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China's Role in Latin America and the Caribbean

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Margaret Myers
Director, Asia and Latin America Program
Inter-American Dialogue

I would like to thank Chairman Kaine, Ranking Member Rubio, and the other esteemed committee members for the opportunity to testify on the current state of China-Latin America and Caribbean (LAC) relations.

As China's engagement with LAC continues to evolve, this is a critical moment to assess the type, scale, and effect of Chinese activity in the region, and to formulate a well-reasoned US policy response. To aid in this process, I offer a few observations, as requested, on the nature and implications of China's engagement and influence in LAC at present, views on US and allied nation responses, and some thoughts on U.S. policy options.

Gauging China's Influence in Latin America and the Caribbean

China has sought to influence views and decision-making in LAC through multiple mechanisms and with various objectives in mind.

To date, China has sought to shape views and decisions among Latin American and Caribbean (LAC) audiences through traditional and social media campaigns, expansive educational cooperation, targeted engagements with the region's established and up-and-coming policymakers, officials, and opinion leaders, and through policy coordination and military exchanges, among many other forms of public diplomacy, security cooperation, and commercial outreach. The following are just some of many examples of China's efforts to shape outcomes in LAC.

Media Engagement

China's social and traditional media engagements have featured for over a decade in LAC but have expanded in recent years. Media engagement was a prominent feature of China's outreach during the Covid-19 pandemic, for instance. Much of China's pandemic-era work in this area fell to its embassies, which, in addition to coordinating donations and sales of PPE and vaccines in the LAC region, labored to convey approved messages about China's experience with Covid-19 and its pandemic outreach. This was accomplished through a range of communications platforms, including embassy communiqués, television interviews, press conferences, op-eds authored by Chinese ambassadors and published in

local media outlets, and Twitter posts. In fact, at the request of Beijing, Chinese embassies in Argentina, the Bahamas, Cuba, and Peru set up new Twitter accounts in the early months of the outbreak to communicate key messages directly to local publics. More effective, perhaps, in delivering Chinese views and other content to LAC audiences are the multiple media sharing arrangements that Chinese outlets have negotiated with LAC counterparts in recent years. These range from photo sharing agreements to much more extensive multi-media sharing arrangements with Xinhua, for instance.

Recent Chinese messaging in the region has focused on communicating positive views of China's initial handling of the pandemic, detailing China's pandemic relief efforts, critiques of US domestic and international policy, and responses to international criticism of China's human rights record in Hong Kong and Xinjiang, among other matters. As it turns out, Chinese narratives are sometimes the only narratives available in LAC media on certain issues of interest to China, including analysis related to Hong Kong and Xinjiang.

On the issue of human rights, Chinese embassies in Argentina, Antigua and Barbuda, Bolivia, Chile, Colombia, Cuba, the Dominican Republic, Ecuador, Grenada, Guyana, Peru, Suriname, and Uruguay used their websites, social media, and interviews published in media outlets to comment on China's rights-related achievements. In July 2020, many delivered key points from a Chinese Ministry of Foreign Affairs article titled "What's False and What's True on China-related Human Rights Matters." In August 2020, another article, "Fact check: Pompeo's fact-twisting China speech versus the truth," was circulated by Chinese embassies in LAC. Both articles suggested that China's successes in containing Covid-19 demonstrated the country's unfailing commitment to human rights.

Despite a growing media presence, China is still very much experimenting with the forms and features of its media outreach in LAC. Evidence of "wolf warrior diplomacy"—an aggressive style of diplomacy adopted by some Chinese officials—featured prominently in the first few months of China's global Covid-19 outreach, but China's more aggressive posturing slowed by summer 2020, lending some credence to Bates Gill's summer 2020 claim that China's diplomats were reined in as Beijing understood it had overreached with many audiences around the world. In a June 2021 speech to the Politburo study session, Xi signaled a possible throttling of wolf warrior-type outbursts, calling on the country's leaders to engender a "trustworthy, lovable, and respectable" image for China. Xinhua later suggested that the country adopt a "humble" approach in its relations with the outside world. The Party may very well have noted, as a Yale University study did, that the aggressive messaging associated with wolf warrior diplomacy was not as effective as promotional messaging in moving public opinion on China. At present, China's media platforms are focusing far more extensively on delivering a message of solidarity, multilateralism, and cooperation, referencing China's commitment to Covid-19 collaboration.

Educational Partnerships

China's expansive partnerships with LAC high education and technical institutions, including exchange agreements and jointly developed studies and research centers, also

potentially shape relations with and views of China, although some of these arrangements are far more productive than others. Cross-regional educational cooperation is of considerable interest to both Chinese and LAC actors, but as I indicate in a study co-authored with Brian Fonseca for Florida International University, Chinese engagement is largely motivated by a government-led interest in developing expertise in Latin American and Caribbean studies, and an enduring commitment to building Chinese soft power throughout LAC, including through educational exchanges and cultural and technical outreach. China's Ministry of Education has indicated its commitment to strengthening diplomatic ties and exporting elements of China's educational system through exchanges, international educational cooperation, and greater participation in educational standards-setting institutions.

Policy Coordination

China's efforts in the area of 'policy coordination' are also potentially influential. 'Policy coordination'—in addition to infrastructure development, trade facilitation, and several other forms of connectivity-enhancing engagement—is considered a central feature of the Belt and Road Initiative (BRI) and encompasses everything from climate change and industrial cooperation, for instance, to consultations on tech policy, investment policy, and regulatory landscapes. In some cases, policy coordination involves little more than a memorandum of understanding suggesting continued discussion on topics of mutual interest. Some forms, including recently proposed China-Ecuador ministerial deliberations on debt restructuring, may lead to favorable results for LAC nations. More problematic, perhaps, are efforts to coordinate views on internet governance or human rights, for example, where China's approaches differ considerably from those in much of the LAC region, and among the US and allies outside of the region. Also of some concern, especially from an environmental perspective, are efforts to encourage regional governments to rethink regulations in sectors of long-standing economic interest to China. For example, in 2020, Chinese embassy officials in Bolivia reportedly suggested that the government rethink its mining sector regulations to encourage more Chinese investment. There is evidence of governments eroding regulations elsewhere in the region to attract Chinese investors.

'Multi-Tiered' Diplomacy

The cultivation of people-to-people ties—yet another element of the BRI—is another prominent area of focus at present. This is carried out through what I have termed a “multi-tiered” approach to diplomacy, wherein numerous Chinese governmental, quasi-governmental, commercial, and other actors engage with LAC at the regional, bilateral, and, increasingly, local (state/provincial and municipal) levels. This is frequently carried out through formal channels, such as the China-CELAC Forum or the Sino-Brazilian High-Level Commission (COSBAN), among many other platforms. Another considerable portion of China's diplomatic outreach is relatively ad hoc, especially at the local level, where an extensive array of Chinese actors—commercial and public sector, central government-affiliated and provincial—are engaging when and where opportunities present themselves. For Chinese companies and governmental entities, local-level engagement is a promising

approach, especially in those countries where and where states, provinces, or municipalities have considerable decision-making authority, and where government-to-government deal making is not possible, whether because of a country's governance structure or regulatory environment, or because broader geopolitical considerations limit progress at the bilateral level. With Mexico's current policy uncertainties in mind, China's Ambassador to Mexico Zhu Qingqiao recommended that China's funds and enterprises increase communication and interaction with local governments and open new markets through local projects.

In some cases, local-level engagement has been exceedingly productive. Just five years of interaction between Chinese actors and representatives from Jujuy, Argentina resulted in the signing of major renewable energy, surveillance technology, lithium exploration, and big data projects, for instance. As a result, even when China is not particularly influential at the national level in LAC, Chinese actors may very well achieve some influence over local politics and policymaking, based either on the possibility of investment (or personal reward, in some cases) or else by delivering projects of interest to LAC localities.

Security Cooperation

China's increasingly extensive engagement with LAC militaries should be understood as a part of a much broader effort in the area of 'people-to-people diplomacy,' albeit with very different implications than connections through educational institutions and cultural forums, for example. China's more than 200 military visits to the region, the China-CELAC High-Level Defense Forum, educational exchanges between military academies, Chinese tech company engagement with military institutions, and satellite and other cooperation are nevertheless part of a broader proliferation of diplomatic, commercial, and educational activity that features across most all economic sectors and in multiple areas of policy interest.

Isolating Taiwan

As evident in recent years, China continues apply pressure in various forms on Taiwan allied nations in LAC. In addition to offering economic incentives to Taiwan's remaining allies in the region, as it has done for many years, China also recently used the prospect of PPE and vaccine deliveries to either reward or discourage government decision-making on Taiwan and other matters of political interest to China. The timing of a vaccine donation to Guyana led some to speculate that the Caribbean nation was rewarded with the doses after deciding to close a new Taiwanese commercial office. And in Brazil, China reportedly halted the shipment of raw materials necessary for the São Paulo-based Butantan Institute to produce China's CoronaVac vaccine after Brazilian President Bolsonaro suggested that China disseminated COVID-19 as a tactic of biological warfare.

China's efforts to shape views and decisions in LAC have had varied effects.

The effects of China's outreach in these many of these areas are not always entirely clear. Despite extensive efforts among Chinese and LAC actors to boost coordination and

cooperation in multiple arenas, views of China in the region do not appear to be much better now than they were in the recent past. According to Pew Research findings from 2019, Latin America viewed China more favorably on average than did most other regions, with about half of respondents approving of Chinese engagement and half disapproving. But as Vanderbilt University's most recent LAPOP survey has noted, in 2021 only 38 percent of LAC participants suggested that they trusted China's government (down from 55 percent in 2016/17), although those who indicated limited trust in China's government also sometimes had positive views of China's political influence in the region.

LAC views of China's Covid-19 assistance are also difficult to gauge, given the pandemic's limitations on public opinion polling. China's PPE deliveries were met with considerable gratitude by many, although some in the region indicated concern about the quality and cost of Chinese PPE shipments. China's vaccine sales were also initially viewed as critical to regional survival rates and eventual economic recovery, though views changed somewhat as evidence surfaced about the efficacy rates of various vaccines. China's pandemic-era assistance, though allocated according to LAC needs and pandemic trends, also effectively achieved some Taiwan-related and possibly also commercial objectives. Many dozens of Chinese companies and other partners (e.g., sister cities and provinces) worked amid the pandemic to underscore their commitment to certain LAC communities. The pandemic also presented some opportunities for China's tech and pharmaceutical companies to showcase relevant technological and other capabilities.

The impact of China's media outreach is also probably varied. In an Inter-American Dialogue report on China's Covid-19 diplomacy, one Caribbean-based interviewee suggested that China's media outreach has had little effect on regional views of China. And a Mexican interviewee with ties to local media suggested that op-eds by Chinese ambassadors, whether about COVID-19 or other topics are barely read at all. In addition, most of Chinese embassy Twitter accounts have few followers. However, if China is delivering the only messaging in LAC media on issues related to Hong Kong and Xinjiang, for example, as has been the case in many countries, this bodes poorly for informed debate on these topics across much of the region.

China's educational partnerships in LAC differ considerably in scale, scope, and commitment among partner institutions—the likely result of varying levels of interest and available resources among interested parties. Some amount to little more than a statement of intent or broad MOU, which may not result in substantive engagement. Among those that engage in productive collaboration, some focus mainly on student or faculty exchanges, offering scholarships to some LAC students for study in China. Others attempt a more expansive agenda, including collaborative research and research center development, including in some areas of commercial and strategic interest to China. Some Chinese and LAC institutions, such as Jinan University (which had signed agreements with at least ten Latin American universities and other educational and cultural institutions by 2016), Fudan University in China, and the Universidad Nacional Autónoma de México (UNAM), have several or more of these partnerships in place. Others have focused on partnerships with just one or two universities or other institutions in China or LAC.

The effects of China's local-level engagement would also appear to vary on a case-by-case basis. In some instances, local-level partnerships have been exceedingly productive, whether by advancing deal-making or positively shaping views of China and Chinese companies. However, linkages are also sometimes forged by Chinese and LAC actors without clear objectives in mind, and with few overall interactions. The long-standing Coquimbo, Chile–Henan, China relationship is one example, with regional exchanges having taken place over the course of 15 years, presumably based on mutual interest in possible mining sector cooperation, though without clear evidence of commercial activity. These more limited collaborations (including with overseas Chinese communities) may still lay the groundwork for eventual deal making, however, or else help to cultivate favorable views of China and Chinese political interests.

China's indirect influence—the product of expansive economic (especially trade) ties with many LAC countries—will also likely shape LAC decision-making in the coming years.

Despite China's many efforts in the areas mentioned above, most of China's influence over decision-making in the region is very likely indirect in nature—the result of LAC's strong and sometimes dependent economic ties to China, and a related desire to accommodate China's interests where possible. According to Boston University, in 2020, China accounted for over one-third of the region's extractive exports – a record level – and one-fifth of the region's agricultural exports. With these dynamics in mind, even in Brazil, where ties are relatively strained at the moment, there have been many efforts among those charged with actually doing business and managing relations with China, to maintain a certain positive momentum in the relationship.

China is also seemingly more influential in those countries that have strained relations with the US and its allies, and which have limited access to international capital markets. Venezuela and Cuba are obvious examples, although China has been frustrated with progress on economic reforms in both countries. Argentina and Ecuador have also occasionally depended on Chinese capital, leading to some decisions favoring Chinese companies and interests. In 2015, Argentina's Ley 27 approved a decision by the Argentine government to grant Chinese companies no-bid contracts if they brought relevant finance to bear in support of project development.

China also ensures some degree of influence by investing in sectors that are deemed of critical importance to the region's development, or which align well with leaders' own development agendas. China has been treated favorably by Peru's anti-trust authorities based on expectations that Chinese companies will invest more extensively in the country's electricity generation and distribution industries, at a moment when many others are not. China's low-cost AI and telecommunications offerings are also viewed favorably by many in the region, including cash-strapped local governments.

In other cases, it's merely the *possibility* of Chinese investment that gives China a seat at the table. The mere prospect of more Chinese economic engagement has been enough to convert three Taiwan allies over the past four years, even though there is wide variation in

the sorts of benefits that Taiwan allies receive when they establish diplomatic ties to China. China's offerings to the Dominican Republic have paled in comparison to the range of initial deals struck in Panama, for example.

Ensuring Robust U.S.-LAC Relations in a Shifting Geopolitical Environment

China's evolving outreach and direct and indirect influence over LAC policymaking have considerable implications for U.S. influence and interests and for U.S. and other company competitiveness in the region. As a result, the U.S. and its allies have worked both independently and collaboratively to allocate resources for projects and initiatives that aim to support U.S. and ally interests while also advancing LAC development objectives. This includes the development of legislation intended to boost U.S. competitiveness and economic engagement with LAC, encourage the development of regional supply chains, provide financing for infrastructure and other investment in the region, and expand institutional capacity building in LAC, as well as other initiatives and measures.

More can nevertheless be done to strengthen U.S.-LAC ties in the midst of growing Chinese competition. I offer the following initial recommendations.

Stay abreast of the ways in which China's engagement with LAC is changing.

As China's activity in LAC evolves, US policy and messaging on China-Latin America relations must evolve accordingly.

There are some important areas of continuity in the China-LAC dynamic. The region remains of critical importance to China's food and energy security interests, and regional markets are still vitally important to China as it looks to export ever-higher quantities of high-value-added goods. As a result, trade continues to underpin the relationship, and has even grown in importance as a share of LAC global domestic product amid the pandemic.

However, as China prioritizes domestic and overseas investment in 'quality' projects and promotes deals in sectors aimed at advancing China's own growth priorities, we are seeing an important focusing of Chinese investment and trade activity in a specific set of industries and products/services, including in renewable energy, electricity transmission and smart grids, telecommunications, artificial intelligence, cloud computing, lithium mining and processing, and other sectors and industries related to technology and innovation. The focusing of investment and trade activity in these sectors will impact the region different ways than the sorts of multi-billion-dollar, trans-continental infrastructure projects that Chinese companies and leaders tended to propose with some frequency five years ago and more.

Of importance to US commercial actors is China's growing influence not just on government-level decision-making but also on local-level engagement, which, as earlier noted, is carried out over the course of many years in some cases, and by a host of Chinese actors and institutions. In some instances, these linkages have positioned China to engage with LAC actors during the very earliest phases of project development—before

public tenders have been announced, and even when project ideas are first being conceived, in some instances. China's efforts in the areas of 'multi-tiered' diplomacy, and Chinese company access to low-cost Chinese finance, subsidies, and other incentives, will continue to affect US firm competitiveness in key sectors.

U.S. policymakers must also note key changes in Chinese financing in LAC. Though still active in the region, China's policy banks are no longer the main providers of Chinese credit to LAC. Policy bank lending has rapidly declined from a peak of \$20 billion in 2010 to barely any activity at all over the past three years. Loans from China are instead being supplied by a wider range of Chinese actors—private equity funds (sometimes backed by the policy banks), Chinese companies, China's sovereign wealth fund, China's commercial banks, the Silk Road Fund, and the AIIB, for example. These loans are issued to Chinese and LAC companies and are usually smaller than policy banks loans. They are often frequently issued with project 'bankability' front of mind.

The various mechanisms that China employs to achieve desired commercial and political aims will also evolve in the coming years. It will be critical to study these developments, including the extent to which they affect views of the U.S., or are otherwise effective in shaping outcomes in China-LAC relations.

In LAC, ensure that policy is more focused on prospects for enhanced U.S.-LAC cooperation, based on shared interests, than on U.S. competition with China.

A strong showing at the Summit of the Americas will be critical to underscoring U.S. commitment to strong relations with the LAC region, based on long-established partnerships, enduring economic ties, and extensive and shared interests. Much effort should be placed on ensuring a successful Summit and countering the notion that the U.S. has retreated from the region.

At this juncture, the U.S. must aim not to replace China, but to engage with the region in those areas where the U.S. and LAC can effectively support each other aims, whether in the economic realm, on skills development and educational exchange, in the area of security cooperation, or on climate change mitigation and adaptation, among other areas of interest. There are many areas where the U.S. has worked, over the course of many decades, to establish strong cultural, educational, security-based, economic and other linkages to the region. The maintenance and continued development of these linkages must continue to be prioritized.

Considering that the U.S. (and the DFC, USAID, and other relevant institutions) have many global commitments, it may be necessary to focus resources in LAC on program and project development in specific sectors and countries where positive outcomes are most attainable. Where possible, the US should aim to develop key economic projects, of course, but also to encourage capacity building partnerships with regional governments and civil society—whether carried out by U.S. experts, U.S. allies, or through triangular cooperation involving regional actors—in support of best outcomes in infrastructure project

management, tech implementation, and to strengthen independent media, among other areas.

The simplification of processes and procedures required to access U.S. assistance would also importantly improve U.S. institutional agility, in the face of “China speed,” but is also critical considering that many LAC nations do not have the resources available to apply for or navigate the DFC process, for instance.

Consider LAC views of China when addressing China’s engagement with the region.

LAC governments are aware of the challenges associated with China’s model of finance and investment. The region has taken stock of empty promises, projects-gone-wrong, and the problems associated with China’s model of large-scale, no-strings-attached finance. In Bolivia, for example, the China-backed Rosita dam project was formally suspended amid protests against the project’s lack of prior consultation with affected communities. The Coca-Codo Sinclair dam project in Ecuador has been the subject of environmental, labor-related, and technical scrutiny, and has had lasting effects on views of Chinese construction in Ecuador.

Even so, the U.S. must tread carefully when applying pressure on LAC governments to limit economic options and partnerships with China, noting that doing so, even when a viable alternative is provided, will in many cases be viewed not as helping, but as harming LAC development prospects. If don’t too frequently, it will also undermine the U.S.-Latin America trust and prospects for future cooperation.

LAC will continue to view China as an exceedingly valuable, though imperfect, economic partner. This dynamic is unlikely to change in the coming years, especially as China proposes projects in sectors—electrification, renewable energy, digitalization—deemed essential to the region’s economic recovery. The U.S. should nevertheless identify and work to expand cooperation on areas of shared concern about Chinese engagement. Some examples include the effect of China’s style of deal-making on already high levels of corruption in certain countries, China’s involvement in illegal fishing, and the region’s persistently imbalanced trade relations with China. Regional actors will presumably be more open to cooperation with the U.S. to address these and other areas of areas of shared concern.