

CONTENTS

FOREWORD	6
INTRODUCTION	11
CHAPTER I: GEOPOLITICS OF THE GREAT POWERS IN LATIN AMERICA	
The Road to a New Geopolitical Era <i>Jesús Rafael Argumosa Pila</i>	20
Trends and Strategic Impacts of PRC Engagement in Latin America <i>Robert Evan Ellis</i>	36
Russia's Strategy Towards Latin America After the War in Ukraine <i>Román D. Ortiz</i>	62
Relations Between the Middle East and Latin America <i>Eva Sáenz-Diez Jaccarini</i>	93
International Geopolitics and the Debate on the Existence of Strategic Sectors <i>Farid Kahhat Kahhat</i>	117
The European Union - Latin America and the Caribbean Digital Alliance: Geopolitics in the Era of Technological Global Governance <i>Mario Torres Jarrín</i>	127
CHAPTER II: LATIN AMERICAN GEOPOLITICAL PERSPECTIVES	
Argentina in the New Geopolitical Scenario: Selective Engagement, Defense, and Strategic Positioning <i>Juan Erardo Battaleme Martínez</i>	147
Brazilian Defense in the New Geopolitical Scenario: Between Discourse, De Jure Policies, and De Facto Policies <i>Karina Furtado Rodrigues and Sandro Teixeira Moita</i>	170
Chile in the Current Geopolitical Scenario: Indo-Pacific Destiny <i>Juan Pablo Toro Vargas</i>	191
The Impact of China's Growing Influence in Latin America and Peru <i>Paul Eduardo Vera Delzo</i>	206

TRENDS AND STRATEGIC IMPACTS OF PRC ENGAGEMENT IN LATIN AMERICA

Robert Evan Ellis

Summary

This work examines the key characteristics and patterns in Chinese engagement with Latin America and the Caribbean, as it has evolved in the Post-COVID-19 era. While the principal focus continues to be commercial, PRC-based companies have shifted away from large acquisitions in commodity sectors and large loan-backed projects in traditional infrastructure sectors, to smaller, more commercially viable projects with a focus on the new renewable energy economy and digital technology sectors. It is also actively pursuing cooperation in the space and security sectors. The People's Republic of China (PRC) engages with the region at the supranational, national, and subnational level, including the use of "people-to-people" diplomacy to weave networks of influence. In the post-pandemic era, it has renewed its diplomatic push, in conjunction with new Global Development, Security, and "Civilization" initiatives, and an expansion of its engagement in politically receptive countries closer to the United States (U.S.), including government, security, media, infrastructure and other cooperation that gives its engagement a more strategic character. This work finds that the economic benefits of engagement with the PRC on the region are frequently less, and the adverse consequences higher than expected. That engagement is indirectly undermining democracy and receptivity of the region to work with the U.S., while creating options for the PRC to act against the U.S. and its partners in the region during a possible future conflict with the West in the Indopacific.

Keywords: *China, PRC, Latin America, Military, Security, Digital, Green Energy, Strategic Competition*

Introduction

Latin America's relationship with the People's Republic of China (PRC), and its impact on the region's relationship with the United States (U.S.) has become a dominant element in the public discourse of the region. China's commercial, and other engagement with Latin America have also played an increasingly important role in both its economic and political trajectory. In commercial terms, China Latin America trade has grown

more than 35-fold since 2000, reaching a level of more than \$480 billion in 2023.¹ The PRC is the number one trading partner for virtually every country in the region South of Costa Rica. Chinese investments in the region from 2000 to 2023, although not yet at the level of those accumulated U.S. and other developed nations, total more than \$193.2 billion.² The PRC's two major policy banks alone have provided over \$136 billion to the region since 2005, while its commercial banks are also playing an increasingly important role as well.³

The PRC relationship with Latin America has evolved significantly in the more than two decades since China was admitted into the World Trade Organization in 2001. Prior to the 2008 global financial crisis, the PRC-Latin America relationship was dominated by trade with limited presence of PRC-based companies operating in the region. Latin America principally exported commodities and foodstuffs to the region, while importing a broad array of Chinese manufactured products. The interaction was characterized by relatively limited knowledge and ample misperceptions of each side by the other, but also intense activity by businesspersons and others on both sides to build ties and knowledge, driven by the hopes of commercial and other benefit.

Beginning in approximately 2010, PRC-based companies substantially expanded their presence in the region through a combination acquisitions, greenfield investments, and China-financed infrastructure construction projects. The expanded presence was accompanied by conflict between the Chinese entities and local communities, arising from the mismatch between the way the Chinese sought to conduct business, versus norms and perceptions on the Latin American side. That PRC presence on the ground also, however, created opportunities for learning and influence.

The 2020 COVID-19 crisis, in combination with expanded pushback on China's advance in the region from the U.S. during the administration of Donald Trump, together slowed the progress of projects with the PRC. On the other hand, it created opportunities for the PRC to expand its influence by donating and selling vaccines and medical supplies during the early phase of the pandemic when more effective

1 "In 23 years bilateral trade between Latin America and China soared 35 times". *MercoPress*, April 30, 2024. <https://en.mercopress.com/2024/04/30/in-23-years-bilateral-trade-between-latin-america-and-china-soared-35-times>

2 Dussel Peters, Enrique. "Monitor of Chinese OFDI in Latin America and the Caribbean 2024". *RedALC-China*, May 13, 2024. https://www.redalc-china.org/monitor/images/pdfs/menuprincipal/DusselPeters_MonitorOFDI_2024_Eng.pdf

3 "Chinese Loans to Latin America and the Caribbean Database". *Interamerican Dialogue*, Accessed June 2, 2024. https://www.thedialogue.org/map_list/

MRNA-based Western vaccines were not yet available in the region.⁴ The trajectory of PRC engagement with Latin America in the post-pandemic environment reflects changes in China itself, as well as in the region, and in the U.S. This work examines the key dynamics of the PRC activities in the region and their evolution in the post-Pandemic period and their impacts on the region.

Key Elements of PRC Engagement with Latin America

Chinas engagement with Latin America is dominated by commercial activities, principally those of PRC-based State-Owned Enterprises which functions as its national champions, although that engagement also includes security sector activities, political activities at national, subnational, and supernational levels, strategic courtship of individuals in government, academia, business and other domains, as well as other interactions. PRC activities in the region in the post-Pandemic period have become increasingly assertive, including substantial, if often indirect pressure against governments recognizing Taiwan,⁵ and elites critical of the PRC or working against the interests of its government and companies.⁶

PRC Economic Engagement with Latin America. In the economic domain, Chinese activities in Latin America, as in other parts of the world, are centered on obtaining secure access to resources and markets needed to sustain and develop the PRC, including capturing as much of the value added in associated supply chains for PRC-based entities. In the process, the PRC gives particular attention to transportation, electrical, and digital infrastructure projects, leveraging them to support the advance of PRC-based firms in other domains.

Chinese resource-sector have shifted in emphasis from traditional commodities such as petroleum and iron to lithium, rare earth elements, and other materials needed for the new energy economy. In agriculture, it has gradually begun purchasing higher value-added goods such as beef, pork, and poultry, rather than just soybeans, fishmeal

4 Kneip, Lucie. "China's Vaccine Diplomacy in Latin America". *The Diplomat*, August 10, 2021. <https://thediplomat.com/2021/08/chinas-vaccine-diplomacy-in-latin-america/>

5 "China's rejection of Guatemalan shipments could be related to Taiwan ties, Guatemala president says". *Reuters*, May 24, 2024. <https://www.reuters.com/world/chinas-rejection-guatemalan-shipments-could-be-related-taiwan-ties-guatemala-2024-05-25/>

6 China's suspension of a \$5 billion bank swap agreement with Argentina to show its displeasure with the PRC-critical statements of its new president Javier Milei are an illustrative example. "China puts brake on Argentina's US\$6.5-billion currency swap amid Milei tensions". *Buenos Aires Times*, December 19, 2023. <https://www.batimes.com.ar/news/economy/china-stops-us65-billion-swap-negotiated-by-alberto-fernandez.phtml>

and other feed to raise its own animal protein. China's pursuit of Latin America's markets has evolved from selling traditional manufacturing goods and construction services, to advanced digital technologies and devices, electric vehicles, and work building electrical and digital infrastructure in the region.⁷

PRC Space Engagement. The PRC has pursued space engagement in the region for over 30 years, signing an agreement with Brazil in 1989 to Co-develop and launch satellites through the China-Brazil Earth Resources Satellite program (CBERS), and in the same year, signing an agreement with Argentina for access to the Félix Aguilar astronomical observatory in San Juan province. Since that time, Chinese space engagement has evolved considerably. It built and launched three satellites for Venezuela and one for Bolivia. In both cases it also played a key role in the instrumentation of the primary and secondary ground control facilities in those countries, as well as training their space personnel. Such engagement with the two anti-U.S. populist regimes thus gave the PRC significant potential access through that equipment and human relationships, to the data obtained by those satellites and facilities.⁸

In Argentina, China negotiated a 50-year contract with the prior Peronist government of Christina Fernandez to build and operate a space radar and control facility in the remote province of Neuquén, run by China Satellite Launch and Tracking Control General (CLTC), a subsidiary of the Strategic Support Forces of the Peoples Liberation Army (PLA), and without continuous presence or strong oversight mechanisms by the Argentine government.⁹ It has also moved forward with multiple projects at the previously noted Felix Aguilar observatory, including a 40-meter space telescope, as well as plans by the PRC-based company Emposat to build a space communications facility in Rio Gallegos, in the far South of the country.¹⁰

In Chile, the Swedish Space Corporation (SSC) which runs the Santiago Satellite Station, has indicated that it will not allow China's CLTC to continue operating at the

7 "New Infrastructure—Emerging Trends in Chinese Investment in Latin America". *Inter-American Dialogue*, April 25, 2024. <https://www.thedialogue.org/analysis/online-event-new-infrastructure-emerging-trends-in-chinese-investment-in-latin-america/>

8 Ellis, R. Evan. "China-Latin America Space Cooperation – An Overview". *The Diplomat*, February 16, 2024. <https://thediplomat.com/2024/02/china-latin-america-space-cooperation-an-overview/>.

9 Caro, Carlo J.V. "The Patagonian Enigma: China's Deep Space Station in Argentina". *The Diplomat*, January 8, 2024. <https://thediplomat.com/2024/01/the-patagonian-enigma-chinas-deep-space-station-in-argentina/>

10 Funaiole, Matthew P., Dana Kim, Brian Hart, & Joseph S. Bermudez Jr. "Eyes on the Skies: China's Growing Space Footprint in South America". *Center for Strategic and International Studies*, October 4, 2022. <https://features.csis.org/hiddenreach/china-ground-stations-space/>

facility, because it could not guarantee that such operations could not be used for military purposes.¹¹ Peru currently collaborates with China in data sharing through its membership in the Asia-Pacific Space Cooperation Organization, while Venezuela and Nicaragua have agreed to participate in China's construction of a lunar research station.

The PRC Focus on Infrastructure and Connectivity. In its commercial relations in Latin America, as elsewhere, the PRC has focused on connectivity through the construction and operation of infrastructure. Initially it focused its efforts on the transportation sector, but has increasingly shifted to electricity, digital, and financial connectivity. That focus began before the PRC officially acknowledged Latin America's ability to participate in its Belt and Road Initiative (BRI) with the acceptance of Panama as the region's first member in 2018. Since that time, 22 states in the region have declared their participation in BRI. Neither the specific infrastructure projects, or benefits and obligations of BRI membership are clear. For most states in the region, membership is a pledge of interest in engaging with China, with the hopes that such a pledge will secure it prioritization from the PRC in receiving hoped-for benefits.¹²

In transport infrastructure, the majority of megaprojects proposed by Chinese entities for the region have not gone forward. These include the Nicaraguan Canal, "dry canal" projects across Colombia and Honduras, and the proposed "Twin Oceans" project connecting the Atlantic and Pacific coast of South America, among others. As noted previously, PRC emphasis has gradually moved from large state-to-state projects backed by loans from PRC-based policy banks to smaller projects. Major Chinese construction firms such as China Harbour Engineering Corporation are becoming increasingly sophisticated, competing for and winning projects even in relatively well-institutionalized countries by putting up some of their own funds through Public-Private Partnership financing vehicles. Prominent examples include work on the Mar 2 highway, Bogota Metro, and Regiotram projects in Colombia, as well as improvement of segments of Highway 5 in Chile by China Railway Corporation.¹³

In the port sector, the PRC has maintained a substantial presence in the region since the late 1990s, with the Hong Kong-based firm Hutchinson-Whampoa operating

¹¹ Ibid.

¹² Jenkins, Rhys. "China's Belt and Road Initiative in Latin America: What has Changed?". *Journal of Current Chinese Affairs*, Volume 51, Issue 1. <https://doi.org/10.1177/186810262110478>

¹³ "Corporación de Construcción Ferroviaria de China gana concesión de carretera de Chile". *Milenio*, February 17, 2023. <https://www.milenio.com/asia-y-oceania/la-ruta-de-la-seda/corporacion-china-gana-concesion-carretera-chile>

multiple facilities in Mexico, Panama, the Bahamas and Argentina, among others. Beyond Hutchinson, China Merchant Port (CMPort) has an interest in the port of Kingston, Jamaica, China Harbour constructed the port of Posorja, Ecuador, for DP World, and a Chinese consortium is currently completing the 15-berth private port in Chancay, which will transform the dynamics of maritime logistics on the Pacific coast of South America.¹⁴ Chinese infrastructure projects also include efforts to dredge and operate waterways in the region, including a bid by Shanghai dredging for work at the mouth of the Paraguay-Parana River corridor, critical to the agricultural and other exports of five South American nations, as well as a project by China Harbour to deepen Amazon waterways in the interior of Peru and operate them as toll routes.¹⁵

In the domain of electricity connectivity, PRC-based firms have played a major role in the construction and operation of generation, transmission, and distribution infrastructure, focusing on green energy and new technologies. The PRC has leveraged a combination of construction companies, its own low-cost labor and equipment, and self-financing to construct numerous hydroelectric dams in Ecuador, Bolivia, Honduras and elsewhere, although it had significant difficulties regarding quality, environmental impacts, and relations with local communities and workforces on virtually all of the projects, including some in which the state withdrew the contract from the PRC-based firm for non-performance. The PRC is used similar advantages to build major wind and photovoltaic projects, including Cauchari-Olaroz in Argentina, and the Açú facility in Brazil, two of the biggest in the hemisphere.¹⁶

Through mergers and acquisitions, starting in 2010, major Chinese electricity companies have built a significant presence in the region, then have leveraged that presence to compete for public infrastructure projects. State Grid, China Three Gorges, and State Power Investment Corporation (SPIC) are the three principal examples. In that fashion, PRC-based companies have captured 57 % of the Chilean electricity transmission and distribution market, and 100 % of electricity distribution

¹⁴ Braw, Elizabeth. "Peru Learns to Read the Fine Print in China Deals". *Foreign Policy*, May 13, 2024. <https://foreignpolicy.com/2024/05/13/peru-learns-to-read-the-fine-print-in-china-deals/>.

¹⁵ Collins, Dan. "China-backed Amazon Waterway mired in murky information". *Dialogue Earth*, September 13, 2019. <https://dialogue.earth/en/water/30190-china-backed-amazon-waterway-mired-in-murky-information/>

¹⁶ Ellis, R. Evan. "Is China Cornering the Green Energy Transition in Latin America?". *Dialogo*, February 28, 2024. <https://dialogo-americas.com/articles/is-china-cornering-the-green-energy-transition-in-latin-america/>

in the greater Lima Peru area.¹⁷ A fourth major PRC-based entity, Power China, partners with numerous smaller players to advance its position in wind, solar and other infrastructure projects, and the market for electricity products like industrial storage batteries and photovoltaic panels, across the region.

In the digital sector, the PRC based firm Huawei, and ZTE have been active in the region since the 1990s. Other Chinese companies including Xiaomi and Oppo have also established a presence. Often such companies are suppliers of devices and infrastructure construction and other services to the commercial or state telecommunications companies in the region. Currently, Huawei is leveraging its position in having built or supplied the existing infrastructure, as well as in the cost and features of its 5G offering, to win roles in 5G infrastructure as the region deploys it.¹⁸

Huawei is also playing an increasingly dominant role in cloud computing in the region, as well as in security systems solutions, including smart and safe city projects, often as an integrator for other Chinese providers. While the number of “smart and safe cities” projects in the region that have actually gone forward, such as ECU-911 in Ecuador and BOL-110 in Bolivia, are limited, Chinese camera and sensor companies such as Hikvision and Dahua play an often unrecognized, dominant role in private and corporate security systems across the region.¹⁹ As a compliment to the PRC role in digital connectivity, the Chinese rideshare company Didi Chuxing has a significant presence in the region, with access to the travel patterns and other data of millions of drivers and users, as well as leverage as the technically largest PRC-based employer in the region.²⁰ The Chinese company Alibaba similarly has come to play a significant role in eCommerce, particularly in the business-to-business domain.

In the financial sector, Chinese commercial banks have moved from a representational presence to traditional branch banking, taking customer deposits, making loans, and

17 Stott, Michael & Joe Daniels. “US raises concern with Peru over Chinese control of infrastructure”. *Financial Times*, October 3, 2023. <https://www.ft.com/content/2c77be69-60d7-4d5c-a0c6-c7978bde3888>

18 d’Sola Alvarado, Parsifal. “Huawei’s Expansion in Latin America and the Caribbean: Views from the Region”. *United States Institute for Peace*, April 17, 2024. <https://www.usip.org/publications/2024/04/huaweis-expansion-latin-america-and-caribbean-views-region>

19 Ellis, R. Evan. “El Avance Digital de China en America Latina”. *Seguridad y Poder Terrestre*, Vol. 1, No. 1 (2022): July-September: 15-39. <https://revistas.ceeep.mil.pe/index.php/seguridad-y-poder-terrestre/article/view/5>

20 Dai, Sarah. “How China’s Didi Chuxing quietly grew into a Latin American ride-hailing giant”. *South China Morning Post*, April 19, 2020. <https://www.scmp.com/tech/enterprises/article/3080454/how-chinas-didi-chuxing-quietly-grew-latin-american-ride-hailing>

conducting other transactions in countries like Brazil and Argentina.²¹ China's Union Pay electronic funds transfer system is also widely available in the region. In non-traditional banking Chinese billionaire Jack Ma has entered the market in Brazil with a stake in the firm Nutech.²²

PRC Influence Efforts and Political Engagement in Latin America. By contrast to the Soviet Union during the Cold War, the PRC generally has not openly sought to impose an economic model on the region or subvert democratic governments through guerrilla movements. Rather, it has used the enormous influence that comes from the expectation of benefit through its commercial activities, to induce partners to be open to work with China, and restrain themselves from openly critical discourse about its behavior in areas important to the PRC, such as recognition of Taiwan, PRC violation of treaty obligations in Hong Kong, its repression of Uighur Muslims in Xinjiang, its militarization of islands in the South China sea, and its increasingly aggressive behavior toward its neighbors there.²³

In the political domain, the PRC is engaged with Latin America and the Caribbean at the national, subnational, and super-national multilateral levels. At the national level, the PRC has recognized 12 countries in the region as "Strategic Partners," of which seven are "Comprehensive" strategic partners.²⁴ With some, including Venezuela and Brazil, it has established ministerial level working groups to facilitate the deepening of the relationship. The PRC also employs free trade agreements (FTAs) as a vehicle for expanding its access to the region while protecting its own markets in high value-added sectors through non-tariff barriers. Examples include FTAs signed with Chile, Peru, Costa Rica, and most recently, Ecuador and Nicaragua. It is currently negotiating agreements with El Salvador and Honduras as well, has

21 Ugarteche, Oscar & Carlos de Leon. "El financiamiento de China a América Latina". *Observatorio económico Latinamericano*, February 3, 2020. <https://obela.org/analisis/el-financiamiento-de-china-a-america-latina#:~:text=Por%20otro%20lado%2C%20los%20bancos%20comerciales%20presentes%20en,de%20Argentina%2C%20Brasil%2C%20Chile%2C%20M%C3%A9xico%2C%20Panam%C3%A1%20y%20Per%C3%BA>

22 Mandl, Carolina. "China's Tencent invests \$180 million in Brazil fintech Nubank". *Reuters*, October 8, 2018. <https://www.yahoo.com/news/chinas-tencent-acquire-stake-brazil-181104606.html>

23 Ellis, R. Evan, Kelly Senters Piazza, Adam Greer, & Daniel Uribe. "China's Use of Soft Power in Support of its Strategic Engagement in Latin America". *Journal of the Americas*, Vol. 4, No. 2: 159-182. https://www.airuniversity.af.edu/Portals/10/JOTA/journals/Volume-4_Issue-2/03-Ellis_eng.pdf

24 Roy, Diana. "China's Growing Influence in Latin America". *Council on Foreign Relations*, June 15, 2023. <https://www.cfr.org/background/china-influence-latin-america-argentina-brazil-venezuela-security-energy-bri#:~:text=In%20addition%20to%20several%20bilateral%20agreements%20with%20countries,Argentina%2C%20Brazil%2C%20Chile%2C%20Ecuador%2C%20Mexico%2C%20Peru%2C%20and%20Venezuela>

expressed interest in FTAs with Colombia and Uruguay, and has been unsuccessful in negotiating an agreement with Panama.²⁵

The PRC has been increasingly active in courting partners at the sub-national level, where there is less political visibility, and where legal and administrative restrictions on accepting Chinese offers of travel and other benefits are arguably less. Sister-city and sister-province relationships have been a key vehicle through which the PRC has sought influence by bringing mayors and local officials to China, making donations to local Universities, and providing other benefits.²⁶

Often the Chinese use work at the sub-national level as an alternative to obstacles at the national level. During the presidency of China-skeptic Jair Bolsonaro in Brazil, for example, Chinese companies expanded their engagement with more receptive Brazilian State-level governments, including Sao Paulo and those in the northeast of the country. In Argentina, the Chinese are particularly incentivized to work with the provinces, not only due to President Javier Milei's declaration that he will not negotiate "pacts with Communists,"²⁷ but also because key decisions regarding access to resources, such as the lithium highly desired by Chinese companies, are made at the provincial level.²⁸

At the Supranational level, the Chinese have long played a role in the established Inter-American system, being an observer in the Organization of American States (OAS) since 2004 and being part of the Board of Directors of the Inter-American Development Bank (IDB) since 2009. As with their role in other bodies such as the United Nations World Health Organization, they have often used their participation in such institutions to try to suppress critical reports, and where possible leverage those institutions to support China's objectives.²⁹ Examples include their

25 Ellis, R. Evan. "Insights from Comparing PRC Engagement in Africa and Latin America". *The Diplomat*, October 20, 2023. <https://thediplomat.com/2023/10/comparing-chinas-engagement-in-africa-and-latin-america/>

26 Klaus, Ian. "Ties that Bind: China's BRI and City Diplomacy in a Shifting World Order". *ISPI On-Line*, July 6, 2020. <https://www.ispionline.it/en/publication/ties-bind-chinas-bri-and-city-diplomacy-shifting-world-order-26852>

27 "No hago pactos con comunistas", dijo Milei, que quiere romper relaciones con China y Brasil". *El País*, August 17, 2023. <https://www.elpais.com.uy/mundo/argentina/no-hago-pactos-con-comunistas-dijo-milei-que-quiere-romper-relaciones-con-china-y-brasil>

28 See, for example, Lucila Sigal, "Argentine court in key lithium region halts new permits over environmental concerns". *Reuters*, March 15, 2024. <https://www.reuters.com/world/americas/argentine-court-key-lithium-region-halts-new-permits-over-environmental-concerns-2024-03-14/>

29 "An Armchair Conversation with Mauricio Claver-Carone, President of the Inter-American Development Bank". *Center for Strategic and International Studies*, February 18, 2021. <https://www.csis.org/analysis/armchair-conversation-mauricio-claver-carone-president-inter-american-development-bank>

establishment of Co-financing funds with the IDB to identify and position Chinese companies to win projects supported by IDB loans.³⁰

China's instrument of choice for multilateral engagement with the region, is arguably the Community of Latin American and Caribbean States (CELAC). As with PRC use of the FOCAC forum in Africa, CELAC has the advantage for China of weak institutionalization, allowing the PRC to advance its own agenda, while minimizing opportunities by states in region to coordinate a common position regarding what they want from China in return for its access to their commodities and markets. By contrast to the OAS, the U.S. and Canada are not present at CELAC, allowing the PRC to engage with the region without the presence of its geopolitical rival.³¹

Every three years, China holds an executive level forum with CELAC in which it advances a new multi-year strategic plan for its engagement with the region. While the document is generally light on details, it highlights the areas the PRC regards as priorities. In its most recent 2022-2024 plan, these included digital technologies, green energy, and space cooperation.³² The PRC has also established a number of topical forums affiliated with CELAC, which it uses to advance its engagement objectives in those areas. These include a defense forum, through which the PRC has brought together Ministers of Defense in the region, a Disaster Relief Forum through which it has sought to sell its construction and technology solutions to the region as a response to climate change, a Think Tank forum, which has allowed the PRC to bring leading signups from the region and others to China to build relations with them, and most recently, the PRC has established a Space Cooperation Forum for advancing engagement with Latin America in that strategically important domain.³³

30 "China to provide \$2 billion for Latin America and the Caribbean Co-financing Fund". *Interamerican Development Bank*, March 13, 2013. <https://www.iadb.org/en/news/china-provide-2-billion-latin-america-and-caribbean-co-financing-fund#:~:text=The%20proposed%20%242%20billion%20contribution%20by%20China%20will,to%20complement%20IDB%20loans%2C%20subject%20to%20pre-established%20limits>

31 Ellis, R. Evan. "Forums And Influence: Chinese Competitive Strategy and Multilateral Organizations in Latin America and the Caribbean". *Modern Warfare Institute*, June 14, 2022. <https://mwi.usma.edu/forums-and-influence-chinese-competitive-strategy-and-multilateral-organizations-in-latin-america-and-the-caribbean/>

32 Ellis, Evan & Leland Lazarus. "China's New Year Ambitions for Latin America and the Caribbean". *The Diplomat*, January 12, 2022. <https://thediplomat.com/2022/01/chinas-new-year-ambitions-for-latin-america-and-the-caribbean/>

33 "2024 China-Latin American and Caribbean States Space Cooperation Forum Wuhan Declaration-Space promotes the building a community of shared future". China National Space Agency, official website, April 25, 2024. <https://www.cnsa.gov.cn/english/n6465652/n6465653/c10514240/content.html>

PRC People-to-People Engagement and Influence Networks. As a complement to its diplomatic engagement, and in support of its political and economic objectives, the PRC maintains an increasingly sophisticated web of people-to-people influence networks in the region. Such networks are multidimensional and overlapping. They include 45 Confucius institutes in the region, which conduct official PRC government sponsored education on the Chinese language and culture, but also serve as a gateway for establishing ties with youth interested in the PRC, linking the most promising with PRC government and private scholarships to study in China, ultimately nurturing strong relationships with leaders of the future, who may play important roles in representing their company or government's interests vis-à-vis the PRC.

Beyond Confucius Institutes, the PRC also brings other Latin Americans to China in large numbers. The most recent China-CELAC plan indicated a goal of bringing at least 5,000 Latin American government personnel to the PRC from 2022–2024, as well as 3,000 others for “training” scholarships.³⁴ Such invitees include China oriented academics, businesspeople, journalists, politicians, and even government personnel such as military personnel, police, and judges. Such trips create positive relations that may facilitate these persons providing insights to their Chinese hosts and colleagues, as well as moderating their own discourse about the PRC, in the hopes of continued access to the PRC through such travel in areas of the invitee's professional or personal interest, and sometimes speaking fees or other payments as well.³⁵

In Latin America itself, the International Liaison Division of the Chinese Communist Party, the United Front Work Department, maintains relationships with numerous “Friendship Societies,” Chambers of Commerce, and other China-oriented groups in the region, complimenting the relationships that the PRC builds with Latin Americans in China, and allowing PRC functionaries to apply and coordinate their influence in the region through local actors.³⁶

The PRC has also been exposed in operating “police stations” in Latin America, ostensibly to help overseas ethnic Chinese with transactions involving the PRC government such as visas, but also highlighting China's growing recognition that its diaspora population is a strategic asset with which ties should be maintained, and

³⁴ “CHINA – CELAC JOINT ACTION PLAN FOR COOPERATION IN KEY AREAS (2022–2024)”. *People's Republic of China embassy in Guyana, official webpage*, December 13, 2021. http://gy.china-embassy.gov.cn/eng/xwfw/202112/t20211213_10469237.htm

³⁵ Ellis, et. al., 2022.

³⁶ Ibid.

through which influence can be exerted. Through such “police stations,” the PRC may leverage their ability to impact relatives in China, to impact the behavior of Chinese communities overseas, their public discourse, and possibly use them to obtain information.³⁷

PRC Security Engagement in Latin America. In the military domain, the importance of the PRC as a commercial partner and a global power, more than the quality of its military hardware or training programs, has opened doors for military-to-military and increasingly other security relationships. These relationships, and the familiarity and access to partner nation military institutions that comes with them, help the PLA to set up operations in the Western Hemisphere more rapidly, and operate there in a more agile, effective fashion, if they are ever called upon to do so in the context of a large-scale military conflict with the U.S.³⁸

PRC military activities in the region include arms sales and donations, training and professional military equipment, presence by the PRC in the region, and to a small but increasing degree, search for opportunities in the region by Chinese private security companies.³⁹ Most Chinese arms sales in Latin America have been to anti-U.S. governments, including the sale of K-8 fighters and radars to the Chavez regime in Venezuela, the sale of K-8s, Z-9 military helicopters and armored personnel carriers to the Evo Morales regime in Bolivia, and the sale of military radars and over 700 trucks and other military vehicles to Ecuador. Other regimes, however, have also bought military hardware from the PRC. These include Peru’s purchase of Chinese trucks and 27 Type 90B Multiple Launch Rocket Systems vehicles, with a decision to possibly acquire more in 2024.⁴⁰ They also include Trinidad and Tobago’s 2014 purchase of a Chinese offshore patrol vessel, OPV in 2014, and Argentina’s purchase of a small number of WMZ-551 armored personnel carriers.

³⁷ Dirks, Emile & Diana Fu. “China’s overseas police stations: An imminent security threat?”. *The Brookings Institution*, February 16, 2024. <https://www.brookings.edu/articles/chinas-overseas-police-stations-an-imminent-security-threat/>

³⁸ Ellis, R. Evan. “The Strategic Role of Latin America in a Global Conflict Over Taiwan”. *Seguridad y Poder Terrestre*, Vol. 2, No. 1, January – March 2023: 113 – 131. <https://revistas.ceeep.mil.pe/index.php/seguridad-y-poder-terrestre/article/view/21/35>

³⁹ Lazarus, Leland & R. Evan Ellis. “Chinese Private Security Companies in Latin America”. *The Diplomat*, July 17, 2023. <https://thediplomat.com/2023/07/chinese-private-security-companies-in-latin-america/>

⁴⁰ “Peru reevaluating future of Type 90B MRLS partnership with China’s next purchase still pending”. *Army Recognition*, April 11, 2024. <https://www.armyrecognition.com/news/army-news/2024/peru-reevaluating-future-of-type-90b-mrls-partnership-with-china-s-next-purchase-still-pending>

The PRC government also provides a substantial number of gifts to both militaries and police forces in the region. These commonly involve dual-use vehicles such as trucks tractors and ambulances for the military but have also included small Y-12 military transport aircraft donated to Colombia, Costa Rica, and Guyana. With respect to police forces in the region, the PRC has donated squad cars and motorcycles to Guyana, the Dominican Republic, and Costa Rica among others. It has also provided them with other equipment including 6.000 Kevlar vest and helmets donated to Panama's national police, Air and Naval Service (SENAN) and border service (SENAFRONT) in February 2023.⁴¹

Chinese military goods have been plagued with quality issues, including a radar system purchased from the China Electronics Technology Group Corporation (CETC) by the former anti-U.S. populist Correa government of Ecuador, which was functionally unsuitable for the jungle conditions for which it was acquired, leading Ecuador to cancel the acquisition, precipitating a multi-year legal battle with the Ecuadorian government. Peru similarly had problems with dangerous vibrations in Dongfeng, Beiben and Shanxi military trucks donated by the PRC, as well as defective 7.62mm ammunition that had to be returned because its improperly soft metal jammed in guns during combat, putting soldiers' lives at risk.

A significant portion of PRC contracts with populist states have also had contracting irregularities, including investigations of bribery in the procurement by Peru of the previously mentioned Type 90B MLRS vehicles,⁴² and in Bolivia's purchase of Chinese Z-9 helicopters.⁴³ In recent years, several states have decided to abandon arms purchases from Chinese defense countries that they were contemplating. These include Argentina's decision not to buy Chinese FC-1 fighter jets, and Uruguay's decision not to purchase offshore patrol vessels from the PRC.⁴⁴

41 Bravo, Douglas. "China dona miles de equipos tácticos de protección a Panamá". *Defensa.com*, February 14, 2023. <https://www.defensa.com/centro-america/china-dona-miles-equipos-tacticos-proteccion-panama>

42 Watson, Peter. "Perú investiga la adquisición de los lanzadores múltiples Norinco a China". *Infodefensa*, January 5, 2017. <https://www.infodefensa.com/texto-diario/mostrar/3079068/peru-investiga-adquisicion-lanzadores-multiples-norinco-china>

43 Carol, Marcela V. "Primer relevo en la historia de puestos militares bolivianos con helicópteros chinos Z9". *Defensa*, May 15, 2021. <https://www.defensa.com/bolivia/primer-relevo-historia-puestos-militares-bolivianos-helicopteros>

44 "China transmitió a Uruguay su "descontento" por procedimiento de compra de buques OPV para la Armada". *El Observador*, March 11, 2023. <https://www.elobservador.com.uy/nota/china-transmitio-a-uruguay-su-descontento-por-procedimiento-de-compra-de-buques-opv-para-la-armada-20231016450>

In the domain of professional military education and training, virtually all states maintaining diplomatic relations with the PRC have sent personnel to its short (3–5 weeks) courses in China’s National Defense university in Champing. A smaller number of Latin American states have also sent students to longer courses such as the Command and General Staff course operated by the PLA outside of Nanjing. Increasingly the PRC has begun to offer police training, in addition to military training, including invitations extended to Nicaragua.⁴⁵

With respect to PLA military presence in the region, delegations from PLA War Colleges and other institutions periodically visit their counterparts in Latin America. Chinese military police deployed to Haiti from 2004 to 2012 as part of the Brazil-led MINUSTAH peacekeeping force. The PLA Navy hospital ship peace ark has visited the region three times, in 2011, 2015, and in 2018–2019.⁴⁶ PLA sharpshooters participated in a military war game in Venezuela in 2023. The PRC has also maintained a presence in the electronic eavesdropping facility in Bejucal, Cuba since at least 2019, and is reportedly negotiating a semi-permanent presence for its military trainers in Cuba.⁴⁷ Despite such advances, however, the PRC may also be making an effort to lower the profile of its military presence in Latin America in recent years, due in part to push-back from the U.S., examples include the absence of expressed interest by the PRC in participating in a new Peacekeeping Force in Haiti, and the absence of a visit by the Peace Arc to the region since 2019.

Chinese Organized Crime in Latin America. With the expansion of commercial engagements and people to people connections between China and Latin America, illicit ties have also grown. PRC-based triads operate within local ethnic Chinese communities in the region and play a role in the trafficking of ethnic Chinese smuggled from the mainland, their maintenance in conditions that often resemble indentured servitude in Chinese businesses in the region, plus other illicit activities involving gambling and micro-money laundering through such activities. Multiple Chinese mafias including groups from Fujian and from Canton are believed to operate

⁴⁵ “Delegación de seguridad de China llega Managua para reunirse con la policía, Cancillería, y Mint”. *La Prensa*, May 27, 2024. <https://www.laprensani.com/2024/05/27/politica/3325003-china-nicaragua-encuentros-ministerio>

⁴⁶ Ellis, R. Evan. “Trends in PRC Security Engagement in Latin America and the Caribbean”. *The Diplomat*, February 23, 2024. <https://thediplomat.com/2024/02/chinas-security-engagement-in-latin-america-and-the-caribbean/>

⁴⁷ “China negocia con Cuba una ‘instalación de entrenamiento militar’ en la isla”. *La Razón*, June 20, 2023. <https://www.la-razon.com/mundo/2023/06/20/china-negocia-con-cuba-una-instalacion-de-entrenamiento-militar-en-la-isla/>

in Mexico and elsewhere in the region. Chinese criminal organizations collaborate with their Latin American counterparts, particularly the Mexican, Sinaloa, and CJNG cartels in the trafficking of fentanyl and its precursors, as well as the movement of other synthetic drugs from Wuhan, China to the region.⁴⁸ Groups involved in this trade reportedly include the triads 14K and Sun Ye-on, among others.

The proliferation of Chinese banks and legitimate commercial activities in the region has also facilitated the use of such PRC-based entities by Chinese organized crime groups and others for money laundering. In one illustrative case called “Flying Money,” run by Chinese entrepreneur Li Xizhi, Chinese gangs take ownership of cash paid to Mexican Cartel-affiliated narcos in the U.S., without moving it across borders, and transfer ownership of that cash to wealthy persons in China seeking to move their money out of the PRC. The wealthy Chinese then transfer a corresponding amount of RNB to Cartel-affiliated groups in Mexico, who use it to purchase products from China without paying full customs duties. The technique is not only faster than traditional smuggling of cash and trade-based money laundering, but it is also harder for Western authorities to detect, insofar as the money changes hands in less-than-transparent Chinese banks and groups.⁴⁹

Beyond money laundering, Chinese groups also play a key role in Illegal, Unreported, and Unregulated (IUU) fishing,⁵⁰ as well as wildlife trafficking in the region, including exotic species of butterflies, sea horses, tiger teeth and shark fins.⁵¹ Chinese criminal elements are also involved as the illegal mining sector in all part of the illicit value chain, from those who purchase the metals in the PRC, to those who pay for it at the local level, to Chinese shopkeepers who supply the mercury and illicit activities such as prostitution, to the miners.

⁴⁸ Pelcastre, Julieta. “Chinese Criminal Networks and Their Reach in Latin America”. *Dialogo*, February 16, 2024. <https://dialogo-americas.com/articles/chinese-criminal-networks-and-their-reach-in-latin-america/>

⁴⁹ Rotela, Sebastian & Kirsten Berg. “How a Chinese American Gangster Transformed Money Laundering for Drug Cartels”. *ProPublica*, October 11, 2022. <https://www.propublica.org/article/china-cartels-xizhi-li-money-laundering>

⁵⁰ Myers, Steven Lee, Agnes Chang, Derek Watkins & Claire Fu. “How China Targets the Global Fish Supply”. *The New York Times*, September 26, 2022. <https://www.nytimes.com/interactive/2022/09/26/world/asia/china-fishing-south-america.html>

⁵¹ Lazarus, Leland & Alexander Gosco. “Triads, Snakeheads, and Flying Money: The Underworld of Chinese Criminal Networks in Latin America and the Caribbean”. *Dialogo*, September 27, 2023. <https://dialogo-americas.com/articles/triads-snakeheads-and-flying-money-the-underworld-of-chinese-criminal-networks-in-latin-america-and-the-caribbean/>

Trends of China's Advance in Latin America

As noted previously, China's profile in Latin America has evolved significantly in the post-pandemic period, reflecting changes in the region, in the U.S. response, and in China itself.

Beyond just Business. The PRC has not moved away from its economic engagement with Latin America, nor abandoned the BRI. Nonetheless, in recent years it has advanced a series of concepts for its engagement with the region that frame its activities in an increasingly political and strategic tone, within the framework that the PRC calls a "Community of common destiny."⁵²

In its "Global Development Initiative," the PRC emphasizes the common cause that it claims with the developing nations of Latin America, at the same time, differentiating these states from "developed" nations such as the U.S., Europe, Japan and South Korea. The combination of China's simultaneous sense of exceptionalism, combined with its use of the "developing world" bond to woo partners, was illustrated by its participation in the annual G77-plus-China summits.⁵³ China has sought to insert statements about GDI not only into its own official discourse, but in the joint statements it releases following meetings with partners.

In the Global Security Initiative (GSI), as elaborated through a PRC White Paper on the topic, China has expressed interest in working with the region on security issues through CELAC, where the U.S. is not present, rather than the established security mechanisms of the Inter-American system such as the Interamerican Defense College (IADC) and Inter-American Defense Board (IADB),⁵⁴ where the PRC an open seat that it has not sent person to in recent years. In GSI, China also highlights governance of data, artificial intelligence and space, highlighting that the PRC understands the inherent security value of these areas in which the PRC already has a significant presence in the region.

52 McLaughlin, Daniel W., "Rewriting the Rules: Analyzing the People's Republic of China's Efforts to Establish New International Norms". *Journal of Indopacific Affairs*, March 8, 2021. <https://www.airuniversity.af.edu/JIPA/Display/Article/2528526/rewriting-the-rules-analyzing-the-peoples-republic-of-chinas-efforts-to-establi/>

53 "G77+China summit concludes with emphasis on empowering Global South". *Xinhua*, September 18, 2023. http://www.china.org.cn/world/2023-09/18/content_116690813.htm#:~:text=China%20is%20not%20a%20member%20but%20has%20been,group%20under%20the%20framework%20of%20%22G77%20and%20China.%22

54 Ellis, R. Evan. "What China's Global Security Initiative Tells Us About Its Strategic Engagement with Latin America". *The Diplomat*, April 4, 2023. <https://thediplomat.com/2023/04/what-chinas-global-security-initiative-tells-us-about-its-strategic-engagement-with-latin-america/>

In its Global Civilization Initiative (GCI), the PRC argues against concrete, enforceable standards on democracy, human rights, and the rule of law advanced by the West. The discourse, while seeming reasonable, is attractive to authoritarian populist states in the region such as Venezuela, Nicaragua, and Cuba, insofar as it creates a veneer of justification for not holding them to account for their violations in these areas.⁵⁵

PRC Political Re-Engagement with the Region. With the end of the COVID-19 pandemic, and the PRC's move away from its own "zero-covid" lockdown policies, China has begun to politically reengage the region. In 2023, an unprecedented number of Latin American leaders traveled to the PRC, including Brazilian President Luis Ignacio Lula da Silva (Lula), Honduran President Xiomara Castro, Venezuelan dictator Nicolas Maduro, Guyanese President Irfan Ali, then Argentine President Alberto Fernandez, Chilean President Gabriel Boric, Colombian President Gustavo Petro, and Uruguayan President Luis Lacalle Pou. In April 2024, Surinam's President Chan Santokhi also traveled to China. It is expected that China's President Xi Jinping will travel to Latin America to attend the November APEC Leaders' Summit in Lima, Peru to inaugurate the new China-Owned Megaport in Chancay.⁵⁶ The visit would represent President Xi's first trip to Latin America since before the pandemic.

Beyond diplomacy, the end to the pandemic permitted PRC-based companies to resume pursuit of, and/or work on important infrastructure projects, although as noted previously, the profile of that commercial engagement has changed with fewer large mergers and acquisitions and greenfield investment projects in traditional sectors, as well as reduced lending on major projects by Chinese policy banks. The PRC has prioritized smaller scale projects which are financially more viable. In addition, the PRC appears to continue to support projects in strategic sectors such as renewable energy and digital technologies.⁵⁷

China's engagement with Latin America is also being impacted by the fallout from the crisis in its property sector. The economic difficulties in the rest of the Chinese economy caused by that crisis, and the shock effect on the financial system will likely

⁵⁵ Ellis, R. Evan. "The Trouble with China's Global Civilization Initiative". *The Diplomat*, June 1, 2023. <https://thediplomat.com/2023/06/the-trouble-with-chinas-global-civilization-initiative/>

⁵⁶ "China and Peru are set to inaugurate the mega port of Chancay". *Fundacion Andres Bello*, January 23, 2024. <https://fundacionandresbello.org/en/news/peru-%fo%9f%87%b5%fo%9f%87%aa-news/china-and-peru-are-set-to-inaugurate-the-mega-port-of-chancay/>

⁵⁷ Glade, Jim. "How China has Shifted its Investment Strategy in Latin America in the Past Years". *The Latin Times*, January 26, 2024. <https://www.latintimes.com/how-china-has-shifted-its-investment-strategy-latin-america-past-years-550625>

continue to inhibit PRC-based SOEs from pursuing significant acquisitions, major greenfield investments, and risky loan-based projects in Latin America and elsewhere. Sustained depressed demand from China's property sector may also translate into lower Chinese demand for materials demanded by that sector from Latin America, such as iron, cement and wood products.

Such effects are further illustrated by dumping by PRC based companies of steel in Latin American markets such as Chile and Brazil in 2024.⁵⁸ On the other hand, Chinese demand for copper from Chile, Peru and other producers is likely to remain high, due to the production and transmission of electricity and electric vehicles in the new energy economy.

Expanding U.S. China tensions driving “decoupling” have an increasingly important role in supply chains and strategic sectors involving the U.S. In this environment, companies are increasingly considering the risks from intellectual property theft, logistics disruptions, or being considered a national security risk by having PRC-based companies in their supply chains. Reciprocally, Chinese companies are pursuing strategies to avoid being excluded from access to the U.S. market due to such dynamics. The combination of both dynamics is driving the phenomenon of “nearshoring,” involving investments in production oriented for the U.S. market in Mexico, and other countries physically closer to the U.S.

In the case of Mexico, the country has benefitted from a wave of investments by companies moving away from sourcing products in the PRC, yet nearshoring has also significantly increased the presence of PRC-based firms in the country, particularly in states close to the U.S. Many Chinese companies have invested in distribution or facilities in Mexico, seeking to reinvent themselves as legally Mexican companies, in an effort to preserve access to the U.S. market under USMCA.⁵⁹ In northern Mexican states such as Nuevo Leon, the PRC based companies have become the major source of new investment there. The growing influence of these PRC-based companies as local employers and business partners will likely become a significant policy issue for

⁵⁸ Attwood, James, Mariana Durao & Andrea Jaramillo. “China’s \$8.5 billion in steel spurs Latin America toward tariffs”. *American Journal of Transportation*, May 21, 2024. <https://www.ajot.com/news/chinaas-8.5-billion-in-steel-spurs-latin-america-toward-tariffs>

⁵⁹ Goodman, Peter S. “Why Chinese Companies Are Investing Billions in Mexico”. *The New York Times*, February 3, 2023. <https://www.nytimes.com/2023/02/03/business/china-mexico-trade.html#:~:text=Tracing%20a%20path%20of%20forged%20by%20Japanese%20and%20South,part%20of%20a%20broader%20trend%20known%20as%20nearshoring>

the new Mexican administration of Claudia Scheinbaum. For U.S. policymakers, the question of how to prevent USMCA from giving PRC-based companies a “back door” into U.S. supply chains will likely become a significant issue when USMCA is reviewed in 2026.

Beyond Mexico, “near shoring” will also likely drive expanded Chinese investment in other countries geographically close to the U.S. with privileged access to U.S. markets through FTAs, including those in Central America (through CAFTA-DR), as well as states of the Caribbean, and others such as Columbia, which enjoy special access to the U.S. through bilateral free trade agreements. Reinforcing, and reinforced by, the effects of near shoring, the PRC is advancing in increasingly political ways, in small states ever close to the U.S., particularly in the northern portion of Central America. In three of those states, the advance has been facilitated by a recent change in recognition from Taiwan to the PRC, leading to the signing of memorandums of understanding and negotiation of FTAs opening of local markets to China, and facilitating the rapid expansion of PRC human networks, as well as influence through government-to-government ties there.

In El Salvador, which recognized the PRC in August 2018, the PRC advance has been facilitated by the maverick government of Nayib Bukele, whose New Ideas party controls 2/3 of the El Salvador legislature, and whose relations with the U.S. have been strained due to U.S. concerns and criticisms over his use of repression and questionably democratic procedures in achieving dramatic success in reducing violence in the country through repressing gangs. Working with the Bukele government, the PRC has constructed a new Tourist pier at La Libertad, a new National Library, and is building a National Stadium, as well as building two water treatment plants. PRC-based companies have also previously shown an interest in a multi-billion-dollar project to transform the port at La Union, in the Gulf of Fonseca, into a major logistics and commercial complex.⁶⁰

In Nicaragua, the anti U.S., Sandinista government of Daniel Ortega and Rosario Murillo switched relations to the PRC as the U.S. and the European Union imposed increasing sanctions against the regime over its holding a rigged elections in November 2021, the outlawing of opposition parties, candidates, NGO’s and even the Catholic

⁶⁰ Dilanian, Ken, Joel Seidman & Gabriel Sanchez. “A project in El Salvador shows how China is exerting growing power in America’s backyard”. *NBC News*, September 4, 2021. <https://www.nbcnews.com/politics/national-security/project-el-salvador-shows-how-china-exerting-growing-power-america-n1278464>

Church and other religious organizations. As with El Salvador, Nicaragua, upon establishing diplomatic relations with the PRC, signed numerous memorandums of understanding, as well as negotiating a free trade agreement with a PRC, which collectively open up the Nicaraguan economy to PRC products and services, as well as an array of from security sector cooperation to trips to the PRC by Nicaraguan journalists. Each of these, in both the commercial and other areas, facilitates the expansion of influence relationships in the country by the PRC. In infrastructure, the Ortega regime has embraced Chinese proposals to expand the Punta Huerta airport Northwest of Managua, as well as work on multiple road and rail projects across the country, including a possible eventual rail corridor connecting the port of Corinto on Nicaragua's Pacific Coast, to Corinto and Bluefields on the Atlantic.⁶¹ The Ortega regime has also signed up to participate in China's planned lunar base.

In Honduras, the leftist populist Libre party recognized the PRC in 2023, also signing multiple nontransparent MoU's and initiating negotiation of a FTA which will further accelerate the penetration by Chinese companies into the country. The Honduran government has expressed intention to contract with PRC-based companies to rework the national telecommunications infrastructure and build a new hydroelectric facility, Patuca II, in addition to one already built by the PRC in the country, Patuca III. As in Nicaragua Honduras has invited PRC-based companies to build significant infrastructure, including a Pacific Coast port at San Lorenzo, the improvement of the "dry canal" highway corridor connecting the Atlantic to the Pacific sides of the country in close proximity to the U.S. military regional Forward Operating Location (FOL) Joint Task Force Bravo (JTF-B).⁶² The Castro government has also committed to work by PRC-based companies improving improved bridges connecting the Honduran mainland to the coast near Ceibo. As in Nicaragua, Honduras has sent journalists to the PRC and accepted training of its government personnel by the PRC. The geographic confluence of the three countries in the Gulf of Fonseca also creates synergy that could reinforce the strategic importance of China's advance in each. The combination of PRC operation and control of the "dry canal" corridor from San Lorenzo across Honduras, plus the new Punta Huete airport and Corinto to Bluefields corridor in Nicaragua, could give a new impulse

⁶¹ Ellis, R. Evan. "China's growing strategic position in Nicaragua". *The Diplomat*, December 18, 2023. <https://thediplomat.com/2023/12/chinas-growing-strategic-position-in-nicaragua/>

⁶² "Honduras signs agreement with China Harbour Engineering for infrastructure projects". *BNamericas*, May 30, 2023. <https://www.bnamericas.com/en/news/honduras-signs-agreement-with-china-harbour-engineering-for-infrastructure-projects>

to the development of the long-contemplated port complex at La Union nearby, creating a cluster of PRC-controlled ports and transport corridors from the Atlantic to Pacific, in PRC-friendly countries close to the U.S.⁶³

Meanwhile, just to the north, in Guatemala, which also spans the Atlantic and Pacific of the content, the PRC is applying increasing pressure on the Arévalo administration to change its relations from Taiwan to the PRC. This pressure includes the PRC's May 2024 suspension of purchases of a range of goods from Guatemala, contributing to a PRC lobby within President Arevalo's Semilla party, as well as within conservative Guatemalan elites looking for a counterweight against U.S. government political and legal pressures against them over their corruption.⁶⁴

Farther to the north in Mexico, as noted previously, the expanding PRC commercial presence driven by near shoring, may be accelerated by the election of the country's new President Claudia Sheinbaum. Her positive orientation toward green energy may lead her to adopt more welcoming policies than her predecessor Andres Manuel Lopez Obrador (AMLO) toward the already significant PRC presence in green energy production through the conglomerate Zuma energy, and through the presence by China's Ganfeng in Mexico's Bacanora lithium fields. Scheinbaum's declared intention in supporting further foreign nearshoring investment⁶⁵ will also likely expand the PRC presence in Mexico, as will her foreign policy orientation.

As a complement to its advance in Central America, the PRC also maintains a strong, if low key focus on its commercial and other activities in the Caribbean. The region is host to five of the 12 nations in the world that still recognize Taiwan instead of the PRC. Moreover, like China's own southeastern maritime approaches, the Caribbean is strategically important as center of international finance and logistics, close to numerous U.S. facilities that would support the deployment and sustainment of U.S. forces in any conflict in the Indopacific region.

Reflecting such strategic importance, both PRC security and commercial activities in the Caribbean are significant relative to the small size of its populations and economies,

63 Ellis, R. Evan. "China's Advance in Central America and Its Strategic Importance". *The Diplomat*, May 8, 2024. <https://thediplomat.com/2024/05/chinas-advance-in-central-america-and-its-strategic-importance/>

64 Author interviews, off-the-record, with Guatemalan experts. May 2024.

65 Graham, Dave. "Mexico's Sheinbaum spurs hope of more private investment in energy after Lopez Obrador". *Reuters*, December 21, 2023. <https://www.reuters.com/world/americas/mexicos-sheinbaum-spurs-hope-more-private-investment-energy-after-lopez-obrador-2023-12-21/>

including numerous gifts of police cars, motorcycles and equipment to Caribbean security forces, multiple trips to the region by the PRC Hospital Ship Peace Arc, deployment of PRC military police for eight years in the MINUSTAH Peacekeeping Force in Haiti, regular invitations to Caribbean security force officials to course in China, and numerous road and port infrastructure projects, tourist hotels, and other Chinese investments.⁶⁶ PRC activities have secured a particularly significant influence in in Grenada, Dominica, and to an extent, Barbados, Jamaica, in Trinidad and Tobago, and Antigua and Barbuda.⁶⁷

Together, the advance of the PRC and its companies in so many countries relatively close to the U.S. contrasts with the preceding two decades in which that advance occurred principally in South America, farther away from U.S. shores, and in countries less directly connected than Mexico and Central America with security issues such as drugs and migration directly impacting the U.S. The November 2024 election in the U.S. and the political polarization surrounding it is likely to particularly increase attention in the U.S. to Chinas expanding presence in the region.

Impacts of PRC Engagement in the Region

Less than Hoped For Benefit. Although individual persons and companies in Latin America have made significant money working with the Chinese, in general the expected benefits for those in the region have been less than hoped for.⁶⁸ The often predatory business tactics used by Chinese companies, their structuring of contracts to ensure their advantage,⁶⁹ their greater latitude than Western companies to use of bribes and other personalistic benefits, all combine with the weakness of Latin American institutions and the inexperience of many in Latin American in dealing with the Chinese, to produce numerous cases of projects not completed on time with the required quality, or if completed, do not produce the hoped for commercial value to repay the loans the Latin American governments and other partners incurred with the Chinese to build them.⁷⁰

66 Ellis, R. Evan. "Understanding PRC Political and Security Engagement in the Caribbean". *Global Americans*, February 21, 2023. <https://globalamericans.org/understanding-prc-political-and-security-engagement-in-the-caribbean/>

67 Kirsten Tatlow, Didi. "China Building New Outpost on U.S. Doorstep, Leaked Documents Reveal". *Newsweek*, April 19, 2024. <https://www.newsweek.com/2024/05/03/china-caribbean-united-states-antigua-belt-road-diplomacy-debt-chinese-xi-jinping-rivalry-1891668.html>

68 Patterson, Sarina. "The BRI at 10: A report card from the Global South". *AIDData*, March 26, 2024. <https://www.aiddata.org/blog/the-bri-at-10-a-report-card-from-the-global-south>

69 See, for example, the case of the port of Chancay in Peru. Braw, 2024.

70 Ellis, R. Evan. "*China Engages Latin America: Distorting Development and Democracy?*" (New York: Palgrave-Macmillan, 2022).

Although the PRC does have laws against corruption, and laws and policies for promoting environmental and other forms of corporate social responsibility, PRC-based companies operating in Latin America, far from China, in contexts where local governments are corrupted or otherwise limited in their capacity to supervise them, create opportunities for negative outcomes, including environmental damage and conflict with local labor forces, those not hired, and impacted communities. The expectation of benefit by Latin Americans politicians and business elites dealing with the Chinese, and their calculations regarding their ability to manage the risks in order to obtain the hoped-for benefits, has distorted the discourse about the risks of working with the PRC. Often, by the time information comes out regarding the poor performance of projects, another administration is in power.⁷¹

As noted previously, the ability to discuss risks from working with the PRC and its companies in the region has been restrained by the webs of influence and expectation of benefit. Such “self-restraint to avoid losing personal benefit and access to the PRC through webs of Chinese People-to-People diplomacy, is particularly important in restraining the public discourse of those Latin American elites and sinologists with most direct experience in dealing with, and authority talking about, the PRC.

Decreased U.S. Influence and Extended Life for Authoritarian Regimes. In addition to its other deleterious effects, engagement with the PRC has impacted the political trajectory of the region. Regimes with populist tendencies, which have usually come to power for reasons having nothing to do with China, have benefitted from PRC willingness to purchase their resources and provide them with loans for infrastructure projects, commercial goods, and other forms of support without conditions about their political behavior, corruption, or mistreatment of other investors, so long as Chinese companies are protected and deals are structured through contracts with intrusive commercial conditions that make sure that China gets paid. In that fashion, the Venezuelan regime of Hugo Chavez, and his successor Nicolas Maduro, acquired over \$64 billion of Chinese goods and services over a decade,⁷² including Chinese commercial products to sell to regime supporters at a discount in the runup to Venezuelan elections. This Chinese credit, in turn, was repaid by Venezuelan oil, pumped out of the country with the participation of PRC-based companies. In the process, the projects created sufficient opportunities for graft so as to provide not only resources to the regime, but side benefits for those who were loyal to it.

⁷¹ Ellis, et. al., 2022.

⁷² “Chinese Loans...” 2024.

In the case of Ecuador, the PRC loaned the government of Rafael Correa \$18 billion for a series of public works projects which mostly failed.⁷³ In both cases however, PRC resources and graft opportunities played an important role in giving populist authoritarian regimes space to consolidate power as they moved away from the West. Beyond loans, China's support for authoritarian regimes also has included security vehicles and digital systems which help keep them in power. The Fatherland Identity Card system provided by Chinese Telecommunications company ZTE to Venezuela, the ECU-911 national monitoring system provided to the Rafael Correa regime in Ecuador,⁷⁴ the similar BOL-110 system given to the Evo Morales regime in Bolivia, and the PRC-provided telecommunications system which helped the Cuban government cut off protesters from each other and the outside world during July 2021 grassroots protests in Cuba⁷⁵ are only several examples.

The turn of the Ortega regime in Nicaragua to the PRC in December 2021, as noted previously, similarly illustrates how the PRC provides options to authoritarian regimes under pressure from the West for their undemocratic and other bad behavior, thus extending their lives and short-circuiting the cycle by which such regimes have historically been pushed out of office by virtue of the corruption and economic chaos that their own policies produced. Even with more democratic countries in the region, such as Brazil, Honduras, and Colombia, the ability to obtain resources from the PRC with no conditions regarding corruption, treatment of other investors, or anti-democratic behavior, has undercut the leverage of the U.S. and Western institutions pushing for transparency and good governance.

Expanded Options for Future PRC Military Action in the Region. Although the PRC has not publicly pursued military alliances or basing agreements in Latin America yet, it's commercial and military presence in the region creates options for the PLA to conduct actions against the U.S. in the region in time of war. These include possibilities for operating out of facilities in the Caribbean or elsewhere geographically close to the U.S. to observe and disrupt U.S. deployment and sustainment flows to the Indo-Pacific. Such Chinese activities also provide knowledge and presence that could

⁷³ Ibid.

⁷⁴ Kessel, Jonah M. "In a Secret Bunker in the Andes, a Wall That Was Really a Window". *The New York Times*, April 26, 2019. <https://www.nytimes.com/2019/04/26/reader-center/ecuador-china-surveillance-spying.html>

⁷⁵ Lazarus, Leland & Evan Ellis. "How China Helps the Cuban Regime Stay Afloat and Shut Down Protests". *The Diplomat*, August 3, 2021. <https://thediplomat.com/2021/08/how-china-helps-the-cuban-regime-stay-afloat-and-shut-down-protests/>

facilitate the shutdown of the Panama Canal, as well as observing and potentially interrupting alternative transit routes through the straits of Magellan and the Drake passage in South America. It also gives the PLA potential access to the skies and space over the Western Hemisphere⁷⁶ to capture signals from, locate and potentially destroy western satellites, or to support communication with Chinese space vehicles and arms targeting the U.S., and the potential use in wartime of ports that it operates, such as Chancay in Peru, to refuel its warships.⁷⁷

Conclusions

The PRC relationship with Latin America and the Caribbean continues to evolve in ways that impact the political and economic trajectory of the region as well as the U.S. While successive U.S. governments have shown their discomfort with such advances, they arguably continue to struggle to find the best tone for engaging the region on the issue, simultaneously understanding of the legitimate commercial opportunities that such engagement provides, respectful of the region's sovereignty, yet permitting a conversation that recognizes and facilitates working together to address the risks, in order to secure the benefits, for both the region and for the U.S.

It is not clear that substantial additional U.S. resources for the region will be forthcoming to “compete” with the PRC, nor that such a posture would be effective. Nonetheless, there is arguably more the U.S. can do to help the region strengthen its institutions and to improve transparency and the fair application of the rule of law, to all, in interactions regarding both Chinese and other entities. Doing so will help the region make better decisions about when and how to engage with all actors, and to ensure that it produces the best deal for the country, with enduring value for its development.

It is also important that the U.S. do a better job in leading with values, as a compliment to expanded material offerings, in “competing” with China in the region. The U.S. must go beyond “beating up” partners over their corruption and shortcomings in democratic behavior and the protection of individual rights. It must get its own house

⁷⁶ “Statement of General Laura J. Richardson, Commander, United States Southern Command, Before the House Armed Services Committee”. *U.S. Southern Command*, March 12, 2024. <https://www.southcom.mil/Portals/7/Documents/Posture%20Statements/2024%20SOUTHCOM%20Posture%20Statement%20FINAL.pdf?ver=Iwcignu-nOJkQjxIWp09Rg%3d%3d>

⁷⁷ Sukhankin, Sergey. “From Chancay to Shanghai: Peru’s Strategic Role in PRC Maritime Strategy”. *China Brief*, Volume 24, Issue 6, March 15, 2024, <https://jamestown.org/program/from-chancay-to-shanghai-perus-strategic-role-in-prc-maritime-strategy/>

in order in these areas, and work respectfully with partners through a discourse appropriate to the new era of interdependence, information technologies and artificial intelligence, to make a case to its partners in the region that resonates with them about why the rule of law, true democratic choice, the protection of individual freedoms, and an economy based in the individual rather than the government as the core generator of value, is in their long-term interest.

About the author

Robert Evan Ellis – *Strategic Studies Institute – U.S. Army War College*

Robert Evan Ellis is a research professor of Latin American Studies at the U.S. Army War College Strategic Studies Institute, with a focus on the region's relationships with China and other non-Western Hemisphere actors, as well as transnational organized crime and populism in the region. He has published over 500 works, including five books. Dr. Ellis has worked in both the government and private sector in more than 30 years of work on Latin America and other security issues, including service on the Secretary of State's Policy Planning Staff (S/P) from 2019-2020, with responsibility for Latin America and the Caribbean (WHA), as well as International Narcotics and Law Enforcement (INL) issues.