SECTION 2: CHINA'S INFLUENCE IN LATIN AMERICA AND THE CARIBBEAN

Key Findings

- China has expanded and diversified its relationships with Latin American and Caribbean countries over the past decade. Although economic interests are the main driver for its activities in the region, China is devoting increasing attention to pursuing political and to some degree security objectives, including gaining international support for its diplomatic initiatives, pressuring countries to sever relations with Taiwan, and deepening military relationships.
- China employs a whole-of-government approach in its relationships with Latin American and Caribbean countries, often bypassing national governments to advance its interests at the local level. Beijing's strategy coordinates efforts by China's official government representatives, such as embassies and political influence entities, state and nonstate companies, and quasi-governmental entities, to influence decisions across unrelated issue areas. China adapts its approach to individual countries' political and social structures, cultivating relationships with national governments, subnational governments, and nongovernmental organizations (NGOs).
- China's economic importance and targeted political influence encourage Latin American and Caribbean governments to make domestic and foreign policy decisions that favor China while undermining democracies and free and open markets. China's position as a top trading partner and bilateral lender for many countries gives it economic and political leverage. Substantial foreign direct investment from China is a tool of influence, as accumulation of assets affords Chinese companies the power to impact local and domestic prices in key sectors, such as minerals and energy.
- China has closely collaborated with authoritarian regimes in the region, such as the Maduro regime in Venezuela, and enabled democratic backsliding in other countries, such as Ecuador and Bolivia. By selling digital and surveillance technologies to regimes in the region, China has enabled them to surveil and repress their populations, critics, and opponents. China has also provided significant financial support to these governments, thereby extending them an economic lifeline when they were cut off from international financial markets.
- Although China's demand for commodities has boosted regional economic growth, it has also encouraged its trading partners' overreliance on natural resource extraction at the expense of higher-value-added activities. Many countries voluntarily com-

promise their own environmental, social, and governance regulations to attract Chinese investment. Due to the region's weak institutions, China's expanding influence may also facilitate corruption and increase risks to countries' resource security and national interests.

- China aspires to deepen its military engagement in Latin America and the Caribbean, although its current security activities in the region are limited in scope. Beijing has previously leveraged its economic and political influence in Argentina to establish a space tracking station operated by the People's Liberation Army (PLA). Influence gained by financing and constructing potential dual-use infrastructure, such as ports, and supporting space programs throughout the region positions China to further increase its military presence in the future.

Recommendations

The Commission recommends:

- Congress recognize that Chinese economic, diplomatic, and security initiatives in Latin America and the Caribbean are robust and growing and demand a comprehensive response. Steps Congress should consider include:
    - ○ Strengthening U.S. competitiveness in building out Latin American and Caribbean infrastructure through the expansion of funding mechanisms, including but not limited to low-interest loans from U.S. lending institutions to U.S. companies willing to invest in targeted critical infrastructure projects in high-priority Latin American and Caribbean countries;
    - ○ Supporting the deployment of novel coronavirus (COVID-19) vaccines in Latin American and Caribbean countries, including by requiring a public report issued by the U.S. Department of State every six months outlining vaccine deployment to countries in the region; and
    - ○ Expanding educational exchanges between the United States and Latin America and the Caribbean, including by expanding partnership agreements between U.S. universities and higher education institutions in Latin American and Caribbean countries.
- Congress support Latin American and Caribbean countries in the establishment of inbound foreign investment review processes for sectors critical to national security and economic security by doing the following:
    - ○ Expanding the support given by the U.S. government to governments of U.S. allied and partner countries to establish inbound foreign investment review processes similar to those of the Committee on Foreign Investment in the United States (CFIUS) established in the Foreign Investment Risk Review Modernization Act within Title XVII of the National Defense Authorization Act for Fiscal Year 2019. Support for these governments will expand upon existing information exchange processes to include provision of technical assistance and personnel training.

  - Requiring the U.S. Department of State, in conjunction with CFIUS, to provide an annual report to Congress for three consecutive years after enactment of this provision. The report shall outline the progress and outcomes of its engagement with Latin American and Caribbean countries to establish their own inbound foreign investment review processes.
- Congress require the director of national intelligence, in conjunction with the U.S. Department of State and U.S. Department of Defense, to produce an unclassified report, including a classified annex, documenting Chinese investment in port infrastructure in the Western Hemisphere and detailing any known Chinese interest in establishing a military presence at or near these ports. The report should include an assessment of China's current and potential future ability to leverage commercial ports for military purposes and the implications for the United States.
- Congress enact legislation directing the U.S. Development Finance Corporation, U.S. Agency for International Development, U.S. Trade and Development Agency, Millennium Challenge Corporation, and other executive agencies responsible for disbursing foreign aid and development assistance to require within all aid-related applications mandatory disclosures on debt the applicant may owe to Chinese entities, including loan amounts, duration, rates, and contractual provisions.
- Congress enact legislation requiring the U.S. government authorities identified in the Maritime Security and Fisheries Enforcement (SAFE) Act within section 3544 of the National Defense Authorization Act for Fiscal Year 2020 to create a partnership with coastal Latin American states, similar to the Oceania Maritime Security Initiative and the Africa Maritime Law Enforcement Partnership. This partnership would assist coastal Latin American states in maritime domain awareness, with a particular focus on increasing partner countries' capacity to combat illegal, unreported, and unregulated fishing by Chinese vessels in the region.

Introduction

Over the past decade, China has significantly deepened and diversified its activities in Latin America and the Caribbean. China's primary interests in the region have always been economic in nature and include access to commodities and emerging markets. As it has become more embedded within the region, however, China has devoted increasing attention to promoting its political and security interests.

Given the diversity of markets, resources, governments, and geographies across the region, China's approach varies by country and subregion. China's partners in Latin America fulfill Chinese demand for commodities. In Caribbean countries, Beijing cultivates ties to support its diplomatic agenda on issues such as defending itself against criticism of its human rights abuses. Meanwhile, China's loans and investment in the Caribbean deepen its influence in a strategic subregion where it has built potential dual-use port infrastructure and is attempting to expand security engagement. In pursuit of its goals, China has cultivated relationships in Latin American and Caribbean countries at all levels of government, across the political spectrum, and with nongovernmental actors.

China's deepening relationships with select Latin American and Caribbean countries have reinforced trends that run counter to U.S. values and interests. Beijing's provision of loans and surveillance technologies to authoritarian regimes and countries with nondemocratic tendencies strengthens these regimes' abilities to control and suppress their populations and political opponents. To attract more Chinese investment, governments in the region have undermined their own environmental, social, and governance protections, while Chinese trade and investment disincentivizes industrialization for regional economies. In some countries, the negative impacts of Chinese engagement have generated pushback among civil society organizations and local communities; however, governments have been hesitant to restrict Chinese investments. Finally, China has leveraged its economic influence to establish a PLA-controlled satellite tracking facility and deepen its security relationships in the region more broadly.

This section explores China's growing influence in Latin America and the Caribbean and assesses its implications for the United States. It first examines China's whole-of-government approach to engagement with Latin American and Caribbean countries and its role as a supporter of authoritarianism in the region. The section then assesses China's growing economic ties and resulting leverage over countries in the region, as well as its approach to securing access to commodities and developing supporting infrastructure. Finally, it discusses China's expanding security relationships and construction of dual-use infrastructure. This section draws from the Commission's May 2021 hearing on "China in Latin America and the Caribbean," consultations with policy experts, and open source research and analysis.

China Pursues an Integrated Strategy

China carries out a whole-of-government approach to its relationships with countries in the Latin American and Caribbean region. Beijing's strategy coordinates efforts by China's official government representatives, such as embassies, and political influence entities,* state and nonstate companies, and quasi-governmental entities, to advance China's interests. China adapts its approach to individual countries' political and social structures, often bypassing national governments to advance its interests at the local level. Through trade, loans, and political backing, China has also provided an economic lifeline to authoritarian regimes and supported democratic backsliding in the region.

Increasing Attention to the Region

China's role in Latin America and the Caribbean has become less constrained and increasingly visible in recent years. Factors driving this evolution include an increasing demand from Latin American and Caribbean countries for Chinese trade and investment and a perception in Beijing that the United States has decreased its attention to the region.[1] Growing authoritarian and nondemocratic ten-

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*Chinese Communist Party-affiliated organizations with a role in China's overseas influence activities include the International Liaison Department, the United Front Work Department, and the Chinese People's Association for Friendship with Foreign Countries.

dencies among certain Latin American and Caribbean regimes also facilitate deeper Chinese engagement.[2] Additional trends driving China's heightened attention to Latin America and the Caribbean are common to other regions of the world, such as China's growing pursuit of foreign opportunities for economic growth and the Chinese government's growing determination under General Secretary of the Chinese Communist Party (CCP) Xi Jinping to gain influence as a leading world power.[3]

As it does in other parts of the world, China uses diplomatic partnership labels to reflect which countries it prioritizes in its engagement.[4] Between 2012 and 2016, China upgraded its relationships with Brazil, Peru, Mexico, Argentina, Venezuela, Ecuador, and Chile to "comprehensive strategic partnerships," the highest rank applied to any country in the region though lower than the rank accorded to some countries in Africa and Asia (see Figure 1).[*][5] These countries have significant economic, political, and security ties with China and rank among Beijing's top partners in the region for commodity-related trade and investment, party-to-party engagements, space cooperation, and other security activities.[6] These comprehensive strategic partners also account for 7 of the 11 countries General Secretary Xi has visited in the region since coming to power in 2012, with Argentina and Brazil each visited twice.[7]

China has added Uruguay, Bolivia, and Jamaica as "strategic partners" since 2016.[8] Bolivia ranks among China's favored security partners and is a potentially important source of lithium for China's growing electric vehicle industry.[9] Jamaica, China's newest strategic partner, is the first Caribbean country to receive the designation.[10] Taken together with Suriname and Trinidad and Tobago, which hold partnership designations at lower levels,[†] Jamaica's promotion represents a broadening of China's diplomatic attention beyond the large commodity-exporting countries of Latin America. China also has a longstanding relationship with Cuba and frequently refers to the country as a "good brother, good comrade, good friend" in reflection of their shared political system.[11]

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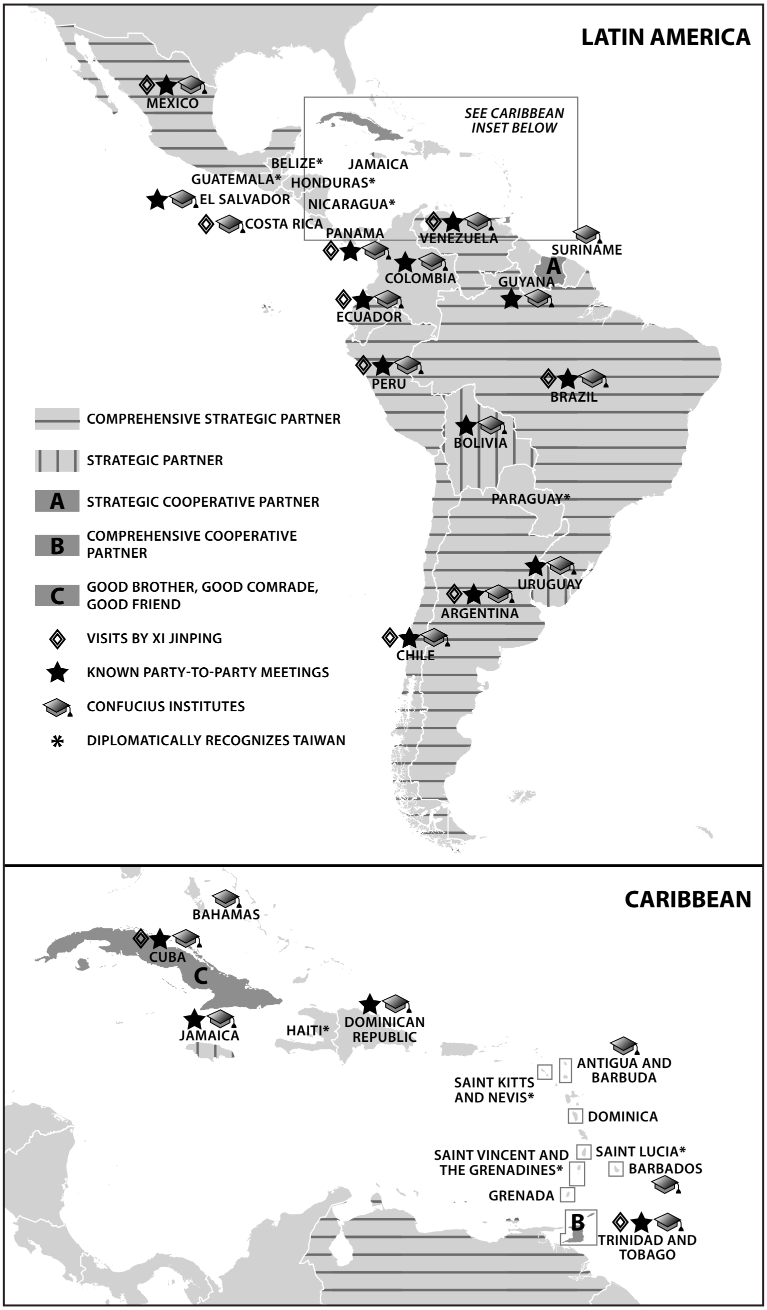
*Although the exact meaning of China's partnership ranking is unclear, according to an explanation by former Premier Wen Jiabao, the word "comprehensive" indicates cooperation across economic, technological, cultural, and political domains and in both bilateral and multilateral settings, while "strategic" indicates cooperation that is stable over time and not hindered by differences in ideology and political systems. Four of China's seven comprehensive strategic partners in Latin America previously held the slightly lower-ranking title of "strategic partner." China designated Brazil its first "strategic partner" in the region in 1993. China elevated Argentina to this same level in 2004, and did the same for Peru in 2008 and Chile in 2012. No Latin American or Caribbean country has yet been granted the higher-level designation "comprehensive strategic cooperative partner" used in other regions, such as Africa and Asia. Margaret Myers and Ricardo Barrios, "How China Ranks Its Partners in LAC," *Dialogue*, February 3, 2021; *South China Morning Post*, "Quick Guide to China's Diplomatic Levels," January 20, 2016; Feng Zhongping and Huang Jing, "China's Strategic Partnership Diplomacy: Engaging with a Changing World," *European Strategic Partnership Observatory*, June 2014, 18.

†Since 2019, China has referred to its relationship with Suriname as a "strategic cooperative partnership," a label Mexico possessed before its promotion to the higher level of "comprehensive strategic partnership." China has referred to its relationship with Trinidad and Tobago as a "comprehensive cooperative partnership" since 2013, when General Secretary Xi visited the country on his first trip to the region after taking power. Margaret Myers and Ricardo Barrios, "How China Ranks Its Partners in LAC," *Dialogue*, February 3, 2021; China Foreign Ministry, *China's Relations with Trinidad and Tobago* (中国同特立尼达和多巴哥的关系), February 2021. Translation; *Xinhua*, "China and Suriname Announce the Establishment of Strategic Cooperative Partnership Relations" (中国和苏里南宣布建立战略合作伙伴关系), November 27, 2019. Translation; *CGTN*, "China, Suriname Elevate Ties to Strategic Partnership of Cooperation," November 27, 2019; Feng Zhongping and Huang Jing, "China's Strategic Partnership Diplomacy: Engaging with a Changing World," *European Strategic Partnership Observatory*, June 2014, 18.

Figure 1: China's Main Diplomatic Partners in Latin America and the Caribbean



Note: Data for "Known Party-to-Party Meetings" are collected for the years 2019–2021.
Source: Various.[12]

China Uses Influence for Political Gain

The CCP has worked to secure diplomatic support from Latin American and Caribbean countries for its human rights abuses and defiance of international law.[13] In 2016, when Beijing refused to recognize the outcome of arbitration between China and the Philippines on China's illegal claims in the South China Sea, Dominica, Grenada, and Venezuela publicly supported China's position.[14] In 2019, Bolivia, Cuba, and Venezuela signed a joint letter to the UN Human Rights Council and UN High Commissioner for Human Rights defending China's human rights abuses in Xinjiang.[15] A year later, Cuba, Dominica, Grenada, Nicaragua, and Venezuela supported a similar joint statement at the UN.[16] Also in 2020, a UN statement supporting China's unilateral imposition of the National Security Law in Hong Kong was backed not only by authoritarian regimes in Cuba, Nicaragua, and Venezuela, but also by Antigua and Barbuda, Dominica, and Suriname.[17] Finally, in March 2021 General Secretary Xi expressed appreciation to the prime minister of Trinidad and Tobago for its support to Beijing on Hong Kong, Xinjiang, and Taiwan.[18]

China signaled its increasing attention to Latin America and the Caribbean by extending its Belt and Road Initiative (BRI) to the region in 2017.[19] Although Latin America and the Caribbean have been among the last regions to participate in the initiative, as of 2021, 19 of the 24 Latin American and Caribbean countries that recognize China have signed on* in hopes of bringing in Chinese investment.[20] Since the official launch of BRI in the region, however, there has not been a noticeable uptick in Chinese investment.[21] Instead, China has labeled many of its preexisting projects in the region as now being part of BRI.[22] Nevertheless, Beijing has heavily promoted BRI branding in the region to deepen its economic and geopolitical influence.

Latin America and the Caribbean is important to China's efforts to isolate Taiwan, as 9 of Taiwan's 15 remaining diplomatic partners are in the region.†[23] Almost immediately after ending an eight-year tacit truce in its diplomatic contest for recognition with Taiwan in 2016,‡ Beijing leveraged economic agreements to induce Panama to

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*Nineteen Latin American and Caribbean countries have signed a Memorandum of Understanding with China to signify their joining BRI. These countries include Antigua and Barbuda, Barbados, Bolivia, Chile, Costa Rica, Cuba, Dominica, the Dominican Republic, Ecuador, El Salvador, Grenada, Guyana, Jamaica, Panama, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. Latin American and Caribbean countries that recognize the People's Republic of China but have not joined BRI include Argentina, the Bahamas, Brazil, Colombia, and Mexico. Green Belt and Road Initiative Center, "Countries of the Belt and Road Initiative (BRI)," January 2021; Embassy of the People's Republic of China in the Commonwealth of Dominica, *Chinese Government and Dominican Government Sign Memorandum of Understanding on Jointly Building the "Belt and Road"* (中国政府与多米尼克政府签署共建 "一带一路" 谅解备忘录), July 17, 2018. Translation.

†Latin American and Caribbean countries that recognize Taiwan include Belize, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. Taiwan's Ministry of Foreign Affairs, *Diplomatic Allies*, 2020.

‡Between 2008 and 2016, Beijing and Taipei operated under a tacit understanding not to use financial incentives to compete for recognition from one another's diplomatic partners. This eight-year period coincided with the presidency of Ma Ying-jeou in Taiwan, a member of the Kuomintang Party who sought to improve relations with Beijing. Following the January 2016 election of Tsai Ing-wen from the Democratic Progressive Party, China's leaders became more concerned about preventing Taiwan independence. Two months later, Beijing ended the truce by establishing relations with the Gambia in March 2016. Matthew Southerland, "As Chinese Pressure on Taiwan Grows, Beijing Turns Away from Cross-Strait 'Diplomatic Truce,'" *U.S.-China Economic and Security Review Commission*, February 9, 2017, 1; Ben Blanchard and J.R. Wu, "With Gambia

switch diplomatic recognition in 2017, followed by the Dominican Republic and El Salvador in 2018.[24] In testimony before the Commission, R. Evan Ellis, research professor at the U.S. Army War College, argued that although China has benefitted economically from establishing ties with countries that switched recognition from Taiwan, the countries themselves saw limited lasting trade benefits.[25] Beijing has attempted to use the promise of assistance in managing the COVID-19 outbreak as leverage to pressure Paraguay and Honduras to terminate diplomatic relations with Taiwan, although without success to date.[26] Guatemala, which also recognizes Taiwan, has preemptively announced it would not source vaccines from China due to their low efficacy.[27]

A Whole-of-Government Approach

China's whole-of-government approach allows it to exploit existing ties with national and subnational governments, local businesses, and other stakeholders to create new opportunities. As Thiago de Aragão, director of strategy at Arko Advice Public Affairs and senior researcher at the Center for Strategic and International Studies, explained in testimony before the Commission, centralized authority in Beijing means the same channels by which economic deals are negotiated also serve as routes for other economic, diplomatic, and security interests, allowing China to benefit from "cross negotiations."[28] In 2021, Brazil, which previously planned to bar China's telecoms giant Huawei from participating in its 5G buildout due to security concerns, reversed the ban two weeks after appealing to China for COVID-19 vaccines.* [29] After President Jair Bolsonaro indicated Brazil would not buy Chinese vaccines, Beijing leveraged subnational relationships to bypass the central government and negotiate a partnership for Chinese vaccine producer Sinovac to manufacture the vaccine locally in São Paulo Province and later supply the country with Chinese vaccines.[30] Vaccine ingredient shipments from China to the São Paulo manufacturer were later delayed, allegedly at the behest of the Chinese government, following President Bolsonaro's statements insinuating COVID-19 originated in a Chinese lab.[31]

CCP leaders aim to cultivate a network of government officials in Latin American and Caribbean countries who admire China's state-led economic model and support China's policy objectives.[32] Between 2015 and 2018, over 1,000 leaders of political parties from Latin American and Caribbean countries visited China, and in 2018 the

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Move, China Ends Diplomatic Truce with Taiwan," *Reuters*, March 17, 2016; Shannon Tiezzi, "Did China Just Break Its 'Diplomatic Truce' with Taiwan?" *Diplomat*, March 17, 2016; *Associated Press*, "Taiwan Says China Appears to Accept Diplomatic Truce," October 16, 2008; Taiwan's Office of the President, *President Ma's Remarks at Ministry of Foreign Affairs: The Concept and Strategy of the "Flexible Diplomacy,"* August 5, 2008.

*The date of Brazi's 5G auction was repeated delayed. As of September 2021, it was expected to occur in early November 2021. Alberto Alerigi, "Brazil Sets 5G Mobile Auction for Nov 4, Expects to Raise $1.9 bln," *Reuters*, September 24, 2021; Janaína Camelo, "Huawei O.K. with 5G Compromise Deal in Brazil," *Brazilian Report*, August 20, 2021; *Reuters* and *Latin America Business Stories*, "U.S. Warned Brazil about China's Huawei in 5G Network—White House Official," August 9, 2021; Juan Pedro Tomás, "Brazilian Government Confirms 5G Auction for August: Report," *RCR Wireless News*, July 1, 2021; Giovana Fleck, "Why Huawei Was Almost Excluded from the 5G Race in Brazil," *Global Voices*, May 28, 2021; *Reuters*, "Brazil Regulator Approves 5G Spectrum Auction Rules, No Huawei Ban," February 25, 2021.

Chinese government pledged to invite over 600 more by 2021.*[33] China's leaders seek to build influence with Latin American and Caribbean civil servants, legislators, and party leaders from across the political spectrum and at multiple levels of government.[34] For example, between 2002 and 2017, representatives from the CCP's International Liaison Department† held nearly 300 meetings with 74 different political parties in 26 of the 33 Latin American and Caribbean countries.[35] China tailors its approach to suit host country dynamics and local political power structures, focusing on official diplomatic channels in countries with strong central government authority and prioritizing municipal governments alongside private companies and associations in countries that are more decentralized.[36] Through party-to-party trainings, meetings, travel, and other engagements sponsored by the Chinese government and the CCP, Beijing tries to convince many Latin American and Caribbean leaders that partnership with China is the most effective path to economic growth in their own countries.[37]

Beijing uses people-to-people exchanges to deepen its influence among the region's publics.[38] The Overseas Chinese Affairs Office, subsumed under the United Front Work Department in 2018, worked for over a decade with overseas Chinese communities in Latin American and Caribbean countries in an effort to shape positive views of China that would facilitate investment and commercial deals.[39] There are about 45 Confucius Institutes in the region, which play a significant role in China's efforts to project soft power.[40] In testimony to the Commission, Ryan Berg, senior fellow at the Center for Strategic and International Studies, explained that the impact of Confucius Institutes is particularly strong in Caribbean countries where the United States has no official diplomatic presence.‡[41] The Chinese government also pays for students, businesspeople, farmers, academics, and other professionals to come to China for classes, trainings, and conferences, aiming to influence the region's next generation of leaders.[42] For example, over 4,000 professionals from Latin American and Caribbean countries participated in training in China between 2015 and 2018.[43] While absolute numbers may not

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*It is unknown how many of the pledged 600 actually completed their visits, particularly given the disruption of the COVID-19 pandemic. Officials who have traveled to China have attended seminars on a range of topics. For example, officials from Colombia attended seminars on agricultural production technology in 2017 and 2018, Argentinian officials attended a seminar on public administration in 2018, and Brazilian civil servants attended programs on foreign investment and sustainable development in 2019. Claudia Trevisan, "Trade, Investment, Technology, and Training Are China's Tools to Influence Latin America," *Council on Foreign Relations*, 2020, 11; China's Ministry of Foreign Affairs, *Join Hands across the Ocean in a New Era*, January 25, 2018.

†The International Liaison Department is the branch of the CCP that conducts party-to-party engagement with foreign political parties. Its focus is on long-term relationship building and ideology, and Dr. Berg suggested in his testimony to the Commission that it also plays an informal role in supporting economic dealmaking. For example, the International Liaison Department met with the mainstream and ruling political parties in Colombia directly before a Chinese company won a roughly $4-billion-dollar Bogota metro project. Ryan Berg, oral testimony for the U.S.-China Economic and Security Review Commission, *Hearing on China in Latin America and the Caribbean*, May 20, 2021, 77; Ryan Berg, written testimony for the U.S.-China Economic and Security Review Commission, *Hearing on China in Latin America and the Caribbean*, May 20, 2021, 5; Jorge Valencia, "By Building Bogotá Metro, China Makes a New Breakthrough in Latin America," *The World*, November 5, 2020.

‡The United States Embassy in Barbados concurrently serves six other countries, including Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. China, by contrast, has an embassy in every Caribbean country with which it has diplomatic relations. U.S. Embassy in Barbados, the Eastern Caribbean, and the OECS, *Countries We Serve*; China's Ministry of Foreign Affairs, *Chinese Embassies in Latin America*, 2014.

be large, they have an outsized impact on messages about China in the region, as those who travel to China are the most likely to serve in roles as regional experts on China's activities and influence in their home countries.[44] As Dr. Ellis assessed, "The expectation of more invitations in the future . . . , the desire not to be 'ungrateful,' or the fear of losing access to such important information sources leads recipients to self-censor their subsequent remarks about China on topics of sensitivity to its government."[45]

China Pursues Media Influence

The main goal of China's media engagement in Latin America and the Caribbean is to promote favorable reporting on China and stifle information it views as "anti-China narratives," including anything that could point out failings of the CCP or criticize its policies or actions. Thus far, China's attempts to foster positive perceptions through media influence have met with mixed success.[46] Chinese state media operations are still less developed in Latin America and the Caribbean than in Asia, Africa, or Europe, as the organizations struggle to attract large followings in the regional market mainly dominated by U.S. and European media.[47] Xinhua, *People's Daily*, and China Radio International nonetheless produce both Spanish- and Portuguese-language content in the region, and China Central Television (CCTV) hosts a free 24-hour Spanish service, though it lacks a Portuguese version.[48] Chinese state media is often cited as an authoritative source on Chinese affairs, and state media organs have established content-sharing agreements in countries such as Brazil, Chile, and Venezuela to regularly republish content from Chinese state media in local publications and broadcast it on local networks.[49] China supplements these influence efforts by hosting trainings and events for journalists and news agencies from the region geared toward impressing upon attendees a positive perception of China's economic and political model.[*] [50]

Since 2020, China's media outreach has focused on shaping the region's perception of the COVID-19 pandemic. Francisco Urdinez, associate professor at the Pontifical Catholic University of Chile, assessed in his testimony to the Commission that the pandemic has severely damaged China's reputation among publics in the region.[51] In an attempt to reverse the damage, Chinese diplomats in the region not only retweeted positive coverage of China's handling of the outbreak from Chinese state media outlets in English and Spanish but also amplified the voices of local actors with positive views of China and spread disinformation to attack

* In 2018, China convened the China-Latin America and the Caribbean Media Forum, bringing together 13 media outlets from China and over 100 Latin American news agencies. The same year, China's Ministry of Foreign Affairs established the China-Caribbean Press Centre, which facilitates travel exchanges for Caribbean journalists to China. In early 2021, mainstream media outlets in Argentina, Brazil, Chile, Cuba, Peru, and Venezuela published reports echoing the CCP messaging on China's poverty reduction. House Foreign Affairs Committee Republicans, *China Regional Snapshot: South America*, March 16, 2021; House Foreign Affairs Committee Republicans, *China Regional Snapshot: The Caribbean*, March 16, 2021; *CCTV*, "Mainstream Media in Many Latin American Countries Report Intensively and Highly Evaluate China's Anti-Poverty Achievements" (拉美多国主流媒体密集报道并高度评价中国脱贫成就), March 1, 2021. Translation; *Xinhua*, "Xinhua Calls for Deepening China-LatAm Media Cooperation," November 20, 2018; *CCTV*, "China-Caribbean Press Center Launched," May 19, 2018.

China Pursues Media Influence—*Continued*

the United States.[52] During an August 2020 virtual dialogue with representatives from 15 Latin American media organizations on the subject of COVID-19, China's representatives called for increased content sharing and stressed the media's role in sharing the Chinese government's so-called "effective measures" against the virus with Latin American countries.[*] [53]

Encouraging Authoritarian Trends

Chinese engagement in some Latin American and Caribbean countries has exacerbated authoritarian trends and poor governance. In Venezuela, the authoritarian Maduro regime has worked extensively with Chinese technology companies ZTE and China National Electronics Import and Export Corporation[†] to develop surveillance systems and a prototype social credit system called the Fatherland Card.[54] The system allows the Maduro regime access to a repository of Venezuelan citizens' data and has been used by the regime to track voting patterns, ration food and supplies, monitor social media accounts, and even preferentially distribute COVID-19 vaccines throughout the country.[55] Marking China's export of "digital authoritarianism" to the region, the system borrows from China's emerging Corporate Social Credit System, a sweeping government-wide initiative to aggregate data on legal entities to improve regulatory enforcement.[56] Former leftist populist governments in the region, such as the Evo Morales government in Bolivia (2006–2019) and the Rafael Correa government in Ecuador (2007–2017), also contracted with Chinese companies to develop and implement surveillance systems intended to help them consolidate control over their populations.[57] While in power, both governments undermined democratic institutions, attempted to silence media criticism, and were accused of corruption.[58]

Chinese loans have provided a critical economic lifeline to the Maduro regime, and they also enabled the Morales and Correa governments to consolidate control while eroding their countries' democratic institutions. These governments are also among the largest recipients of Chinese financing in the region.[59] Unlike international financial institutions (IFIs) like the International Monetary Fund (IMF), Chinese lenders do not require recipients to implement structural economic or governance reforms, such as austerity measures.[60] Instead, according to a study of 100 Chi-

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*Chinese-language coverage of the event highlights remarks by media representatives from five of China's comprehensive strategic partners, namely Argentina, Brazil, Chile, Peru, and Mexico. The Brazilian representative called for increased media cooperation with China, and the Mexican representative highlighted the importance of China's experience in fighting the virus for Latin American countries. *Xinhua*, "Chinese and Latin American Media Launch Cloud Dialogue, Media Personnel Join Hands to Fight the Epidemic and Overcome Difficult Times" (中拉媒体开展云端对话 媒体人携手抗疫克时艰), August 28, 2020. Translation.

†In November 2020, the U.S. Department of the Treasury sanctioned the China National Electronics Import and Export Corporation for supporting the Maduro regime's efforts to undermine Venezuela's democracy, including its restriction of internet services, digital surveillance, and cyberoperations against political opponents. U.S. Department of the Treasury, *Treasury Sanctions CEIEC for Supporting the Illegitimate Maduro Regime's Efforts to Undermine Venezuelan Democracy*, November 30, 2020.

nese loan contracts published by the Center for Global Development, many Chinese loans include their own unique conditions that protect China's interests and give Chinese lenders benefits, including access to resources through commodity-backed revenue accounts.[61] Chinese contracts also include strict confidentiality clauses that restrict borrowers from even disclosing that some debts exist, thereby exacerbating issues of transparency and poor governance.[62] (For more on China's loans to the region, see "Bilateral Loans Provide China with Leverage over Debtor Countries" later in this section.)

Between 2005 and 2020, China extended loans worth at least $62.2 billion to the Venezuelan Chavez and Maduro regimes, $17.4 billion to the Correa government in Ecuador, $3.4 billion to the Morales government in Bolivia, and $15.3 billion to the Kirchner governments (2003–2015) in Argentina.[63] In many cases, China has acted as a lender of last resort for countries that have lost the confidence of international investors.[64] For example, after defaulting on $3.2 billion of government bonds in 2008, the Correa government was cut off from international financial markets.[65] Turning to Chinese policy bank financing as an alternative, the Correa government received over $7 billion in Chinese loans between 2010 and 2012 alone.[66] Argentina, which has defaulted on its sovereign debt nine times, is the fourth-largest debtor to China in the region.[67] In testimony before the Commission, Mr. Aragão suggested Argentina's mounting debt to China gave China leverage to negotiate the construction of a Chinese-controlled space observation center on Argentine soil.[68] (For more on China's space observation center in Argentina, see "China's Military and Security Engagement" later in this section.)

China's Economic Strategy

China's economic interests drive its engagement in Latin America and the Caribbean as it seeks commodities and raw materials to fuel its economy while building markets for its companies and technologies. China's economic strategy in the region began in the early 2000s with open market purchases of Latin American commodities, and it has since diversified to incorporate strategic investments and financing that increase China's control over entire supply chains. To maintain growth, the region urgently needs financing for infrastructure, which China has been willing to provide, further cementing its central position in some countries' economies. While Caribbean countries are not commodity exporters, China sees the subregion as both a growing market for its surveillance technologies and an important location for infrastructure projects, such as ports. In deepening its economic leverage over the subregion, China also intends to cultivate political support from a bloc of countries with voting power at the UN.

Countries in the region see Chinese trade and investment as an opportunity for economic growth; however, the region's institutions have been ill equipped to effectively manage the boom in Chinese economic activity over the last two decades. As a result, Chinese economic engagement has facilitated a decline in environmental, social, and governance standards, with some local indigenous communities and environmental organizations expressing opposition to Chinese projects and investments. The benefits of trade with China have also encouraged governments to focus on commodities to promote economic growth at the expense of industrialization. Amid a global pandemic and regional economic recession, these forces may be amplified as countries increasingly rely on Chinese trade and investment while disregarding long-term consequences, such as environmental degradation and damage to indigenous populations.

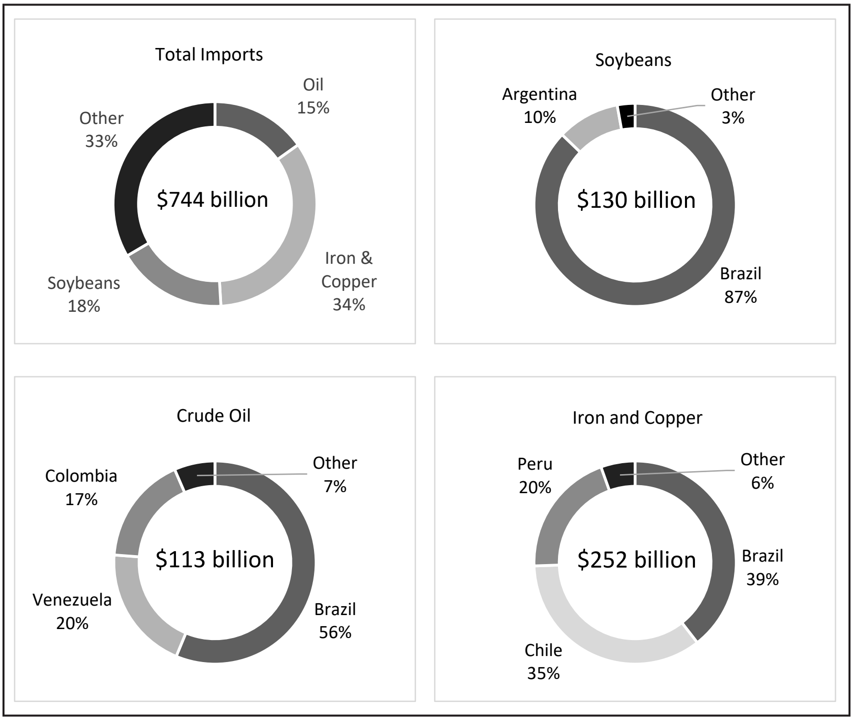
Trade with China Is Critical for Economies in the Region

As China's domestic economy has expanded, its burgeoning demand for commodities has made it a critical trade partner for select commodity exporters in the region. In 2020, China's goods trade with Latin America and the Caribbean stood at just under $300 billion—up 1,466 percent from $18.9 billion in 2002.[69] The region's goods exports to China in 2020 were an estimated $135.6 billion, while it imported an estimated $160 billion in goods from China.[70] Latin America and the Caribbean represented just 6.4 percent of China's global goods trade in 2020, yet China has been ranked the second- or third-largest trading partner for the region since 2011 and has become an important trade partner for multiple economies.[71]

While the region occupies a fraction of China's global trade, it is China's primary supplier for select commodities. For example, Brazilian soybeans and Chilean copper respectively supplied approximately 61 percent and 32 percent of China's total global imports of those commodities between 2016 and 2020.[72] During the same time period, 67 percent of China's imports from the region were in three main commodity categories: agricultural goods (soybeans and oilseeds), energy (crude petroleum oil), and metals (copper ores and concentrates, iron ores and concentrates, and refined copper) (see Figure 2).[73] When disaggregated by country, 84 percent of China's purchases from the region originated from just four countries: Brazil (48 percent), Chile (17 percent), Mexico (10 percent), and Peru (9 percent).[74]

Strong economic relationships with Latin American commodity suppliers like Brazil, Chile, and Peru provide China with opportunities to divert its demand between trade partners should political or economic tensions arise. For example, in 2018 China reduced its soybean purchases from the United States by $9.1 billion to $3.1 billion, a 74.5 percent drop compared to 2017 levels, in retaliation for duties levied by the United States on Chinese goods.[75] In the same year, it increased its purchases from Brazil by $7.9 billion, or 37.9 percent year-on-year.[76] Similarly, in 2020 China applied duties on Australian wine after Australia called for an international investigation into the origins of COVID-19.[77] China then expanded its Chilean wine purchases, which increased by over 40 percent in the first quarter of 2021.[78]

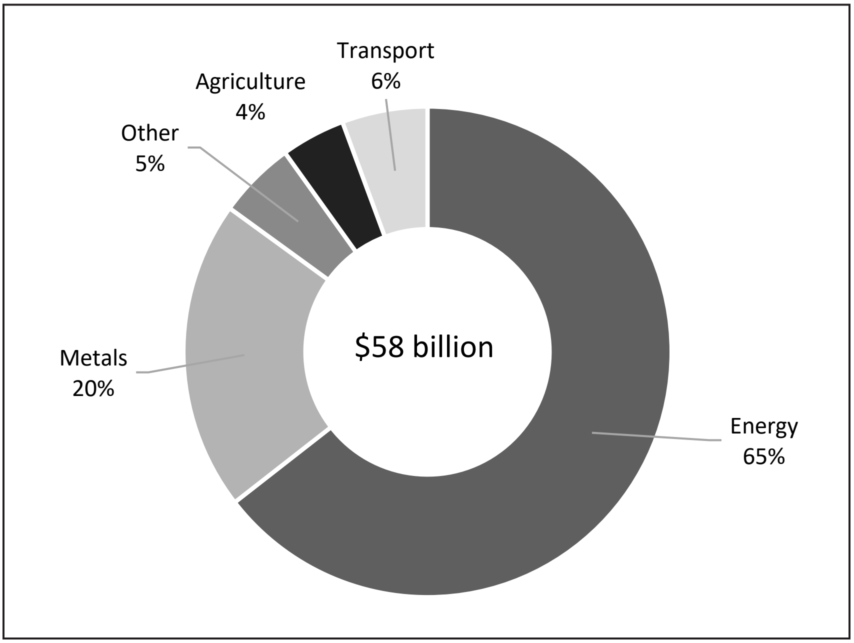
Figure 2: Chinese Imports from Latin America and the Caribbean by Commodity and Country, 2016–2020



Note: Because 2020 economic data are skewed due to disruptions associated with the COVID-19 pandemic, this figure aggregates data between 2016 and 2020 to demonstrate trends in Chinese trade with Latin America and the Caribbean over multiple years.
Source: United Nations, "UN Comtrade Database," calculations by Rebecca Ray.

Like Chinese trade with the region, Chinese foreign direct investment (FDI) is concentrated in the energy, metals, transportation, and agriculture sectors, with Brazil, Peru, and Chile as primary destinations.[79] Although the United States and European countries remain the region's top sources of investment, accounting for 82 percent of FDI flows in 2019, FDI from China into Latin America and the Caribbean is on the rise.[80] The majority of Chinese investments have been through mergers and acquisitions (M&A), and China's share in cross-border M&A in the region increased between the first and second half of the last decade from 12.5 percent to 17.7 percent.[81] Over the same period, the share of European M&A transactions decreased, while it increased for North American companies.[82] China's regional investment strategy has also matured and diversified, as Chinese FDI is progressing beyond M&A to greenfield investments that require greater local knowledge to build and operate new businesses. Chinese firms have also begun investing in the region's finance, real estate, and technology sectors, though these sectors still represent a small fraction of total Chinese FDI to the region (see Figure 3).[83]

Figure 3: Cumulative Chinese FDI to Latin America and the Caribbean by Sector, 2016–2020



Note: "Other" includes chemicals, finance, logistics, real estate, technology, and utilities. Because 2020 economic data are skewed due to disruptions associated with the COVID-19 pandemic, this figure aggregates data between 2016 and 2020 to demonstrate trends in Chinese investment in Latin America and the Caribbean over multiple years.
Source: American Enterprise Institute, "China Global Investment Tracker," 2021.

Bilateral Loans Provide China with Leverage over Debtor Countries

Two Chinese policy banks,* China Development Bank and the Export-Import Bank of China (China EXIM Bank), are key facilitators of Chinese engagement.[84] Many of China's loans to the region have been tied to the use of Chinese companies and equipment.[85] The primary recipients of Chinese policy bank lending are all major oil or commodity exporters and include Venezuela ($62.2 billion, 45 percent), Brazil ($29.7 billion, 22 percent), and Ecuador ($18.4 billion, 13 percent), which alone account for 80 percent of all Chinese policy bank lending to the region.[86] Furthermore, China devoted approximately 68 percent of its financing in Latin America and the Caribbean to the energy sector alone.[87] For Venezuela and Ecuador, which have both been cut off from traditional financing at different points in time, Chinese lending has exceeded total lending by the

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* China has three national state-owned policy banks: China Development Bank, Export-Import Bank of China (China EXIM Bank), and Agricultural Development Bank of China. The policy banks were established as part of a restructuring effort in 1994 to separate commercial and policy financing functions, with each bank charged with specific policy domains. For example, China Development Bank was formed specifically to finance domestic and international development projects, while the China EXIM Bank provides financial services for importers and exporters. For more information on China's banking sector, see Virgilio Bisio, "China's Banking Sector Risks and Implications for the United States," *U.S.-China Economic and Security Review Commission*, May 27, 2020.

World Bank, Inter-American Development Bank, and Development Bank of Latin America.[88]

Chinese policy bank financing to the region has declined in recent years, while Chinese commercial financing* facilitates an array of Chinese nonstate enterprises' engagement. According to the Inter-American Dialogue's China-Latin America Finance Database, between 2005 and 2020 Chinese policy banks provided about $137 billion in financing to the region; however, this lending peaked in 2010 at $35.7 billion, and it has significantly declined in recent years due to the political and economic crisis in China's top borrower, Venezuela.[89] At the same time, however, Chinese commercial banks like the Industrial and Commercial Bank of China and the Bank of China have maintained a steady presence in the region, providing commercial finance, trade finance, and retail banking to Chinese companies, often in cooperation with other international banks.[90] According to Margaret Myers, director of the Asia and Latin America program at the Inter-American Dialogue, loans from Chinese policy banks were originally intended to facilitate market access for Chinese firms by linking financing to the use of Chinese firms and equipment. Demand for these loans may be declining, however, as Chinese companies have developed their own extensive customer networks and positive reputations in the region's markets.[91]

For many countries in Latin America and the Caribbean, Chinese policy bank financing fills a gap when access to financing from IFIs is unavailable due to host country corruption, poor economic fundamentals, or weak project standards. While Beijing does not attach governance and project feasibility standards to its loans as IFIs do, Chinese sovereign loans to other countries include unique provisions that protect China's existing commercial interests and ensure that China is paid before other creditors. The Center for Global Development's groundbreaking study of 100 Chinese loan contracts revealed that these loans prioritize Chinese interests by creating collateral arrangements, such as Chinese-controlled revenue accounts in which revenue from a debtor's sale of commodities is deposited into an account controlled by China and acts as collateral for the loan.[92] The contracts also include the so-called "No Paris Club" clauses that keep Chinese debt out of collective restructuring efforts among the Paris Club of bilateral lenders,† thereby ensuring that Chinese debts are prioritized above other bilateral debts and allowing China to freeride on multilateral debt relief efforts.[93]

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*China has four primary state-owned commercial banks, including the Bank of China, China Construction Bank, Industrial and Commercial Bank of China, and Agricultural Bank of China. Here, "commercial banks"—as opposed to investment banks and policy banks—refers simply to banks that accept deposits from individuals or corporations; make business, consumer, and mortgage loans; and provide checking account services. China's commercial banks do not provide bilateral sovereign loans but rather support commercial enterprises. For more information on China's banking sector, see Virgilio Bisio, "China's Banking Sector Risks and Implications for the United States," *U.S.-China Economic and Security Review Commission*, May 27, 2020.

†The Paris Club is a group of 22 creditor nations that strive to coordinate workable solutions to mounting debt problems among debtor nations. The 22 permanent members of the group are Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Korea, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Adam Hayes, "Paris Club," *Investopedia*, April 15, 2021; Paris Club, "Permanent Members."

In a pattern that holds across much of the developing world, Chinese bilateral lending to Latin America and the Caribbean creates significant leverage for Beijing. Though there have been no cases of China seizing assets in the region to compensate for debt, sustained debt pressure shapes countries' long-term policies toward China. Venezuela is highly exposed, with debt to China peaking at approximately 17 percent of gross domestic product (GDP) in 2014 before slowly decreasing to approximately 11 percent in 2017 after China stopped issuing it new loans in 2016.[*][94] As of 2019, Venezuela owed $66 billion in external public debt, with just under a third of this debt owed to China alone.[95] Similarly, China is the top bilateral lender to Ecuador and Jamaica, both of which owed China approximately 10 percent of their GDP in 2017.[96] For small countries in the Caribbean, such as Jamaica, which has only received $2.1 billion in Chinese loans, this financing may have an outsized impact relative to the size of debtor economies and could create excessive leverage for Chinese interests.[97] Notably, despite the acute financial pressures experienced throughout the region in the wake of COVID-19, Chinese policy banks did not extend any new loans to countries in Latin America or the Caribbean in 2020.[98] By contrast, the World Bank, Inter-American Development Bank, and Development Bank of Latin America respectively approved $7.8 billion, $21.6 billion, and $14 billion in loans and financial support to countries in the region in 2020.[99]

In Venezuela and Ecuador, this leverage is manifested by China's sustained access to discounted oil for in-kind repayments through resource-backed loans. Although China's resource-backed loans have at times provided financing below market rates, in the cases of Venezuela and Ecuador, falling global oil prices forced both countries to dedicate larger volumes of oil production to repaying Chinese loans.[100] The Natural Resource Governance Institute, a U.S. nonprofit focused on sustainable development, asserts that resource-backed loans have been at the center of Venezuela's public debt crisis and have prompted the country to push for multiple payment extensions.[101] Facing its own mounting public debt, Ecuador negotiated a $4.2 billion IMF bailout in 2019 and another $6.5 IMF loan in 2020.[102]

Chinese loans also potentially allow Beijing to influence borrowers' domestic and foreign policies through cross-default clauses. Cross-cancelation and cross-default clauses, standard in commercial loans but more unusual in government-to-government lending, protect China's existing loans by entitling Chinese lenders to terminate and demand repayment when a borrower defaults or cancels a loan from another lender.[103] For example, in Argentina, China leveraged a loan cross-default clause to successfully pressure the Argentine government not to cancel the Chinese-financed Kirchner-Cepernic Dams Project.[104] Because the loan for the project included a cross-default clause, China threatened to cut off financing to an-

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*Chinese policy banks do not publish data on their sovereign lending, so third-party analyses track Chinese loans by triangulating open source information. Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch manage one of the most comprehensive datasets on Chinese loan contracts and debtor obligations, although it only accounts for Chinese loans through 2017. Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch, "China's Overseas Lending," *National Bureau of Economic Research*, NBER Working Paper No. 26050, 2019.

other project, the Belgrano-Cargas Railway, should the Argentine government cancel the dam.[105] In their study of Chinese loan contracts, researchers at the Center for Global Development note that "using cross-defaults to link otherwise unrelated projects makes it harder for the borrower to walk away from any of them, and gives Chinese lenders as a group more bargaining power—and more policy influence."[106]

Chinese loan contracts also include policy change clauses that allow China to cancel a loan if the debtor country undertakes policy changes "adverse to 'any PRC [People's Republic of China] entity' in the borrowing country."[107] In fact, the terms in one loan from China Development Bank to Ecuador constrain Ecuador's ability to enact domestic policies that may adversely impact Chinese interests. They stipulate that China Development Bank will consider Ecuador to be in default, or failing to honor the terms of the debt contract, if it "takes any action for the dissolution or disestablishment of a PRC entity or any action that would prevent a PRC entity or its officers from carrying on all or substantial part of its business or operations" or "takes any action, other than actions having general effect in the Republic of Ecuador, which would disadvantage a PRC entity in carrying out its business or operations in the Republic of Ecuador."[108] Such clauses pressure Ecuador to maintain positive bilateral relations with China, as a loan default could trigger a range of punitive measures, such as cross-defaults on other Chinese loans to Ecuador or mandatory early repayment of the defaulted loan.

Chinese Engagement Promotes Dependence on Commodity Exports

Latin American and Caribbean economies actively seek Chinese engagement. According to research published by the UN, the 2002–2008 commodity boom, which was primarily driven by growing Chinese demand, prompted the prices for key commodity exports from the region like iron ore and zinc to increase by up to 153.6 and 147.6 percent, respectively.[109] Chinese commodity demand is estimated to have increased the region's export earnings during the period by up to $73 billion.[110] Despite the fall in commodity prices precipitated by the 2008 global financial crisis, China's large-scale stimulus efforts helped maintain steady demand for Latin American and Caribbean exports and shielded the region's economies from the worst of the global recession.[111] Chinese economic engagement has also increased employment throughout the region, and the International Labor Organization estimates it has generated approximately 1.8 million net jobs between 1995 and 2016.[112] The majority of these jobs were low-skilled and concentrated in the agriculture, mining, and energy sectors (that is, sectors that serviced Chinese demand for commodities).[113] According to the UN Economic Commission for Latin America and the Caribbean, China's expanding economic engagement also coincides with a decline in the proportion of the region's population living in extreme poverty—from 12 percent in 2002 down to 4 percent in 2018.[*] [114]

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*Extreme poverty is measured by the UN Economic Commission for Latin America and the Caribbean as the number of people living on less than $1.25 per day. United Nations Economic Commission for Latin America and the Caribbean, "Sustainable Development Goals Indicator

While Chinese economic engagement has brought significant benefits to economies in the region, it also has been tied to a process of re-primarization. This is a phenomenon in which economies on the cusp of developing their manufacturing or service industries revert to primary industry (e.g., natural resource extraction) as their predominant source of economic growth. Because China mainly imports commodities from Latin America and exports manufactured goods to the region, trade with China has been associated with re-primarization in partner economies. Researchers at the Atlantic Council estimate that between 2002 and 2015, the region's industrial exports as a share of its total global exports fell from approximately 93 percent to approximately 76 percent.[115] By contrast, the share of raw materials in the region's export basket has been rising since the beginning of the commodity boom in 2001 when raw materials constituted nearly 23 percent of the region's export basket.[116] By 2018, raw materials constituted nearly 30 percent of the region's exports to the world.[117] Exacerbating this trend, Chinese financing and investment are concentrated in extractive industries, which further encourages governments to shift emphasis to these sectors at the expense of industrialization.

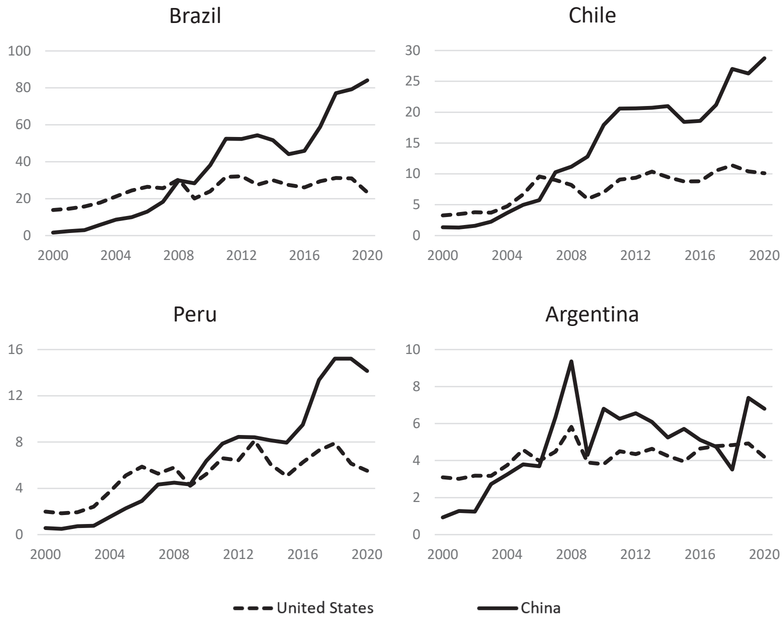
China May Help the Region's Economies Weather the COVID-19 Pandemic

China's strong demand for Latin American commodities is helping economies in the region manage the economic disruption caused by the COVID-19 pandemic. In testimony before the Commission, Ms. Myers explained that in the post-pandemic era, economies in the region would also likely try to attract Chinese investment to boost their recovery.[118] The IMF estimates that the region experienced a 7 percent GDP contraction in 2020, while the volume of the region's exports also decreased by 26.1 percent between December 2019 and May 2020.[119] Due to structural weaknesses present before the pandemic, economists expect the region to be the slowest among emerging economies to recover.[120] China's relatively swift economic recovery buoyed demand for Latin American and Caribbean exports, and as in the aftermath of the 2008 global financial crisis, China may provide a balance for economies in the region against external economic shocks and sharp reductions in U.S. demand for regional goods (see Figure 4). For example, in June 2020 total Argentine, Brazilian, and Chilean exports to China increased by approximately 48 percent year-on-year from $7.5 billion to $11.1 billion.[121] At the same time, as U.S. and European investors sold their assets in the region amid the global economic downturn, Chinese investment through M&A, particularly in the electricity distribution sector, increased 63 percent from $4.3 billion in 2019 to $7 billion in 2020.[122]

1.1.1 Proportion of Population Below the International Poverty Line, by Sex, Age, Employment Status and Geographical Location (Urban/Rural)," May 27, 2021.

China May Help the Region's Economies Weather the COVID-19 Pandemic—*Continued*

Figure 4: Chinese and U.S. Imports from Select Latin American Countries, 2000–2020
(US$ billions)



Source: U.S. Census Bureau, *Trade in Goods Brazil*; U.S. Census Bureau, *Trade in Goods Chile*; U.S. Census Bureau, *Trade in Goods Peru*; U.S. Census Bureau, *Trade in Goods Argentina*; United Nations, "UN Comtrade Database."

China's Approach to Resource Access Is Evolving

While China's economic engagement with Latin America began with a focus on open market commodity purchases, its strategy in the region is maturing and diversifying. China now invests across entire supply chains, which allows it to exert greater control over industries where it has a strategic interest in resource access or market building. China is also increasingly investing in regional infrastructure, with an interest in improving production capacity while decreasing the time and cost for shipping commodities back to China.

Latin American Minerals Support China's Industrial Development

As China attempts to become a global leader in advanced manufacturing, access to minerals from around the world is an increasingly important component of its industrial policy. Latin America has some of the world's largest deposits of copper, iron ore, silver, lithium, and niobium, which are used to make electronic components, such as rechargeable batteries and semiconductors.[123] Controlling the supply chain for these technologies drives China's investments in Latin America's mining sector.

Chinese investment in Latin America's mining sector reveals a pattern of vertical integration, with Chinese entities acquiring a greater share of value within individual mineral supply chains, culminating with direct ownership over mines themselves.[124] For example, in the case of lithium, Chinese firms have expanded their investments throughout the supply chain, which involves extraction, refining, and eventually manufacturing the mineral into technologies like lithium-ion batteries for electric vehicles. Latin America's "Lithium Triangle," which spans Argentina, Chile, and Bolivia, is home to more than half of the world's known lithium reserves and has been a target of Chinese investment.[125] Chinese companies like Tianqi Lithium and Ganfeng Lithium have acquired major stakes in production in Chile, financed new mine development in Argentina, and signed an agreement to develop lithium production in Bolivia.[126] With the addition of its investments in Australian lithium, China's global investments give it influence or control of over 59 percent of global lithium production.[127] As China accumulates market power over the lithium supply chain, it also strengthens its ability to influence global supply and pricing.[128]

Local Communities Push Back against Chinese Mining Investments

Some Chinese mining investments in Latin America have generated pushback in response to negative environmental and social impacts. The outcomes of local resistance, however, depend on the local rule of law and the will of governments to place restrictions on Chinese investors. In the case of the Chinese-invested Rio Blanco gold and silver mine in Ecuador, local indigenous communities impacted by water pollution generated by the mine successfully sued the Ecuadorian government for failing to provide the community with free and informed prior consultation on the project and forced the Chinese company to suspend mining operations in 2018.[129] The Ecuadorian government opposed attempts to close the mine and appealed the decision in a constitutional court in 2020.[130] Though there is little public information available regarding the progress of the appeal at this time, in February 2021 residents of the local area passed a referendum to ban any new large-scale mining activities in five nearby watershed zones.[131] While it will prevent future mining operations in the area, the referendum will not impact the Rio Blanco mine.

In other cases, local communities have engaged in violence to protest the environmental degradation caused by Chinese mining projects. In one such example, between 2015 and 2016 community protests erupted against the Chinese state-owned enterprise (SOE) MMG Limited's (MMG Ltd.) Las Bambas mine in Peru, citing a lack of adequate prior consultation as well as negative environmental impacts. The protests resulted in violent clashes with Peruvian police that left at least four protesters dead.[132] Though in 2019 Peru's Environmental Assessment and Enforce-

Local Communities Push Back against Chinese Mining Investments—*Continued*

ment Agency ordered MMG Ltd. to limit the adverse environmental effects of its activities, local communities had to endure these environmental impacts for years before Peru's government finally acted on their complaints.[133]

China Invests in Power Distribution Assets to Build Markets

Beyond its open market purchases of Latin American fossil fuels, China has increasingly invested in building and acquiring Latin America's electricity generation and distribution assets. Between 2005 and 2020, 61 percent of Chinese investments in the region were devoted to the energy sector, with Chinese SOEs accounting for the majority of investment.[134] As the region's electricity production cannot be exported to China, China's acquisitions and greenfield investments in the sector are instead intended to build lucrative markets for its energy generation and distribution technologies, such as solar panels.[135] In testimony before the Commission, Rebecca Ray, senior academic researcher at Boston University's Global Development Policy Center, argued that Chinese electricity asset acquisitions introduce the risk that Chinese companies could use their ownership stakes to engage in anticompetitive behaviors, such as self-dealing and price fixing.[136] Chinese SOE Yangtze Power's 2020 acquisition of Peru's Luz del Sur electricity distribution company illustrates these concerns, as Yangtze Power's parent company, China Three Gorges, also has ownership over the Peruvian San Gabán III and Chaglla hydropower plants, both upstream power-generation assets.[137] To prevent collusion, Peru's Ministry of Energy and Mines stipulated that Luz del Sur must commit to purchasing power through a transparent and competitive bidding process.[138]

In Chile, the 2021 purchase by State Grid, a Chinese SOE, of a 96 percent stake in Compañía General de Electricidad power utility company, combined with State Grid's prior acquisitions of multiple other Chilean electricity distribution assets, resulted in State Grid controlling approximately 57 percent of Chile's electricity distribution.[139] State Grid's purchase prompted regulatory scrutiny from the country's lawmakers, who expressed concern that a foreign state entity could control a majority portion of a national strategic asset.[140] Though it too was ultimately approved by Chile's antitrust authority, State Grid's acquisition prompted legislators to consider a bill to allow Chile's Congress to block acquisitions of strategic assets by foreign SOEs.[*][141]

While host country regulators reviewed both the Yangtze Power and State Grid purchases for potential impacts on market competition, the acquisitions were never reviewed for risks to national security. In fact, the majority of countries in Latin America and the Caribbean lack mechanisms to review the national security impli-

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*As of July 2021, the bill was still being debated within Chile's Congress. A. Gonzolez, "Chamber of Deputies Cites Special Session to Analyze Purchase of CGE by Chinese State-Owned Company" (Cámara de Diputados cita sesión especial para analizar compra de CGE por parte de empresa estatal china), *Emol*, July 2, 2021. Translation.

cations of inbound foreign investment.[142] According to Dr. Ray, this represents a serious institutional gap in Latin American countries' ability to regulate the China investment boom, especially given China's accumulating investments in critical sectors like energy that are inextricably linked to a country's national security.[143]

China Seeks Agricultural Resources amid Food Security Concerns

China also employs its vertically integrated approach to accessing Latin American agricultural resources, which help allay domestic food security concerns. Approximately half of China's demand for agricultural products from the region has been concentrated in Brazilian soybeans, where Chinese purchases comprised about 73 percent of Brazil's global soybean exports in 2020.[144] Brazilian soybean producers have been the primary beneficiaries of U.S.-China trade tensions, as China diverted much of its U.S. demand to Brazil in 2018, although Chinese demand for U.S. soybeans has since rebounded after the signing of the U.S.-China Phase One trade agreement.[145] China's demand for Brazilian meat imports like beef and veal increased by 299 percent between 2017 and 2020 and has generated significant deforestation pressures in Brazil.[146] According to research by Trase, an NGO focused on the commodity trade's role in deforestation, in 2017 approximately 40,500 hectares of Brazilian rainforest were at risk of deforestation due to mainland China and Hong Kong's demand for Brazilian beef alone.[147] Beyond trade, major Chinese food companies are targeting acquisitions and investments along different portions of the agricultural supply chain, including production, processing, and storage, and have acquired vertically integrated agricultural operations like Brazil's Fiagril, which processes, markets, and transports grains.[148]

As part of China's efforts to secure food resources, Chinese fishing boats have become primary offenders of illegal, unreported, and unregulated (IUU) fishing in Latin America and the Caribbean.[149] China's deep-water fishing fleet, which according to some estimates includes over 17,000 ships, has been accused of illegally fishing in countries' exclusive economic zones and protected maritime areas, overfishing, catching protected species, and contributing to water pollution.[150] A recent study by U.S. NGO Oceana found that between July and August 2020, approximately 99 percent of ships suspected of IUU fishing around the Galapagos were Chinese.[151] Likewise, separate investigations found that approximately 82 percent of ships engaging in IUU fishing in Chile's Nazca-Desventuradas protected area between 2018 and 2020 were Chinese.[152]

Countries in Latin America and the Caribbean have had difficulty preventing IUU fishing because their navies lack adequate resources to monitor and patrol their territorial waters.[153] As a result, in November 2020, the governments of Chile, Ecuador, Peru, and Colombia issued a joint statement condemning the "large fleet of foreign-flagged vessels" conducting IUU fishing near their territorial waters and promised to "prevent, discourage, and jointly confront" such activity.[154] Chinese IUU fishing demonstrates the extent of China's drive to capture the region's resources and is a direct violation of countries' territorial sovereignty. Such malign activities also fundamentally infringe upon the region's long-term economic welfare by depleting a critical natural resource and cost the region about $2.7 billion in lost revenue annually.[155]

China Invests in Regional Infrastructure

To meet its infrastructure needs, Latin America and the Caribbean require additional investment of around 2.5 percent of regional GDP annually, or $145 billion in 2019, according to multiple estimates aggregated by the Inter-American Development Bank.[156] The region's lack of infrastructure has been a primary impediment to industrialization, as Latin American and Caribbean countries have struggled to develop regional supply chains.[157] Intraregional trade, for example, constituted less than 15 percent of the region's exports in 2019.[158] Latin American and Caribbean trade is anchored to larger external economies like the United States and China; however, incomplete and aging infrastructure increases the costs of transporting and exporting raw materials to these markets.[159]

According to Dr. Ray, Chinese financing has helped to fill the region's infrastructure gap with investments spanning multiple sectors, including surface transportation, ports, energy, mining, agriculture, and telecommunications.[160] Between 2005 and 2020, approximately $25 billion or 18 percent of Chinese policy bank financing in Latin America and the Caribbean has been allocated to infrastructure in the region, while approximately 60 percent of Chinese greenfield investments between 2011 and 2020 were in infrastructure.[161] Most of these investments are intended to facilitate China's access to the region's resources by decreasing the logistical costs of transporting commodities to export centers.[162] For example, in 2013 China Development Bank extended a $2.1 billion loan to renovate portions of Argentina's Belgrano Cargas railway.[163] As Argentina is China's second-largest regional supplier of soybeans after Brazil, the railway will support Chinese soy purchases by connecting Argentina's agricultural heartland to the coast.[164] Because they are designed to facilitate the region's exports to China rather than its demand for connectivity to support intraregional trade, China's investments may not fully address the infrastructure needs of the region.

Ports

Chinese investments in Latin American and Caribbean ports are similarly intended to decrease the costs of shipping resources to China. The Development Bank of Latin America estimates that between 2016 and 2040, the region will need approximately $55 billion in investment to advance its competitiveness in the maritime and port sector and bridge a significant gap between freight demand and current capacity.[165] Chinese entities are involved in approximately 40 ongoing port operations or port projects in the region.[166] This investment may help to fill this gap and ultimately lower the time and cost of shipping goods to China.

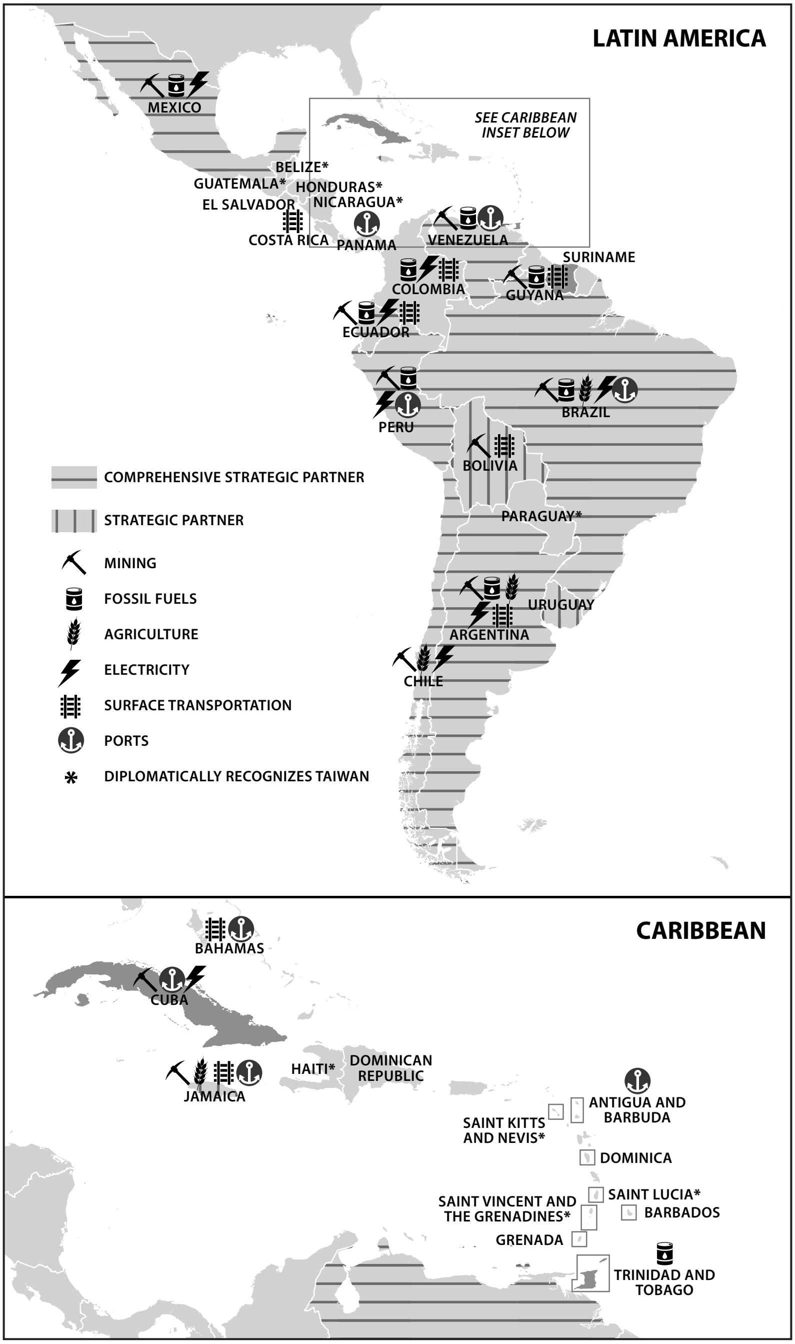
Chinese firms are involved at every stage of port development from new port construction and expansion to managing day-to-day operations. Chinese-developed ports in Latin America demonstrate the close ties between China's commodity and logistics interests. For example, China is working with Peru's Volcan Mining Company to jointly develop the country's $3 billion Chancay port.[167] Although Caribbean countries are not commodity exporters, they are important logistics hubs due to their proximity to the U.S. market and location at the confluence of maritime trade routes.[168] China has therefore been involved in numerous projects in the subregion, including ports in Cuba, the Bahamas, and Jamaica.[169]

Telecommunications

While much of China's infrastructure development in the region is focused on commodity extraction, China is also heavily involved in building out Latin American and Caribbean telecommunications infrastructure. Due to subsidies and government support for national technology champions like Huawei and ZTE, China has successfully marketed its technologies to the region as economically viable alternatives to technologies produced in Europe or the United States.[170] As a result, Huawei has already become a leader in the region's mobile device market and is a top competitor to build out 5G infrastructure in Brazil, Chile, Colombia, and Mexico.[171] By integrating Chinese technologies into the region's digital infrastructure, China is setting the stage for building long-term commercial dependencies as the region's market develops.[172] As firstcomers to the market for emerging technologies like 5G and smart cities, Chinese telecommunications companies can begin to lock users into their suite of technology offerings to the exclusion of competitors. They are also in a unique position to shape standards in the region, which will dictate the long-term structure of the region's digital economy and influence which technologies are operable within its infrastructure.[173]

Ms. Myers explained in her testimony that in addition to forming long-term commercial dependencies, China's strategy is driven by its desire to obtain user data from the region.[174] (For more on China's emergent data governance regime, see Chapter 2, Section 1, "Year in Review: Economics and Trade.") China has sold smart city technologies to multiple governments, including Argentina, Bolivia, the Dominican Republic, Ecuador, Guyana, and Venezuela.[175] These technologies include surveillance and facial recognition technologies as well as integrated social tracking systems that access and aggregate significant volumes of citizen data.[176] Due to China's 2017 National Security Law, which obligates Chinese companies to give data to the Chinese government if asked, the integration of Chinese technologies within the region's telecommunications infrastructure and digital economy also presents a security risk given the significant quantities of sensitive data passing through such systems.[177] While the United States has repeatedly warned other countries about the security risks inherent in using Chinese telecommunications equipment, Oliver Stuenkel, associate professor at the Fundação Getulio Vargas School of International Relations, noted in his testimony to the Commission that these warnings are perceived by countries in the region as overtly political and therefore are largely ignored as disingenuous.[178] For many countries with emerging digital economies, the desire to advance quickly and affordably may ultimately overshadow the security risks posed by Chinese technologies.

Figure 5: Select Chinese Investments and Financing in Latin America and the Caribbean, 2005–2020



Source: Various.[179]

China's Economic Engagement Exacerbates Institutional Weaknesses

Latin American and Caribbean governments and institutions lack the capacity to adequately manage the deluge of Chinese financing and investment to the region. Since the early 2000s, the rapid increase in Chinese economic engagement has been linked to environmental degradation and social conflict, despite ambitious reforms enacted by numerous governments.[180] Because Chinese creditors like China Development Bank and China EXIM Bank do not impose the same lending standards as IFIs, Chinese finance has flowed to sectors and projects with inherently higher environmental and social risks, and in some cases host governments have deliberately lowered their standards to attract Chinese investment.[181] In such cases, Chinese investors and companies view it as the responsibility of host governments to uphold their own environmental, social, and governance standards.[182]

The case of Ecuador's Coca Codo Sinclair dam project illustrates this phenomenon. The dam was financed in part with a $1.7 billion loan from China EXIM Bank and was constructed by Chinese state-owned hydropower company, Sinohydro, between 2010 and 2016.[183] Geologists warned that the dam, sitting at the base of an active volcano, was vulnerable to earthquakes and could cause significant environmental disruption to the surrounding ecosystem, and an independent review conducted by a Mexican government agency cast doubt on the functionality of a dam in the area.[184] Due to environmental and social risks outlined in initial feasibility studies, both the World Bank and Inter-American Development Bank declined to finance the Coca Codo Sinclair dam.[185] Nevertheless, President Correa championed the project as having the potential to provide one-third of Ecuador's electricity, and local government officials overlooked environmental, social, and labor regulations in order to speed up the project timeline.[186]

According to the Ecuadorian company running the dam, as of 2021 Sinohydro had to make over 7,000 repairs to the dam, while erosion of the Coca River continued to damage its architecture.[187] Due to faulty planning and construction, the dam has been unable to run at full capacity and has also contributed to Ecuador's mounting debt to China.[188] Furthermore, international and Ecuadorian experts indicate that the dam may have caused severe environmental degradation by altering the flow of the Coca River and causing an oil spill that harmed indigenous communities downstream.[189] Indigenous communities have since led protests and launched lawsuits against the Ecuadorian government for failing to protect their right to clean water and food in connection with the spill.[190] Demonstrating a broader regional trend of institutional weakness, the project's outcome is partially the result of Ecuador's poor regulatory enforcement, as Ecuador's government deliberately bypassed its own regulations to complete the project. It also highlights China's willingness to finance projects that have been rejected by multilateral development banks for their poor fundamentals, ultimately resulting in exacerbated environmental and social challenges.

China's Military and Security Engagement

China's military influence in the region has been relatively limited but has gradually expanded in conjunction with China's increasing influence in certain Latin American and Caribbean countries over the past decade. China has successfully used economic leverage to establish a long-term, dual-use presence in Argentina in the form of a satellite tracking facility operated by the PLA's Strategic Support Force. It is also deeply involved in the financing, construction, and operation of other dual-use infrastructure, such as ports.

While China's overt military presence remains limited mainly to military diplomacy, a few exercises, port calls, and exchanges, the PLA is cultivating relationships with militaries across the region. Among China's most consistent security partners have been isolated anti-U.S. regimes in Venezuela and Cuba, the former Correa government in Ecuador, the former Morales government in Bolivia, and the Kirchner governments in Argentina.[191] Nevertheless, many other countries, such as Peru, Brazil, Uruguay, Guyana, and Barbados, maintain some military engagement with both China and the United States.[192] Even strongly U.S.-affiliated governments, such as in Colombia and Chile, also cautiously interact with the PLA.[193] In testimony before the Commission, Cynthia Watson, dean of faculty and academic programs at the National War College, noted that China has steadily increased its engagement with Colombia, one of the United States' closest defense partners in the region, through small-scale meetings and military diplomacy.[194]

China Uses Economic Leverage to Enable Potential Military Presence

The most prominent example of Chinese military presence in Latin America and the Caribbean is the PLA's control of a space tracking station in Neuquén, Argentina.[195] The station is China's largest such tracking base outside its own territory.[196] In 2015, following Argentina's inability to pay off Chinese loans under the regime of Cristina Fernandez de Kirchner, the Argentine parliament approved the PLA's construction of the base and agreed to lease it to China tax free for 50 years.[197] Admiral Craig S. Faller, commander of U.S. Southern Command, explained in June 2021 that Argentina's financial vulnerability meant it had very minimal room to negotiate with China on the subject of the base.[198] A PLA detachment under China's Strategic Support Force controls the base without Argentine authorities having any access to or oversight of the facility.[199] Although China claims the installation is intended for peaceful space exploration, it possesses technology that could be used for espionage.[200] Moreover, the Argentine government lacks an enforcement mechanism to ensure its use is purely for civilian purposes.[201]

Another key concession China could use to further expand the presence of its security services in the region is leveraged preferential access to Chinese-funded or -constructed ports.[202] China is deeply involved in the operation, construction, and financing of Latin American and Caribbean countries' port infrastructure, as it is in many places around the world.[203] Although there have not yet been cases where China has used these investments to establish a military presence, some analysts warn the leverage from significant

Chinese investment may position China to gain preferential access or control over ports that could benefit its military.[204]

According to Dr. Berg's testimony before the Commission, China is engaged in "several dozen agreements to build or expand deep-water ports" in the region that could potentially be converted for military use.[205] Admiral Faller has also repeatedly noted that China's involvement in approximately 40 ongoing port operations and projects in the region raises concerns for U.S. military leaders.[206] He further explained that along with China's port projects in the region comes "an erosion of sovereignty and undermining of the security associated with critical infrastructure."[207] To date, all of the Latin American and Caribbean ports in the region with Chinese involvement have been built for commercial use but could have future military application.[208] Admiral Faller expressed this concern in a press briefing in March 2021, warning that because of China's strong state control, even projects that begin as purely commercial can evolve to have "significant military application."[209]

Of particular concern is the potential for China to use its influence in ports surrounding critical chokepoints to develop exclusivity or preferential access and disrupt the movement of U.S. commercial and military ships.[210] Chinese companies currently operate ports on both sides of the Panama Canal,* a significant global chokepoint.[211] A second area of concern is the Strait of Magellan, a natural sea channel near the southernmost tip of Chile that provides passage between the Atlantic and Pacific oceans. Mr. Aragão assessed in his testimony that China could use the port of Punta Arenas in Chile to establish a presence in this area, noting the Chinese government has already expressed interest in using the port for Antarctic exploration.[212] According to Admiral Faller, the port of Ushuaia in Argentina is another location where China's commercial position could provide China with strategic access to the Strait of Magellan.[213] Recent reports also suggest China has engaged in talks with the government of Argentina about potential Chinese participation in a project to upgrade dock and logistics infrastructure at an Argentine naval base in Ushuaia.[214]

China is also particularly involved in port development in the Caribbean. China Harbor Engineering Company† has a regional

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* Since the late 1990s, the Hong Kong-based firm Hutchison has operated two main ports, Balboa and Cristobal, located on either end of the Panama Canal. The China Harbor Engineering Company constructed Balboa port on the Pacific side in 2002. Mat Youkee, "The Panama Canal Could Become the Center of the U.S.-China Trade War," *Foreign Policy*, May 7, 2019; R. Evan Ellis, "The Evolution of Panama-PRC Relations since Recognition, and Their Strategic Implications for the U.S. and the Region," *Global Americans*, September 21, 2018; Hutchison Ports PPC, "Learn about PPC"; BNAmericas, "Appeal Threatens U.S. $1Bn Panama Container Port," January 30, 2018; Katherine Koleski and Alec Blivas, "China's Engagement with Latin America and the Caribbean," *U.S.-China Economic and Security Review Commission*, October 17, 2017, 25; *Global Construction Review*, "Chinese Firm Starts Work on $1Bn Panamanian Megaport," June 12, 2017; U.S. Senate Committee on Foreign Relations, *Hearing on the Panama Canal and United States Interest*, June 16, 1998.

† China Harbor Engineering Company is a subsidiary of the SOE China Communications Construction Company (CCCC). In August 2020, the U.S. Department of Defense added CCCC to the list of companies with ties to the PLA. In December 2020, the U.S. Department of Commerce added CCCC to the Entity List for its role in illegal dredging activities in the South China Sea. CCCC has also participated in projects at Gwadar Port in Pakistan and Hambantota Port in Sri Lanka. U.S. Department of Commerce Bureau of Industry and Security, "Addition of Entities to the Entity List, Revision of Entry on the Entity List, and Removal of Entities from the Entity List," *Federal Register* 85:246 (December 22, 2020); U.S. Department of Defense, *DOD Releases List of Additional Companies, in Accordance with Section 1237 of FY99 NDAA*, August 28, 2020; Shannon Tiezzi, "With Latest Sanctions, US Casts a Shadow over China's Belt and Road," *Diplo-*

headquarters in Kingston, Jamaica, and active projects in almost every major Caribbean country.[215] China Merchant Port Holdings possesses full ownership of the port in Kingston.[216] According to Mr. Aragão's testimony before the Commission, China has also gained priority access to the Santiago de Cuba port in Cuba in exchange for China Communications Construction Bank's financing the port's terminal expansion.[217] The Caribbean occupies a strategically significant geographic position as a maritime gateway to the southeastern United States, and according to Ms. Myers, in the event of a conflict with the United States, China could benefit from having already established a presence in the location.[218]

PLA Engagement Builds Relationships

Military exercises, leadership visits, training, and professional military education exchanges have further improved the PLA's relationships with Latin American and Caribbean partner militaries.[219] Senior PLA leaders conducted 215 visits with their counterparts across all of Latin America and the Caribbean between 2002 and 2019, prioritizing China's comprehensive strategic partners and strategic partners.[220] The top four countries—Chile, Cuba, Brazil, and Argentina—accounted for over half of the 215 interactions.[221]

As in Africa, China has established forums for high-level defense exchanges with Latin American and Caribbean countries.[222] China held the first China-Latin America High-Level Defense Forum in 2012 with representatives from Bolivia, Colombia, Cuba, Ecuador, Peru, and Uruguay.[223] At the fourth meeting in 2018,* China's Ministry of Defense described the forum as an embodiment of "China's sincere desire to develop China-Latin America defense and military relations."[224] China held the first China-Caribbean-South Pacific High-Level Defense Forum in Nanjing in 2013 with the stated intention of deepening understanding between the PLA and the militaries of Caribbean and South Pacific countries.[225] At the fourth meeting in Beijing in 2019, China's defense minister indicated that China sought to "deepen military exchanges and cooperation with Caribbean countries… under the framework of the BRI."[226]

The PLA has also occasionally deployed small numbers of forces to the region for exercises.[227] PLA forces participated in a humanitarian assistance and disaster relief exercise with Colombia in 2012 and a jungle patrol competition in Brazil in 2016, but the PLA has yet to conduct any exercise of significant force size in the region.[228] Between 2002 and 2019, the PLA Navy conducted 28 port calls in Latin American and Caribbean countries, prioritizing China's comprehensive strategic partners and occasionally including limited minor exercises with each country visited.[229] In 2013, for instance, two PLA Navy missile frigates and a support ship participated in a joint exercise with the Chilean navy.[230] In 2011, 2015, and 2018, the PLA hospital ship *Peace Ark* made three multi-stop visits of increasing length to the region.[231]

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mat, August 27, 2020; Alex Fang, "US Blacklists Belt and Road Builder for Role in South China Sea," *Nikkei Asia*, August 27, 2020.

*Latin American attendees at the fourth meeting included representatives from Bolivia, Brazil, Chile, Costa Rica, Cuba, Mexico, Uruguay. and Venezuela. Qiao Nannan, "Fourth China-Latin America High-Level Defense Forum" (第四届中拉高级防务论坛开幕), *China's Ministry of Defense*, October 29, 2018. Translation.

Relationship building through professional military education and training is another important component of China's security activities in the region.[232] PLA personnel have attended training at Brazil's Peacekeeping Institute, participated in a special operations course in Colombia, and attended a course on Command and General Staff hosted by the Chilean navy.[233] The PLA has also participated in training at the Brazilian Jungle Warfare School to improve its ability to operate in jungle environments like those found along China's southern periphery.[234] China's involvement in professional military education in the region is also increasing.[235] For example, China has sponsored defense officials from nearly all countries in the Caribbean basin with which it has diplomatic relations to attend courses in China.[236] China is also orienting some of its engagements in competition with the United States by spreading disinformation about the intentions of the U.S. military and even offering a course to regional militaries that argues against the United States as a military partner of choice.[237]

Arms Sales and Space Cooperation Achieve Targeted Dependencies and Reinforce Authoritarianism

Through arms sales and space technology sharing, China has deepened dependencies that have commercially benefited Chinese companies and may strategically benefit the Chinese government.[238] Many regional governments are attracted to China's relatively inexpensive defense equipment and lack of institutional conditions.[239] China's biggest purchasers of arms in the region have been the Chavez and Maduro regimes in Venezuela, the Morales government in Bolivia, and the Kirchner governments in Argentina.[240]

Under the Chavez and Maduro regimes, China has delivered over $500 million worth of military equipment to Venezuela, including light tanks, self-propelled artillery and infantry fighting vehicles, Y-8 transport aircraft, K-8 combat aircraft equipped with air-to-air missiles, and antitank missiles and antiship missiles.[241] The Maduro regime has used Chinese armored vehicles to repress democratic protests and to obstruct the activities of Venezuelan Interim President Juan Guaido and other elected members of the Venezuelan National Assembly.[242] During Morales' presidency in Bolivia between 2006 and 2019, China sold the Bolivian military six K-8 combat aircraft worth $58 million and six helicopters worth over $100 million.[243] It also donated 41 armored personnel vehicles to the country.[244] In Argentina during the presidency of now vice president Cristina Fernandez de Kirchner between 2007 and 2015, China outfitted the Argentinian UN forces with four armored personnel carriers worth $2.6 million.[245] The current government of Alberto Fernandez and Cristina Fernandez de Kirchner is considering purchasing JF-17 fighters from China, which would be the most advanced Chinese aircraft sold to the region.[246]

China's most significant space cooperation initiatives in Latin America and the Caribbean have mainly occurred with these same governments.* China has helped to develop and launch at least 21

*The notable exception is Brazil, China's oldest strategic partner and space partner in the region. China and Brazil signed a series of agreements to cooperate on satellite development beginning in 1984 at a time when China's own space capabilities were also still relatively underdeveloped. Under the resulting China-Brazil Earth Resources Satellite program, China's relationsatellites for its top partners in the region, including 10 for Argentina, 6 for Brazil, 3 for Venezuela, and 1 each for Bolivia and Ecuador.[247] Venezuela's most recent satellite, which was launched in 2017 during Maduro's presidency when the economy was in a state of collapse, will reportedly be used to aid security forces.[248] The development of Bolivia's satellite, which President Morales agreed to purchase in 2010 for $300 million, was majority financed by a loan from China Development Bank and seen as a Chinese attempt to strengthen ties with the Morales government.[249] Although Bolivian media expressed skepticism that the country, one of the poorest in South America, could pay back the loan to China for this satellite, an additional satellite launch is already planned for 2022.[250] Ecuador's satellite launched in 2013 during the Correa Administration.[251] In Argentina, shortly after Cristina Fernandez de Kirchner returned to power as vice president in 2019, China and Argentina resumed a wide range of space cooperation agreements that had stalled under the previous administration.[252] China launched ten satellites for Argentina in 2020, and the two sides have agreed to cooperate on space vehicles and additional ground infrastructure to launch and control space missions.[253] China has also played a significant role in constructing space ground control architecture and training space personnel for both Venezuela and Bolivia, potentially giving the Chinese government access to data and imaging captured by or transmitted through their satellites.[254]

Finally, China engages with its comprehensive strategic partners Argentina, Brazil, Chile, and Peru on a multilateral level through the Asia-Pacific Space Cooperation Organization (APSCO), a multilateral space organization with a headquarters in Beijing.[255] China holds considerable sway over APSCO's institutional direction, and in 2015 the organization released a joint statement asserting compatibility between APSCO's mission and BRI.[*] [256] Although none of APSCO's Latin American member states joined BRI individually before 2018, they all nonetheless supported APSCO's affiliation with BRI in 2015.[257]

Implications for the United States

China's economic importance and targeted political influence encourage Latin American and Caribbean countries to make domestic and foreign policy decisions that favor China while undermining democracies and free and open markets. As Dr. Ellis explained in his testimony to the Commission, China's influence allows it "to lever-

ship with Brazil more closely resembled peer-to-peer cooperation. This presents a stark contrast to later space agreements after 2000 in which its superior technological capabilities and stronger financial position have allowed China to hold considerably more leverage over its Latin American partners. Julie Michelle Klinger, "A Brief History of Outer Space Cooperation between Latin America and China," *Journal of Latin American Geography* 17:2, (July 2018): 46–86, 58; China's Ministry of Foreign Affairs, *China Policy Paper on Latin America and the Caribbean* (中国对拉美和加勒比政策文件), November 24, 2016. Translation.

* In 2015, an APSCO forum convened in Beijing under the title "The Belt and Road Initiative for Facilitating Space Capabilities Building of the Asia-Pacific Countries." The organization issued a statement with unanimous support from members asserting "the objective of jointly building a community of shared interests, responsibility, and destiny proposed by China's 'The Belt and Road' Strategy conforms to the mission of APSCO." It further stated that "the Space-Based Integration Information Corridor concept proposed by China is consistent with the vision of the development and cooperation of APSCO and its Member States." Julie Michelle Klinger, "A Brief History of Outer Space Cooperation between Latin America and China," *Journal of Latin American Geography* 17:2 (July 2018): 46–86, 63.

age Latin America and the Caribbean in its battle to bend global economic, financial, and political institutions to its advantage" and increases its ability to rally opposition to international initiatives of the United States.[258] In exchange for promises of economic benefit, governments are increasingly willing to accept Chinese restrictions on their foreign policy decisions, including refraining from criticizing China's record on human rights, backing China's initiatives within multilateral fora, supporting BRI, and forgoing interactions with Taiwan. As Admiral Faller assessed, China is ultimately "trying to create clients, not friends."[259]

The attraction of immediate economic benefit from China encourages some governments in the region to compromise their own standards for labor and environmental protections or invest in extractive sectors at the expense of higher-value-added activities. China's economic leverage over the region ultimately facilitates its own deepening economic interests while hindering countries' abilities to preserve open and fair markets, undermining their long-term economic sustainability. Authoritarian regimes benefit from Chinese loans and the sale of surveillance and smart city technologies, while some have adopted elements of China's techno-authoritarian governance model. As a result, the region's commitment to both free and open market principles and democratic values are at risk as China's engagement deepens.

The COVID-19 pandemic has amplified ongoing trends in China's relationship with Latin America and the Caribbean. Countries have become even more likely to turn to Chinese trade, investment, and loans to boost their economic recoveries, while the promise of Chinese COVID-19 vaccines has in some cases created additional leverage for China to attain its goals. Most countries in the region lack institutions strong enough to balance the economic benefits of engagement with China with the national security risks. As a result, some governments in the region are likely to continue deemphasizing long-term risks, such as declining environmental, social, and governance standards; re-primarization; and China's expanding influence over national assets like lithium mines and electricity distribution networks.

China's expanding influence over mineral supply chains throughout Latin America has implications beyond countries' growing dependence on China. In solidifying control over key inputs, China's government and companies are extending their hold on a host of critical technologies, such as lithium-ion batteries and semiconductors, which could harm U.S. competitiveness. The Biden Administration has highlighted the need to shore up U.S. supply chains for critical technologies, many of which require the United States to import minerals like lithium, copper, and niobium, some of which it sources from Latin America.[260]

Through its security relationships with Latin American and Caribbean countries, China may be able to lay the groundwork for deepening future cooperation in a region of particular strategic significance for the United States. China's space observation station in Argentina and construction of satellites for countries in the region grant the PLA access to technology it could potentially use for espionage and to strengthen China's leverage over individual countries.

China's deep involvement in financing, building, and operating the region's port infrastructure and its presence around the Panama Canal may allow it to extract concessions from host governments for preferential access. China has also made efforts to erode U.S. security partnerships in the region and increase Latin American and Caribbean countries' dependence on China.

Nevertheless, the United States retains strong relationships and historical ties with countries throughout the region. Many Latin American and Caribbean governments and publics desire much deeper U.S. engagement and are seeking to guard against risks from their relationship with China. As Dr. Berg noted in his testimony to the Commission, people in Latin America and the Caribbean want to "try to shield their countries from some of the most corrosive elements of… engagement [with China]."[261] Robust cultural, educational, and social ties between the United States and the region through diaspora communities and proximate geography grant the United States important advantages that China cannot replicate. U.S. partnerships with governments, regulators, and civil society will have a key role to play in strengthening the region's economies and institutions, advancing U.S. interests, and limiting the negative consequences of deepening Chinese engagement.

ENDNOTES FOR SECTION 2

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