U.S.-China Constructive Interaction in Latin America and the Caribbean

The Case for Engagement Through Multilateral Frameworks

Gianandrea Nelli Feroci

November 2019
U.S.-China Constructive Interaction in Latin America and the Caribbean

The Case for Engagement through Multilateral Frameworks

Gianandrea Nelli Feroci

INTRODUCTION

In May 2019, The Carter Center, in collaboration with the China Research Center of Atlanta and the Institute of Developing Nations of Emory University, hosted the sixth annual meeting of the International Consortium for China Studies (ICCS). The meeting focused on topics relating to “The Rise of China and its Impact on Developing Countries.” One panel analyzed the impact of China’s increasing presence in Latin America and the Caribbean (LAC) within the framework of the growing global competition between China and the U.S. The panelists were asked to do the analysis from three different perspectives: 1) the Chinese perspective, 2) the U.S. perspective, and 3) the LAC perspective. The main objective of the analysis was to understand the impact of China’s growing presence in LAC’s sustainable development. Drawing on the experience of the U.S.-Africa-China Trilateral Consultations on Peace and Development, led by the Center since 2015, the authors also were invited to analyze whether there are opportunities in LAC for a trilateral dialogue to explore areas of cooperation between the U.S., China, and LAC countries.

The main conclusion of the May 2019 panel was that the current international context makes it difficult to imagine a government-to-government trilateral relationship today in LAC. Nonetheless, the panel identified areas of shared interest and avenues for dialogue that China, the United States, and LAC countries should explore in the mid- to long term to foster sustainable development in the region. This policy paper follows up on those conclusions and argues that instead of trilateral mechanisms, several existing regional multilateral frameworks could be used to promote constructive U.S.-China interaction in LAC. It provides a macro analysis and recommendations for constructive interaction through multilateral frameworks, based on a comparative analysis of U.S. and Chinese strategy documents for LAC and existing regional multilateral development policy frameworks. The analysis concludes by pointing out that today it is necessary to start a process of quadrilateral engagement in which the United States, China, and LAC countries coordinate with and through multilateral actors.

FROM TRILATERAL TO MULTILATERAL ENGAGEMENT

Since 2015, The Carter Center has been promoting trilateral engagement in Africa, mainly around opportunities for the U.S., China, and African countries to collaborate on: i) maritime security in the Gulf of Guinea; ii) peacekeeping and post-conflict development in the Lake Chad Basin; iii) deconfliction in Djibouti; and iv) public health development in Ethiopia and continent-wide. Those dialogue efforts were carried out in a different geopolitical context and an enabling environment characterized by successful experiences, including the U.S.-China collaboration in anti-piracy initiatives in the Gulf of Aden; the battle against the 2014-15 Ebola outbreak in West Africa; and the creation of the Africa Center for Disease Control (CDC) in Addis Ababa, Ethiopia, in January 2017. The idea of exploring prospective entry points for trilateral engagement in LAC came from those positive experiences in Africa. Furthermore, past experiences in LAC confirm that trilateral dialogue and collaboration is possible and can achieve positive outcomes. Under the Bush and Obama administrations, the U.S. welcomed and supported China’s participation as a donor member of the Inter-American Development Bank (2008), as well as
China’s financial support to the Organization of the American States (OAS) (2005, 2009, 2015). Not surprisingly, however, the main conclusion of the May 2019 panel was that the current international context makes it difficult to imagine a government-to-government trilateral relationship today in the region. It is worth mentioning that the current status of the U.S.-China relationship is also preventing government-to-government cooperation in Africa today.

At the same time, the panel produced interesting takeaways about the Chinese and U.S. roles in LAC’s sustainable development. Dussel Peters (2019) pointed out that China poses both massive challenges and opportunities to LAC. But so far there has been a general deterioration in development. LAC is exporting commodities with little added value and importing technology. In addition, LAC countries experience difficulties in integrating local and domestic suppliers into Chinese infrastructure projects in the region. The blame for this deterioration lies mostly with LAC elites and governments, who should have adopted measures to upgrade their relationship with China in terms of trade, overseas foreign direct investment (OFDI), financing, and infrastructure projects. LAC so far has not been able to utilize existing economic policy frameworks such as the Belt & Road Initiative (BRI), the two official Chinese government white papers on LAC (2008 and 2016), and action plans from the Community of Latin America and Caribbean States (CELAC)-China Forum. According to Peters, “The deterioration and the potential social and political impact in LAC... for trade, OFDI, financing, and infrastructure projects, should also raise China’s awareness and analysis to solve these specific issues for development in LAC. Both parties, LAC and China, should increase their efforts to improve, extend, deepen and learn from trade, OFDI, financing and infrastructure projects for the future. This learning process has so far been extremely limited and seriously questions the sustainability of a long-term relationship.”

Myers and Ray (2019) said that China describes its relationship with LAC as “supportive of common development objectives and shared global interest, including climate change mitigation and upgrading global economic governance. But in practice, Chinese activity in the region has had varied effects on the region’s development prospects. Chinese engagement would appear to at least partially support many of the economic SDGs, including those related to employment, poverty, and economic growth. At the same time, patterns of trade between China and LAC have reinforced LAC’s traditional focus on commodities exports. And China’s persistent investment in infrastructure and extractive industries, though of value economically, is concerning from an environmental and social standpoint.” Myers and Ray’s (2019) analysis also identified three potential areas and initiatives that might lend themselves to trilateral engagement in the mid- to long term. Those include collaboration in the fight against transnational organized crime, enhanced coordination between Chinese and Western development finance institutions (DFIs) in the domain of sustainable energy and infrastructure, and cooperation in humanitarian and health assistance.

H. Niu (2019) argued that China needs to pay attention to a number of factors in its deepening cooperative relationship with LAC. Both actors need to strengthen their policy consultations in order to minimize investment risks in the region. Considering LAC countries’ diversity as well as their different approaches to regional integration, China must maintain a mix of regional and bilateral approaches. To foster development cooperation and continue building partnerships for sustainable development, China should also promote and support LAC countries’ domestic debates on issues and policy decisions about cooperation with China. Niu also pointed out that “in a highly integrated world, most countries in Latin America prefer to have good relations with both major world economies rather than take sides between China and the United States. In a larger context, it is a game of managing balance-of-power shifts in the
region considering the rising autonomy of the region and more capable external and internal players emerging in the region. Considering the issues in the U.S.-Latin American relationship, China’s economic engagement with the region could provide more favorable conditions to solve the issues of illegal immigration, drug trafficking, and energy security.”

At the 2019 meeting on “The Rise of China and its Impact on Developing Countries,” The Carter Center was initially interested in identifying entry points for coordination among U.S., Chinese, and LAC partners. However, the panel conclusions, the international context, as well as the Center’s engagement with LAC, U.S., and Chinese actors led to the realization that, today, conducting projects through multilateral frameworks would yield a better chance for engagement in areas that could be beneficial for LAC countries. Multilateral frameworks can give both U.S. and Chinese partners the necessary neutral setting to engage on issues of shared or complementary interest while offering a degree of insulation against fluctuations in the bilateral relationship. The idea, therefore, is to focus on areas where there is potential for engagement and shared or complementary interests from both China and the U.S. in LAC, and to identify multilateral frameworks that can be used to channel them. In this process, it is important to acknowledge that those interests coexist with the two superpowers’ contentious issues and diverging priorities in the region. Tensions stemming from those issues, however, could be diffused or even settled if the U.S. and China become increasingly intertwined through engagement in multilateral frameworks.

U.S.-China competition in LAC can result in the launching of separate projects that waste resources, duplicate efforts, and lessen impact. At the same time, competition for influence can also be beneficial for LAC countries, as it can result in a greater number of options, as well as greater available resources. Thus, while U.S.-China competition can be perceived as an obstacle to LAC development, it can sometimes be beneficial, especially regarding engagement in multilateral frameworks. For instance, the U.S. and China seem to have different levels of interest and engagement, as well as their own strategies, for the achievement of each of the 17 sustainable development goals (SDGs) in the region. On the one hand, that is evidence of the lack of dialogue between LAC’s first and second economic partners, and a clear obstacle for the achievement of SDG 17, which focuses on the strengthening of partnerships to achieve the other 16 SDGs. On the other hand, those differences can be used strategically by LAC countries to diversify their resource options, which can be targeted to specific SDGs depending on who the donor or partner is. If competition is channeled through multilateral frameworks, it can even lead to mutual support from the U.S. and China, as will be pointed out in the following paragraphs.

DEVELOPMENT MULTILATERAL FRAMEWORKS IN LAC

The positive aspect of engagement through multilateral channels in LAC is that there is already a vast array of multilateral development policy frameworks that provide entry points for support in alignment with regional priorities, which have already been officially endorsed by both the U.S. and China. The first instrument to guide any development support in LAC is the United Nations 2030 Agenda for Sustainable Development in Latin America and the Caribbean, which examines the SDGs from a Latin American and Caribbean perspective, identifying key challenges and opportunities for its implementation in the region. The document makes several policy recommendations and proposes tools for an environmental big push. Through the coherent, integrated alignment of all public policies to achieve the 2030 SDGs, Agenda 2030 sets the pattern for sustainable and inclusive development in the region.
From a China-LAC engagement perspective, the relevance of Agenda 2030 as a framework for development cooperation in LAC is acknowledged by the 2018 Declaration of Santiago released by the Second Ministerial Meeting of the CELAC-China Forum. The same document stresses the importance of designing cooperation models with international organizations. It points out that the “declaration requires a solid follow-up and joint monitoring of initiatives, plans and programs, for which the support of international organizations is fundamental, especially the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB), the Development Bank of Latin America (CAF) and the Economic Commission for Latin America and the Caribbean (ECLAC).” More details about policy alignment with Agenda 2030 can be found in the CELAC and China Joint Plan of Action on Cooperation on Priority Areas (2019-2021), especially with regard to: 1) SDG 1: End poverty; 2) SDG 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture; 3) SDG 3: Good health and well-being; 4) SDG 6: Ensure availability and sustainable management of water and sanitation for all; 5) SDG 7: Affordable and clean energy; 6) SDG 9: Industry, innovation, and infrastructure; 7) SDG 13: Take urgent action to combat climate change; 8) SDG 14: Conserve and sustainably use oceans, seas, and marine resources; 9) SDG 15: Protect, restore, and promote sustainable use of terrestrial ecosystems; and 10) SDG 16: Peace, justice and strong institutions. The alignment with those SDGs can also be identified in the narrative of the 2016 Chinese government’s Policy Paper on Latin America and the Caribbean.

From a U.S.-LAC engagement perspective, it is notable that there is not a single U.S. development multiyear strategy document for the entire region that allows for a comparative analysis of U.S. and China regional strategies and SDGs alignment. Nonetheless, the United States Agency for International Development’s (USAID) strategies and portfolios for LAC countries and subregions, as well as the U.S. Foreign Assistance to Latin America and the Caribbean Appropriations, can be used to carry out a similar analysis. A look at the country portfolios confirms that U.S. development aid in LAC is in line with all 17 SDGs. It is important to point out that this conclusion was reached by doing a “topic average” of all those documents. Therefore, in some countries, there is a focus on specific SDGs that are not targeted in other countries. The 2019 appropriations for Foreign Assistance to Latin America and the Caribbean clarify U.S. development aid areas of interest in the region, which are divided into three main thematic groups. Group 1, which accounts for approximately 46% of the U.S. development assistance budget in LAC, focuses on democracy, the rule of law, economic reform, education, agriculture, and natural resource management. Group 2, which accounts for approximately 14% of the budget, focuses on HIV/AIDS, maternal and child health, nutrition, and malaria programs. Group 3, which accounts for 40% of the budget, focuses on security assistance programs.

The above points to an alignment with most of the SDGs where China also has interest in engaging with LAC countries: SDGs 1, 2, 3, 6, 9, 14, 15, and 16. Additionally, it shows U.S. alignment with the following SDGs in LAC: 1) SDG 4: Quality education for all; 2) SDG 5: Achieve gender equality; 3) SDG 8: Decent work and economic growth. However, it is not yet clear how the U.S. decision to withdraw from the Paris Agreement on climate change will impact development aid support in natural resource management (in Group 2 of U.S. foreign-assistance targets in LAC). That also includes the achievement of SDGs 14 and 15, and the cross-cutting issue of climate change mitigation and environmental sustainability, which is present in virtually all SDGs. At the same time, it must be acknowledged that China’s persistent investment in infrastructure and extractive industries in LAC is concerning from an environmental standpoint, as noted by Myers and Ray (2019). Another important detail to consider,
they wrote, is that the “Trump Administration is seeking to reduce foreign aid significantly and refocus U.S. assistance efforts in the region to address U.S. domestic concerns, such as irregular migration and transnational crime,” shifting from a broader approach to development aid to a narrower focus on security.

A CONCRETE PROPOSAL FOR US-CHINA MULTILATERAL COORDINATION

Both the U.S. and China display ambiguity on the SDGs that involve climate change. They also have diverging interests in the area of peace and security, particularly as it relates to relationships with Venezuela and the Chinese diplomatic expansion in the region at the expense of Taiwan. However, both the U.S. and China seem to be officially aligned with most of the objectives set by the key regional multilateral framework, the Agenda 2030. But how could that alignment lead to constructive interaction to achieve actual cooperation? For the purposes of this discussion, it would be better to narrow the scope of work, moving from the broad objectives of all the SDGs to more specific issues and/or specific countries. The document *Hacia un nuevo estilo de desarrollo: Plan de Desarrollo Integral El Salvador-Guatemala-Honduras-México. Diagnóstico, áreas de oportunidad y recomendaciones* (Toward a New Development Style: Integral Development Plan El Salvador-Guatemala-Honduras-Mexico. Diagnosis, Areas of Opportunity and Recommendations – referred to as the Plan hereafter) was published in June 2019 by Mexico’s Ministry of Foreign Affairs in collaboration with the ECLAC. It provides a good framework for this exercise by setting a series of development policy recommendations within the framework of Agenda 2030, based on a thorough needs assessment of Mexico’s southern states and the countries of the Northern Triangle of Central America (NCA): Guatemala, El Salvador, and Honduras. It has been promoted by Mexico and undersigned by the NCA countries.

NCA countries are among the most in need of development assistance in the region and at the same time a source of security concerns for the U.S. because of narcotrafficking and migration. In an agreement signed in December 2018, billions of dollars for cooperation for the long-term development of the same region were committed by Mexico ($25 billion) and the U.S. ($10.6 billion). However, the U.S. strategy in the area has shifted toward support for private entrepreneurship and security. Moreover, the U.S. funding commitments might be hampered by the temperamental relationship the current administration has with its counterparts in the NCA. And Mexico’s ability to comply with its funding commitments remains to be seen. The country must deal with huge challenges of its own, such as the fact that 42% of its population lives below the poverty line and the ever-rising level of violence. All the above leaves important gaps both thematic and financial, which could be filled by China, together with other donors. Of all the recommendations set by the Plan, some might be particularly relevant for Chinese interests, such as: 1) Enhance electrical infrastructure interconnectivity among NCA countries and between the NCA and Mexico; 2) Develop regional infrastructure to boost natural gas utilization within the NCA; 3) Develop a gradual structural change focused on the transition toward a sustainable economy. Those points alone will require massive investments in infrastructure as well as cooperation in the areas of innovation and high-tech.

From a multilateral framework perspective, the Plan might provide a great opportunity to engage with the NCA and Mexico in areas where China is gradually taking the lead in LAC. Some of that support could even be delivered by aligning Belt & Road Initiative efforts with the Plan objectives in the area of infrastructures. By doing so, China would be supporting southern Mexico and NCA development needs that are regional priorities, as established by the development target countries. China also would be
contributing to the overall development of a subregion that is a great security concern for the U.S.

Notwithstanding the recent shift toward a development cooperation focused on security and private entrepreneurship in LAC in general, including Mexico and the NCA, the United States has historically recognized the link between development and security in the region. That is clearly outlined in the Alliance for Prosperity, which defined U.S. development strategy in the NCA from 2014 to 2019 and included important investments designed to reduce energy costs and ensure the reliability of electricity supply; to modernize and expand infrastructure and logistical corridors; and to promote strategic sectors and attract investment. These are priority areas of interest that can also be found in the CELAC-China Joint Action Plan for 2019-2021 as well as in the 2016 Chinese government’s Policy Paper on Latin America and the Caribbean.

The macro-level comparison of Chinese and U.S. development interests in the region, therefore, shows a certain level of complementarity and even overlap that could be articulated through the multilateral framework represented by the Plan. The document provides a total of 30 recommendations, each detailing specific country objectives and action plans for Mexico, Guatemala, El Salvador, and Honduras. Those recommendations could and should be used as the entry point for both China and the United States to coordinate development initiatives with the countries of the subregion. That coordination can be carried out through a quadrilateral scheme where – depending on the specific development objective to be discussed – United Nations development agencies and funds or the ECLAC or regional development banks engage directly with China, the U.S., and the subregion countries in a dialogue to define the details of their development support, within the framework of the Plan.

A strict focus on development issues through a multilateral focus could also help ease political sensitivities in the NCA. Guatemala and Honduras are among the few countries left in LAC that support Taiwan and are among the closest political allies of the U.S. and the Trump administration in the region. In 2018, El Salvador’s diplomatic recognition of China at the expense of Taiwan caused an outcry from the U.S. Engaging in the subregion through a policy framework that has been endorsed by the ECLAC and is “owned” by the countries that will benefit from that development can help diffuse tensions. Furthermore, it can help in visualizing how Chinese and U.S. interests can complement each other while supporting the overall development of one of the least-developed and less-resilient areas of LAC. Engaging through a multilateral development policy framework would also require closer coordination between the U.S. and China, and between them and Mexico and the NCA countries. Since that coordination would be carried out in a development aid framework, it could be led by development authorities from each country. That would allow for a technical approach over a political one. The recent launch of the China International Development Cooperation Agency (CIDCA), which has a department of regional affairs focusing on LAC, should facilitate China’s development-focused relationships with U.S. and LAC technical counterparts.

CONCLUSION

In today’s international context, given the state of the Sino-U.S. relationships, engaging through multilateral frameworks seems to be the only way to try to develop a constructive interaction aimed at U.S.-China development cooperation, or at least coordination, in LAC. It would be naïve to consider it a panacea for all the frictions between the two superpowers. However, it could provide an entry point to diffuse tensions while working together to achieve shared or complementary interests in the region that also benefit LAC countries. The multilateral policy frameworks already exist and “only” need to be
utilized. The SDGs and Agenda 2030 represent the main framework under which several other multilateral policy instruments, such as the Plan for Mexico and the NCA, have been created and agreed upon. Those frameworks are so complex and broad that both the U.S. and China can contribute to their achievement by engaging in the areas of their own interest, contributing to the greater objective of fostering sustainable development in the region. To follow up on Dussel Peters, Myers and Ray, and Niu’s analyses, those frameworks should be leveraged by LAC governments to upgrade their relationships with China and the U.S. At the same time, they can also provide a safe setting to carry out a reciprocal learning process that could eventually lead to the development of trilateral dialogue and even cooperation, such as in security efforts against organized crime or in humanitarian relief and health. The creation of CIDCA could be a game changer, allowing Chinese engagement with counterparts focusing strictly on technical development policy issues, which would offer more insulation from bilateral political fluctuations.

This policy paper provides a macro analysis and a general recommendation for constructive interaction through multilateral frameworks, based on a comparative analysis of U.S. and Chinese strategy documents for LAC and existing regional multilateral regional development policy frameworks. At the same time, it proposes that for interaction to happen, it is necessary to start a process of quadrilateral consultations between U.S.-China-LAC countries and multilateral actors’ that focus on the detailed objectives and action plans outlined by those multilateral policy frameworks. The first step to implementing such a process would be a micro-level comparative analysis between both CIDCA and USAID policy priorities in LAC and existing regional multilateral policy instruments to identify clear, specific objectives and activities where both China and the U.S. can provide shared or complementary support.

In the specific case of the Plan, Mexico could lead an attempt to promote consultations to foster coordination between China, the U.S., Mexico, and the NCA countries. Mexico enjoys a good relationship with China and is a strategic partner for the U.S. Through the Plan, the country is promoting enhanced coordination among the countries of the subregion. The subregional office of the ECLAC, whose headquarters are in Mexico City, might contribute to the efforts by providing the needed neutral multilateral framework as well as the required technical expertise. The ECLAC was responsible for the analysis that led to the drafting of the Plan and at the same time can represent the bridge to the U.N. system. The United Nations Development Programme (UNDP) can also play an important role to ensure coordination among donor countries, target countries, and their development strategies, and alignment with the SDG objectives and ongoing U.N. efforts to achieve them.
i Dussel Peters E., China’s Recent Engagement in Latin America and the Caribbean: Current Conditions and Challenges, The Carter Center, August 2019, (p. 8).
v The U.S. House and Senate Appropriations Committees, through their 12 subcommittees, hold hearings to examine the budget requests and needs of federal spending programs. The House and Senate then produce appropriations bills to fund the federal government.
vii Ibid. (p.1).
viii Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL), POBREZA EN MÉXICO Resultados de pobreza en México 2018 a nivel nacional y por entidades federativas, Mexico, 2019.
REFERENCES


Economic Commission for Latin America and the Caribbean (ECLAC), *Critical obstacles to inclusive social development in Latin America and the Caribbean: background for a regional agenda* (LC/CDS.3/3), Santiago, 2019.


