

The Evolution of Chinese Engagement with the Dominican Republic

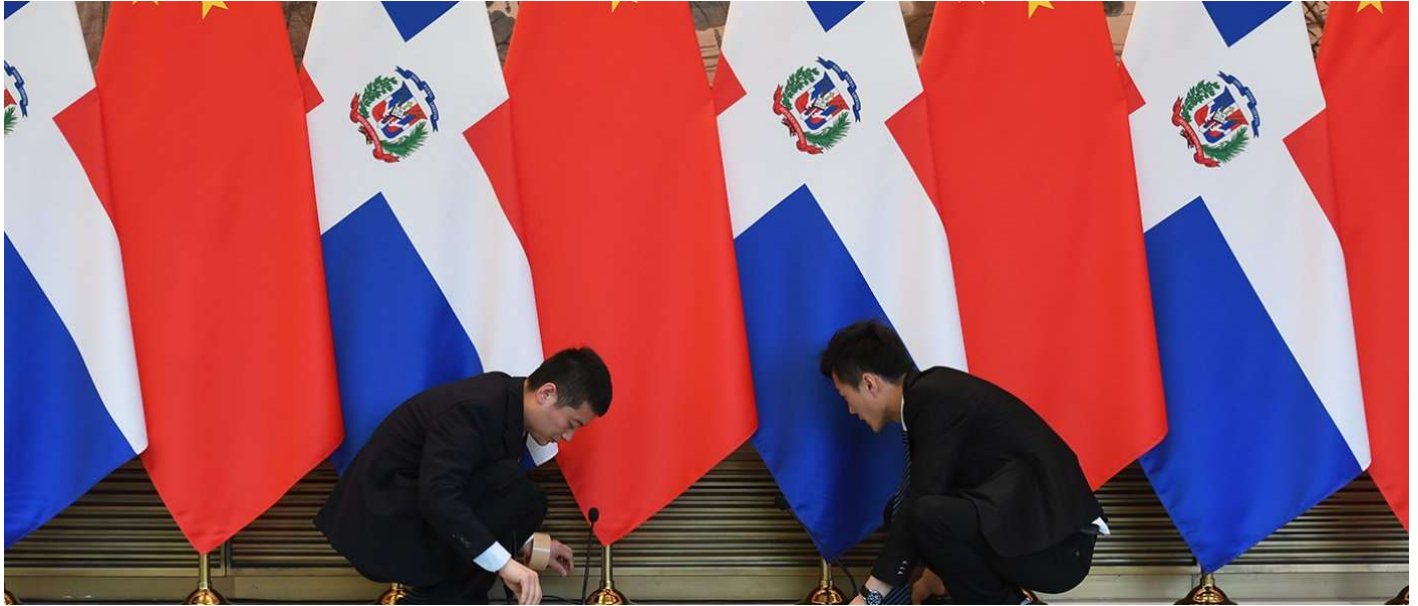


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Commentary by **Evan Ellis**

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From September 24 to 28, the author traveled to Santo Domingo, the Dominican Republic as a guest of Funglode, one of the country's leading think tanks, to speak about security challenges in the Caribbean. While there, he interacted with experts on a range of topics, including how the country's relationship with the People's Republic of China (PRC) has evolved under the center-right government of Luis Abinader. Few of the high-profile Chinese infrastructure projects, investments and access to the PRC market promised when the previous government of Danilo Medina abandoned Taiwan for the PRC have occurred. Nor has the PRC extended a promised \$600 million loan for electricity sector projects. Nonetheless, despite a cautious attitude toward the PRC by the Abinader government, the PRC and a range of Chinese entities are making low-profile progress in security cooperation, the digital and electricity, and retail sectors.

A high priority meeting for the author in Santo Domingo to understand the evolution of the PRC-Dominican Republic relationship was with Rosa Ng, a leader of the Dominican-Chinese community who played an important role in the Medina government's recognition of the PRC in May 2018, and the advance of the relationship in the months that followed, including serving in Beijing as the Medina government's commercial counselor in Beijing. Her personal trajectory in many ways parallels the broader trajectory of the Sino-Dominican relationship. The expectations of many that she would become the country's first ambassador to the PRC did not materialize; she instead returned home to Santo Domingo to establish one of the country's most high-profile Chinese restaurants, Wu Asian Cuisine, frequented by Dominican presidents, ministers, and visiting Chinese dignitaries.

Political Dimension of PRC Engagement

After establishing diplomatic relations in May 2018, the Medina government arguably made its best effort to advance the relationship, initially signing 18 bilateral agreements and memorandums of understanding (MOUs) with the PRC and declaring the country loyal to the PRC Belt and Road Initiative. The Medina government committed to collaboration with the PRC in numerous fields, including PRC training of Dominican foreign ministry personnel, the establishment of a Confucius Institute, accepting a gift of 148 Chinese military and police vehicles (delivered just after its successor government took office), plus agreement in principle to PRC construction of a major new port facility in Manzanillo, electricity generation, and other infrastructure. The Medina government even established a "special China office" in the Presidential Palace, usurping functions normally conducted by the foreign ministry.

By contrast, and diverging from long historical precedent, President Medina did not once visit the United States during his term in office.

The PRC, for its part, sent Medina's Dominican Republic one of its most charismatic and regionally adept diplomats to the country, Zheng Run. The ambassador made a name for himself in Dominican circles with his frequent editorials in *Listín Diario*, his impeccable Spanish, and his embrace of Dominican culture, including dancing Merengue.

With the election of Luis Abinader in August 2020, the new Dominican government introduced selective restraint in the government's embrace of the PRC, particularly with respect to projects that were either strategically risky or economically questionable. In November 2019, following a meeting in Santo Domingo with visiting U.S. secretary of state Mike Pompeo, President Abinader publicly committed to not allow PRC-based companies to enter strategic sectors, including ports and telecommunications.

During the Covid-19 pandemic, following the sale of badly needed Sinovac vaccines to the Dominican Republic, the Abinader government relaxed its earlier commitment to the United States to keep untrusted Chinese suppliers out of the country's developing 5G telecommunications network. The government went ahead with this despite the fact that officials interviewed off the record noted that the United States had played a key role in providing the Dominican Republic the capability to detect the virus, and the critical training that helped it to manage the medical response,

In April 2023, perhaps reflecting the failure of the relationship to meet its expectations, the PRC replaced its charismatic ambassador Zheng Run with a more institutional figure, Chen Luning. Chen's style arguably reflected his previous service in Cuba, and his public writings focused on topics carefully scripted in Beijing such as the virtues of the one China policy.

Although China's advance under the Abinader government has proceeded slowly, in 2023, a number of developments suggest that the administration's posture may be evolving. These include a meeting of the Sino-Dominican "Mixed Commission for Economic and Commercial Cooperation and Investment," a body traditionally used by the PRC for political and economic coordination with its partners. The Abinader government signaled the importance it placed on the July 2023 meeting of the Mixed Commission by sending its most senior personnel, including Foreign Minister Alvarez, and Development Minister Pavel Isa. The Dominican government also, for the first time ever, sent soldiers to a military exercise in Xinjiang, where the PRC has imprisoned an estimated two million Uyghur Muslims.

PRC-Dominican Republic Trade Interactions

In trade matters, as with virtually all Latin American countries that have switched diplomatic recognition from Taiwan to the PRC, in the past two decades, the Dominican Republic's relations with the PRC have been more effective in facilitating PRC sales to the Dominican market than Dominican exports to the PRC. In 2017, the year before diplomatic relations, the Dominican Republic exported a mere \$190 million in products to the PRC, while buying \$3.13 billion in goods from it. Four years later, although Dominican exports had increased to \$355 million, its purchases from the PRC had expanded to \$7.91 billion.

Despite such evidence that expanded trade has been more effective in expanding PRC rather than partner nation interests, some Dominican politicians advocate negotiating a free trade agreement with the PRC.

As with other Latin American countries, the principal Dominican export successes have been limited quantities of luxury goods associated with the “brand” of the country, including Brugal Rum and Davidoff Cigars.

Although the Dominican government opened a consulate in Shanghai in June 2023, the government's trade promotion capabilities, including those of ProDominicana in the PRC, are generally regarded as limited. The Abinader government has not sent a major trade delegation to the PRC during its time in office.

PRC Mining Activities

In the mining sector, to date, PRC presence has been limited. In October 2013, the Chinese company Zhongjin Lingnan took ownership of the state mining company Cormidom with both gold and silver and nickel mining operations in Cierro Maimón, Loma Cumpié, Loma Mala, and Managuá. Although it has generally maintained a low profile, experts consulted for this work suggested that, as elsewhere in the region, its presence in the sector has facilitated its search for other Dominican mining assets worth pursuing.

PRC Construction and Energy Activities

As noted previously, major Chinese construction and infrastructure projects discussed during the previous government, including launching a major operation in the port of

Manzanillo, have failed to materialize. Chinese construction companies with a significant presence elsewhere in the Caribbean, such as China Harbour and China Construction Americas, are generally absent in the Dominican Republic.

In the electricity sector, major projects such as a \$300 million biomass electricity plant and a 2018 MOU for PRC-based companies to play a system integrator role in renovating the country's overcapacity and deteriorated electricity infrastructure have not materialized. Nonetheless, PRC-based companies are the principal supplier of electrical cable and photovoltaic panels in the country, and according to industry experts in the country, the telecommunications-focused company Huawei has used its longstanding presence in the country to capture a major stake in the sale of electricity infrastructure components such as industrial batteries and inverters. According to those interviewed, the Chinese electricity sector giant Power China, with a significant presence in nearby Panama and Colombia, is also seeking to establish a new office in Santo Domingo.

Technology Sector

As in other parts of the region, Chinese telecommunication companies, led by Huawei, dominate the Dominican market for both personal devices and infrastructure. Chinese smartphones and other devices are available through the country's major suppliers Claro and Altice, including Huawei, ZTE, and Xiaomi, among others.

As in other parts of the region, Huawei has also leveraged its presence in the country to build influence and introduce digital infrastructure in potentially sensitive areas. In August 2023 Huawei also provided equipment and a training program to the Dominican Republic's technology promotion organization INFOTEP. It has also supported PRC "people-to-people" influence activities by funding 10 slots in its technology education program "Seeds for the Future." In September 2023, the Dominican government sent a delegation to Huawei's technology trade fair in Shanghai, Huawei Connect.

In the security systems sector, the PRC-based companies Hikvision and Dahua are key camera and component providers in most private sector commercial security

systems, as well as some government systems.

As in other parts of the region, the Chinese rideshare company Didi Chuxing operates in the country, with an office in Unicentro in Santo Domingo, offering service in the country's two principal urban areas, Santiago and Santo Domingo.

Manufacturing and Distribution

The hope when the Medina government recognized the PRC that Chinese companies would generate job opportunities for Dominicans generally has not emerged. In April 2018, to much fanfare, a venture backed by Chinese capital, Kingtom Aluminio, was set up in the RioSur Industrial Free Trade Zone. In general, however, only a limited number of Chinese companies have established themselves in the country's Special Economic Zones, which grant tax exemptions and other special privileges for companies producing principally for export. In September 2023, Chen Luning met with the director of Dominican Customs, Eduardo Sanz Lovaton, indicating China's interest in increasing the number of Chinese companies operating in the country with such tax exemptions and special legal treatment.

Retail Sector

In high-visibility consumer product sectors, Chinese products and distribution networks are increasingly visible across the country. In the automotive sector, for example, Chinese brands BAIC, Geeley, Chang'an, BYD, Yutong, and JAC are all available in the country, including electric vehicles.

The most significant penetration of the Dominican economy to date, according to multiple Dominican experts interviewed for this work, although based on anecdotal data, has come from the significant expansion of Chinese-owned shops across the country. This includes the majority market share of sectors including convenience stores, "by-the-hour" hotels ("hotels de paso"), hardware stores, and the iconic Dominican "Pica Pollo" chicken fast food restaurants.

Although such enterprises are not as clearly linked to the PRC government in the same fashion as are PRC-based state-owned enterprises, the source of the capital behind the thousands of such stores operated by members of the 20,000-strong

ethnically Chinese community across the country is unclear, while the lack of transparency of such operations and the potential operation of Chinese organized crime within them, including human trafficking and money laundering, has been a concern in other parts of the region. In the case of “by the hour” hotels, the dominance of a sector infamous for hosting extramarital affairs, including government employees and other individuals of interest, by little-understood Chinese actors, also raises intelligence concerns.

As elsewhere in the region, as the number of Chinese shops have expanded, their business practices and complaints of “unfair competition” have become increasingly prominent in the Dominican political discourse. Chinese-owned hardware stores, in particular, have been accused of using informal Chinese labor, as well as employing a quantity of Haitians and other non-Dominicans exceeding the 20 percent permitted by law, in order to reduce labor costs. Chinese businesses are also accused of systematically underreporting the value of goods that they import, in order to avoid paying taxes.

Human Ties

With respect to PRC “people-to-people” influence activities, the PRC has maintained a profile somewhat lower in the Dominican Republic than elsewhere in the Caribbean. The Confucius Institute established in the private Dominican university INTEC in May 2019, has very little visibility within the country with respect to its conduct of public programs.

The Chinese-Dominican Chamber of Commerce, in operation since 2011, well before relations were established, has similarly not attained the level of participation and reach that similar bodies in other countries such as Colombia have attained. The Dominican-Chinese Friendship Association, headed by Robert Santana, who also heads the chamber of commerce, has also maintained a low profile. Such Friendship Associations are generally used by the Chinese Communist Party United Front Work Department to support their influence activities throughout the region. The once Taiwan-aligned Jade Pro-Chinese Community Foundation, among other groups, also plays some role in the coordination and advance of Chinese and Chinese community interests within the country.

Organized Crime

Although organized crime involving Chinese communities and commercial activities has been an increasing problem in the region, the profile of such activities in the Dominican Republic is arguably lower than in other parts of the Caribbean. Periodic incidents, such as the fatal beating of a Chinese seafood restaurant owner in 2013, indicate the presence of some organized crime in the country. Still, multiple experts consulted for this work indicated that indicators of Chinese crime such as violent murders within Chinese communities, human trafficking, or “upstairs businesses” with informal gambling are relatively limited.

Security Cooperation

PRC-Dominican security cooperation, which took off under the Medina government following the establishment of relations, have begun to expand again as the first Abinader government approaches its end.

Significant PRC-Dominican security cooperation during the prior government included the donation of 140 Chinese motorcycles, eight all-terrain vehicles, and 15,000 spare parts to the Dominican Police and military in December 2020. The PRC also donated firetrucks in October 2018, and 30 ambulances in July 2022.

In October 2018, five months after establishing relations, the People’s Liberation Army (PLA) military hospital ship *Peace Arc* visited the Dominican Republic.

According to individuals consulted off the record for this work, Dominican officers have also traveled regularly, albeit in limited numbers, to military education and training programs in the PRC.

In July 2023, as noted previously, for the first time ever the Dominican military, under Minister of Defense Carlos Diaz Morfa, authorized participation of Dominican personnel in a military Sniper competition in Xinjiang. The new step occurred at the same time as an announced offer to train Dominican police, both in the Dominican Republic and China, raising questions whether expanded security cooperation could occur in other areas as well, as the country moves toward May 2024 elections.

Conclusion

The Dominican Republic is a longstanding U.S. friend and partner, strategically located in the center of the Caribbean, integrated into the U.S. economy through the Central America Dominican Republic free trade agreement, and tied to the United States through bonds of geography, trade, and family. It is in the United States' strategic interest that its interactions with the PRC are conducted within the framework of transparency, strong institutions and a level playing field, and that PRC activities in the country, whether digital architectures, military relationships, or influence over elites does not undermine U.S.-Dominican security and other cooperation in our shared Caribbean neighborhood, or create vulnerabilities that the PRC could exploit in the undesirable event of a conflict with the United States. It is a frank, respectful, ongoing conversation that the United States and the Dominican Republic should have as two sovereign neighbors, but one vital to have nonetheless.

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