What’s Behind China’s Problematic Advance in Uruguay?

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Introduction

In February 2026, Uruguayan President Yamandú Orsi made a state visit to Beijing, signing numerous nontransparent cooperation agreements advancing collaboration with the People’s Republic of China (PRC) on meat and fish meal exports. Many other agreements were nonpublic and in sensitive areas such as science and media collaboration.

Largely below the United States’ radar, Uruguay has become one of the Western Hemisphere countries most economically engaged with the PRC relative to its small size, as well as collaborating with it in political, military, and other domains. The PRC has also begun to use its economic leverage over and influence networks within Uruguay in increasingly coercive ways. In March 2026, the governor of the province of Durango, Felipe Algorta, canceled a planned visit to Taiwan after then-PRC Ambassador Huang Yazhong met with him, telling him it would be inconsistent with Uruguay's national-level "One China" policy.

China's recent engagement in Uruguay illustrates how the PRC uses its economic leverage, together with other tools, to advance strategic interests even in countries with strong institutions and democratic traditions. That this influence persists despite Uruguay's location in the Western Hemisphere, a region that the Trump administration prioritized in its December 2025 National Security Strategy, should warn Washington that strong institutions and procedures alone are not sufficient for regional neighbors to ensure a managed balance of the benefits and risks while expanding their engagement with China.

PRC-Uruguay Political and Trade Engagement

Uruguay was relatively late among South American nations to establish relations with the PRC, doing so in February 1988. Reflecting a strong and growing trade dependence on the Chinese market, the country established a strategic partnership with the PRC in 2016, joined China's Belt and Road Initiative in August 2018, became part of the PRC-led Asia Infrastructure Investment Bank in April 2020, and, in November 2023, upgraded its relationship with the PRC to a comprehensive strategic partnership.

Additionally, the China Friendship Group in Uruguay's parliament relaunched in December 2025 and is headed by some of the country's most influential foreign policy-oriented parliamentarians: Daniel Caggiani Gomez, head of the Senate International Affairs Committee, and Representative Juan Martín Rodríguez, head of the Chamber of Deputies International Affairs Committee.

Uruguay's trade with the PRC is relatively balanced by dollar volume, with $3.5 billion in exports to China and $3.3 billion in imports from it. However, while over 90 percent of its exports are primary goods and agricultural products such as soybeans, wood pulp, and beef, Uruguay imports a broad array of manufactured and technology goods and services from the PRC. The country is also notably economically dependent on the PRC, which is the destination of 26 percent of its exports. That dependency could deepen with the negotiation of a

PRC-Mercosur free trade agreement, a high priority for the current Frente Amplio party's government, which now has more power to advance that goal with Orsi as president pro tempore of Mercosur since June 2026.

Chinese Investment and Projects in Uruguay

By comparison to other states in the region such as Brazil, investment by PRC-based companies in Uruguay is small: only $247 million as of 2020, and less than $1 billion currently. Uruguay's small market of 3.4 million people is part of the reason for this limited investment, although PRC-based companies have also had a number of legal and financial difficulties in the country. Another reason mentioned by those consulted in Uruguay is the limited capabilities of the country's investment promotion office, Uruguay XXI, with respect to China. The organization does not have an office in the country and, based on the author's off-the-record discussions, was seen as partly to blame for what multiple insiders saw as poor planning and coordination in President Orsi's February 2026 trip to China.

Almost half of all PRC investments in Uruguay are concentrated in the country's agricultural sector. These include China Oilseeds and Foodstuffs Corporation, which owns 36 percent of the grain terminal at the port of Nueva Pamira, plus three meat processing facilities–Rondatel, Lirtix, and Lorsinal, each of which has had considerable financial difficulties since being acquired by the Chinese. In January 2026, Maregroup, a PRC-based tobacco company operating in Uruguay's Florida Free Trade Zone abruptly shut its doors and withdrew from the country. Uruguayan meat exports to the PRC have also run into problems on the Chinese side, with 34 tons of Uruguayan beef in two shipments rejected by the PRC during the past year on technical grounds.

Some difficulties also persist in the automotive sector. The Chinese companies Cherry and Lifan invested in an auto manufacturing plant in San Jose, but it was forced to close in 2021 after problems accessing markets in larger neighboring MERCOSUR countries Argentina and Brazil. The PRC-based company Brilliance similarly canceled a proposed auto factory in Uruguay in 2019. Despite such difficulties, Chinese companies are particularly strong in Uruguay's electric vehicle sector. BYD provides electric taxis to the Uruguay market, working with the country's transport authority. Chinese electric buses, supplied by BYD, Higer, and Yutong, now account for over 11 percent of the fleet. In addition, as elsewhere in the region, the PRC-based rideshare company Didi operates in Montevideo, including both its taxi and food delivery service.

In logistics, in 2018, the PRC-based company Shandong Bao Ma proposed a $200 million dedicated port facility at Punta Yeguas to process and store fish and resupply the Chinese deepwater fishing fleet. The project was criticized for a lack of transparency, concerns that it might enable illegal fishing activities by the Chinese fleet, and difficulties with zoning that led it to be transferred to Punta Sayago before it was effectively abandoned in 2019. Uruguay's port authority also contracted the Shanghai Dredging Company for work to deepen channels at the Port of Montevideo, but it was criticized for using a private Chinese dredging company rather than its own capabilities.

In telecommunications, as in elsewhere in Latin America, PRC-based companies have a strong presence, including Xiaomi, Honor, and Oppo. The smartphones of all three are carried by the state firm Antel and the commercial provider Movistar. Huawei is also available through retail stores. ZTE built Uruguay's new 5G network recently rolled out by Antel. In late 2025, Antel awarded an important telecommunications contract to Huawei rather than the European competitor Nokia in a decision that some in Uruguay believed was based in part on PRC pressure. Both Antel decisions raise data security concerns for Uruguay, its residents, and the companies that operate there, since PRC-based companies such as Huawei are obliged to turn over such data to the Chinese government, if requested, under Articles 7 and 14 of the 2017 PRC national intelligence law, as well as Article 28 of the 2017 PRC cybersecurity law.

PRC-based companies also have a growing role in Uruguay's retail sector, including outlets such as China Store, China Market, Mumuso, Miniso, and Todo Aca. Uruguayan investigations into these stores have been more limited than in other Latin American countries, although there have been recurring concerns with contraband merchandise, including a 2025 seizure of 17,000 pairs of contraband designer shoes by Uruguay's customs authority.

Chinese People-to-People Networks

The PRC has built significant people-to-people networks in Uruguay, including the previously mentioned Friendship Group in Uruguay's parliament. A delegation led by the head of the governing Frente Amplio party, Fernando Pereira, visited the PRC in May 2025, and previously, one in July 2024 led by the coalition's Coordinator Jorge Gotta visited Beijing in July 2024.

As elsewhere in the region, the PRC also cultivates ties with Uruguayan media. These include a 2023 content sharing agreement between Xinhua and the Uruguayan state audiovisual media service. Media cooperation was expanded by a follow-up accord during President Orsi's February 2026 state visit to the PRC. The Chinese government has also brought Uruguayan journalists to the PRC, including Leonardo Perez Pena of *Diario de la R*. For business networking, the private Uruguay-PRC Chamber of Commerce has operated in the country since 1986.

In education, a Confucius Institute has operated at Uruguay's University of the Republic since November 2017. Beyond ties involving official representatives of the PRC, several Uruguayan universities have programs for the study of China and its language and culture. These include Chinese language classes at the University of the Republic, as well as at ORT University, Catholic University, and Montevideo University, among others.

PRC people-to-people activities in other parts of Latin America, highlighted in China's own 2025 Policy White Paper on the region, are particularly influential to the region's discourse about China, and its coordination to pursue its national interests and avoid the risks stemming from such engagements. At best, those who have received travel benefits, as well as those who expect to receive future benefits—such as other invitations; money to present to, consult with, or teach at Chinese entities; or other business arrangements—may hesitate to be publicly critical about the PRC and its companies and activities, or to publicly work to pursue company or national interests if they impinge on Chinese interests. At the extreme, such past or hoped-for future relationships may lead Chinese assets to pass non-public information in their purview to China or to use their positions to advance PRC objectives in the country. Although there is very little public information about Chinese espionage in Latin America, U.S. intelligence and law enforcement organs detect such activity in the United States regularly: CSIS documented 224 cases of Chinese espionage in the United States since 2001.

PRC-Uruguay Military Cooperation

Uruguay's traditionally underfunded military has long received donations of vehicles and equipment from the PRC, as well as training and professional education trips for its officers to China. This cooperation was accelerated by a 2016 military cooperation agreement leading to a March 2018 donation of $5 million in tactical ambulances, minivans and tractors. In August 2024, Uruguay signed an additional defense protocol with the PRC, leading to the latter's donation of 15 trailer kitchens, 15 trailer generators, four 10,000-liter water tanks, a fuel tanker, and 136 digital radios.

Beyond donations, PRC-based military companies have sought to sell Uruguay military equipment. Major initiatives include an attempted Chinese sale of eight L-15 fighters, and separately, a $200 million bid to sell Uruguay offshore patrol vessels. In the latter case, the PRC-based company won the bid, but the procurement was suspended amid accusations of irregularities and concerns from the United States.

In January 2026, the PRC hospital ship *Silk Road Arc* made a four-day port call in Montevideo, the first time a Chinese warship had ever done so. Although characterized as a "technical stop" rather than a "medical mission," the ship and its crew were personally received by Uruguayan Defense Minister Sandra Lazo, and the countries conducted multiple military-military interactions while the ship was in port.

According to experts consulted in Uruguay off the record, Uruguay also sends at least one officer per year to the six-month military Command and General Staff course in China; as a result, multiple senior or retired officers who have had extended professional military education experiences in China are currently in senior positions in Uruguay's military. While these ties do not necessarily indicate that China is expanding its military contacts in Uruguay, it is certainly maintaining them. As with China's people-to-people diplomacy, this suggests that in Uruguay, as with other parts of Latin America, the People's Liberation Army will have knowledge of and relationships with Uruguayan officials that it can leverage to operate in or near the country in times of war.

The U.S. Dimension

As the PRC attempts to leverage its purchases of Uruguayan commodities to build commercial relationships and influence networks in Uruguay, the United States is working to strengthen its own relationships in the country from a strong base, but with limited resources. While Uruguay may not appear strategically important in terms of its size or natural resources, it is geographically strategic, positioned between Argentina and Brazil, on a river corridor that is key to the imports and exports of five South American nations. Moreover, its strong democratic traditions make it a test bed for whether such attributes are sufficient to resist PRC influence in the context of substantial trade dependence with the country.

U.S. Ambassador to Uruguay Lou Rinaldi has been able to leverage family ties to Uruguay and a close relationship with U.S. President Donald Trump to build a strong connection between the countries. Leading-edge U.S. companies including Google and Microsoft have made important investments in digital technologies and research and development in the country. Uruguay's left-of-center President Orsi, despite seemingly problematic moves such as his chaotic February 2026 trip to the PRC, has shown more willingness to accommodate U.S. concerns about China than some of his more Trump-aligned neighbors, including Argentina's Javier Milei, who just renewed a $19 billion currency swap agreement with the PRC after accepting $20 billion of U.S. financial underwriting. Still, because Uruguay is classified as a "high-income" country, the United States is significantly restricted in its ability to provide grants, military aid, or even Development Finance Corporation funds that could give the country healthy democratic alternatives to dependence on China.

Conclusion

China has become a major and influential trade partner in Urugay, and has built significant political, military, and people-to-people networks with the country despite the small size of its market.

Although Uruguay may seem a relatively small country distant from the United States, the course of its relationship with the PRC has strategic implications for both the United States and the region as a whole. If, despite Uruguay's relatively strong institutions and democratic traditions, the PRC can leverage its significant purchases of Uruguayan commodities and select business presence over Uruguayan intellectuals, businesspeople, military, and politicians, it will send a strong signal to both the country and the region that institutions and democracy are not enough to secure the benefits of engagement with the PRC. Conversely, if, in the context of numerous problematic Chinese projects and demonstrated coercion, the United States can give Uruguay effective alternatives and help it to build a healthier relationship with China, it will be a success story that can help the United States with its engagement on China in the rest of Latin America and beyond.

The United States has the team and the foundations to help Uruguay, with its strong institutions and democratic tradition, chose a better path forward. A modest increase in resources and enabling policies from Washington, including investment partnerships, police and security cooperation, and expanded scholarships for programs such as Fulbright, could go a long way.

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