region, the PRC has not openly pursued base access agreements or defense alliances.<sup>59</sup> If or when this happens, the United States will face a much different strategic problem with China in LAC.

Currently, SOUTHCOM is actively engaged in theater security cooperation (TSC) efforts with Brazil, the Caribbean, Central America, Colombia, and Peru.<sup>60</sup> SOUTHCOM forces provide international military education and training to support the modernization of military capabilities, strategies for maritime interdiction, maritime, air, and land domain awareness, as well as counterterrorism efforts.<sup>61</sup> U.S. Northern Command (NORTHCOM) is also involved in TSC efforts with Mexico to provide education and training to counter transnational crime and drug trafficking organizations.<sup>62</sup> The United States also conducts other military initiatives with

LAC to include military sales, humanitarian and disaster relief assistance, foreign military financing, and other professional exchange programs.<sup>63</sup> For now, the defense diplomacy China is involved with in Latin America does not include enough capacity to cause operational concern for U.S. forces. This then suggests that China's strength in LAC lies in the economic realm, as its main interest appears to center on the availability of natural resources and investment opportunities.

Lauren Hendricks, a military intelligence analyst specializing in the Latin American region, acknowledges that even though China's economy has slowed over the last few years, it "continues to be an important economic partner throughout the region."<sup>64</sup> Hendricks contends that China is investing in LAC countries to secure natural resources, not because it supports or wants to propagate the ideologies of a particular government.<sup>65</sup> The concern is that the consequences of China's actions will enable these countries to continue their respective ideology and social programs, and support the proliferation of anti-U.S. ideology to the detriment of U.S. trade, investment, and bilateral relations in LAC.<sup>66</sup> Hendricks also maintains that the United States needs to be concerned about China's influence in LAC because it is using its economic influence to build a diplomatic and military presence in the region.<sup>67</sup> As China continues to increase its presence in the region, its activities in LAC may eventually secure a countervailing influence in the region that could slowly degrade U.S. power and standing in the region.

Dr. Ellis contends that as the United States is currently involved politically, economically, and militarily in the Asia Pacific, much to the chagrin of China, it is not unthinkable that a rising power like China would creep into the U.S. backyard for its own strategic gain - economically, politically, and perhaps militarily.<sup>68</sup> The United States experienced a similar situation with the former Soviet Union during the Cold War when U.S. analysts and planners were on high alert for

indications that the Soviet Union was using Latin America or the Caribbean to gain a foothold or influence to support the Soviet struggle with the United States.<sup>69</sup> The same concerns rose to the surface during the Russian incursions into Georgia in 2008, with the deployment of Russian strategic bombers to Venezuela, and Ukraine in 2014 when Russia indicated it would reestablish military facilities in the LAC region.<sup>70</sup> While Russia will always be a concern for the United States, China has been quietly building up its economic and military influence in Latin America and the Caribbean. As Chinese investments in Latin American and the Caribbean continue to grow, Dr. Ellis warns that the United States should not underestimate China's strategy for moving into the Western Hemisphere.<sup>71</sup> From a maritime perspective, the implications of China's involvement in Latin American thoroughfares for trade, commerce, and possible military transit may cause the most concern.

In 1890, Mahan wrote about the strategic maritime implications the Panama Canal would bring, especially to the Pacific Coast from European forces.<sup>72</sup> Mahan, in 1893, wrote that while the canal would provide much commercial gain, it would present a great weakness from the military perspective.<sup>73</sup> Today, it is not a threat from European countries that concerns most observers; it is Chinese expansion into strategic locations in the Western Hemisphere, such as the Panama Canal and a planned new Nicaraguan canal. Depending on how the United States intends to deal with such expansion, the consequences could prove both dangerous and destabilizing to the region or an opportunity for diplomatic and economic collaboration.

In a massive project to provide a way to ship goods faster and cheaper between the Atlantic and Pacific coasts, the United States completed construction of the Panama Canal in 1914 and controlled the area along the 50-mile stretch of land known as the Canal Zone.<sup>74</sup> The completion of the canal was one of the building blocks that helped the United States achieve the status as a

major global power. Since the area under U.S. control was not economically beneficial to the state of Panama, anti-American riots and protests persuaded President Jimmy Carter to sign the Torrijos-Carter Treaties in 1977 that established the Panama Canal as a neutral international waterway, and would return 60% of the Canal Zone to Panama in 1979 with complete turnover occurring on December 31, 1999.<sup>75</sup> Since November 2000, less than one year after the United States agreed to return full control of the Panama Canal to the Panamanian government under the Torrijos-Carter Treaties, a Chinese company has been in control of both the Atlantic and Pacific terminals, Cristobal and Balboa, ports once controlled by the United States.<sup>76</sup>

In 2000, Panama Ports Company (PPC), a subsidiary of the Hong Kong-based Hutchison Whampoa Ltd. (HW), obtained exclusive and extensive rights for a 25-year lease for both ports under the terms of a treaty which is set to be automatically extended for another 25 years with the same terms and conditions.<sup>77</sup> The owner of HW, Chinese billionaire Li Ka-shing, apparently has close ties to the Beijing government.<sup>78</sup> Additionally, in the Western Hemisphere, HW also has ports and related investments in the Bahamas and Mexico.<sup>79</sup> The suspected connection between HW and the Chinese government is what makes many analysts uneasy, especially considering HW expansion into LAC and the lease terms for the Panama Canal ports.

The controversial lease agreement between Panama and HW included the “right to control anchorages on both ends of the canal, to hire new pilots to guide ships through the waterway, to block all passage that interferes with the company's business, to take control of key public roads near the canal and to have right of first refusal for control of some former U.S. military bases.”<sup>80</sup> Panama Law number 5, signed in 1997, granted concessions to Panama Ports Company for the “the development, construction, operation, administration and management of the terminals for containers, ro-ro, passengers, bulk cargo and general cargo, and their respective infrastructures

and installation, in the ports of Balboa and Cristobal, the infrastructures, installation, facilities and physical areas.”<sup>81</sup> The Law also granted that PPC could “carry out its operations, transactions, negotiations, and activities in general, be they local or international, with any person or public, private or mixed entity.”<sup>82</sup>

The 1997 law governing Chinese use of the Panama Canal may pose a challenge to the terms of the 1977 Torrijos-Carter Treaties, which stated, “The United States could use its military to defend the Panama Canal against any threat to its neutrality, thus allowing perpetual U.S. usage of the Canal.”<sup>83</sup> Concerns about the loss of U.S. control of the Panama Canal were discussed during a U.S. House of Representatives hearing on December 8, 1999.<sup>84</sup> Navy Admiral Thomas Moorer, Retired, testified that “the rights granted the Chinese grossly violate the United States rights under the Panama Neutrality Treaty.”<sup>85</sup> Moorer went on to say that, “Panama Law 5 unethically shuts out U.S. bids and gives Panama extensive financial benefits.”<sup>86</sup> The fear was that this law could put the unconstrained use of the canal by U.S. military vessels and the Panama Neutrality Treaty in jeopardy.

If PPC has seemingly unlimited control of who or what can transit through the canal, there is cause for concern about whether or not the agreement of neutrality and U.S. usage of the canal is still viable. The United States expects to have unimpeded access to these areas, including freedom of navigation through the Panama Canal during times of both calm and crisis. There is a definite and concerning link between the PPC/HW control of the Panama Canal port entrances and their presumed connection to the Chinese government, especially with respect to the unencumbered U.S. military and economic usage of the canal.

Tokatlian contends that the trepidation surrounding the unimpeded use of the Panama Canal by the United States is overstated.<sup>87</sup> Tokatlian states that when the United States turned over control of the canal to the government of Panama, its strategic importance was already in decline.<sup>88</sup> Additionally, the Torrijos-Carter Treaties and the 1978 DeConcini amendment give the United States the right to defend the neutrality of the canal if threatened and to deploy military forces to reopen or restore operations of the canal.<sup>89</sup> He also believes that Hutchison Whampoa is a corporation with global assets that is more concerned with business than with Chinese government ideology.<sup>90</sup> Tokatlian sums his theory up by saying that Beijing has, so far, not shown aggressive behavior towards the United States regarding the Panama Canal. Tokatlian provides logical assertions given China's public declarations and intentions towards the region for benign economic development. Additionally, the Panamanian Government will most likely not allow provocation by the Chinese against the United States, which may inhibit future bilateral free trade agreements, democratic and social developments, and efforts to combat drug trafficking and other criminal activity that Panama currently shares with the United States. The hope is that the shared social and cultural ties between the United States and Panama would convince the Panamanian Government to support the United States if a possible conflict arose to prevent U.S. transit of the Panama Canal. If that option is not possible, the United States has the military might to enable its use of the canal – whether by persuasion, intimidation, or force.

The United States did consider investing in a canal across Nicaragua in the mid to late 19<sup>th</sup> century, but it appears that the plan was set aside in favor of building the Panama Canal project after the French project went bankrupt.<sup>91</sup> During the congressional testimony in 1999, Lieutenant General Gordon Sumner, Jr. also briefly discussed ideas for building an alternative canal in Nicaragua.<sup>92</sup> After several studies that considered the construction of a Nicaragua canal,

speculation has been that the United States leading a project for a new canal through Nicaragua would not be supportable based on economic or strategic positions at the respective times.

Additionally, the environmental concerns expressed by the Nicaraguan people and the surrounding states who oppose the canal project may have also been a diplomatic nightmare for the United States, already striving to maintain productive relationships in Latin America.<sup>93</sup>

China does not seem to share these same concerns as evident by their actions in the South China Sea and other international endeavors.

That Nicaraguan canal idea has now come to fruition, with China at the helm of this venture. The billionaire behind the Nicaragua Canal project is Chinese businessman, Wang Jing. Wang, chairman of the Beijing Xinwei Telecom Technology Inc., established the Hong Kong Nicaragua Canal Development Investment Co (HKND) in 2012.<sup>94</sup> HKND has accepted a 50-year concession for the construction of the Nicaragua Canal project, with the option to renew for another 50 years.<sup>95</sup> The \$50 Billion project is expected to take about ten years to complete and will include the “Canal (including locks), 2 Ports, a Free Trade Zone, Holiday Resorts, an International Airport and several roads” along with other related facilities to complete the projected 173-mile canal.<sup>96</sup> The intent is to build a canal with a capacity to serve vessels much larger than what the Panama Canal currently can handle. It is unknown at this time if the Nicaragua Canal or the Panama Canal, once the widening project is complete, will be able to handle the larger vessels of the U.S. Navy that currently have to transit around South America.

Nicaraguan President, Daniel Ortego, firmly supported the bill to approve the Nicaraguan Canal project on June 5, 2013.<sup>97</sup> The bill, granting exclusive concession to the Chinese investors, also established that “Nicaragua gives up any claim to or sovereignty over the concession for up to 100 years.”<sup>98</sup> This could open a door for China to gain a basing opportunity

in Central America, and it could eventually gain the capability to support military operations against the United States if a crisis arose between the two powers in the future. Although the possibility of a Chinese base in Central America will not likely become an immediate concern for the United States, it does provide justification for why the United States needs to maintain awareness of China's capabilities and intentions in the region.

Wang has brought in several international companies to conduct technical feasibility studies as well as impact assessments for social and environmental matters, but these studies have not yet been released to the public according to the HKND website.<sup>99</sup> Companies from Australia, Belgium, and China will be responsible for the design and construction of the project.<sup>100</sup> Unanswered questions about who is funding this venture has led several scholars and news agencies to speculate that the Chinese government is involved. In May 2014, Wang reported that five international companies have already signed memorandum of understanding and the final contracts were in progress for the unnamed investors.<sup>101</sup> Construction of the canal, expected to be complete by the year 2020, would boost the gross domestic product for Nicaragua and create thousands of jobs during construction. Although the trade and economic factors sound positive, the social and environmental impacts have been topics widely debated in Nicaragua. The expected route of the canal will transit through Lake Nicaragua, the main water source for Nicaragua, and may possibly displace thousands of people from their homes and farms. These concerns have sparked protests against the canal and the government of Nicaragua.

Richard Feinberg, senior fellow in the Latin America Initiative at Brookings, addresses some of the obvious issues that the United States has yet to address. The first issue that the United States should be concerned about with the Chinese involvement in the canal project surrounds the security and neutrality for the use of the canal for shipping by all countries. The second is

the geopolitical implications of having such a large Chinese economic investment in the United States' backyard. In line with that same thought, if the Chinese are the primary financiers for the construction project, there are questions as to whether or not there will be open and fair bidding for contractors from other countries such as the United States, Mexico, or Brazil. Finally, there is also the possibility that if this project is successful, it could solidify a strong, unified Nicaragua that has the chance to become the prevailing nation in the isthmus.<sup>102</sup> Construction of the Nicaragua canal will not only provide a thoroughfare for trade and commerce, it could also provide future military access for countries such as Russia and China into America's backyard. Much as in the case of the Panama Canal, the United States will need to employ diplomatic measures to encourage shared development projects that will increase the economic benefits for all those involved and decrease the potential for tension.

In conclusion, while the United States maintains a focus on monitoring and balancing China in the Asia Pacific, it should also consider employing those same diplomatic and economic efforts in the Latin American arena to ensure the protection for its interests in its own backyard. The United States is engaged in mutually beneficial military, political, and economic relationships with the maritime states of the Asia Pacific. By cultivating these relationships, the United States is providing reassurance to its allies and partners in the Asia Pacific region that it will maintain a presence that will promote stability while also achieving the goals set forth in the national security strategy in regards to the rebalance to the Pacific. American military power supports diplomacy efforts but helps to regulate Chinese aggression and moderate tensions in the Asia Pacific region. The United States needs to employ this same type military and economic diplomacy when it comes to Latin America and the Caribbean. Additionally, when devising a strategy to deal with China, whether it is in the Asia Pacific or LAC, U.S. decision makers need

to consider the foundations of Chinese strategic and military culture, especially as China continues to increase its defense budget and expand its economic and military influence.

Although it appears that the United States does not intend to stop China's expansion into the Western Hemisphere, it might yet shape China's actions through bilateral diplomacy. Beyond Chinese involvement in the Panama Canal and the Nicaragua Canal project, the United States should be concerned with China's economic, political, and military influence with nations in the region that could provide a counterbalancing influence in the region. Military conflict, though, would not be likely until or unless China has established a strong basing option in LAC and an ability to project power capable of challenging U.S. forces. In order to facilitate good faith and business practices, the United States, China, and Panama – and perhaps now Nicaragua -- should work together to ensure the security of the isthmus canals and guarantee that trade and commerce continue to flow freely.

At the end of the day, even if Chinese involvement in Latin American and the Caribbean appear on the surface as completely benign business practices, the United States should maintain some caution and situational awareness about the reach of China's influence in LAC. The United States will need to continue to foster adequate security and energy policies with LAC, and develop strategies that will meet and exceed those offered by challengers to secure a positive and lucrative U.S. position in LAC. The key to U.S. relations in Latin America and the Caribbean and dealing with the expanding Chinese influence will lie in establishing trust and security through diplomatic, economic, and military efforts that will help the United States to build and maintain existing and future relationships with LAC to continue stability efforts and economic progress in the region.

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