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Hearing on “China’s Expanding Interests in Latin America:
Development, Leverage, Coercion, and Crime”

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The views expressed in this testimony are my own and do not necessarily reflect those of Actum or any other organization with which I am affiliated.

Introduction

Chairman, Commissioners, and members of the Commission, thank you for the opportunity to testify on China's expanding economic and political influence in Latin America and the Caribbean.

China's engagement in the region over the past two decades has been extensive, strategic, and increasingly consequential for U.S. national interests. Beijing has pursued an economics-first strategy – using trade, finance, infrastructure development, and technology investment to build long-term leverage across the hemisphere. China's trade with Latin America has expanded dramatically over the past two decades, rising from roughly \$12 billion in 2000 to more than \$500 billion today, making China the largest trading partner for much of South America.

Chinese state banks, state-owned enterprises, and government-aligned investors have financed ports, power grids, telecommunications networks, mining projects, and logistics corridors across the region. In recent years, China has shifted away from large-scale sovereign lending and toward financing strategic projects closely aligned with its policy goals.

China's approach to Latin America is not primarily ideological or militaristic; it is structural – focused on embedding Chinese firms, financing, and technological systems into the economic architecture of the region.

Despite China's growing influence, the strategic environment in the Western Hemisphere still favors the United States. Latin America remains economically, culturally, and technologically aligned with the United States in ways that China cannot easily replicate. The challenge for U.S. policymakers is not whether the United States can compete effectively in the region – it is whether we will prioritize the sectors where competition matters most and deploy the economic tools necessary to succeed.

One emerging risk is that global crises outside the hemisphere could distract the United States from following through on its stated strategic pivot toward Latin America – a familiar historical pattern. The recent conflict involving Iran is a reminder that events in the Middle East and other regions can quickly consume Washington's attention and resources. If that occurs, the United States risks ceding strategic economic ground in its own neighborhood at precisely the moment when China is deepening its economic presence across the hemisphere.

Recent U.S. engagement in the region has understandably emphasized security cooperation, including initiatives such as the recent Shield of the Americas Summit in Miami. These efforts are important, but security cooperation alone will not counter China's influence in Latin America. China's strategy in the region is overwhelmingly economic and technological, and the United States will ultimately need to compete on those same terms – by bringing investment, infrastructure, and technology that outcompetes Chinese alternatives.

My testimony will make three core arguments.

First, China has established a neo-colonial economic relationship with most of Latin America, characterized by commodity extraction, industrial dependency, and growing financial leverage. This reality opens a strategic window for the United States to build a partnership with a region aligned with our shared policy goals.

Second, the most consequential arenas for strategic competition between the United States and China in the region are emerging in three areas: artificial intelligence and digital ecosystems, strategic infrastructure, and critical mineral supply chains.

Third, the United States can successfully compete with China in these sectors if it adopts a focused strategy centered on strategic investment platforms, expanded development finance tools, and deeper collaboration with regional and multilateral partners.

China's Expanding Economic Leverage in Latin America

Over the past two decades, China has built an extensive economic presence across Latin America through trade expansion, infrastructure finance, and targeted investment in strategic sectors.

Chinese companies now control or operate significant assets across the region's infrastructure networks. A prominent example is the Chancay mega port in Peru, developed by China's COSCO Shipping as a major Pacific logistics hub designed to accelerate exports from South America to Asia. The project illustrates how Chinese infrastructure investments can reshape trade corridors while giving Chinese firms long-term operational control over critical logistics nodes, including potentially dual-use infrastructure.

Chinese firms have also expanded aggressively into Latin America's electricity sector, acquiring stakes in the infrastructure that underpins national energy systems. In Brazil, the State Grid Corporation of China acquired a controlling stake in CPFL Energia in 2017, one of the country's largest private electricity groups, and has built and operates ultra-high-voltage transmission lines that carry electricity along one of the most important power corridors in the country. A similar pattern has emerged in Chile, where State Grid acquired the electricity distributor Chilquinta Energía and related assets in 2020 in a \$2.2 billion transaction, giving Chinese firms control of a substantial share of the country's electricity distribution network. Together, these investments illustrate how Chinese state-owned companies are positioning themselves within the backbone infrastructure that powers Latin America's economies, creating long-term influence over sectors central to national economic security.

Beijing can also exert influence over nominally private Chinese firms when assets of strategic importance are involved. In 2025, an investor consortium led by BlackRock reached a preliminary agreement with Hong Kong-based CK Hutchison to acquire a global portfolio of port assets that included the company's two terminals near the Panama Canal. Following the announcement, Chinese authorities reportedly intervened to pressure CK Hutchison to renegotiate the transaction to include COSCO Shipping. While Panama's Supreme Court would ultimately invalidate CK Hutchison's concession to operate the ports, the episode underscored Beijing's willingness to shape the commercial decisions of Chinese companies when strategic infrastructure assets are involved.

These investments are frequently structured under broader geopolitical frameworks such as the Belt and Road Initiative and the Global Development Initiative, which China uses to coordinate financing, diplomacy, and industrial policy. More than twenty Latin American and Caribbean countries have now signed cooperation agreements under the Belt and Road framework.

While these investments often address legitimate infrastructure needs in the region, they also create long-term economic dependencies that Beijing can leverage to influence policy decisions.

The Emergence of a Neo-Colonial Economic Model

Over the past several years, I have found Latin American policymakers and analysts increasingly acknowledge that China's economic relationship with the region is largely neo-colonial. This characterization reflects a pattern in which Latin American economies depend on the export of raw materials to China while importing manufactured goods and industrial technology in return.

One illustration of this dynamic can be seen in Chile's copper trade with China. Over the past decade, Chile's exports to China have increasingly shifted toward copper concentrate rather than refined copper products. This shift has coincided with the rapid expansion of China's domestic copper smelting capacity and, more recently, negative treatment charges offered by Chinese smelters – conditions that have made Chilean domestic refining less competitive. The result has been a growing reliance on Chinese industrial processing capacity and a gradual hollowing out of value-added production in the region.

This pattern mirrors classic extractive trade relationships in which raw materials flow outward while higher-value industrial processing occurs elsewhere. While this arrangement may generate short-term export revenues, it can also entrench long-term dependency. In many cases, these dynamics persist because Chinese firms often represent the only readily available source of financing and technical capacity for large strategic projects.

Looking ahead, this competition is increasingly converging around a small number of strategic sectors.

The Three Strategic Battlegrounds

Although China's engagement spans many sectors, three areas will likely define the future of geopolitical competition between the United States and China in the Western Hemisphere: artificial intelligence and digital ecosystems, strategic infrastructure, and critical mineral supply chains.

Artificial Intelligence and Digital Ecosystems

The global race for AI leadership will not be decided solely within the borders of the United States or China. Instead, it will be determined by which country's technologies, platforms, and standards become embedded in the economies of the 78 percent of the world's population that lives outside those two countries.

Latin America represents a crucial battleground in that competition.

During this year's Two Sessions meetings, Beijing was clear that Chinese global leadership in artificial intelligence is a strategic priority and it intends to expand the international adoption of Chinese AI systems – particularly across emerging markets. Chinese firms are increasingly promoting vertically integrated solutions that bundle chips, compute clusters, and software frameworks into a full AI technology stack. Huawei, for example, has begun marketing AI infrastructure built around its Ascend processors, CANN computing architecture, and associated model ecosystem as an end-to-end platform for countries seeking sovereign AI capacity.

Early examples of this approach are already emerging: Malaysia has explored deploying Huawei AI servers alongside Chinese large language models as part of a national AI infrastructure initiative, while in Latin America Huawei has established a significant foothold in Brazil through its rapidly expanding cloud and data center ecosystem, positioning itself to support regional AI workloads.

To be clear, Huawei's Ascend chips still lag leading U.S. GPUs in raw compute performance and developer ecosystem depth. But China's strategy is not to win on chip performance alone – it is to offer an integrated, government-backed AI stack to countries that may lack access to Western infrastructure. If successful, that approach could allow Chinese technology standards and platforms to become deeply embedded across large parts of the developing world before competing systems take hold.

Chinese venture capital is also becoming more active in the region's technology ecosystem. Companies such as DiDi have quietly pursued plans to deploy as much as \$1 billion in venture capital investments across Latin American technology startups and venture funds, embedding Chinese AI and digital platforms into early-stage companies. China has also stepped up direct engagement with regional technology leaders. In 2025, China hosted a Sino-Latin American venture capital and technology summit, bringing dozens of Latin American founders and investors to China to encourage the adoption of Chinese AI platforms and investors.

These efforts mirror China's ongoing telecommunications strategy, where Huawei rapidly expanded market share across Latin America's 5G networks through a combination of financing, training programs, and commercial diplomacy. In one anecdote relayed to me by officials in a major South American city, Huawei arrived with a large delegation of engineers, financiers, and government representatives to pitch its 5G technology, while a Western competitor sent only a single regional sales representative.

If these trends continue, Chinese platforms could end up also dominating the region's emerging AI ecosystem – from the digital infrastructure that powers AI-native startups to the governance frameworks that regulate data and digital services.

Strategic Infrastructure

China has also focused its investments on infrastructure that forms the backbone of regional economic systems.

Chinese firms have financed or acquired stakes in ports, energy and telecommunications networks, and logistics corridors across the hemisphere. These assets are not merely commercial or technological ventures. Control over infrastructure nodes can generate long-term strategic advantages.

Electricity networks underpin industrial development and energy security. Port operators influence shipping flows and trade routes. Satellites increasingly factor into the broader digital economy (not to mention modern warfare). Telecommunications systems determine the architecture of digital communications. While I have already mentioned Peru's Port of Chancay and Brazil's electricity transmission system, there are many other examples of China's investments in strategic infrastructure.

In Argentina's Neuquen province, China operates a deep-space satellite tracking station as part of its global space communications network. The facility, built under the Belt and Road moniker and leased to China for fifty years, is operated by the China Satellite Launch and Tracking Control General – an organization affiliated with the People's Liberation Army.

Ecuador's ECU-911 surveillance and emergency response system is another example of how Chinese investments in communications networks could become leverage. The network incorporates thousands of cameras and centralized monitoring centers – precisely the kind of infrastructure that is expensive to replace, requires ongoing servicing, and can be upgraded over time in ways that expand data access and political influence.

When it comes to Latin America's strategic infrastructure, two consistent Chinese advantages have been the lack of non-Chinese competition and poorly designed procurement.

The dwindling presence of alternative U.S. bidders on strategic infrastructure projects has been exacerbated by strong economic growth in the United States. As an executive of a major U.S. builder told me, they had more opportunities in the United States than their business development team could realistically pursue. Therefore, it was difficult for them to justify seeking out projects in unfamiliar jurisdictions with cutthroat Chinese competitors.

Weak procurement frameworks for strategic infrastructure can allow politically driven financing and non-competitive bidding to shape major projects, discouraging credible international competitors from even entering the process and increasing the risk that critical national assets become dependent on a single foreign provider.

Critical Mineral Supply Chains

The third strategic battleground lies in critical mineral supply chains.

Latin America contains some of the world's largest reserves of minerals essential to modern industry, including lithium, copper, antimony, tin, and rare earth elements.

China has pursued a systematic strategy to secure long-term access to these resources. Chinese firms have invested heavily in lithium extraction projects, copper mines, and other minerals across the region. In many cases, these investments are paired with long-term offtake agreements that guarantee mineral supply to Chinese manufacturers.

One example is Ecuador's Mirador copper mine, the country's first large-scale industrial copper project. The mine is owned by a Chinese consortium led by Tongling Nonferrous Metals (one of China's leading smelters), which mobilized more than \$1 billion in mostly Chinese-backed investments to develop the project. Copper concentrate produced at Mirador is exported primarily to China for processing, reinforcing a pattern in which Latin America exports raw materials while industrial processing occurs in China.

The strategic objective is not simply to secure raw materials. Rather, it is to ensure that the entire value chain – from extraction to processing to manufacturing – remains anchored within Chinese industrial ecosystems.

Without proactive U.S. leadership to mobilize American investment, technology, and commercial partnerships across these sectors, Chinese state-backed firms will continue to expand their dominance over the critical mineral supply chains that underpin the global energy and technology economy.

Why the Strategic Environment Still Favors the United States

Despite China's growing presence, the broader geopolitical environment in Latin America still favors the United States.

The region's economic and cultural integration with the United States remains profound. Latin American entrepreneurs, investors, and technology firms are deeply embedded in U.S. financial markets, universities, and innovation ecosystems. English-language business practices, legal frameworks, and corporate governance standards remain strongly aligned with those of the United States.

Many Latin American policymakers are also increasingly wary of the terms under which Chinese financing and infrastructure projects are structured. Concerns about debt sustainability, transparency, and local economic benefits have generated growing skepticism toward certain Chinese investments.

One recent example emerged in Costa Rica during the country's development of its 5G telecommunications network when the government of President Rodrigo Chaves implemented cybersecurity standards that effectively barred Huawei from participating in the tender process. In response to the decision, Costa Rican officials reported diplomatic pressure and warnings of economic repercussions from Chinese representatives.

Given a choice, most Latin American political leaders – on the right or left – would prefer U.S. investment over Chinese.

More recently, political and economic realignments across the region are creating renewed interest in closer economic integration with the United States. Two decades of Chinese financing and trade have left the region, particularly South America, as dependent as ever on commodity exports and marginally better connected to global value chains. Latin America's recent political re-embrace of capitalism and a desire for deeper ties with the United States bodes well for U.S. and U.S.-aligned investors.

Together, these trends provide a foundation for renewed U.S. economic leadership in the hemisphere.

However, this opportunity will only materialize if sustained political attention is maintained. U.S. administrations have historically struggled to stay focused on the Western Hemisphere when crises erupt elsewhere. The recent conflict in Iran illustrates how quickly geopolitical priorities can shift. If Washington again becomes absorbed by crises in other regions, China's steady and economically focused engagement in Latin America will continue largely uncontested.

A Strategic Response: Prioritizing Key Sectors

Security cooperation remains an important pillar of U.S. engagement in the hemisphere, and initiatives such as the Shield of the Americas Summit demonstrate Washington's continued commitment to addressing the violence plaguing the region. But Latin American political and business leaders hope U.S. engagement will also bring investments in infrastructure, technology ecosystems, and supply chains. If the United States focuses primarily on security cooperation while China continues expanding its economic footprint, Washington risks addressing the symptoms of strategic competition while leaving the underlying economic dynamics unchanged.

To compete effectively with China, the United States must not merely engage economically with the region but prioritize its engagement in the sectors where strategic competition matters most.

This point is crucial: the United States will not dominate every industry or project in the region. Nor do we need to. For example, I am less concerned about Chinese investments in a local toll road or municipal bus system than, say, a deepwater commodities port or an AI data center campus featuring Huawei chips. If everything is a priority, then nothing is.

This is why I have focused my testimony on three strategic battlegrounds, which I believe deserve U.S. prioritization.

AI and Digital Ecosystems. The stakes are too high for the United States to lose its global leadership position in AI – likely humanity's most consequential technology. The United States should actively lead the development of AI and emerging technology ecosystems across the hemisphere. Strategic investments that anchor U.S. technology standards and platforms in the region's digital economy will be essential to maintaining its leadership in the global AI race.

Strategic Infrastructure. The United States should prioritize investments in strategic infrastructure, including ports, energy systems, telecommunications systems, and other infrastructure critical to a modern, resilient economic region.

Critical Mineral Supply Chains. The United States should strengthen cooperation with regional partners to build more resilient and integrated critical mineral supply chains, including greater processing capacity within Latin America itself as well as the United States. This approach would allow countries in the region to capture more value from their resources – contrasting sharply with the Chinese experience – while reducing U.S. and global dependence on Chinese processing capacity.

Whether the U.S. government chooses these or identifies other priority sectors, at the center of any strategy must be an effective and scalable capital mobilization component that advances U.S. interests together with those of our Latin American partners.

Development Finance and Strategic Investment Platforms

Outcompeting China requires moving from a reactive posture (“countering China project-by-project”) to an offensive posture that builds enduring U.S.-aligned investment ecosystems targeting priority sectors. In my view, the strongest path is to use U.S. tools to catalyze private capital at scale.

Central to any U.S. strategy to outcompete China in Latin America will be the U.S. International Development Finance Corporation. In a recent essay for the Milken Institute, I argued that DFC’s reauthorization should be understood as a test of whether Washington can “play offense” by building policy-aligned investment platforms that can outcompete China in Latin America.

The newly reauthorized DFC is now much better equipped to play a lead role in that competition. A higher contingent liability, lifting of national income requirements, and the creation of a \$5 billion equity revolving fund provide the DFC with the scale, flexibility, and capacity to build innovative and impactful alternatives.

The DFC is now better positioned to be a catalytic anchor investor – particularly through minority equity stakes – into bespoke platforms that “lock in” long-term governance rights, investment criteria, and standards. Done correctly, U.S. equity can embed policy objectives into investment criteria in a way that is durable, measurable, and still private-sector-led.

One example of this approach is the Critical Minerals Consortium – a financing platform co-created by DFC and Orion Resource Partners to fund the development of global mining assets to secure long-term critical mineral offtake for U.S. and partner economies. In essence, the Consortium channels U.S. government, private institutional, and Middle Eastern sovereign capital to advance U.S. policy objectives.

This type of platform allows the DFC to develop policy-aligned investment strategies with experienced industry partners crucial to attracting and deploying private capital quickly. Designed properly, this creates a new tool that is additive to DFC’s existing direct investing and

lending capabilities. In Latin America, where U.S. capital is widely sought after, DFC could launch a series of platforms with a range of private sector partners targeting the build out of U.S.-aligned AI data centers, an emerging technology ecosystem, ports and logistics infrastructure, etc.

While the platform strategy, I believe, is the quickest and most strategic way to scale and deploy capital, the DFC should continue to pursue direct investments. The recent Serra Verde rare earth mine deal in Brazil is a good example of an innovative financial structure that leveraged both equity and debt to secure significant offtake rights. There will certainly be other one-off projects (e.g., hyperscale AI data center campus, pharmaceutical factory, semiconductor plant, processing facility for uranium or other highly regulated materials) that are too large, too small, or out of scope for a particular platform.

Complementing DFC, the Export-Import Bank of the United States has an explicit statutory mandate to help U.S. exporters compete against China through its China and Transformational Exports Program. The program offers extended repayment tenors, less stringent requirements, and additional financing tools such as the Supply Chain Resilience Initiative. Overall, EXIM has been able to pursue ambitious financing strategies (e.g., Project Vault) and deepened collaboration with other financing agencies, including DFC. EXIM could – depending on the sector and investment strategy – complement and strengthen the DFC equity-led investment platforms described above, particularly where different types of debt offerings improve the competitiveness of the platforms.

To maximize competitiveness, these tools should be integrated with U.S. trade and industrial policy execution. The U.S. Department of Commerce and the Office of the U.S. Trade Representative can play a central role in supply chain integration – helping U.S. firms identify partner-country opportunities, improve standards compliance, and build cross-border industrial clusters that make “friendshoring” real rather than rhetorical. The key is to pair these efforts with financing and technical support that incentivize partners to deepen U.S. linkages.

The U.S. Department of State can play a distinct role by convening U.S. private sector representatives through structured diplomatic engagement: creating opportunities for wary private investors to meet with local political and business leaders. The goal would be to break through perceived political risk hurdles, and the combination of a supportive U.S. Embassy and pro-investment local government can be effective. I have seen this firsthand with an upcoming private sector delegation to Bolivia, where U.S. and Bolivian government engagement has attracted a range of serious U.S.-aligned investors.

Multilateral development banks – in particular the Inter-American Development Bank (IDB) and the Development Bank of Latin America and the Caribbean (CAF) – are major force multipliers. These institutions will deploy billions of dollars into the region each year, including in infrastructure. The DFC, which has a joint collaborative framework in place with the IDB, and EXIM are well-positioned to partner with these banks to channel these significant financial flows in line with U.S. interests. Ultimately, the policy objectives of these development banks – driving economic growth and deepening regional economic integration – are more closely aligned with U.S. policy priorities than Chinese objectives.

Ultimately, private capital is the United States' superpower in the competition with China. However, the U.S. government, unlike the Chinese, cannot dictate where that capital deploys. The U.S. Administration therefore must provide the allocators of private capital with the right signals, incentives, and risk mitigants to drive greater capital flows to advance our priorities.

In Latin America, there has perhaps never been a greater opportunity with more at stake for the United States to outcompete China.

Recommendations for Congressional Action

To support this strategy, Congress may wish to consider several policy measures.

First, Congress should ensure that DFC's newly authorized equity revolving fund remains fully capitalized through appropriations.

Second, Congress could pass a Sense of Congress resolution encouraging the Administration to raise board delegation thresholds for "strategic" equity and debt transactions to \$150 million. While Congress should debate which sectors are to be deemed strategic, I would recommend at a minimum including AI and emerging technology, critical mineral supply chains, and strategic infrastructure.

Third, Congress could pass a Sense of Congress resolution encouraging DFC and EXIM to co-create joint investment platforms with the multilateral development banks targeting the strategic sectors.

Conclusion

China's expanding economic presence in Latin America reflects a deliberate strategy to embed Chinese influence within the region's economic infrastructure, technology ecosystems, and resource supply chains.

The strategic competition between the United States and China will increasingly be decided not only by developments within our own borders, but by the partnerships and economic systems we help build abroad. In Latin America, the United States has a unique opportunity to shape a future defined by open markets, transparent governance, and shared prosperity. But that opportunity will only be realized if the United States remains committed to the region and competes where China is competing – through investment, infrastructure, and technology.