



SMART NEWS & RESEARCH FOR LATIN AMERICA'S CHANGEMAKERS

Toward a Strategy for Responding to the PRC in Latin America



Evan Ellis | October 6, 2022
Global Americans Contributor

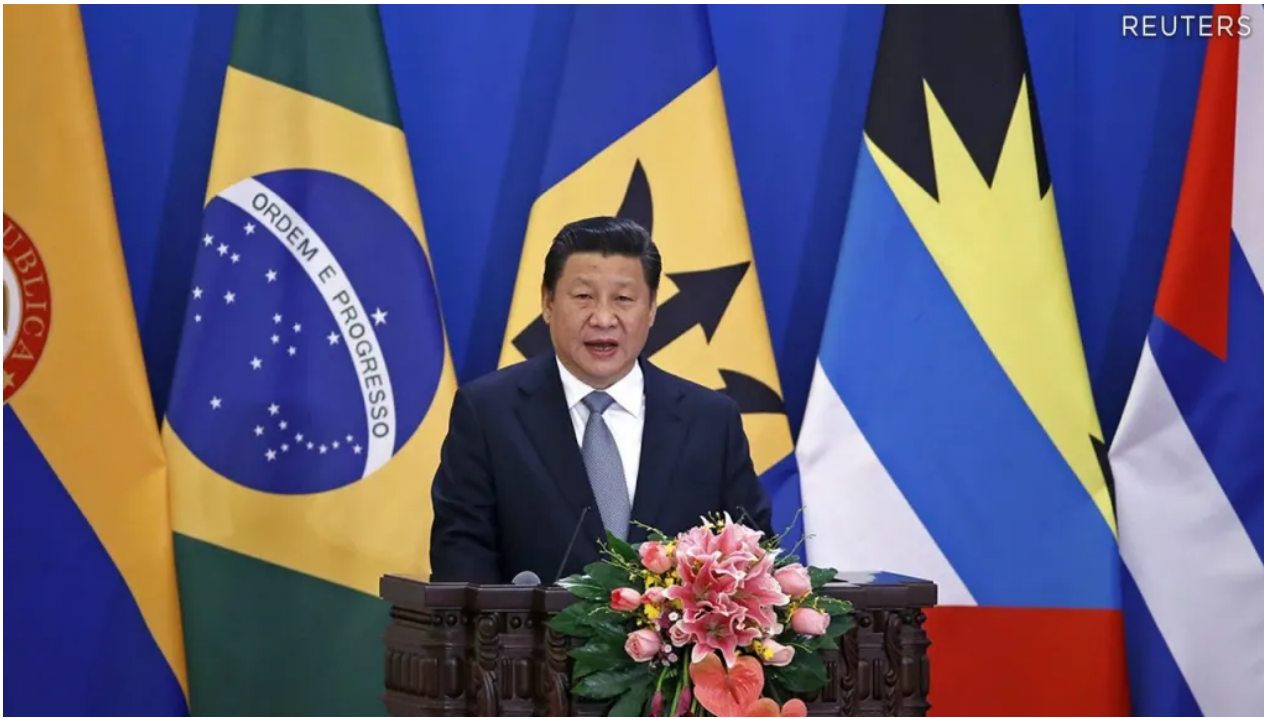


Photo: Chinese President Xi Jinping speaks at the first ministerial meeting of the Forum of China and the Community of Latin American and Caribbean States (CELAC) in Beijing, 2015. Source: Reuters.

As the People's Republic of China (PRC) expands its engagement in Latin America and the Caribbean, a common refrain in Washington is to lament the lack of an effective U.S. strategy in response, as well as the lack of U.S. government attention to the region in general. Having served on the Policy Planning Staff of the U.S. State Department (S/P), as well as engaging with U.S. government colleagues over the years, in an academic capacity, I can attest that many talented people in both republican and democratic administrations have given serious thought to the challenge. The problem is not the lack of strategies, but the adequacy of the concepts behind them, their resourcing and coordination, and ensuring that the chosen instruments and messages are sufficient for the challenge.

Many governments in the region, businesspersons, and others view engagement with the PRC as an opportunity. Most are aware of the sometimes predatory and unreliable nature of Chinese companies but hope they can manage the risks to secure the benefits. Many do not embrace PRC authoritarian practices but prefer not to think about how expanding PRC economic leverage in their own countries may have adverse consequences for their governments' economic or political options in the future. By associating U.S. expressions of concern with historical U.S. attempts to exclude other powers from the region, they eliminate the imperative to seriously evaluate such concerns and free themselves to take the Chinese money.

Despite the predominant orientation in the region to downplay the risks of expanding engagement with the PRC, such engagement not only fundamentally threatens not only U.S. interests but those in the region, including questions about who benefits from the region's resources and economic activities, creeping limitations to the region's freedom to openly question PRC behaviors, and indirectly, the health of democratic governance and rule of law in the region. For the U.S., the advance of the PRC is not just a matter of "influence," but about its ability to work with the region, and the economic and political health of the region of the world with which the U.S. is most intimately tied by bonds of geography, commerce, and family.

The trajectory and impact of the PRC's advance in the region are the function

SUPPORT US

Global Americans is a non-profit organization, which means we don't have advertising or a paywall. Your donation allows us to continue to deliver unique research and analysis on the Americas.

[Click here to help](#)

potentially significant international events which could dramatically change the dynamics of PRC engagement in the region and global affairs in general.

Setting aside, for the moment, the question of events that change the direction of world affairs, the trajectory of the PRC's challenge is principally driven by economics. The advance of PRC-based companies in the region's value chains, supported by the PRC government's political and institutional maneuverings, acquiescence in or support to technology theft, and other improper sources of advantage, contributes to a growing PRC presence as owners of Latin American industries, realizers of the associated value-added gains, and sources of influence. Compounding such effects, Chinese dominance in strategic technology sectors such as telecommunications, artificial intelligence, cloud computing, the Internet of Things (IoT), surveillance systems, and "smart cities," gives it both commercial intelligence and leverage to further its interest in other areas.

Over the long term, China's expanding role as a key purchaser of the region's goods, investor, employer, and loan provider, helps it to intimidate into silence businesspersons and politicians who would dare speak out about its repression of its own people, including the internment of Uighur Muslims in Xinjian, the repression of protests in Hong Kong, its militarization of contested reefs and shoals in the South and East China Sea, and the use of its Coast Guard and Maritime Militia to intimidate its neighbors in areas where it asserts its sovereignty.

As a compliment, the PRC has also undermined Latin American democracy through its loans, commodity purchases, and security and digital architectures support populist-authoritarian regimes, including Venezuela, Ecuador under Rafael Correa, Bolivia under Evo Morales, and leftist Peronist governments in Argentina, leading indirectly to a region that is less democratic, more corrupt, and with fewer guarantees for the rights of the most vulnerable where they

Potential Game Changers

Although China's advance in Latin America and elsewhere poses multiple sources of concern, that trajectory could change, for both better or worse, as a function of any number of worrisome global events currently on the horizon. The most significant of these include a global economic crisis, a nuclear war, and a PRC military invasion of Taiwan.

A global economic meltdown is only a possibility, not a probability. Such a crisis could arise from the interaction between the suppression of economic activity from China's zero-COVID policy, cascading financial default from its inability to manage its significant debt overhang in the context of economic weakness, the interaction between an economic crisis in the PRC and fragile post-COVID-19 economic and financial systems in the West, the inflationary impact of Russia's Ukraine invasion obliging Central Banks to impose recession-inducing interest rate hikes, and a possible collapse of the economic and political stability of the Global South, including significant food shortages as the current lack of fertilizer causes an extended wave of poor harvests across the developing world. In the context of a global economic shock, such conditions could lead to widespread political mobilization, violence, and regime collapse. On the other hand, if the Chinese economy is not also paralyzed by such crises, it could also create opportunities for the PRC to expand its influence by assisting, consistent with its new "Global Development Initiative" (GDI), to the extent that it was not itself paralyzed by economic and political crisis.

With respect to nuclear war. As Russia's Vladimir Putin becomes increasingly desperate and politically vulnerable over his failed Ukraine invasion, his employment of tactical nuclear weapons, leading to nuclear escalation, is no longer unthinkable. Such an event would not only be transformative for the security environment but would likely ensure the global economy plunged into

Finally, a conflict of global proportions arising from a PRC invasion of Taiwan is a realistic possibility in the next five years. President Xi has telegraphed his intention to forcibly incorporate Taiwan into the PRC prior to the end of his unprecedented third term in 2027. If the PRC incorporated Taiwan through threatened or actual use of force and the West did not come to Taiwan's aid, such a change would transform the calculations of all of the PRC's neighbors in Asia regarding its power. At the same time, if such a gambit led to a war involving the U.S. and other Western powers in Asia, it would likely be fought in all major theaters. The People's Liberation Army (PLA) might, for example, seek to deploy forces into the Western Hemisphere to disrupt U.S. deployment and sustainment flows, create diversionary crises, or put the U.S. homeland at risk. To do so, it would leverage the relationships and familiarity with the region's operating environment built up through years of low-level military diplomacy with the region, institutional visits, warship deployments, and operations by Chinese commercial logistics and other companies in the region.

Components of U.S. Strategy to respond to the PRC in Latin America

Any U.S. strategy to effectively respond to the advance of the PRC in Latin America must be integrated across government, as well as done in coordination with like-minded U.S. democratic partners. It should include creative and well-resourced solutions in at least five core areas:

1. Holding ground through Western companies committed to transparency and market principles
2. Preventing global domination by PRC-based entities in strategic technologies
3. Effectively competing in the information and ideological space
4. Preventing PRC domination and exploitation of multilateral institutions of the global liberal order
5. Addressing multidimensional PRC challenges in the security domain

Helping Western Companies Hold Ground. Effectively competing in the economic domain requires a rethinking of the role of the democratic-capitalist state as a champion, regulator, and economic actor. The West must acknowledge that, by nature, it cannot prevail in a head-to-head competition with the PRC over channeling state-led projects to the developing world. Democratic, market-oriented states simply lack the PRC's vehicles for mobilizing and directing commercial resources for strategic political ends, including state-owned enterprises (SOEs) and mechanisms of Party control inside private enterprises. Nor is it clear that such channeling is an efficient or productive use of capital over the long term. The West can, however, shape conditions to limit the Chinese advance within a framework of transparency, rule of law, and equal opportunity while promoting its own companies and nurturing the inherent advantages they possess through an open political and economic system and a free market that stimulates innovation.

The U.S. is well advised to leverage the enormous size, effectiveness, and agility of private-sector capital against China's substantial but "clumsy capital." In helping its companies compete against the Chinese, the U.S. must adopt realistic notions about the strengths and limitations of its chosen instruments. It should endeavor to empower those institutions through policies consistent with their capitalist nature, fixing them where they are inadequate for the task, as well as expanding their resources.

The U.S. must also be realistic about what its instruments can do within the constraints of a capitalist system and the political and oversight systems that currently exist. While the Development Finance Corporation (DFC) is a promising instrument, for example, it cannot be effectively used to channel large quantities of private sector capital in an agile fashion to provide alternatives to the PRC, while it is also over-constrained by social and other policy considerations regarding where to focus that capital, including limitations on the income of the countries it can engage, or preferences that

resources to achieve both of these very different purposes, but if it attempts to do both with the DFC, it will not be effective in either.

In a similar fashion, the U.S. should better leverage its substantial financial contributions to the Inter-American Development Bank (IADB) to ensure that the institution, through the PRC presence on its board and aggressive PRC lobbying, does not become a tool for hijacking western capital to finance work projects for PRC-based companies in the region.

Beyond DFC and the IADB, USAID is also a candidate for channeling expanded resources to help create the conditions for transparent, market-oriented-economic activities, but must, in its strategic concept, blend providing assistance to persons in need and empowering people to conduct productive economic activity in ways that inoculate them to Chinese initiatives. The U.S. should be particularly careful not to fund development projects that open the door to engagement with the PRC, such as renewable energy programs that position Chinese suppliers to win the contracts or indirectly benefit from supplying components, insofar as PRC-based firms have come to dominate the sector.

Strategic Technologies. The United States must better protect its position in key technologies such as artificial intelligence, cloud computing, advanced telecommunications, and the internet of things by leveraging access to the U.S. market, U.S. sanctions power, and the value to partners of information provided by U.S. government entities. Examples include using the U.S. supply of security data with its partners as a lever to discourage them from adopting solutions from PRC-based firms and providers in their architectures in ways that would make it difficult for the U.S. to share sensitive information over those architectures.

The U.S. also should also expand efforts to prevent the PRC from dominating

Telecommunications Union (ITU), where the PRC has not yet completely dominated the institution.

Competing More Effectively in the Information Domain. The United States must improve its communication with Latin American leaders, commercial elites, and populations at all levels. It includes both direct messaging, as well as other means of providing information to target audiences through U.S. activities.

U.S. leaders generally understand that messages aggressively critical of the PRC or suggesting that Latin America forgo the economic benefits of commercial engagement with China do not play well in the region. Indeed, their effectiveness is further diminished by the political shift currently underway across the region's governments. The U.S. must thus work to refine its communication, within the boundaries of honesty, to credibly emphasize its interest in well-being of the region to which it is connected by geography, commerce, and family. In the context of regional skepticism from past patterns of U.S. engagement, it must show that the U.S. embraces the benefit of helping its neighbors to succeed by helping them strengthen democratic, market-oriented institutions that enable them to secure the best deal from not only the PRC but from all of those with whom it engages.

In support of such effective, credible messaging, the U.S. should do more to finance and directly collect data on the performance of PRC-based companies and the malign activities of Chinese government-affiliated entities in the region. It should make that data available in a more streamlined and effective fashion to both the U.S. government, as well as to businesses and to academics, journalists, and the public more broadly for their independent analysis and consideration. In the context of regional skepticism from past patterns of U.S. engagement, it must show that the U.S. embraces the benefit of helping its neighbors to succeed by helping them strengthen democratic,

market-oriented institutions that enable them to secure the best deal from not only the PRC but from all of those with whom it engages.

Such data may include the track record of PRC-based companies relative to others with respect to environmental and other corporate social responsibility (CSR), compliance with national laws, including on labor issues, as well as consultations with local communities. Such data may also include the incidence of social conflict associated with PRC-based projects, as well as activities by the Chinese government and its security services to improperly facilitate the winning of contracts or the robbery of intellectual property. It may further include information about predatory clauses included in Chinese contracts, corruption and other non-transparent behaviors associated with the activities of PRC-based companies, and analyses of the economic benefits of Chinese projects over time, among other data.

Security Engagement. In the security arena, The U.S. must effectively monitor and shape not only PRC military activities in and with the region, but also PRC engagement in the law enforcement domain, including cooperation on organized crime issues.

In military affairs, the U.S. Department of Defense (DoD) needs to develop a more effective strategic concept for understanding the contributions of the DoD to broader whole-of-government efforts to respond to the PRC. Such contributions should include but are not limited to the role of security assistance in helping U.S. partners succeed, thus inoculating democracies against turns to populist governments that bring in the PRC in troubling ways. It should also include an understanding of the strategic value of the relationships that the U.S. military builds through its security engagements and how those relationships may serve as a bulwark against threatening attributes of the PRC advance.

At the same time, the DoD must broaden its awareness of how activities by the PRC outside the military domain may threaten the U.S. position as the partner of choice, or open doors for forms of PRC military and technology engagement that present risks for the United States.

Although the PRC is not currently pursuing military alliances and bases in the region in the short term, the DoD must be conscious of the ways in which the relationships and operational familiarity built by PRC military-to-military engagements, contacts, arms sales, and commercial operations in the region, create opportunities for the PRC to operate militarily in the region in the context of a global conflict such as the one that could be unleashed by PRC forcible incorporation of Taiwan into its territory.

Beyond military affairs, The U.S. must work with partners to monitor and regulate PRC attempts to offer law enforcement intelligence and other cooperation in the context of expanding penetration of the region by Chinese organized crime, such as that involved in the supply of fentanyl and other precursor chemicals for synthetic drugs, human trafficking involving Chinese communities, as well as the use of those communities by, PRC-based companies, banks, and trade flows to facilitate money laundering by Latin American criminal organizations.

The U.S. should further work with Latin American partners to be alert to the entry of PRC-based private security companies in the region, in support of Chinese companies, as is already occurring in Asia.

Conclusions

It is vital to the U.S. strategic position, and the future of Latin America, that the U.S. effectively compete with the PRC across multiple domains in the region. It must do so through a whole-of-government effort, coordinated with

partners from pursuing legitimate benefits from commerce, investment, and loans from the PRC.

Within the framework of U.S. integration in the geography of the region, the core of the U.S. strategic approach must be working with the region to bring it transparent, democratic alternatives that further its success and stability, while strengthening the region's institutions and, as a good neighbor, helping the region to succeed in securing the benefits from engaging with all states, including the PRC, while avoiding the risks of more predatory PRC postures.

The approach outlined in this work is no guarantee of success. In its implementation, the U.S. notion of "[outcompeting China](#)" must be adequately conceptualized, coordinated, resourced, and intelligently applied. This includes focusing on the details of the individual instruments which are vital to that success, such as DFC, the IADB, and USAID, among others.

If the U.S. approach to the region does not turn out well, it does not have the option to simply disengage and relocate itself to a different region. It is thus vital for the U.S. to get its countering China in Latin America strategy right.

Evan Ellis is a Latin America research professor with the U.S. Army War College. The views contained herein are strictly his own.

Related Posts

Russian Influence in Latin America

As 2015 unfolded, one-by-one Russia's principal political supporters in Latin America and the Caribbean entered...

Washington's New Friends in Latin America

US President Barack Obama's visit to Cuba and Argentina this week underlines the United States...

Latin America and President Donald J. Trump

President Donald Trump's relationship with Latin America will surely be one to watch this year.

Filed Under: [Asia & Latin America](#), [Economics, Trade & Development](#), [U.S.-Latin America Relations](#)

Tagged With: [China-Latin America Relations](#), [U.S.-Latin America relations](#)

©2022 Global Americans

Website development by Robert Gourley.

[Menu](#)