

NEW DEVELOPMENTS IN CHINA-LATIN AMERICA ENGAGEMENT

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Abstract

This article examines the evolution of PRC activities in Latin America. It finds that the effects of COVID-19 and Russia's Ukraine invasion, in combination with factors internal to the PRC, impeded the PRC advance in recent years, but that those restraining factors are dissipating, while sources of PRC leverage and associated opportunities are increasing, including the PRC's increased importance as a commodity purchaser, source of loans and investments, as well as the need and willingness of the region's increasingly left-oriented governments to work with the PRC. This work also examines how the PRC has increased its focus on strategic minerals, green energy, and both physical and digital infrastructure in the region, as well as space and military engagement. It also highlights the importance of the ongoing PRC campaign, focused on Central America and the Caribbean, to convince the region's governments to derecognize Taiwan, advancing PRC influence and economic penetration of the states that change.

Key Words: *PRC, Taiwan, Latin America, Caribbean, Lithium, Digital, Infrastructure.*

Introduction

Shaped by COVID-19, the war in Ukraine, and the internal political and economic dynamics of the People's Republic of China (PRC), that nation's engagement with Latin America and the Caribbean continues to expand and evolve in ways that impact the region.

Overview

PRC engagement with Latin America and the Caribbean has expanded notably in the past two decades. PRC-based companies have invested over

\$160 billion in non-financial foreign direct investment into the region,¹ with the quantity of FDI beginning to take off in 2010, as the region began to recover from the 2007-2008 financial crisis. While such investment is lower than that by U.S. and European Union-based companies in the region, the perceived linkage between PRC-based companies and the Chinese state causes local interest in receiving Chinese investment and access to the Chinese market to shape speech and behavior by local politicians and businesspersons toward the PRC, including refraining from criticizing the PRC on core foreign policy issues.

The two major PRC-based policy banks, China Exim Bank and China Development Bank, have loaned at least \$138 billion to the region,² although the level of new policy bank loans has fallen off in recent years as a function of the changing circumstances of the two primary recipients of that lending: Venezuela and Brazil. Furthermore, PRC-Latin America bilateral trade was \$449 billion in 2021,³ with the PRC being the number one trade partner with every country in the region south of Costa Rica, or the number two partner behind Brazil in some South American countries.

The Trump Administration Pushback Against the PRC, COVID-19 and Ukraine

Even prior to the arrival of Donald Trump in the U.S. Presidency, the U.S. had been publicly expressing concern regarding the expansion of the PRC in Latin America and the Caribbean.⁴ The arrival of the Trump Administration significantly strengthened and changed the tone of that pushback against PRC activities there. The 2017 Trump Administration National Security

1 Enrique Dussel-Peters, "Monitor of Chinese OFDI in Latin America and the Caribbean 2021", *Red China-ALC* (March 31, 2021), <https://dusselpeters.com/344.pdf>

2 Data Base, "China-Latin America Finance Database", *The Dialogue* (2022), https://www.thedialogue.org/map_list/, (Accessed June 9, 2022).

3 Mark P. Sullivan, "China's Engagement with Latin America and the Caribbean", *Congressional Research Service*, (May 4, 2022), <https://crsreports.congress.gov/product/pdf/IF/IF10982/17>

4 Charley Keys, "Clinton warns of Iranian, Chinese gains in Latin America", *CNN* (May 1, 2009), <https://www.cnn.com/2009/POLITICS/05/01/clinton.latin.america/index.html>

Strategy explicitly acknowledged the PRC as a competitor.⁵ Trump Administration Secretaries of State Rex Tillerson,⁶ and Mike Pompeo,⁷ and other U.S. senior leaders,⁸ elevated the focus on warnings about the risks of China in engagements with regional partners. Following diplomatic changes from Taiwan to the PRC by Panama, the Dominican Republic and El Salvador, the U.S. withdrew its ambassadors from those countries to signal its concern.⁹ U.S. pressure against authoritarian regimes in the region doing business with the PRC, particularly U.S. sanctions against Venezuela which significantly deepened beginning in 2019, also impeded the PRC advance, both by impairing the capabilities of such partners, and by increasing PRC caution due to its global commercial exposure to the effect of violating such sanctions.

The COVID-19 pandemic which hit Latin America hard in 2020 and 2021, and the economic effects of Russia's Ukraine invasion impacted the PRC advance in complex ways. On one hand, COVID-19-related economic closings paused a number of projects by PRC-based companies.¹⁰ On the other hand, the reduced demand for Latin American products from traditional markets strengthened the relative importance of the PRC as a purchaser of the region's

5 NSS, "National Security Strategy 2017", *The White House* (December 2017), <https://nssarchive.us/national-security-strategy-2017/>

6 Frances Martel, "Rex Tillerson Warns Latin America: Don't Trust 'Predatory' China", *Breitbart* (February 2, 2018), <https://www.breitbart.com/national-security/2018/02/02/tillerson-warns-latin-america-dont-trust-predatory-china/>

7 Tal Axelrod, "Pompeo: Russia, China 'spread disorder' in Latin America", *The Hill* (April 12, 2019), <https://thehill.com/policy/international/americas/438698-pompeo-russia-china-spread-disorder-in-latin-america/>

8 Phelim Kine, "Adm. Faller: China exploiting corruption in Latin America", *Politico* (August 12, 2021), <https://www.politico.com/newsletters/politico-china-watcher/2021/08/12/adm-faller-china-exploiting-corruption-in-latin-america-493948>

9 Reuters, "U.S. recalls diplomats in El Salvador, Panama, Dominican Republic over Taiwan", *Reuters News* (September 7, 2018), <https://www.reuters.com/article/us-usa-china-taiwan-idUSKCNiL0ooN>

10 Yen Nee Lee, "Credit stress hurts new money going into China's massive infrastructure project, says Moody's", *CNBC* (November 24, 2020), <https://www.cnbc.com/2020/11/24/covid-halts-investments-in-chinas-belt-and-road-initiative-moodys.html>

commodities such as Brazilian soybeans,¹¹ Argentine pork,¹² and Chilean copper,¹³ particularly as initial PRC success in managing the pandemic meant that the Chinese economy was able to reopen and expand its demand for global goods faster than the U.S. and the European Union.

COVID-19 has also given the PRC opportunities to demonstrate its power as an agricultural purchaser through pandemic-related cutoffs of items such as Brazilian beef¹⁴ and Ecuadoran shrimp.¹⁵ Such suspensions, whether or not based on valid sanitary concerns, sent powerful reminders to the Latin American source countries that their valuable export streams depended on the always changeable permission of the PRC government. Additionally, Russia's invasion of Ukraine created opportunities for the PRC to buy more agricultural goods from countries such as Brazil¹⁶ as Ukrainian agricultural products disappeared from world markets.

Beyond its role as a purchaser and investor, the pandemic has given the PRC opportunities to build goodwill in the region by sending COVID-19 related goods to the region, initially items such as personal protective supplies, ventilators, thermometers, and thermal imaging cameras. Later, it was able to provide vaccines to the region, including those by Sinovac, Sinopharm, and CanSino, at a time in which the region was having difficulties obtaining vaccine from Western producers, and through the United Nations-based

11 Tarso Veloso Ribeiro, Tatiana Freitas and Alfred Cang, "China Buying More Brazil Soy in Sign of Shifting Trade Flows", *Bloomberg* (November 16, 2021), <https://www.bloomberg.com/news/articles/2021-11-16/china-is-buying-more-brazil-soy-in-signs-of-shifting-trade-flows#xj4y7vzkg>

12 Merco Press, "Argentina/China accord to produce nine million tons of pork delayed by environmentalists", *MercoPress South Atlantic News Agency* (September 2, 2020), <https://en.mercopress.com/2020/09/02/argentina-china-accord-to-produce-nine-million-tons-of-pork-delayed-by-environmentalists>

13 Alberto Peña, "China's appetite for copper provides Chile with opportunity", *Yahoo* (February 24, 2021), <https://news.yahoo.com/chinas-appetite-copper-provides-chile-022704299.html>

14 Constance Mallaret, "China temporarily suspends JBS and Marfig beef imports", *The Brazil Report* (May 24, 2022), <https://brazilian.report/liveblog/2022/05/24/china-suspends-beef-imports/>

15 Reuters, "China suspends imports from Ecuador shrimp producers on coronavirus risk", *Reuters News* (July 10, 2020), <https://www.reuters.com/article/health-coronavirus-china-shrimp-idUSB9N2Eoo3W>

16 GT, "China, Brazil sign agreement to boost trade of corn, other agricultural products", *Global Times* (May 25, 2022), <https://www.globaltimes.cn/page/202205/1266512.shtml>

COVAX facilities. Such initiatives opened doors not only for future biomedical collaboration, but also in non-related areas such as inclusion of Chinese companies such as Huawei in 5G telecommunications architectures.

As a compliment to its leverage as a purchaser of the region's goods, the strained fiscal balances of Latin American governments due to their expansion of spending to fight the pandemic, combined with the increased needs of vulnerable populations, augmented by the inflationary effects of Russia's Ukraine invasion, also increased PRC leverage as a source of needed loans and investment. However, as of mid-2022, the advance of PRC-based companies in the region was impeded by multiple factors internal to China as well. These include the substantial debt of its companies due to overextension in prior infrastructure projects of questionable economic viability,¹⁷ coupled with high-profile collapse of one, Evergrande.¹⁸ Such difficulties contributed to increased caution by those companies in pursuing new projects abroad. The financial position of such companies for pursuing projects or seeking to purchase products from Latin America (and elsewhere) has been further weakened by the extended economic shutdowns across the PRC of the Chinese government's "zero COVID" policy.¹⁹

In digital and other technology sectors, the advance of specific PRC-based companies has been impeded to varying degrees by administrative and legal actions by the Xi administration to increase control over them or their leadership. Notable examples include the November 2020 blocking of the

17 Evelyn Cheng, "China's real estate problems are spreading even to once-healthy developers", *CNBC* (January 7, 2022), <https://www.cnbc.com/2022/01/07/chinas-property-problems-spread-to-once-healthy-developers-like-shimao.html>

18 Jeff Pao, "Evergrande's bankruptcy still just a matter of time," *Asia Times* (November 23, 2021), <https://asiatimes.com/2021/11/evergrandes-bankruptcy-still-just-a-matter-of-time/>

19 Shi Jiangtao, "How the economic slowdown and zero-Covid threaten China's global ambitions", *South China Morning Post* (June 6, 2022), <https://www.scmp.com/news/china/diplomacy/article/3180352/how-economic-slowdown-and-zero-covid-threaten-chinas-global>

Initial Public Offering of Jack Ma’s Ant Group,²⁰ and the investigation into the ride-share company Didi Chuxing, with a significant profile in Latin America, and the August 2021 implementation of an associated data security law that strengthens access by the Chinese state to the information on users collected by companies such as Didi.²¹

Finally, the PRC government’s assertion of increased control over the private sector, and anti-corruption campaign of the Xi Jinping administration has also cast a chilling effect on PRC ventures overseas, often associated with bribes, kickbacks, and other questionable transactions. In this changing and uncertain environment, the finalization of the selection of Xi Jinping for an unprecedented third term in power at the 2022 Chinese Communist Party Congress arguably became, for some PRC-based firms, a milestone for moving forward with projects in Latin America and elsewhere. Despite such dynamics, by mid-2022, there were signs that multiple major projects paralyzed by COVID-19 and other dynamics were beginning to move forward. Examples include the PRC-gifted national stadium in El Salvador,²² the Demerara River Bridge between Guyana and Suriname,²³ the Amaila Falls hydroelectric project in Guyana, and the bridge over the Panama Canal,²⁴ among others.

20 Shalini Nagarajan, “China’s Xi Jinping personally halted Ant’s record-breaking \$37 billion IPO after boss Jack Ma snubbed government leaders, report says”, *Business Insider* (November 14, 2020), <https://markets.businessinsider.com/news/stocks/ant-group-ipo-personally-halted-china-xi-jinping-jack-wsj-2020-11-1029800224#:~:text=Chinese%20President%20Xi%20Jinping%20halted%20Ant%20Group%27s%20historic.criticized%20government%20leaders%2C%20The%20Wall%20Street%20Journal%20reported>

21 Xinmei Shen, “China issues tighter data security rules for ride-hailing firms amid Didi probe, but more clarity still needed”, *South China Morning Post* (August 23, 2021), <https://www.scmp.com/tech/policy/article/3146051/china-issues-tighter-data-security-rules-ride-hailing-firms-amid-didi>

22 Luis Lozano, “Inicia la demolición de la Escuela Militar Gerardo Barrios para la construcción del nuevo Estadio Nacional”, *La Prensa Gráfica* (June 8, 2022), <https://www.laprensagrafica.com/elsalvador/Inicia-la-demolicion-de-la-Escuela-Militar-Gerardo-Barrios-para-la-construccion-del-nuevo-Estadio-Nacional-20220608-0062.html>

23 Santana Salmon, “Guyana signs largest infrastructure project with Chinese companies”, *CNW Network* (May 26, 2022), <https://www.caribbeannationalweekly.com/uncategorized/guyana-signs-largest-infrastructure-project-with-chinese-companies/>

24 Ministerio de Obras Públicas, “Cuarto Puente sobre el Canal de Panamá”, *Government of Panama* (2022), <http://www.mop.gob.pa/index.php/proyecto-1?view=page&id=42> (Accessed June 10, 2022).

New Patterns in PRC Commercial Engagement

The pattern of PRC commercial engagement in Latin America and elsewhere has generally been oriented toward securing access to the commodities and foodstuffs needed by the Chinese people and economy, as well as access to markets for a range of goods and services. PRC-companies have particularly focused on infrastructure projects in the region as a part of, or enabler of these goals, including not only roads and bridges, rail links, and port complexes, but also electricity generation (particularly renewable sources such as hydroelectric, wind, solar, and nuclear), transmission and distribution, telecommunications and other digital infrastructure, eCommerce and financial infrastructure.²⁵ PRC companies and governments often work together in strategically prioritized sectors to dominate key technologies, including locking in advantages by dominating the standards associated with those technologies,²⁶ plus seeking to achieve vertical integration across supply chains, and horizontal integration across sectors, to secure as much of the value added as possible.

PRC Extraction of Latin American Commodities. PRC-based firms have continued to play a key role in the demand for and extraction of Latin American commodities. In the Petroleum sector, this has included a significant role in the development of Brazil’s Libra oilfield, a significant role by CNODC as a minority partner to Exxon-Mobil in developing Guyana’s oil resources, and significant continuing, albeit low key, profile in Venezuela’s oil sector. In traditional mining, the PRC continues to be the key purchaser of Chilean and Peruvian copper, as well as a significant operator of mines in Peru, Ecuador, Argentina and Brazil, among others.

²⁵ R. Evan Ellis, *China Engages Latin America: Distorting Development and Democracy?* (New York: Palgrave-Macmillan, 2022), 85-130.

²⁶ Arjun Kharpal, “China has a 15-year plan to shape the future of tech. But some call it hype”, *CNBC* (June 22, 2020), <https://www.cnbc.com/2020/06/22/china-standards-2035-tech-plan-could-face-challenges-to-live-up-to-hype.html#:~:text=China%20Standards%202035%20is%20an%20ambitious%2015-year%20blueprint,give%20them%20a%20competitive%20advantage%20in%20future%20technologies>

Similarly, in strategic minerals, PRC-based companies are active in each of the countries in the region where lithium is being developed. This includes a 25 % stake by China's Tianqi in the SQM lithium operation in the north of Chile, presence by Ganfeng and other Chinese companies in multiple lithium projects in Argentina, and the conduct of lithium pilot projects in Bolivia. In Mexico, Ganfeng also acquired full control of the Bacanora lithium project in the Sonora desert.²⁷ PRC-based firms are also building some facilities in the region for transforming the extracted lithium into intermediate products. China's Gotion, for example, has announced plans to build a lithium-ion battery plant in Argentina.²⁸ In the domain of rare earth minerals, Chinese PRC-based have a 15 % interest in the CBMM consortium, extracting niobium and other rare earths in Brazil.²⁹

In Agriculture, as noted previously, Chinese demand and the loss of Ukraine as a major agricultural producer have made China Oilseeds and Foodstuffs Corporation (COFCO) and PRC-based agrologistics firms such as Nidera and Noble increasingly important actors in the region. Argentina is currently working with the PRC to take forward an agreement that would establish 25 China-funded pork processing facilities in Argentina to expand exports to the PRC.³⁰ In May 2022, the PRC-based company Long Ping committed to establish a new "agricultural industrial park" in Parcaratu, Brazil.³¹

27 Tom Daly, "China's Ganfeng agrees takeover of Bacanora Lithium in \$264.5 mln deal", *Nasdaq* (May 6, 2021), <https://www.nasdaq.com/articles/chinas-ganfeng-agrees-takeover-of-bacanora-lithium-in-%24264.5-mln-deal-2021-05-06>

28 Zhang Yushuo, "Gotion Jumps as Chinese Battery Maker Joins Argentina's JEMSE on Lithium Carbonate Refinery", *Yicai Global* (May 10, 2022), <https://www.yicai.com/news/china-gotion-gains-as-it-teams-with-argentina-jemse-to-build-lithium-carbonate-refinery>

29 Merco Press, "Chinese consortium acquires 15% of world's largest niobium producer in Brazil", *MercoPress South Atlantic News Agency* (September 6, 2011), <https://en.mercopress.com/2011/09/06/chinese-consortium-acquires-15-of-world-s-largest-niobium-producer-in-brazil>

30 Martin Dinatale, "Avanza un acuerdo con China para favorecer la producción y exportación de cerdos", *Cronista* (July 12, 2021), <https://www.cronista.com/economia-politica/argentina-y-china-cierran-acuerdo-instalar-granjas-cerdos-aumentar-exportacion-porcina/>

31 Xinhua, "Agreement to build China-Brazil agricultural industrial park signed", *China Internet Information Center* (May 16, 2022), http://www.china.org.cn/china/Off_the_Wire/2022-05/16/content_78220940.htm

Access to Strategic Latin American Markets. PRC-based companies have successfully penetrated Latin American markets with a broad range of generally higher value-added goods and services.³² Two key vehicles to further this penetration have been the pursuit of free trade agreements (FTAs), as well as memorandums of understanding with countries changing relations from Taiwan to the PRC. With respect to FTAs, the PRC has reached agreements with Chile, Peru, and Costa Rica, and unsuccessfully tried to negotiate FTAs with Colombia and Panama. In May 2022, the Panamanian government of Nito Cortizo indicated that it was re-launching efforts, abandoned at the end of the preceding administration, in reaching a FTA with the PRC.³³ The center-right Uruguayan government of Luis Lacalle Pou has also taken steps toward FTA negotiations with the PRC, despite impediments to doing so arising from its membership in the MERCOSUR trade bloc.³⁴

With respect to MOUs, virtually every diplomatic change in the region from Taiwan to the PRC in recent years (Costa Rica, Panama, Dominican Republic, El Salvador, and Nicaragua), has been followed by the signing of non-transparent MOUs that have opened up local markets to work by Chinese companies on electricity and other infrastructure projects, as well as in other domains.³⁵ Furthermore, with the COVID-19 pandemic, biotechnology has become a new focus for investment by PRC-based companies in the region. Such collaboration was noted by the PRC as an objective in the China-CELAC 2022-2024 plan.³⁶ Chinese companies such as Sinovac, Sinopharm and CanSino, leveraging the Latin American locations

32 Mark P. Sullivan, "China's Engagement with Latin America ...".

33 Patrick Gillespie and Stephanie Flanders, "Panama President Aims to Restart China Trade Talks Immediately", *Bloomberg* (May 19, 2022), <https://www.bloomberg.com/news/articles/2022-05-19/panama-president-aims-to-restart-china-trade-talks-immediately>

34 Reuters, "Uruguay advances free trade talks with China, aims to be Mercosur 'gateway'", *Reuters News* (Uruguay: September 8, 2021), <https://www.reuters.com/world/americas/uruguay-advances-free-trade-talks-with-china-aims-be-mercosur-gateway-2021-09-08/>

35 For a detailed discussion, see R. Evan Ellis, *China Engages Latin America: ...*, 153-178.

36 Chinese Ambassador to Guyana, "CHINA - CELAC JOINT ACTION PLAN FOR COOPERATION IN KEY AREAS (2022-2024)", *Embassy of the People's Republic of China in the Cooperative Republic of Guyana* (December 13, 2021), http://gy.china-embassy.gov.cn/eng/xwfw/202112/t20211213_10469237.htm

where they conducted phase three trials and produced vaccines during the pandemic period, are now setting up permanent research and production facilities in the region. Examples agreements to co-produce vaccines in Colombia,³⁷ as well as Chile, where a \$100 million Sinovac factory opened in May 2022.³⁸ Cuba has also signed an agreement with the PRC for production there of the co-developed “Pan-Corona” vaccine.³⁹

With respect to infrastructure, although a number of high-profile projects by PRC-based companies such as the Nicaragua Canal and the Twin Oceans Railroad have not gone forward, many smaller ones have. PRC-based companies are making increasing use of public private partnership projects to win investments on terms in which they can effectively compete through putting some of their own funds into the deal. The North-South highway in Jamaica, work on Highway 5 in Chile, the Maya Train project in Mexico, improvement of the highway from Medellin, Colombia to the Gulf of Urabá, and the Bogota Metro are all examples of recent PRC successes in using PPP vehicles to advance their interest. PRC-based companies have often acquired stakes in companies with expertise that they require to advance their positions. For example, the acquisition by CCCC of a 30 % stake in the Portugal-based company Mota-Engil⁴⁰ arguably facilitated PRC knowledge of how to leverage PPPs and operate in Latin America.

Green energy, electric vehicles and associated technologies has been another key thrust of PRC companies in Latin American markets. In electricity generation, PRC-based companies have built an important number of

37 TET, “Producción de vacunas en Colombia, la apuesta del Gobierno y Sinovac”, *El Tiempo* (August 13, 2021), <https://www.eltiempo.com/salud/sinovac-produciria-vacunas-en-colombia-gracias-a-acuerdo-con-minsalud-610370>

38 Merco Press, “China’s Sinovac Biotech building vaccine plant in Chile investing US\$ 100 million”, *MercoPress South Atlantic News Agency* (May 16, 2022), <https://en.mercopress.com/2022/05/16/china-s-sinovac-biotech-building-vaccine-plant-in-chile-investing-us-100-million>

39 CD, “Cuba y China presentan primera patente de su vacuna Pan-Corona”, *Cuba Debate* (June 1, 2022), <http://www.cubadebate.cu/noticias/2022/06/01/cuba-y-china-presentan-primera-patente-de-su-vacuna-pan-corona/>

40 Patricia Vicente Rua, “UPDATE 2-Mota-Engil near deal to sell 30% stake to China’s CCCC”, *Reuters* (August 27, 2020), <https://www.reuters.com/article/mota-engil-cccc-stake-idUSL8N2FT2LP>

hydroelectric, wind, and solar facilities across the region, including six hydroelectric facilities in Ecuador, three in Bolivia, and two under construction in Argentina.⁴¹ The largest photovoltaic energy generation facility in the region, Cauchari, in the north of Argentina, was built by PRC-based companies, as is the Açu complex, which when completed, will replace it as the largest.⁴² Chinese companies have also largely cornered the market for photovoltaic panels in the region, including having set up a facility in Brazil to produce them locally.⁴³ A Chinese consortium is currently working on an \$8 billion project to build a new pressurized water nuclear reactor in the Atucha complex in Argentina.⁴⁴ In the electric vehicle market, PRC-based companies are the principal suppliers of electric busses in Chile, which currently has the largest fleet of such vehicles outside of the PRC.⁴⁵ Chinese electric carmakers have set up manufacturing facilities in the region, including a new EV production facility by BYD in Brazil.⁴⁶ In Mexico, BYD is the key supplier for a new fleet of EV taxis being introduced into the city.⁴⁷ In the province of Jujuy, Argentina, the Chinese company CRRC Tongshan is introducing an electric train powered by solar panels and lithium-ion batteries.⁴⁸

41 Juan Manuel Haran, “Chinese Hydropower Project in Argentina Is Stuck in Limbo”, *The Diplomat* (December 23, 2021), <https://thediplomat.com/2021/12/chinese-hydropower-project-in-argentina-is-stuck-in-limbo/>

42 Saur Energy, “Chinese Consortium to Spend and Financing 1.1 GW Solar Farm in Brazil”, *List Solar* (April 29, 2021), <https://list.solar/news/chinese-consortium/>

43 Livia Neves, “New PV system assembly factory in Brazil”, *PV Magazine* (July 14, 2021), <https://www.pv-magazine.com/2021/07/14/new-pv-system-assembly-factory-in-brazil/>

44 Reuters, “China inks \$8 bln nuclear power plant deal in Argentina”, *Reuters News* (February 2, 2022), <https://www.reuters.com/business/energy/china-inks-nuclear-power-plant-deal-with-argentina-2022-02-02/>

45 Fermín Koop, Manuela Andreoni, Andrés Bermúdez Liévano and Alejandra Cuéllar, “Chinese electric buses roll out across Latin America”, *China Dialogue* (August 10, 2020), <https://chinadialogue.net/en/transport/chinese-electric-buses-latin-america-roll-out/>

46 Luo Guoping and Manyun Zou, “China’s Top EV-Maker BYD Revs Up Brazil Expansion”, *Caixin Global* (May 30, 2022), <https://www.caixinglobal.com/2022-05-30/chinas-top-ev-maker-byd-revs-up-brazil-expansion-101892272.html>

47 Dong Yi Chen, “Mexico Orders 1,000 Electric Cars From BYD For Use As Electric Taxi Fleet”, *Car News China* (April 28, 2022), <https://carnewschina.com/2022/04/28/mexico-orders-1000-electric-cars-from-byd-for-use-as-electric-taxi-fleet/>

48 Xinhua, “Chinese train maker to produce new-energy light rail trains for Argentina’s Jujuy”, *China Internet Information Center* (May 7, 2022), http://www.china.org.cn/business/2022-05/07/content_78205719.htm

Consistent with declarations of the China-CELAC 2022-2024 plan,⁴⁹ Chinese companies are also targeting and making significant advances in an array of digital technology markets in Latin America, including telecommunications, cloud computing, surveillance, ecommerce, and fintech. Huawei, which has been in the Latin American market since 1999 and whose equipment may comprise up to 60 % of the region's telecommunications infrastructure, is poised to play a major role in 5G and the internet of things as a provider to governments and commercial companies across the region.⁵⁰

In cloud computing, Huawei is expanding significantly across the region, offering data centers in key markets including Mexico, Chile and Brazil,⁵¹ and offering incentives for technology and other start-up companies in the region to put their intellectual property and core processes in Huawei clouds.⁵² The Chinese eCommerce company Tencent also operates data centers in the region, with the large-scale computing provided by such centers critical for the enormous data requirements of its business to business (B2B) services.⁵³

In security services, PRC-based companies such as Huawei and Hikvision have leveraged offerings developed in the PRC combining surveillance cameras, biometrics, data processing, and the integration of other types of data to offer “safe cities” and “smart cities” solutions throughout the

49 Chinese Ambassador to Guyana, “CHINA - CELAC JOINT ACTION PLAN ...”

50 R. Evan Ellis, “El Avance Digital de China en América Latina”, *Revista Seguridad y Poder Terrestre* (Centro de Estudios Estratégicos del Ejército del Perú. July – september 2022), 15-39, DOI: <https://doi.org/10.56221/spt.vii1.5>, <https://revistas.ceeep.mil.pe/index.php/seguridad-y-poder-terrestre/article/view/5/14>

51 Dan Swinhoe, “Huawei planning second Mexico data center, more across Latin America”, *Data Center Dynamics* (August 26, 2021), <https://www.datacenterdynamics.com/en/news/huawei-planning-second-mexico-data-center-more-across-latin-america/>

52 HC, “HUAWEI CLOUD Steps Up Investment in the Latin America with New Releases and Partner Programs”, *Huawei Cloud* (August 26, 2021), <https://www.huaweicloud.com/intl/en-us/news/20210826105400429.html>

53 RT Staff Reporters, “Chinese Tencent Cloud opens its first data center in Brazil for Latin America”, *The Rio Times* (November 26, 2021), <https://www.riotimesonline.com/brazil-news/brazil/chinese-tencent-cloud-opens-its-first-data-center-in-brazil-for-latin-america/?msclkid=8c76bb72ae3711eca543f5fboadddb462>

region.⁵⁴ Such products are attractive in a region fighting against insecurity that has only been deepened by the economic effects of COVID-19 and the war in the Ukraine. PRC “safe cities” include ECU-911 in Ecuador, and BOL-110 in Bolivia. In Mexico, Hikvision recently acquired an interest in Syscom, the nation’s largest surveillance systems company.⁵⁵

In eCommerce, in addition to the PRC-based B2B platform Alibaba, the Chinese ride-share company Didi Chuxing has captured an estimated 50 % of the market in the region, with particularly significant advances in Mexico and Brazil, giving it access to enormous volumes of data on millions of users, to include the potential ability to know not only their locations, but the sensitive personal, business and government meetings they may be having.⁵⁶ In the Fintech sector, in December 2021 NuBank, in which the Chinese firm Tencent holds an interest, became Brazil’s largest bank, giving the Chinese potentially significant access to user data.⁵⁷ Within eGaming, Tencent is expanding in Brazil,⁵⁸ giving it access to data about that nation’s youth.

Pushback to Chinese Engagement with Latin America

While Latin American business and politicians generally welcome investments and loans from, and commodity purchases by PRC-based entities, their activity has sparked a number of conflicts with local communities, labor forces, and governments. At the project level, China Minmetals’ *Las Bambas* mine has repeatedly been forced to halt operations

54 R. Evan Ellis, “Chinese Surveillance Complex Advancing in Latin America”, *Newsmax* (April 12, 2019), <https://www.newsmax.com/evanellis/china-surveillance-latin-america-cameras/2019/04/12/id/911484/>

55 Robert Wren Gordon, “Hikvision Takes Control of Syscom’s Board, Mexico’s Largest Distributor”, *IPVM* (January 4, 2022), <https://ipvm.com/reports/hikvision-syscom-board>

56 R. Evan Ellis, “El Avance Digital de China en América Latina” ...

57 CLB, “Brazilian fintech backed by China’s Tencent Holdings on way to region’s largest listing”, *China-Lusophone Brief* (December 13, 2021), <https://www.clbrief.com/brazilian-fintech-backed-by-chinas-tencent-holdings-on-way-to-regions-largest-listing/>

58 CLB, “Tencent bets on Brazil e-gaming to compensate for restrictions in China”, *China-Lusophone Brief* (June 8, 2022), <https://www.clbrief.com/tencent-bets-on-brazil-e-gaming-to-circumvent-restrictions-in-china/>

over community activists protesting that the Chinese are not adequately compensating them for the impact of the mine on their land and the surrounding area.⁵⁹ In Burtica, Colombia, a mine bought in 2019 by the Chinese firm Zijin for \$1 billion from Continental Gold has run into similar problems.⁶⁰ In Peru, the \$3.1 billion project by a Chinese consortium to develop a new port at Chancay has also stimulated resistance from the local community, some of which claim that vibrations and other effects of the construction are damaging local housing.⁶¹ In Argentina, protesters claim that two hydroelectric dams being developed by Chinese interests on the San Juan River, are disrupting biodiversity in a surrounding pristine glacial region.⁶²

PRC-based firms and entities also regularly run into difficulties with Latin American governments. Those of Ecuador and Argentina have protested the activities of the (largely PRC-based) deepwater fishing fleet, entering the country's exclusive economic zones and/or maritime protected areas to conduct illegal fishing activities. In Mexico, the Chinese mining firm Ganfeng spent \$265 million to acquire control of the Bacanora lithium deposit in Mexico's Sonora desert,⁶³ before the leftist populist regime of Andres Manuel Lopez Obrador and his Morena party passed legislation to nationalize lithium mining in the country.⁶⁴

59 Reuters, "Peru fails yet again to broker truce allowing Las Bambas mine restart", *Mining.com* (May 19, 2022), <https://www.mining.com/web/peru-fails-yet-again-to-broker-truce-allowing-las-bambas-mine-restart/>

60 Maria Paula Lizarazo, "Zijin's difficult days in Burticá", *Dialogo Chino* (May 23, 2022), <https://dialogochino.net/en/extractive-industries/54228-zijins-difficult-days-in-buritica/>

61 Leslie Moreno Custodio, "Chancay: El megapuerto peruano que sacude a un pueblo", *Dialogo Chino* (May 20, 2022), <https://dialogochino.net/es/infraestructura-es/43228-chancay-el-megapuerto-peruano-que-hace-temblar-a-un-pueblo/>

62 Maxwell Radwin, "China-funded dam could disrupt key Argentine glaciers and biodiversity", *Mongabay* (May 12, 2022), <https://news.mongabay.com/2022/05/china-funded-dam-could-disrupt-key-argentine-glaciers-and-biodiversity/>

63 Tom Daly, "China's Ganfeng agrees takeover of Bacanora Lithium in \$264.5 mln deal", *Nasdaq* (May 6, 2021), <https://www.nasdaq.com/articles/chinas-ganfeng-agrees-takeover-of-bacanora-lithium-in-%24264.5-mln-deal-2021-05-06>

64 Cecilia Jamasmie, "Mexico nationalizes lithium mining", *Mining.com* (April 21, 2022), <https://www.mining.com/mexico-passes-mining-reform-nationalizing-lithium/>

Other Chinese Strategic Activities in the Region

Beyond its commercial engagement, the PRC has been active in both the space sector, and security engagement in the region

Chinese Space Engagement. In the China-CELAC 2022-2024 plan, the PRC has explicitly embraced working with and in Latin America in Space related sectors.⁶⁵ It has codeveloped and launched 5 satellites for Brazil under the China-Brazil Earth Research Satellite (CBERS) program, three satellites for Venezuela, one for Bolivia, a microsatellite for Ecuador, and launched a commercial satellite for Argentina. It has electronically outfitted and integrated substantial portions of the space tracking facilities in Venezuela and Bolivia and trained their space-oriented personnel. It shares a space observation facility in Chile and operates a deep-space radar in Neuquén, Argentina, to which the Argentine government has only limited access.⁶⁶ It has expressed interest engaging with the new Latin American space agency (ALCE) to be established and has offered to host Latin American personnel on a future PRC-built lunar base.⁶⁷ In the most recent meeting of the China-Brazil high-level coordinating committee (COSBAN), the deepening of PRC-Brazil Space cooperation was explicitly embraced.

With respect to security engagement, the PRC has both gifted and sold security equipment to Latin American militaries and police forces. It has also regularly brought Latin American and Caribbean personnel regularly to institutions in the PRC for training and professional military education, conducted numerous institutional visits with Latin American military counterparts, deployed peacekeepers there, conducted military exercises in the region, and sent its warships and hospital ship to the region.⁶⁸ To

65 Chinese Ambassador to Guyana, “CHINA – CELAC JOINT ACTION PLAN ...”

66 Cassandra Garrison, “China’s military-run space station in Argentina is a ‘black box’”, *Reuters* (January 31, 2019), <https://www.reuters.com/article/us-space-argentina-china-insight-idUSKCN1PPoI2>

67 Chinese Ambassador to Guyana, “CHINA – CELAC JOINT ACTION PLAN ...”

68 R. Evan Ellis, “The Evolution of Chinese Security Engagement in Latin America”, in *China’s Interactions with Latin America and the Caribbean: Conquering the US’s Strategic Backyard?* (Germany: Techtum-Verlag, January 2021), 9-32.

date, Latin America's leftist populist regimes have been the most significant purchasers of PRC military equipment. Major end item purchases include K-8 fighter aircraft, air defense radars, and anti-riot vehicles acquired by Venezuela, air defense radars plus 709 military trucks acquired by Ecuador under leftist populist Rafael Correa, and military helicopters and armored vehicles acquired by Evo Morales' government in Bolivia.⁶⁹

In addition, Peru has acquired Chinese military trucks, evaluated the purchase of Chinese main battle tanks, and purchased a PRC-made multiple rocket launch system. Trinidad and Tobago purchased the first offshore patrol vessel in the region. The PRC has also regularly provided gifts of equipment to military and police forces in the region. Examples include gifts of military construction equipment to the Colombian military, Uruguay, and the Guyana Defense Force, among others, as well as gifts of squad cars and motorcycles to police forces in the Dominican Republic, Guyana and Trinidad and Tobago.⁷⁰

In 2022, PRC-based defense companies have made several significant advances in their arms sales to the region. These include budgeting for and serious evaluation by the Argentine government of the purchase of Chinese JF-17/FC-1 fighter aircraft,⁷¹ which would be the most advanced Chinese weapon system sold to the region to date. In addition, the Uruguayan government has contracted for the purchase of two PRC-made offshore patrol vessels (OPVs) for \$200M.⁷² While the PRC has not yet show an intention to establish formal military bases or alliance agreements in the region, its

69 R. Evan Ellis, *China Engages Latin America: ...*, 227-244.

70 R. Evan Ellis, "Chinese Security Engagement in Latin America", *Centro de Estudios Estratégicos del Ejército del Perú* (November 19, 2020), <https://www.csis.org/analysis/chinese-security-engagement-latin-america>

71 Juan José Roldán, "Una comitiva de la Fuerza Aérea Argentina visita China para evaluar al JF-17 Thunder", *Zona Militar* (May 9, 2022), <https://www.zona-militar.com/2022/05/09/una-comitiva-de-la-fuerza-aerea-argentina-visita-china-para-evaluar-al-jf-17-thunder/>

72 Javier Bonilla, "Tensa situación en Uruguay por la compra de OPV para la Armada, accedemos en exclusiva al dictamen que apuesta por la opción China", *Defensa* (May 6, 2022), <https://www.defensa.com/uruguay/tensa-situacion-uruguay-compra-opv-para-armada-accedemos-apuesta>

pursuit of such agreements in Djibouti, the Solomon Islands,⁷³ Kiribati, and in other parts of both the Pacific and Africa shows that the geographic sphere radiating out from the PRC in which it feels that it has sufficient capabilities and confidence to establish a military facility is expanding, and will only be a matter of years before it reaches Latin America.

In addition, the PRC is actively engaging Latin American states in dialogues about security cooperation, albeit in a superficially non-threatening way. In an attempt to redirect criticism over PRC support for Russia's invasion of the Ukraine,⁷⁴ at the Boao forum in April 2022, Chinese President Xi Jinping proposed a new "global security initiative," with PRC Foreign Minister Wang Yi subsequently engaging his Latin American colleagues, from Uruguay to Nicaragua, about signing on to the concept.⁷⁵ In support of their economic and other objectives, the PRC does not only interact bilaterally with individual Latin American countries, their local governments and communities, but also engages with Latin American and Caribbean multilateral institutions. Such engagements include active participation with the Interamerican Development Bank (IADB) since joining its board of directors in February 2009, such as PRC-based policy banks working with the IADB to offer "co-financing funds" for the benefit of Chinese companies interested in projects in the region. The PRC has also engaged with the region through the BRICS forum, its New Development Bank, and the Asian Infrastructure Investment Bank (AIIB) in which six Latin American states are members, as well as the Organization of American States (OAS), where the PRC has been an active observer since 2004.

73 IPD, "Pacific nations express 'great concern' over PRC-Solomon Islands deal", *Indo-Pacific Defense Forum* (April 7, 2022), <https://ipdefenseforum.com/2022/04/pacific-nations-express-great-concern-over-prc-solomon-islands-deal/>

74 President of Russia, "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development", *Kremlin Russia* (February 4, 2022), <http://www.en.kremlin.ru/supplement/5770>

75 Jack Lau, "China drums up support for global security push in Latin America as US looks to Asia", *South China Morning Post* (May 22, 2022), <https://www.scmp.com/news/china/diplomacy/article/3178717/china-drums-support-global-security-push-latin-america-us>

China's instrument of choice for multilateral engagement, however, has been the China-CELAC forum, a relatively thinly institutionalized organization which the PRC uses to convene the region, including a head-of-state level meeting every three years, plus more regular meetings of thematically oriented sub-forums. The PRC use of CELAC resembles its engagement with the counterpart forum, FOCAC, in Africa, and the 16+1 forum in Europe. Each allows the PRC to present its agenda to the region, without the region having corresponding opportunity to coordinate its position beforehand regarding its position toward the PRC.

Taiwan Diplomacy. Since the breakdown of the diplomatic truce between the PRC and Republic of China (ROC, or “Taiwan,”) with the election of the Democratic Progressive Party (DPP) government of Tsai Ing-wen in January 2008, the PRC has focused significant effort on convincing states in the region diplomatically recognizing the ROC to change their position. As a result, Panama switched relations to the PRC in 2017, the Dominican Republic and El Salvador switched to the PRC in 2018, and Nicaragua switched in 2021. In each case, as noted previously, the flip was accompanied by the signing of multiple nontransparent MOUs and engagement with politically connected local elites, in each case which facilitated a significant jump of PRC economic and other influence in those countries. Even Nicaragua, whose change was not followed by a package of rewards from the PRC as significant as that received by others, has begun to receive commitments from the PRC regarding more support.⁷⁶

Currently, eight of the 14 countries in the world that continue to recognize Taiwan are found in the region, concentrated principally in Central America and the Caribbean (with Paraguay being the sole holdout in South America). The President of Honduras, Xiomara Castro, prior to her election, pledged to recognize the PRC, although she has subsequently said that doing so is

⁷⁶ Xinhua, “Chinese, Nicaraguan FMs hold phone conversation, vowing to boost cooperation”, *China Internet Information Center* (Beijing: May 21, 2022), http://www.china.org.cn/world/Off_the_Wire/2022-05/21/content_78229880.htm

“no longer a priority.”⁷⁷ In Haiti, the key figures interested in replacing acting President Ariel Henry, if and when presidential elections finally occur, are interested in doing business with the PRC. In the Caribbean, the incumbent government of St. Lucia previously recognized the PRC and could do so again if others in the region begin to shift. Even Paraguay, whose current President Mario Abdo Benitez has shown a solid commitment to Taiwan despite ongoing PRC lobbying,⁷⁸ could switch to the PRC following that country’s Presidential elections in 2023.

Conclusions

Although PRC engagement with Latin America and the Caribbean is primarily economic in character, it is nonetheless strategic in its impact on the region. Though the effects of COVID-19 and Russia’s Ukraine invasion combined with factors internal to the PRC to limit some PRC engagement with the region, those restraining factors are dissipating, while the sources of leverage for the PRC in the region and opportunities to advance have multiplied. As shown in this article, PRC engagement with the region is evolving in important ways, with increasing Chinese attention to strategic minerals, green energy, and both physical and digital infrastructure. The PRC is also giving increasing attention to space engagement, is proceeding forward with its sales, equipment donations, institutional visits, and other forms of engagement with both the Armed Forces and police of the region. It is also continuing to place emphasis on its struggle with Taiwan in the region, with opportunities for changes in recognition emerging in Honduras, Haiti, and elsewhere in Central America and the Caribbean. As left-oriented governments of both authoritarian and democratic orientation proliferate across the region, creating both the need for Chinese resources, and the disposition to work with it, PRC opportunities to expand its influence in Latin America will only increase.

⁷⁷ AP, “Official: Honduras will maintain its relations with Taiwan”, *Associated Press News* (Tegucigalpa, Honduras: January 31, 2022), <https://apnews.com/article/china-honduras-caribbean-taiwan-central-america-9e036d20cbad2d027293e5cd34d9913c>

⁷⁸ Nick Aspinwall, “Paraguay Says Chinese Brokers Offered Vaccines for Diplomatic Recognition”, *The Diplomat* (March 27, 2021), <https://thediplomat.com/2021/03/paraguay-says-chinese-brokers-offered-vaccines-for-diplomatic-recognition/>

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