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2 HEARING ON "CHINA'S EXPANDING INTERESTS IN LATIN  
3 AMERICA: DEVELOPMENT, LEVERAGE, COERCION AND CRIME

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6 HEARING BEFORE THE U.S.-CHINA ECONOMIC AND SECURITY  
7 REVIEW COMMISSION

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11 9:30 a.m.

12 Thursday, March 19, 2026

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14 Russell Senate Office Building, Room 253, and Webex

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19 U.S.-China Economic and Security Review Commission

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2 U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

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13 The Commission met in Russell Senate Office  
14 Building, Room 253, and Webex at 9:30 a.m.,  
15 Commissioner Joshua Hodges and Commissioner Reva Price  
16 (Hearing Co-Chairs) presiding.

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1 national security, and this discussion is timely as  
2 the United States reevaluates its strategy in the  
3 region.

4       China's strategy in Latin America continues to  
5 shift from one focused primarily on trade and resource  
6 acquisition into one that seeks to create long-term  
7 structural influence through control of  
8 infrastructure, logistics networks, and governance  
9 institutions. For example, Chinese companies have  
10 taken significant ownership stakes in strategic energy  
11 and transportation infrastructure across Latin  
12 America. While much of this investment may be  
13 welcomed for bringing scarce capital, experience has  
14 shown it can also create potential security  
15 vulnerabilities and be used by Beijing as a source of  
16 leverage over regional governments.

17       Specifically, Chinese companies control 57  
18 percent of Chile's energy grid, 12 percent of Brazil's  
19 energy grid, and 100 percent of the grid in and around  
20 Peru's capital. Particularly concerning is the  
21 network of ports over which China has amassed  
22 influence. Chinese companies own or operate at least

1 10 ports around the region and are constructing and  
2 equipping significantly more. Giving China access to  
3 valuable data may provide a foothold for an expanded  
4 presence of China's military in the Western Hemisphere  
5 and could threaten regional trade and U.S. military  
6 logistics in the event of a crisis.

7 Beijing also hopes to dominate the region's  
8 technology ecosystem with particular focus on AI and  
9 digital connectivity. Through these efforts, China  
10 exercises its influence to maintain access to critical  
11 commodities, increased market access for Chinese  
12 firms, gain support for Chinese initiatives and  
13 policies in international organization, and  
14 marginalize Taiwan diplomatically.

15 Chinese infrastructure projects have also been  
16 linked to corruption scandals. Chinese companies use  
17 bribery and opaque procurement processes to secure  
18 contracts in the region for projects such as a dam in  
19 Ecuador, roads in Bolivia, and ports and other  
20 infrastructure in Panama. Chinese companies have  
21 secured favorable changes to local laws, as when  
22 Peruvian government retroactively granted exclusive

1 operational rights to the Chinese state-owned company  
2 building the Chancay Megaport. Furthermore, Chinese  
3 companies are driving environmental degradation,  
4 disregarding regulations around pollution and  
5 deforestation.

6 China is also following a strategy we discussed  
7 last year in our study of its activities in Southeast  
8 Asia and Pacific Islands and in our work on scam  
9 centers. China seeks to use nontraditional security  
10 cooperation to expand its influence in Latin America.  
11 Beijing is looking to use cooperation on transnational  
12 crime issues to deepen ties with police and security  
13 forces in the region, and then to leverage those ties  
14 into greater influence with national governments.

15 The United States has a direct interest in Latin  
16 America's stability and effective governance, both of  
17 which are threatened by malign Chinese influence. I  
18 look forward to the insights our witnesses will offer  
19 that will help inform an effective policy response.

20 I will now turn the floor over to my colleague  
21 and co-chair for this hearing, Commissioner Josh  
22 Hodges.

1 [Prepared statement of Commissioner Price

2 follows:]

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1 numbers tell a story that is impossible to dismiss  
2 once you see it. Over the last 20 years, Chinese  
3 state policy banks, the China Development Bank and  
4 Export-Import Bank of China, lent more than \$123  
5 billion to governments across the region alone.  
6 Nearly half of that went to Venezuela. That was not  
7 development finance. That was deliberate strategy to  
8 prop up a corrupt, anti-democratic regime in exchange  
9 for oil, political alignment, and a reliable anti-  
10 American vote in international forums.

11 Chinese surveillance technology was sold to  
12 Caracas and used to monitor and suppress Venezuelan  
13 people. We should call that what it is, Beijing using  
14 predatory financial tools to export the CCP-style  
15 transformation into our hemisphere.

16 And Venezuela is not the only cautionary tale.  
17 Ecuador took billions in Chinese debt tied to opaque  
18 energy contracts. Argentina signed onto the Belt and  
19 Road Initiative and became a top recipient of Chinese  
20 commercial bank lending in the region. In 2016, China  
21 leveraged its position in Argentina to stop an  
22 environmental review of a Chinese-backed hydro power

1 project, a direct interference in a sovereign  
2 regulatory process. These are not isolated events.  
3 They are a pattern.

4       The economic footprint extends well beyond  
5 lending. China is now South America's largest trading  
6 partner and runs a trade surplus with most countries  
7 in the region. This Commission reported last year on  
8 China Shock 2.0, the serious, demonstrable harm done  
9 to economies and workers around the world, as China  
10 dumps its massive excess industrial production on  
11 global markets. The CCP efforts are designed to give  
12 it increased control over vital assets in our  
13 hemisphere, from rare earth supports to energy.

14       The Western Hemisphere is the breadbasket of the  
15 world, and China is seeking to position itself as the  
16 dominant player in that region.

17       China has also proven adept at using multilateral  
18 institutions as vectors of influence. Since the early  
19 2010s, Chinese officials have exploited the IDB, an  
20 institution funded substantially by American  
21 taxpayers, to broker Chinese business across the  
22 hemisphere, to open doors for them, and to give them

1 immediate access to businesses over American  
2 businesses. This was most likely done unwittingly,  
3 but it certainly served the Chinese goals.

4 I have studied this closely. It is not a  
5 coincidence. It is a strategy. When countries have  
6 pushed back successfully, Beijing has adapted.

7 Honduras is a great example of how this works.  
8 In 2023, it switched its democratic recognition from  
9 Taiwan to the PRC, lured by promises of trade and  
10 investment. What it got instead was the collapse of  
11 its shrimp and construction industries. During his  
12 2025 campaign, the Honduras President ran on the  
13 promise of restoring recognition to Taiwan. That  
14 tells you everything you need to know about the real  
15 value of China's promises.

16 What concerns me most as we look forward, China  
17 is not standing still. Greenfield Investments from  
18 Beijing has surged 68 percent from pre-pandemic  
19 levels, as China repositions to circumvent trade  
20 barriers being erected against its subsidized exports.  
21 And while headline lending figures appear to be  
22 falling, financial flows have become deliberately

1 harder to track. We do not have a clear picture of  
2 how much state-backed capital is currently financing  
3 these Chinese company operations across the region.  
4 That opacity is not accidental. We know they want to  
5 control the future -- the future of AI, the future of  
6 energy, the future of telecommunications, and  
7 infrastructure across the region so they can be the  
8 dominant player.

9       The United States has genuine durable interest in  
10 this hemisphere, political, economic, and personal.  
11 The people of this country have deep ties in Latin  
12 America, and we have got to continue supporting that  
13 and find ways to change the current model that the CCP  
14 has spent the last 20 years fomenting. We know  
15 American private sector and American business models  
16 can clearly outperform the Chinese approach, and as  
17 the Commission looks over the horizon to how the U.S.  
18 can best combat predatory practices and ensure the  
19 hemisphere is protected from a military capability,  
20 economic security perspective.

21       We appreciate your testimony today. Thank you.

22       [The prepared statement of Commissioner Hodges

1 follows:]

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1 PANEL INTRODUCTIONS BY COMMISSIONER PRICE

2 COMMISSIONER PRICE: Our first panel will present  
3 an overview of China's strategic approach to Latin  
4 America. It will look at the goals of PRC influence  
5 as well as Beijing's principal political and economic  
6 tools for creating leverage.

7 We will start by welcoming back Ms. Margaret  
8 Myers, Senior Advisor to the Asia and Latin America  
9 Program at the Inter-American Dialogue. Ms. Myers has  
10 published extensively on the political economy of  
11 China's relations with the Latin American and  
12 Caribbean region. Her testimony will discuss  
13 Beijing's evolving goals for engaging with Latin  
14 America, their alignment with the PRC's broader  
15 foreign policy objectives, and how they might change  
16 in the future.

17 Next we will hear from Mr. Parsifal D'Sola,  
18 Founder and Executive Director of the Andrés Bellow  
19 Foundation's China Latin America Research Center. In  
20 2019, he served as a foreign policy advisor on China  
21 for Venezuela's interim government. His testimony  
22 will discuss how China's enhanced engagement strategy

1 has moved from a primarily economic focus to a broader  
2 strategy aimed at building political influence. He  
3 will also focus particularly on Venezuela as a case  
4 study.

5 Third, we will hear from Dr. Victoria Chonn  
6 China, a Non-Resident Fellow at the Atlantic Council.  
7 Her work has examined Chinese investment in Latin  
8 America and highlighted host country agency, economic  
9 statecraft, and the dynamics between foreign and  
10 domestic policymaking. Her testimony will discuss how  
11 China's attempts to build economic influence in Latin  
12 America are changing as it deepens its economic ties  
13 to the region.

14 Both Mr. D'Sola and Dr. Chonn Ching are new  
15 voices to the Commission. Thank you.

16 Thank you all very much for being here today, and  
17 the Commission is looking forward to your remarks. I  
18 ask that all of our witnesses please keep their  
19 remarks to 7 minutes. Ms. Myers, we will begin with  
20 you.

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1 STATEMENT OF MARGARET MYERS, SENIOR ADVISOR, ASIA AND  
2 LATIN AMERICA PROGRAM, INTER-AMERICAN DIALOGUE

3 MS. MYERS: Co-Chairs Hodges and Price,  
4 distinguished members of the Commission, thank you for  
5 the opportunity to testify today.

6 The underlying drivers of China's engagement with  
7 the region have proven quite durable over time and  
8 continue to sustain the relationship. China continues  
9 to rely on the region, as we have heard already, as a  
10 supplier of key commodities and as a market for  
11 increasing exports. High-tech Chinese goods are  
12 entering Latin American markets with growing  
13 intensity, as are lower-value consumer products at  
14 increasingly high rates. Latin America also remains  
15 central to China's food and broader supply chain  
16 security.

17 If anything, trade is deepening and remains, in  
18 my view, the primary vehicle for China's influence  
19 across the hemisphere.

20 But over time, China's engagement has also given  
21 way to a more selective, strategically calibrated  
22 posture that is important for U.S. policymakers to

1 understand. The often commodity-backed loan  
2 agreements that once defined Beijing's financial  
3 engagement with the region have been replaced with a  
4 more selective, risk-aware, and strategic approach to  
5 cross-border finance. The value of Chinese FDI flows  
6 to the region has also slowed, and Latin America's  
7 relative share of investment under China's signature  
8 Belt and Road Initiative fell in recent years.

9         These changes are due, in very large part, to a  
10 shift among Chinese companies away from large  
11 infrastructure initiatives towards smaller, often  
12 market-seeking projects in sectors of Chinese  
13 interest, especially at the higher end of the value  
14 chain.

15         China is not leaving the region, by any means,  
16 and is already embedded in strategic infrastructure,  
17 as the co-chairs have noted, but is, in many cases,  
18 recalibrating in light of shifting conditions.

19         Political considerations will also increasingly  
20 impact decision-making. Chinese companies and Latin  
21 American governments are both more seriously weighing  
22 the cost of engagement, with an effect on overall

1 capital flows. Recent U.S. efforts to halt projects  
2 as strategic concerns, including through the  
3 sanctioning of officials in Chile and elsewhere, would  
4 appear to already be impacting prospective deal-making  
5 in the region, especially in those area that Latin  
6 American governments perceive as triggering red lines  
7 for U.S. policymakers -- critical infrastructure,  
8 surveillance technology, intelligence partnerships,  
9 and projects that could be construed as generating  
10 vulnerabilities for the U.S. in the event of a future  
11 conflict.

12         At the very least, host governments and Chinese  
13 actors alike would appear to be adopting a wait-and-  
14 see posture pending greater clarity on U.S. policy, or  
15 else a change of policy direction. In China, debates  
16 about the appropriate scope and pace of engagement  
17 with Latin America have resurfaced in a way not seen  
18 since the Hu Jintao and Wen Jiabao era.

19         Of course, while U.S. pressure can certainly  
20 alter behavior at the margins, it will not  
21 fundamentally change the underlying structural  
22 components that underpin China-Latin America dynamics,

1 and cannot substitute for the deeper foundations of a  
2 competitive U.S. presence. Constructive U.S.  
3 engagement, deployed through the widest possible range  
4 of economic and diplomatic instruments, as outlined in  
5 my written testimony, is a critical component of any  
6 serious hemispheric strategy. The region is a major  
7 market for U.S. goods and investments, as was  
8 mentioned, and it is an increasingly important node in  
9 the supply chains the U.S. is trying to shorten and  
10 secure. Deep integration with Latin America is an  
11 industrial policy tool as much as it is a foreign  
12 policy or a national security one.

13         Subordinating or sacrificing foreign assistance,  
14 educational exchange, and diversified economic  
15 engagement in favor of a predominantly coercive  
16 approach risks undermining the foundation on which  
17 U.S. influence in the region has rested.

18         It also cedes to China precisely the ground that  
19 the United States has worked to build over the course  
20 of many decades. As it stands, China's focus on  
21 people-to-people engagement is deepening, even as  
22 certain forms of economic activity slow somewhat.

1           This is, I would argue, also an important and  
2   opportune moment to engage in an increasingly  
3   productive manner. On balance, recent U.S. actions in  
4   the region have generated mixed reception, often  
5   unfavorable reception, notwithstanding the efforts of  
6   some governments to signal alignment with Washington.

7           But China's presence is also generating some  
8   tensions in the region. Latin American countries with  
9   significant industrial capacity, such as Brazil,  
10   Mexico, Colombia are confronting the consequences of  
11   Chinese industrial policy with increasing concern and  
12   directness. In other cases, prior negative  
13   experiences have prompted a greater scrutiny of  
14   incoming projects. Many countries are also seriously  
15   weighing the costs of overdependence on any one  
16   nation, including China.

17           This moment presents the United States with a  
18   genuine opening. Growing regional unease about the  
19   displacing effects of Chinese trade generates demand  
20   for an alternative model, one that is defined by a  
21   commitment to supporting industrial development,  
22   building value chains rather than drawing from them,

1 and engaging seriously with the region's own economic  
2 aspirations, distinguishing from the China model  
3 entirely.

4       Viewing this dynamic through a primarily national  
5 security lens will mean addressing only certain  
6 specific elements of China's positioning, albeit very  
7 important ones. Taking stock of the breadth and depth  
8 of Chinese engagement and how it affects the region  
9 for better or worse is critical at this juncture. And  
10 over the long term, I would suggest to you that only a  
11 competitive and productive alternative can compete  
12 effectively with China's structural influence in the  
13 region. Thank you.

14       [Prepared statement of Ms. Myers follows:]

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1           COMMISSIONER PRICE: Thank you. Mr. D'Sola.

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1       STATEMENT OF PARSIFAL D'SOLA, FOUNDER AND EXECUTIVE  
2       DIRECTOR, ANDRÉS BELLO FOUNDATION--CHINA LATIN  
3       AMERICA RESEARCH CENTER

4       MR. D'SOLA: Commissioners Hodges and Price and  
5 distinguished members of the Commission, thank you for  
6 the opportunity to appear before you today. The  
7 perspective I bring today is grounded in how China's  
8 engagement is experienced from a South American  
9 vantage point.

10       Let me begin with a simple point. There is no  
11 such thing as Latin America. The region is deeply  
12 fragmented, politically, economically, and  
13 institutionally, hence China, and any other country  
14 for that matter, does not engage it as a unified  
15 space. It engages country by country, often sub-  
16 nationally, adopting to local conditions.

17       If there is one takeaway from my testimony it  
18 would be this. China's influence in Latin America is  
19 not imposed. It is mediated by local realities. To  
20 understand how China actually operates in the region  
21 we need to move beyond aggregate trends and look at  
22 how its model performs under pressure. That is why I

1 anchor my analysis in Venezuela, not because it is  
2 representative but because it is an outlier that  
3 reveals China's engagement dynamics when the outcome  
4 comes under stress.

5       Venezuela was not simply one partner among many.  
6 Beginning in the 2000s, Caracas became one of  
7 Beijing's most politically exposed and financially  
8 intense relationships in the region, combining large-  
9 scale lending, energy cooperation, and high-level  
10 political alignment.

11       Then everything crumbled -- economic collapse,  
12 institutional breakdown, sanctions, and ultimately  
13 U.S. military intervention. No other country clusters  
14 all these elements, and that is precisely why it  
15 matters.

16       What does Venezuela show? First, it shows how  
17 China's model expands. China entered Venezuela not  
18 simply because of oil but because of politics. Under  
19 Hugo Chávez, Venezuela sought to position itself as a  
20 regional counterweight to the United States, and it  
21 was quite successful at that. China became part of  
22 that strategy. China did not just provide capital.

1 It provided geopolitical backing. It gave Venezuela  
2 international legitimacy and room to pursue an anti-  
3 U.S. regional project.

4 Second, Venezuela shows how China adapts when  
5 conditions change. When Venezuela stopped being a  
6 political asset and became a source for the stability,  
7 China recalibrated. Lending flowed and eventually  
8 stopped. Exposure was reduced. Risk was managed.  
9 But diplomatic support remained. The posture of  
10 economic retrenchment, combined with rhetorical  
11 continuity, is not unique to Venezuela. It reflects a  
12 broader pattern. China adjusts to local conditions,  
13 but it does not publicly redefine relationships.

14 Third, Venezuela exposes the core tension in  
15 China's engagement model. China defines its foreign  
16 policy as non-interventionist, and formally, that is  
17 true. It does not dictate political outcomes or  
18 impose governance conditions, but in practice it  
19 becomes embedded in domestic system. In Venezuela,  
20 Chinese technology, financing, and diplomatic support  
21 became part of a state undergoing democratic erosion.

22 China did not cause this trajectory, but it was

1 not external to it either. By defining its role as  
2 non-interventionist, China treats political insecurity  
3 outcomes as entirely endogenous, effectively placing  
4 them outside the scope of its responsibility. That is  
5 a key contradiction. China maintains a position of  
6 political detachment while operating inside political  
7 systems.

8 Under stable conditions this work, and it is  
9 attractive. For many countries, China provides  
10 something valuable -- financing, infrastructure  
11 development, and the ability to diversify away from  
12 dependence on the United States. But as institutional  
13 conditions weakened, this separation becomes harder to  
14 sustain. China's engagement is not a root cause of  
15 democratic erosion, but it can reinforce it.

16 Now, what happened on January 3rd? The removal  
17 of Nicolás Maduro is often interpreted as a test of  
18 China's commitment. That is the wrong way to look at  
19 it. It was not a failure of China's strategy. It was  
20 a clarification of its limits. China did not escalate  
21 because its model was never designed for hard power  
22 confrontation. Latin America is not a core security

1 theater for Beijing. It lacks the military presence,  
2 institutional networks, and escalation capacity to  
3 compete in that domain.

4 More importantly, by early 2026, Venezuela was no  
5 longer a strategic asset worth defending at a higher  
6 cost. China chose not to escalate, not because it  
7 couldn't, but simply because it didn't want to. This  
8 reveals something critical. Presence is not the same  
9 as leverage. China had deep economic and political  
10 ties in Venezuela, but when the situation shifted to a  
11 course of intervention, those ties did not translate  
12 into influence over outcomes.

13 What does this mean for the region and for the  
14 United States? For years, Latin America operated  
15 under what I described as "cheap ambiguity."  
16 Countries expanded ties with China while operating  
17 within a security environment deeply intertwined with  
18 the United States. As for China, it expanded without  
19 taking on security risks nor the political  
20 consequences of its growing footprint. No one had to  
21 make hard choices, and to be fair, China does not have  
22 to care about the negative aspects of its engagement

1 model.

2       Today, Venezuela has disrupted that template. It  
3 showed that in moments of crisis the asymmetry is  
4 real. The U.S. remains the only actor capable of  
5 shaping outcomes through force. But here is where  
6 most analysis goes wrong. This does not mean China is  
7 retreating. The structural conditions that have  
8 driven China's expansion remain intact -- massive  
9 infrastructure deficits, limited access to funding,  
10 and demand for diversified partnerships. China will  
11 continue to expand because it offers something the  
12 region needs.

13       And finally, Latin American countries are not  
14 passive actors in this process. They actively shape  
15 their relationships with both China and the United  
16 States. The main risk for the U.S. is not China's  
17 presence in the region. It is misdiagnosing why the  
18 presence exists in the first place. China has not  
19 displaced the United States. It entered where demand  
20 existed, where U.S. engagement was limited or  
21 inconsistent.

22       At the same time, the U.S. has an advantage China

1 cannot replicate, not economic, not military, but  
2 relational. People-to-people ties, diasporas,  
3 cultural affinity, institutional linkages, these are  
4 deep, durable, and generational. China's engagement,  
5 by contrast, is strong in sectors but shallow in  
6 society. That is your advantage. The fact that a  
7 Venezuelan national can appear before this Commission  
8 to provide a testimony on matters of U.S. policy  
9 speaks to a level of openness and integration that  
10 extends beyond traditional state-to-state relations.  
11 These are two-way relationships, sustained not only by  
12 governments but by societies. Nonetheless, these ties  
13 are not guaranteed. They can be eroded if U.S. policy  
14 prioritizes control over partnership or stability over  
15 democratic outcomes.

16       Let me close with this. The Venezuelan case is  
17 not just a warning about my country. It is a warning  
18 about how China's influence in Latin America actually  
19 works. China did not create Venezuela's collapse, but  
20 the case shows that its model can become deeply  
21 embedded in deteriorating political systems while  
22 remaining formally detached from the outcomes that

1 follow. That is the contradiction. China's presence  
2 in the region is real and durable, but it is also  
3 limited and should not be overstated. It is strongest  
4 when local conditions invite it and weakest where  
5 crisis forces hard geopolitical choices. If those  
6 underlying conditions are not addressed the cycle will  
7 repeat, perhaps with different actors, but with the  
8 same structural dynamics. Thank you.

9 [Prepared statement of Mr. D'Sola follows:]

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1           COMMISSIONER PRICE: Thank you. Dr. Chonn Ching.  
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1                   STATEMENT OF VICTORIA CHONN CHING,  
2                   NON-RESIDENT FELLOW, ATLANTIC COUNCIL

3           DR. CHONN CHING: Co-chairs Commissioner Hodges,  
4 Commissioner Price, and other esteemed members of the  
5 Commission, thank you for letting me testify today.  
6 As a non-resident fellow at the The Atlantic Council,  
7 today I am testifying on my own capacity, so my  
8 testimony does not represent The Atlantic Council's  
9 views or positions. I hope this testimony helps the  
10 Commission to generate policies that lead to  
11 productive, sustainable, and constructive engagement  
12 with Latin American countries.

13           The following are my observations, based on my  
14 research, but also includes some observations by other  
15 scholars.

16           First, China's economic influence in Latin  
17 America has been consolidated through a pragmatic and  
18 strategically selective and adjustable approach. The  
19 Latin America-China relationship has faced different  
20 periods of quick development, expansion, stagnation,  
21 and re-engagement. During all this time, China's  
22 presence has been constant. However, it has also not

1 been homogeneous.

2 China has focused on building networks and  
3 economic structures that respond to many of the  
4 development interests that Latin American countries  
5 are pursuing, and this includes infrastructure  
6 investment, greater national and regional  
7 connectivity, green technology, and renewable energy.  
8 This means that Latin American countries have also  
9 been active participants in these bilateral exchanges.

10 These have also changed according to  
11 administrations, ideological shifts, institutional  
12 challenges, and internal crisis in the region.  
13 Throughout this time, China has adjusted accordingly.  
14 This means that China is, and has been, playing a long  
15 game in the region. Today, given current  
16 uncertainties, China has indicated that it will remain  
17 a mutually beneficial partner that provides new and/or  
18 alternative deals, and prioritizes economic diplomacy,  
19 and this helps China shaping the narrative in the  
20 region.

21 Second, trade and investment in raw materials  
22 continue to be important drivers in China's economic

1 exchanges, particularly those related to energy  
2 transition. China's trade and investment partners  
3 have followed its own economic plans, and right now it  
4 prioritizes green technology and energy transition.  
5 As a result, Latin America has gained prominence as a  
6 source of materials for clean energy technologies.

7       China has also shifted its attention from mega-  
8 investments to projects that are smaller or more  
9 focused on strategic areas. This means that at a  
10 regional level, FDI, or foreign direct investment,  
11 from China has been reduced. However, this does not  
12 mean that the projects are less relevant. In fact,  
13 since 2015, Latin America has seen an increase of  
14 infrastructure projects centered on transportation and  
15 connectivity. For instance, Colombia and Chile have  
16 used Chinese contractors to build their metro systems  
17 and purchased Chinese electric vehicles.

18       Third, China seeks opportunities and exploits  
19 areas with gaps or where other players are not active,  
20 and it gets involved where it has comparative  
21 advantage. What does this mean? China's presence has  
22 underlined the absence or the divestment of assets by

1 U.S. companies or from other countries. For example,  
2 Chinese firms have made their entry into Latin  
3 America's hydropower sector following the exit of  
4 Brazil's Odebrecht after the 2014 Lava Jato scandal.  
5 Most recently, in 2020, the acquisition of U.S. Sempra  
6 Energy in Peru, for example, has allowed China Three  
7 Gorges to enter Peru's hydropower sector.

8       China continues to invest in areas that are key  
9 to the region's development's goals in which the U.S.  
10 and other traditional partners have no focus on,  
11 namely closing infrastructure gaps, grid technology,  
12 and mobility. Also, while there is a variety of  
13 Chinese firms, mostly SOEs or state-owned enterprises,  
14 they are not necessarily simply central. There are  
15 also SOEs from municipal and regional governments from  
16 China. In these cases, they have some autonomy.  
17 However, at the end of the day, they still pursue  
18 national interests of resource seeking but also  
19 market-oriented goals and expansion. Private  
20 companies are also important and they include those  
21 that are part of the diaspora. Their participation in  
22 different Chambers of Commerce help us understand the

1 complex economic networks that support China's  
2 influence and also its image in different Latin  
3 American countries.

4       Also, Chinese firms' compliance and  
5 accountability depend on the host country's ability  
6 and capacity to enforce policies and ensure  
7 transparency. This means that it has resulted in the  
8 coordination and negotiation between multilevel  
9 government actors as well as local businesses, civil  
10 society, as well as local communities from the region,  
11 but also with Chinese firms. This means that Chinese  
12 firms will follow local regulations as standards  
13 insofar as the host country has the institutional  
14 structures and architecture to monitor to ensure  
15 compliance from them. This means that the demand for  
16 transparency and accountability is also dependent on  
17 whether host country stakeholders decide to enforce  
18 the rules across the board or to treat Chinese  
19 companies differently.

20       Now, Chinese influence is characterized by its  
21 economic diplomacy, statecraft, building networks and  
22 partnership, and most importantly, by what China

1 wants, what it can offer, as well as what the host  
2 country wants and under what conditions. For example,  
3 Latin America's participation in the Belt and Road  
4 Initiative gives insight on the multilevel dynamics  
5 and processes. However, countries are attracted to it  
6 not necessarily because it provides better deals.  
7 Instead, it is argued that the BRI, or the Belt and  
8 Road Initiative, provides the symbolism that  
9 legitimizes the policy decisions by host country  
10 leadership, by addressing domestic audiences,  
11 particularly when referring to why choosing China.

12 As the U.S. recalibrates foreign policy, there  
13 needs to be a recentering of Latin American  
14 stakeholders and interests. Latin American countries  
15 are not passive actors in the region and also in its  
16 relationship with China. When the U.S. is thinking  
17 about recalibrating its policy it also needs to  
18 indicate what benefits Latin American countries will  
19 gain, not only from choosing the U.S. but from  
20 distancing themselves from China and not by the absence  
21 of China. Thank you.

22 [Prepared statement of Dr. Chonn Ching follows:]

## 1 PANEL I QUESTION AND ANSWER

2 COMMISSIONER PRICE: Thank you to all of you for  
3 your testimonies. I think I am going to take the  
4 prerogative of the Chair and start the questioning,  
5 and then we will go to you after. Okay.

6 Each of you have spoken in one way or another  
7 about how the countries are not passive actors, they  
8 are each involved individually, and have very specific  
9 ideas of where they are going, and why they want to  
10 interact with China or the United States, or whomever.  
11 Are there any examples of Chinese engagement that  
12 demonstrates a nuanced understanding, that China has a  
13 nuanced understanding of Latin American politics or  
14 missteps because of poor understanding, that any of  
15 you can address?

16 MS. MYERS: Thank you. It is an excellent  
17 question. I think Parsifal mentioned that China has  
18 been an extraordinarily adept student of Latin America  
19 for the past few decades. We have seen a remarkable  
20 effort and ability to sort of learn lessons and adapt,  
21 based on experiences across the region but also in  
22 recognition of changing conditions, shifting

1 conditions within countries, you know, political  
2 landscapes, geopolitical considerations, and China's  
3 own economic challenges at home. So a lot is shifting  
4 with all of this in mind.

5       There are plenty of very specific examples of the  
6 way in which China has managed to engage the region  
7 and to shift change, adapt its engagement in different  
8 countries based on the conditions that may be present  
9 on the ground. In those countries where there are  
10 leaders that are well aligned with China, that see  
11 themselves as strategic partners of China, we have  
12 seen historically an effort to engage directly with  
13 those leaders, sometimes in support of projects that  
14 they have put forth. That was especially prominent  
15 about a decade ago but has become less prominent over  
16 time as Chinese companies, banks have seen some  
17 concerns about some of the projects that have been put  
18 forth and the value of those and the viability of  
19 those over time and the reputational risk that  
20 accompanies failed projects.

21       We also see, in a number of different  
22 circumstances, different approaches to engaging with

1 countries, depending upon who is in a position of  
2 authority at any point in time. So, for instance, in  
3 the case of Bolsonaro, in Brazil, there was an  
4 expectation that Bolsonaro's presidency would lead to  
5 a considerable drop in engagement by China, and yet we  
6 saw an expansion of economic engagement during that  
7 presidency, in part because China worked very  
8 considerably at the local level, with states, with  
9 municipalities, to make deals happen. And indeed,  
10 this is happening in a lot of countries across the  
11 region, especially those with federalized systems of  
12 governance and which have their own budgets and  
13 ability to strike deals.

14       So this is another sort of adaptive approach that  
15 we have seen more considerably over the past few  
16 years. I mean, those are just a couple of examples,  
17 but indeed, you see a different approach truly in  
18 every country, as Parsifal mentioned. Latin America  
19 is not monolithic, and China certainly doesn't see it  
20 that way. And even within countries we see different  
21 approaches in different states and in different  
22 municipalities, depending upon their receptiveness,

1 opportunities.

2       The one other thing I would suggest is that there  
3 is a staying power, there is a patience to China's  
4 engagement that is unparalleled among other actors.  
5 One example is China's continued presence, through  
6 people-to-people but also other forms of engagement,  
7 in Coquimbo, Chile, which has been ongoing now for 15  
8 years, in support of the eventual possibility of a  
9 tunnel project there, the Agua Negra Tunnel, of copper  
10 and of space deals. And this is, I mean, resources  
11 allocated over many, many years in support of things  
12 that may never come to pass, but nevertheless, are  
13 seen as valuable use of time and resources.

14       COMMISSIONER PRICE: Anyone else want to address  
15 that?

16       DR. CHONN CHING: I can add very specific  
17 examples. I think that what Margaret has pointed out,  
18 it is the more general country-to-country. When you  
19 see, for example, at the company level, I give you the  
20 examples of in Peru, where you have, in the 1990s,  
21 Marcona, which was a complete reputational disaster  
22 for Chinese companies, and then, more or less 10 years

1 later, with the entry of Chinalco, for example, which  
2 is a case I looked up very in depth. You can see a  
3 Chinese company that has learned from all those 10  
4 years and has not only included, for example, domestic  
5 stakeholders in the conversation. Meaning when they  
6 went to the Toromocho mine what happened was that they  
7 engaged with the local communities, they actually  
8 continued hiring the consulting firms that were from  
9 the country to talk to the communities and make sure  
10 to address those concerns, or the concerns the  
11 community had.

12       So in that regard, China has learned in saying  
13 that it is not only about what it does but the  
14 reputation matters, and here is where it really helped  
15 shaping its image. So when we are thinking about  
16 China today, we are thinking about not only the  
17 explicit strategies but we are also thinking about  
18 what kind of mechanisms it is using to change its  
19 image and shape the narrative that China is actually  
20 what it always presents, a friendly and a partner that  
21 is trying to help the different countries in their  
22 development processes.

1           COMMISSIONER PRICE: Thank you. Commissioner  
2 Hodges.

3           COMMISSIONER HODGES: Thank you. So you each  
4 sort of have highlighted a very important aspect here,  
5 which is subnational level activity, from an  
6 educational, state/local government official level,  
7 and other local networks, in various forms. Are there  
8 lessons learned that the U.S. should pay attention to  
9 as the CCP looks to replicate this type of activity in  
10 the United States or that U.S. policymakers should  
11 focus on to try to address this throughout the  
12 hemisphere? And that is a question for each of you,  
13 since you have each kind of raised different aspects  
14 of this.

15          MR. D'SOLA: Okay. Well, as I mentioned  
16 initially, this is a pretty large region. But I think  
17 we all mentioned, as Commissioner Price noted, about  
18 local agency and the willingness of countries to  
19 diversify. That being said, there is very little  
20 expertise from Latin American decision-makers when it  
21 comes to China. And these kinds of sessions,  
22 conversations, I would say the only outlier here would

1 be Chile, which does have the capacity and has

2 That is not the case across the region. I would  
3 highlight Colombia, where it is usually China who  
4 proposes. I don't want to minimize the agency, but  
5 you do not see policy from Latin American countries.  
6 They are receiving Chinese proposals and then they are  
7 reacting to them. They have leverage --

8 COMMISSIONER HODGES: And just to clarify that,  
9 you mean when they are receiving these proposals is it  
10 government proposals or business proposals backed by  
11 CCP?

12 MR. D'SOLA: Government, business, state-owned  
13 enterprises, you name it. And again, I would  
14 highlight Colombia. The last four years it is  
15 tangible how much Chinese proposals have driven the  
16 relationship, and Colombia just responds to it. And  
17 we see this across the region. So yes, I would add  
18 that nuance to our attention.

19 COMMISSIONER HODGES: Thank you. Ms. Myers?

20 MS. MYERS: Yeah. This is a terrific question,  
21 and I think a seemingly timely one, to the extent that  
22 we expect potentially more investment in the United

1 States at some point. And a lot of what we have seen  
2 so far over the years has indeed happened at the local  
3 level.

4       Some takeaways. You know, one is, as I said, the  
5 patience, the enduring element of this, long-term  
6 commitment to engaging and establishing relationships  
7 and embedding in certain communities through all kinds  
8 of different partnerships, led by civil society, by  
9 educational groups, by the party in the context of  
10 Latin America. I doubt that would happen as much  
11 here. ILD is not prolific at all in the United  
12 States, but certainly it is a very important actor in  
13 the Latin American context.

14       And, of course, all elements of government, or  
15 all kinds of government and entities that are  
16 engaging, as well, as well as private citizens often  
17 in support of these initiatives and commercial  
18 ventures.

19       The other thing I would say is that some of this  
20 goes well in Latin America and some of it doesn't.  
21 And there are some conditions that contribute to poor  
22 outcomes or better outcomes. Local know-how, local

1 understanding of what China is looking to achieve, the  
2 ability to negotiate effectively, understanding what  
3 it takes to negotiate with China to ensure best  
4 outcomes and ensure deliverables that are indeed of  
5 benefit to the broader community is fundamental, and  
6 that doesn't always happen, I think probably here or  
7 in the Latin American context. So that is really,  
8 really fundamental.

9 And then -- I think I will leave it at that.

10 COMMISSIONER HODGES: Perfect. Thank you. I  
11 have got another questions. Ms. Myers, you also  
12 mentioned, or highlighted, as well as others,  
13 highlighted a shift in CCP strategy. I think you used  
14 the term "recalibrating," and stated there is a  
15 genuine open related to sort of industrial  
16 development. Can you elaborate on what U.S. private  
17 sector and policy recommendations could be explored in  
18 order for the United States or some of the other  
19 allies we work with throughout the region to take  
20 advantage of this moment?

21 MS. MYERS: Certainly. In my written testimony I  
22 outlined a handful of opportunities. I mean, there

1 are spaces where China is withdrawing or else is  
2 beginning to establish a presence. And I think, first  
3 of all, documenting those areas where China is so well  
4 entrenched, so well established, wherein there is very  
5 little opportunity for U.S. enterprise, for U.S.  
6 companies to engage is an important exercise. And  
7 then those where China is positioning itself to assume  
8 a greater role, but where the U.S. remains a critical  
9 partner, and others remain a critical partner, and can  
10 maintain that presence is really fundamental. So that  
11 mapping exercise is, I think, a preliminary exercise  
12 that needs to happen.

13 Beyond that, it is going to be a financing  
14 question for U.S. companies, and in my written  
15 testimony I mentioned some mechanisms through which we  
16 can leverage existing finance through partnership,  
17 strategic initiatives. You mentioned the Inter-  
18 American Development Bank as having been a mechanism  
19 through which China has engaged more extensively with  
20 the Latin American region. I believe that there has  
21 been effort to curb that and also to ensure that there  
22 is more alignment with some of the things that the

1 U.S. is hoping to do in the region, from a productive  
2 perspective. The IDB I see as a fundamental partner  
3 in this and one in which capital can be leveraged in  
4 support of wide-ranging objectives that align very  
5 closely with U.S. interests. Same, of course, with  
6 the DFC, although, obviously, some policy would need  
7 to be implemented in order to better operationalize  
8 the DFC at this juncture.

9 COMMISSIONER HODGES: Thank you very much. And  
10 just for the record, yeah, I am tracking the recent  
11 developments with the IDB and sort of forward progress  
12 on this issue. Thank you.

13 COMMISSIONER PRICE: Okay. Our Commission Vice  
14 Chair Kuiken.

15 VICE CHAIR KUIKEN: Thank you, Commissioner  
16 Price. Last year we had a hearing and focused on the  
17 issue of space. Can you, and I will just give it to  
18 the panel, talk about Chinese space-ground  
19 infrastructure in Latin America and how we should  
20 think about that?

21 DR. CHONN CHING: I can briefly address that.  
22 When we think about the space infrastructure that

1 China has influence or has set up places in Argentina,  
2 Brazil, especially, the unfortunate thing about it is  
3 that, for example, Argentina is very close to the  
4 public. We do not have access to it, right. But when  
5 we think about it from the commercial perspective, so  
6 here is where I think there is opportunity for the  
7 U.S. to consider, is that Brazil and China, for  
8 example, have had not only research initiatives but  
9 also studies and even satellite programs, in order to  
10 build Brazil's own program. China has really stepped  
11 up in that regard, and going along with what I was  
12 saying in my testimony is that it identifies where  
13 countries in the region are interested in advancing.  
14 And in this case, they are not thinking about the  
15 security or the risks that can come with it.

16 So in this case, from a commercial perspective,  
17 from a research perspective, China helps us. China is  
18 providing the financing. China is providing the  
19 infrastructure. Now, when you think about Argentina -  
20 - and please excuse me, I don't have the detailed  
21 names, and that is my mistake -- however, when we  
22 think about Argentina there are local complaints. For

1 example, it is a closed location. Civilians cannot  
2 enter. That is the risk of military presence. But  
3 yet there is no accessibility to it, and that really  
4 has to do with, again, going with what Parsifal is  
5 saying and what Margaret is saying, there are  
6 opportunities where China takes advantage, and  
7 countries enter not because, necessarily speaking,  
8 they agree that China is the best option but because  
9 it is the option that is present there for that.

10 I hope that my fellow panelists have more to add.

11 MS. MYERS: If I could just add to that, as well.  
12 I think that is a really important characterization.  
13 You know, China has, for the longest time, suggested  
14 that any sort of big country -- da guo, right -- is  
15 going to have space capability, and of course has  
16 pursued that prospect, with many deals struck in the  
17 Latin American context over the past few years, in  
18 particular.

19 The problem with these projects, though -- and  
20 this is understood also by Latin American countries --  
21 is the degree of opacity and exclusivity that  
22 accompanies them, obviously. They are not conducted

1 in the open, and they do not involve extensive  
2 engagement by local actors or other international  
3 actors, as many other space-related arrangements do in  
4 Latin America. So they stand apart in that respect  
5 and have been viewed critically even by host country  
6 governments and populations as a result of these  
7 conditions.

8         So I think the U.S. is right to be concerned  
9 about a number of these projects, about the way that  
10 they have been negotiated, what they may be achieving,  
11 and the access to information, critical information  
12 and sensitive information, that is generated by some  
13 of the work that they are doing.

14         At the same time, though, I would say we need to  
15 recognize that these countries are really interested  
16 in developing and maintaining their space  
17 capabilities. So if it is not China, to Victoria's  
18 point, then more collaboration with the United States,  
19 in ways that may not be so terribly expensive, is  
20 something that really ought to be on the table.

21         VICE CHAIR KUIKEN: Thank you, Ms. Myers. Could  
22 we talk about critical infrastructure? We sort of

1 talked about it in passing, but just sort of walk us  
2 through your assessment of telecommunications efforts  
3 by China, undersea cables -- We had an undersea  
4 hearing recently. One of the big focuses was just the  
5 data that is processed through these cables -- ports,  
6 and then roads, and sort of BRI-related initiatives.  
7 How should we think about posturing the United States  
8 to either counter these efforts or to compete?

9 MR. D'SOLA: If I may, when it comes to  
10 competition, generally speaking, between U.S.  
11 counterparts and Chinese counterparts in the region,  
12 they are, to a large extent, in different camps. If  
13 you look at where most of the U.S. or Western FDI is  
14 going, it dwarfs anything China is doing. China would  
15 be around 3 to 5 percent of FDI over the last three to  
16 five years. U.S. accounts for over 30, close to 40  
17 percent of FDI.

18 But where is it going? Chinese FDI is very  
19 targeted and it is precisely in those areas,  
20 infrastructure. And U.S. companies, Western companies  
21 in general, are largely absent or they are actually  
22 exiting and selling assets to the PRC, as Commissioner

1 Hodges mentioned, the large presence in the  
2 electricity sector.

3 So at the end of the day, from local  
4 perspectives, these are vital infrastructure deals  
5 that need to be made, and we have all mentioned this,  
6 they are the ones showing up at the end of the day.  
7 They are the ones. And even there are a lot of  
8 positive projects, Bogotá Metro is one of them, but  
9 the list is quite long.

10 So I would say the place where the U.S. can have  
11 the largest impact is on due diligence, because it is  
12 targeted, it does not require a lot of the funding,  
13 and there is a lot of expertise in the U.S. that do  
14 this not only in Latin America but across the globe.  
15 So that could be a targeted effort, and it would be  
16 very much welcomed by governments and private sector,  
17 as well.

18 DR. CHONN CHING: I can add a little bit on that.  
19 I think that taking advantage of elements in which the  
20 U.S. has historical, well, not to sound repetitive,  
21 advantages is very important. Due diligence is one of  
22 them. Just to give you the example of the Port of

1 Chancay, I know that there has been a lot of  
2 controversy in the potential dual use and whatnot.  
3 But looking also at the outcomes, a year later,  
4 something has been characterized. For example, the  
5 Peruvian government, a lot of the laws and regulations  
6 and policies that were enacted for an infrastructure  
7 project to come, of such dimension, to operate were  
8 pretty much made months before it became operational,  
9 or it became operational at the construction.

10 So in this case it does show that sometimes, for  
11 a lot of these countries, Latin America countries,  
12 they are pursuing these deals with China, not  
13 necessarily, again, because they are perfect, because  
14 they present the best infrastructure, because they  
15 present the best, let's say, networks and whatnot for  
16 the communities around it to also benefit from it but  
17 because, again, they are the only player, they are the  
18 players that are presenting.

19 So for the U.S., for instance -- and this is a  
20 conversation that has been happening -- when the port  
21 was being built they were looking for technology in  
22 terms of monitoring and supervision and whatnot, and

1 they were hoping that other companies, from other  
2 countries, would also come for the public tender and  
3 to present the deals. Nobody came. Literally, nobody  
4 came. The only ones that were present were the  
5 Chinese players.

6       So I think that here is where, again, as Margaret  
7 said, it is very important to map out where or the  
8 spaces that the U.S. can compete, or U.S. firms can  
9 compete. Financing is an issue, but one detail I  
10 wanted to add really quickly is that in addition to  
11 thinking about the DFC and the private companies,  
12 something that some Chinese firms have been slowly --  
13 and here is where the patience comes -- trying to  
14 enter, for example, private and public partnerships,  
15 PPPs. And this is a space that could be exploited, if  
16 you want to put it that way, to be able to share  
17 financing ways in this case.

18       VICE CHAIR KUIKEN: Ms. Myers, before I get in  
19 trouble from Commissioner Price?

20       COMMISSIONER PRICE: Commissioner Miller.

21       COMMISSIONER MILLER: Thank you. Thank you all  
22 for your testimonies. I thought they were excellent.

1           Ms. Myers, in your testimony you highlight  
2 critical minerals as maybe the most obvious area for  
3 continued cooperation and co-investment. What would  
4 you say we are doing right and wrong right now, and  
5 what are the areas you think we should be doing more  
6 of in that particular space? And this question is for  
7 any of you that are interested in that.

8           MS. MYERS: Thank you very much for the question.  
9 I have been encouraged by a growing emphasis and  
10 attention paid to the prospect of enhanced  
11 partnerships with Latin American countries,  
12 specifically those that have a wealth of critical  
13 minerals, the trial countries, Brazil, for instance,  
14 on partnerships that would generate critical supply  
15 chains and improve the overall U.S. standing as  
16 concerns access to critical minerals.

17           Making that happen is another question. So the  
18 mechanisms, the institutions, the platforms need to be  
19 in place, of course, to facilitate these sorts of  
20 agreements. That starts with conversations with these  
21 countries, and all of these critical mineral sectors  
22 are managed very differently, so it is going to be a

1 different approach for each country. We will have to  
2 engage with provinces in Argentina. The Chilean  
3 government has a different way of handling things.  
4 Bolivia, obviously, things are in complete flux. And  
5 Brazil, I think cooperation there is going to depend  
6 largely on what happens in the political arena.

7       But nevertheless there are things that can  
8 happen, and I think the main objective would be to put  
9 a reasonable deal on the table and one that countries  
10 will be receptive to. Bringing the finance, and  
11 already we have brought in finance for certain  
12 specific deals from DFC, and I think we have done that  
13 very effectively, that is a model that I think we can  
14 continue to build upon and expand, even pulling in  
15 other collaborative capital, for instance, from CAF  
16 potentially, but especially from an Inter-American  
17 Development Bank.

18       So I think there are many, many creative ways to  
19 get at this. Private equity is another that has been  
20 proposed, and I think it is worth exploring certainly,  
21 and I believe there is some exploration of this.

22       One other thing I would say is this is an

1 opportunity to distinguish ourselves from what China  
2 is offering. China promises upgrading. It promises  
3 production. It promises all of these things when it  
4 bids on these projects. And there is expected to be a  
5 factory, and processing of some of these minerals.  
6 And it doesn't ever happen. It has never happened.

7       So can we distinguish ourselves? Can we  
8 demonstrate that we, indeed, can add value and are  
9 committed to doing that, and I think that would do  
10 much to distinguish the U.S. from China at this  
11 juncture.

12       MR. D'SOLA: I would build on that. We usually  
13 talk about, well, we have all mentioned Chinese  
14 companies showing up. The private sector is never  
15 mentioned, so I completely agree with Margaret in  
16 terms of private equity. And from my experience, I  
17 will point to one specific example. The Jujuy  
18 province in Argentina, this is part of the Lithium  
19 Triangle, everyone is there -- Korean companies,  
20 Japanese companies, Australian companies, Chinese  
21 companies. And it is because of local legislation  
22 that has basically pushed for the attraction to

1 attract and make investments in the province viable to  
2 companies, especially in the private sector.

3         So here comes in a third variable, which is  
4 engagement with decision-makers, Senate, Congress, the  
5 equivalent, of host countries, because legislation to  
6 force technology transfer from the Chinese and  
7 establishing and becoming part of local value chains,  
8 this is something that Latin American countries always  
9 complain about, that we are rentist economies, that  
10 there is no transfer of technology, that we are just  
11 shifting from maybe a few decades ago from the U.S.  
12 and Europeans and now to China, but it is always the  
13 same economic model.

14         Brazil is doing this, and it is doing this quite  
15 well, and it is why we see these billion-dollar  
16 investments in the electric car sector. We see BYD  
17 investing billions of dollars to set up shop there,  
18 and this has huge benefits locally. But again, this  
19 is because Brazil is a very close economy, and it is  
20 using its own legislation to its favor.

21         So these are areas for cooperation and having  
22 private talks with your counterparts in the region.

1           COMMISSIONER MILLER: I could go on and on, but  
2 it looks like I am out of time.

3           COMMISSIONER PRICE: I think we will have time  
4 for a second round, so we will come back to you.  
5 Chairman Schriver.

6           CHAIR SCHRIVER: Good morning, and let me add my  
7 thanks to the witnesses. Really appreciate you  
8 contributing your expert opinions with us.

9           We haven't really talked much about traditional  
10 security issues. I don't think we asked you to focus  
11 on that. But I would be interested in hearing from  
12 any or all of the panelists on security issues, PLA  
13 activities, ship visits, arms sales, sort of the broad  
14 swath, if you could generally characterize how China  
15 is doing in the region on security issues. And if you  
16 had sort of the heat map of a very diverse, broad  
17 region, are there particular countries of concern  
18 where the PLA has strong engagement or they seem to be  
19 gaining some traction that might create future  
20 opportunities for access, et cetera? Again, I would  
21 just open that up to whoever might have some thoughts  
22 on that.

1           MS. MYERS: Thank you so much. This is another  
2 obviously critical component of China's engagement  
3 with the region, which we did not address in much  
4 depth.

5           We have actually been doing some mapping  
6 alongside other partners of some of this work, or  
7 these activities, and really across a number of  
8 different areas of engagement, from policing to, as  
9 you mentioned, port calls, military exchanges, high-  
10 level visits by military officers and others that are  
11 influential in this domain. So really running the  
12 gamut.

13           What I observed from that exercise, looking at it  
14 from over the past two decades, essentially, and how  
15 it has grown and where, geographically, things are  
16 distributed, is that, and this will come as a surprise  
17 to no one, there has been quite a bit of growth, in  
18 all of these areas. So the policy, infrastructure, as  
19 we see it, has grown enormously in a relatively short  
20 period of time, and that is prolific across the  
21 region. I don't see one country where that really  
22 stands out. Aside from there may be one or two, but

1 in general it is everywhere. I mean, with some lack  
2 of clarity I think about what precisely these policing  
3 stations are doing. I think they serve different  
4 functions and it is worth getting to the bottom of  
5 that, and a really critical area of study. So there  
6 is that.

7 The port calls also have increased. There is  
8 still Peace Ark, great, which is always there and has  
9 been doing a lot of this humanitarian work for a very  
10 long time, but there are more different kinds of  
11 vessels that are visiting ports across the region, and  
12 in some cases doing some exchange and military  
13 exercises in association with that.

14 Military exercises and education itself has  
15 proliferated quite considerably, often adopting the  
16 U.S. model, as I understand it, and sometimes being  
17 conducted in English, even using U.S. materials. So  
18 that is something also that is on the rise.

19 None of this comes as a surprise to me. It is  
20 very clearly articulated in all of the Chinese policy  
21 documents on Latin America, including this most recent  
22 one, and is emphasized very heavily, in fact, as part

1 of overall people-to-people exchange, and it is very  
2 much seen as part of that component. But it is  
3 achieving, I think, a lot in terms of understanding of  
4 what it is to cooperate with China in these areas,  
5 some interest in engaging more extensively with the  
6 PLA in pursuit of wide-ranging objectives, and a real,  
7 concerted effort to message on China's ability to  
8 address security which, of course, is something that  
9 is paramount in the region at this juncture. So it is  
10 not without considerable effect.

11 MR. D'SOLA: Here I would highlight some examples  
12 of which countries. Definitely Panama and Peru stand  
13 out, primarily because of the large Chinese diaspora,  
14 for historical reasons, in both countries. So these  
15 types of surveillance activities are usually or mostly  
16 directed at Chinese diaspora populations, for a lot of  
17 reasons but primarily to dominate the narrative,  
18 because as we all know, the Chinese diaspora is seen  
19 from Beijing as part of the PRC. So that is  
20 definitely something to pay attention to.

21 In terms of military engagement, I completely  
22 agree that it has been incremented, but the

1 effectiveness and influence, I would bring it into  
2 question. This is by no means representative but in  
3 my own engagement with military officials who have  
4 both participated in Chinese military exchanges and  
5 with the U.S., and I am generalizing here but usually  
6 it is quite different on the Chinese side. It is  
7 mostly sightseeing and showing off what China has to  
8 offer, and nothing of real, raw training per se. And  
9 when they themselves contrast it with their experience  
10 in the U.S., we actually do learn about security  
11 issues, primarily because, well, the types of  
12 trainings and changes but also because U.S. has a much  
13 more, for obvious reasons, an understanding of the  
14 security issues across the region.

15 DR. CHONN CHING: I just wanted to add up really  
16 quickly that I think something that Margaret pointed  
17 out that is very important is that the strategies  
18 presented by China are multipurpose. So even though  
19 you are talking about security and PLA, the label that  
20 comes with it is people-to-people, and that  
21 reinforces, again, the narrative and the presentation,  
22 that China comes as a partner, that maybe it is

1 helping to train your armed forces, it is helping your  
2 police groups and police bodies, but it does not  
3 necessarily come explicit, that it has this security  
4 component, that it has this military component.

5 So I think that when we are thinking about these  
6 strategies it is also important to think about the  
7 labeling that comes with it and the purpose that it is  
8 actually seeking. Thank you.

9 COMMISSIONER PRICE: Commissioner Slevin.

10 COMMISSIONER SLEVIN: Thank you. Thanks for our  
11 witnesses' excellent testimonies.

12 Ms. Myers, you referred to some of the trade  
13 tensions between certain Latin American countries and  
14 China -- Brazil, Mexico, Colombia -- confronting the  
15 consequences of Chinese industrial policy,  
16 particularly around steel and filing some more trade  
17 defensive cases. I am interested if there is a view  
18 on how China is reacting to that tension, one, and  
19 then, two, just for countries like Brazil or Chile  
20 that are seeking to kind of move up the value chain in  
21 manufacturing, processing and the like, how China is  
22 reacting to that ambition.

1 MS. MYERS: Thank you. I think this is, I mean,  
2 to the extent that we want to rank the most  
3 consequential developments in the China-Latin American  
4 dynamic at this junction, this sort of trade dynamic  
5 is one that I think is going to be fundamental in  
6 shaping the relationship, now and into the next couple  
7 of years. So I am really grateful for the question.

8 We have seen these tensions play out in other  
9 regions, and certainly the steel sector they have  
10 played out in the Latin American context for quite  
11 some time. There are many countries that are deeply  
12 concerned, and the broader Latin American steel  
13 industry has been very active in putting forward trade  
14 recommendations and advancing certain policies that  
15 are looking to protect these industries.

16 But there is growing concern in the Latin  
17 American region as a result of China's industrial  
18 policy ongoing, that this will increasingly impact  
19 other industries. And indeed, some of the industries  
20 that China has cited as areas of focus are those in  
21 which Latin American countries have some capacity.  
22 Aerospace is one. Another is pharmaceuticals.

1 Machinery. This are sort of the enduring and  
2 remaining industrial sectors, segments of these  
3 countries that have this capacity.

4       So there is deep concern that this is going to  
5 really limit prospects, not only for further  
6 industrialization but encouraging a de-  
7 industrialization process in certain parts of the  
8 region. Whether that plays out or not remains to be  
9 seen, I think. But regarding your question about how  
10 China is reacting, I think China is concerned about  
11 the effects of this and on its prospects, and has been  
12 working very hard to deliver a message of commitment  
13 to industrial capacity, to development, to Latin  
14 American interests.

15       But it is very clear, and I think coming out of  
16 the two sessions, and all of the documentation that  
17 was produced, that China is doubling down on this  
18 initiative, and that is has very little other option  
19 at this juncture. So more exports, more exports of  
20 high-tech goods but then also de minimis items.  
21 Everything is going globally, but Latin America is a  
22 very important market for this, and it is impacting

1 industries and will continue to do so, and we continue  
2 to hear more and more about this.

3 And the term that I heard most recently was  
4 inundación, a complete flooding. Others, of course,  
5 use dumping, but this is really a major problem and I  
6 think it is going to have massive effects on structure  
7 and dynamic of the relationship in the next few  
8 months.

9 COMMISSIONER SLEVIN: Thanks. Dr. Chonn Ching,  
10 you referred in your testimony to China's massive  
11 investments in clean energy and green transportation.  
12 How entrenched do you see China's presence there, and  
13 particularly from the perspective of U.S. policymakers  
14 perhaps see that as a daunting endeavor to try to  
15 compete with. But if you can think about from the  
16 U.S. policymaker perspective, what are one or two  
17 things that you think that Congress can do, the  
18 private sector can do to try to compete, actually, in  
19 those sectors with China's investment in Latin  
20 America?

21 DR. CHONN CHING: Thank you for the question. I  
22 think one of the main things is to be present. I know

1 it sounds very simple. However, the absence of U.S.  
2 firms, private mostly, has been characterized that in  
3 this particular sector of energy transition and  
4 whatnot it has been absent. And while I might not  
5 necessarily tell you that you have to do X, Y, and Z,  
6 I think that just highlighting the presence is  
7 important. And as my co-panelists have mentioned,  
8 there are different economic or financial strategies  
9 that can help U.S. companies into entry in the sector.

10 Now, for instance, perhaps what they can  
11 participate in is mostly in helping in the building of  
12 infrastructure, in the building of technology. When  
13 it comes, for example, to the specific of having buses  
14 and whatnot, I think it is more difficult to do so  
15 just because in this case China has moved, its  
16 manufacturing plants, for example, in Brazil, and  
17 there were conversations in Argentina, as well, to  
18 building the EVs over there. And comparatively  
19 speaking, in prices there is no competition. In fact,  
20 when interviewing different people they would tell you  
21 some of these EVs, for instance, Chinese EVs, might  
22 not last as long as any other company and whatnot, but

1 we can buy two or three and replace them at a much  
2 cheaper price.

3       So in that case, I think one of the  
4 recommendations is not try to compete in the same  
5 level as China, where clearly the U.S. does not have a  
6 comparative advantage. This is one of them, and  
7 again, it goes back to the conversational mapping.  
8 But, in fact, to really find niche or areas where it  
9 can really do so, and green energy technology, in  
10 particular.

11       And especially for the region, I think something  
12 that has happened is that technology transfer,  
13 spillovers from Chinese companies in this regard, have  
14 been very limited, and here is something that the U.S.  
15 companies can really exploit, because it really  
16 enhances these collaborations. And again, this is how  
17 the U.S. can present itself as a long-term partner and  
18 not just a partner that is fixing things temporarily,  
19 if that makes sense. Thank you.

20       COMMISSIONER SLEVIN: Thank you.

21       COMMISSIONER PRICE: And Commissioner Stivers.

22       COMMISSIONER STIVERS: Thank you. Mr. D'Sola, I

1 want to start with you. You wrote a lot about  
2 Venezuela in your written testimony, and my guess is  
3 this is probably the elephant in the room of any U.S.-  
4 Latin American engagement these days. My question is,  
5 how do you expect China to -- what is their reaction  
6 to the military operation in Venezuela, and do you  
7 believe, and can you describe how their approach to  
8 Venezuela may change?

9 MR. D'SOLA: Thank you for the question. Yes,  
10 that is the million-dollar question, for sure. I was  
11 just in Caracas last week, and to be honest, I think  
12 their reaction was, they were dumbfounded. It  
13 definitely caught them off guard. And my guess is  
14 they are still trying to get their head around it.

15 And this is in my written testimony, but this  
16 trajectory over 20 years, 25 years in Venezuela, it  
17 just gave them a lot of food for thought, and as I  
18 mentioned, that presence does not mean leverage. And  
19 to understanding that their presence in Venezuela was  
20 very much superficial and concentrated in a small  
21 group of people. And that is completely different.  
22 That is the center of my testimony, that when you

1 compare it to the United States, it is much more  
2 bottom-up. And it really doesn't matter who is in  
3 government. You might have sort of an anti-U.S.  
4 agenda. But presidents, to a large extent, come and  
5 go.

6 So I think for the time being they are just wait  
7 and see. And I would even say that they see this even  
8 as positive, because if some sense of rule of law and  
9 institutionality comes back to the country, the few  
10 investments that they still have in the old sector  
11 might actually become part. And so far, despite the  
12 tutelage that we have seen from Washington over the  
13 last three months, I have not seen any signs from the  
14 U.S. government that they are not open for Chinese  
15 participation in the country as long as it is out in  
16 the open and not in back channels, through dark  
17 fleets. So yeah, that is my two cents.

18 COMMISSIONER STIVERS: Thanks. Anyone else want  
19 to comment on that. Ms. Myers?

20 MS. MYERS: Might I add to that very quickly. It  
21 strikes me, and I agree with Parsifal on all of his  
22 points, but it strikes me that there are kind of two

1 fundamental questions that China is asking at this  
2 juncture, and it does not have clear answers to. One  
3 is what happens to my assets, not just in Venezuela  
4 but then everywhere. Because the sense is that this  
5 is not restricted. Venezuela is sort of an example of  
6 what can happen in other parts of the region, and  
7 certainly a lot of the projects that China has already  
8 negotiated, has already invested in, it is interested  
9 in pursuing, are being monitored very closely by the  
10 United States.

11 So this has really intensified this question of  
12 is there an ability to protect or not. There is a  
13 division on this, from what I can tell. There are  
14 those that feel very confident that they are having  
15 these conversations with U.S. officials and that there  
16 is a guarantee that things will more or less be  
17 protected, or those critical interests in Venezuela at  
18 least. There are others that believe that this is a  
19 really precarious moment for China, and a lot of  
20 things, a lot of negotiations and other things may be  
21 in question. I mean, I think it is an important point  
22 of debate, and we will see how that plays out.

1           And the other that one hears a lot is, okay, so  
2 if we don't do anything in Venezuela, if we don't  
3 react there, if we don't react in other countries that  
4 are being potentially targeted by the United States,  
5 for instance, Cuba, what does that mean for us, the  
6 perceived value of our strategic partnerships.

7           And so there is, again, a real internal debate  
8 about this too. I don't know that China has much  
9 recourse or will be taking any real actions, although  
10 one person had mentioned, for instance, the prospect  
11 of delivering more finance to Cuba to support their  
12 efforts. I don't believe that is on the horizon, but  
13 nevertheless there is this internal and almost  
14 existential debate about what it is that adds value to  
15 a strategic partnership with China.

16           So these questions, I think, will endure, and we  
17 will be watching carefully how they play out.

18           COMMISSIONER STIVERS: Thanks.

19           COMMISSIONER PRICE: We have an extra few minutes  
20 if anyone has particular questions. Commissioner  
21 Miller.

22           COMMISSIONER MILLER: Thank you. I don't want

1 this panel to go by without drilling down a little bit  
2 on Mexico. Dr. Chonn Ching, you had mentioned in your  
3 testimony that Mexico is China's largest partner in  
4 Latin America. Assuming a core U.S. priority in the  
5 USMCA negotiations is to put substantial pressure on  
6 Mexico to crack down on Chinese investment, trade, and  
7 transshipment, what could the relationship look like  
8 in five years? What leverage does the U.S. have here,  
9 and what advice might you have for the USTR as they  
10 reenter these USMCA discussions?

11 DR. CHONN CHING: Thank you for the question. I  
12 think that needs some reclarification. Maybe there  
13 was a mistake in the testimony, I said that. Mexico  
14 is its largest partner in Central America. Actually,  
15 the largest partner is Brazil. Now, even though it is  
16 the largest partner in Central America, actually,  
17 China competes with Mexico, not only when it comes to  
18 the trade and commercial exchanges within the region  
19 but also even to the United States.

20 To your question of what happens in five years,  
21 there is a lot of uncertainty. However, something to  
22 highlight, and here is where the agency of the

1 countries do play a role, for Mexico, given its  
2 relationship with the United States and with Canada,  
3 how to get a U.S.-Canada-Mexico trade agreement and  
4 whatnot, it prioritizes, actually, its relationship  
5 with these North American partners, vis-à-vis China.

6 Now, where China has been trying to enter and  
7 make space, it is in infrastructure. It is in  
8 investments. Not so much in trade, because again,  
9 here is where one could see China has a friendly  
10 competitor, if you will, or at least that how it  
11 presents itself. So it creates competition and also  
12 it competes.

13 I think that I couldn't say in the next five  
14 years but at least for now it has historically been --  
15 the relationship fluctuates between becoming closer or  
16 becoming more tense, depending on the administration  
17 that it is imposing in the country. So here,  
18 Sheinbaum's administration, she has clearly signaled  
19 that she prioritizes the relationship with the United  
20 States. So in one way China will try to shape the  
21 bilateral relationship, but at the end of the day it  
22 is also how the Mexican government is responding. And

1 I think that Parsifal, in his opening remarks, he said  
2 a lot of these circumstances are not necessarily  
3 driven by what China does, but because they already  
4 existed. And here, the historical relationship that  
5 the U.S. has with Mexico and the relationship that  
6 Mexico has developed with China, that presents this  
7 tense dynamic that in some instances, or in some areas  
8 where it can exploit its partnership with China it  
9 will take advantage of it, but where it competes, it  
10 still competes, and where it prioritizes, the U.S.  
11 will prioritize the U.S.

12 COMMISSIONER MILLER: Any of the rest of you?

13 MR. D'SOLA: When we talk about China-Latin  
14 America relations I always mention that there are two  
15 cases that should be treated individually, Brazil and  
16 Mexico, because of the particularities of each one,  
17 which are kind of obvious.

18 In the case of Mexico, I recently had a  
19 conversation with the head of a Chamber of Commerce  
20 constituted basically by Mexican private sector  
21 companies. And that is definitely the U.S.'s best  
22 bet. Margaret was mentioning industrial policy. The

1 two countries that actually do have an important  
2 industrial base, that competes and is seen threatened  
3 by Chinese competition is Mexico and Brazil. And U.S.  
4 companies do have a large presence in Mexico that we  
5 do not see in other parts of the region.

6 So in upcoming negotiations it is a general  
7 recommendation, but bringing to the table all these  
8 main actors from the private manufacturing sector in  
9 Mexico, I would say that is the best bet for basically  
10 through legislation, through local interests of the  
11 private sector, for technology transfer, and in-  
12 stating in Mexico, that the largest part of those  
13 value chains that will directly benefit the United  
14 States.

15 COMMISSIONER MILLER: Thank you.

16 COMMISSIONER PRICE: Commissioner Stivers.

17 COMMISSIONER STIVERS: I would like to get your  
18 views on the Shield of the Americas summit that  
19 occurred last week. I would like to get your views on  
20 which -- well, first, I would say the press reported  
21 that there was a countering China subtext to the  
22 summit, even though it didn't explicitly mention

1 China, which I assume would be because some Latin  
2 American countries would not want that to be mentioned  
3 specifically.

4 My question would be, Ms. Myers, in your  
5 testimony you described this coercive versus  
6 constructive approach to the region. Maybe start with  
7 you. How do you look at this Shield of America  
8 summit? Does it fit into that balanced approach that  
9 you discussed in your testimony? Also, which  
10 countries are more for this? Which ones are not  
11 necessarily in favor? And I guess more important to  
12 the work of the Commission, how could this initiative  
13 be improved, perhaps legislatively, to make it a  
14 strong U.S. approach to the region and to dealing with  
15 China?

16 MS. MYERS: It is a great question. I would need  
17 to look more at what precisely the Shield of America  
18 is proposing down the line and what essentially the  
19 strategy will be. But I would say that there did  
20 appear to be some degree of buy-in, largely among many  
21 of those countries where we have seen some shift in  
22 the political landscape of late and that are looking

1 to demonstrate their alignment with the United States  
2 in some capacity, from a political perspective, and  
3 also to extract, potentially, some degree of economic  
4 benefit from that, to include potentially the  
5 reduction of tariffs.

6       So yes, I mean, I think there are those that are  
7 willing to consider what this might look like and how  
8 potentially it might be implemented. But I think, in  
9 general, there is just a sense that there is not  
10 enough there, there, quite yet. What is this, what is  
11 it proposing, and is there a constructive element? Is  
12 it purely saying no engagement with China, which I  
13 think for Latin American countries, as much as they  
14 may want to suggest that they are aligned with the  
15 United States and its interests, is a nonstarter.  
16 These structural elements are so embedded that it is  
17 impossible for Argentina to adopt this trade agreement  
18 that has been put in front of it and to not have  
19 dramatic impact on its economy. That is different  
20 from Shields of Americas, obviously.

21       So I would say in terms of a recommendation it is  
22 to define this and to ensure that it is clearly

1 articulated. What is it that it is proposing? What  
2 does it mean to Shield the Americas, in other words,  
3 and is it purely a China question or is it more than  
4 that and beyond that? Is there a constructive element  
5 to this? Is there something the U.S. can offer as an  
6 alternative, and indeed, an alternative that is even  
7 more attractive than what China is offering, because I  
8 believe that to be easily achievable, to the extent  
9 that we collectively believe this to be something  
10 worth pursuing.

11 I mean, that is my general recommendation, and it  
12 can be a constructive platform but it needs to be  
13 developed as such.

14 COMMISSIONER STIVERS: Thanks. Mr. D'Sola?

15 MR. D'SOLA: I am glad you brought this up. I  
16 have a very critical view of the Shield of the  
17 Americas. I would even go as far as comparing it to  
18 other political initiatives, because at the end of the  
19 day that is what it is. It is a political initiative.

20 I completely agree with Margaret. There is no  
21 substance to it. At the end of the day it is an MOU  
22 comparable to joining the Belt and Road Initiative.

1 It is a rhetorical framework that, in my view, will  
2 not last the Trump administration. I see it as all  
3 these initiatives promoted by Venezuela, which were  
4 are only there because Venezuela was there to finance  
5 them, and once Hugo Chavez was done they basically  
6 just evaporated in insignificance.

7       And I would just add that it is connected to the  
8 security framing of the Shield of the Americas. I  
9 want to be careful how I frame this. The current  
10 scenario in Venezuela, if you see how, as a whole, the  
11 region responded, which is primarily very, very  
12 positively, and especially from a South American  
13 perspective, given the history of U.S. intervention in  
14 the region, the fact that a military operation to  
15 remove a head of state is actually welcomed by the  
16 region I think speaks volumes of how the core issues  
17 that Venezuela represented are actually in alignment  
18 with U.S. security interests. It is migration, it is  
19 drug trafficking, it is irregular groups. And this is  
20 where China is not present at all.

21       So I do see this as a narrow window to sit down  
22 with counterparts in the region, to actually dig down

1 into everything that Venezuela represented and bring  
2 them to the table. Shield of the Americas, I am very  
3 skeptical, but I think at least it is sending a  
4 message from Latin America that they are willing to  
5 engage.

6 COMMISSIONER STIVERS: Ms. Chonn Ching, did you  
7 want to comment?

8 DR. CHONN CHING: Really quickly. Aside from  
9 echoing what my co-panelists have said, there needs to  
10 be more substance, and that goes also into tie with a  
11 lot of the cautionary, I guess, presentations or  
12 assumptions or assertions that sometimes the U.S., or  
13 at least what the policymakers present to the region,  
14 is that when these cautionary comments come, or when  
15 these initiatives come, and the alternatives are  
16 presented, there needs to be something else beyond  
17 just saying we are an alternative. Be explicit about  
18 what you are presenting.

19 But it also pushes a lot of the Latin American  
20 countries into realizing that as they sign the  
21 different deals with China, now I think Latin American  
22 policymakers have to make that decision that there are

1 geopolitical consequences, or there are geopolitical  
2 actions or outcomes that might need to be considered.  
3 And this is something that the region itself is also  
4 grappling, but the most important part, again, really  
5 quickly, there needs to be clarity about what it is,  
6 what it entails. And not only that, in what ways  
7 Latin American countries will benefit. That is the  
8 key part, because that is not clear.

9 COMMISSIONER STIVERS: Bingo. Thank you.

10 COMMISSIONER PRICE: And with that thank you all  
11 very, very much for your participation this morning.  
12 We are going to take a few minutes' break and come  
13 back about 11:15. Thank you.

14 [Recess.]

15 PANEL II

16 INTRODUCTION BY COMMISSIONER HODGES

17 COMMISSIONER HODGES: Our second panel will  
18 explore Chinese influence at a more granular level  
19 through specific political and economic vectors of  
20 influence, development assistance, economic leverage,  
21 and coercion, ports and other critical infrastructure,  
22 and security cooperation and transnational crime.

1           We will begin with Mr. Francisco Bencosme, former  
2 China Policy Lead at U.S. Agency for International  
3 Development. Previously he was Deputy Special  
4 Presidential Envoy for Compact of Free Association  
5 negotiations. His testimony will examine how  
6 development assistance and people-to-people engagement  
7 part of China's broadened political influence strategy  
8 in Latin America. Francisco?

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1 STATEMENT OF FRANCISCO BENCOSME, FORMER CHINA POLICY  
2 LEAD, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

3 MR. BENCOSME: Commissioner Hodges, Commissioner  
4 Price, and other members of the Commission, thank you  
5 for the opportunity to testify before you. I am here  
6 in my personal capacity, as the former USAID China  
7 lead, and the views presented today are my own and do  
8 not represent my institutions that I am affiliated  
9 with.

10 I have been asked to speak on the evolving  
11 landscape of China's development cooperation in the  
12 region, and I would start off by making a few key  
13 points.

14 One, it is integrating into the Global  
15 Development Initiative. China is increasingly  
16 embedded its development cooperation in the region as  
17 part of its larger, ideological Global Development  
18 Initiative. This framework is found within the 2025  
19 China-Latin America Policy Paper and during the China  
20 and CELAC meeting. It puts an emphasis on South-South  
21 cooperation, win-win rhetoric, common prosperity, and  
22 with an eye towards shaping the next agenda for the

1 U.N. 2030 Sustainable Development Goals.

2 Two, the Belt and Road Initiative is focusing on  
3 high-quality key sectors. BRI, in its 2.0 version,  
4 emphasizes high-quality programs that are smaller in  
5 scale but concentrated in key sectors that China  
6 identifies as priorities, such as in renewable energy,  
7 AI, data centers, and telecommunications.

8 Three, it is more localized. China tailors its  
9 development programs to local conditions, deepening  
10 engagement not just at the national level but also  
11 municipal and state level. Even if a Chinese firm is  
12 global or regional, their footprint is becoming more  
13 flexible and tailored to the local idiosyncrasies,  
14 regulations, and networks. How it handles specific  
15 issues when it comes to labor conditions,  
16 subcontracting networks, and relations with clients  
17 all depend on the respective countries and sectors.

18 Four, it is building political resilience. To  
19 supplement its economic engagement in the region, it  
20 is also building out strong political, governance, and  
21 people-to-people tracks in the region. This means  
22 more party-to-party trainings to hedge against

1 political transitions in the region, journalists and  
2 political leaders engaging in trips to Beijing, media  
3 content sharing agreements, and deepening its ties to  
4 educational institutions in the region.

5         Five, the tools are also shifting. Investing is  
6 becoming syndicated, multilateralized, and driven more  
7 by Chinese private firms than by state banks. This  
8 means that on paper they are coopting and partnering  
9 with Western firms, regional development banks, and it  
10 also represents a level of maturity in the region,  
11 where they are not as dependent on Chinese state banks  
12 for finance and having the infrastructure to bring  
13 them to larger scale.

14         In light of this, what should a U.S. policy be?  
15 The United States needs to articulate a positive and  
16 long-term economic vision to Latin America and the  
17 Caribbean that is built upon partnership, not  
18 dominance, for sovereignty and freedom, not an  
19 exclusion to any one country, building on the  
20 institutional and comprehensive framework for growth  
21 and competitiveness in the region. This strategy  
22 should focus on building economic prosperity,

1 resilience, diversification, and building agency for  
2 the regions and our partners.

3       It will require broad bipartisan congressional  
4 action to build a well-resourced framework that cuts  
5 across multiple administrations -- think five-year  
6 plans -- and extends beyond one administration.

7       Recognizing that while the United States will be  
8 an enduring presence and leader in the region and has  
9 deep cultural people-to-people, no realistic strategy  
10 that the U.S. will create will fully kick China out of  
11 the region. We should not play Whack-a-Mole projects-  
12 to-projects but ensure that our strategy is  
13 comprehensive, institutionalized so that our partners  
14 in the region can also rise to the occasion and have  
15 predictable dialogues.

16       We also need to right-size and prioritize the  
17 issue sets and invest a lot more on setting the  
18 efficacy of our responses as opposed to simply naval-  
19 gazing the problem set.

20       I would focus on a couple key sectors. First, on  
21 economic financing and investment, it should  
22 ruthlessly prioritize key sectors of the 21st century,

1 such as emerging technology, climate and renewable,  
2 and critical minerals. If everything is an economic  
3 security challenge then nothing is. There needs to be  
4 an effective coordination and blending of different  
5 financing and investment tools, like the DFC, EXIM,  
6 the Office of Strategic Capital, Commerce, USTR, and  
7 the State Department. We need a one-stop coordinating  
8 body at the White House for strategic, positive, high-  
9 level, economic statecraft.

10       We need to be aggressive about supporting Western  
11 private sector competitiveness in the region. Here,  
12 trade associations play a role, but are not sufficient  
13 to deepen extensive contacts in the regions. Our  
14 embassy deal teams need to be well coordinated, know  
15 their priorities, and encouraged to take risks.  
16 Report language that analyzes how our investment  
17 process can be announced quicker and implemented  
18 faster would also be helpful to compete on the speed  
19 of delivery. The bar right now is too high, and often  
20 becomes a perfect enemy of the good in terms of deal-  
21 making. We should follow the COCOM Model and embed  
22 liaisons from allied development agencies to ensure

1 stronger coordination with partners and allies.

2       Second, our strategy needs to be complemented by  
3 building political resilience against China coercion  
4 by supporting investigative journalism, institutions  
5 that can check forced labor, and tight corruption  
6 reforms and digital surveillance. We need our public  
7 diplomacy officers to think creatively in a  
8 competitive environment, where China is making  
9 significant investments in local media ecosystems.

10       Third, China is making significant inroads in  
11 portraying our policy as episodic, militarized,  
12 focused on coercion, and misaligned with the regional  
13 economic development priorities. Therefore, we need  
14 strong investment in public diplomacy, like the  
15 Fulbright Programs, parliamentary exchanges, and  
16 educational investments.

17       Fourth, we need to establish significant  
18 investment in what I refer to as sovereignty  
19 assistance. Issues like investment screening, tech  
20 diffusion, and regulatory reforms that support  
21 inclusive economic trade will go a long way in helping  
22 our partners benefit from the investment while

1 creating guardrails.

2       Finally, we need to give our partners choices,  
3 not force them to choose. When Barbados joined the  
4 U.N. at the height of the Cold War, its prime minister  
5 said, "We will not view the great powers with  
6 perennial suspicions, merely on account of their size,  
7 their wealth, or their nuclear potential. We will be  
8 friends of all, satellites of none." That thinking  
9 resonates deeply today in the region. Thank you.

10       [Prepared statement of Mr. Bencosme follows:]

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1           COMMISSIONER HODGES: Thank you. Next we will  
2 hear from Ramon Escobar, Managing Director of Actum.  
3 He supports clients in finance, critical minerals,  
4 digital/AI infrastructure and emerging technology  
5 sectors. He previously served as Director for Western  
6 Hemisphere Strategy at the National Security Council.

7           Ramon, thank you.

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1 Beijing is embedding Chinese firms, financing, and  
2 technological systems into the economic architecture  
3 of the region.

4 Despite this growing presence, the strategic  
5 environment in the Western Hemisphere still favors the  
6 United States. Latin America remains economically,  
7 culturally, and technologically aligned with the  
8 United States in ways that China cannot easily  
9 replicate.

10 Entrepreneurs, investors, and companies across  
11 the region remain deeply integrated with U.S. markets,  
12 universities, and innovation ecosystems. The question  
13 is not whether the United States can compete  
14 successfully in Latin America. The question is  
15 whether we will prioritize the sectors where  
16 competition matters most and deploy the economic tools  
17 necessary to succeed.

18 One emerging risk is that global crises outside  
19 the hemisphere could distract the United States from  
20 following through on its stated pivot toward Latin  
21 America. We have seen this pattern before. Events in  
22 the Middle East or other regions can quickly consume

1 Washinton's attention and resources.

2       Recent U.S. engagement in the region has  
3 understandably emphasized security cooperation,  
4 including initiatives such as the recent Shield of the  
5 Americas summit in Miami. These efforts are  
6 important, but security cooperation alone will not  
7 counter China's influence in Latin America.

8       China's strategy in the region is overwhelmingly  
9 economic and technological, and the United States will  
10 ultimately need to compete in those arenas, by  
11 bringing investment, infrastructure, and technology  
12 that outcompetes Chinese alternatives.

13       In my written testimony I made three core  
14 arguments.

15       First, has established a neo-colonial  
16 relationship with Latin America, characterized by  
17 commodity extraction, industrial dependency, and  
18 growing financial leverage.

19       Second, the most consequential arenas for  
20 strategic competition between the United States and  
21 China in the hemisphere are emerging in three sectors:  
22 artificial intelligence and digital ecosystems,

1 strategic infrastructure, and critical mineral supply  
2 chains.

3 Third, the United States can compete successfully  
4 in these sectors but only if we adopt a focused  
5 strategy centered on leveraging two of our most  
6 strengths: our dynamic private capital markets and  
7 our innovative business ecosystem. We can do this by  
8 building strategic investment platforms that channel  
9 U.S.-aligned capital and innovation to this region.

10 Let me briefly discuss the three battlegrounds.

11 The first is AI and digital ecosystems. The  
12 global race for AI leadership will not be decided  
13 solely within the borders of the United States or  
14 China. It will be determined by which country's  
15 technologies, platforms, and standards become embedded  
16 in the economies of the 78 percent of the world's  
17 population that lives outside of those two countries.  
18 Latin America is a critical battleground in that  
19 competition, and if we cannot win in Latin America I  
20 am afraid we will not win anywhere.

21 Signals from China's Two Sessions meeting this  
22 year make clear that Beijing intends to expand the

1 global adoption of Chinese AI technologies,  
2 particularly across emerging markets. Chinese firms  
3 are already promoting vertically integrated solutions  
4 that bundle chips, compute infrastructure, and  
5 software networks into a full AI tech stack. Huawei,  
6 for example, is marketing AI infrastructure build  
7 around its Ascend processors and CANN computing  
8 architecture, as an end-to-end platform for countries  
9 seeking sovereign AI capacity. While Huawei's chips  
10 still lag leading U.S. GPUs in raw compute  
11 performance, China's strategy is not to win on chip  
12 performance alone. It is to embed a full stack AI  
13 ecosystem across emerging markets before competing  
14 systems take hold.

15 I flew in this morning from NVIDIA's GPU  
16 technology conference in Silicon Valley. I attended  
17 the conference to advance a project that would help  
18 embed the U.S. AI tech stack into Latin America's  
19 economic fabric. While I left the conference  
20 believing that my "why Latin America" pitch was well  
21 received by the AI industry titans, I also know their  
22 overwhelming focus is in the U.S.

1           As we have seen in critical minerals, 5G, and  
2 other strategic industries, U.S. firms acting alone  
3 will not consistently prioritize global market  
4 competition. In sectors like AI, where rapid adoption  
5 and diffusion will determine global standards, the  
6 U.S. government must actively incentivize American  
7 companies to show up, before China's good enough and  
8 affordable model becomes the default worldwide.

9           The second battleground is strategic  
10 infrastructure. Chinese firms have invested heavily  
11 in ports, electricity networks, telecoms, logistics  
12 corridors across Latin America. The Commission has  
13 already heard testimony outlining the many examples of  
14 Chinese influence, the Chancay Megaport in Peru, the  
15 China State Grid Corporation's inroads in Brazil and  
16 Chile, Huawei's domination of 5G. Infrastructure  
17 investments like these provide long-term influence  
18 over assets central to national economic security.

19           These are not just commercial assets. They are  
20 the systems that determine how economies function.  
21 Control over ports, grids, and networks can translate  
22 into influence over trade routes, energy security, and

1 data flows. Without greater U.S. investment and  
2 participation, these systems risk being shaped in ways  
3 that disadvantage U.S. interests and limit the  
4 region's long-term strategic autonomy.

5       The third battleground is critical mineral supply  
6 chains. China has pursued a systematic strategy to  
7 secure access to Latin America's vast resources  
8 through mining investments and long-term offtakes.  
9 The objective is not simply to acquire raw materials  
10 but to ensure that the entire value chain, from  
11 extraction to processing to manufacturing, remains  
12 anchored within Chinese industrial ecosystems.

13       Together, these three sectors -- AI, strategic  
14 infrastructure, and minerals -- will define the future  
15 of economic competition between the United States and  
16 China in the Western Hemisphere.

17       The good news is the United States has a powerful  
18 advantage in this competition, private capital. And  
19 DFC's recent authorization has fundamentally improved  
20 the agency's ability to mobilize the American capital  
21 advantage. With expanded equity authority, a \$5  
22 billion equity revolving fund, and greater

1 flexibility, DFC can more effectively act as a  
2 catalytic investor in large-scale policy line  
3 investment platforms.

4       This is a critical shift. While retaining the  
5 ability to do direct project-by-project investments is  
6 important, the United States can also help build  
7 entire investment ecosystems around strategic sectors,  
8 platforms that aggregate capital, align commercial  
9 incentives with policy objectives, and deploy at the  
10 speed of markets. And we are already seeing how this  
11 looks. The Critical Minerals Consortium, co-created  
12 by DFC and Orion Resource Partners, is a strong  
13 example.

14       But the real opportunity is to replicate this  
15 model across sectors. It starts with DFC's expanded  
16 equity authority. Equity allows the United States to  
17 shape how capital is deployed, not just where it goes.  
18 In Latin America, DFC could anchor platforms that  
19 build U.S.-aligned AI datacenter ecosystems, develop  
20 strategic infrastructure corridors, or expand regional  
21 mineral processing capacity. And there is ample  
22 opportunity to leverage other financial assets such as

1 the U.S. Export-Import Bank, the IDB, and the CAF as  
2 force multipliers.

3       Ultimately, strategic competition between the  
4 U.S. and China will not be decided solely within our  
5 borders. It will be decided by the economic systems  
6 and partnerships we help build abroad.

7       Thank you, and I look forward to your questions.

8       [Prepared statement of Mr. Escobar follows:]

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1           COMMISSIONER HODGES: Thank you. Next we are to  
2 hear from Mr. Henry Ziemer, an Associate Fellow at the  
3 Center for Strategic and International Studies. His  
4 research has examined China's port projects and power  
5 grid investments in Latin America and the Caribbean.  
6 His testimony will discuss the strategic advantages  
7 China gains from investments in ports and other  
8 critical infrastructure.

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1       STATEMENT OF HENRY ZIEMER, ASSOCIATE FELLOW, CENTER  
2                   FOR STRATEGIC AND INTERNATIONAL STUDIES

3           MR. ZIEMER: Co-Chair Hodges, Co-Chair Price, and  
4   esteemed members of the U.S.-China Economic and  
5   Security Review Commission, it is an honor to speak  
6   with you today on this critical and pressing topic.

7           In the past year, China's influence in Latin  
8   America and the Caribbean has undergone a fundamental  
9   shift. Whereas previously China's expansion the  
10   region was often treated as a matter of consternation  
11   but not a priority for the United States, now  
12   documents like the 2025 National Security Strategy and  
13   2026 National Defense Strategy are firmly centering  
14   the Western Hemisphere as the foremost area of concern  
15   for U.S. homeland defense.

16           The United States is actively engaging Latin  
17   American and Caribbean nations, most recently at the  
18   Shield of the Americas summit and launch of the  
19   America's Counter Cartel Coalition.

20           With respect to China, there is a palpable sense  
21   that the momentum has begun to shift, and Beijing's  
22   seemingly inexorable accretion of power and influence

1 could be at risk. Just this year, the Panamanian  
2 Supreme Court ruled that two port concessions held by  
3 Hong Kong-based CK Hutchison violated the country's  
4 Constitution. Mexico has also raised tariffs on  
5 Chinese imports, while China's \$20 billion investment  
6 propping up the dictatorship of Nicolás Maduro in  
7 Venezuela has proven to be money ill spent.

8       There is unprecedented opportunity here for the  
9 United States to tackle Chinese influence within our  
10 shared neighborhood and build a more stable, secure,  
11 and prosperous Western Hemisphere. However, in a  
12 sense, everything up to this point has been the easy  
13 part. Now the United States needs to think critically  
14 about how to unwind China's networks of influence,  
15 some of which are decades old at this point, and put  
16 forward a resource-backed strategy not to compete but  
17 to out-compete China in strategic domains. All the  
18 while, we shouldn't forget that Beijing also gets a  
19 vote, and it has shown no signs of drawing down in the  
20 Western Hemisphere.

21       It is my contention, therefore, that in a  
22 sharper-edged competition with the United States in

1 Latin America and the Caribbean, China is going to  
2 double down on its investments in critical  
3 infrastructure, especially ports, as a key source of  
4 durable influence.

5         Just this week, we heard General Francis Donovan,  
6 Commander of United States Southern Command, testify  
7 before the House Armed Services Committee that China's  
8 ports, quote, "grant Beijing a foothold in the region  
9 and raise concerns of potential dual-use  
10 infrastructure that could facilitate intelligence  
11 gathering, cyber vulnerability, or logistical denial  
12 during global contingencies." I could not agree more  
13 with the general's assessment.

14         But scoping risks of individual port investments  
15 has thus far proven challenging. Companies with ties  
16 to the People's Republic of China have invested in  
17 dozens of port projects throughout Latin America and  
18 the Caribbean, that range from simple construction and  
19 dredging projects to full-scale acquisitions, and even  
20 developing and operating greenfield projects like  
21 Chancay, Peru.

22         Last year, my CSIS colleagues and I developed a

1 novel methodology for calculating the risk to the  
2 United States posed by 37 different China-influenced  
3 port projects. We combined 11 different weighted  
4 indicators, ranging from the involvement of a Chinese  
5 state-owned enterprise to the value of daily U.S.  
6 trade through a given port, to the presence of  
7 technologies like ZPMC cranes and Nuctech cargo  
8 scanners that have been identified as potential  
9 intelligence risks by U.S. authorities.

10 From these indicators we derive two pillars of  
11 port security risk, the level of Chinese influence at  
12 a given facility and the degree to which U.S. economic  
13 and security interests are exposed at a particular  
14 port. The findings have major implications how the  
15 United States orients itself with respect to Chinese  
16 ports investments.

17 For one, while Panama's recent decision to kick  
18 Hutchison out of its holding in Balboa and Cristobal  
19 is a welcome one, Hutchison still manages five other  
20 port facilities in Latin America and the Caribbean,  
21 and Mexico and the Bahamas. In fact, the ports of  
22 Manzanillo and Veracruz, both in Mexico, score higher

1 in terms of U.S. exposure risk than either Panama  
2 port, owing to the close economic integration and the  
3 importance of the U.S.-Mexico security relationship.  
4 Hutchison is still looking to sell these ports to an  
5 international consortium, and that is an opportunity  
6 that China has seized upon, demanding that its state-  
7 owned shipping company, COSCO, have a stake in any  
8 final sale.

9 Kicking Hutchison out of the Panama Canal may  
10 have been a tactical success, but if COSCO manages to  
11 expand its influence even closer to the U.S. homeland,  
12 it could still prove a strategic loss.

13 Looking south to Chancay in Peru, U.S. economic  
14 interests are not particularly imperiled by China's  
15 presence there. But the history of the project offers  
16 a concerning insight into China's evolving maritime  
17 strategy. In March 2024, just months before Chancay  
18 would open its gates, Peru's National Port Authority  
19 announced that an administrative error meant the  
20 country had effectively signed away exclusive rights  
21 to COSCO to operate the port, something that was in  
22 contravention of Peruvian law. In response, COSCO

1 threatened to withdraw from the project entirely,  
2 leaving Peru with a partially built port and dreams of  
3 new-found prosperity deferred.

4       Facing this unenviable alternative, Peru chose  
5 instead to amend its ports law, allowing for a 30-year  
6 period of exclusivity for private ports. In the  
7 process, China showcased a new playbook for wielding  
8 influence through infrastructure. While for years,  
9 China's repossession of the Sri Lankan port of  
10 Hambantota has been regarded as the archetypical case  
11 study of how China has leveraged investment to meet  
12 strategic ends, today, in my opinion, that playbook  
13 looks much more like Chancay.

14       But China is not just looking to ports in LAC.  
15 It is also growing its position in the infrastructure  
16 within and around these sites. This includes  
17 railways, energy generation, security scanners, and  
18 ship-to-shore cranes. In this way, port investments  
19 comprise a critical node in China's broader influence  
20 campaign in the Americas, where commercial investment  
21 paves the way for Beijing to advance its security and  
22 hard power projection goals.

1           Given the challenges posed by China's  
2 infrastructure strategy, what options should the  
3 United States Congress pursue to safeguard U.S. and  
4 allied interests?

5           First, I believe that Congress should, at a  
6 minimum, raise awareness of Hutchison's holdings in  
7 Latin America and Caribbean ports outside the Panama  
8 Canal, and seek to ensure that any final agreement  
9 does not allow COSCO to expand its reach into ports in  
10 Mexico and the Bahamas. But the United States also  
11 needs to go on the offense, and leverage both  
12 government actors, like the Development Finance  
13 Corporation, Export-Import Bank, and Army Corps of  
14 Engineers, alongside the U.S. private sector, to look  
15 at where China is seeking to invest next and  
16 proactively intervene to box out PRC influence,  
17 especially in strategic geographies like the Strait of  
18 Magellan in the Southern Hemisphere.

19           We must also avoid conducting naval port calls at  
20 facilities where China exercises undue influence.  
21 This past year alone, three U.S. warships, at least,  
22 have docked at facilities where Chinese companies have

1 a presence not only in port operations but also  
2 critical technology. This cannot be allowed to  
3 continue.

4       Finally, the United States should shift its  
5 messaging from one of malign influence to one of  
6 sovereignty and opportunity costs. Our partners in  
7 Latin America and the Caribbean may not be as  
8 interested in what the United States has to say when  
9 it comes to great power competition or military  
10 contingencies. But they are deeply invested in issues  
11 relating to transparency, corruption, and organized  
12 crime, issues where China has not stepped up to the  
13 plate, even as its port holdings have become key nodes  
14 for illicit economies. The United States should,  
15 accordingly, add a port security pillar to the Shield  
16 of the Americas and work with partner governments to  
17 boost investment screening mechanisms.

18       Thank you so much for your time today. It is an  
19 honor to have the chance to speak with you all, and I  
20 look forward to your questions.

21       [Prepared statement of Mr. Ziemer follows:]

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1           COMMISSIONER HODGES: Thank you. Finally, we  
2 will hear from Dr. Vanda Felbab-Brown, a Senior Fellow  
3 at the Brookings Institution. Her field work and  
4 research have covered nontraditional security threats  
5 including organized crime illicit economies around the  
6 world, including Mexico and the Andean region of South  
7 America. Her testimony will describe how issues of  
8 Chinese transnational crime affects relations with  
9 regional governments and presents additional  
10 opportunities for engagement by its security services.  
11 Over to you.

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1 STATEMENT OF VANDA FELBAB-BROWN, SENIOR FELLOW,  
2 BROOKINGS INSTITUTION

3 DR. FELBAB-BROWN: Thank you very much, Co-Chairs  
4 Hodges and Price, distinguished members of the  
5 Commission. I am grateful for this opportunity to  
6 testify. As was said, I am a Senior Fellow at the  
7 Brookings Institution, which is a U.S. nonprofit  
8 organization devoted to high-quality, independent  
9 research and policy solutions. My testimony  
10 represents solely my personal views and does not  
11 reflect the views of Brookings, its other scholars,  
12 employees, officers, and/or trustees.

13 Over the past two decades, Chinese actors have  
14 expanded significantly their illicit activities in  
15 Latin America and the Caribbean. They often take  
16 advantage of the expansions of Chinese legal  
17 businesses. Yet the network of criminality goes  
18 beyond Chinese criminal groups. Indeed, Chinese legal  
19 businesses often also engage in nefarious and criminal  
20 activities, in corruption, and in violation of laws  
21 and procedures.

22 The activities span a wide spectrum of illicit

1 economies and crimes. They include drug trafficking,  
2 money laundering, extortion, human smuggling, illegal  
3 fishing, logging, mining, and wildlife trafficking.

4 All of these economies have existed in Latin  
5 America for a long time, well before the arrival of  
6 Chinese criminal groups. So does highly violent  
7 criminality, which is not linked to Chinese criminal  
8 groups. In fact, Chinese criminal groups in Latin  
9 America, like elsewhere in the world, behave very  
10 nonviolently, operating instead through corruption and  
11 the building of networks of influence.

12 But the presence of Chinese criminal groups often  
13 leads to a dramatic increase in diversification in  
14 illicit extraction and smuggling, such as in natural  
15 resource contraband, because the demand for such  
16 products in China is very large. By connecting local  
17 illicit economies to global markets and increasing the  
18 value of commodities, Chinese criminal groups also  
19 motivate local criminal actors to expand and diversify  
20 their illicit economies.

21 In many ways, Chinese criminal groups and the  
22 portfolio of legal activities, or activities in the

1 legal trade sector, and the illegal activities serve  
2 as exemplars and models for other criminal groups  
3 around the world, including in Latin America, such as  
4 in Mexico, Colombia, Brazil, to emulate and learn  
5 from.

6         These illicit economies, perpetrated by Chinese  
7 actors and by the very many other criminal groups  
8 operating in the region, represent multifaceted  
9 threats and harms, to the rule of law, economic well-  
10 being and sustainability, biodiversity and  
11 environmental conservation, public health, and public  
12 security.

13         I want to emphasize once again, however, that  
14 these illicit economies and the activities of  
15 corruption and violations of rules are not solely  
16 perpetrated by criminal groups. They are also often  
17 perpetrated by China legal businesses. And it is  
18 indeed this merger of illegality and legality in which  
19 both Chinese legal businesses and Chinese outright  
20 criminal groups operate that give them high advantage  
21 in the criminal space and in building networks of  
22 influence.

1           Let me mention a few activities in which Chinese  
2 criminal groups operate. They are crucial networks in  
3 the drug trafficking space, because they continue to  
4 be the principal suppliers of precursor chemicals for  
5 the production of methamphetamine and fentanyl to  
6 Mexican cartels. Indian groups are other important  
7 sources of those chemicals.

8           Chinese money laundering networks are become the  
9 to-go money launderers for the cartels. It is  
10 precisely the combination of legal and illegal  
11 activities of Chinese criminal actors that allows them  
12 to obscure their nefarious behavior beyond money  
13 laundering. But it also gives them tremendous  
14 advantage, both in equipping them with political  
15 capital and in facilitating a wide portfolio of money  
16 laundering methods, the most important and convenient  
17 one of which is the ability to use trade-based money  
18 laundering for moving assets. They take advantage,  
19 however, and utilize a wide variety of other money  
20 laundering methods.

21           In extractive industries and fisheries, Chinese  
22 companies and intermediaries, as well as criminal

1 groups, often exploit flawed licensing systems, weak  
2 inspections, fraudulent permits and falsified  
3 documentation, and poor supply chain monitoring to  
4 move illegal ore, timber and seafood, under the cover  
5 of nominally legal operations. Other times, such as  
6 in fishing, Chinese flotillas engage in blatant  
7 illegality in exclusive economic zones of Latin  
8 American countries, that drastically threaten  
9 biodiversity and economic resources and their  
10 sustainability.

11       The intermeshing of illegal and legal business,  
12 the entrenchment of corruption, the weakening of  
13 regulatory and judicial institution make it far harder  
14 for governments to transition to transparent, rules-  
15 based governance and achieve exclusive, equitable, and  
16 accountable long-term development. And by interacting  
17 with local criminal groups and local corruption  
18 networks in Latin America and the Caribbean, as well  
19 as acting on their own, Chinese illicit networks  
20 amplify the country's governance deficiencies and  
21 further weaken the already inadequate rule of law,  
22 policy autonomy, and fiscal stability.

1           Latin American law enforcement agencies often  
2 struggle to act against Chinese criminal networks.  
3 This is both a matter of capacity but it is also a  
4 matter of prioritization. One lack of prioritization  
5 stems from the fact that Chinese networks are not  
6 violent. Moreover, they are very effective in  
7 developing high-level political protection as well as  
8 local-level political protection. Corruption is their  
9 coin.

10           Moreover, some Chinese criminal groups and  
11 activities also serve to advance the diplomatic  
12 influence and economic interest of the Chinese  
13 government. This, thus, limits the interest and  
14 willingness of the government of China to counter such  
15 corrupt practices and illegality. But at the same  
16 time, China is actively expanding its law enforcement  
17 assistance programs in Latin America and the  
18 Caribbean, yet such law enforcement assistance tends  
19 to be often skewed, one-sided, and self-serving, while  
20 it highlights, however, the low levels of violence in  
21 China and high levels of surveillance-based safety in  
22 the country.

1 Chinese anti-crime technology systems, such as  
2 Safe Cities, present all manner of risks, including  
3 violations of human rights and civil rights, enhanced  
4 repression, and espionage, but they are widely popular  
5 in the region.

6 In my testimony I detail several policy  
7 recommendations in considerable length. I will just  
8 mention some.

9 The first is simply helping to build countries in  
10 Latin America to develop law enforcement tools against  
11 Chinese criminal networks. And that also includes  
12 developing technology systems that can compete with  
13 Chinese technologies. But countering Chinese criminal  
14 groups needs to go beyond countering their involvement  
15 in drugs. It means building clean, transparent, and  
16 traceable supply chains and reducing corruption and  
17 patronage systems. That, in turn, requires that the  
18 United States itself enhances those capacities and  
19 puts a very high premium on the accountability of law  
20 enforcement, on human rights, civil rights, strength  
21 of civil society such as investigative journalists,  
22 and the strength of specialized investigators, such as

1 for crimes in natural resources. Thank you.

2 [Prepared statement of Dr. Felbab-Brown follows:]

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## 1 PANEL II QUESTION AND ANSWER

2 COMMISSIONER HODGES: Thank you very much. Okay,  
3 we will get right into questions. And I do just want  
4 to note that all four witnesses are new voices to the  
5 Commission, so thank you for being with us today.

6 A little bit of a framing comment, just given the  
7 bipartisan nature of the discussion today. I want to  
8 highlight two of you served in different  
9 administrations from me, but in every similar roles,  
10 in USAID and at the National Security Council. We may  
11 disagree on a number of significant things, but we  
12 agree on the importance of the hemisphere, the  
13 negative consequences of the CCP's systematic efforts  
14 across the board, and the illicit behavior and  
15 criminal activity that those typically lead to.  
16 Primarily, we also agree on the importance of U.S.  
17 private sector to combatting these efforts, and that  
18 being used as a tool.

19 So I would like to explore this area of  
20 bipartisan alignment with you today. Beyond the tools  
21 recently provided by Congress to the DFC and EXIM  
22 Bank, what policy steps could Congress consider to go

1 additionally further, and to leverage those tools, to  
2 maximize what currently is put in place, but also to  
3 go further? Mr. Escobar, Mr. Bencosme, I direct this  
4 question at you.

5 MR. ESCOBAR: Sure. Thank you. I think that  
6 from Congress' perspective I think the bipartisan  
7 support for these tools has been incredibly  
8 empowering, and I think it gives comfort to our  
9 partners in the region to know that these are durable.  
10 I think we heard in the earlier panel the sort of  
11 frustration between different administrations there  
12 are different initiatives that come and go, but these  
13 are institutions that were created by Congress that  
14 will be consistent.

15 Specifically, I think one of the challenges DFC  
16 still struggles with is the speed, the ability to get  
17 to market. That is part of the idea of having  
18 platforms as an investment strategy as you can do the  
19 diligence up front, and then once you have embedded  
20 your foreign policy priority into the investment  
21 platform it can move at the speed of business.

22 That being said, it still would be helpful to

1 have the board delegation authority, the threshold  
2 higher for equity and for debt. I think that sense of  
3 Congress resolution that reflects that bipartisan  
4 support for that, to give DFC a little bit more speed,  
5 I think they are very hesitant yet to move quickly on  
6 those types of decisions.

7       And then right now we have the DFC for seven  
8 years. You have EXIM coming up this year, the  
9 Congress does. And I don't have any specific  
10 recommendations right now, but looking at the ability  
11 for the two institutions to be more collaborative, to  
12 work collaboratively, particularly around these sort  
13 of platform strategies, I think there is probably room  
14 for exploring that further and discussing it further.  
15 Thank you.

16       COMMISSIONER HODGES: Mr. Bencosme, based off  
17 your testimony it seems very important, but how  
18 important is it for American technologies to be the  
19 backbone of these emerging technologies throughout the  
20 region? Could you go a little bit deeper than what  
21 you initially provided?

22       MR. BENCOSME: Yeah, absolutely. I think the

1 point that was made earlier about emerging technology  
2 is very much focused domestically is unfortunately  
3 resonating poorly in other parts of the world, because  
4 it means that they are de-prioritizing competing in  
5 global markets. Because China is competing in these  
6 global markets, it means that our American tech  
7 companies have to also then compete in those markets,  
8 and they have to be able to adapt and figure out new,  
9 innovative ways to enter those markets.

10 I think there needs to be better coordination  
11 among the various tools of positive economic  
12 statecraft. There is a litany of different capacity-  
13 building programs throughout the U.S. Federal  
14 Government. My own personal experience at USAID, it  
15 was frustrating because I didn't always know what my  
16 colleagues in CBP were doing, or EXIM Bank, and now  
17 State Department. And more blending financing and  
18 using all those tools strategically, by a White House  
19 body, I think would go a long way in helping  
20 coordinate and sort of implementing that positive  
21 economic vision. Right now our vision is to  
22 militarize, negative. It is focused on Whack-a-Mole

1 on a couple of key projects as opposed to looking at  
2 the overall comprehensive nature, and what are the  
3 systemic and structural challenges that sectors like  
4 technology are facing in actually competing in the  
5 region, whether that is workforce, whether that is  
6 market access, whether that is a whole litany of  
7 issues, supply chain transparency. Those are the ways  
8 we have to identify the problems, and then identify  
9 the tools within our U.S. government capacity to do  
10 so.

11 I completely agree about the congressional need  
12 to respond, because, one, Congress determines the  
13 purse strings, and two, they can think in longer-term  
14 horizons that can go beyond any just one  
15 administration.

16 COMMISSIONER HODGES: Thank you. Mr. Ziemer, you  
17 talked a bit about ports. I want to drill down on the  
18 South Atlantic. I agree with your view that looking  
19 at things through an individual kind of case-by-case  
20 basis isn't really conveying the full scope of the  
21 picture or the full scope of the risk. The importance  
22 of raising awareness on this risk I think is

1   incredible vital. It is part of the reason we are  
2   having the hearing today.

3           Could you, for the Commission and as we are  
4   looking to discuss this with others, walk through a  
5   little bit what that risk actually tangibly translates  
6   into, so that Members of Congress can understand this.

7           MR. ZIEMER: Yeah. Thank you for that question.  
8   I think often we are over-indexed on the potential of  
9   Chinese ports to serve as basically outposts for  
10  future PRC military bases. And in some ways I think  
11  that that risk is both overblown but that the real  
12  risk is much scarier.

13          The fact of the matter is, ports are incredibly  
14  critical hubs for the global economy, and they grant  
15  you, whoever operates those ports, basically a window  
16  into the nitty-gritty of the plumbing of the global  
17  economy. With 80 percent of our trade that moves by  
18  sea, being able to see who is buying what from whom,  
19  how long those timelines are taking, where it is going  
20  from, where it is being transshipped to, offers a  
21  remarkably granular insight into global supply chains.

22          So our risk index prioritizes pretty heavily how

1 much U.S. trade exposure is present at a given port.  
2 We also do look at military capabilities, but we look  
3 at it mainly actually from the U.S. side. So how much  
4 does the United States rely on a port for security  
5 cooperation, for naval port calls in the region, and  
6 how much intelligence could China pick up about U.S.  
7 standard operating procedures, patterns of life, while  
8 U.S. warships or security assistance forces may be at  
9 that point. So it requires kind of a multifaceted  
10 thing.

11 And the last aspect I will drill down on, that  
12 kind of overlays this, is the network effect, that the  
13 more ports you control, the more control you have over  
14 the global economy. It is more than the sum of its  
15 parts. And one quick example would be we saw last  
16 year U.S. antimony, ordering a shipment of antimony  
17 that is critical for ammunition manufacturing for  
18 defense industrial supply chains, order a shipment  
19 from Australia to a smelter in Mexico. That shipment  
20 passed through the Chinese port of Ningbo before going  
21 on to Mexico, where it was stopped and delayed, and  
22 ultimately sent back to Australia, where it was

1 revealed the shipment had been opened and potentially  
2 tampered with.

3 Now imagine, then, transiting through China it is  
4 transiting through a Chinese operator-owned port in  
5 the Western Hemisphere. The ability to snarl these  
6 supply chains and really throw a spanner in the gears  
7 of the global economy is incredibly dangerous, and I  
8 think something that deserves more attention.

9 COMMISSIONER HODGES: Perfect. Thank you.

10 Sorry, I think I am almost out of time, but would you  
11 consider this to be an increasing bottleneck that the  
12 Chinese are getting control over?

13 MR. ZIEMER: I certainly think that Chinese  
14 state-owned enterprises, sort of the latest wave has  
15 been the PRC's SOEs going out and cementing control  
16 over especially critical ports, also notably moving  
17 into specialized terminals for agriculture, minerals,  
18 and oil exports. I think that is an evolving trend we  
19 are seeing in China's strategy. That is quite  
20 concerning, in my opinion.

21 COMMISSIONER HODGES: Thank you. Madam Co-Chair.

22 COMMISSIONER PRICE: Thank you, and thank you all

1 for your testimonies today.

2 I want to piggyback on Commissioner Hodges' last  
3 question. We talk about the security risks, whether  
4 it be at ports or Smart City tech or connected  
5 vehicles or what have you. How cognizant are the  
6 leaders of these countries in the region about the  
7 security risk, the data risk, or security risk at  
8 large? How does that factor into their conversation?

9 MR. BENCOSME: -- what it is about the  
10 geopolitics of many of these sectors. For better or  
11 worse, the heightened geopolitics globally has very  
12 much registered into many of the LAC countries'  
13 psychosis. I think where it differs, though, is the  
14 trade-offs. This population, this community needs  
15 power. A port can drastically change the  
16 competitiveness, the economic trajectory of my  
17 country. How do I weigh that versus a potential  
18 future risk of a Taiwan contingency, or how do I  
19 factor issues of surveillance when my people need to  
20 eat every day, to talk about agricultural programs.

21 So it is not a lack of awareness, although I do  
22 recommend that one potential recommendation is to

1 maybe declassify more information, intelligence  
2 sharing with our partners. I think that could help,  
3 especially when it comes to what is happening in other  
4 regions, as China's encroachment and footprint  
5 continues to increase. But I do think that it is a  
6 difficult decision and oftentimes our partners are  
7 having to make those tradeoffs and that risk  
8 management every day. I do think there is high  
9 awareness.

10 DR. FELBAB-BROWN: Let me comment on that, as  
11 well. I would like to echo the comment that there is  
12 sometimes limited awareness. More frequently there  
13 are choices and alternatives. And delivering  
14 immediate results in something like critical  
15 infrastructure often tends to trump potential security  
16 considerations.

17 But the other aspect is the Chinese businesses,  
18 state-owned or private, are often very adroit in  
19 developing networks of influence that subsequently  
20 minimize the concerns, so a counter-narrative is also  
21 put forward. That is the United States, in my view,  
22 will not be effective if it preaches to Latin American

1 and Caribbean countries not to do so without offering  
2 alternatives that are both technologically and  
3 financially feasible and present, but that also  
4 clearly guard against issues such as human rights  
5 violations, repression, other systems, that  
6 technologies in infrastructure, in security, be  
7 criticized in China as potential high risks.

8 MR. ESCOBAR: Yeah, I do think that there is a  
9 relatively high degree of awareness. One example very  
10 recently was in Costa Rica, when President Rodrigo  
11 Chavez' government changed the requirements for the 5G  
12 bid tender, that essentially prohibited Huawei from  
13 participating in that bid. And there was a lot of  
14 pressure, and there were public reports of economic  
15 threats of different types of pressure campaigns from  
16 the Chinese to change that. There was political  
17 pressure domestically in Costa Rica. But I think  
18 President Chaves understood the risks that were  
19 associated with that and went ahead with it.

20 Another, this is more an anecdote I heard, the  
21 mayor of a very large city in Latin America described  
22 how, when Huawei shows up to pitch their 5G wares, it

1 is the Huawei, the finance, the government, the  
2 diplomats, everyone shows up. A delegation of 15  
3 folks from Beijing come into town, whereas the Western  
4 alternatives send a regional sales representative. I  
5 thought that captured it really well.

6 MR. ZIEMER: I will echo the comments. I think  
7 in Latin America there is sort of a more refined sense  
8 of what the U.S.'s red lines are. I have heard, for  
9 instance, representatives of regional governments who  
10 have traveled to China and they have gotten a Huawei  
11 phone. And they said, "Oh, I need to throw this out  
12 because the U.S. will be mad at me if I am texting on  
13 that."

14 So there is a sense that we shouldn't do these  
15 partnerships because the U.S. will be concerned about  
16 them. But I think that one layer deeper, which is  
17 that we should be concerned about this for our own  
18 cybersecurity and for our own data integrity. And I  
19 think actually Costa Rica is a great example of this,  
20 where the Chaves government faced a massive  
21 cyberattack that took down government services, that  
22 was tied to Russia. And now, if you are allowing

1 Huawei to come in and build your 5G backbone you are  
2 exposing yourself to even more potential disruption  
3 down the line. That is the kind of messaging and  
4 rhetoric that think the United States can do a better  
5 job of drawing out, being more localized.

6 COMMISSIONER PRICE: Thank you all.

7 COMMISSIONER HODGES: Thank you. Commissioner  
8 Stivers.

9 COMMISSIONER STIVERS: Going back to the DFC, Mr.  
10 Ziemer, you had a really interesting recommendation in  
11 your testimony, and I wanted you to expand on this.  
12 You said the DFC should explore partnerships with  
13 U.S.-aligned ports and consortiums and take a minority  
14 stake in those ports and make sure that those ports  
15 that are managed cannot be sold to PRC companies or  
16 use sensitive technology. Can you expand a little bit  
17 more on that recommendation and how that would work in  
18 reality?

19 MR. ZIEMER: I would be happy to. One of the key  
20 innovations of the DFC's reauthorization was its  
21 expanded equity stake, its ability to take equity up  
22 to 40 percent, I believe, in companies. But we should

1 acknowledge that the DFC is not a slush fund, and that  
2 building or buying major ports is a multi-billion  
3 dollar endeavor. If we try to compete everywhere we  
4 are going to run dry pretty quickly on this.

5         So instead what we can do is actually take a  
6 page, I might say, from almost China's playbook, where  
7 they are trying to get COSCO to have a minority stake  
8 in Hutchison ports with what are called veto rights.  
9 It is unclear exactly what that would be, but some  
10 sort of arrangement presumably to safeguard core PRC  
11 interests. We can replicate that with U.S.-aligned  
12 firms -- Carrix, DP World, PSA -- that operate  
13 constellations of ports around the world.

14         And the DFC can come in with an equity stake and  
15 say, "We will provide this to you. As a condition of  
16 that, you are going to rip and replace any Nuctech  
17 scanners you have, any Huawei or Hikvision security  
18 cameras. And you are going to give us right of first  
19 refusal if you are going to sell this port to another  
20 company." And I think that is a way to dramatically,  
21 I think, punch above its weight in terms of the funds  
22 and financing available to the DFC.

1           COMMISSIONER STIVERS: I appreciate that. I  
2 think it is a great recommendation.

3           So engagement with Latin America does not always  
4 need to be seen in this U.S. vs. China framework, and  
5 frankly, I think that is very counterproductive. I  
6 think our goal is not to dominate Latin America. Our  
7 goal is just to make sure the region is not dependent  
8 on China in a way that hurts our national security  
9 interests.

10          So with that in mind, are there things that we  
11 can do more multilaterally, and I am thinking of  
12 Inter-American Development Bank, that help decrease  
13 Latin America's dependence on China in a way that  
14 works with the region? Should we be strengthening our  
15 support for that institution? Are there other  
16 institutions that we should be working at, at a higher  
17 level, with the region multilaterally, as opposed to,  
18 you know, unilaterally, in so many case, where we  
19 sometimes just do not have the political will to do  
20 the things in terms of engagement that China is doing?

21          Mr. Escobar, do you want to start?

22          MR. ESCOBAR: I can jump in quick. I do think

1 that there is tremendous opportunity. As I think most  
2 people here know, the U.S. has a 30 percent stake, the  
3 largest stake in the IDB. I think we have let it get  
4 too distant from us over the years, and I think that  
5 there is a strong will for the United States to be the  
6 lead partner in that relationship.

7       There are already capabilities and tools that are  
8 available. For example, there is a legal framework,  
9 an agreement between the DFC and the IDB, IDB Invest,  
10 to be able to share diligence, share pipeline, co-  
11 invest, work together on those types of deals. They  
12 are very complementary to what the DFC has in the  
13 sense that they have 100-plus people on the ground --  
14 DFC has 2, I think -- in the region. So sourcing  
15 pipelines, diligencing deals, there is a lot of  
16 complementarity. We have a lot more dry powder than  
17 IDB does, and I think that is good.

18       And then also going back to this platform  
19 concept, where you can crowd in private capital that  
20 brings different value. So for example, in the  
21 critical mineral space, when I speak to private  
22 investors who are thinking of coming into Latin

1 America to invest in critical minerals, when I  
2 describe that, hey, one of the capital partners you  
3 can have in your capital stack is the actual sovereign  
4 governments of the region, and they are part and  
5 parcel to this investment, that is very appealing,  
6 especially to other sovereigns, like think the Middle  
7 East, to know that they have local government partners  
8 that have exposure through the IDB.

9 So it is a very powerful and catalytic tool that  
10 I think, as a partner, we can use more effectively.

11 COMMISSIONER STIVERS: Is there a way to look at  
12 that legislatively? I mean, I am a former  
13 appropriator, so the first thing I think of is  
14 increasing the contribution to IDB. But are there  
15 other things you think we can do legislatively to  
16 strengthen IDB, or the U.S. role in IDB?

17 MR. ESCOBAR: I think supporting IDB invest, I  
18 would say the private sector arm, I think is  
19 important. I am not entirely sure but I think during  
20 President Obama's administration we did not  
21 participate in the last capital increase, and the U.S.  
22 participation in IDB Invest went from 30 to 15 percent

1 and China went from zero-point-something to 5 percent,  
2 which I think was a strategic kind of mistake. I  
3 think trying to rectify that would require Congress'  
4 involvement.

5 And again, I think where there is a lot of value  
6 for Congress is to demonstrate the bipartisan support  
7 for that type of partnership, those types of things.  
8 Like the sort of legal framework I was talking about,  
9 that IDB Invest and DFC can co-diligence and do these  
10 things together, that is focused on debt. Let's  
11 expand it. Let's do it across the equity structures.  
12 Let's do it on insurance. Let's do it in different  
13 areas. They are going to deploy billions of dollars  
14 into the region, every single year. Let's see how we  
15 can work together to ensure that more and more of  
16 those billions of dollars are doing it in our shared  
17 goals, our shared interests.

18 COMMISSIONER STIVERS: Thank you.

19 COMMISSIONER HODGES: Thank you. Commissioner  
20 Schriver. Oh, sorry. Slevin.

21 COMMISSIONER SLEVIN: All right. I will take it.  
22 Thanks to the four of you for your testimonies. I

1 wanted to go back to the AI conversation a little bit,  
2 and maybe Mr. Escobar. I am interested in just,  
3 starting with you, any observations about AI adoption  
4 in Latin America, among institutions, among general  
5 populace? And two, what role Chinese companies are  
6 playing on the ground to increase its presence in AI  
7 ecosystem?

8 MR. ESCOBAR: Yeah. So one thing that I think it  
9 is always very important to frame when you talk about  
10 technology and adoption in Latin America, Latin  
11 America is a very technology-forward region, despite  
12 the fact that it is a developing country. For  
13 example, Latin America has produced more unicorns than  
14 the developing countries of Southeast Asia, despite  
15 having a smaller population and less venture capital.

16 The ecosystem, in general, is also more closely  
17 tied to the U.S. ecosystem. So there is a lot of the  
18 sort of unicorn, the early unicorns, particularly in  
19 the fintech space, where part of the PayPal mafia came  
20 through different U.S. investments and then brought  
21 that experience to Latin America. So there is a lot  
22 of connectivity and there is a lot of embrace of it.

1 And it is not going to be any different with AI,  
2 because it changes so quickly. But a few months ago I  
3 think Brazil was the third- or fourth-largest user of  
4 ChatGPT, for example. It is certainly an economy  
5 there.

6 And this is where I am very nervous. I am very  
7 nervous as a national security professional, former, I  
8 should say, national security professional. I think  
9 that we don't understand how important it is to be  
10 present in these ecosystems, especially at the early  
11 stages. All the startups that are out there in Latin  
12 America right now that are capital starved are looking  
13 for a U.S. option, and there aren't any. So DiDi, the  
14 Chinese firm, is quietly putting \$1 billion to work  
15 over the next few years in Latin America, and with  
16 DiDi will come deep seek, will come different  
17 applications, AI-native companies from China that will  
18 support them, and will come control, through capital.

19 And I don't know if we have put the solution on  
20 the table yet that is sufficient. But what I do know  
21 is that these VCs, many of whom I know personally in  
22 this ecosystem, they will take, even if it is not as

1 good of a deal, they will take the U.S. deal any day,  
2 because that is the type of tech they want to be  
3 aligned with.

4 COMMISSIONER SLEVIN: Mr. Bencosme.

5 MR. BENCOSME: Yeah. I just wanted to add that  
6 the Digital Silk Road means that everything that China  
7 does in Latin America is now having increasingly a  
8 more digital component. So your ports are becoming  
9 upgraded with digital technology. The Internet-of-  
10 Things means that everything from financial,  
11 transportation, public goods are becoming more and  
12 more digitized with Chinese infrastructure present.  
13 Over half of Latin American countries also have some  
14 kind of digital agreement now with China.

15 So they are not only embedding the  
16 infrastructure, the know-how, but also increasingly  
17 bringing people and supporting human capital. That is  
18 through educational investments, so that people are  
19 increasingly growing up with digital Chinese standards  
20 and then ultimately enter the workforce in some of the  
21 big Chinese tech companies that are now present in  
22 Latin America. And they are also increasingly

1 thinking about in the context of energy. China is  
2 building the first data center in Brazil. So it is  
3 not only a competition about the infrastructure but  
4 how do you support and provide energy for that  
5 infrastructure, and China is providing the answer to  
6 that question.

7 COMMISSIONER SLEVIN: Thanks. Mr. Ziemer,  
8 anything to add?

9 MR. ZIEMER: Sure. Just a quick addition. One  
10 thing I am very concerned about the use of AI for in  
11 Latin America is for crime. We have seen Latin  
12 American cartels using financial fraud, online scams,  
13 leveraging AI for a lot of these applications. I  
14 think the next phase is leveraging AI tools in  
15 synthetic drug manufacturing. And the nice thing  
16 about U.S. AI companies is that they are based in the  
17 United States and they generally seek to tamp down on  
18 some of these frontier risks. When it comes to China,  
19 we do not have that visibility. We do not have that  
20 oversight. We do not have those cooperation  
21 mechanisms to determine whether or not a Chinese model  
22 is contributing to criminal enterprises in Latin

1 America.

2 COMMISSIONER SLEVIN: Dr. Felbab-Brown, anything  
3 to add, or do you share that view?

4 DR. FELBAB-BROWN: I think there is certainly  
5 risk. Look, it is inevitable that all criminal groups  
6 around the world with some level of capacity they will  
7 be adopting modern emerging technologies. They are.  
8 The flip side of that is what kind of safeguards are  
9 put in place. I think there is an advantage in U.S.-  
10 based platforms, where there is presumption of more  
11 cooperation.

12 And at the same time, emerging technologies are  
13 also going to be used by law enforcement forces, and  
14 we are seeing Chinese-based AI platforms often  
15 outcompeting U.S. or Western systems in Latin America,  
16 for various reasons, one of which is that the Chinese  
17 systems come without any demand on democracy  
18 protection, human rights protection, civil liberties  
19 protection, and can be understood to allow themselves  
20 to become tools of repression. However, I don't think  
21 a good U.S. policy would be to start presenting U.S.  
22 systems and U.S. policy focus as now ignoring the

1 issues of human rights, democracy, or civil liberties.

2 Just the opposite.

3 The most effective anti-crime approach is one  
4 that centers on the rule of law and that encourages  
5 many actors, internally as well as externally, to buy  
6 into systems of rule of law.

7 COMMISSIONER SLEVIN: Thank you for your  
8 responses. Commissioner?

9 COMMISSIONER HODGES: Commissioner Schriver.

10 CHAIR SCHRIVER: Thank you, and thank you to our  
11 witnesses. I really appreciate the statements and the  
12 thoughtful recommendations.

13 I want to ask about an issue that really hasn't  
14 come up much, but I want to take advantage of your  
15 expertise. From the perspective of U.S. interests,  
16 how important is it that Taiwan maintain the  
17 diplomatic relations that it has, or even grows it?  
18 Obviously, this is of high interest to Taipei, but  
19 from U.S. interest standpoint, should we be actively  
20 working to help them sustain what they have? I mean,  
21 the newly inaugurated President of Honduras campaigned  
22 on switching relations back to Taiwan. Is this

1 something that we should be promoting proactively? Is  
2 that a way to counter China's malign influence, or is  
3 this simply a cross-strait thing that we should stay  
4 out of, from your perspectives?

5 MR. ZIEMER: I am happy to take a first shot.  
6 The greatest number of Taiwan's remaining diplomatic  
7 allies are in Latin America and the Caribbean. I was  
8 down in Guatemala just last month, actually, talking  
9 to people about their relationship with Taiwan, which  
10 is still quite strong, I think, but China is  
11 definitely making inroads in regards, Latin America is  
12 sort of the jewel in the crown for isolating Taiwan.

13 I believe that Taiwan's diplomatic allies are a  
14 national security priority for the United States. I  
15 believe that Taiwan's continued recognition by 12  
16 countries around the world is a key diplomatic  
17 deterrent to China's efforts to continually cast, this  
18 is purely a domestic security issue, where the PRC and  
19 Beijing has free rein. So I think the United States  
20 should be actively involved in countering Chinese  
21 malign influence in Taiwanese diplomatic allies.

22 And I do think that seeking to try and make some

1 switches happen should be an objective. You mentioned  
2 Honduras, where President Nasry Asfura, on the  
3 campaign trail, did say he would consider switching  
4 back the recognition because Honduras hasn't really  
5 gotten that much out of China so far.

6 In my opinion, the real thing is most of these  
7 countries won't do it alone. They would want to do it  
8 with other countries together, and they won't do it  
9 without U.S. support, without U.S. guarantees that the  
10 U.S. will help them weather the storm. And I think  
11 relating back to countries like Costa Rica, which  
12 changed and has had sort of a fraught relationship  
13 with China ever since, in 2007, they are very afraid  
14 of China's penetration into the digital economies  
15 there, into critical infrastructure, and also on  
16 continued dependence for Chinese investment.

17 So I believe that this is one area where China's  
18 infrastructure investments are really going to be hard  
19 to extirpate. But I do think that the United States  
20 should be seriously considering which countries in the  
21 region might be next to switch back to Taipei.

22 MR. BENCOSME: So I think by congressional law it

1 is required that the U.S. is promoting Taiwan's  
2 international space. When I was at USAID we would  
3 regularly convene our Taiwanese partners. Taiwan is  
4 an important development actor in Latin America. I  
5 don't think it should only be viewed through the prism  
6 of strategic competition or cross-strait issues. I  
7 think Taiwan is an integral development partner in the  
8 region, in and of its own right.

9 I also wanted to say that we noticed both  
10 financial incentives being linked to people switching  
11 diplomatic recognition and then also when that debate  
12 was live China used coercive means before that switch  
13 to make that choice clear and starker for many of our  
14 partners in the LAC region.

15 My recommendations would focus more on U.S.-  
16 Taiwan trilateral cooperation on development issues.  
17 We need to push Taiwanese companies and partnership  
18 with companies in the region, and also pushing for  
19 their international engagement in regional and  
20 multilateral institutions like the IADB, OACD, and  
21 also increasingly talk about them as a model  
22 alternative, especially on technology issues.

1           MR. ESCOBAR: I would reiterate that last point  
2 in particular. I think that as we prioritize which  
3 sectors are the most important that we should focus  
4 our competition and that will have the biggest impact  
5 on U.S. national interests, and I fully agree on the  
6 ports piece, as well, I think where can we crowd in  
7 Taiwan and Taiwanese companies that have  
8 additionality, not just capital but they bring  
9 something else to bear to the equation. I think that  
10 is particularly valuable.

11           CHAIR SCHRIVER: Thank you. I will yield back my  
12 12 seconds.

13           COMMISSIONER HODGES: Thank you. Commissioner  
14 Miller.

15           COMMISSIONER MILLER: Thank you. Mr. Escobar,  
16 you shared with us an anecdote earlier and mentioned  
17 the need to prioritize U.S. sharing of the vertical  
18 tech stack. Is that a region-wide recommendation, or  
19 do you think some countries are better prioritized to  
20 protect that tech from inadvertently going out the  
21 back door to adversaries? So help us think through  
22 this, the risks here.

1           MR. ESCOBAR: Yeah. No, I think that is a very  
2 good question. I do think that when it comes to the  
3 highest-end processors, the ones that are the most  
4 sensitive to ensuring compute stays with the U.S.-  
5 aligned actors, I think that you would need to do it  
6 country-by-country. And I think you would want to  
7 have a pretty in-depth bilateral conversation around  
8 that and who the end users are, and how that will open  
9 up to the local ecosystem.

10           Most of the highest-end high-compute chips will  
11 likely have a U.S. tenant, like either a neocloud or a  
12 large LLM, OpenAI or Anthropic or someone behind it.  
13 But I think there is tremendous value if we can also  
14 demonstrate that that high-end tech, we can bring it  
15 to bear for the local economy. And that is what I was  
16 getting at, with the VC ecosystem in Latin America is  
17 so vibrant that I think if we opened up some of the  
18 best technology to some of these companies that are  
19 already sort of U.S. aligned.

20           Another little anecdote. There is a VC fund that  
21 I knew where one of the biotech firms in the portfolio  
22 had taken a Chinese check early, and then it came to

1 the U.S. market, and got a call from CFIUS. And the  
2 last I heard they had to divest that Chinese piece,  
3 and that really hurt the company.

4 So there is a tremendous amount of sensitivity to  
5 those types of risks, especially because many of these  
6 companies either want to list in the U.S. eventually,  
7 like Mercado Libre and Newrank and all these guys, or  
8 they want to expand to the U.S. market. So I think it  
9 sort of a natural advantage where you are going to  
10 find that alignment, but we do have to do our due  
11 diligence, and that would be important role of the  
12 executive branch.

13 COMMISSIONER MILLER: Mr. Ziemer, help us better  
14 understand the investment screening architecture  
15 across Latin America. My understanding is that there  
16 is no CFIUS anywhere, but there are, in certain  
17 countries, whether it is Brazil or Mexico or Colombia  
18 or Chile, some sort of screening apparatus. Other  
19 countries have nothing. Are there levels? How should  
20 we look at this from a category standpoint? What do  
21 some countries need to do much more of? Make us smart  
22 on this.

1           MR. ZIEMER: Yeah, thank you for that great  
2 question. There is no, as we say, CFIUS equivalent in  
3 Latin America. There is no agency, like Ramon was  
4 just talking about, where a country would come in with  
5 a problematic part of its supply chain and immediately  
6 get a call to divest from that, they want to go  
7 further.

8           There are, in particular, attorneys general that  
9 play a role, economic attorneys general. We saw in  
10 Chile, for instance, which I think has one of the more  
11 robust regimes, an investigation launched into the  
12 acquisition of energy distribution by Chinese  
13 companies. The investigation ultimately allowed two  
14 Chinese companies to acquire more than half of Chile's  
15 electricity distribution. But the fact that it was  
16 undertaken, I think, is an encouraging sign.

17           U.S. and Mexico actually have an agreement,  
18 signed a letter of intent or a memorandum of  
19 understanding, in 2023, to stand up a CFIUS equivalent  
20 in Mexico. I have not seen much progress on that, but  
21 that is something I think maybe more congressional  
22 action could be useful to spur that forward.

1           So broadly speaking, I think that we need to do a  
2 better job mapping where the real vulnerabilities are,  
3 where are the countries that are at the most risk of  
4 potential problematic Chinese investments, and we need  
5 to prioritize those. And I think also Congress can  
6 play a role here in legislative strengthening, you  
7 know, government-to-government legislature exchanges,  
8 to figure out how are countries framing their laws  
9 around who can invest in these pieces of  
10 infrastructure.

11           And then the final thing I guess I will say is I  
12 would be really interested to get a look at some of  
13 these tenders that China is outcompeting us on,  
14 because I don't believe that U.S. companies are not  
15 able to compete on these. I am wondering if there are  
16 aspects in there, if there is language in there that  
17 is problematic is the reason why U.S. firms don't  
18 think they are bankable. And if we can tell  
19 countries, hey, if you adjust that, if you write your  
20 tenders this way you will get a lot more interest from  
21 the U.S. and other actors. You won't have to keep  
22 going to the Chinese.

1 DR. FELBAB-BROWN: If I can add something here.  
2 The significant environment is the broader legal  
3 infrastructure and the rule of law quality. The more  
4 the United States encourages investigative work,  
5 independent oversight from independent inspectors,  
6 strengthening judicial capacities of investigative  
7 bodies within judicial capacities, of prosecutors, of  
8 investigative journalists, insisting on the adoption  
9 of foreign corruption practices equivalence and  
10 strengthens and drives those at home, the more it will  
11 be able to address a variety of issues, such as  
12 Chinese legal investment with problematic consequences  
13 or outright criminality.

14 COMMISSIONER MILLER: Thank you.

15 COMMISSIONER HODGES: Commissioner Miller. I'm  
16 sorry, Kuiken. Commissioner Kuiken.

17 VICE CHAIR KUIKEN: You are doing great,  
18 Commissioner Hodges. Mr. Ziemer, you have the voice  
19 of a guy that is on NPR. I sure it is not the first  
20 time you have been told, but it is incredibly jarring  
21 to hear the Morning Edition guy in my ear.

22 I used to work on the Armed Services Committee

1 staff for a number of years, and handled two accounts  
2 for a long time. One was the SOUTHCOM account and the  
3 other was the AFRICOM account. And I traveled  
4 extensively in both regions. And you have been saying  
5 one of the things we heard every time we traveled,  
6 which is presence. Everyone said you have got to be  
7 there, and you have got to be there persistently.

8       The thing that I sort of observed over the years,  
9 as I moved on from the AFRICOM and SOUTHCOM accounts,  
10 is that we generally are not present. And I know the  
11 purpose of this is to figure out ways for the United  
12 States to be more present, to counter China, to  
13 compete with them in this space. I am trying to think  
14 about what the floor looks like, though. And by that  
15 I mean we are going to go through peaks and troughs in  
16 what the United States does in Latin America.

17       So what should we consider oriented the floor as  
18 the bare minimum, because that is essentially what is  
19 going to happen. So what are those key elements that  
20 you think are most vital to preserve, to maintain, to  
21 fight for? It is sort of a dark view to take, but as  
22 you think about the peaks and troughs, if you orient

1 to what the floor is you can sort of figure out how to  
2 maintain something. And all four of you are welcome  
3 to comment.

4 MR. ZIEMER: I can give a first reaction, and I  
5 think it is infrastructure. It is critical  
6 infrastructure -- ports, electricity generation and  
7 distribution, telecommunications, and increasingly AI.  
8 Because when you are invested in large-scale  
9 infrastructure projects you lock in a certain level of  
10 engagement. In the United States you lock in that  
11 engagement mainly through the private sector, and I  
12 think that the private sector is always going to be, I  
13 think, more engaged, administration to administration,  
14 regardless of the peaks and troughs in political  
15 attention. If the private sector is there, that is  
16 durable influence. In China's case it is the state-  
17 owned sector that helping it to lock in these  
18 investments.

19 For instance, China Harbor Engineering Company  
20 helped Jamaica build a \$450 million road  
21 revitalization project. As part of that, CHEC gets  
22 toll revenue for the next 50 years. It is a multi-

1 decade-long kind of presence in Jamaica. It is light  
2 but it is there.

3         So I think in terms of guesstimating where the  
4 floor is, it is how are U.S. companies invested in the  
5 region's critical infrastructure -- ports, energy,  
6 telecommunications.

7         MR. ESCOBAR: I would focus on sort of the three  
8 battlegrounds that is in my testimony. I think it is  
9 the AI and digital ecosystem, it is strategic  
10 infrastructure, and critical mineral supply chains.  
11 And I think that, honestly, the dry powder that we  
12 have in DFC right now and the complementary support  
13 that we have with EXIM and the multilaterals, if we  
14 coordinate and consolidate I think that is plenty of  
15 capital, particularly if we are using equity to sort  
16 of embed our interests into those in the long run.

17         VICE CHAIR KUIKEN: Francisco, I am going to give  
18 you the last word. We will go to the virtual person  
19 first, and then to you.

20         DR. FELBAB-BROWN: I would couple with enduring  
21 presence also enduring principle. It is both  
22 important that policy doesn't shift radically from one

1 extreme to another extreme, that it is based around  
2 sustained direction, but that it is also coupled with  
3 sustained principle. This is what will allow the  
4 United States to outcompete China, by far, than  
5 anything else. China and Chinese actors might be able  
6 to cultivate networks of influence, networks of  
7 corruption, but they will be eventually countered.  
8 They will face pushback. Sustained development of  
9 principles, such as rule of law, accountability,  
10 transparency, is what will buy most enduring  
11 sustainability to policy, along with sustained present  
12 engagement.

13 MR. BENCOSME: I would think about it also in the  
14 context of both USG presence and then also strong  
15 immigration diaspora ties to the region. The fact  
16 that there is only two DFC officers in the whole  
17 region, meanwhile, China has a vast network of  
18 development and deal-making professionals, I think  
19 speaks to part of the problem. The fact that we  
20 withdrew so many development officers from the region  
21 last year, not only officers but people like foreign  
22 service nationals. So we were embedding our

1 development network through the experts who had deep  
2 contacts with the ministries, of economic ministries,  
3 that were super important to help cultivate those  
4 relationships. All of that infrastructure is now  
5 gone.

6       And then the second piece is just like this is  
7 the biggest region that has a growing population in  
8 the U.S. How can we leverage that, not in a  
9 securitized fashion, like we are not going to convert  
10 them into intel ops, but how can we leverage that?  
11 Remittances are a huge part of the development story  
12 in Latin America. How can we think about that  
13 strategically in a way that makes sure that our  
14 presence is there, even if the people do not wear the  
15 American flag every day.

16       VICE CHAIR KUIKEN: That is super helpful. Am I  
17 allowed to do one more, Commissioner Hodges? Going to  
18 do a second round?

19       COMMISSIONER HODGES: [Inaudible.]

20       VICE CHAIR KUIKEN: So, thank you for all those  
21 responses. Super helpful. The dynamic that I always  
22 saw when I was in Latin America is there is always

1 this conversation that is sort of, when we do security  
2 assistance do we think about police first or military  
3 first, or do we think of some sort of combination of  
4 both? I just welcome your view on it, and then sort  
5 of juxtapose that with what we see the Chinese doing.

6 And then the last question I was going to throw  
7 at you, if I remember it, which I may not, Foreign  
8 Commercial Service. We are talking a lot about DFC.  
9 But the Foreign Commercial Service is one of these  
10 entities that is inside of the government that I feel  
11 like we sort of dramatically underappreciate. You  
12 know, the purpose of these folks is literally to  
13 promote American businesses. What is your assessment  
14 of their deployment across the region, to the extent  
15 you are familiar with it?

16 Thank you, Commissioner Hodges, for your  
17 latitude.

18 DR. FELBAB-BROWN: I will start on the question  
19 of police versus military. I think that developing  
20 effective police investigative structures connected to  
21 effective judicial prosecutory capacities is  
22 absolutely fundamental. Military assets might be

1 utilized to hit the drug labs. They might be utilized  
2 to hit a drug lord, perhaps a drug lord who now also  
3 operates in illegal timber, illegal gold. But they  
4 are not going to get at the political actors within  
5 the country that protect them, and the foreign  
6 intelligence networks, foreign business networks that  
7 enable that corrupt government official.

8         And the more we shrink our focus simply on  
9 military action toward addressing the complexity of  
10 criminality, it is increasing embeddedness in legal  
11 trade, in political structure, the more we are bound  
12 to lose both to criminals and to China.

13         MR. ESCOBAR: I think on the military versus, I  
14 agree on the focus on sort of the strengthening of the  
15 rule of law as the first-base principle. And I think  
16 that is particularly important in the context of  
17 China, because China exploits that, that  
18 vulnerability.

19         On FCS, Foreign Commercial Service, where I see  
20 commerce playing a really important role is  
21 communicating what the needs are, where in the U.S.  
22 are our supply chains most vulnerable. There isn't an

1 agency that I know of that has a better sense of that  
2 across multiple industries, and then deploying that in  
3 line with what platforms should we be building with  
4 DFC and commerce as part of informing that decision  
5 and then working on the ground to identify who the  
6 right partners are.

7 MR. BENCOSME: China doesn't see a distinction  
8 between military and police accounts. First and  
9 foremost, it is about development. It is not even  
10 just economic. It is now development, global, South-  
11 South cooperation as their main foreign policy  
12 priority. The fact that development expertise is  
13 relished in the Chinese system as opposed to only a  
14 military-first kind of approach to the region is, I  
15 think, a really stark one and one that as we think  
16 about trade-offs and appropriations, really important  
17 for us to account.

18 I think, if I could use an example, two examples.  
19 One is that in Kenya we had an ambassador who focused  
20 very aggressively about jobs, jobs, jobs. The entire  
21 embassy team, both from the Foreign Commercial Service  
22 to the State Department Econ team to the USAID team

1 was aggressively trying to find ways to increase  
2 private investment. That kind of ethos needs to cut  
3 across. It was implicitly about China, but first and  
4 foremost it was about the Kenya people.

5 Second, particularly in the Caribbean, learning  
6 from what we were doing in the Pacific Islands. We  
7 were aggressively thinking about how can we support a  
8 bit more presence -- not about creating embassies and  
9 having long conversations about the cement should go  
10 here but not there, or how much it would cost -- can  
11 we put people in hotel rooms, whatever it means, so  
12 that there is more U.S. presence in some of these  
13 smaller islands. We have one regional office for what  
14 has come up as increasingly one of the most important  
15 parts of the world, just given how the recognition for  
16 Taiwan, but also they are our neighbors. So how can  
17 we support presence in more creative and innovative  
18 ways, because I feel like just looking at one tools  
19 misses the overall comprehensive picture.

20 COMMISSIONER HODGES: Thank you. Commissioner  
21 Brands.

22 COMMISSIONER BRANDS: Thank you. I have just one

1 question, which I direct to all of the panelists or  
2 any who care to answer. You have done a wonderful job  
3 sketching out the challenges that the U.S. faces, vis-  
4 à-vis Chinese influence in Latin America, and it is a  
5 sobering picture. So I am curious, is there a  
6 particular success story you think is important to  
7 highlight of either the U.S. or regional countries  
8 pushing back against that influence in constructive  
9 ways, in the areas of your concern? And I would be  
10 interested in any and all examples of that. Thanks.

11 DR. FELBAB-BROWN: I can start again. I think  
12 one area where we are seeing a lot of opportunity and  
13 pushback is in the domain of illegal extraction of  
14 resources or unaccountable, and particularly illegal  
15 fishing, where countries across the region, uniformly,  
16 are complaining concerns about the extent of illegal  
17 IUU fishing by China, sometimes not even comprehending  
18 the risks that Chinese fishing fleets pose also in  
19 terms of espionage, and asking for cooperation from  
20 the United States, cooperation such as partnership  
21 agreements with the Coast Guard to develop not simply  
22 maritime awareness but crucially maritime response

1 capacities.

2 But once again, I think that we need to both  
3 harness this willingness approach, this interest to  
4 demand greater accountability also from the countries  
5 in Latin America towards themselves, their own fishing  
6 fleets, toward the broader infrastructures of  
7 fisheries and stabilities, even as we direct this  
8 interest and this demand and request for the U.S. help  
9 against the external actors.

10 MR. BENCOSME: In Guatemala we invested a lot on  
11 diversifying their coffee market. When the Guatemalan  
12 parliamentarians went to Taiwan, coffee was one of the  
13 biggest exports that was hit by Chinese coercion.  
14 Luckily, they had resilience and diversification  
15 because of decades of USAID investment. I think that  
16 is a success story.

17 Second, in Costa Rica, because DFC, EXIM Bank,  
18 and our COCOM commander were heavily focused on  
19 supporting an alternative to Huawei, we were able to  
20 stave off that sort of switch in terms of a 5G tender.  
21 But it really required high-level attention, and you  
22 just can't do that at the scale that China is

1 competing across the board.

2       And third, this is a different kind of example,  
3 but Brazil is one of the top recipients of development  
4 assistance from China, but is not a Belt and Road  
5 Initiative country. That is because Brazil and Mexico  
6 see themselves ultimately, at some point, being  
7 competitors in the developing Global South. And  
8 Brazil has pushed back in a couple of cases by saying,  
9 hey, if you are going to invest here you need to  
10 support in our manufacturing, you need to have more  
11 local content rules, and creating enough safeguards in  
12 order to push back against Chinese development  
13 cooperation. How can we enable that kind of  
14 resilience, diversification, and new regulations to  
15 help our partners push back against this type of  
16 investment.

17       MR. ESCOBAR: I will give one quick, recent  
18 example. In this year, actually, in 2026, the DFC  
19 made an investment in Serra Verde rare earth mine in  
20 Brazil. They were able to do this despite the sort of  
21 diplomatic attention that has been there. And they  
22 did it with a really innovative equity and debt

1 structure that creates a long-term relationship with  
2 that particular asset, and I think that is a good  
3 model, going forward.

4 I think the other thing, too, to this question,  
5 though, is taking a step back. Latin America's  
6 political left and right are different, I think, today  
7 than if you look back, say, 50 years. The political  
8 left, with some exceptions, is generally interested in  
9 having U.S. investment come to their country. They  
10 generally want U.S. technology in their country. I  
11 heard this myself when I was in the National Security  
12 Council from the left, from a leftist President.

13 And then on the right, I think although there is  
14 clearly an affection between some of the leaders in  
15 Latin America and President Trump, the affection runs  
16 deeper than that. It runs deep. It is with the  
17 United States. It is with the pro-capitalism, free  
18 market view. And I think that is just a massive  
19 advantage and why I think, in 2026, I am bullish. I  
20 am hearing a lot more examples of pushback and embrace  
21 of the U.S. model, assuming we come up with  
22 alternatives.

1           MR. ZIEMER: I will give, maybe, I wouldn't call  
2 it quite an unalloyed success story, but I think  
3 Panama actually is a very interesting case study.  
4 Obviously, the U.S. has made very strident rhetoric  
5 about China's influence around the Panama Canal, about  
6 needs to take it back, that I think was received quite  
7 poorly in Panama and did damage our reputation there.  
8 But at the same time, Panama's auditor general  
9 launched investigation into the Panama ports company  
10 that CK Hutchison owns, and found that they had left  
11 hundreds of millions of dollars on the table. The  
12 company had basically defrauded Panama out of, from  
13 its revenue-sharing agreement.

14           So what was a geopolitics and national security  
15 story in the United States, in Panama was a story of  
16 corruption and malpractice by Hutchison. And that was  
17 ultimately the genesis that led to the Supreme Court  
18 case that kicked Hutchison out of these two ports. In  
19 the meantime, the United States has signed a number of  
20 agreements with Panama to strengthen security  
21 cooperation, to do rotational access to different  
22 basing facilities, to do more joint trainings.

1           So I think maybe it is sort of an "all's well  
2 that ends well" story here to talk about, but I do  
3 think Panama is the most remarkable case in which a  
4 China-influenced port in the Western Hemisphere was  
5 taken off the table. And it took both U.S. and  
6 Panamanian cooperation, not coercion, to get to that  
7 point.

8           COMMISSIONER BRANDS: Thank you very much.

9           COMMISSIONER HODGES: Thank you. Commissioner  
10 Stivers has a second round of questions.

11          COMMISSIONER STIVERS: Okay. I know we are short  
12 on time. Mr. Bencosme, as you can attest, USAID  
13 played an absolutely critical role in countering and  
14 competing with China in Latin America and indeed all  
15 over the world. With the dismantling of USAID, are  
16 there specific initiatives or programs that can be  
17 resuscitated, at the State Department or at a new  
18 entity, that have fallen by the wayside? And one that  
19 I think we mentioned is the trilateral cooperation on  
20 development with Taiwan. I don't know if that still  
21 exists. But are there certain initiatives like that,  
22 that would more directly compete and counter China

1 that you think maybe we need to bring to the attention  
2 of Congress to resuscitate?

3 MR. BENCOSME: Yeah, great question. Thank you  
4 for it. Power Africa was a really fascinating  
5 initiative because it created the flexibility and put  
6 more deal-making in an important continent. We need  
7 to be able to replicate that in the context of the  
8 Americas, because increasingly electricity, energy,  
9 and infrastructure competition increasingly has an  
10 energy and green angle to it. So if we can replicate  
11 that model to the region I think that would be really  
12 important.

13 Second, we talked about the footprint issue, as  
14 well, about taking in foreign service nationals and  
15 embedding them as part of our development strategy in  
16 the region is, I think, a really important idea.

17 Third is that we had development agreements, and  
18 when I talk about the Global Development Initiative it  
19 should be seen in the context of a war of ideas.  
20 There, embedding the multilateral system with ideas  
21 about win-win, Global South cooperation to replace or  
22 reform the international system that we built.

1 Development agreements is how you get back at  
2 standards about norms, about local content rules,  
3 about the gray warfare that is happening around  
4 development cooperation, that frankly we were starting  
5 to do at USAID, but I worry has fallen by the wayside.

6 I also ran what is called a Countering PRC  
7 Influence Fund for USAID. It was flexible, and that  
8 flexibility I used to empower our missions on the  
9 ground, so they were thinking innovatively, because  
10 not every ambassador has the expertise on what China  
11 content laws are happening in BYD. But throwing a  
12 little money at the problem helped everyone come back  
13 to me, and they were like, "I found a way to work with  
14 the Taiwanese that we never thought about until you  
15 told us that you would give us money do to more  
16 trilateral cooperation."

17 So really leveraging assistance to encourage the  
18 interagency process and supporting our people on the  
19 ground I think is a really important lesson learned.

20 COMMISSIONER STIVERS: Thank you.

21 CLOSING REMARKS

22 COMMISSIONER HODGES: All right. I just want to

1 thank everyone again for coming today. This has been  
2 incredible testimony. I think it really underscores  
3 some of the serious issues facing the hemisphere. So  
4 thanks again to all of you and to the first panel.

5       Clearly we have got a unique moment of  
6 opportunity ahead of us, and hopefully we can empower  
7 Congress to put forward those tools and maximize  
8 impact. So I just want to say thank you.

9       I was just handed a note. Also, our next hearing  
10 is scheduled for Thursday, April 16, relating to  
11 China's role in the global commodities markets, so  
12 tune in to that.

13       And with that we are adjourned.

14       [Whereupon, the above entitled matter went off  
15 the record at 12:50 p.m.]

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