



# China's Global Influence: Perspectives and Recommendations



Edited by  
**Scott D. McDonald**  
**Michael C. Burgoyne**

# 9 Understanding and Responding to Chinese Activities in Latin America and the Caribbean

*Dr. R. Evan Ellis<sup>1</sup>*

---

1 This chapter was written while the author was employed by US Army War College Strategic Studies Institute and consulting for the William J. Perry Center for Hemispheric Defense Studies. The views and recommendations expressed are those of the author and do not necessarily reflect the policy or position of the US Army, William J. Perry Center for Hemispheric Defense Studies, US Department of Defense, or US Government.

## BACKGROUND

Since the 1999 award of port concessions in Panama to the Hong Kong-based company Hutchison-Whampoa, the expanding activities of the People's Republic of China (PRC) in Latin America and the Caribbean has increasingly attracted the attention of the region's political and business elites, as well as that of Washington. To date, that expanding presence has been mostly economic. It includes (1) trade with the PRC, which has grown from USD12 billion in 2000 to USD278 billion in 2017,<sup>2</sup> (2) USD150 billion in loans to the region by China's major policy banks,<sup>3</sup> eclipsing that of the Interamerican Development Bank and World Bank, and (3) expanding equity investment, which reached almost USD114 billion by 2017.<sup>4</sup> The later contributed to an economically and politically significant new presence of Chinese companies on the ground in the region. PRC engagement within the area has also included modest but significant and expanding military activities, including arms sales, training, education, and institutional exchanges, and humanitarian visits by PRC military units. Chinese technology engagement in Latin America has also raised concerns, including building and launching satellites for Brazil, Venezuela, Bolivia, and Ecuador, as well as Chinese construction of a deep-space radar installation in Argentina and Chinese space observatories in Chile.

Complementing such Chinese advances, with the end to the informal truce for diplomatic recognition between the PRC and Taiwan, in a fourteen-month period from 2017-2018, three Latin American and Caribbean states traditionally aligned closely with the United States (US)—Panama, the Dominican Republic, and El Salvador—switched diplomatic relations from Taiwan to the PRC with no warning to the US, then engaged in a flurry of activities signing MOUs and contracts which substantially increased the PRC commercial and political position in each.

---

2 "Direction of Trade Statistics," International Monetary Fund, accessed December 2018, <http://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&slId=1409151240976>.

3 "China-Latin America Finance Database," *Interamerican Dialogue*, accessed 9 December 2018, [https://www.thedialogue.org/map\\_list/](https://www.thedialogue.org/map_list/).

4 Enrique Dussel Peters and Samuel Ortiz Velásquez, "Monitor of China's OFDI in Latin America and the Caribbean (2001-2016)," *Red ALC-China*, 5 June 2017, [http://www.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters\\_OrtizVelasquez\\_2017\\_MonitorOFDI-chinaALC\\_English.pdf](http://www.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters_OrtizVelasquez_2017_MonitorOFDI-chinaALC_English.pdf).

## PRC OBJECTIVES IN LATIN AMERICA AND THE CARIBBEAN

China's objectives in Latin America and the Caribbean are principally economic, but nonetheless strategic, driven by the ambitions and imperatives of its rise. To achieve what General Secretary Xi calls the "Chinese dream" of a strong and prosperous state, to date, the PRC has employed export-led growth, leveraging initial comparative advantage in cheap labor and the support of the Chinese state to grow its industries while systematically appropriating the technology of its partners to move up the value-added ladder. To date, it has sought to move into new markets, and as indicated by its plan "Made in China 2025," seeks to move into the highest value-added portion of the production chain. When examined from Deng Xiaoping's opening to the market in 1978 to present, China's rise is the story of a deliberate, persistent (if not always linear) effort to move from being an impoverished nation producing for others at the lowest point of the value-added chain, to one day own those production chains, reaping the returns of its capital globally, and reserving the decision-making and the best paying management, design and technical jobs for its own citizens. The rest of the world would be permitted a "win-win" relationship with the Chinese system by selling the PRC their resources with little value added, and working in PRC-owned factories, and buying PRC-made goods in support of the new global order in which wealth is generated in the periphery and flows to the Chinese "imperial center."<sup>5</sup>

As the PRC aspires to achieve the end state described in the previous paragraph by using its exports and government-supported predatory practices to increase its ownership of global production (particularly targeting strategically valuable technologies and sectors), its focus in Latin America and the Caribbean (and elsewhere in the world) is principally on securing reliable sources of the raw materials that it requires for industrial production, capital formation, and urbanization in the PRC, agricultural inputs to produce food for 1.35 billion Chinese, markets for Chinese goods and services, and technology.

China's strategic economic needs drive a series of political, economic, and military imperatives in the region that challenge the US. Because such activities occur in a global institutional order not of its own making, and because China's strategic goals fundamentally challenge the

5 See James A. Millward, "Is China a Colonial Power?" *New York Times*, 4 May 2018, <https://www.nytimes.com/2018/05/04/opinion/sunday/china-colonial-power-jumping.html>. For a more in-depth discussion of this argument, see also R. Evan Ellis, "The Future of Latin America in the Context of the Rise of China," *Center for Strategic and International Studies*, 21 November 2018, <https://www.csis.org/analysis/future-latin-america-and-caribbean-context-rise-china>.

equities of the dominant states and economic interests, the PRC is arguably driven to reshape global institutions and relationships to achieve these goals. Doing so implies working to alter not only political institutions, but also the structure of commercial interactions and finance.

In politics, China's self-protection drives it to promote multipolarity, including a strategic interest in the survival of populist socialist regimes such as Venezuela, whose existence and activities preclude the US from cementing an ideological consensus in the region around ideals of open markets, competitive procurements, Western democracy and universal rights.

Because the PRC fears that the US will try to block it from re-ordering the world system in support of Chinese wealth and power, it is driven to seek a level of military knowledge and relations within the region, that will allow it to be able to conduct a portion of a future war from the Western hemisphere.<sup>6</sup>

Beyond such strategic objectives, in the near-term the PRC also seeks to isolate its rival Taiwan by eliminating its diplomatic and other relationships in Latin America and the Caribbean. In contrast to the previously mentioned strategic *economic* goals that have supporting elements of *political* engagement the isolation of Taiwan is arguably a more explicitly *political* goal, with supporting elements of *economic* engagement.

## **PRC APPROACH TO PURSUING ITS OBJECTIVES**

Per the discussion in the previous section, the Chinese government, associated firms and other entities conduct activities that support its strategic goals in three interdependent areas: (1) expanding strategic sectors and capturing global added value, (2) shaping a world safe for China's continued pursuit of its developmental interests, and (3) stripping Taiwan of its diplomatic allies in the region.

### **Expanding Strategic Sectors and Capturing Global Added Value**

To grow strategic sectors in the region and move up the value-added chain, the PRC pursues an incremental, and fundamentally mercantilist approach. Its pursuit of strategic economic objectives in individual sectors is complimented by the use of broader tools, including people-to-people (cultural) engagement, and the branding of the One

---

<sup>6</sup> R. Evan Ellis, "China's Activities in the Americas," testimony to the Joint Hearing of the Subcommittee on the Western Hemisphere and the Subcommittee on Asia and the Pacific, US House of Representatives Foreign Affairs Committee, 10 September 2015, <http://docs.house.gov/meetings/FA/FA07/20150910/103931/HHRG-114-FA07-Wstate-EllisE-20150910.pdf>.

Belt, One Road (OBOR; 一帶一路)<sup>7</sup> initiative which leverages and focuses hopes of gain from engaging with China to the latter's benefit.

### *Commercial Engagement by Sector*

The PRC conducts its economic engagement in Latin America through a combination of state guidance and support, initiatives of state-owned enterprises (SOEs) and other favored Chinese companies. These national champions leverage Chinese government support in both the Chinese domestic and targeted foreign markets (including technology that it has acquired from foreign partners), and easy access to credit, to opportunistically grow market share and presence.

In petroleum and mining, Chinese national champions such as China National Petroleum Company (CNPC), China National Offshore Oil Company (CNOOC), Minmetals and China Aluminum Company (CHINALCO)<sup>8</sup> among others, have generally used mergers and acquisitions to buy and develop proven reserves in need of a substantial infusion of capital. However, they have increasingly participated in public auctions and in the riskier exploration and development arena as they have grown more capable.<sup>9</sup>

In agriculture, Chinese enterprises such as Chongqing Grain and Sanhe Hopeful have tried to build agro-logistics complexes, competing with international players such as ADM, Bunge Cargill and Dreyfus.<sup>10</sup> In the end, however, they have ultimately settled for purchasing key technologies and market presence. One example is the 2014 USD3 billion COFCO acquisitions of HK Noble and Nidera.<sup>11</sup>

---

7 The Editors have chosen to conform to the "One Belt, One Road" formulation of the initiative as initially propagated and as it is still discussed in Chinese language documents. For a complete explanation of this decision, see the introduction to this volume, p 9.

8 "Minería CHINALCO, S.A.," China Aluminum Corporation Peru, official website, accessed 5 April 2019, <http://www.chinalco.com.pe/en/operations>.

9 For a detailed discussion of the activities of Chinese companies in Latin America sector by sector, see R. Evan Ellis, *China on the Ground in Latin America* (New York: Palgrave-Macmillan, 2014).

10 "China plans to invest 10 billion USD in soy production and processing in Brazil," *Mercopress*, 11 April 2011, <https://en.mercopress.com/2011/04/11/china-plans-to-invest-10-billion-usd-in-soy-production-and-processing-in-brazil>.

11 R. Evan Ellis, "Las iniciativas por parte de las firmas agrícolas chinas para establecer su presencia en América Latina y el Caribe," *Política Exterior China: Relaciones Regionales y Cooperación*, Raquel Isamara León de la Rosa and Juan Carlos Gachúz Maya, eds. (Puebla, México: Benémerita Universidad Autónoma de Puebla, 2015), 307-336.

In motorcycles, automotive, heavy equipment and other manufacturing industries, Chinese producers have generally entered the market by leveraging the sales and distribution networks of local partners.<sup>12</sup> Later, particularly in large markets such as Brazil and Mexico, they have moved from distribution and sales networks to building assembly facilities, often to escape import taxes.<sup>13</sup>

In telecommunications, Chinese companies Huawei and ZTE (rather than the players dominant in the PRC itself: China Telecom, China Unicom and China Mobile) have built a presence from the ground up in telephone and component sales, as well as construction of networks for commercial providers such as Telefonica and Claro, and government telecommunication entities in the region.<sup>14</sup> That incremental approach has forced them to learn how to integrate local sales forces and technical personnel, making them some of the most effective Chinese firms operating as local actors in the region.

In the financial sector, China Development Bank and China Ex-Im Bank quickly expanded their portfolio in the region by loaning money to its governments (initially mostly socialist-populist) to perform infrastructure works using PRC-based construction companies.<sup>15</sup> They also extended loans to national resource firms like Petrobras in Brazil<sup>16</sup> and PEMEX in Mexico<sup>17</sup> to help them expand production capabilities, in the process, facilitating advances by other Chinese firms in those sectors.

In the case of Venezuela and Ecuador, Chinese policy banks controlled their risks through short maturities (in the case of Venezuela) and high interest rates (in the case of Ecuador), and by securing the loans through parallel contracts for repayment through the delivery of oil (whose production was also under the control of a Chinese firm).

---

12 “China, S.A. como empresa local en América Latina,” *Temas de Reflexión*, Universidad EAFIT, May 2013, <http://www.eafit.edu.co/centrodepensamientoestrategico>.

13 Ellis, *China on the Ground in Latin America*.

14 R. Evan Ellis, “The Strategic Dimension of Chinese Activities in the Latin American Telecommunications Sector,” *Revista Científica “General José María Córdova,”* 11, no. 11 (January-June 2013): 121-140.

15 Robert Soutar, “Is China Scaling Back Latin America Loans?” *Dialogo Chino*, 26 February 2019, <https://dialogochino.net/24019-is-china-scaling-back-latin-america-loans/>.

16 Paul Kiernan, “Brazil’s Petrobras Signs \$10 Billion China Loan Pact,” *Wall Street Journal*, 26 February 2016, <https://www.wsj.com/articles/brazils-petrobras-signs-pact-for-10-billion-in-loans-from-china-1456529796>.

17 Justin Villamil and Cynthia Aurora Barrera Diaz, “Embattled Pemex Gets \$8 Billion Loan to Ward Off Junk Status,” *Wall Street Journal*, 13 May 2019, <https://www.bloomberg.com/news/articles/2019-05-13/pemex-to-refinance-2-5-billion-of-debt-renew-bank-lines>.

Separately, more commercially-oriented banks such as China Construction Bank and International Commerce Bank of China have expanded their presence in the region initially by offering representative services for Chinese commercial clients, but later by entering into branch banking, particularly in the Southern Cone.<sup>18</sup>

In construction, Chinese firms initially advanced through gifts and government-to-government projects for populist-socialist states (Venezuela, later, Ecuador, Bolivia, and, for a time, Argentina) funded by loans from Chinese policy banks. Their work also extended to loan-funded work in Caribbean states, whose small size made them more willing to depart from traditional procurement processes to do special deals with the Chinese in exchange for needed financing. In recent years, large Chinese construction companies have increasingly won projects under streamlined procurement provisions of “public-private partnerships,” in which the builder invests some of its own money. These include the Colombian government’s award of a “4th Generation” highway construction project to Sinohydro.<sup>19</sup>

PRC-based companies have also employed their own funds (leveraging their own domestic banking partners) to finance projects.<sup>20</sup> Examples include the USD4.2 billion Baha Mar resort in Nassau<sup>21</sup> and the North-South highway in Jamaica.<sup>22</sup> China Harbour self-financed the later in return for rights to land adjacent to the highway—which became enormously valuable once the highway was completed. In Brazil, where half of all PRC investment has gone (USD55 billion in the last decade),<sup>23</sup> the fall of the national champion construction firm Odebrecht and the development bank Bandes due to the 2014 *Lava Jato* (car wash) scandal, opened a strategic sector from which Chinese firms had previously been

---

18 See, for example, “ICBC Acquires 60% of Standard Bank,” *Xinhua*, 3 February 2015, [http://www.china.org.cn/business/2015-02/03/content\\_34722729.htm](http://www.china.org.cn/business/2015-02/03/content_34722729.htm).

19 R. Evan Ellis, “New Developments in China-Colombia Engagement,” *Manzella Report*, 14 October 2014, <http://www.manzellareport.com/index.php/world/910-new-developments-in-china-colombia-engagement?tmpl=component&print=1&layout=default&page=>.

20 Ellis, *China on the Ground in Latin America*.

21 Shiviani Vora, “In the Bahamas, a Long-Awaited Opening for Baha Mar Resort,” *New York Times*, 17 April 2017, <https://www.nytimes.com/2017/04/17/travel/bahamas-baha-mar-resort-nassau-hotel-casino-opening.html>.

22 “Chinese-Built Highway Opens in Jamaica,” *ECNS*, 25 March 2016, <http://www.ecns.cn/business/2016/03-25/204313.shtml>.

23 David Biller, “China Expands Brazil Frontier as Investment Grows during Crisis,” *Bloomberg*, 25 April 2018, <https://www.bloomberg.com/news/articles/2018-04-25/china-expands-brazil-frontier-as-investment-grows-during-crisis>.



effectively excluded, including the construction of ports and other Brazil infrastructure.<sup>24</sup>

In the electricity sector, the combination of Chinese construction, supply of components, and self-financing, together with the use of local partners for knowledge and legal representation has been particularly effective in taking renewable energy projects forward, including hydroelectric facilities, and wind and photovoltaic (solar) generating facilities, including a USD1 billion Chinese solar cell farm in Chile's Atacama Desert.<sup>25</sup>

In electricity transmission, China's largest utility, State Grid, as well as others such as China Three Gorges and State Power Investment Corporation, have spent billions of dollars to acquire companies with existing infrastructure, then used their access to inexpensive components, construction and finance, to outbid others for new work.<sup>26</sup>

#### *People and Cultural Engagement Support to Pursuit of Objectives*

The PRC compliments the previously mentioned commercial engagement through cultural engagement which both leverages and helps to extend its position in the country as an investor. The PRC, for example, regularly provides funds for persons from the region to study in the PRC (approximately 6,000 such scholarships are promised in the China-CELAC action plan for the period 2019 through 2021),<sup>27</sup> trips to China by Latin American academics, party leaders, media members and other elites (1,000 such trips are promised during the period),<sup>28</sup> and the establishment of Confucius Institutes for the officially-sanctioned teaching and promotion of the Chinese language and culture in the region (there are currently 39 Confucius institutes and additionally 18 Confucius classrooms in the region).<sup>29</sup>

---

24 Ibid.

25 "Chile's Solar Energy Yield Enhanced by China," *ThisIsChile*, 20 May 2014, <https://www.thisischile.cl/chiles-solar-energy-yield-enhanced-by-china/?lang=en>.

26 R. Evan Ellis, "China's Activities in the Petroleum, Renewable Energy, and Transmission Sectors of Latin America and the Caribbean," in *After the Fall: Energy Security, Sustainable Development and the Environment*, Bruce Bagley, Suzanne Loftus, Hannah S. Kassab, and Dina Moulioukova, eds. (Lanham, MD: Rowman and Littlefield, 2018), 139-158.

27 "China to Offer LatAm 6,000 Scholarships within Five Years," *Sina English*, 18 July 2014, <http://english.sina.com/china/2014/0718/719642.html>.

28 "China to Offer LatAm 6,000 Scholarships within Five Years."

29 "Confucius Institute/Classroom," Hanban, accessed 9 December 2018, [http://english.hanban.org/node\\_10971.htm](http://english.hanban.org/node_10971.htm).

In advancing and resolving difficulties with such economic and cultural engagement at the country level, the PRC employs the administrative vehicle of the “strategic partnerships,” including its newly created category of “comprehensive strategic partner.” China currently has nine such partners in the region. The status includes establishment of a multi-area ministerial level working group (more functional in some countries than others) which, in principal, meets at least once per year to review and facilitate projects in each economic area it is tracking (and in the ideal, coordination on political and other matters as well).

### *One Belt, One Road Initiative as Part of Strategy*

As in other parts of the world, China’s OBOR initiative, extended to Latin America in 2017, has been a powerful marketing tool for channeling the previously noted hopes for economic and personal gains into package deals that reinforce and magnify the Chinese advance. While the actual benefits of participation in OBOR are not specified, the implicit promise seems to be to attach the joining country to the PRC “economic engine,” including presumed access to its markets, loans and investment, to advance the country’s national development. The implicit price is accepting the use of Chinese companies and personnel to build the infrastructure, operate the ports, and transport the products in and out of the country. What is unclear is whether participation in OBOR leads the PRC to privilege a country in its flows of commerce, loans and investments, over non-participants. For instance, will Panama’s participation in OBOR lead China’s national logistics champion COSCO to use the Panamanian port of Balboa as a regional logistics hub, over the competing (non-OBOR) Colombian port of Buenaventura?

### **Creating a World Safe for the Rise of China**

Beyond working in Latin America and elsewhere toward its economic objectives, the PRC shapes the international strategic environment to facilitate, or at least not obstruct, its pursuit of economic objectives. It does so through multilateral and trans-regional engagement vehicles, promotion of the Chinese currency (RMB) via contracts and banking relationships, development of military ties, and by providing special support for anti-US regimes.

### *Multilateral Engagement*

Although the PRC has been an active observer in the Organization of American States (OAS) since 2004, it has chosen the Commu-

nity of Latin American and Caribbean States (CELAC), a forum that includes all of the states of the hemisphere except the US and Canada, as its principal multilateral engagement vehicle with the region.<sup>30</sup> As with China's principal vehicle in Africa, FOCAC, CELAC lacks a standing Secretariat and other permanent institutions. Consequently, CELAC serves as a forum in which China can periodically "convene" the states of the region and advance its agenda with their blessing in the form of a joint action plan (the most recent covers the period 2019-2021),<sup>31</sup> while minimizing their ability to coordinate their own position regarding what they wish from the PRC.

### *Transnational Engagement*

The Chinese have also used trans-regional organizations such as the Brazil-Russia-India-China-South Africa (BRICS) forum, and to a lesser extent, the Asian Infrastructure Investment Bank (AIIB) for connecting "key" players in the region (including Brazil in the case of the BRICS) with those in other regions to advance China's agenda as the dominant partner.<sup>32</sup> Indeed, it was in the annual BRICS meeting in Fortaleza, Brazil in July 2014 that General Secretary Xi Jinping announced his 1+3+6 PRC cooperation framework with the region.<sup>33</sup>

### *Advancing Internationalization of the RMB*

In structuring contracts for commodities (including oil in Venezuela, and soy in the southern cone), the PRC has increasingly sought to denominate them in RMB to advance the currency's use internationally, and thus move the world away from a global financial order dominated by the dollar. For the same reason, it has engaged in bank swap

---

30 Stephen Kaplan, "China Is Investing Seriously in Latin America. Should You Worry?" *Washington Post*, 24 January 2018, [https://www.washingtonpost.com/news/monkey-cage/wp/2018/01/24/china-is-investing-seriously-in-latin-america-should-you-worry/?hpid=hp\\_hp-top-table-main-china-investing-seriously-in-latin-america%3Ahomepage%2Fstory&utm\\_term=.67fa71711fe4](https://www.washingtonpost.com/news/monkey-cage/wp/2018/01/24/china-is-investing-seriously-in-latin-america-should-you-worry/?hpid=hp_hp-top-table-main-china-investing-seriously-in-latin-america%3Ahomepage%2Fstory&utm_term=.67fa71711fe4).

31 "CELAC and China Joint Plan of Action for Cooperation on Priority Areas (2019-2021)," Ministry of Foreign Affairs of Brazil, 22 January 2018, <http://www.itamaraty.gov.br/images/2ForoCelacChina/Joint-Action-Plan-II-CELAC-China-Forum-FV-22-01-18.pdf>.

32 Ajejandro Frenkel, "China Leads the BRICS: Building an Alternative to US Hegemony," *Open Democracy*, 28 September 2017, <https://www.opendemocracy.net/en/democraciabierta/brics-and-chinese-expansive-multilateralism/>.

33 "Xi Jinping Attends China-Latin America and Caribbean Summit," Ministry of Foreign Affairs of the People's Republic of China, 14 July 2018, [https://www.fmprc.gov.cn/mfa\\_eng/topics\\_665678/xipzxcxjzgidrldchwdbxagtwnrlgbjxgsfwbxczlldrhwt1176650.shtml](https://www.fmprc.gov.cn/mfa_eng/topics_665678/xipzxcxjzgidrldchwdbxagtwnrlgbjxgsfwbxczlldrhwt1176650.shtml).

transactions in Brazil and Argentina and has created a clearing bank relationship with the Bank of Chile.<sup>34</sup>

### *Military Engagement*

With respect to the PRC military posture in the region, China has openly acknowledged its intention to interact on defense matters, in its 2008 and 2016 white papers toward Latin America,<sup>35</sup> as well as in its May 2015 defense strategy white paper.<sup>36</sup> Accordingly, the Chinese People's Liberation Army (PLA) has periodically conducted deployments to Latin America, including sending military police to the UN-led MINUSTAH Peacekeeping force in Haiti from 2004-2012, three progressively longer and more complex deployments of its hospital ship *Peace Ark* to the region (2011, 2015, and 2018),<sup>37</sup> and regular visits to Latin American defense institutions, including participation in courses at the "Lanceros" special forces school in Tolemaida, Colombia and the Jungle Warfare school in Manaus, Brazil.<sup>38</sup> The Chinese government has regularly brought Latin American and Caribbean military and defense sector officials to the country for professional military education and training, including short courses at the PLA National Defense University in Beijing, year-long Army and Navy command and staff courses in Nanjing, attendance of Latin American cadets at the PLA military academy, and sales of an increasingly broad range of sophisticated arms to an ever larger group of countries in the region.<sup>39</sup>

From an initial posture of principally selling military clothing, non-lethal gear and small arms to the region, Chinese companies have won contracts to sell it fighter aircraft, military transports, combat heli-

---

34 R. Evan Ellis, "Chile and China: The Fight for the Future Regime of the Pacific," *China Brief* 17, no. 15 (22 November 2017): 16-20, <https://jamestown.org/program/chinas-relationship-chile-struggle-future-regime-pacific/>.

35 "Full Text of China's Policy Paper on Latin America and the Caribbean," *Xinhua*, 24 November 2016, <http://en.people.cn/n3/2016/1124/c90000-9146474.html>.

36 "Full Text: China's Military Strategy," *China Daily*, 26 May 2015, [http://www.chinadaily.com.cn/china/2015-05/26/content\\_20820628.htm](http://www.chinadaily.com.cn/china/2015-05/26/content_20820628.htm).

37 "Rumours Fly of US Naval Buildup off the Coast of Venezuela," *Caribbean News Now*, 8 October 2018, <https://www.caribbeannewsnow.com/2018/10/08/rumours-fly-of-us-naval-buildup-off-the-coast-of-venezuela/>.

38 Eben Blake, "Chinese Military Seeks Jungle Warfare Training from Brazil," *IBI Times*, 10 August 2015, <https://www.ibitimes.com/chinese-military-seeks-jungle-warfare-training-brazil-2046473>.

39 For a detailed discussion of Chinese military engagement, see R. Evan Ellis, *China – Latin America Military Engagement* (Carlisle Barracks, PA: US Army War College Strategic Studies Institute) August 2011, <https://ssi.armywarcollege.edu/pubs/display.cfm?pubID=1077>.

copters, radars, armored vehicles, self-propelled mortars and multiple-launch rocket systems, and patrol boats, among other systems, to clients that include not only anti-US regimes such as Venezuela, Ecuador and Bolivia, but also Peru<sup>40</sup> and Trinidad and Tobago,<sup>41</sup> among others.

Such military engagement not only supports the PRC in maintaining multi-dimensional relationships with countries of the region, but also helps Chinese defense companies to improve their products, associated international maintenance, training and logistics operations, and sustain their defense industrial base. China's deployments to the region, and interactions with its defense institutions and personnel similarly help the PLA improve its working knowledge of its Latin American counterparts, defense institutions and countries, facilitating its ability to operate in the region, and potentially use its ports, airfields and other facilities in an extended military conflict with the US in the future, without necessarily establishing formal alliances or base access agreements.

#### *Sustaining Actors which Challenge the US-Dominated Order*

With respect to anti-US regimes such as Venezuela, the PRC arguably recognizes their value not only as a source of commodities and markets, but also in blocking the consolidation of a block aligned with the US on economic and political issues.

#### *Stripping Taiwan of Its Remaining Diplomatic Allies*

The PRC resumed its diplomatic struggle against Taiwan in Africa in 2016 (establishing relations first with Gambia, and later Sao Tome and Principe). It expanded the struggle to Latin America in June 2017, when it established relations with Panama (and obligated Panama to cut relations with Taiwan). It subsequently established relations with the Dominican Republic in May 2018, and El Salvador in August 2018, obligating each to break relations with Taiwan.<sup>42</sup> Nothing in the PRC posture suggests it will not continue to pursue relations with the other nine nations in the hemisphere which continue to recognize Taiwan--with Haiti

---

40 "China donará US\$ 7 millones en materiales militares a Perú," *Peru 21*, 8 June 2019, <https://peru21.pe/peru/china-donara-us-7-millones-materiales-militares-peru-483253>.

41 "China Sending Ships to Trinidad and Tobago," *Power 102*, 25 February 2014, <https://news.power102fm.com/china-sending-ships-to-trinidad-and-tobago-16727>.

42 "China Establishes Diplomatic Relations with El Salvador," *ECNS*, 22 August 2018, <http://www.ecns.cn/news/politics/2018-08-22/detail-ifyxcrz0970180.shtml>.

the islands of the Lesser Antilles, and possibly Honduras arguably at heightened risk.<sup>43</sup>

While such diplomatic changes reflect the economic lure of the PRC, they also help the PRC to advance its economic goals in the region. Recognition, creates an opportunity for the PRC to sign a flurry of MOUs and other agreements which substantially expand the PRC economic position in the country, creating opportunities to make even greater progress in the future. Recognition is typically accompanied with agreements to facilitate access for Chinese banks, agreements for specific projects using Chinese companies and financing (with terms shrouded in secrecy), the sending of business delegations to the PRC and the associated negotiation of phytosanitary agreements for the export of traditional products (effectively using hope for gains to recruit or at least neutralize key business elites with respect to the change). It also includes PRC establishment of an embassy, and a new ambassador reaching out to the Chinese community previously loyal to Taiwan, construction of a Confucius Institute, scholarships to study in the PRC, and impetus to negotiate a free trade agreement, further opening up the local market to Chinese products and services.

### **PERCEPTION OF CHINESE ACTIVITIES IN THE REGION**

As noted previously, the PRC is viewed with a combination of hope and distrust in Latin America and the Caribbean. Individual political and business leaders hope for benefits from access to the presumed vast Chinese market, loans and investment, including opportunities for local businessmen to make money by establishing a relationship with a Chinese partner, leveraging his production capabilities and access to capital.

Skeptical attitudes in the region toward the PRC are loosely correlated with states with politically relevant manufacturing sectors that are adversely affected by competition with the Chinese, including Mexico, Brazil, and Argentina.

Attitudes toward the PRC in the region are only loosely correlated with attitudes toward Chinese communities there. With some exceptions, such as Panama, Peru, Guyana, and Suriname, those communities represent only a small portion of the population. Yet where present,

---

43 For a detailed discussion, see R. Evan Ellis, "Taiwan's Struggle for Partners and Survival," *Global Americans*, 7 December 2018, <https://theglobalamericans.org/2018/12/taiwans-struggle-for-partners-and-survival/>.

such communities are generally seen as productive, frugal, and somewhat apart from the rest of society.

At the country level, the political orientation toward the PRC roughly can be separated into four groups:

- (1) populist-socialist countries such as Venezuela, Bolivia, and Dominica whose leadership embraces the PRC as a source of resources which may partially liberate the regime from Western economically-based pressures
- (2) ideologically-neutral countries captured by Chinese money, generally smaller states, such as Jamaica and Barbados
- (3) mainstream market-oriented democratic states, whose leadership views the PRC as a source of opportunity, but insists in varying degrees in also adhering to free markets, democratic practices, and good relations with the US and West (by far the largest group)
- (4) Very conservative, US-aligned regimes. The later arguably includes the Ivan Duque regime in Colombia, and possibly the new government of Jair Bolsonaro in Brazil.

Cuba, ironically, has been slow to fully embrace the PRC, possibly due to its long role in leading the ideological left in the region. In addition, the Sandinista regime in Nicaragua, despite previously recognizing the PRC while in power from 1979-1990, did not restore diplomatic relations upon returning to power in 2007. In addition, Ecuador has moved away from the PRC to a friendly but more centrist position under the current government of Lenin Moreno.<sup>44</sup> Moreover, the embrace of China by the Venezuelan and Bolivian governments does not necessarily track with that of its people.

It is possible for some governments such as Panama, the Dominican Republic, or El Salvador to move toward a much deeper, albeit more ideology-free relations with the PRC due to growing Chinese projects combined with spats with the US. Others such as the new government of Andres Manuel Lopez Obrador (AMLO) could be pushed toward China, despite structural economic competition, due to escalating political frustrations with the US in the future (although AMLO may avoid reaching out to the PRC, preferring to maintain a focus on domestic issues).

---

44 “Ecuador Seeks to Renegotiate China Debt, Does Not Rule Out IMF -Moreno,” *Reuters*, 6 December 2018, <https://www.reuters.com/article/ecuador-china-idUSL1N1YB1YZ>.

## IMPACT ON US NATIONAL SECURITY INTERESTS

In the short and medium term, the greatest impact of China's expanding economic, political, and military presence in the region (and associated soft power) is the corresponding loss of US leverage to advance its agenda of democracy, free markets, transparency, and rule of law there.

While expanded Chinese police and security cooperation with Latin American countries could theoretically help to combat insecurity in the region, there are no indications to date that the structure or quality of Chinese assistance has had a meaningful positive effect on security. Indeed, there are reasons for concern that the expanded export of Chinese surveillance and social control systems (e.g., ECU-911,<sup>45</sup> BOL-110, the Colon Free Trade Zone, Uruguay,<sup>46</sup> and Argentina,<sup>47</sup> or ZTE's support to the Venezuelan ID card<sup>48</sup>) could empower non-Democratic pro-Chinese governments to more effectively repress their own people.

Chinese money will help populist regimes to expand engagement with other extra-hemispheric actors inclined to more directly challenge US interests in the region, including Russia and Iran, and reduce the region's motivation to resist military or other cooperation with them.

Finally, as noted previously, in the undesirable occurrence of a war with the PRC, China's political and economic, as well as, military presence in the hemisphere will support the PRC conduct of a warfight that is global in scope and impair the ability of the US to respond. At the outset of such a conflict, Chinese economic and political (and possibly personal) leverage over leaders in the region will make them reluctant to pressure or condemn the PRC in international forums or join an anti-PRC coalition. During the military campaign itself, China's massive presence in the telecommunications and space sector will support its technical intelligence collection against the US and its allies from the region. The presence of PRC companies in all sectors could facilitate the projection and sustainment of Chinese agents, in support of observing

---

45 Charles Rollett, "Ecuador's All-Seeing Eye is Made in China," *Foreign Policy*, 9 August 2018, <https://foreignpolicy.com/2018/08/09/ecuadors-all-seeing-eye-is-made-in-china/>.

46 "Uruguay refuerza su vigilancia fronteriza con cámaras donadas por China," *Yaboo*, 28 February 2019, <https://es-us.noticias.yahoo.com/uruguay-refuerza-vigilancia-fronteriza-cameras-donadas-china-184400557.html>.

47 Shen Weiduo and Bai Yunyi, "Argentina Secures ZTE Deal Amid US Assault against Chinese Tech Companies," *Global Times*, 28 March 2019, <http://www.globaltimes.cn/content/1143862.shtml>.

48 Angus Berwick, "How ZTE Helps Venezuela Create China-Style Social Control," *Reuters*, 14 November 2018, <https://www.reuters.com/investigates/special-report/venezuela-zte/>.



or disrupting US deployment and sustainment flows, or perhaps causing diversionary crises, exploiting US commercial and financial dependencies on the region.

If the conflict in Asia becomes protracted, the PRC could convince or oblige select Latin American countries to permit access to their port facilities, airports, or other assets for military purposes, in support of strikes against the continental US.

## **RECOMMENDATIONS**

Effectively responding to PRC advances in the region requires an authoritative, coordinated inter-agency strategy, with clear lines of action, responsibilities, and measures of effectiveness, guided by a coherent and compelling strategic concept.

- Correspondingly a focus on strengthening governance and developing enforceable “rules of the game” should be at the core of the US approach. The sovereignty of Latin American and Caribbean states, coupled with global commercial and financial interdependence, makes attempts to “block” the region from engaging with China unrealistic. Helping Latin American and Caribbean states to have the institutional capacity to plan a strategic roadmap of their development, which takes advantage of potential exports to China, loans and investment from China, as well as others, and make competent, transparent, decisions regarding contracts and other commitments that support that plan, will help the region get the most out of working with China. Minimizes the risk the PRC exploits institutional weaknesses and personal interests to secure Chinese objectives at the expense of those of the region.
- The US should also work with like-minded governments, such as those of the free-market oriented Pacific Alliance, and extra-hemispheric partners such as Japan, Korea, Australia, New Zealand and Taiwan, to advance an institutional framework with transparency and enforceable protections against non-tariff barriers and intellectual property theft, so that all states can interact on a level playing field. In support of this concept, rejoining the Trans-Pacific Partnership and expanding it to include the PRC and an expanded group of states in Latin America would be an important first step.

- The US should continue its coordinated messaging to partners in the region regarding the risks of engaging with the PRC from a position of institutional weakness. In the interest of the strategic priority of addressing the challenge from China, as reflected in the National Security Strategy, the US should consider avoiding actions in Latin America which undermine its credibility, including reductions in funds for regional assistance programs, elimination of Temporary Protected Status and Deferred Action for Childhood Arrivals, and rhetoric which appears disrespectful to Latin American countries and peoples.
- The US should also promote, apply, and broaden programs such as the Build Act, which provide an alternative to Latin American dependency on China for development funds.
- In the region, the US should maintain vigilance over the activities of PRC-based companies in sensitive areas particularly telecommunications and space in the military. It should be particularly leery of Chinese attempts to sell surveillance and security systems, and social credit systems, to authoritarian regimes. It should work toward transparent public procurement practices and prepare to bring pressure through sanctions where it is not the case.
- In strategic sectors in the region targeted by the Chinese such as ports and logistics, the US should call attention to, and work against deals that would allow Chinese partners to acquire dominant positions in the sector, and force others out.
- With respect to military engagement, the US should “borrow” from the Chinese approach and increase funds for programs at all levels that bring military personnel and defense officials from the region to the US for training and professional education. This includes expanded funding for tactical and operational courses at the Western Hemisphere Institute for Security Cooperation (WHINSEC), the Command and General Staff and Senior Service colleges of military institutions, and more funding and personnel for short courses offered through the William J. Perry Center for Hemispheric Defense Studies. The Regional Centers should also continue collaboration to fund billets for officials from Latin America and other regions to the Daniel K. Inouye Asia-Pacific Center for Security Studies, in order to give defense officials from the region the opportunity to interact with those from Asian countries, and study Asian se-

curity issues, without having to do so through Chinese military institutions.

- In preparation for a global conflict with the PRC, US Indo-Pacific Command (INDOPACOM) should expand work with US Northern Command (NORTHCOM) and US Southern Command (SOUTHCOM) to identify scenarios for how deployment and sustainment flows could be disrupted by the PRC in wartime, and the impact this could have on war plans in INDOPACOM. Reciprocally, NORTHCOM and SOUTHCOM should expand contingency plans to counter Chinese intelligence and disruption operations from the hemisphere in time of conflict and assess the political risks and geographic possibilities of where in the hemisphere the PRC might seek to conduct military operations from during a large-scale military conflict.