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China’s Military and Security Activities in Latin America and the Caribbean

Introduction

China’s first general goal in Latin America is the most obvious and visible of all: to generate more markets for its products and its companies, as well as to acquire natural resources and commodities at the best possible price and within a continuous flow, with the lowest economic, political and diplomatic risks as possible. At this point, China has been achieving considerable success, especially if we note that the U.S. participation in the trade balance of several of the region’s countries has been decreasing, while that of China rises year after year.

In the energy sector, China has already become an important player in Brazil. It is also relevant in logistics, not only for Brazil but also for Mexico, Peru, Colombia, as well as Argentina and Ecuador. In Chile, the country increases its participation and influence in the mineral sector regularly.

China’s second macro-objective is to make several countries in the region economically and commercially dependent on it. From an economic point of view, China’s financing lines end up becoming excellent deals for Beijing, since Latin American countries usually involve commodities and other products as part of the payment. Argentina has promised to repay part of its loans to the country with wheat and meat. Venezuela did the same with oil – the problem is that PDVSA, the state-owned oil and natural gas producer, is not managing to produce enough to repay this debt in this way.

But it is important to understand the distinction between economic dependence and commercial or trade dependence. The economic dependence revolves around the credit lines that are offered in government-to-government negotiations (as in the Venezuelan and Argentine cases), as well as in the negotiations between governments and the private sector (credit lines to enable the expansion of factories and logistics chains that usually involve the participation of Chinese companies as partners in joint ventures that use this capitalization to expand).

Although the Chinese loans are not addressed to the federal government in Brazil, the volume destined to the country’s private sector is highly relevant. Brazil’s largest oil producer, the state-owned company Petrobras, for example, closed a new \$5 billion financing deal with the

China Development Bank in early February. On the other hand, trade dependence occurs more organically and is clearly present in the relationship that Brazil has with China.

Brazilian agribusiness and iron ore exports are highly dependent on China, which is the main buyer of these products. This increases the sector's risks, since maintaining the success of the main items on Brazil's export basket depends more on Beijing's decisions than that made in Brasilia.

The first two points (more markets for Chinese companies and a deep commercial and financial relationship) end up generating a by-product that becomes the third Chinese macro-objective in Latin America: to influence national public policies and the foreign policy in the different countries of the region, in order to strengthen China's image, perception, and objectives at the international level. A clear example of this third point is outside Latin America.

In 2020, Saudi Arabia, the United Arab Emirates, Qatar, Iran, among others, signed a letter of support to China regarding the Chinese government's stance in Xinjiang province, on top of the treatment given to Uighur Muslims. While Western countries highlight acts of human rights violations in the province, others interpret them as national security measures. Hence, Islamic countries – alongside Saudi Arabia and Iran (historic enemies) – signed a letter defending China on an issue affecting Chinese Muslims.

The increase of the Chinese influence in the Middle East, especially in the mentioned countries, is remarkable in recent years. While China has become a partner in uranium exploration and the main importer of Saudi oil, the country has also substantially increased its relationship with Iran, by offering commodity-backed loan lines. It is important to note that China's vaccine diplomacy also plays a crucial role in shaping the actions and international perception of countries that receive the vaccine on general Chinese issues.

In Latin America, several countries are receiving the Chinese vaccine, causing the warmongering tone of some presidents to be diluted by their need to obtain inputs for more immunizers. The clearest example of this is Brazilian President Jair Bolsonaro.

The lack of articulation to obtain vaccines from other manufacturers in time meant that the negotiations made by the governor of Sao Paulo State, Joao Doria, with Sinovac, the Chinese manufacturer of CoronaVac, ended up being the lifeline of Bolsonaro's government. It was with CoronaVac that the federal government started the national immunization program and vaccinated a large part of the Brazilian population. For this, Bolsonaro had to directly ask Xi Jinping to increase the volume of inputs needed for the vaccine to be produced in sufficient numbers at the production center of the Butantan Institute, the local partner of Sinovac for the production of CoronaVac.

Naturally, as there is no ‘free lunch’, Xi Jinping was able to ease President Bolsonaro’s urge to exclude Chinese technology company Huawei from participating in the country’s 5G auction. In 2020, because of his close relationship with former President Donald Trump, Bolsonaro made it clear that Huawei represented a security risk to the Brazilian 5G.

With the end of Trump’s term and the beginning of Joe Biden’s and, at the same time, the need to obtain vaccines in the face of the tragic management of the fight against COVID-19 in Brazil, Bolsonaro eased his stance on Huawei and, thus, obtained necessary inputs for CoronaVac. This week, the executive secretary of the Ministry of Health, Elcio Franco, sent a letter to the Chinese ambassador to Brazil, Yang Wanming, to “investigate the possibility” of buying doses of BBIBP-CorV, the Sinopharm’s vaccine with an average effectiveness of 79%. In the document, the Brazilian government official also asks for the delivery of doses, if possible, to occur in the first semester.

For the Chinese strategic cycle to become more efficient, China needs to strengthen its image through numerous organizations (governmental and semi-governmental); this is a primary process to fit the points mentioned above. In countries with decision-making centralized in the federal government, relations with China primarily occur through diplomatic and official channels. In decentralized countries, where private companies, municipal governments, associations can deal directly with China, the country focuses on semi-independent organizations to work its image, to avoid wear and tear due to negative perceptions.

These are, roughly speaking, the four tactics that make up the Chinese strategy in the region. Two of these four categories are straightforward and easily understood: expanding trade relations and offering credit/financing, which can be paid for with commodities or other favors to Beijing, such as facilitating the construction of a space observation center in Argentine Patagonia, for example). The two subsequent strategies are by-products of the first two: the use of commercial and financial dependence to align the region diplomatically and open opportunities in other areas internally; and strengthening China’s image among decision-makers. The Chinese strategy will continue in full swing after the end of the COVID-19 pandemic. The vaccine diplomacy has a limit, of course, but the results for China may be better than expected, since all the ties that are being created and expanded with several countries at a time like this tend to last beyond the crisis of the novel coronavirus.

The Six Angles

It is important to categorize the six areas in which the dispute with the United States are more clear and important for Beijing. Also, most of the Chinese operations abroad, even those under the spectre of the Belt and Road Initiative, tend to fall in one or multiple of the categories below.

1. Conceptual
2. Geopolitical

3. Economic
4. Technological
5. Commercial
6. Military

Naturally, further categories may be emphasized and de-emphasized as the conjecture changes. Nevertheless, these six fields are also where the main disputes between the US and China take place.

Conceptual

The conceptual dispute between the two countries lies, above anything else, in the profound differences of values, culture and ideology as well as interpretation of the world.

Since 1949 we have had the classic dispute between a Capitalist Democracy and a Communist regime, with the recent historical anomaly of a “Capitalist Communism”. Within the conceptual aspect that antagonizes both nations, China sees itself as a nation who earned the right, through its own development, to expand its influence from regional to global, carrying the economic/commercial narrative as the leading arguments.

For the Chinese Communist Party, the analysis of the reasons that led the Soviet Union to collapse, sedimented the comprehension that individual economic prosperity would replace the desire of participative, multi-party democracy within society.

For the US, the Chinese economic progress was the certainty that society would demonstrate an intense democratic desire, leading to a natural change of governmental logic.

This shows two sides of the same premise: while the US policy-makers understood that economic prosperity would lead to Democracy, the Chinese CCP policy makers understood that economic prosperity would ensure the maintenance of the one-party rule.

The global expansion of influence, through economic gains and commercial dependency, especially in Latin America, is intrinsically linked to the domestic economic stability and, consequently, to the sedimentation of the CCP as rulers of the country.

As long as the inflow of commodities and the outflow of ever-more value added manufactured goods remains as the center-policy of the CCP, Beijing understands that a long-term relation with Latin American countries is necessary and is not build on top of nothing, but on top of the assumption that the US has committed historical policy mistakes in the region.

As we understand that Beijing sees the domestic economic prosperity as a fuel for the survival of the CCP, and that China needs an increasing inventory of foreign customers and suppliers of raw materials, the Party understands that any attempt from the United States to impede the Chinese

economic stability and further growth, as well as deepening the relationship with developing countries, represents a direct risk to the existence of the CCP.

In this sense, the quest for economic and commercial influence invariably invades the realm of political and diplomatic influence and, potentially, military influence as well. With variations of expectations, China sees every country in which the bilateral relationship has solidified into long-term projects, as potential future allies against the American regional narrative, if necessary.

Within the conceptual dispute between the two countries, Beijing envisions the future usage of the weight of commercial and financial dependencies upon Latin American countries to neutralize anti-China narratives produced by the United States and its allies.

It is natural that the solidification of these bilateral relations, whether the initial approach was commercial or financial, expands into further areas of collaboration, particularly if a country is indebted to China in a way or another.

While the “Conceptual” debacle between the US and China is perceived by the US as a desire for change based on historical and democratic values, for the CCP it is perceived as self-survival and dictates the approach of every other area of competition against the US.

Self-survival through expansion of influence is the key driver of the Chinese strategy in Latin America. Exporting ideological concepts, as the Soviet Union did during the Cold War, does not seem to be a target-goal for the CCP. For China, it is much better to engage with democracies in which institutionalization is low and the concentration of power is evident, rather than socialist regimes (such as Cuba and Venezuela) where the expectation of Chinese support is seen as an obligation.

The fact that China does not bring ideological factors to the negotiating table with Latin American countries is well-received in the region and serves as a strength to the Chinese narrative. Historically, the US narrative in the region has revolved around the narrative that Democracy and institutional strengthening would, invariably, lead to economic prosperity. China counter-argues this historical narrative by emphasizing that economic prosperity does not need to be entangled with the US-based democratic values. This adds a sense of relief to the countries that historically relied on US support but were not able (or willing) to comply with the democratic and institutional demands from Washington.

For the United States, this conceptual debacle with China is more difficult to counter than the conceptual challenge against the Soviet Union, since China does not aim to export its ideological views to Latin American countries.

The US narrative is aimed at preserving its historical pro-democracy speech, as well as its zones of influence, while the Chinese narrative is aimed at preserving the domestic concentration of power of the CCP, domestic economic prosperity, and international legitimacy of the party.

While the CCP understands that the ultimate, conceptual goal, of the United States towards China is the democratization of the country, the counter Chinese goal is the expansion of its legitimacy internally (control + economic prosperity) and externally (cooperation + dependency).

Geopolitical

The second category of the debacle between the US and China is geopolitical. For as wide as the term can be (geopolitics), the occupation of space of one (China), involves, invariably, the loss of space of the other (United States).

Within the Chinese view, the United States simply cannot tolerate the growth of Beijing's influence, as the US wants to remain as the only superpower in the globe. Taking in consideration that the Chinese conception of national security implies the survival and further solidification of the CCP, the expansion of its global influence aims directly at protecting its domestic goals. Expanding its presence in the South China Sea, neutralizing countries from Southeast and Central Asia through commercial and financial dependency (as well as vaccines), generating a corridor from Xinjiang to the Mediterranean, Indian Ocean and Pacific through the Belt and Road Initiative, as well as enhancing commercial, financial and investment dependency in Africa and Latin America, all this is aimed at solidifying the long-term existence of the CCP.

The historical perception of Latin American countries towards the Monroe Doctrine has been negative. Mostly, because the Latin American perception is that the Monroe Doctrine brought no clear benefits other than the ones when President James Monroe claimed it as a foreign policy (avoiding European powers from the region).

The Xi Doctrine has been received with much more flexibility by the Latin American nations, since it involves no structural demands from the local governments, in terms of actual changes in its institutional structures. The Chinese government, through various quasi-governmental institutions such as the Chinese People's Association for Friendship with Foreign Countries (CPAFFC), China Council for the Promotion of International Trade (CCPIT), United Front, as well as more specific ones such as the Association of Zhejiang Entrepreneurs in Mexico and the Cantonese Merchants Union of Latin America, are prolific in exploring local relations in a high level of pragmatism, in which the historical institutional and bureaucratic flaws of Latin American governments are not challenged as right or wrong by these organizations nor representatives of the Chinese government. This enhances the desire of Latin American governments, whether national, state or municipal, to relate with China without the pressure of becoming more transparent, more institutionalized and more democratic as historically required when dealing with the US.

The over-dependency that crippled Latin American countries developed with international organisms such as the IMF, World Bank and the IDB, also generated negative reactions from regional societies who understood that often, the demands for loans were unreal in relation to the capability of the borrowing country to fulfill (fiscal equilibrium, monetary policy etc). Argentina is a major example of that. After the 2008 financial crisis, China emerged as a lender with non-orthodox requirements that matched well the expectations of short-minded populist administrations in Latin America. If before, borrowing from an international organization could ameliorate the economic condition of a country, the political rejection from its own society haunted populist politicians. Also, the general perception (exaggerated or not), that these organizations were heavily influenced by the US, contaminated part of the public perception towards the country.

China emerged as a lender in which the requirements were different and easier to satisfy with little or no domestic political impact. The commercial dependency which was already a reality (Brazil being the stronger example), the financial dependency emerged as a new variable that influenced the geopolitical presence of China in several Latin American countries, protected by the commercial, financial or investing nature of the surfaced relationship.

In Latin America, the geopolitical occupation of influence occurs through generating dependency. The dependency targets the historical strengths and weaknesses of the region:

1. Natural resources and commodity production - strength
2. Openness to infrastructure that enhances production export - strength
3. Mid to low level of institutionalality - weakness
4. Flexibilization of rules and regulations - weakness

Under the narrative of the Belt and Road, China was able to operate within the veil of a domestic policy to bring any sort of cooperation agreement or partnership towards Latin American countries.

In Latin America, the expansion of financing and/or direct investments in particular infrastructure projects, gives China a major tool for influence in critical areas such as logistics, energy and production.

Ports

Paranagua Port (Brazil) - The China Merchants Port Co. acquired 90% of the port containers facility at the Paranagua Port, which is the 2nd largest Brazilian port. Also, the company is financing terminal expansion.

Montevideo Port (Uruguay) - Uruguayan government suspended a project from Shandong BaoMa in 2019. Nevertheless, the Chinese government is still pressuring to expand specific areas of the port.

Buenos Aires Port (Argentina) - The Chinese company Cheung Kong has a pier at the port of Buenos Aires, with full autonomy to operate as well as the management of the inflow and outflow of the production.

Punta Arenas Port (Chile) - Chinese government aims to expand cooperation with the Chilean government to use the port for Antarctic exploration. The presence at the Strait of Magallanes is also very strategic due to traffic in the region.

Chancay Port (Peru) - This new port in Peru is almost entirely financed by Chinese investment through the Cosco Shipping Company in partnership with Volcan Mining Company.

Yurimaguas Port (Peru) - This river port terminal has Chinese investment which is likely to grow in the upcoming years, as China dominated the traffic inflow through that region. Combined with the Chancay Port investment, this can connect the Pacific to the Atlantic Ocean through the Caribbean.

La Brea Port (Trinidad & Tobago) - This port which is being built since 2018, is focused on the distribution of LNG and is being built by the China Harbour Engineering Company.

Santiago de Cuba Port (Cuba) - The China Communications Construction Bank worked on the modernization of terminals at the port. In exchange, they possess prioritarian access.

Ports in Mexico - Through Cheung Kong, China has access to specific piers at Baja California, Morelia and Michoacan.

Panama - In Panama, Cheung Kong controls three different piers and is negotiating the expansion of at least two of them.

All these ports are aimed to be used for commercial purposes. The duality of its use is not implicit in the agreements made with each country, though, given the financing or direct investment from the companies to these particular projects, the usage for military vessels depends on a simple political conversation, if this ever comes to be the case.

China has experience in military operations in the region, since they were part of the UN Peacekeeping in Haiti for 8 years. Also, Chinese elite army groups have engaged in training with elite forces in several Latin American countries, including Brazil and Colombia.

Within the geopolitical arena, we have the obvious stand-offs in the South China Sea. In relation to Latin America, China knows that Latin American nations believe that the U.S. does not tolerate geopolitical competition, particularly in Latin America. The key aspect is the initial, overall view that China portrayed to Latin American leaderships in comparison to what these same leaderships received from the U.S.: China sees the region as a land of opportunities (natural resources, commodities, necessity for loans, under-industrialization) while the U.S. sees the region as a land of problems (migration, narcotraffic, corruption, weak institutionalization).

This is the landing argument when the Chinese government initiates conversations with Latin American leaderships.

Economic

The CCP understands that to assure domestic order and stability, it must deliver economic stability and prosperity. The fuel for the internal domestic stability (economy) is a two-way road in which commodities are the inputs and industrialized goods are the output. In this sense, Latin America offers a fantastic opportunity for long-term engagement because the commodity output of the region to China is continuous, abundant and dependent on financing (decreased considerably over the past years), investment (increased, substituting financing) and dependent.

On the other hand, the low-level of industrialization increased opportunities of importing further goods from China as well as experimental technological equipment that, in normal circumstances, would prove to be too expensive if acquired from American or European manufacturers.

The economic, high-level relationship between the Chinese government and Latin American governments are the most solid and represent the biggest asset in the relationship between them.

The 2008 financial crisis was not as bad in Latin America as it was in other parts of the world. At that time, China had replaced the United States as Brazil's main trading partner. The region remained a major source of problems for the U.S. (illegal immigration, narcotrafficking, leftist/populist governments, corruption, money laundering etc). This limited the U.S.'s impetus in stimulating further investments in the region and facilitating trade deals. Also, the Latin American perspective was that any further relationship with the U.S. would involve solutions aimed at the traditional problems generated in the region, in which local governments had little know-how in controlling or solving problems.

China, on the other hand, did not have to deal with illegal immigration from the region, nor did it have problems regarding narcotics and ideological ambitions to change administrations that were perceived as intrinsically incapable of organizing themselves. At the same time, China demonstrated little to no interest in the traditional problems of corruption or populism or even how these countries would use loans offered by Chinese banks. In this sense, Latin America

portrayed itself as the perfect opportunity for China: more developed than Africa, less institutionalized than Europe, plentiful of natural resources and a consumption-oriented society eager to acquire any sort of manufactured goods that could fit their pricing expectations.

If on one hand the commercial relations were functioning in auto-pilot, the financial aspect required a higher level of trust, dialogue, access and negotiations. Although China's experience in Venezuela is perceived by Beijing as a failure, the logic of loans for commodities worked relatively well as long as PDVSA could produce. After PDVSA proved to be an utter failure in its extraction capacities, the demand for capital from the Venezuelan government became a burden to Beijing.

In general terms, the advance of Chinese companies (state owned or quasi-state owned), was a success from 2008 until now. Major projects in infrastructure, mining, energy and logistics thrived in the region, decreasing the participation of traditional American and European companies. Lines of credit were flowing, though always in an amount below what was promised, leading several Latin American countries to look for Beijing ahead of looking for the traditional IMF and World Bank routes.

The specific target of commodities in the region switched from an opportunity for China to becoming a strategic option in a short period. Iron ore, beef and soybeans from Brazil, wheat and beef from Argentina, beef from Uruguay, lithium and copper from Chile and Peru as well as other projects in Ecuador, Central America and the Caribbean, turned Latin America into the go-to supermarket for Chinese economic growth. Consequently, China launched several forums to enhance dialogue and pamper Latin American decision-makers and opinion-makers in every possible way, without worrying about the FCPA and its European equivalent. Transparency was no longer an issue.

This led to major diplomatic victories, such as gaining diplomatic allegiances from Panama and the Dominican Republic, switching support from Taiwan to PR China.

Argentina proved to be an immeasurable source of opportunities for China. From infrastructure projects to the continuous flow of imports and exports, China began considering Argentina as the go-to place for practically anything in which they can't afford elsewhere, which culminated in a space observation base in Patagonia, Argentina. Projects for the construction of nuclear reactors with Chinese technology, as well as negotiations for the acquisitions of FC-1 fighters and armoured vehicles, are constant and demonstrate the value of the cross negotiations established by China in the region: the same route where loans are negotiated, serves as a route for strategic partnerships. It is also natural that indebted countries accept non-related projects as a mechanism to either decrease the amount of debt or to generate an opportunity for further loans.

The United States has alerted several regional governments about the debt trap and the long term risks. However, the U.S. administrations failed to couple the warnings of long term risks with

short term solutions that could lead to the substitution of sources of loans and investments. The DFC was created in 2018 as a good idea, though not robust enough to substitute the Chinese banks and their willingness to lend. Also, the requirements still seem to be easier to negotiate with Beijing rather than Washington. The Chinese posture satisfies populist administrations with short-term mentalities and high expenditure profiles. Also, it satisfies the parts of society that consider a fast train in the province of Buenos Aires as an end in and of itself, rather than a symbol of long-term debt.

Center-left politicians in Latin America see the United States as a country that demands unfixable mistakes to be immediately fixed, leading to a cultural misunderstanding. The center-right politicians see China as a necessary evil, in which narratives may sound aggressive, but the reality is different (such as the Brazilian President Jair Bolsonaro's love/hate relationship with China).

Independently of the ideological positioning, the general perception is that the U.S. can only challenge China in the region if the U.S. applies the same mechanisms as China does: high levels of investments, financing and economic involvement dissociated from political entanglement. Naturally, this goes against the entire foreign policy logic of the U.S.

A faster approach, however, has been experimented during the Trump administration in relation to the International Development Bank (IDB). By appointing Mauricio Claver-Carone, Trump attempted to reposition the IDB as a reliable source of funding to Latin American countries in exchange to what China can offer. This places the IDB as an important player for credit offering at the same time in which we also observe an increase in the portfolio of projects in which the DFC is directly involved. However, financing is no longer the main issue.

The continuous flows of financing from Chinese banks into Latin American governments have shown Beijing a different set of problems. The execution capabilities of several of these countries have proven to be below expectations, especially in strategic logistical areas in which China expects to benefit from the final product. In this sense, the strategy has been shifting from financing to direct investment, where China (or the Chinese companies nominally involved in the project), are also owners, outright or in part, of the final product (a port, airport, railway, mine etc). This allowed Beijing to amplify its scrutiny on the execution of the projects in order to assure its proper development.

The arrival of the pandemic opened another front to the Chinese government to increase unrelated negotiations within the original framework of vaccine negotiations with each government. The Chinese vaccine diplomacy (and the Russian efforts as well, to a certain extent), was possible due to the simple aspect that the production, negotiation and distribution of the vaccines was oriented and executed by the governments of these two countries, rather than by the laboratories themselves (such as in the case of Pfizer, AstraZeneca and Johnson and Johnson).

The supply of Sinopharma and Sinovac vaccines (although Sinovac is private, the Active Pharmaceutical Ingredients (API) are not), offered the Chinese the opportunity to unify commercial goals with strategic goals as well. China was able to elevate the level of government to government conversations because of the vaccine supply, generating a new level of trust, dependency and flexibility of many Latin American governments in unrelated matters that were important to Beijing. In Brazil, for example, even though the negotiation for the production of Coronavac (Sinovac) was made between the State Government of São Paulo and the Chinese government, the ultimate decision-making for the production and distribution relied on the Federal Government in Brasilia. The dependency of the API to produce the vaccine, led President Bolsonaro to engage in conversations with Xi Jinping that, invariably, entered the realm of other areas of interest for the Chinese, such as Huawei. While the Brazilian government was demonstrating all signs of banning Huawei from being a supplier at the 5G auction at the end of 2020, the situation changed and now offers signs of allowing the Chinese tech company to participate. This comes at a moment where the dependency on the Chinese API's has reached a boiling point for Brazil to be able to produce and distribute the Coronavac vaccines.

We can observe two static aspects of dependency: commercial and financial, and a temporary one which is the vaccine dependency. The vaccine enhanced the way in which China could ameliorate the conditions of the two static aspects with Brazil and other countries as well.

The U.S. must place itself as a reliable option for at least one of the two static aspects. However, this implies complicated conjectural and domestic issues. Being a self-sufficient superpower, the U.S. is able to produce basically every variation of commodities produced in Latin America. For the U.S. to substitute China as a commercial partner, this would negatively affect American producers. Brazil would not be able to sell its soybeans to the U.S., since the U.S. is the main competitor to Brazil in this field. The same applies to Argentina's wheat and beef, Peru's minerals, Venezuela's oil, Brazil's ethanol and cotton etc. The low industrial diversification in the region is also a factor, since the offer of diversified products is even lower. At the same time, China is enhancing its position of not only being a buyer, but of being the investor in the products it buys, enhancing the production process through logistic and technological investments. Mergers and acquisitions, as well as micro-financing, tend to tie Latin American private companies to Chinese private companies, which are carriers of loans from same province banks, extending the relationship from these companies to China. Major investments in the distribution logistics also tie the local producer to the Chinese market.

Financially, it is also tough for the U.S. to substitute China. Most of the loans from provincial banks to Latin American companies, municipalities etc., are heavily subsidized, making it hard for the U.S. to operate within the same level of competitiveness. The IDB and the DFC are good initiatives, but still far from what can be offered by China.

China also brings an advantage to anxious indebted countries, due to the fact that the separation between public and private sectors in China is a gray zone. This offers China the possibility to alternate approaches towards anxious indebted governments and producers, as well as companies aiming to expand their productions and exports. This leads to an unbalanced relationship in which the country/producer wants a deal with China, whether it is financing, M&A or partnership, more than China does. In addition, this hybrid Chinese model of public and private, allows negotiations and deals to be sealed faster when compared to similar deals with a Western bank, investment fund or government. In Latin America, many companies are convinced either by their own governments or direct contact with Chinese authorities that opting for a deal with China Construction Bank or other similar banks are less bureaucratic and less rigid in terms of compliance rules.

Technological

Lines of credit are not the only instruments for financial and commercial dependencies. Although we have become used to seeing the Peruvian, Argentine and Venezuelan governments requesting more and more loans aimed, not for investment, but for regular payroll obligations, the Chinese approach to infrastructure projects is the main target for Beijing to expand their presence and influence in the country.

Initially, loans were offered for countries to execute key infrastructure projects. Since 2018, this has been shifting to the direction in which Chinese companies, backed by Beijing, become investing partners and not only financiers of these projects.

Infrastructure projects in the region have offered political leverage, commercial dependency (through enhanced logistics), financial dependency (through debt), but also became useful as showcases for Chinese high-end technologies to be presented to local decision-makers.

In Western societies, the interpretation of the term “soft-power” generally relies on non-technical aspects that are essentially cultural and easily attributed to a country. The U.S. exercises its soft-power through pop-culture, Brazil through soccer and Carnival, Argentina through tango and parrilla, etc. The notion that China, because of its distinct culture, cannot offer soft-power to Latin American societies is not correct.

Beijing understands that technology can be its most efficient mechanism of soft-power. The capability to produce high-end technological equipment for entertainment, security, government operations and scientific research at very low prices (due to an intense subsidy from the Chinese government as well as lack of intellectual property rights culture), enables China to offer Latin American governments and companies access to technological products that would not be economically viable if acquired from the U.S. or Europe.

For China, the soft-power approach to technology aims at developing a trusting relationship with Latin American consumers, in which the continuous usage of reliable hardware (Huawei and Xiaomi phones) and software (Tik Tok), neutralizes the U.S. narrative of reliability and data protection. On the other hand, as companies and municipal, state and federal governments opt for Chinese products for security, operational and scientific usage, mainly because of the price-tag aspect, Beijing is able to establish a long-term technological relationship with these countries making it hard for a private-sector approach from U.S. or European companies to gain more access to the local market.

As China focuses on the research and development of Artificial Intelligence and quantum computing, the access to data becomes imperative to enhance capabilities of facial recognition, deep learning and synthetic data generation. Given the fact that its products have back-door access, the expansion of Chinese technological products in Latin America may offer China a continuous flow of valuable data ranging from consumer habits, social media interactions, decision-making patterns, among other things.

In 2020, for example, Brazil was influenced by the U.S. pressure, as well as decisions in the United Kingdom, France, Sweden and Germany, to consider excluding Huawei from the 5G auction - expected to be held in 2021. As the telecom authorities in Brazil evaluated the best way to exclude Huawei, a final decision was not made until December 2020. Aware that their exclusion was a reality, Huawei shifted their strategy from lobbying directly the Brazilian government to focusing on large private agribusiness and mining companies. The goal was to offer Huawei 5G kits to influential private companies, making it harder for the Brazilian government to exclude Huawei if several key players in important producing sectors in Brazil were already using their kits. This enhanced the difficulty of excluding Huawei, since their 5G kits were already being installed in several private enterprises in the country.

As the pandemic grew and the government's lack of organization in acquiring vaccines became evident, the Federal government had to rely on the agreement tailored between the Government of São Paulo and Sinovac. By expanding the production capability of the Coronovac in São Paulo, the Federal Government had to request larger quantities of Active Pharmaceutical Ingredients from China. In a direct conversation with President Xi Jinping, Brazilian President Bolsonaro had to negotiate a larger influx of API's and in exchange, agreed to have a more friendly and tolerant approach towards maintaining Huawei as a supplier for the 5G auction to be held this year.

The confluence of matters - vaccines and tech - worked well and exemplified how China is able to deal with different matters with the same decision-makers in Latin American governments and Beijing.

In Argentina, the intense loans provided from China to Buenos Aires, as well as Argentina's incapability to pay these debts in regular manners, generated a hybrid mechanism of payments

that benefitted the technological goals of China in the country. While part of the debt is paid through commodities exported below the market price, another part is converted into special strategic access for projects such as the Space observation facility in Patagonia, which is controlled exclusively by Chinese nationals without access to Argentine authorities. This Space observation center could, in theory, be converted into a SIGINT station, though there is no clear evidence that this is the target usage of the Station. Nevertheless, the duality of function allows China to operate the observation center at will, enhancing its signals capabilities in the region.

In parallel to that, the established relation between China and several Latin American countries opens the door to these countries, where China can offer technological products with large willingness of the host countries to accept offers in order not to damage the established relationship between the provider and the recipient. In the last year, Huawei increased their revenue in Latin America by 21.3%. The expansion of their telecom infrastructure is particularly strong in Brazil, Venezuela and Mexico. Tencent has partnered with Mexican digital payment company Openpay as Huawei also began the integration process of their servers with Brazilian SOE Caixa Economica Federal. Alibaba has also expanded its presence in Mexico. DaHua donated numerous thermal cameras to Argentina, Chile, Panama and Colombia. Donations of equipment have proved to be an efficient mechanism to establish tech dependency in Latin American countries, in which continuous updates and expansion of services guarantees a long period of relationship between the company and the recipient of the products.

It is clear that the United States has had difficulties in competing in this aspect, as the autonomous decision-making of tech producers is the essence of a free, capitalist society. Incentives from the government and specific, facilitated lines of credit for the acquisition of U.S. and European tech equipment could be an alternative to balance this out under the U.S. strategic tech goals in the region.

Commercial

The commercial relationship between China and several Latin American countries is the hardest one for the U.S. to tackle and position itself as a viable alternative. As mentioned earlier, the main difficulty revolves around the self-sufficiency of the U.S. in commodities that are produced in Latin America. Therefore, the U.S. market has difficulties in absorbing Latin American commodities in order to replace what China consumes.

On the other hand, the commercial dependency in which China developed with many countries, particularly Brazil, is the one that offers less leverage to China to engage in bilateral negotiations. With the auto-pilot function between private producers and the Chinese buyers, the operations flow without the continuous involvement of the Federal governments. In this sense, the channel of communication is not necessarily continuously open, making it difficult for China to involve other issues of negotiation through that door.

I don't see the commercial dependency between Latin American countries and China as the main source of preoccupation for the U.S. in the region. It is natural that China will keep acquiring commodities from the region, given the fact that the low diversification of production and low industrialization in the region is an aspect that will not change soon. As the U.S. aims to offshore some of its industrial productions in China to other countries, Latin America may emerge as an alternative in which countries, particularly Brazil, Colombia, Peru, Chile and Mexico would be willing to accommodate U.S. companies based in China, given that special tax incentives are accorded between the U.S. and these countries.

The commercial aspect is the visible part of the Chinese strategy in the region. This strategy can be divided in the following manner:

1. Economic/commercial dependency, through commodity backed lendings which are less risky, generating a stable access to natural resources while opening doors for strategic and specific projects.
2. More market for Chinese companies;
3. Influencing local policies to favor Chinese interests at local, state, national and international levels;
4. Shaping the public view towards China, neutralizing the anti-China narrative produced by the U.S.;

Another important angle of the Chinese commercial strategy towards the region revolves around mining. There is one international issue in the global agenda that unifies China and the United States, as exemplified by John Kerry's visit to China in the past month. The environmental, sustainable agenda is the main point of "positive diplomacy" between the two countries. As China engages with the U.S. in the quest for sustainable sources of renewable energy, Beijing is protected from potential sanctions against the import of rare earth minerals.

The reason is that rare earth minerals have multiple usages varying from semiconductors to quantum computing and Artificial Intelligence hardware to solar panels and eolic turbines. It is complicated for the U.S. to monitor the ultimate usage of the minerals obtained in Chile and Peru (such as lithium), for example. This mineral can be applied to batteries used for renewable energy projects, as well as military purposes. As China observes a wave of sanctions emerging from Washington D.C., while, at the same time, the country is not self-sufficient in specific rare earth minerals, the posture of collaboration from Beijing to Washington in renewable energy fits well, since it creates a protective belt against sanctions.

If there is a potential dual use of commodities imported from Latin America, this falls upon the rare earth minerals obtained in Peru and Chile. Other countries, such as Brazil and Colombia also offer opportunities which the Chinese were not yet able to explore to its full extent. The investments from China in Peru and Chile are growing and will not cease in the foreseeable future.

Military

China's military ambitions in Latin America are not explicit and can hardly be categorized into one clear policy. It is important to note, however, that since every negotiation, investment, sale, acquisition and project are connected to a central decision-making process in Beijing, which invariably involves the military, the core of every action can be traced back to a potential military project if needed.

The Chinese participation at the UN Peacekeeping mission in Haiti, as well as the training with elite Army forces from Brazil and Colombia are only glimpses of involvement of the PLA in Latin America. China's largest military engagement in the region has occurred via commercial deals, as Beijing tries to land military contracts with the Armed Forces of Argentina, Brazil and Peru. In Argentina, the negotiations for armored vehicles and FC-1 fighters often stumble in Argentina's lack of financial capability. Also, Argentina still must cope with the embargoes from the U.K., established since the Falklands War. The recent attempt from the Argentine Air Force to acquire South Korean jets stumbled upon this embargo, though China does not seem bothered and is still attempting to sell the FC-1s. For this sale to go through, however, China must replace the ejectable seat of the aircraft, which is manufactured by a British company (Martin Baker) in order to conclude the negotiations. Early in 2021, the Chinese attempted to offer J-17s to Argentina as well as ZBL 09s armored vehicles, though the pandemic temporarily suspended the negotiations. If this succeeds, it will be the most relevant successful attempt (excluding Venezuela) to offload non-used Chinese military equipment to a major Latin American economy.

Meanwhile, Argentina is negotiating with the Russians for SU-35s, especially now that the relationship between Argentina and Russia evolved positively after the negotiations for the supply of Sputnik V vaccines to Argentina.

Argentina and China, however, are not newcomers in strategic negotiations in the region. The Space Observation Base in Patagonia is possibly the biggest Chinese black box in the continent and generates numerous speculations of its real functions. This is the closest that China got in the Latin American region from establishing a military base.

The military focus of China is still concentrated on the South China Sea and the Indo-Pacific region. Nevertheless, Latin America as well as Africa are not forgotten, since China enjoys privileged access to several governments in both regions. China is still engaging, since 2015, to gain the trust of several military leaderships with the PLA leadership. During that year, military representatives of 11 Latin American countries participated in conferences and conversations in China that continued systematically after that.

It is unlikely that China prioritizes the military angle in Latin America. Beijing understands that any point of conflict with the United States will occur in the Indo-Pacific region. Nevertheless,

the economic machinery to sustain such potential conflict must rely on Latin America and Africa to supply China with food, fuel and minerals.

Environment

Although the environmental issue is not an area of dispute or tensions between the US and China (being one of the few areas in which both countries cooperate), China explores well the US environmental narratives in the region, specifically in relation to Brazil, in order to offer an opposing and friendly approach.

The Brazilian government has the perception that the US environmental narrative towards the country is aimed, primarily, at satisfying domestic audiences rather than tackling directly the issue in Brazil and in offering potential cooperation for solutions. Even though the criticisms towards the current narratives and policies of the Brazilian government in relation to the environment are just and accurate, most of them do not accompany recommendations, concrete actions of support and joint collaboration.

On the other hand, the Chinese government, through its diplomats in Brasilia, understood well the gaps within the American narrative, and tried to fill in the blanks with supportive actions that resonated well within Brazilian policy makers. The exit of former Brazilian chancellor, Ernesto Araujo, one of the most vocal anti-China voices within the Bolsonaro administration, opened an opportunity for Beijing to engage in environmental talks with Brasilia aimed at enhancing an ambience of cooperation and goodwill. Currently, China is negotiating with Brazil the acquisition of USD 1 billion in carbon credit, to be destined for the preservation of the Amazon Forest. This occurred immediately after the Brazilian government requested financial support from the US to enhance preservation mechanisms to the forest, which, according to the Brazilian side, were not accepted by Washington.

As mentioned before, China's governmental structure allows crossing themes to be included within the same negotiation framework. This generated a triangular conversational routine with Brazil involving APIs supplies for the production of Coronavac, maintenance of Huawei's presence as a supplier to the 5G network infrastructure and potential acquisition of carbon credit. By mashing up three, theoretically distinctive topics in one, China is able to leverage the necessities of Brazil, APIs and capital for carbon credit with its current necessity, maintenance of Huawei as a supplier.

Conclusion

It is very clear that China has its eye on Latin America as a region for opportunities in multiple areas — mostly as a supplier of the domestic economic machinery, as more and more commodities are required. At the same time, Latin America is a promising recipient of

manufactured goods and technological products produced in China, which are often offloaded through donations and as components of larger deals.

China's modus operandi revolves around aggressive market openings, which are more efficient in financially dependent countries rather than commercially dependent countries, like Brazil. Financial dependency allows for tailor-made deals, which involve non-related topics, giving China preferable access to specific markets.

Although China is not looking at Latin America militarily as a potential future war theater, the region is invariably connected to military goals in the Indo-Pacific region because of its influx of dual-use natural resources. Also, given the institutional frailty of some countries in the region, Latin America offers access to potential military bases that can be explicit (as the one China holds in Djibouti) or implicit, as the one China maintains in Argentina.

The six angles in which the U.S.-China tensions are set can be used to further monitor specific actions from the Chinese government in Latin America, without disregarding that these areas intertwine in many ways. Towards Latin America, the commercial, economic and technological angles are the areas in which China thrives with little or no competition from the U.S., mainly because the U.S. sustains the conceptual angle as its main strategic narrative approach to the region. The effectiveness of this narrative is limited, given the pragmatic and non-ideological approach that China employs.

The dependency angles must be observed and categorized continuously by the U.S. in order to better understand and further categorize Beijing's strategic actions. Commercial dependency opens the door for the neutralizing of larger political narratives against the CCP, since the fear of commercial retaliation exists and has been used in the past (increased sanitary inspections, for example). However, Brazil serves as an example that anti-China narratives are not enough to interrupt the export flow, but generates targeted responses from Beijing (such as the delay for the export of API's from China to Brazil). Financial dependency also opens other doors, which include variations for the paying of debts, including payments through commodities and or, opportunities for exploration of specific projects in the country that would otherwise require proper bidding processes. Technological dependency is specific and enables future supplies of equipment, enhancing the local tech infrastructure network, which is difficult and expensive to be dismantled or substituted in the future.

Recommendations

1. The United States must develop a new narrative for the region, wherein the benefit of cooperation and healthy dialogue may enhance the desire of Latin American countries to engage further with the institutions of the U.S. administration. This new narrative should be directed at identifying opportunities for partnerships and joint-approach to regional economic development, without focusing exclusively on the region's historical institutional instability.
2. Create, within or parallel to the DFC, a special credit line destined exclusively for the acquisition of civilian technological equipment to be used by municipal, state and federal governments, with high flexibility of negotiations, aimed at establishing a viable alternative to the technological products offered by China. A pool of companies could be invited to be part of the project, allowing some of their products to be accessible through simplified bureaucratic procedures.
3. Dynamize the business-to-business relationship of U.S. companies with agribusinesses in Brazil, Argentina, Paraguay, Ecuador and Central American countries, so that they can have a specific forum to explore financing possibilities, partnerships, infrastructure alternatives and market diversification.
4. Intensify the current financial relationship between U.S. and Latin American institutions, with special attention to the historical positive relation between the FED and the Brazilian Central Bank. An open channel of communication, through a specific forum, could allow the U.S. to obtain more insights about local economic policies, without publicly exposing the structural flaws of regional countries.
5. Create or elevate a permanent special envoy to Latin America charged with enhancing the strategic importance of the region and establishing a channel for positive policy development.
6. Emphasize historical and institutional relationships with regional partners, understanding the natural tendency in Latin America to personalize relationships (i.e. the perceived relationship is based on the personal relationships between leaders). Identify ways to strengthen personal relationships when possible through shared interests.
7. Intensify academic and scientific cooperation with regional universities, think tanks, associations, and third party organizations balancing Chinese efforts to shape opinions of thought leaders to conform to Beijing's interest through the involvement of government and quasi-government organizations.
8. Increase legislative awareness and coordination with regional national parliaments through enhanced monitoring to identify stakeholders friendly to the US point of view, and recurring summits with key parliamentary leaders with a bicameral group from the US Congress (similar to the Congressional Argentine Caucus).