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Understanding Chinese Engagement with Latin America and its Effects on the Region

 IndraStra Global  [Friday, March 25, 2022](#)

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Hi! How can we help you? The People's Republic of China has both been enabled by and has driven commercial, political, and military engagement with the rest of the world, including Latin America and the Caribbean. For a region long-suffering from uneven economic performance and persistent inequality, that engagement has sparked hopes that the PRC and its companies and

banks could benefit the countries of the region, and individual political and business partners, by funding needed infrastructure projects and providing jobs and growth opportunities by investing in the region and purchasing its commodities. Others in the region fear that competition from often aggressive Chinese firms will displace local jobs and capture the majority of value-added in the region's supply chains for the benefit of the PRC, replacing economic relationships that some see disproportionately benefiting Western companies, with even more disadvantageous relationships with the PRC and its companies. The region also notes the increasingly aggressive and anti-democratic nature of PRC actions for its population, Hong Kong, Uighur Muslims, PRC assertion of broad maritime claims, and militarization of the South and East China Seas. They worry that China will behave equally ruthlessly in asserting and protecting its interests in Latin America as its power grows there as well.

The mixed feelings in the region about China are complicated by the perception of US discomfort with its advance there. Politicians and businesspersons in the region who are well aware of the risks of engaging with China, too frequently dismiss US expressions of concern as merely "great power competition;" In failing to consider the substance of the US arguments, they downplay the risks they are incurring by taking China's money.

My new book, *China Engages Latin America: Distorting Development and Democracy* seeks to break from traditional dichotomies about whether Chinese activities in and with Latin America are good or bad, or whether the PRC has nefarious military or other strategic purposes, versus being "just about business." The work examines the range of Chinese commercial, political, military, and other activities with Latin America over the past two decades, concluding that *the PRC, in seeking its own commercial and other interests in Latin America, is indirectly fostering a region that is less democratic and secure, and in which the value-added from the extraction of the region's resources and the supply of goods and services to its markets, increasingly go to Chinese companies and investors, rather than the peoples of Latin America.*

The approach of the PRC, principally realized through its State-Owned Enterprises and other commercial entities, with the support and coordination of the Chinese Communist Party and government, focuses on securing access to resources, foodstuffs, and strategic markets and technologies and realizing as much of the associated value-added as possible through a range of anti-competitive behaviors. A key Chinese focus is on dominating sectors and technologies comprising the "connectivity" of Latin American economies, including ports, land and maritime transportation, as well as electrical generation and connectivity,

telecommunications, eCommerce and finance, and other digital connectivity, seeking to dominate these domains in support of the position of Chinese companies in other areas.

The PRC's struggle for Latin America's resources, markets, connectivity, and associated value-added is supported by its considerable, but often little recognized soft power. By contrast to US soft power, which is principally rooted in the alignment of values, Chinese soft power is more concentrated in the direct or indirect expectation of benefit, which coexists with distrust of China and some understanding of the risks of engaging with it. PRC soft power is also bolstered by substantial investment in people-to-people diplomacy, which includes not only 39 Confucius Institutes in the region, but also Hanban-funded scholarships, and luxurious paid travel for Latin America's leading China-focused academics, politicians, journalists, and other key personnel that the PRC seeks to influence in the region.

While such PRC largesse may not compromise the recipients or turn them into pro-PRC propagandists, it silences the voices, and the efforts to coordinate their countries' interests toward China by those in the region who best understand the complex character of the PRC challenge.

The PRC, by contrast to the Soviet Union during the cold war, generally does not seek to subvert democratic governments in Latin America. Yet, as examined in depth by the book, in cases such as Venezuela, Ecuador, Bolivia, and Argentina, when anti-democratic populist politicians have achieved power for reasons unrelated to China (including the population's frustration with endemic corruption and inequality), the PRC has played a key enabling role in the subsequent dismantling of democracy and consolidation of power by those elites, through extending loans and investments, and by purchasing their commodities, even as those regimes moved against Western investors. In turn, the consolidated populist regimes have engaged with the PRC in ways highly beneficial to its companies and strategic interests, including supplying commodities to China, contracting PRC-based companies for infrastructure and other construction projects on lucrative terms, and leading the region in buying PRC military equipment, surveillance architectures and collaborating on space infrastructure. Argentina's hosting of the PLA-operated deep space radar in Bajada de Agrio, Neuquén, stands out in this regard.

In addition to resources, the PRC also supplies such friendly regimes capabilities that help them suppress that nation's anti-regime protests. Such capabilities include the Fatherland Identity Card system for Venezuela, and riot control vehicles that help suppress that nation's anti-regime protests.

The PRC similarly supplied telephone and internet control technology to the Cuban telecommunications operator ETECSA, helping the organization to isolate and silence protesters in July 2021.

Such Chinese support to authoritarian regimes contributes to a region that is ever less democratic and ever less disposed to cooperate with the United States in security and other areas.

With respect to Taiwan, the book examines in detail recent cases of changes in diplomatic recognition from Taiwan to the PRC, to show that they not only advance the PRC strategic objective of isolating Taiwan (in preparation for its eventual forcible incorporation into the mainland) but also advance PRC economic position and influence in the country that “flips,” via the signing of multiple, often non-transparent MOUs that open the changing nation’s economy, infrastructure, educational system and other areas to penetration by PRC-based entities. The struggle, suspended by an informal diplomatic truce shortly after Costa Rica’s May 2007 recognition of the PRC, has resumed with Panama’s abandonment of Taiwan in 2017, followed by flips to by the Dominican Republic and El Salvador in 2018, by Nicaragua in 2021, and the commitment by Honduran President Xiomara Castro, while candidate, to do so as well. Those moves also increasingly focus the Western Hemisphere diplomatic battleground on the Caribbean, where five of the 8 states in the hemisphere still recognize Taiwan are located.

In the security domain, *China Engages Latin America* shows that PRC activities in and with the region are more significant than commonly realized; they include the sale or donation of military transport and fighter aircraft, helicopters, patrol ships, armored vehicles, construction equipment, police motorcycles and patrol cars, and dual-use vehicles to a range of countries in the region. Such Chinese military sales and gifts have been particularly prominent with leftist populist regimes including Venezuela under Hugo Chavez and Nicholas Maduro, Ecuador under Rafael Correa, Bolivia under Evo Morales, and Argentina under Peronist governments, including the current government’s possible purchase of the Chinese JF-17 / FC-1 fighter, which would be the most advanced PRC air combat platform sold to the region.

The PRC also regularly brings Latin American military leaders to mainland China for an array of training and military education courses, sends People’s Liberation Army (PLA) members to select countries. Hi! How can we help you? It also sends regular institutional visits and port calls including multiple trips to the region by China’s hospital ship, and even sent rotating PLA military police contingents for exercises. It also sends PLA members to participate in the United Nations operation in Haiti, MINUSTAH. While China’s opportunities for such engagement in the region are arguably created by the PRC’s economic

importance more than the reputation of PLA military equipment and schools, that engagement facilitates the ability of the PLA to deploy into the region if called upon to do so in the context of a conflict with the United States, even in the absence of a formal military basing or alliance agreement.

The book also shows how the Covid-19 pandemic has paved the way for a further significant expansion of PRC presence in Latin America in coming years, even if economic conditions in China and the region, and the conflict in Ukraine, are causing it to move slowly at present. In addition to China's vaccine diplomacy, now targeting vaccine co-production in the region per the China-CELAC 2022-2024 plan, Covid-19 related economic difficulties have elevated the importance of the PRC as a purchaser of Latin American minerals and foodstuffs, while those economic needs, coupled with weakened fiscal balance sheets of Latin American governments, have given Chinese decisions to loan or invest money in the region added weight in PRC bargaining with Latin American governments. The \$23.7 billion in Chinese projects in Argentina, discussed during the February 2022 trip by Argentine President Alberto Fernandez stands out in that regard.

The proliferation of populist and other leftist governments in the region further magnifies the receptivity of governments in the region to that Chinese leverage. Furthermore, PRC-based companies may acquire more assets in the region in strategic sectors as Western firms looking to shore up their balance sheets by selling underperforming assets in the region, just as occurred after the 2008 financial crisis.

With respect to recommendations for US policymakers, the book emphasizes the importance of not trying to block Latin America from economically engaging with the PRC, but rather, helping and
Hi! How can we help you? deal with China and other partners through the framework of transparency, a level playing field, and strong institutions. This includes promoting and supporting
c planning regarding investments that best support the host nation's development needs, c
c current evaluation of competing project bids and contracts, and enforcement of laws.

The book also makes the case that the US can do more to facilitate better collection and use of data on the comparative performance of PRC-based companies in the region, in order to support more informed decisions by the region about the best partners to choose.

The book also recommends that the US do more to work with like-minded partners in areas such as digital technologies to provide economically viable alternatives to Chinese offerings, where going with untrusted Chinese technology architectures would so gravely put at risk the privacy and sovereignty of partner decision-making, as well as the protection of intellectual property by commercial operators in the country, that the Chinese solution should be excluded for the good of the country.

China Engages Latin America is designed for use by undergraduate and graduate-level classes whose content touches on PRC activities in Latin America, international relations and international political economy, and Latin America Studies. It is also written by an author with policy experience, for government policymakers, strategic analysts, and business professionals whose responsibilities encompass both regions.

The work is currently available through the Palgrave-Macmillan / Springer Nature at:

<https://link.springer.com/book/10.1007/978-3-030-96049-0>

About the Author

Dr. 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. Dr. Ellis previously served as the secretary of state's policy planning staff with responsibility for Latin America and the Caribbean as well as international narcotics and law enforcement issues. In his academic capacity, Dr. Ellis presented his work in a broad range of business and government forums in 27 countries on four continents. He has given testimony on Latin American security issues to the U.S. Congress on various occasions, has discussed his work regarding China and other external actors in Latin America on a broad range of radio and television programs, and is a frequent speaker at conferences in both the United States and Latin America for his work in this area. Dr. Ellis has also been awarded the Order of Military Merit José María Córdova by the Colombian government for his scholarship on security issues in the region.

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ISSN [2381-3652](#)

OCLC Number: [923297365](#)

Library of Congress LCCN: [2015203560](#)

Dewey Class No: 327 (International Relations)

ISNI: [0000 0004 5898 6976](#)

VIAF ID: [875148947846054950004](#)

GRID ID: [grid.482718.0](#)

Publons Publisher ID: [7294](#)

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