

PRC Engagement with Latin America and Central and Eastern Europe: Comparisons and Insights

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Introduction

Over the past twenty years, the People's Republic of China (PRC) has expanded its political, institutional, economic, and other forms of engagement with all regions of the world. Not surprisingly, because engagement in Latin America and the countries of Central and Eastern Europe (CEE) is formulated by the same Chinese Communist Party and PRC-based state-owned enterprises (SOE), it is broadly comparable across regions.¹ Differences in PRC engagements between regions generally reflect differences between government types, particular business opportunities, strategic geography, historical relationships, and Chinese familiarity with the target country, among others. A comparative examination of PRC engagement across regions offers insights by helping to identify common patterns and differences, focusing on the reasons why each occurs.²

There is a limited but growing volume of work in English on PRC engagement with Central and Eastern Europe. Important works include the Carnegie Foundation report "China's Influence in Southeastern, Central and Eastern Europe."³ Other works include works by think tanks such as China Observers in Central and Eastern Europe⁴ and the Washington, DC based Center for European Policy Analysis.⁵

Scholars have also included regionally focused chapters in works on China's global engagement,⁶ with some including works on PRC engagement in Central and Eastern Europe.⁷ There is relatively little scholarship, particularly in English, comparing PRC activities in Central and Eastern Europe with those in other parts of the world.⁸ The present work seeks to help fill that gap.

This article examines PRC engagement with Central and Eastern Europe in comparison to its activities in Latin America and the Caribbean. It does so in four broad areas: (1) Political relationships and multilateral activities, (2) trade and investment patterns, (3) influence-oriented activities, and (4) security engagement.

This work finds that the patterns of PRC activity in the two regions are broadly similar. In both, the PRC engages in a broad variety of sectors, seeking secure access to commodities and foodstuffs as well as to strategic markets and

technologies, while working to capture as much of the value added from such activities as possible. In both, the PRC obtains and exercises considerable soft power by leveraging expectations for benefits from local political and commercial elites, while cultivating “people- to- people” relationships involving access and travel to the PRC, media courtship, and some exploitation of ethnic Chinese in the target countries, among other tools. In both regions, “populist” regimes give the PRC relatively greater opportunities for security engagement and politically provocative activities, while also allowing PRC- based firms significant economic agreements on advantageous terms, although frequently accompanied by difficulties.

Political and Multilateral Engagement

The history of relations between the PRC and the Central and Eastern European countries is somewhat longer and more fraught than PRC–Latin America relations. Historically, contact between China and the CEE countries grew out of their position on the “Silk Road” connecting China and Western Europe. During the Cold War and the years shortly thereafter, some Chinese migrated to the region, principally through Russia and Hungary, seeking labor and business opportunities.⁹ In the Americas, China’s primary historical contact grew out of the silver trade between Peru, Mexico, and Asia via the famous “Manila Galleons.”¹⁰ It also grew from ethnic Chinese immigration to Peru, what is today Panama, and the Caribbean, generally for economic opportunity.¹¹

Diplomatic Relations

Of the twelve CEE countries, all of those that were nominally sovereign entities within the Warsaw Pact in 1949 when the Communists took control of the Chinese mainland (Albania, Bulgaria, Hungary, Poland, and Romania) recognized the PRC at that time. That recognition reflected the relatively positive relations between the Communist Parties of the PRC and the Soviet Union and Warsaw Pact at that time. The Baltic states (Estonia, Latvia, and Lithuania) implicitly had relations with the PRC as part of the Soviet Union when it similarly recognized the PRC upon independence. In addition, however, the Baltic states formally recognized the PRC upon breaking away from the Soviet Union and becoming independent states in 1991. Recognition of the PRC at this time was arguably not seen as a provocative strategic choice since by that point, most of the rest of the world had already established diplomatic relations with the PRC, including the US. It had recognized the PRC in 1979, signaling that doing so was not inconsistent with identity as a pro-Western democratic country. Similarly, Croatia

and Slovenia recognized the PRC in 1992, shortly after formally achieving independence from Yugoslavia, which had recognized the PRC in 1955.

In the more conservative US-aligned states of Latin America, formal relations with the PRC developed gradually. The first acts of diplomatic recognition of the PRC in the region were gestures of ideological affinity with the Communist Block at a time when the US continued to maintain relations with the Republic of China (Taiwan). Cuba was the first, recognizing the PRC in 1959 following the seizure of power in that country by Fidel Castro's communist guerillas. Chile was the second, recognizing the PRC in December 1970 following the election of Socialist president Salvador Allende. After those two departures from the prevailing orientation of the region, US acquiescence to the seating of the PRC in the United Nations General Assembly in October 1971 and the subsequent improvement in US-China relations signaled to the region that diplomatic recognition of the PRC for the region was an acceptable course of action. This environment set the stage for most of the rest of Latin America to establish formal diplomatic relations with the PRC over the next two decades.

The states of the Caribbean, except for Cuba, were generally the last in the hemisphere to establish relations with the PRC, reflecting that the region was only partly sovereign during this period. The Bahamas and Saint Lucia recognized the PRC in 1997 after a decade in which there had been few changes in the rest of the hemisphere.

At the turn of the twenty-first century, the PRC began to visibly expand its commercial and other engagement with all regions of the world. During this period, regions that continued to recognize Taiwan—including the Caribbean and Central America states along with Paraguay in South America—became the focus of a diplomatic struggle between the Taiwan and the PRC. The previously noted different history of relations with the PRC in the CEE countries meant that such “diplomatic struggle” was absent from PRC-CEE relations.

Despite that absence, flowing from diplomatic recognition of the PRC by all CEE countries, several states have made strong symbolic gestures in recent years toward maintaining commercial and political interactions with Taiwan in ways that have generally not occurred in Latin America. In 2020, for example, the president of the Senate of the Czech Republic traveled to Taiwan. In 2021, Taiwanese Foreign Minister Joseph Wu traveled to Slovakia, while that same year, a forty-three-person Slovak delegation traveled to the island.¹² In April 2022, the Czech government sent a 150-person delegation to visit Taiwan.¹³ Lithuania opened a consulate office in the country that same year.¹⁴

In Latin America, the most notable analogous gesture was a move by Guyana's pro-US government in 2021 to open a Taiwan commercial office in the country.

The initiative was rescinded within a matter of hours, apparently following significant pressure from the PRC.¹⁵

Belt and Road Initiative

With respect to China's Belt and Road Initiative (BRI), the trajectories of both regions were similar. However, Latin America's ascension to the initiative was delayed by its lack of historical connection to China's Silk Road, the original basis for the BRI. In Europe, all of the CEE countries, beginning with Hungary, joined the initiative between 2015 and 2017, within just four years of BRI's establishment in 2013.¹⁶

In Latin America and the Caribbean, Panama joining BRI in 2018 indicated to the region that the PRC was officially extending the initiative to the Western Hemisphere, which had not historically been part of the Silk Road. Panama's adherence then set in motion a three-year race, similar to that of the CEE countries, in which nineteen of Latin America's thirty-three sovereign countries had joined by December 2021.¹⁷ Those choosing not to participate either did not have diplomatic relations with the PRC, were strongly US-aligned (Colombia) or integrated into the US economy (Mexico), or were large Atlantic-facing states that saw adherence as either unnecessary or an act of political or economic subservience.

Partnership Designations

With respect to "strategic partnership" relationships, the PRC has embraced a mixture of ideologically aligned and otherwise large, important states as strategic partners in both the CEE and Latin American countries.

Central and Eastern European strategic partners include Croatia (2005), the Czech Republic (2016), Poland (2016), Hungary (2017), and Bulgaria (2019). In 2013, the Romanian government announced its intention to become China's strategic partner, but the partnership was never ratified.¹⁸

Among PRC strategic partners in CEE, Poland and Hungary have elevated their relationships with Beijing to a "comprehensive strategic partnership." Poland, like Venezuela and Brazil in Latin America, has a ministerial-level committee structure associated with its partnership—the China-Poland Intergovernmental Committee.¹⁹

On the other hand, Slovakia, Slovenia, and the three Baltic states (Estonia, Latvia, and Lithuania) have not yet established a strategic partner relationship with the PRC, with many in the Baltics particularly viewing the PRC as a significant strategic threat.²⁰

In Latin America, the PRC has established a strategic partnership relationship with every state with which it has established diplomatic relations apart from Colombia, Guyana, Nicaragua, Cuba, and the Dominican Republic. It has elevated that relationship to “comprehensive strategic partner” with Mexico, Venezuela, Ecuador, Peru, Brazil, and Argentina.²¹

Impact of PRC Behavior on Political Engagement

In the CEE countries, like in Latin America, the lure of doing business with the PRC has facilitated engagement by a range of regimes on both the right and the left, although in both regions, some countries have been more willing than others to overlook political differences to pursue commercial opportunities.

The experience of the CEE countries as dependent states in the Soviet bloc during the Cold War has generally arguably made them more willing to expend political capital with China on disagreement with its political behavior, even if doing so jeopardizes business relationships. In particular, the geographical proximity of the Ukraine for the CEE countries has made the PRC’s failure to condemn Russia’s aggression²² a more pressing issue there than in Latin America, where Brazilian president Luis Inácio Lula da Silva has actively sought to associate his regime with a more neutral stance on Russia²³ and support for the PRC peace initiative.²⁴

Despite sensitivity in CEE states over China’s international behavior and political system, many in the CEE states, as in Latin America, have shown a willingness to overlook such issues. Former Czech Republic president Miloš Zeman similarly had the reputation for being relatively friendly toward the PRC, often to the consternation of his intelligence services.²⁵ Similarly, Poland’s president, Andrzej Duda, traveled to Beijing to participate in the opening ceremony of the Winter Olympics despite it being boycotted by the US and many European nations, although China’s support for Russia in Ukraine has subsequently become more of an issue for Poland.²⁶

In both Latin America and the CEE countries, relations with the PRC have also oscillated modestly with regime change. In Latin America, the end of the conservative governments of Ivan Duque in Colombia and Jair Bolsonaro in Brazil opened the door for a warmer tone and expanded commercial relations with the PRC for both countries. In the CEE, the election of the Freedom Movement government in Slovenia in April 2022 arguably decreased attention by the prior Slovenian government of Janez Janša to PRC authoritarian behavior in favor of a return to greater commercial pragmatism.²⁷

Special Relationships with Populist Regimes

In both Latin America and the CEE countries, the PRC has generally had interactions with greater political (versus just economic or cultural) content among countries with more populist orientations, as well as those which have seen themselves as players with presence beyond the region. In Latin America, these have included anti-US authoritarian governments in Venezuela, Ecuador, Bolivia, and Cuba, although the PRC has proceeded more cautiously with Nicaragua's internationally isolated Sandinista government, which established formal relations with the PRC only recently, in December 2021.

Notable PRC partners for political relations in the region also include Brazil, although a democratic regime. There, the political dimension of the relationship with the PRC has been buoyed by Brazil's historic look beyond the region in its engagements. The political content of the Brazil-PRC relationship has been aided by Lula's desire, as in his first term, to position the country as an international peace broker by attaching his regime to the PRC Ukraine peace initiative. Such political content has also been aided by the participation of both countries in the "BRICS forum," given renewed emphasis with the return to power of leftist leader Lula in January 2023.²⁸

In the CEE countries, Hungary's populist government has generally been more openly supportive of Beijing and has engaged in a greater range of security and other sensitive transactions with the PRC than have other CEE states.²⁹ Indeed, Hungary is sometimes called "China's European foothold."³⁰ The country's posture, the "Eastern Opening" adopted in 2010 by the government of Viktor Orbán, was a significant reversal from past practice by the same government,³¹ touted as a policy to reduce the country's dependence on the West. As in Chinese engagement with populist governments of Latin America, PRC support to the Viktor Orbán regime is seen by outsiders as fueling corruption that helps maintain the regime.³²

The PRC-Hungary relationship has also influenced the latter, a European Union (EU) member, to take positions adversely impacting EU solidarity toward the PRC. Examples include Hungary's veto of a 2016 EU resolution condemning PRC territorial claims and the militarization of islands in the South China Sea as well as its opposition to EU positions condemning China's internment of Uyghur Muslims and PRC repression of democracy in Hong Kong.³³

Multilateral Engagement

With both the CEE and Latin America, the PRC has attempted to leverage broad but relatively weakly institutionalized fora as the core of its multilateral

engagement strategy. Its efforts to do so, however, have been far more successful in Latin America than in the CEE.

In Latin America, the PRC has used the Community of Latin American and Caribbean States (CELAC) as its multilateral vehicle of choice despite PRC membership as an observer since 2004 in the more representative, well-institutionalized Organization of American States (OAS).³⁴ In addition to using CELAC as a vehicle for advancing its agenda for the region through triannual China-CELAC leadership summits, the PRC has set up numerous forums and working groups within the CELAC framework to pursue its interests on topics from disaster relief to defense cooperation.³⁵

In parallel to its use of CELAC in Latin America, the PRC has worked with the CEE countries through the (now largely defunct) “17+1” forum.³⁶ As with CELAC vis-à-vis the OAS in Latin America, the PRC favored the 17+1 even though most CEE states were in the more strongly institutionalized and organized European Union.

By contrast to its engagement with CELAC in Latin America, the PRC has experienced pushback from some of the 17+1’s more conservative members, who have been leery of their participation in the forum being exploited by the PRC, including undermining the position of their other European partners. In May 2021, Lithuania exited the forum, and in August 2022, Estonia and Latvia also withdrew, with the announcement coming just after large-scale PRC military exercises directed at Taiwan.³⁷ In 2022, Poland refused to take part in the forum due to China’s support for Russia’s invasion of Ukraine. Romania refused to send its president to the group’s March 2021 annual meeting.³⁸ Czechia has similarly announced it may withdraw.³⁹

Trade, Investment, and Infrastructure Project Patterns

In trade and investment, the PRC advance in Latin America has closely paralleled that in the CEE countries, adjusting for differences in the economic structures of each region and the relatively greater proximity of the CEE countries to China.

Trade

In the two decades following PRC acceptance into the World Trade Organization (WTO) in 2001, its trade with Latin America grew twenty-eight-fold, reaching \$483 billion in 2022.⁴⁰ While the PRC principally imported low-value-added petroleum, mining, and agricultural products from the region and exported higher-value-added goods and services, its overall commercial engagement with

the region was relatively balanced. In 2022, Latin America imported \$251.4B from the PRC while exporting \$236 billion to it.⁴¹

By comparison to PRC-Latin America trade, during the two decades following China's WTO ascension, PRC commerce with the CEE countries grew twenty-two-fold, reaching \$124.4 billion by 2022.⁴² Like Latin America, the CEE countries exported mostly agricultural goods and other commodities to the PRC while importing from it a broad basket of higher-value-added goods.⁴³ Due to the relatively greater industrialization of CEE economies, however, this specialization translated into a significant trade deficit among the CEE countries with the PRC. In 2022, the CEE countries imported \$95.1 billion in goods and services from the PRC while exporting only \$29.3 billion to it.⁴⁴

With respect to China's demand for agricultural goods and commodities, in Latin America, the PRC has become a major buyer of copper and iron from the Southern Cone as well as lithium from Chile, Argentina, Bolivia, and Mexico and the strategic mineral niobium from Brazil. The PRC also obtains petroleum from Venezuela, Guyana, Brazil, Peru, and Ecuador, among others. It has also become an importer of demand for soy, grains, pork, and beef exports from Brazil, Argentina, and Uruguay as well as fishmeal from Peru, sugar from El Salvador, and wood pulp from Uruguay.

In the CEE countries, paralleling the PRC trade relationship with Brazil as a large country with a substantial agricultural sector, the PRC has become a substantial purchaser of Polish agriculture, including dairy goods and meat.⁴⁵ Some 70 percent of Bulgaria's exports to the PRC were mining products.⁴⁶ Just as Chile has had success advancing up China's agricultural value chain with its wine and luxury-marketed fresh fruits,⁴⁷ among the CEE countries, Croatia has had some success placing its wine in the PRC.⁴⁸

While both Latin America and the CEE countries have a mixture of agriculture and other commodity sectors, manufacturing, and services in their economies, the legacy of CEE participation in the Soviet bloc during the Cold War left those countries far more industrialized than those of Latin America. They were thus left to interact with the PRC from a framework of a different economic structure and sets of interests than their Latin American counterparts. Romania, for example, exports industrial machinery, optical and medical apparatuses, electrical machinery, and vehicle parts and components to the PRC while Croatia exports transport vehicles, among other items.

The politics of CEE trade with the PRC, like Latin America's trade with the region, reflect both the perceptions of what China is buying and pushback from established sectors, such as manufacturing, threatened by Chinese competition.

Romania, for example, not unlike semi-industrialized Brazil and Argentina, is pursuing increased agricultural exports to the PRC.⁴⁹

Investment

Chinese investment in the CEE countries and Latin America follows similar patterns, reflecting a push by PRC-based countries to secure reliable access to foodstuffs and commodities along with strategic markets and technologies. There is an emphasis on infrastructure projects, including not only transportation but also electrical, telecommunications, financial, and other forms of connectivity.

Overall, since 2001, Chinese companies have invested more than \$172 billion in Latin America in over 500 individual projects in a broad variety of sectors from petroleum, mining, and agriculture to manufacturing, electricity, telecommunications, and other digital technologies and services.⁵⁰

Although comparable aggregate data for the CEE countries is not available, in the Balkans alone PRC-based companies have pursued 128 Chinese projects worth \$32 billion.⁵¹ In Hungary, PRC-based companies that have established a presence in the country include BYD, Lenovo, Wanhua, Huawei, and ZTE as well as Chinese financial institutions Bank of China (BOC) and the China Development Bank, the China Construction Bank (CCB).⁵²

Extractive Sectors

With respect to extractive industries, although the PRC purchases a substantial amount of oil, mining products, and agricultural goods from both regions, PRC-based companies have invested in such sectors more extensively in Latin America than in the CEE countries.

With respect to petroleum, for example, Chinese companies have multibillion-dollar operations on the ground in Mexico, Guyana, Suriname, Colombia, Venezuela, Ecuador, Peru, Brazil, and Argentina. In the CEE countries, by contrast, the most significant PRC investment interest has been in Albania where the PRC-based company Geo Jade is pursuing a concession for Patos-Marinza, the biggest on-shore oilfield in Europe.⁵³

Transportation Infrastructure

The geographic location of the CEE countries between the PRC and Western Europe has made them a greater focus of Chinese construction projects than Latin America.

Within the CEE, Bulgaria has a key role as a strategic connector in the trade between the two regions.⁵⁴ Croatia is similarly a strategic link between the PRC and the Mediterranean and Southeastern and Central Europe.⁵⁵

In Latin America, by contrast, although the Panama Canal is important to the PRC as a global logistics hub for accessing the US and other global markets, the ability to access those directly from the PRC contrasts with the position of the CEE countries as a natural logistical intermediary between the PRC and Western Europe.

The role of CEE countries as natural logistics intermediaries between the PRC and major markets for its products in Western Europe is reflected in multiple high-visibility PRC infrastructure projects there, many in the framework of the BRI. In maritime logistics, in the CEE countries, the Chinese have pursued construction in the Bulgarian port of Burgas.⁵⁶ Just to the north, China State Construction Engineering (CSCE) has proposed a port logistics complex in the city of Varnas.⁵⁷ PRC-based companies are also reportedly interested in concessions for the port of Koper, Slovenia, a strategic sea access to the CEE countries, but have been passed over in two port tenders.⁵⁸

Other examples include construction of the Pelješac Bridge in Croatia by China Road and Bridge Corporation (CRBC), which opened in July 2022.⁵⁹ The CRBC is similarly competing to build a proposed new 2-kilometer-long bridge linking the Croatian island of Ugljan to the mainland.⁶⁰ PRC-based companies have also sought to build the world's longest undersea tunnel connecting Estonia to Finland, funded by the PRC and with the work to be done by PRC-based firms.⁶¹

Despite such Chinese investments in CEE logistics projects, many of the China–Western Europe routes through the region also go through Russia and the Ukraine and have thus been disrupted or put at risk by Russia's invasion.⁶²

In addition to land and maritime logistics projects in Latin America and the CEE countries, PRC-based companies have won some airport concessions. In Latin America, these include the operation of six airports in Antioquía, Colombia, including the Rio Negro international airport.⁶³ In the CEE countries, Chinese airport operations include a concession obtained by China's Everbright in 2016 to operate Albania's international airport, although it has had numerous problems with security breaches.⁶⁴

Renewable Energy and Green Transportation

Beyond transportation, in both Latin America and the CEE countries, the PRC is investing in renewable electricity generation and transmission as well as green transportation technologies and associated supply chains.

In Brazil, by 2019, Chinese companies had invested \$36.5 billion in the country's electricity sector, capturing over 10 percent of energy generation, transmission, and distribution, with fourteen PRC-based companies operating across the country.⁶⁵ In Chile, where private industry dominates, Chinese companies have acquired more than 57 percent of energy transmission and distribution.⁶⁶ In Peru, in April 2023, China's State Grid spent \$2.9 billion to acquire the assets of the Chilean firm Energy, Sustainability and Innovation Group (Enel).⁶⁷ Chinese wind energy projects include Villonaco in Ecuador,⁶⁸ the Punta Sierra wind farm in Coquimbo, Chile,⁶⁹ and wind turbine factories by the Chinese firms Sinovel⁷⁰ and Goldwind to support projects in Brazil.⁷¹

In the CEE countries, Chinese companies are making similar advances. In Senj, Croatia, China's Norinco completed a 130 windmill wind farm in 2021, the biggest in the country.⁷² In Hungary, a PRC-based company sought to build a major lithium battery plant, albeit meeting some local resistance.⁷³ Also in the electricity sector, the PRC has pursued nuclear energy projects in both regions, although with limited success in both.

In Latin America, PRC interest in the nuclear sector has focused on Argentina. There, the Gezhouba Group's work to build its Hualong-1 pressurized water reactor in Argentina's Atucha complex has run into problems due to the Argentine government's insistence that the PRC provide 100 percent of financing.

In the CEE countries, China National Nuclear Corporation (CNNC), together with Russia's Rosatom, has pursued construction of the Belene nuclear facility in Bulgaria.⁷⁴ On the other hand, PRC-based companies have been excluded from nuclear projects in Czechia (in 2021) and Romania, where the CNNC initially sought to build two nuclear reactors at Cernavodă.⁷⁵

China is also making headway in the electric vehicle markets of both countries. In South America, BYD has captured a sizable share of the electric car market. In Chile, China has sold more electric busses than in any country outside China. In a similar fashion, BYD has a significant presence in Hungary.⁷⁶ In Croatia, the Chinese are advancing with sales of Dok-Ing electric trucks.⁷⁷

Digital Technology Sectors

In both Latin America and the CEE countries, PRC-based companies have pursued an active presence in digital technology sectors, although that presence has been less successful in the CEE countries.

In telecommunications, PRC-based Huawei, ZTE, and Xiaomi are well established providers of smartphones and other digital communications devices.⁷⁸ In cloud computing, by contrast, whereas Huawei operates multiple cloud servers in Latin America,⁷⁹ seeking to attract companies to store their sensitive data and

processes in the Huawei cloud, it does not yet have such a presence in any of the CEE countries.⁸⁰

As in Latin America, PRC-based companies have a role in digital technology research initiatives and “smart cities” architectures of the CEE countries. Huawei is, for example, building smart cities in Osijek and Pula, Croatia.⁸¹ It is also establishing an artificial intelligence research center in Bulgaria.⁸²

In both Latin America and the CEE countries, the Chinese have components embedded in sensitive infrastructure that could gather digital data. For example, the Chinese company Nuctec operates in scanners used in customs facilities and other transportation checkpoints. In the CEE, Nuctec has a regional office in Poland,⁸³ and is also operating in Latvia, Lithuania, and Estonia.⁸⁴

Banking and Finance

In support of its commercial operations, in both Latin America and the CEE countries, Chinese banks are expanding operations through obtaining commercial and sometimes branch banking licenses for local operations.

In Latin America, the Industrial and Commerce Bank of China (ICBC) has offices in Mexico, Argentina, Peru, and Brazil.⁸⁵ Bank of China (BOC) has offices in Argentina, Brazil, Chile, Mexico, Panama, and Peru.⁸⁶ China Construction Bank has a presence in Brazil as well.⁸⁷

In the CEE, similarly, the ICBC operates in Czechia and Poland,⁸⁸ and the Bank of China (BOC), among other PRC-based institutions, is present in Czechia, Hungary, Poland and Romania.⁸⁹ By contrast to Latin America, however, CCB has no representative offices in the CEE countries.

In both regions, the PRC is pursuing arrangements that expand international use of the Chinese currency, the RMB. In Latin America, this includes currency swap arrangements with Brazil⁹⁰ and Argentina⁹¹ and commitments by both to denominate major commodities transactions in the Chinese currency.⁹² In the CEE, China’s RNB promotion efforts have been more limited but include Poland’s issuance of RNB-denominated bonds in 2016.⁹³

Investment for Market Access and Decoupling

In both Latin America and the CEE countries, PRC-based companies have sometimes invested to obtain access to local markets or nearby larger country markets. In Brazil, for example, Chinese carmakers and heavy equipment producers, such as SANY and JAC, have set up final assembly operations in pursuit of Brazil’s (and neighboring countries) large markets through the Mercosur customs union, of which Brazil is part. In the CEE countries, in 2018, China’s Hisense

similarly acquired Gorenje, a local appliance manufacturer, to facilitate access to that large local market.⁹⁴

One contrast between Chinese pursuit of market access through investment in the two regions is that in Latin America, particularly in Mexico and Central America, PRC investments have been further incentivized by the imperatives of “decoupling.” Some Chinese companies seek to locate operations near the US so as not to lose access to the US market⁹⁵ due to ongoing efforts to exclude Chinese companies from supply chains in similar sectors.

China and Populist Regimes

In Latin America and the CEE countries, populist countries have received some of the most high-profile construction projects. Most have been loan-based projects rather than investments, with almost all experiencing difficulties in execution.

In Latin America, such projects in populist countries include at least \$60 billion in work in Venezuela, funded by loans from PRC policy banks; \$18.2 billion in projects for Ecuador; and \$3.2 billion for Bolivia.⁹⁶ In all three countries, the largest projects were defined by delays, defects, corruption, and social protests. Examples included the abandoned Tinaco-Anaco railroad⁹⁷ and the CVG Ferrominera Orinoco project in Venezuela,⁹⁸ the failed Quijos and Coco Coda Sinclair hydroelectric facilities in Ecuador, and the abandoned Montero – Bulo railway project in Bolivia.⁹⁹ In the CEE countries,¹⁰⁰ similar examples of Chinese project with populist regimes include the ill-fated \$3 billion Budapest-Belgrade Railroad.¹⁰¹

Chinese Influence and “People-to-People” Diplomacy

In the Latin America and CEE countries, Chinese influence is only partially a function of the affinity of the population for the Chinese culture and political system. To a small degree, Chinese influence reflects the lessons that observers draw regarding the PRC “model” of state-led development and/or its incorporation of technology to achieve greater security or efficiency. In both regions, an even greater source of PRC influence is the disposition to cooperate with or avoid publicly criticizing PRC actions or its system in pursuing hoped-for access to the PRC market, loans and investment, or other forms of benefit from engagement.¹⁰²

An important dimension of China’s influence in Latin America and the CEE countries is the role of Confucius Institutes, Hanban, and other scholarships for long-term study in China, shorter relationship-building programs for academics and analysts, journalists, and government personnel among others, and “United Front” activities by the International Liaison Division of the Chinese Communist Party, among others.

Confucius Institutes and Hanban Scholarships

In the Latin American and CEE countries, Confucius Institutes serve an important gatekeeping role, providing free Mandarin-language education for interested students in the region. They also help create opportunities for those with the discipline to stick with the challenging Chinese language and cultural studies to obtain scholarships for study in China through the official Hanban cultural promotion organization. In both regions, the limited number of persons with in-depth knowledge of the Chinese language and other aspects of the Chinese system allows those who obtain that capability through Chinese-funded programs to comprise a significant proportion of personnel hired for PRC-facing diplomatic, trade, and other positions in their governments.¹⁰³

There are currently forty-four PRC Confucius Institutes in Latin America, with generally a minimum of one institute per country but a larger number for bigger countries or those with particularly strong relations.¹⁰⁴ The number of Latin Americans sent each year to study in China normally varies. Guyana, with its tiny population of 850,000, received twelve scholarships for students to study in the PRC,¹⁰⁵ while Colombia received approximately seventy scholarships from the PRC in 2021.¹⁰⁶

In addition to scholarships, many Latin American universities have partnerships with Chinese counterparts. In the joint communiqué produced during President Lula's April 2023 state visit to the PRC, the sides committed to expanded education ties including facilitating an increase in the number of Chinese studying in Brazil.¹⁰⁷

The profile of Confucius Institutes in the CEE countries is similar to that in Latin America, with a total of twenty-seven in the region.¹⁰⁸ Albania, Croatia, Slovenia, Estonia, Latvia, and Lithuania each have one. Poland has the most with six, followed by Hungary with five, Romania with four, and Bulgaria, the Czech Republic, and Slovakia with two each. In the Baltic, an estimated 250 persons per year are estimated to have been brought to China on scholarships related to Confucius Institutes there.¹⁰⁹

As in Latin America, universities in CEE countries have established partnership programs with their Chinese counterparts. In Bulgaria, the National University in Sofia has established a partnership with Shanghai University.¹¹⁰ Chinese and Bulgarian officials established the Bulgarian-Chinese Center of Shanghai Jiao Tong University at Bulgaria's University of National and World Economy.¹¹¹ Perhaps the most controversial case is in Hungary, where China's Fudan University is opening a satellite campus in Budapest,¹¹² sparking protests due to the prime real

estate being provided to the Chinese as well as to a lack of transparency regarding the activities that will take place there.¹¹³

Short-Term Travel Programs

In both Latin America and the CEE countries, as a complement to long-term study in China for an elite few, the Chinese government regularly invites academics, consultants, journalists, and security sector and other government officials to the PRC for various relationship-building forums and other trips.¹¹⁴

While the exact number of those receiving such largesse is not public, in Latin America and the Caribbean, the 2019–21 China-CELAC plan committed the PRC to bringing as many as 6,000 Latin Americans to China during that three-year period alone.¹¹⁵ In the CEE countries, examples include the China Association for International Understanding in Bulgaria, which hosts trips to China by Bulgarian leaders, academics, others.¹¹⁶

Those attending such trips do not necessarily become spies or uncritical pro-PRC propagandists. However, the desire of those receiving such Chinese largesse to respect their host's generosity and maintain their privileged access to the PRC is a powerful inducement to self-censure.¹¹⁷

United Front Work Department activities

In both Latin America and the CEE countries, the International Liaison Division of the PRC Chinese Communist Party conducts outreach activities through sympathetic local elites and others to advance PRC objectives under the guise of the United Front Work Department (UFWD). Through the UFWD and other vehicles, the PRC regularly contacts legislatures and political parties in both regions.¹¹⁸

In Latin America, UFWD activities often target senior personnel, tied to the PRC through "friendship societies." Often, they target governments recognizing Taiwan, lobbying them through such local PRC-friendly, high-level officials to change their diplomatic relations with the PRC.

One dimension of such lobbying in both regions is party-to-party and legislative activities. In Latin America, for example, the joint statement coming out of President Lula's trip to Beijing included a section on strengthening parliamentary cooperation.¹¹⁹ Examples in the CEE countries include a formal pro-PRC grouping in the Bulgarian parliament, whose mission is to advance China-Bulgarian "friendship."¹²⁰

China Business Lobbies

In both Latin America and the CEE countries, the PRC also works to promote its interests in the commercial domain through organizations of those conducting or interested in conducting business with the PRC. Examples in Latin America include the Sino-Colombia Chamber of Commerce, the Sino-Argentine Chamber of Commerce, and the China-Brazil Business Council. In the CEE countries, examples include the Bulgaria-China Business Development Association and the Bulgaria-Chinese Chamber of Commerce.¹²¹

The PRC also engages at the local level in both regions through sister city relationships and other formats. Such relationships became particularly important during the pandemic period, particularly for countries with whom the PRC has difficulties at the national level. In Brazil, for example, between February 2020 and February 2022, the PRC made seventy-two Covid-19 related donations to Brazil, of which fully fifty-eight were channeled through Brazilian states and cities.¹²² In the CEE countries, the PRC has provided numerous gifts to local entities, including a climate control system for a local Albanian museum.¹²³ Croatia's capital of Zagreb maintains a sister-city relationship with Shanghai and Beijing. In addition, the Croatian localities of Rijeka, Split, Dubrovnik, Opatija, Varazdin, Primorje-Gorski Kotar County, Osijek-Baranja County, Zadar County, Lika-Senj County, and Vukovar-Srijem maintain interactions with Chinese partners Dalian City, Qingdao City, Ningbo City, Xi'an City, Hangzhou City, Harbin City, Liaoning Province, Hainan Province, Sichuan Province, Qinghai Province, Hebei Province, and Henan Province.¹²⁴

In both Latin America and the CEE countries, the PRC works with local media seeking to ensure positive coverage of issues of importance to China and repress negative reporting. Such work includes the PRC national news service CGTN, which provides visual and audio newsfeeds to local stations. It also funds lucrative advertising supplements in local newspapers and magazines and sponsors journalist trips to the PRC.¹²⁵

In Latin America, in April 2023, Brazil's *Empresa Brasil de Comunicação* (EBC) signed a content-sharing agreement with China's state-run news agency Xinhua.¹²⁶ Later that month, following Honduras's switch in diplomatic recognition from Taiwan to the PRC, China Media Group opened an office in Tegucigalpa and signed a content-sharing agreement with National Television of Honduras.¹²⁷

In the CEE countries, in 2022, Bulgaria National Television signed an agreement with CCTV to rebroadcast Chinese content on Bulgarian national channel BNT-2.¹²⁸ In Czechia, the PRC has purchased a local TV station.¹²⁹ In Bulgaria, *China Today* is distributed as a local newspaper.¹³⁰ With respect to journalists,

among other examples, in 2020, Bulgaria's National Journalist union and its Chinese counterpart agreed to a "solidarity forum."

In both Latin America and the CEE countries, the PRC seeks to build ties to and leverage the Chinese population to advance its objectives. Most typically such efforts include outreach by the Chinese embassy on occasions such as celebrating the Chinese Lunar New Year. In recent years, they have also come to include "police stations" in which PRC government representatives, not always properly registered with the host countries in which they operate, conduct liaison activities with and monitoring of the local ethnic Chinese population. These activities can sometimes extend to the leveraging of relatives back in China and other techniques to coerce the local ethnic Chinese population to modify their speech or behavior in the country where they are living. In Latin America, PRC "police stations" have been identified in Peru, Argentina, Colombia, and Panama," among others.¹³¹ In the CEE, such stations have been identified in Croatia, Slovakia, and Romania.¹³²

Security Engagement

With respect to security engagement, in both Latin America and the CEE countries, the PRC has maintained contact through a steady if low-level set of donations of goods to military and police forces, institutional visits, and sponsorship of security personnel from the region to courses in PRC military institutions. In both regions, populist countries have generally gone further than their more democratic, Western-aligned counterparts in pursuing security relationships with the PRC.

In Latin America, Chinese donations of security equipment include military vehicles and construction equipment given to the armed forces of Peru and Colombia as well as the Jamaica Defense Force and Guyana Defense Force, among others. Beyond its engagement with traditional military forces, the PRC has also donated motorcycles and vehicles to the police services of the Dominican Republic, Trinidad and Tobago, and Guyana.¹³³ It has given bulletproof vests and helmets to the police forces of Panama¹³⁴ and motorcycles and anti-riot gear to Costa Rica.¹³⁵ The PRC has also donated Y-12 military transport aircraft to Guyana,¹³⁶ Costa Rica,¹³⁷ and Colombia.¹³⁸

With respect to sales of more sophisticated military equipment, the PRC has sold K-8 fighter aircraft to populist governments in Venezuela and Bolivia, Z-9 military helicopters to Bolivia, and 709 military trucks to the populist government of Rafael Correa in Ecuador.¹³⁹ As of the time of this writing, it continues pursuit of the sale of its JF-17 fighter to Argentina.¹⁴⁰ If approved, the sale would be the most sophisticated military aircraft sold by the PRC to the region.

In contrast to Latin America, the CEE countries have almost no record of purchasing or receiving gifts of security equipment from China.

With respect to institutional visits, virtually all Latin American countries recognizing the PRC have sent personnel to short courses in its National Defense University in Champing, as well as to longer courses in Nanjing and other military facilities. PLA personnel have come to Colombia's Lancers course in Tolimaida, and Brazil's Jungle Warfare School near Manaus for training. The Chinese Hospital Ship *Peace Arc* has visited the region three times, in 2011, 2015, and 2018–19, and its warships periodically make port calls in the hemisphere. In June 2023, the US government confirmed reports that the PRC has had an intelligence collection presence in Cuba possibly involving electronic signals intelligence collection directed at the United States and that it upgraded in 2019.¹⁴¹

With respect to PRC military institutional engagement with the CEE countries, in 2019, the PRC hosted Hungary's defense minister in Beijing. In 2021,¹⁴² Hungary hosted China's minister of defense, Wei Fenghe, in a meeting where the two nations committed to strengthen defense ties.¹⁴³

Conclusions

This examination of PRC engagement with the regions of Latin America and Central and Eastern Europe suggests that the PRC pursues comparable approaches in multiple regions of the world. It has highlighted that the PRC pursuit of commodities, foodstuffs, and strategic markets is global in scale, with the particular sectors targeted depending more on the attributes of the economy than the region. Similarly, it suggests that the PRC pursuit of projects in infrastructure connectivity is global, including not only roads, railways, and ports but electricity, telecommunications, and other connectivity. The nature of projects pursued, however, differs between the CEE countries due to their location on strategic pathways between the PRC and the larger markets of Western Europe versus Latin America, for which infrastructure projects are more exclusively directed toward access to the region's resources, markets, and the business opportunities arising from constructing those projects.

The PRC has also cultivated influence in both Latin America and the CEE countries, which manifests itself in an openness to working with the PRC despite differences over the latter's political system and behaviors in the hope of securing economic benefits. Fear of losing those benefits, or a desire to respect the confidence and generosity shown to individuals in both regions through PRC "people-to-people" diplomacy, leads to a selective silencing in both regions about the risks of engagement with the PRC among those who best know the PRC engagement style and associated risks. Nonetheless, in the CEE countries, the historical legacy

of domination by the Communist Soviet Union has made the governments and people somewhat more sensitive to such influence and information management efforts than in Latin America.

In both Latin America and Central and Eastern Europe, effectively protecting and pursuing the national interest in the context of engagement with the PRC requires transparency, rule-of-law, good information, and good governance. It also requires in-depth understanding regarding the PRC as a partner and a competitor. Continued study, including cross-regional examinations such as those done here, contribute to that end. □

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