China’s Engagement with Latin America and the Caribbean

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Executive Summary

The United States maintains close cultural, economic, and security ties with countries in Latin America and the Caribbean (LAC). While the United States remains the largest economic and security partner in LAC, in the last decade China has rapidly deepened its economic, diplomatic, and military engagement to become the region’s largest creditor and second-largest trading partner. China’s efforts in the region are driven by four key objectives: (1) ensuring its access to the region’s abundant natural resources and consumer markets; (2) gaining LAC support for its foreign policies; (3) shaping LAC perceptions and discourse about China; and (4) gaining geopolitical influence in a region geographically close and historically subject to U.S. influence. If the infrastructure financed by Chinese loans helps LAC counties boost regional connectivity and economic growth, the positive spillovers would benefit not only the host countries, but also the region as a whole. However, closer ties with China can also reinforce the region’s overreliance on highly cyclical exports and create unsustainable debt burdens for some LAC countries, which China could use for political leverage.

- China is the region’s second-largest trading partner after the United States, and the number one trading partner for Brazil, Chile, and Peru. In 2016, China accounted for nearly 9 percent of LAC exports and 18 percent of LAC imports. The size and continued expansion of China’s market creates enormous growth potential for LAC exporters that the U.S. market cannot match. In addition, the rapid growth of LAC imports from China is decreasing U.S. market share in the region and increasing the region’s economic dependence on China.

- LAC exports to China remain primarily focused on agriculture, mining, and oil extraction, with these three sectors accounting for 70 percent of LAC exports to China, 70 percent of Chinese state financing to the region, and 52 percent of Chinese foreign direct investment to the region by value. The predominance of soybeans, copper, iron ore, and oil in exports has deepened LAC’s dependence on highly cyclical commodities for economic growth. In addition, increasing imports of low-cost Chinese manufactured goods are directly competing with LAC’s manufacturers.

- Since 2005, Chinese state policy banks have provided over $150 billion in loans to the region, exceeding the combined lending from the World Bank, the Inter-American Development Bank, and the CAF-Development Bank of Latin America. This financing has weakened the ability of the United States and multilateral organizations to influence LAC governments’ behavior, and has led to increased indebtedness for countries such as Venezuela and Ecuador. As in other parts of the world, China could leverage a country’s financial and economic dependence to ensure support for its foreign policy objectives and gain control of strategic assets.

- Chinese firms have participated in 91 LAC infrastructure projects. While some of these projects enhance regional integration and spur economic growth, others have not been subjected to proper cost-benefit analysis, and have no clear economic rationale. Countries borrowing from China to fund white elephant projects are saddled with high-interest loans they have no means of repaying; this can create unsustainable debt burdens, threatening long-term economic growth.

- The Chinese government has strengthened its bilateral relations with ten LAC countries and gained official support from nine LAC countries to support its Belt and Road Initiative (BRI). Since 2015, Beijing has coordinated its regional engagement through the China-Community of Latin American and Caribbean States (CELAC) Forum; CELAC is a regional organization of which the United States and Canada are not members. Through the China-CELAC Forum, China is able to push forward its foreign policy objectives and shape regional discussions without U.S. or Canadian involvement.

- After a break of eight years, China is renewing efforts to diplomatically isolate Taiwan in LAC, a region that accounts for 9 of Taiwan’s 17 remaining diplomatic partners. In June 2017, Panama cut ties with Taiwan and established diplomatic relations with China, followed by the Dominican Republic in April 2018 and El Salvador in August 2018. China seeks to leverage growing people-to-people exchanges in politics, media, and educational exchanges to shape LAC opinions of China and engender support for China’s foreign policy objectives.
China is expanding military-to-military exchanges, arms sales, and nontraditional military operations to strengthen its political capital and goodwill among LAC states, deepen its relationships with LAC military leaders, and position China strategically in the region. While Chinese arms sales to LAC are relatively low in amount and sophistication, they are undermining U.S. and EU restrictions or bans on arms sales to countries in the region. In addition, China’s alleged access to multiple Soviet-era intelligence facilities in Cuba and the reportedly dual-use tracking and space telemetry station in Argentina enhances China’s intelligence collection capacity in the region and its ability to interfere with U.S. space assets.
Introduction

China continues to expand its economic, diplomatic, and security engagement with LAC through stronger trading ties, elevation of its bilateral and regional partnerships, frequent high-level visits, and a broad array of military cooperation and exchanges, arms sales, and military and nontraditional security operations. LAC is a region that comprises 33 countries, with a total population of over 644 million and a gross domestic product of nearly $6 trillion in 2017 (see Figure 1). China has four overarching objectives in its engagement with LAC: (1) ensuring its access to LAC’s abundant natural resources and consumer markets; (2) gaining LAC support for its foreign policies (including a reduction in the number of countries recognizing Taiwan); (3) shaping LAC perceptions and discourse about China; and (4) gaining geopolitical influence in a region historically subject to U.S. influence. For LAC, China represents a large, growing export market and a significant new source of investment and financing. At the same time, the region is concerned about its increased dependency on China and the continued concentration of the trading relationship on LAC exports of commodities for Chinese manufactured goods.

Figure 1: Map of Latin America and the Caribbean

Note: The colors denote the different LAC subregions: North America (blue), the Caribbean (magenta), Central America (yellow), and South America (green).

* This report covers all 33 countries in the Caribbean, Central America, and South America as designated by the UN, to include Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St. Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines (Saint Vincent), Suriname, Trinidad and Tobago, Uruguay, and Venezuela. United Nations Educational, Scientific and Cultural Organization, “Latin America and the Caribbean.” http://www.unesco.org/new/en/unesco/worldwide/latin-america-and-the-caribbean/.
Overview of China’s LAC Strategy and Objectives

In November 2016, the Chinese government released its second policy paper on LAC that outlines China’s major objectives and vehicles for engagement with the region. This document largely reiterated the economic and trade priorities first outlined in China’s 2008 policy paper on LAC. This policy paper seeks to strengthen diplomatic, political, and security cooperation through its direct engagement with CELAC, a regional organization formed in December 2011 to deepen integration between all 33 LAC countries and act as an alternative to the U.S.-led Organization of American States. The China-CELAC Forum established targets and vehicles for economics and trade and people-to-people exchanges through the China-CELAC Cooperation Plan (2015–2019) and, in January 2018, the Joint Plan of Action for Cooperation on Priority Areas (2019–2021).

Economic

The China-CELAC Cooperation Plan (2015–2019) laid out economic targets to increase China-CELAC trade to $500 billion and increase China-CELAC investments to at least $250 billion by 2020. China seeks to achieve these goals through its “1+3+6” Cooperation Framework and 3x3 Model for Capacity Cooperation:

- **1+3+6 Cooperation Framework:** The 1+3+6 Cooperation Framework was first introduced by Chinese President and General Secretary of the Chinese Communist Party Xi Jinping in July 2014 at the establishment of the China-CELAC Forum, and is the primary framework for China’s economic engagement with the region. This framework is guided by one plan—the China-CELAC Cooperation Plan (since superseded by the Joint Plan of Action for Cooperation on Priority Areas)—utilizing trade, investment, and financial cooperation as the three drivers to support cooperation in six industries: energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies (IT). In its 2016 policy report, the Chinese government aims to “align high-quality capacity and advantageous equipment of China with the needs of Latin America and Caribbean countries.”

- **3x3 Model for Capacity Cooperation:** The 3x3 Model was first introduced by Premier Li Keqiang during his May 2015 trip to the region and referred to building capacity in logistics, power generation, and IT, and constructing stronger relationships between businesses, society, and government. This model has been expanded to include enhancing funds, credit loans, and insurance financing channels.

Diplomatic

In the last five years, China has sought to gain LAC countries’ support for its broader foreign policy objectives and international norms through the elevation of its bilateral and regional partnerships, frequent high-level visits, people-to-people exchanges, and involvement in regional and multilateral institutions. Two key priorities are gaining LAC support for BRI and convincing Taiwan’s nine LAC diplomatic partners to cut ties with Taiwan and officially endorse China’s “one China principle.”

Military and Security

As outlined in its 2016 policy paper on LAC, China’s military and security engagement strategy is focused on expanding military-to-military contacts, personnel exchanges, arms sales, and military operations other than war in support of Beijing’s broader foreign policy objectives. China’s military engagement and arms sales in the region

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seek to build political capital and good will among LAC states, foster institutional and personal relationships with LAC military leaders, and gain geopolitical influence.\textsuperscript{32}

**Economic Engagement**

Over the last decade, China rapidly expanded its trade, financing, and investment into LAC with a focus on agriculture, mining, and oil extraction. China has free trade agreements with Chile, Costa Rica, and Peru, is currently negotiating a free trade agreement with Panama, and is conducting a bilateral free trade agreement feasibility study with Colombia.\textsuperscript{33} China also has bilateral investment treaties with 12 LAC countries.\textsuperscript{*} From 2007 to 2017, annual trade between China and LAC grew 151.2 percent to reach $258 billion in 2017 (see Figure 2).\textsuperscript{34} In 2002–2012, trade between China and LAC grew rapidly due to the commodity boom. But falling prices and China’s shrinking demand for commodities in 2015 and 2016 (prompted by its economic slowdown) saw China-LAC trade slackening.\textsuperscript{35} In 2017, double-digit increases in oil, iron ore, and copper prices led LAC exports to China—largely from Brazil, Chile, and Peru—to recover.\textsuperscript{36} This trend continued in the first eight months of 2018, with trade growing 20.2 percent year-on-year.\textsuperscript{37}

**Figure 2: China’s Exports to and Imports from LAC, 2007–2017**

![Figure 2: China’s Exports to and Imports from LAC, 2007–2017](image)

*Source: General Administration of Customs via CEIC database.*

LAC represents a new, growing market for Chinese firms seeking to secure market share before heading to more established markets in the United States and the EU. In 2016, China was the largest source of imports for Panama, Paraguay, Chile, Peru, Cuba, and Bolivia, and the second-largest for 12\textsuperscript{†} other LAC countries (see Figure 3).\textsuperscript{38} Manufactured goods accounted for 91 percent of LAC’s imports from China compared with 68 percent of the region’s total imports from the rest of the world.\textsuperscript{39}

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\textsuperscript{*} China has signed bilateral investment treaties with Argentina, Barbados, Bolivia, Chile, Colombia, Cuba, Ecuador, Guyana, Jamaica, Mexico, Peru, Trinidad and Tobago, and Uruguay. China signed bilateral investment treaties with Costa Rica (2007) and the Bahamas (2009), but they have not entered into force. On May 19, 2018, Ecuador unilaterally terminated its bilateral investment treaty with China, which has been in force since 1997. UN Conference on Trade and Development, Division on Investment and Enterprise, “International Investment Agreements Navigator,” \url{http://investmentpolicyhub.unctad.org/IIA/CountryBits/42}; UN Conference on Trade and Development, “International Investment Agreements – China-Ecuador BIT (1994),” \url{http://investmentpolicyhub.unctad.org/IIA/mappedContent/treaty/893}.

\textsuperscript{†} These countries are: Argentina, Belize, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Haiti, Honduras, Mexico, Nicaragua, and Venezuela. Excluding Argentina, the United States is the largest source of imports for these countries.
In 2016, China was the largest export market for Chile, Peru, and Brazil, second-largest for Uruguay, and third-largest for Venezuela, Cuba, Argentina, and Mexico (see Figure 4). Over the last decade, China’s share of Chilean, Peruvian, and Brazilian exports has grown from less than 10 percent of these countries’ global exports in 2006 to 28.5 percent, 23.5 percent, and 19 percent in 2016, respectively (see Figure 5). This dependence is expected to grow, with LAC exports to China in 2017 increasing 28 percent year-on-year compared to the 8.9 percent growth in exports to the United States.

Commodities—namely soybeans, copper, iron ore, refined copper, and oil—accounted for 72 percent of the region’s exports to China in 2016, compared to 27 percent of the region’s exports to the rest of the world. In 2016, copper and refined copper accounted for two-thirds of Chile’s total exports to China; copper accounted for 64.4 percent of Peru’s total exports to China. In Brazil, soybeans accounted for 40.9 percent, and iron ore accounted for 20.8 percent of Brazil’s total exports to China.
Figure 4: Share of LAC Exports to China, 2016

Note: Data for Grenada, Haiti, and Saint Kitts and Nevis exports to China were not available.
Source: Various.47

Figure 5: Share and Composition of Chilean, Brazilian, and Peruvian Exports to China, 2006, 2011, and 2016

Source: U.N. Comtrade.
The region’s exports to China are concentrated in commodities, which deepens LAC countries’ dependence on highly cyclical, low-value-added products that support fewer jobs than manufacturing and have higher environmental impacts. At the same time, the rapid growth in imports of Chinese manufactured goods has increased competition for LAC manufacturers over the last two decades both within the region and abroad. A 2017 International Labor Organization’s technical report found that Argentinean, Brazilian, Chilean, and Mexican employment from 1995 to 2011 in “computers, textiles and footwear, as well as trade – was reduced by 1 million jobs due to the Chinese imports.” The highest losses have occurred in Mexico, which exports products in direct competition with China. According to Kevin Gallagher, professor at Boston University, and Rebecca Ray, economist at Boston University, the influx of Chinese imports threatened 75 percent of LAC-manufactured exports from 2008 to 2013. Analysis by the Inter-American Development Bank in 2017 found that—excluding Mexico—LAC from 2010 to 2015 experienced its largest loss of export competitiveness in manufactured goods. In particular, Central American manufacturing in apparel, medical equipment, semiconductors, and medicines, which accounted for more than half of Central America’s total exports, largely lost global market share to Chinese competitors from 2010 to 2015. This trend has continued as LAC imports more manufactured goods from China. In Bolivia, for example, an influx of furniture imports from China between 2013 and 2016 reduced local furniture production by 50 percent, affecting more than 50,000 Bolivian carpenters.

**Chinese State Financing to LAC**

LAC countries are increasingly reliant on Chinese financing. Since 2005, the China Development Bank and the Export-Import Bank of China have provided $150.4 billion in financing to LAC governments and their state-owned enterprises (SOEs), exceeding the combined lending from the World Bank, Inter-American Development Bank, and the CAF-Development Bank of Latin America. This financing is primarily nonconcessional (i.e., less than 25 percent qualifies as a grant) for commercial or representational purposes. The China Development Bank accounted for nearly $120 billion of this lending, and the Export-Import Bank of China comprised the remaining $30.4 billion. Chinese loans to the region fell from $22.2 billion in 2016 to just $9 billion in 2017, likely due to policy banks’ reluctance to extend loans to Venezuela, which is in the midst of an economic, political, and humanitarian crisis. By comparison, the Inter-American Development Bank approved $11.4 billion in sovereign-guaranteed loans to the region in 2017, and the World Bank lent $5.9 billion.

Chinese financing to Latin America is concentrated by industry in energy (70 percent) and infrastructure (18 percent) and by country in Venezuela (41.4 percent), Brazil (28 percent), and Argentina (12.1 percent) (see Figure 6). In particular, Chinese financing has provided a new influx of capital to countries with limited access to global capital markets because of loan defaults (such as Argentina following its 2001 bond default) or international political isolation (such as Ecuador, Venezuela, and Cuba).

Based on research by Dr. Gallagher and Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue, loans from the China Development Bank (which accounts for nearly 80 percent of Chinese state lending to the region) are at higher rates than international counterparts. For example, the China Development Bank offered Brazil’s state-owned oil firm Petrobras a $10 billion loan at 280 basis points over the London Inter-Bank Offered Interest Rate (LIBOR), while the World Bank offered Brazil’s power utility firm Electrobas a $43.4 million loan at a floating rate of 30–55 basis points over LIBOR.

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The Export-Import Bank of China generally provided lines of credit for purchasing Chinese products or services at 1 to 2 percent lower rates than the Export-Import Bank of the United States. This 1 percent interest difference can lower overall costs by 18 percent over the term of the project, a significant incentive for developing countries. For example, the Export-Import Bank of China provided a 20-year, $60 million loan at a 2 percent interest rate to Bolivia’s state-owned oil firm YPFB for the purchase of oil drilling rigs and home gas networks. By comparison, the Export-Import Bank of the United States provided a ten-year, $600 million loan at a 3.81 percent interest rate to Mexico’s state-owned oil firm Pemex for oil exploration and production equipment purchases.

In addition, Chinese financing does not contain the same governance and environmental conditions that multilateral banks such as the World Bank impose; it is frequently contingent upon the use of Chinese construction firms and equipment. For example, in 2009 the China Development Bank gave a $1 billion loan to Mexican telecommunications firm América Móvil for a telecommunications network infrastructure project; the terms of the loan required the purchase of Huawei telecommunications equipment. The China Development Bank’s $10 billion loan to the Argentinean government in 2010 for a train system was contingent on the purchase of trains from state-owned China CNR Corporation. In addition, Chinese financing for major infrastructure projects is linked to contracts with Chinese SOEs such as Peru’s San Gaban hydropower dam with state-owned China Three Gorges Corporation. Such conditions exclude domestic and other foreign firms from participating, and limit the add-on benefits from such projects in creating local jobs, building local capacity, and spurring demand for local products and services.

Figure 6: Chinese Financing to Latin America by Industry and by Country, 2005–2017


In 2017, Chinese financial institutions owned approximately a third of Ecuador’s total public debt, around 15 percent of Venezuela’s public external debt (government debt owed to foreigners), and 6 percent of Jamaica’s total public external debt.* As their economies have recovered, LAC countries such as Ecuador and Argentina are seeking to reduce their dependence on China by diversifying their lending sources and lowering their borrowing costs. In January 2018, Argentina issued $9 billion in sovereign bonds for the international bond market to diversify its lending sources. In June 2018, the International Monetary Fund and Argentina announced a three-year, $50 billion credit line agreement to cover Argentina’s financing shortfall.76

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Regional Funds

Since 2014, the Chinese government has created three regional funds with combined financing in the $40–$55 billion range to support infrastructure and other investment projects in the region in line with its 1+3+6 Cooperation Framework and 3x3 Model (see Table 1). These funds have primarily funded projects in Brazil. The China-LAC Industrial Cooperation Investment Fund supported state-owned China Three Gorges Corporation’s acquisition of two Brazilian hydropower power plans in 2015. The China-LAC Cooperation Fund financed a Brazilian hydropower venture and an affordable housing project in Suriname in 2016. In 2017, it financed China’s acquisition of Duke Energy’s power generation assets in Brazil and an investment in Brazil’s public utility firm Electrosul. These projects align with China’s 1+3+6 Cooperation Framework’s focus on infrastructure construction and the 3x3 Model’s aim to build capacity in power generation.78

Table 1: China’s Regional Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Year Initiated</th>
<th>Amount</th>
<th>Chinese Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>China-LAC Cooperation Fund</td>
<td>2014</td>
<td>$10–$15 billion</td>
<td>China Export-Import Bank</td>
</tr>
<tr>
<td>China-LAC Industrial Cooperation Investment Fund</td>
<td>2015</td>
<td>$20 billion</td>
<td>China Development Bank</td>
</tr>
<tr>
<td>Special Loan Program for China-LAC Infrastructure Project</td>
<td>2015</td>
<td>$10 billion</td>
<td>China Development Bank</td>
</tr>
</tbody>
</table>


Official Development Assistance to LAC

Beyond the more than $150 billion in nonconcessional lending to the region between 2005 and 2017, from 2004 to 2014 the Chinese government also provided $12 billion in official development assistance.* 79 The College of William & Mary’s AidData dataset classified Chinese development finance as official development assistance if it qualified as concessional lending (i.e., 25 percent or more qualifies as a grant based on floating commercial interest rates and its use for development and welfare purposes).80 Cuba is the largest recipient of China’s official development assistance to the region, with $6.3 billion, followed by Bolivia ($1.7 billion), Jamaica ($1.4 billion), and Guyana ($1 billion).81 China directed $6 billion of its $6.3 billion in assistance to Cuba toward debt forgiveness.82 By comparison, the United States provided $81.9 billion1 in official development assistance to LAC from 2000 to 2014.83 Colombia accounted for the largest share of U.S. assistance, with $35.1 billion, followed by Brazil ($19.9 billion), Haiti ($16.3 billion), Peru ($15.8 billion), and El Salvador ($13.7 billion).84


† This amount is based on constant dollar amounts.
Chinese Foreign Direct Investment

China accounted for 1.1 percent of total foreign direct investment (FDI) in the region by value of the transactions in 2016, compared to the United States, the region’s largest investor, with 20 percent.\(^8^5\) Between 2000 and 2017, Chinese firms invested in 328 transactions worth a total of $109.1 billion.\(^8^6\) By value, Brazil (China’s largest regional trading partner) accounted for $48 billion (44 percent) of Chinese FDI, followed by Peru with $18.3 billion (16.7 percent) and Argentina with $11.9 billion (10.1 percent).\(^8^7\) The largest number of Chinese FDI transactions went to Brazil with 107 (32.6 percent), Mexico with 68 (20.7 percent), and Peru with 31 (10.1 percent).\(^8^8\)

Over half of China’s total FDI to LAC by value is concentrated on meeting China’s rising demand for minerals and oil, accounting for $29.4 billion (26.9 percent) and $25.2 billion (23.1 percent), respectively.\(^8^9\) In the last five years, Chinese FDI to the region has shifted away from the oil and gas and mining sectors toward the services sector, largely power generation (see Figure 7).\(^9^0\) A comparison of Chinese FDI in LAC in 2000–2011 and 2012–2017 found that Chinese FDI in the services sector increased from $4.8 billion (10.9 percent) to $33.4 billion (51.6 percent).\(^9^1\) Investment in power generation only occurred in 2012–2017, accounting for $16.3 billion or over half of the increase in total services.\(^9^2\) This shift aligns with China’s stated objectives to build LAC capacity in power generation and infrastructure.\(^9^3\) However, a report by the UN regional body the Economic Commission for Latin America and the Caribbean (ECLAC) found that for the region, “the results in terms of transferring technology, promoting research and development and creating good-quality jobs have, in most cases, fallen short of expectations.”\(^9^4\)

**Figure 7: Comparison of Chinese FDI in LAC by Industry, 2000–2011 vs. 2012–2017**

![Figure 7: Comparison of Chinese FDI in LAC by Industry, 2000–2011 vs. 2012–2017](http://www.redalc-china.org/monitor/informacion-por-pais/busqueda-por-pais/80-america-latina-y-el-caribe)

Chinese Firms Acquire Major Stakes in LAC’s Lithium Assets

Lithium is a critical component in battery technology, particularly in electric vehicles, an industry the Chinese government has designated for strategic support. Increased global demand has led prices to more than double in the last two years, with China accounting for roughly 60 percent of the world’s lithium-ion-battery manufacturing capacity. To meet this growing demand, Chinese firms have made two major acquisitions in Argentina and Chile, which in 2017 together accounted for an estimated 45.6 percent of global production and nearly 60 percent of the world’s lithium reserves. In May 2018, the Chinese state-owned Tianqi Lithium paid $4.1 billion to become the second-largest shareholder in Sociedad Química y Minera, a Chilean mining company that has the capacity to produce more than half of the world’s lithium by 2025. When combined with its existing assets in Australia and China, this acquisition would give Tianqi control over nearly half of current global lithium production. Due to this high market concentration, Corfo, Chile’s economic development agency, warned that Tianqi’s acquisition could “gravely distort market competition,” and in June 2018, Chilean antitrust regulators decided to investigate the deal for potential competition risks over Chinese government objections. In October 2018, Chilean antitrust regulators approved the deal. As part of the deal, Tianqi cannot appoint any of its employees to Sociedad Química y Minera’s board and must notify Chilean officials of any future lithium-related deals with Sociedad Química y Minera or its competitor, U.S. lithium producer Albemarle. Additionally, in August 2018, Jiangxi Ganfeng Lithium, China’s largest domestic lithium producer, purchased a 37.5 percent stake in Argentina’s Cauchari-Olaroz lithium mining project from Sociedad Química y Minera for $87.5 million.

Major Infrastructure Projects

China is playing a critical role in building and financing LAC infrastructure development. ECLAC noted that “China has the necessary capacities to undertake infrastructure projects in the region, both with regard to providing engineering services and financing.” These projects improve China’s access to LAC’s resources and ensure new demand and revenue for its firms. For example, Chinese firms with $2.4 billion in Chinese financing are revitalizing the train cars and 930 miles of track on the Belgrano network that will link Argentina’s agricultural heartland to its coast for faster and cheaper export.

Based primarily on data from the Mexican academic research institute Latin America and the Caribbean Network on China, Chinese firms participated in at least 91 LAC infrastructure projects between 2000 and 2018, to include: 28 power generation projects (23 hydropower dams), 15 ports, 7 highways, 7 railways, 6 oil and gas refineries and pipelines, 3 airports, 5 stadiums, 2 power transmission lines, and 17 other infrastructure projects (see Appendix I for a list of major Chinese infrastructure projects). Of these projects, 42 are completed, 29 are under construction, 5 are stalled, and 7 were canceled. Ecuador accounted for the largest number of the 91 projects, at 12, followed by Bolivia (11), Brazil (9), and Venezuela (9). Chinese SOEs participated in 89 of these 91 projects, particularly in power generation and ports. Since 2000, Chinese SOEs have undertaken at least 20 hydropower plants in LAC: 7 in Ecuador alone. The state-owned hydropower firm Sinohydro constructed the largest number of total projects, accounting for 13 of the 28 power generation projects. In addition, state-owned State Grid constructed the $1.4 billion Belo Monte transmission line connecting Brazil’s Belo Monte hydropower dam to its heavily populated Minas Gerais region, and spent $8 billion in 2017 to acquire Brazil’s third-largest electricity provider CPFL. Chinese SOEs have also been heavily involved in building LAC port infrastructure, with China Harbor Engineering Company constructing 10 of the 15 projects.

In addition, Huawei and ZTE have built telecommunications networks in 24 LAC countries. Huawei works with most of LAC’s major telecommunications providers and won contracts to support and build telecommunications

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networks in at least 23† LAC countries. In addition, the Chilean government announced in March 2018 that Huawei would construct a 2,800-kilometer (1,750-mile) undersea cable for approximately $100 million in Southern Chile, slated for completion in 2019. ZTE has won contracts to support and build telecommunications in Bolivia, Colombia, and Uruguay.

Huawei and ZTE’s central role in LAC telecommunications is prompting U.S. concerns. Undersecretary of the Treasury for International Affairs David Malpass wrote, “China’s aggressive telecommunications investments in the region also raise security concerns about placing the region’s communications backbone on Chinese networks.”¹¹¹ LAC security expert Evan Ellis reiterated these concerns, warning that “as Chinese presence in the sector increases, by the nature of commercial telecommunications, an increasing portion of data and message traffic will flow through and come to depend on, Chinese-supplied infrastructure.”¹¹⁶

Chinese participation in major infrastructure projects has some notable failures—including the Peru-Brazil railway, the Nicaragua Canal, and the Colombia dry canal—due in large part to high project costs and severe environmental impacts.¹¹⁷ For example, in February 2018 the estimated $80 billion Peru-Brazil railway was reportedly shelved.¹¹⁸ According to Jorge Arbache, Brazil’s vice planning minister for international affairs, “The project has stopped, because it was extremely costly and the feasibility study was very unsatisfactory... The engineering challenges were absurd.”¹¹⁹ The estimated $50 billion Nicaragua Canal largely stalled due to questionable financing, significant costs, competition from the 2016 expansion of the Panama Canal, and high environmental impact and safety risks.¹²⁰ The Colombia dry canal was announced in 2011 but has not moved forward since then.¹²¹

**Diplomatic Engagement**

The Chinese government has strengthened its bilateral and regional relationships in LAC with an increased number of high-level visits, people-to-people exchanges, and involvement in regional and multilateral institutions. In the last six years, China established strategic partnerships with Costa Rica, Uruguay, and Bolivia, and elevated seven of its partnerships in the region to comprehensive strategic partnerships.‡ China has also increased the number of high-level visits, with President Xi visiting the region in 2013, 2014, and 2016.¹²³

While continuing to engage bilaterally, since 2015 the Chinese government has prioritized its engagement with CELAC, allowing China to shape regional discussions without U.S. or Canadian involvement.¹²⁴ This platform is similar to China’s Forum for China-Africa Cooperation, created in 2000 to coordinate China’s engagement with the entire African continent. But lack of consensus among members has limited CELAC’s ability to set a regional agenda for its engagement with China.¹²⁵

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* Huawei won contracts to support and build telecommunications networks in Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Panama, Peru, Trinidad and Tobago, and Venezuela. For example, Huawei constructed six out of the seven 4G networks in Brazil. In addition, Huawei has provided telecommunications services to Aruba, the Cayman Islands, and Guadeloupe. Evan Ellis, “The Strategic Dimension of Chinese Activities in the Latin America Telecommunications Sector,” April 17, 2013. [http://www.scielo.org.co/pdf/recig/v11n1/a06.pdf](http://www.scielo.org.co/pdf/recig/v11n1/a06.pdf); Xinhua, “Chinese Telecom Company Huawei Thrives in Latin America,” China Daily, April 21, 2015. [http://www.chinadaily.com.cn/business/tech/2015-04/21/content_20494765.htm](http://www.chinadaily.com.cn/business/tech/2015-04/21/content_20494765.htm).

† While each strategic partnership is uniquely defined by the bilateral relationship, in general the announcement of a strategic partnership is accompanied with the creation of annual ministerial-level meetings and working groups. Evan Ellis, “It’s Time to Think Strategically about Countering Chinese Advances in Latin America,” Global Americans, February 2, 2018. [https://theglobalamericans.org/2018/02/time-think-strategically-countering-chinese-advances-latin-america/](https://theglobalamericans.org/2018/02/time-think-strategically-countering-chinese-advances-latin-america/).

Belt and Road Initiative

In May 2017, President Xi called LAC a “natural extension” of BRI, his signature foreign policy objective.\(^\text{127}\) Seeking to gain CELAC’s endorsement, Chinese Foreign Minister Wang Yi formally introduced BRI at the China-CELAC Forum in January 2018 and invited CELAC to join.\(^\text{128}\) CELAC welcomed the economic opportunities offered by BRI, but did not endorse it.\(^\text{129}\) The China-CELAC Forum’s Special Declaration on the Belt and Road Initiative merely reiterated that the Chinese government “considers that Latin American and Caribbean countries are part of the natural extension of the Maritime Silk Route and are indispensable participants in international cooperation of the Belt and Road.”\(^\text{130}\) While unsuccessful regionally, LAC countries are beginning to endorse BRI in an effort to gain access to infrastructure financing. Thus far, Panama, Trinidad and Tobago, Antigua and Barbuda, Bolivia, Guyana, Uruguay, Costa Rica, Dominica, and Venezuela have signed cooperation agreements on BRI—in effect joining.\(^\text{131}\)

People-to-People Exchanges

According to Shanthi Kalathil, director of the National Endowment for Democracy’s International Forum for Democratic Studies, the Chinese government is leveraging political, media, and educational people-to-people exchanges to “counter what Chinese officials see as the unfavorable narrative about China in Western media, by developing a China-friendly media sector that will both portray China as a reliable partner and support China’s foreign policy positions and objectives.”\(^\text{132}\)

LAC currently hosts 39 Confucius Institutes and 11 Confucius Classrooms serving over 50,000 students and involving more than eight million people in its cultural activities.\(^\text{133}\) Additionally, under the China-CELAC Cooperation Plan, China promised to provide 6,000 governmental scholarships, 6,000 training opportunities and 400 opportunities for on-the-job master’s degree programs for CELAC citizens in China between 2015 and 2019, and another 6,000 government scholarships between 2019 and 2021.\(^\text{134}\) The Chinese government has sought to deepen political exchanges with the region through bringing 1,000 LAC political leaders to China between 2015 and 2020 and another 200 CELAC politicians by 2021.\(^\text{135}\) Since 2015, China has provided training to over 90 regional teachers, 80 LAC journalists, and 300 young Latin American political leaders.\(^\text{136}\) By 2017, approximately 2,200 Latin Americans studied at Chinese universities, but it is difficult to quantify an exact total supported by Chinese governmental scholarships because numbers are not readily available.\(^\text{137}\)

Educational opportunities offered by China seek to shape influential political, media, and other LAC leaders’ opinions of China and expand global support for its foreign policy objectives such as “internet sovereignty”\(^\text{138}\) (the ability of each country to censor the internet within its borders). For example, Chinese media training largely reiterates Chinese propaganda and does not discuss editorial independence and investigatory capacity development that enhances regional governance, democracy, and freedom of the press.\(^\text{139}\) In June 2018, the research and analysis nonprofit Global Americans began monitoring false or misleading news from four Chinese and Russian state-run media providers (Xinhua, China Daily, Russia Today, and Sputnik) for readers in LAC.\(^\text{140}\) Global Americans has found Xinhua and China Daily largely present misleading articles that are overly positive of China’s economic relations with the region.\(^\text{141}\) This presentation aligns with China’s goals to shape LAC’s perceptions of China.\(^\text{142}\) In addition, since 2010 the Chinese government established and funded nearly 60 LAC regional centers at Chinese research centers and universities to deepen its expertise of the region.\(^\text{143}\)

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Engagement with Regional and Multilateral Institutions

China has stepped up its involvement with existing regional institutions, particularly CELAC. China is a shareholder in the Caribbean Development Bank and the Inter-American Development Bank.* China also enjoys observer status at the Organization of American States, the Latin American Integration Association, the Latin American Parliament, and the Pacific Alliance (Chile, Colombia, Costa Rica, Mexico, and Peru).144

In addition, China has actively sought LAC support for its new multilateral institutions: the New Development Bank (which acts as an alternative to the World Bank) and the Asian Infrastructure and Investment Bank (AIIB)† (which acts as an alternative to the Asian Development Bank).145 Brazil is a founding member of the New Development Bank, pledging to contribute $10 billion over seven years, and is still listed as a prospective founding member of the AIIB.146 But due to its ongoing economic and political crises, Brazil has failed to complete its AIIB membership despite two extensions and a reduction of its commitment from $3.2 billion to $5 million.147 Six other LAC countries (Argentina, Bolivia, Chile, Ecuador, Peru, and Venezuela) are “prospective members” of the AIIB; all of them are major trading partners, borrowers, or investment destinations for China.148 However, beyond offering political support, none have paid their membership dues, which prevents all seven LAC countries from having voting power at the AIIB.149

Space Cooperation

Space-related cooperation with LAC enhances China’s international prestige and reputation as a reliable and attractive space partner, builds its technological capacity, expands its export markets and revenue streams, and improves its military capabilities.‡ China’s space-related activities in the region include:

- **The China-Brazil Earth Resource Satellite Program:** China and Brazil have jointly developed and launched five earth observation satellites since 1999.150
- **Satellite design, construction, launch, and training:** Chinese companies developed and launched three satellites for Venezuela: a communications satellite in 2008 and two remote sensing satellites in 2012 and 2017, respectively.151 In 2013, the China Great Wall Industry Corporation also developed, launched, and operated a $302 million communications satellite for Bolivia (including training Bolivian personnel); a China Development Bank loan § financed 85 percent of the cost.152 In 2013, China also provided launch services to Ecuador’s microsatellite and an Argentinean government technology demonstration platform.153
- **Satellite tracking, telemetry, and command stations:** China operates satellite tracking ground stations in Chile and Argentina.154 Argentina’s parliament approved a 50-year contract with China to construct and operate a $50 million satellite and space mission control station in the Patagonia region of Argentina in February 2015, though satellite imagery showed construction on the site had begun in December 2013.155

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Taiwan

China is renewing its efforts to diplomatically isolate Taiwan, which China views as a renegade province. Taiwan maintains diplomatic relations with 17 countries, 9 of which are in LAC. Taiwan maintains five of its seven foreign trade agreements with LAC countries (Panama, Guatemala, Nicaragua, Paraguay, El Salvador, and Honduras). Taiwan also has an economic cooperation agreement with Paraguay. Since 1971, when the UN granted China diplomatic recognition and revoked Taiwan’s diplomatic recognition, China has been working to weaken Taiwan’s diplomatic clout in LAC. During that period, LAC countries have oscillated in their diplomatic recognition of Taiwan and China. Between 2000 and 2008, Costa Rica, Grenada, and Dominica rescinded their diplomatic relations with Taiwan to establish relations with China in exchange for financial and other economic incentives.

In 2008, China and Taiwan reached a “diplomatic truce” to stop using financial incentives to compete for recognition from each other’s diplomatic partners. Between 2008 and 2016, China adhered to the truce and rejected attempts by countries to switch recognition from Taiwan to China.

Since China resumed its “checkbook diplomacy,” six of Taiwan’s former diplomatic allies—three of them in LAC—switched recognition to China in exchange for financial and other economic incentives. In 2018, China and Taiwan reached a “diplomatic truce” to stop using financial incentives to compete for recognition from each other’s diplomatic partners. Between 2008 and 2016, China adhered to the truce and rejected attempts by countries to switch recognition from Taiwan to China.


package reportedly includes a $400 million freeway, a $300 million natural gas power plant, and $1.6 billion for other infrastructure projects.  

In an effort to retain its remaining diplomatic allies, Taiwan President Tsai Ing-wen visited Honduras, Nicaragua, Guatemala, and El Salvador (unsuccessfully) in January 2017 and Paraguay and Belize in August 2018. In July 2017, Taiwan announced it would permit visa-free entry for Paraguayan citizens to Taiwan and ease visa restrictions for the other diplomatic partners in the region. Paraguayan President Horacio Cartes reaffirmed the country’s support for Taiwan by traveling to Taiwan in July 2017 to celebrate 60 years of diplomatic relations. In September 2017, Nicaragua and Taiwan signed a defense cooperation agreement, and in April 2018, three Taiwan Navy ships visited the country for joint exercises. In June 2018, Taiwan lent Haiti $150 million for infrastructure development. Despite these overtures, in August 2018, Taiwan cut diplomatic relations with El Salvador after the Salvadorian government repeatedly demanded significant financing for Port La Union (which Taiwan viewed as a highly risky investment) and political donations. El Salvador subsequently established relations with China. In response, the Trump Administration recalled its ambassadors to El Salvador, the Dominican Republic, and Panama in September 2018 for consultations on these countries’ decision to no longer recognize Taiwan, and to discuss efforts to strengthen democracy and economic growth in the region.

**Military and Security Engagement**

China’s military and security activities in LAC can be sorted into three distinct categories: (1) personnel exchanges—including senior-level meetings—and officer exchange programs; (2) military exercises and military operations other than war, including bilateral and multilateral joint military exercises and humanitarian assistance and disaster relief operations; and (3) arms sales, including technology transfers and jointly developed arms. China maintains high levels of personnel exchanges and military exercises with Chile, Brazil, and Cuba (see Figure 8).

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**Figure 8: China’s Personnel Exchanges and Military Exercises with LAC, 2003–2016**

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In addition to senior-level meetings, China regularly sends military officers to LAC for training and professional military education. Chinese military officers have attended training programs in Argentina, Chile, Cuba, Mexico, and Venezuela, as well as Colombia’s Tolemaida military base and the jungle warfare school in Manus, Brazil. Reciprocally, military officers from virtually every LAC state that recognizes China attend professional military education courses in China. China’s military hosts LAC officers for courses at its National Defense University,
its command and general staff schools for army and navy officers, and other training programs. Additionally, China has conducted bilateral and multilateral military exercises and military operations other than war in LAC, including participating in the UN Stabilization in Haiti, participating in the 2010 Angel de la Paz humanitarian assistance exercise with Peru, and dispatching the hospital ship Peace Ark to the region in 2011, 2015, and 2018.183

Arms Sales

China sells arms to LAC to both generate profits for Chinese defense companies and achieve China’s foreign policy objectives (see Appendix II for a list of Chinese arms sales to the region). Arms sales, as with commercial sales, generate export revenues for Chinese defense conglomerates and help offset defense-related research and development costs. Most importantly, China uses its arms exports as a form of economic and political diplomacy. As defense economists Ling Li and Ron Matthews note, “All [of] China’s key defense industrial players are state-controlled, so the linkage between arms exports and government policy is undeniable.”185 As a component of its foreign policies, the Chinese government uses arms sales to build political influence and goodwill, garner support for China’s objectives in international forums, and influence decisions about access to natural resources and export markets.186

China first exported military equipment to the region in the mid-1980s, but the value of arms sales really increased beginning in 2006. Similar to its commercial exports to the region, Chinese military exports initially consisted of relatively inexpensive, low-end products such as clothing and personal equipment. In the mid-2000s, Chinese defense companies began to increase the volume and sophistication of their military exports to the region. The majority of China’s military sales in the region have been to members of the ALBA alliance, a regional pact to counter U.S. regional hegemony (see Figure 9). A key breakthrough in military sales to the region came in 2008

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when Venezuela purchased 18 K-8 aircraft, 3 JY-11 air search radars, and 100 PL-5e short-range air-to-air missiles from China. Following this deal, Venezuela “greatly facilitated the ability by [China] to sell its military end items to other, like-minded governments in the region,” allowing China to expand its arms exports not only to Venezuela, but also to other ALBA states, including Ecuador and Bolivia.

**Figure 9: China’s Arms Sales to LAC Countries, 2007–2017**

Source: Stockholm International Peace Research Institute, “The SIPRI Arms Transfers Database.”

Beginning in 2006, non-ALBA states—including Mexico, the Bahamas, Trinidad and Tobago, Peru, and Argentina—purchased weapons systems from China. At the conclusion of a 2015 state visit to China by then Argentine President Cristina Kirchner, Argentina announced its intention to purchase almost $1 billion in Chinese weapons systems, including 110 armored personnel carriers, 5 P-18 corvettes, and 14 FC-1 multirole aircraft. However, the purchase stalled after then President Kirchner was defeated in Argentina’s 2015 election by Mauricio Macri. Argentina has not negotiated any additional arms agreements with China since the 2015 agreements fell apart.

China also donates military equipment to LAC states. For example, in 2011 China donated $3.5 million in nonlethal goods to Jamaica, including uniforms, tents, helmets, binoculars, backpacks, and bulletproof vests. In August 2018, China donated 10 4x4 light armored tactical vehicles to Bolivia, building on a 2016 donation of 19 light armored tactical vehicles. Furthermore, China donates roughly $1 million per year in nonlethal military equipment to Colombia, a close U.S. partner. Chinese military aid to LAC countries is a fraction of what the United States provides to the region. For example, in 2017 alone the United States donated $260.6 million in military and police aid to Colombia.

Though China has significantly increased its military exports to LAC countries over the past decade, it remains a modest player regarding the region’s total arms market share. Between 2013 and 2017, China ranked fifth in total arms exports to the region after the United States, Russia, France, and Germany (see Figure 10). China likely seeks to increase arms sales in the region in order to increase export revenues and deepen its influence in the region.

Case Studies

These case studies provide a snapshot of China’s engagement with four LAC countries based on their importance to Chinese engagement in the region, strategic importance to the United States, and growing dependence on China.

Brazil

Its abundant natural resources, largest consumer market in the LAC, and regional influence make Brazil China’s most important partner in LAC. Brazil is China’s largest trading partner in the region, accounting for 22.2 percent of China’s total exports and 46.1 percent of China’s imports from the region in 2017. Since 2009, China has been Brazil’s largest trading partner, accounting for 18.1 percent of Brazil’s total trade. Together, soybeans (40.9 percent), iron ore (20.8 percent), and oil (11.1 percent) composed 72.9 percent of Brazil’s major exports to China in 2016. China, which accounts for 60 percent of the global soybean traded in 2017, relied on Brazil to supply 53.3 percent of its total soybean purchases in 2017. The ongoing trade tensions between China and the United States—another main soybean producer—combined with China’s growing consumption are expected to increase Chinese demand for Brazilian soybeans.

Brazil is the largest destination for Chinese FDI to LAC, accounting for 44 percent of the net value of China’s FDI to the region and 32.6 percent of the total number of projects in which China invested from 2000 to 2017. While earlier investments focused on acquiring Brazil’s oil assets, more recent investments have focused on electricity generation and transmission and ports. The China Three Gorges Corporation acquired concessions to operate two hydropower dams in 2015 and acquired ten of Duke Energy’s hydropower dams in Brazil in 2016. Additionally, Chinese state-owned firms have made significant investments into Brazil’s electricity sector, with State Grid acquiring seven Brazilian power transmission companies since 2010 and spending $8 billion in 2017 to acquire Brazil’s third-largest electricity provider CPFL. In September 2017, China’s Merchant Port Holdings Co. Ltd. purchased a 90 percent stake in TCP Participações S.A, the operator of Brazil’s most profitable port, Paranagua, for $920 million.
Seeking to diversify their trading relationship, in June 2017 Brazil and China jointly launched the $20 billion China-Brazil Cooperation Fund for the Expansion of Production Capacity. This fund prioritizes investments outlined in China’s 3x3 Model, to include logistics and infrastructure, energy and mineral resources, agriculture, and advanced technology.

Diplomatically, Brazil and China have cooperated at the UN and G20 due to similar interests in nonintervention, tiered responsibilities between developed and developing countries, and reform of existing multilateral institutions to incorporate more developing countries. In addition, Brazil has joined China’s new multilateral forums and institutions that exclude the United States. Brazil is one of the five members of BRICS (Brazil, Russia, India, China, and South Africa), a founding member of the New Development Bank, and is still listed as a prospective founding member of the AIIB. But Brazil and China’s competition for influence in LAC and Brazil’s domestic political and economic crises have slowed participation and diplomatic engagement at the UN, AIIB, and BRICS.

Brazilian and Chinese militaries have deepened their military engagement with three military exercises, three naval port calls, and 29 senior-level meetings between 2003 and 2016. But due in part to its domestic defense industry, Brazil has not bought large quantities of Chinese military equipment. Brazil has bought an Antarctic research ship from China, and the China Shipbuilding Industrial Corporation, for example, is bidding on a contract for the Brazilian Navy’s acquisition of a new frigate. The China Aerospace Science and Industry Corporation is also bidding for a role in SisGAAz, the Brazilian military’s integrated system to secure its maritime border.

Venezuela

As the source of the world’s largest oil reserves, largest recipient of Chinese financing, and largest regional buyer of Chinese military equipment, Venezuela remains an important regional partner for China. For the United States, Venezuela is one of its top five suppliers of foreign oil; in 2016, the United States remained Venezuela’s largest export market and source of imports, accounting for 38.7 percent and 33.5 percent, respectively. But under presidents Hugo Chavéz (1999–2013) and Nicholas Maduro (2013–present), Venezuela’s lack of respect for human rights, governance, and democracy; its participation in narcotics trafficking; and regular criticism of the U.S. government, its policies, and relations with LAC have strained bilateral relations. As Venezuela’s relations with the United States, the EU, and LAC have deteriorated, China has stepped in as an important export market, source of financing, and international ally. China is now Venezuela’s second-largest export market and source of imports at 18.4 percent and 16.7 percent, respectively.

Venezuela is currently in the midst of an economic, political, and humanitarian crisis precipitated by government mismanagement. Venezuela’s economic recession began in 2014 as global oil prices fell; oil exports are a major source of revenue, comprising around 98 percent of the country’s export earnings in 2017. In 2017, Venezuela experienced a 14 percent year-on-year contraction in real gross domestic product and an over 1,000 percent year-on-year increase in inflation, forcing 61 percent of its population into extreme poverty. Faced with dwindling economic prospects and a political crackdown, 2.3 million Venezuelans—around 7 percent of the population—have left the country since 2014, creating a regional humanitarian crisis.

Petroleum of Venezuela, S.A. (PDVSA), Venezuela’s state-owned oil firm, is the main source of revenue for the Venezuelan government. However, due to government mismanagement, PDVSA is failing to maintain production levels; in 2017, Venezuela’s annual oil production fell to its lowest output in 27 years. PDVSA is thus unable to make its own debt payments on time or

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provide sufficient cash flow to the Venezuelan government, worsening the country’s economic crisis and straining its relations with China, its major lender.  

China is Venezuela’s largest creditor, accounting for $23 billion of the country’s $150 billion in public external debt. Thus far, more than half of Venezuela’s oil production is used to repay its loans to China and Russia (another major creditor owed $3 billion) or sold at a steep discount in the local market. In 2016, China and Russia both stepped in with additional financing and exchanged existing debt for longer maturities with the China Development Bank, allowing Venezuela to pay only interest payments on its loans for two years. In 2017, for the first time in a decade, China did not provide any new financing to the country, reflecting China’s efforts to reduce additional exposure. But in July 2018, China stepped in again to invest $250 million in PDVSA’s production in order to maintain PDVSA’s existing production capacity. In September 2018, the Venezuelan government announced that the China Development Bank agreed to extend a $5 billion credit line to Venezuela; official Chinese media has not confirmed. In addition, PDVSA sold CNPC 9.9 percent share of its 60 percent share in their oil joint venture Sinovensa.

Venezuela is the largest purchaser of Chinese military equipment in the region. Since 2006, the quantity of Chinese arms sales to Venezuela increased significantly as high oil prices enabled high government spending. Chinese defense companies have sold Venezuela relatively unsophisticated equipment such as K-8 trainer aircraft, VN-16 light tanks, and VN-18 infantry fighting vehicles. In 2012, Venezuela signed a $500 million deal—China’s largest arms sale to the region to date—for Chinese military equipment that included antitank missiles, self-propelled mortars, self-propelled rocket launchers, and armored vehicles. Deliveries from this 2012 order peaked in 2015 and continued throughout 2016. Venezuela’s ongoing economic crisis has limited its ability to make additional large military equipment purchases from China.

**Cuba**

Cuba is strategically important to the United States due to its geographic proximity, but longstanding political tensions between Cuba and the United States have limited economic, political, and security engagement. Diplomatic relations between China and Cuba restarted in the early 1990s after the fall of the Soviet Union (then Cuba’s largest economic benefactor), and economic ties deepened in the early 2000s. From 2000 to 2014, Cuba was the largest recipient of China’s official development assistance to the region, with $6.3 billion. By 2011, Cuba was China’s largest trading partner in the Caribbean, and China was Cuba’s second-largest trading partner after Venezuela. China overtook Venezuela to become Cuba’s largest trading partner in 2016. From 2011 to 2016, total trade between Cuba and China grew 25.5 percent, largely driven by imports of Chinese manufactured goods. In 2016, China accounted for $2.3 billion (22.7 percent) of Cuba’s total imports. Cuba’s exports to China, its third-largest export market, have fallen 66.9 percent from 2011 to 2016 to $257.4 million. Beginning in 2017, China’s influence in Cuba expanded due to the retrenchment in U.S. policy opening toward Cuba, Venezuela’s weakening support, and Cuba’s struggle to recover from recent hurricanes.

Militarily, China maintains a strong relationship with Cuba that is characterized by frequent senior-level meetings and technical assistance provided by China’s military to Cuba’s military. Between 2003 and 2016, Chinese and Cuban military officials met 33 times. China has helped Cuba upgrade its air defense system, purchase more sophisticated communications equipment, maintain its Soviet-era aircraft, and upgrade some of its MIG-21 fighter/interceptor aircraft. In addition, China reportedly has a physical presence at multiple Soviet-era intelligence facilities at Lourdes, Bejucal, and Santiago de Cuba to collect signals intelligence.
Panama

Since 2017, Panama, a strategically important and close trading partner of the United States, has deepened its economic and political engagement with China. In June 2017, Panama officially cut ties with Taiwan and established diplomatic relations with China. Panama is pursuing closer economic relations with China through a bilateral free trade agreement, increased Chinese tourism, and expansion of infrastructure projects and financing. In April 2018, Air China launched flights between Beijing and Panama City via Houston. The two countries are in negotiations for a free trade agreement and establishment of direct flights from Panama City to Shanghai. According to Dr. Ellis, “China’s advances in Panama pose strategic risks to both the effective sovereignty of the country, and to the U.S. position in the region.”

Economically, the United States is Panama’s largest export market, and China is Panama’s largest source of imports. In 2016, the United States accounted for $2.3 billion (20.6 percent) of Panama’s $11.2 billion in total exports (mainly artificial antimicrobial agents) and $880 million (9.5 percent) of its $9.2 billion in total imports (Panama’s third-largest source). By comparison, China accounted for $2.9 billion (31.3 percent) of Panama’s total imports, but comprised less than 1 percent of Panama’s total exports at $37 million. Apparel, electronic equipment, and footwear together comprised $1.5 billion or 51.8 percent of Panama’s total imports from China in 2016.

The Panama Canal is the Western Hemisphere’s most important commercial and logistical hub and serves as a vital sea line of communication for both the United States and China. Since signing a 25-year lease in 1997, Panama Ports Company (a subsidiary of the Hong Kong-based firm Hutchinson Whampoa Ltd.) has operated the two main ports—Balboa and Cristobal—located on either side of the Panama Canal. In the 2018 fiscal year, approximately 68 percent of the total trade transiting the Panama Canal went to or came from the United States; approximately 16.3 percent of trade went to or came from China. China is also dependent on the Panama Canal for the import of soybeans, iron ore, and oil from Latin America. Since 2003, the U.S. Department of Defense has conducted an annual multinational military exercise, PANAMAX, to rehearse defending the canal from attack as well as responding to a pandemic or natural disasters.

Chinese firms are acquiring and constructing port facilities on both sides of the canal (see Figure 11). These projects are expanding Panama’s tourism industry, modernizing its facilities, and increasing its capacity to handle higher shipping volumes. But Admiral Kurt W. Tidd, Commander of U.S. Southern Command, in February 2018 noted that China’s “increased reach to key global access points like Panama create[s] commercial and security vulnerabilities for the United States.” China Harbor Engineering Company constructed the Balboa Port (2002) and Phase III of the Colón Container Terminal (2013). In May 2016, the Chinese private firm Landbridge Group acquired and contracted with China Harbor Engineering Company to expand Panama’s largest port, renamed the Panama Colón Container Port, located at Margarita Island on the Atlantic Ocean entrance of the Panama Canal. The Panama Amado Cruise Terminal (2017), located near the Pacific entrance of the Panama Canal, is the first project China Harbor Engineering Company has started since the establishment of diplomatic relations in 2017. Nearby this terminal, state-owned China Construction America is building the Amador Convention Center (2018), and the Chinese government is constructing its new embassy.
Panama is also seeking additional Chinese financing and support for major infrastructure projects, becoming the first LAC country to sign a BRI Cooperation Agreement. Panama and China undertook a prefeasibility study for the construction of a 450-kilometer (279-mile) railway between Panama and Costa Rica in November 2017 and held their first technical meeting in February 2018. That same month, Panamanian President Juan Carlos Varela proposed the estimated $5.5 billion railway as a potential BRI project and stated, “We hope to get Chinese companies and Chinese technology to complete the entire project between 2022 and 2026.”

The economic feasibility of some of these projects is questionable. The estimated cost of the railway is nearly equivalent to the $5.7 billion spent on the expansion of the Panama Canal, where less costly improvements to local ports and road infrastructure could suffice. In addition, the $167 million Panama Amado Cruise Terminal under construction is not along any major cruise ship routes.
Ecuador

Under President Rafael Correa (2007–2017), Ecuador reduced its political and military engagement with and economic dependence on the United States—then a close partner—and deepened its trade and financing ties with China. Then President Correa also expelled at least three U.S. diplomats (two in 2009 and one in 2011) and 20 U.S. military personnel (2014), has provided asylum to Julian Assange at Ecuador’s embassy in London since 2012, forced the U.S. Agency for International Development to shut down its operations in 2014, and terminated Ecuador’s bilateral investment treaty with the United States, China, and ten other countries shortly before leaving office in May 2017.280

Ecuador’s exports to China grew 242.1 percent from $191.9 million in 2011 to $656.4 million in 2016.281 Ecuador’s 2016 exports to China concentrated in oil, fish and related products, and bananas at 35.2 percent, 13.1 percent, and 13 percent, respectively.282 Ecuador’s imports of Chinese goods fell 7.1 percent from 2011 to 2016, but China’s share of total Ecuadorian imports (second after the United States) increased to 19.1 percent in 2016.283 By comparison, Ecuador’s exports to and imports from the United States fell 44.1 percent and 26.9 percent, respectively, between 2011 and 2016.284 In the first quarter of 2018, Ecuador’s exports to China (largely oil) grew 109.5 percent year-on-year compared to an 18.6 percent year-on-year decline in exports to the United States, deepening Ecuador’s economic reliance on China.285

Ecuador largely alienated global investors after it expelled the World Bank’s representative in 2007 and purposefully defaulted on its sovereign debt in 2008, claiming the debt was illegitimate.286 The default cut off Ecuador’s access to international lenders, prompting it in 2009 to turn to Iran for a $40 million credit line, and secure a $1 billion loan from the Andean Development Bank to support its government operations.287 Beginning in 2010, Ecuador turned to China to fund its budget shortfall, accepting $1 billion in 2010, $2 billion in 2011, $1.7 billion in 2012, and $2 billion in 2016 from the China Development Bank. These loans had eight-year terms with interest rates ranging from 6.25 to 7.5 percent.288

The collapse in oil prices in 2014–2016 led oil sales, a critical export and source of Ecuador’s revenue, to break even with costs of production, limiting Ecuador’s ability to pay off its loans from China and forcing the Ecuadorian government to take on additional loans.289 Oil accounted for approximately 25 percent of its public sector revenue in 2016, with Ecuador’s state-owned oil firm Petroamazonas responsible for 79 percent of the country’s production.290 As of March 2017, the China Development Bank and the Export-Import Bank of China owned 30.3 percent ($8 billion) of Ecuador’s $26.4 billion in external public debt; in 2009, China owned less than 1 percent.291 By comparison, Ecuador’s combined loans from the World Bank, Inter-American Development Bank, the Development Bank of Latin America, and the Latin American Reserve Fund totaled $8.2 billion.292 Around 70 percent of Ecuador’s loans from China have an interest rate of 6–7.25 percent with an eight-year term compared to multilateral rates of 2–4 percent with 12- to 25-year terms.293 To pay off its loans to China, Ecuador exports roughly half of oil production to Chinese firms.294

In May 2017, Ecuador had a change in leadership, and the new president, Lenin Moreno, attempted to renegotiate the price and amount of oil Ecuador was sending to China.295 Unable to significantly refinance Ecuador’s loans with China and faced with a slumping economy, President Moreno reached out to the World Bank and the United States to gain access to new financing and potentially new markets.296 In June 2018, Ecuador received $400 million in financing from the World Bank.297 Beyond trade, under President Moreno Ecuador restarted its military engagement with the United States by signing a cooperation agreement in April 2018 to create an Office for Investigating Transnational Criminals to fight transnational organized crime and drug trafficking.298 In addition, in August 2018 Ecuador left the anti-U.S. regional alliance ALBA to pursue its own social and political agenda.299

Militarily, China’s relationship with Ecuador is characterized by senior-level meetings with limited arms sales. Between 2003 and 2016, senior-level Chinese and Ecuadorian defense officials met 12 times, and China conducted two naval port calls in Ecuador.300 In 2005, Ecuador purchased two BT-6 training aircraft from China.301 In 2010, China delivered Ecuador two air search radars, YLC-18 and YLC-2.302

* Julian Assange is the founder of Wikileaks, which published numerous classified U.S. military documents and diplomatic cables without authorization.
Implications for the United States

The United States maintains close cultural, political, economic, and military ties with LAC due to the region’s proximity, strong trade ties, and significant security and strategic risks (particularly from the illegal drug trade). The U.S. government seeks to build democratic, stable, and prosperous economic regional partners, strengthen cooperation with its neighbors to prevent terrorism and illegal drug and human trafficking, and advance liberal economic and political values both within the region and globally.304 While the United States remains LAC’s largest economic and security partner, China has emerged as the region’s largest creditor and second-largest trading partner in the last decade.

The United States remains the region’s largest trading partner (see Table 2), accounting for around a third of the region’s export growth. Countries in the region account for 11 of the United States’ 20 free trade agreements305 and 8 of its 42 bilateral investment treaties.306 Militarily, the United States maintains close ties with the region with robust military training programs, regular military training exercises, and high-level visits.306

China’s emergence as the region’s second-largest trading partner, a major lender, and the fourth-largest investor is eroding U.S. economic dominance in the region. The size and continued expansion of China’s market creates enormous growth potential for LAC exporters (particularly in agriculture) that the U.S. market cannot match. The trading relationship where LAC exports commodities and imports Chinese manufactured goods reinforces LAC reliance on highly cyclical, low-value-added, and highly polluting sectors, and stalls LAC’s economic development.307 In addition, the rapid growth of LAC imports from China is decreasing U.S. market share in the region.308

| Table 2: Comparison of U.S. and Chinese Economic Influence in LAC, 2016 |
|-------------------------------------------------|-----------------|-----------------|
| Trading Partner Rank                           | United States   | China           |
| Largest Export Market                          | 20 LAC countries | 3 LAC countries |
| (second largest)                               | (7 LAC countries) | (1 LAC country) |
| Largest Source of Imports                      | 25 LAC countries | 6 LAC countries |
| (second largest)                               | (3 LAC countries) | (12 LAC countries) |
| Share of LAC’s Total Exports                   | 45 percent      | 9 percent       |
| Share of LAC’s Total Imports                   | 32 percent      | 18 percent      |

Note: Data for Grenada, Haiti, and Saint Kitts and Nevis exports to China were not available.
Source: Various.309

† The United States has free trade agreements with Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru. Office of the U.S. Trade Representative, Free Trade Agreements. https://ustr.gov/trade-agreements/free-trade-agreements.
Chinese financing has supplanted the United States and other international lenders as a major source of capital to the region. This financing has weakened the ability of the United States and other multilateral organizations to influence governments’ behavior, particularly authoritarian, anti-U.S. regimes in Venezuela, Ecuador, and Cuba. In addition, for countries such as Argentina and Ecuador—cut off from global capital markets—China became the lender of last resort, significantly increasing their indebtedness to the Chinese government.\textsuperscript{310} China could leverage this dependence to ensure support for its foreign policy objectives and gain control of strategic assets.\textsuperscript{311}

China’s role in building and financing long-needed LAC infrastructure is creating new economic and security opportunities and challenges for the United States. U.S. and LAC companies benefit from new and upgraded railways, ports, roads, and power generation facilities. In addition, these projects can enhance regional integration and spur economic growth, creating more stable and prosperous regional partners for the United States. But the higher-interest lending furnished by China and unclear economic rationale of some of these projects (particularly LAC leaders’ pet projects) can create unsustainable debt burdens, threatening economic growth. In February 2018, then Secretary of State Rex Tillerson gave a speech criticizing China’s engagement with the region, warning:

> China is gaining a foothold in Latin America. It is using economic statecraft to pull the region into its orbit. The question is: At what price?... Latin America does not need new imperial powers that seek only to benefit their own people. China’s state-led model of development is reminiscent of the past. It doesn’t have to be this hemisphere’s future.\textsuperscript{312}

Additionally, in February 2018 Admiral Tidd warned that China’s access to key global access points such as telecommunications or dual-use space programs “could facilitate intelligence collection, compromise communication networks, and ultimately constrain our ability to work with our partners.”\textsuperscript{313}

While limited, China’s growing military and security engagement with the region is enhancing its military capabilities and political goodwill. This deepening engagement could reduce the United States’ strategic influence in the region by supporting authoritarian, anti-American regimes, diminishing U.S. regional security relationships, reducing U.S. security interoperability within the region, and undermining U.S. promotion of international norms such as democracy, rule of law, governance, and fair business and labor practices.\textsuperscript{314} China’s naval port visits, military exercises, and nontraditional security operations are also strengthening China’s institutional relationships in the region and building its experience operating abroad.\textsuperscript{315} In particular, China could gain valuable knowledge about and access to U.S. military doctrine, programs, and equipment through joint exercises and arms sales with U.S. defense partners.\textsuperscript{316} Furthermore, China’s alleged access to multiple Soviet-era intelligence facilities in Cuba and the reportedly dual-use satellite tracking and space telemetry station in Argentina enhances China’s intelligence collection and capacity to interfere with U.S. space assets.\textsuperscript{317} Deepening these ties could degrade the United States’ strategic position in LAC over the long term.\textsuperscript{318}

Chinese arms sales to LAC are relatively low in amount and sophistication to date, but they are limiting the impact of U.S. and EU restrictions or bans on arms sales to the region. In particular, Chinese arms sales to Venezuela have undermined U.S. and EU pressure on the Venezuelan government to respect human rights and democracy.\textsuperscript{319} For example, Venezuela deployed Chinese VN-4 armored personnel carriers against protestors in 2014.\textsuperscript{320}

While U.S. soft power in the region remains strong, China’s soft power is rising vis-a-vis the United States. According to a Gallup poll, in 2017 Latin Americans for the first time viewed Chinese leadership more favorably than U.S. leadership, at 28 percent and 24 percent, respectively.\textsuperscript{321} Favorable views of U.S. leadership fell more than 14 percentage points over the last year in 20 of the 21 LAC countries surveyed.\textsuperscript{322} Approval for U.S. leadership fell to record lows in key regional partners, including Mexico, Haiti, Peru, Chile, Panama, Colombia, Nicaragua, Costa Rica, and Guatemala.\textsuperscript{323}
## Appendix I: Major Infrastructure Projects Built by Chinese Firms in LAC, 2000–2018*

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Firms</th>
<th>Cost (US$ millions)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Chalillo</td>
<td>Belize</td>
<td>Sinohydro†</td>
<td>$30</td>
<td>Completed in 2005</td>
</tr>
<tr>
<td>2007</td>
<td>Vaca</td>
<td>Belize</td>
<td>Sinohydro</td>
<td>$39</td>
<td>Completed in 2010</td>
</tr>
<tr>
<td>2009</td>
<td>Magdalena River dam</td>
<td>Colombia</td>
<td>Hydro China,‡ Cormagdalena, and China Development Bank</td>
<td>Unknown</td>
<td>Stalled</td>
</tr>
<tr>
<td>2010</td>
<td>Coca Coda Sinclair</td>
<td>Ecuador</td>
<td>Sinohydro</td>
<td>$2,851</td>
<td>Completed in 2016</td>
</tr>
<tr>
<td>2010</td>
<td>Toachi Pilaton</td>
<td>Ecuador</td>
<td>China International Water and Electric Corporation§ and the Inter RAO UES</td>
<td>$589</td>
<td>Contract canceled due to corruption allegations (85 percent complete as of June 2018)</td>
</tr>
<tr>
<td>2011</td>
<td>Reventazón</td>
<td>Costa Rica</td>
<td>Andritz, Sinohydro</td>
<td>$1,400</td>
<td>Completed in 2016</td>
</tr>
<tr>
<td>2011</td>
<td>Chucas</td>
<td>Costa Rica</td>
<td>Sinohydro</td>
<td>Unknown</td>
<td>Completed in 2016</td>
</tr>
<tr>
<td>2011</td>
<td>Mazar-Dudas</td>
<td>Ecuador</td>
<td>China National Electric Equipment Corporation*</td>
<td>$83</td>
<td>Canceled due to technical deficiencies and schedule delays (86.5 percent complete as of January 2017)</td>
</tr>
<tr>
<td>2011</td>
<td>Quijos</td>
<td>Ecuador</td>
<td>China National Electric Equipment Corporation</td>
<td>$116</td>
<td>Canceled due to technical deficiencies and</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Project</th>
<th>Country</th>
<th>Contractor/China Gezhouba Group Corporation</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Sopladora</td>
<td>Ecuador</td>
<td>China Gezhouba Group Corporation</td>
<td>$963</td>
<td>Completed in 2011</td>
</tr>
<tr>
<td>2011</td>
<td>Patau III</td>
<td>Honduras</td>
<td>Sinohydro, Dongfang Electric Corporation</td>
<td>$350</td>
<td>Under construction</td>
</tr>
<tr>
<td>2011</td>
<td>Barinas</td>
<td>Venezuela</td>
<td>Sinohydro</td>
<td>$50</td>
<td>Under construction</td>
</tr>
<tr>
<td>2013</td>
<td>Capulin San Pablo</td>
<td>Costa Rica</td>
<td>HydroChina</td>
<td>Unknown</td>
<td>Completed in 2017</td>
</tr>
<tr>
<td>2013</td>
<td>Delsitanisagua</td>
<td>Ecuador</td>
<td>Hidronova, HydroChina</td>
<td>$335</td>
<td>Under construction (80.6 percent complete as of January 2017)</td>
</tr>
<tr>
<td>2013</td>
<td>Minas-San Francisco</td>
<td>Ecuador</td>
<td>Harbin Electric International Company, Sinohydro, Cardno</td>
<td>$684</td>
<td>Under construction (91.5 percent complete as of January 2017)</td>
</tr>
<tr>
<td>2014</td>
<td>San Jose Hydroelectric Plant</td>
<td>Bolivia</td>
<td>Sinohydro</td>
<td>$235</td>
<td>Completed in 2018</td>
</tr>
<tr>
<td>2015</td>
<td>Artibonite</td>
<td>Haiti</td>
<td>Sinohydro</td>
<td>$240</td>
<td>Under construction</td>
</tr>
<tr>
<td>2015</td>
<td>Nestor Kirchner-Jorge Cepernic</td>
<td>Argentina</td>
<td>China Gezhouba Group Corporation, Electroingenieria, Hydrocuyo</td>
<td>$4,000</td>
<td>Under construction</td>
</tr>
<tr>
<td>2015</td>
<td>Chicoasen II</td>
<td>Mexico</td>
<td>Sinohydro Costa Rica, Omega Construcciones, Desarrollos y Construcciones Urbanas and CAABSA Infraestructura</td>
<td>$386</td>
<td>Under construction</td>
</tr>
<tr>
<td>2016</td>
<td>Rositas Hydroelectric Plant</td>
<td>Bolivia</td>
<td>Export-Import Bank of China, China Three Gorges Corporation, and its subsidiary China International Water and Electric Corporation</td>
<td>$1,000</td>
<td>Under Construction</td>
</tr>
<tr>
<td>2016</td>
<td>Jupiá and Ilha Solteira dams</td>
<td>Brazil</td>
<td>China Three Gorges Corporation</td>
<td>$4,255</td>
<td>Completed in 2017</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Country</th>
<th>Developer</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>San Gaban III&lt;sup&gt;345&lt;/sup&gt;</td>
<td>Peru</td>
<td>Hydro Global Peru S.A.C.,&lt;sup&gt;7&lt;/sup&gt; China Development Bank</td>
<td>$438</td>
<td>Under construction; expected completion in 2021</td>
</tr>
<tr>
<td>2017</td>
<td>Iviriu Hydropower Plant&lt;sup&gt;346&lt;/sup&gt;</td>
<td>Bolivia</td>
<td>SinoHydro</td>
<td>$520</td>
<td>Under Construction</td>
</tr>
</tbody>
</table>

**Other Types of Power Plants**

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Country</th>
<th>Developer</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Candiota III thermal power plant&lt;sup&gt;347&lt;/sup&gt;</td>
<td>Brazil</td>
<td>China International Trust &amp; Investment Corporation Group (CITIC)&lt;sup&gt;†&lt;/sup&gt;</td>
<td>$427</td>
<td>Completed</td>
</tr>
<tr>
<td>2010</td>
<td>Palito thermal power plant&lt;sup&gt;348&lt;/sup&gt;</td>
<td>Venezuela</td>
<td>SinoHydro</td>
<td>$1,800</td>
<td>Completed</td>
</tr>
<tr>
<td>2010</td>
<td>El Vigia thermal power plant&lt;sup&gt;349&lt;/sup&gt;</td>
<td>Venezuela</td>
<td>China National Machinery Industry Corporation (Sinomach)&lt;sup&gt;‡&lt;/sup&gt; and its subsidiary, China CAMC Engineering Co., Ltd. (CAMCE)</td>
<td>$956</td>
<td>Completed in 2013</td>
</tr>
<tr>
<td>2015</td>
<td>Patagonia nuclear power plants&lt;sup&gt;350&lt;/sup&gt;</td>
<td>Argentina</td>
<td>China National Nuclear Corporation,&lt;sup.§&lt;/sup&gt; China Zhongyuan Engineering Corporation,&lt;sup&gt;**&lt;/sup&gt; and the Nuclear Energy Argentina SA</td>
<td>$5,800</td>
<td>Stalled over cost concerns; resumed in 2018</td>
</tr>
<tr>
<td>2018</td>
<td>Martano natural gas power plant&lt;sup&gt;‡‡&lt;/sup&gt;</td>
<td>Panama</td>
<td>Shanghai Electric&lt;sup&gt;‡‡&lt;/sup&gt;</td>
<td>$900</td>
<td>Under construction; expected completion in 2020</td>
</tr>
</tbody>
</table>

**Power Transmission Lines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Type</th>
<th>Country</th>
<th>Developer</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Power transmission line&lt;sup&gt;352&lt;/sup&gt;</td>
<td>Venezuela</td>
<td>State Grid Corporation of China&lt;sup&gt;§§&lt;/sup&gt;</td>
<td>$1,310</td>
<td>Completed</td>
</tr>
</tbody>
</table>

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<sup>‡</sup> China International Trust & Investment Corporation Group, now known as CITIC Group Corporation Ltd., is a Chinese state-owned investment firm under China’s Ministry of Finance. CITIC Group, “About CITIC.” https://www.group.citic/html/About_CITIC/.


<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Belo Monte transmission line</td>
<td>Brazil</td>
<td>State Grid Corporation of China</td>
<td>$1,400</td>
<td>Completed in 2017</td>
</tr>
<tr>
<td>2002</td>
<td>Balboa Port</td>
<td>Panama</td>
<td>China Harbor Engineering Company</td>
<td>Unknown</td>
<td>Completed</td>
</tr>
<tr>
<td>2004</td>
<td>Baja Terminal</td>
<td>Mexico</td>
<td>CHEC</td>
<td>$170</td>
<td>Completed</td>
</tr>
<tr>
<td>2010</td>
<td>San Vicente Port Revitalization</td>
<td>Chile</td>
<td>CHEC</td>
<td>$75</td>
<td>Completed</td>
</tr>
<tr>
<td>2011</td>
<td>Manzanillo Container Terminal</td>
<td>Mexico</td>
<td>CHEC</td>
<td>$221</td>
<td>Completed</td>
</tr>
<tr>
<td>2013</td>
<td>Colon Container Terminal (Phase III)</td>
<td>Panama</td>
<td>CHEC</td>
<td>$60</td>
<td>Completed in 2015</td>
</tr>
<tr>
<td>2014</td>
<td>North Abaco Port</td>
<td>Bahamas</td>
<td>CHEC</td>
<td>$39</td>
<td>Completed</td>
</tr>
<tr>
<td>2014</td>
<td>Goat Islands Port</td>
<td>Jamaica</td>
<td>CHEC</td>
<td>$1,500</td>
<td>Preliminary agreement signed</td>
</tr>
<tr>
<td>2015</td>
<td>San Antonio Port Expansion</td>
<td>Chile</td>
<td>CHEC</td>
<td>$44</td>
<td>Contract signed in 2015</td>
</tr>
<tr>
<td>2016</td>
<td>Margarita Island Port</td>
<td>Panama</td>
<td>China Landbridge, China Communication Construction Co. Ltd. (CCC)</td>
<td>$1,000</td>
<td>Under construction</td>
</tr>
<tr>
<td>2017</td>
<td>Panama Amado Cruise Terminal</td>
<td>Panama</td>
<td>CHEC, Jan de Nul</td>
<td>$167</td>
<td>Under construction</td>
</tr>
<tr>
<td>2017</td>
<td>Puerto Cortes Expansion</td>
<td>Honduras</td>
<td>CHEC</td>
<td>$624</td>
<td>Under construction</td>
</tr>
<tr>
<td>2017</td>
<td>Port of Itaqui (Expansion)</td>
<td>Brazil</td>
<td>CCCC</td>
<td>Unknown</td>
<td>Under construction</td>
</tr>
<tr>
<td>2017</td>
<td>Porto Sul (Port of Ilheus)</td>
<td>Brazil</td>
<td>Consortium of 5 Chinese Companies: CCCC, China Railway Group, and Dalian Huarui Heavy Industry Group</td>
<td>$2,400</td>
<td>Construction to start in 2019; part of integrated</td>
</tr>
</tbody>
</table>

* CHEC (中国港湾工程有限责任公司) is a subsidiary of state-owned China Communications Construction Company. China Communications Construction Company Ltd., “Organizational Chart.” en.ccccltd.cn/aboutcompany/organizationalchart/.
<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost ($)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>São Luis Mining and Logistics Project</td>
<td>Brazil</td>
<td>CCCC</td>
<td>$244</td>
<td>Under construction; expected completion in 2022</td>
</tr>
<tr>
<td>2018</td>
<td>St. John’s Port Modernization Project</td>
<td>Antigua and Barbuda</td>
<td>China Civil Engineering Construction Company</td>
<td>$90</td>
<td>Under construction; expected completion in 2021</td>
</tr>
</tbody>
</table>

**Canal**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost ($)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Nicaragua Canal</td>
<td>Nicaragua</td>
<td>Hong Kong Nicaragua Canal Development Group</td>
<td>$50,000</td>
<td>Stalled due to lack of financing, high costs, and environmental safety risks</td>
</tr>
</tbody>
</table>

**Railway**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost ($)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Tinaco to Anaco Railway</td>
<td>Venezuela</td>
<td>China Railway Group Ltd.,† Venezuelan National Railway Department</td>
<td>$7,500</td>
<td>Canceled due to high costs and Venezuelan financial troubles</td>
</tr>
<tr>
<td>2011</td>
<td>Colombia Dry Canal</td>
<td>Colombia</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Stalled for unknown reasons</td>
</tr>
<tr>
<td>2014</td>
<td>Peru-Brazil Railway</td>
<td>Brazil, Peru</td>
<td>Unknown</td>
<td>$80,000</td>
<td>Stalled due to high costs and engineering difficulties</td>
</tr>
<tr>
<td>2014</td>
<td>Mexico City to Queretaro High-Speed Railway</td>
<td>Mexico</td>
<td>China Railway Construction Corp.,† and the Mexican firms Constructora y Edificadora GIA, Prodemex, GHP</td>
<td>$3,800</td>
<td>Canceled</td>
</tr>
</tbody>
</table>

---


<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Company/Group</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>San Martin Railway</td>
<td>Argentina</td>
<td>China Railway Construction Corporation</td>
<td>$2,400</td>
<td>Under construction</td>
</tr>
<tr>
<td>2017</td>
<td>Fiol Railway</td>
<td>Brazil</td>
<td>Consortium of 5 Chinese Companies:</td>
<td>$2,400</td>
<td>Construction expected to start in 2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CCCC, China Railway Group, and Dalian Huarui Heavy Industry Group*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>Panama City-Chiriquí Train</td>
<td>Panama</td>
<td>China Railway Group</td>
<td>$5,500</td>
<td>In prefeasibility stage</td>
</tr>
</tbody>
</table>

**Roads/Highways**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Company/Group</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>North South Highway</td>
<td>Jamaica</td>
<td>CHEC</td>
<td>$730</td>
<td>Completed</td>
</tr>
<tr>
<td>2012</td>
<td>Guayasamin Road Projects</td>
<td>Ecuador</td>
<td>CCCC</td>
<td>$56</td>
<td>Completed</td>
</tr>
<tr>
<td>2013</td>
<td>San Jose-Puerto De Limon Highway (Route 32)</td>
<td>Costa Rica</td>
<td>CHEC</td>
<td>$485</td>
<td>Stalled due to corruption allegations and technical deficiencies; restarted in 2017</td>
</tr>
<tr>
<td>2014</td>
<td>Ivirgarzama-Ichilo Road</td>
<td>Bolivia</td>
<td>Sinohydro</td>
<td>$144</td>
<td>Completed</td>
</tr>
<tr>
<td>2015</td>
<td>Padilla-El Salto Highway</td>
<td>Bolivia</td>
<td>Sinohydro</td>
<td>$82</td>
<td>Under construction</td>
</tr>
<tr>
<td>2015</td>
<td>Cochabamba-Santa Cruz Highway</td>
<td>Bolivia</td>
<td>Sinohydro</td>
<td>$426</td>
<td>Under construction</td>
</tr>
<tr>
<td>2016</td>
<td>Carretera Rurrenabaque-Riberalta Highway</td>
<td>Bolivia</td>
<td>China Railway Construction Corporation</td>
<td>$579</td>
<td>Under construction</td>
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</table>

**Oil and Gas Refineries and Pipelines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Company/Group</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Cabiunas-Vitoria Gas Pipeline</td>
<td>Brazil</td>
<td>Sinopec†</td>
<td>$1,290</td>
<td>Completed in 2010</td>
</tr>
<tr>
<td>2008</td>
<td>Moin Refinery</td>
<td>Costa Rica</td>
<td>Sinopec, Recope</td>
<td>$1,300</td>
<td>Canceled in 2016 due to corruption allegations and project feasibility concerns</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Project Name</th>
<th>Country</th>
<th>Contractor/Company</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Cienfuegos Refinery</td>
<td>Cuba</td>
<td>China National Petroleum Corporation*</td>
<td>$5,800</td>
<td>Stalled</td>
</tr>
<tr>
<td>2012</td>
<td>Oil Refinery</td>
<td>Nicaragua</td>
<td>CAMCE</td>
<td>$233</td>
<td>Completed</td>
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<tr>
<td>2016</td>
<td>East and Central Gas Pipeline II</td>
<td>Argentina</td>
<td>CCC</td>
<td>$390</td>
<td>Under construction</td>
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<td>2016</td>
<td>Trunk Gas Pipeline</td>
<td>Argentina</td>
<td>China Petroleum Pipeline Bureau,†</td>
<td>$563</td>
<td>Under construction</td>
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<td></td>
<td></td>
<td></td>
<td>CCCC, and Odebrecht</td>
<td></td>
<td></td>
</tr>
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<td></td>
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<tr>
<td></td>
<td><strong>Airports</strong></td>
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<tr>
<td>2010</td>
<td>Nassau Airport Gateway</td>
<td>Bahamas</td>
<td>China Construction America†</td>
<td>$67</td>
<td>Completed</td>
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<tr>
<td>2011</td>
<td>Terminal, Bird International Airport</td>
<td>Antigua and Barbuda</td>
<td>China Civil Engineering Construction Company</td>
<td>$98</td>
<td>Completed in 2015</td>
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<tr>
<td>2011</td>
<td>Expansion of the Georgetown International Airport</td>
<td>Guyana</td>
<td>CHEC</td>
<td>$140</td>
<td>Under construction; expected completion in 2019</td>
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<tr>
<td></td>
<td>Cheddi Jagan</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td><strong>Stadiums</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2004</td>
<td>Windsor Park Sports Stadium</td>
<td>Dominica</td>
<td>China Civil Engineering Construction Company</td>
<td>$17</td>
<td>Completed</td>
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<tr>
<td>2006</td>
<td>Thomas A. Robinson National Stadium</td>
<td>Bahamas</td>
<td>Shandong Hi-Speed Group§</td>
<td>$30</td>
<td>Started 2006; stalled from 2006 until 2008 due to design modifications; construction restarted in 2009 with completion in 2011</td>
</tr>
<tr>
<td>2007</td>
<td>National Stadium</td>
<td>Costa Rica</td>
<td>Anhui Foreign Economic Construction Group**</td>
<td>$100</td>
<td>Completed</td>
</tr>
<tr>
<td>2007</td>
<td>Sligoville Mini-Stadium</td>
<td>Jamaica</td>
<td>Shanxi Construction Engineering Group Corp††</td>
<td>$248</td>
<td>Completed</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Description</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>National Athletic and Football Stadium*</td>
<td>Grenada</td>
<td>China State Construction Engineering Company Ltd.*</td>
<td>$40</td>
<td>Completed</td>
</tr>
</tbody>
</table>

**Other**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Description</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Social Development Project (Housing)*</td>
<td>Venezuela</td>
<td>China International Trust &amp; Investment Corporation Group</td>
<td>$1,190</td>
<td>Completed</td>
</tr>
<tr>
<td>2007</td>
<td>Venezuela Water Supply Project (Phase III)*</td>
<td>Venezuela</td>
<td>Sinomach, CAMCE</td>
<td>$110</td>
<td>Completed</td>
</tr>
<tr>
<td>2009</td>
<td>Guarico Irrigation System‡</td>
<td>Venezuela</td>
<td>CAMCE</td>
<td>$308</td>
<td>Completed</td>
</tr>
<tr>
<td>2010</td>
<td>Puerto Rio Bridge†</td>
<td>Ecuador</td>
<td>Guangxi Road and Bridge‡</td>
<td>$100</td>
<td>Completed</td>
</tr>
<tr>
<td>2010</td>
<td>Delta Orinco Integrated Agricultural Development Project‡</td>
<td>Venezuela</td>
<td>Sinomach, CAMCE</td>
<td>$1,070</td>
<td>Unknown</td>
</tr>
<tr>
<td>2011</td>
<td>Dragon Mart-Cancun‡</td>
<td>Mexico</td>
<td>Chinamex‡</td>
<td>$180</td>
<td>Canceled in 2015</td>
</tr>
<tr>
<td>2012</td>
<td>San Buenaventura Sugar Plant†</td>
<td>Bolivia</td>
<td>Sinomach</td>
<td>$170</td>
<td>Completed</td>
</tr>
<tr>
<td>2012</td>
<td>Flood Control Projects of Canar and Naranjal†</td>
<td>Ecuador</td>
<td>CWE</td>
<td>$394</td>
<td>Completed</td>
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<tr>
<td>2012</td>
<td>Panama Canal’s Atlantic Bridge†</td>
<td>Panama</td>
<td>CCCC and its subsidiary, CHEC, Louis Berger, Vinci, and SYSTERA International Bridge Technologies</td>
<td>$366</td>
<td>Under construction; expected completion in early 2019</td>
</tr>
<tr>
<td>2013</td>
<td>Madre de Dios Bridge‡</td>
<td>Bolivia</td>
<td>China Harzone Industry Corporation§</td>
<td>$42</td>
<td>Completed</td>
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<tr>
<td>2013</td>
<td>Beni II Bridge‡</td>
<td>Bolivia</td>
<td>China Harzone Industry Corporation</td>
<td></td>
<td>$27</td>
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<tr>
<td>2014</td>
<td>St. Mark Flood Mitigation Project†</td>
<td>Grenada</td>
<td>CHEC</td>
<td>$5</td>
<td>Completed</td>
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<tr>
<td>2014</td>
<td>Amador Convention Center†</td>
<td>Panama</td>
<td>China Construction America</td>
<td>$193</td>
<td>Under construction; expected</td>
</tr>
</tbody>
</table>

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† Guangxi Road and Bridge is a subsidiary of state-owned China Communication Construction Company. [China Communication Construction Company, Organizational Chart.](http://en.ccccltd.cn/aboutcompany/organizationalchart/).

‡ Chinamex is a Chinese real estate development company. [Chinamex, About.](http://www.chinamex.com.cn/about.asp?id=372).

<table>
<thead>
<tr>
<th>Year</th>
<th>Project Description</th>
<th>Country</th>
<th>Contractor</th>
<th>Cost</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>El Mutun Iron and Steel Deposit*</td>
<td>Bolivia</td>
<td>Sinosteel†</td>
<td>$422</td>
<td>Stalled due to lack of financing; government authorized financing in 2018</td>
</tr>
<tr>
<td>2016</td>
<td>Hospital IESS Quito Sur†</td>
<td>Ecuador</td>
<td>China Railway Engineering Corporation†</td>
<td>$200</td>
<td>Completed</td>
</tr>
<tr>
<td>2016</td>
<td>Santa Elana Aqueduct‡</td>
<td>Ecuador</td>
<td>CWE</td>
<td>$113</td>
<td>Unknown</td>
</tr>
<tr>
<td>2018</td>
<td>Panama Canal’s Fourth Bridge§</td>
<td>Panama</td>
<td>CCCC and its subsidiary, CHEC, China State Construction Engineering Corporation, China Railways Group, Astaldi, Dragados, and Daelim</td>
<td>$1,420</td>
<td>Under construction; expected completion in 2021</td>
</tr>
</tbody>
</table>


## Appendix II: China’s Arms Deals with LAC, 2000–2017

<table>
<thead>
<tr>
<th>Country</th>
<th># Ordered</th>
<th>Designation</th>
<th>Weapon Description</th>
<th>Year of Order</th>
<th>Year Delivered</th>
<th># Delivered</th>
</tr>
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<tbody>
<tr>
<td>Argentina</td>
<td>4</td>
<td>Type 92</td>
<td>Armored Personnel Carrier (APC)</td>
<td>2008</td>
<td>2010</td>
<td>4</td>
</tr>
<tr>
<td>Bahamas</td>
<td>2</td>
<td>YJ2080</td>
<td>Armored Protected Vehicle (APV)</td>
<td>2016</td>
<td>2017</td>
<td>2</td>
</tr>
<tr>
<td>Bolivia</td>
<td>500</td>
<td>HJ-8</td>
<td>Anti-Tank Missile</td>
<td>2003</td>
<td>2003</td>
<td>500</td>
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<tr>
<td></td>
<td>6</td>
<td>JL-8</td>
<td>Trainer/Combat Aircraft</td>
<td>2009</td>
<td>2011</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>AS565 Panther</td>
<td>Military Helicopter</td>
<td>2012</td>
<td>2014</td>
<td>6</td>
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<tr>
<td></td>
<td>27</td>
<td>Tiger</td>
<td>APC</td>
<td>2015</td>
<td>2016</td>
<td>27</td>
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<tr>
<td>Ecuador</td>
<td>2</td>
<td>BT-6</td>
<td>Trainer Aircraft</td>
<td>2005</td>
<td>2006</td>
<td>2</td>
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<tr>
<td></td>
<td>1</td>
<td>YCL-18</td>
<td>Air Search Radar</td>
<td>2009</td>
<td>2010</td>
<td>1</td>
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<td>1</td>
<td>YLC-2</td>
<td>Air Search Radar</td>
<td>2009</td>
<td>2010</td>
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<tr>
<td>Guyana</td>
<td>1</td>
<td>Y-12</td>
<td>Light Transport Aircraft</td>
<td>2001</td>
<td>2002</td>
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<tr>
<td>Mexico</td>
<td>13</td>
<td>Model 105</td>
<td>Towed Gun</td>
<td>2006</td>
<td>2006</td>
<td>13</td>
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<tr>
<td>Peru</td>
<td>15</td>
<td>FN-6</td>
<td>Portable Surface-to-Air Missile (SAM)</td>
<td>2009</td>
<td>2010</td>
<td>15</td>
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<td>10</td>
<td>QW-11</td>
<td>Portable SAM</td>
<td>2009</td>
<td>2009</td>
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<td>27</td>
<td>Type-90</td>
<td>Self-Propelled Multiple Rocket Launcher (MRL)</td>
<td>2013</td>
<td>2015</td>
<td>27</td>
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<tr>
<td>Trinidad and Tobago</td>
<td>1</td>
<td>Type-718</td>
<td>Offshore Patrol Vessel</td>
<td>2015</td>
<td>2015</td>
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<td>Venezuela</td>
<td>3</td>
<td>JYL-1</td>
<td>Air Search Radar</td>
<td>2005</td>
<td>2006–2007</td>
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<td>7</td>
<td>JYL-1</td>
<td>Air Search Radar</td>
<td>2006</td>
<td>2008–2009</td>
<td>7</td>
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<tr>
<td></td>
<td>18</td>
<td>JL-8</td>
<td>Trainer/Combat Aircraft</td>
<td>2008</td>
<td>2010</td>
<td>18</td>
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<tr>
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<td>40</td>
<td>ZBL-08</td>
<td>APC/APV</td>
<td>2012</td>
<td>2014–2015</td>
<td>25</td>
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<td>121</td>
<td>VN-4</td>
<td>APC/APV</td>
<td>2012</td>
<td>2013–2015</td>
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<td>ZBD-05</td>
<td>Infantry Fighting Vehicle</td>
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<td>2015</td>
<td>25</td>
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</tr>
<tr>
<td>25</td>
<td>ZTD-05</td>
<td>Light Tank</td>
<td>2012</td>
<td>2015</td>
<td>25</td>
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<td>9</td>
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<td>Trainer/Combat Aircraft</td>
<td>2014</td>
<td>2016</td>
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<td>Unknown</td>
<td>C-802</td>
<td>Anti-ship missile</td>
<td>2017</td>
<td>Unknown</td>
<td>Unknown</td>
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</tr>
</tbody>
</table>

Endnotes


203 General Administration of Customs via CEIC database.

204 U.N. Comtrade.

205 U.N. Comtrade.


281 U.N. Comtrade.

282 U.N. Comtrade based on HS 4-digit codes.

283 U.N. Comtrade.

284 U.N. Comtrade.


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https://www.apnews.com/6a7d8ed8738a475d5b66c276f0af676e


300 Stockholm International Peace Research Institute, “The SIPRI Arms Transfers Database.” 


388 Academic Network of Latin America and the Caribbean on China data.


Academic Network of Latin America and the Caribbean on China data.