



**Statement before the House Homeland Security Committee  
Subcommittee on Transportation and Maritime Security**

***“Strategic Port Investments in the  
Western Hemisphere and the  
Implications for Homeland Security”***

A Testimony by:

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Chairman Gimenez, Ranking Member McIver, and distinguished Members of the Subcommittee, I am honored to share my views with you on this important topic. CSIS does not take policy positions, so the views represented in this testimony are my own and not those of my employer. In my testimony, I would like to reflect on the soft and hard security risks of Chinese port activity in the Western Hemisphere, the way PRC ports are rewiring the region's trade routes, the nexus between Chinese ports and transnational organized crime, and how we might develop a methodology for a spectrum of concern regarding Chinese port activity in Latin America.

*“[T]he truth of the matter is that the People’s Republic of China is rapidly filling the vacuum created by the departure of American military forces from the isthmus [of Panama]. . . . Their presence adds to the danger of using the Colon Free Zone to purchase restricted technology with dual civilian-military use.”*

—Dr. Tomás Cabal, December 7, 1999 at a hearing of the U.S. House Subcommittee on Domestic and International Monetary Policy.<sup>1</sup>

Concern about the Peoples Republic of China (PRC) advancing in the construction, operation, and even ownership of ports is nothing new. What has changed is the geopolitical and economic contexts. The United States has shaken its post-Cold War stupor. Policymakers are no longer asleep at the switch as strategic rivals set down roots in our shared neighborhood. And the United States is once again exercising its competitive impulses in geographies unaccustomed to this level of U.S. attention.

The rise of Xi Jinping changed everything for competition with the PRC in the Western Hemisphere. Not only does Xi tend to securitize all aspects of the U.S.-China competition, but he also hardened the consensus against the United States as he played to nationalism domestically. 2015 was a watershed year for competition, as it saw the PRC pass its infamous National Security Law. In 2020, the PRC absorbed Hong Kong and passed an analogous 2020 Hong Kong Security Law. This “changed the equation for Chinese companies abroad,” according to a former senior official on the Trump administration’s national security council for the Western Hemisphere.<sup>2</sup> In the best of times, distinctions between private and state-owned firms are matters of degree in a communist regime; however, these laws *require* that Chinese and Hong Kong companies gather information on foreign entities and provide that data upon request to the Chinese Communist Party—tantamount to state-mandated espionage.

Within this context, growing PRC involvement in maritime ports in Latin America and the Caribbean (LAC) presents a serious challenge to U.S. maritime supremacy, freedom of navigation, data security, and supply chain security.

## **Regional Panorama**

According to a recent analysis by the Council on Foreign Relations, almost 130 ports globally have some degree of PRC ownership.<sup>3</sup> Between 2010 and 2019, Chinese companies ploughed \$11 billion into overseas ports.<sup>4</sup> In roughly the same time period, the Chinese state subsidized its shipping companies to the tune of over \$130 billion.<sup>5</sup> Almost half of the leading container ports outside of China have some Chinese ownership or operations.<sup>6</sup> One distinctive feature: more than half of China’s ports tend to sit on major shipping lanes and strategic chokepoints.<sup>7</sup>

In the Western Hemisphere, this has meant port terminals in at least three locations in Mexico; the Hutchison Ports in the Panama Canal; a recently opened megaport in Chancay, Peru; plans for a deepwater port in St. John's Harbor, Antigua and Barbuda; and designs on a port near Punta Arenas in Chile and near the Drake Passage in Argentina.

Chinese state-owned enterprises and black-listed companies often lead the way in construction, operation, and ownership of maritime ports in LAC. For instance, COSCO Shipping is a state-owned shipping and services provider that has a 60 percent ownership stake in the Chancay megaport in Peru. COSCO will also be the exclusive operator of the port, thanks to changes it forced into Peruvian law during port construction. When fully operational, Chancay's four berths and massive capacity will make it the largest port by twenty-foot equivalent units (TEUs) in Latin America.<sup>8</sup>

Further south and on the Atlantic Coast, PRC state-owned entity China Merchants Port Holding Company owns 90 percent of the Port of Paranaguá, the second largest port in terms of handling, and also operates it.<sup>9</sup> In the Panama Canal, Panama Ports Company, a subsidiary of Hong Kong-based company Hutchison Holdings, has operated two ports at the strategic approaches of the canal—Balboa on the Pacific side and Cristóbal on the Atlantic side—since 1997. Within the Caribbean, China Merchants Port has also acquired a 100 percent stake in the Kingston Freeport Terminal while the PRC has made steady advances on the island of Antigua. Finally, last November, the opening of the new megaport of Chancay in Peru drew attention to the PRC's advance in the commercial and potential military domains in South America.

### **Military-Civil Fusion Strategy**

Beyond the 2015 and 2020 National Security Laws, the strategic and security concerns of Chinese activity in LAC ports have been exacerbated by China's military-civil fusion strategy. At its base, military-civil fusion seeks to build the PRC into an economic, technological, and military superpower through blending and integrating military and civil, defense and commercial, enterprises. In other words, the PRC has tied its economic development and increasing engagement with the outside world to its military modernization efforts.<sup>10</sup> Military-civil fusion has witnessed the PRC leverage talent in research and development with military goals.

First referenced as a guiding principle in former Chinese leader Hu Jintao's report to the 17th Party Congress in 2007, military-civil fusion has evolved from an integration approach to an official PRC military strategy in 2015.<sup>11</sup> As a major state strategy, military-civil fusion sits alongside other key drivers, such as the Made in China 2025 and Next Generation Artificial Intelligence plans. The United States Department of State says that military-civil fusion is applied most vigorously to dual-use and advanced technologies, such as quantum computing, big data, semiconductors, 5G, advanced nuclear and aerospace technologies, and artificial intelligence.<sup>12</sup>

Beijing has been known to deploy a range of methods to advance military-civil fusion, including talent recruitment programs, forced technology transfer, intelligence gathering, and theft. In 2021, the United States Department of Defense created a list of "Chinese military companies" operating

directly or indirectly in the United States, which was last updated in early January with 134 companies.<sup>13</sup>

Furthermore, China's military-civil fusion strategy provides Beijing with an extensive logistical network to project its naval power globally.<sup>14</sup> PRC-operated ports exemplify China's goal of leveraging economic investment as an anchor to support military engagement. The PRC's dual-use facilities can support both commercial and military operations, from enabling military logistics and intelligence gathering in peacetime, to potentially facilitating naval operations in wartime.<sup>15</sup>

### **What's in a port?**

Ports involve much more than meets the eye. There are several strategic challenges presented by PRC activity in LAC ports: intelligence gathering and the potential for sabotage and adversarial military use.<sup>16</sup>

#### *Commercial espionage with military implications*

Under President Xi Jinping, the PRC has displayed an increasing interest in ensuring the activities of the private sector and state-owned companies serve the interests of the state. There are perhaps few examples that are better than ports, where the PRC is honing an ability to weaponize some of the world's most sensitive commercial information. The full extent of the PRC's information gathering campaign is not known. The more rocks investigators turn over, however, the more they seem to find.

Beyond the requirement for Chinese companies operating overseas to gather and report information on foreign entities, PRC companies dominate the logistics software often used at ports. LOGINK is a Chinese logistics software that stores information such as maritime information, customs information, geolocation, regulatory filings, trade information, and booking data—in short, a treasure trove of data.<sup>17</sup> Given the 2015 National Security law, as one columnist puts it, “for Chinese firms, theft of your data is now a legal requirement.”<sup>18</sup>

Even non-PRC ports can present threats if they feature Chinese equipment to move and scan commercial freight, for instance. In other words, the PRC can engage in commercial espionage even at those ports where only its equipment is present. Something as benign as the ZPMC ship-to-shore cranes moving containers are likely a tool for Chinese commercial espionage.<sup>19</sup> In a world where acute supply chain vulnerabilities are both commercial and defense concerns, Beijing's capabilities, even short of operating or owning a port, is a huge cause for concern. As two defense analysts have concluded: “With virtually all the world's seaborne goods passing through or near Chinese infrastructure, Beijing could easily leverage the information it accesses in order to selectively seize critical goods, such as medicines; divert or delay military components; or let essential supplies just sit in storage—no naval deployments needed.”<sup>20</sup>

While the PRC is frantically collecting data on foreign ships and nations, it has blocked its own ships from sharing that data with other countries.<sup>21</sup> This mirrors the country's behavior in other commercial domains: increase others' dependence on it while reducing its own dependence on others.

Beyond commercial espionage concerns, PRC operated and owned ports are busy rewiring much of LAC's trade routes that will frustrate U.S. efforts to build safer and more secure supply chains in the future. Individual PRC ports intend to bolster China's competition in specific areas, such as ports that have been constructed principally or primarily to ship raw materials and critical minerals directly to mainland China.

*Hard security risks and potential conflict with PRC*

Within the various domains of warfare—land, sea, air, space, cyberspace—port operation and ownership is critical to advancing the PRC's goals in the sea domain. Ports have long been key to controlling the world's waters, and control of the world's maritime routes has always been the key to global power. Sir Walter Raleigh famously said: "For whosoever commands the sea commands the trade; whosoever commands the trade of the world commands the riches of the world, and consequently the world itself." The Chinese are following a well-worn path: the United Kingdom's rise to global power coincided with the rise of its naval and maritime power; even more prominently, so did the United States'.

Chinese operated and owned ports host People's Liberation Army Navy vessels routinely. They also serve to reliably resupply and repair navy vessels during port calls. According to a global report by the group Maritime Executive, "a third of ports in which China made economic investments have hosted and also resupplied military vessels of the People's Liberation Army Navy."<sup>22</sup> As a rising revisionist power challenging the current global order, the PRC's maritime strategy revolves around a seemingly innocuous web of port operations that can reliably serve multiple uses in multiple contexts. It is imperative to understand that the PRC does not conceive of "inter-operability" in the same way as the United States; rather, the PRC understands "inter-operability" in terms of reliability in times of crisis. Port infrastructure is yet another form of under-the-radar, yet novel state power projection capability.<sup>23</sup>

Southern Command has repeatedly highlighted several other areas of concern in its yearly posture statements to the United States Congress. SOUTHCOM has noted how PRC port facilities can engage in electronic or cyberattacks, Global Positioning System jamming, or even physical attacks from containerized anti-ship weapons systems.<sup>24</sup> In a contingency situation, such disruptions could translate to significant vulnerabilities. For instance, last year, the United States House Select Committee on Strategic Competition between the United States and the Chinese Communist Party validated the idea that Hutchison's operations in the Panama Canal could delay military assistance to Taiwan.<sup>25</sup>

The PRC's maritime network is crucial to its strategy for global power projection. The United States should not expect the PRC to develop a similar network of naval bases around the world for power projection. Instead, Beijing intends to become a "pier competitor" by setting up a string of dual-use ports that can serve as an extensive international network of infrastructure for People's Liberation Army vessels.<sup>26</sup>

## Chinese Ports and Organized Crime

Do LAC's criminal organizations prefer PRC operated and owned ports? While the answer to this question is not yet settled, initial indications demonstrate that LAC's criminal organizations may prefer Chinese operated and owned ports for their opacity and the volume of transpacific trade they handle. China is often the market for many of LAC's illicit goods, such as illegal wildlife, gold mining, and timber trafficking.<sup>27</sup> The PRC often insists on opacity and lack of accountability in many of its infrastructure investments in LAC.<sup>28</sup> As one scholar summarizes: "Bribes and corruption, in addition to coercion, are at the heart of any criminal organization seeking to exploit transportation or logistics facilities, including ports. This can involve paying a customs official to overlook violations or a crane operator to load a specific container onto a truck driven by someone associated with a criminal organization, accepting or falsifying bills of lading, or ensuring that no one questions discrepancies in the information on manifests."<sup>29</sup>

The potential for organized crime to exploit PRC operated and owned ports is made easier when ports are vertically operated, and one company has control over all the functions of the port. In the case of COSCO Shipping in Chancay, Peru, the state-owned company has control over activities on the quayside, stacking containers, inspecting containers, port security, and other functions. Meanwhile, several investigative NGOs have documented the involvement of Chinese ports in illegal wildlife trafficking.<sup>30</sup> Furthermore, illegal, unreported, and unregulated (IUU) fishing, committed often by the PRC, which has the largest fishing fleet in the world—a consequence of heavy state subsidies—often relies on Chinese operated and owned ports to ensure that illegal catch can make it ashore, become layered into legal fish stocks, and avoid the Agreement on Port State Measures intended to reduce IUU fishing. Even though China is not a signatory to the agreement, the document aims to bolster the capacity of developing countries to inspect cargo and flag catches that are the product of IUU fishing.<sup>31</sup> Leveraging Chinese operated and owned ports can obviate the risks involved with IUU fishing. Lastly, in a detailed, four-part investigation for *Reuters*, journalists uncovered how Chinese-made fentanyl precursors transit Chinese port terminals in Mexico's Lázaro Cárdenas, Manzanillo, and Ensenada ports. In the investigation, criminal groups bragged about the ease with which they bribed port officials and ensured shipments of fentanyl precursors reliably entered Mexico through Chinese port terminals.<sup>32</sup>

## Towards a Spectrum of Concern

Not all ports are alike. Chinese activity in LAC ports varies widely, leading to divergent risks throughout the region. It is imperative that policymakers ruminate on a set of characteristics that can rank the threat of individual ports to national security and American interests. The following four criteria offer one initial rubric to evaluate the risks of a given port project and thereby better calibrate a U.S. response.

The first criterion is **location**, both in terms of the proximity of a port to the U.S. mainland and its position vis-à-vis key maritime trade routes. The closer a port is to the United States, the greater potential it holds as a hub for intelligence gathering and potentially as a staging ground for covert action against U.S. interests. For this reason, PRC-owned and operated ports in Mexico, Central America, and the Caribbean basin present some of the most important and immediate challenges. However, proximity to the continental United States is not the only way in which strategically

located ports can offer China a possible asymmetric advantage in competition with the United States. By controlling key maritime choke points, the PRC can exercise influence on the flow of international trade.<sup>33</sup> For this reason, the PRC's presence, through Hutchison Port Holdings' operation of the ports of Balboa and Cristóbal in Panama, has been the subject of much consternation in recent years. Further south, China has also sought to make inroads along Cape Horn, which controls the Drake Passage from Atlantic to Pacific as well as access to Antarctica.<sup>34</sup>

The second criterion is the **mode of cooperation** between China and the host country. Projects like the Port of Chancay in Peru, where a Chinese state-owned enterprise not only builds, but maintains an ownership stake and operational control over the port, should rank highest in this assessment, followed by ports where a PRC company has control over day-to-day activity. According to research by the Center for Strategic and International Studies, there are at least 14 ports in LAC where Chinese companies have either acquired a port in whole or in part, or possess a lease granting them operational control. By contrast, PRC companies have assisted with construction efforts in 18 ports throughout LAC. Contract construction is a less serious form of influence but nevertheless grants the PRC familiarity with a port and its infrastructure, as well as the ability to install preferred equipment and capabilities. This can translate to durable influence, particularly in the port technology space. For instance, while the planned expansion of the Colón Container Terminal in Panama by the Landbridge Group was cancelled in 2023, Chinese security cameras installed as part of the project remain in place to this day.<sup>35</sup>

A third criterion is the **relationship** between the host government and Beijing. In general, the PRC cannot leverage LAC ports for military purposes without the approval of the host government, limiting the wartime utility of civilian ports. If, however, a port is located in a country which already has an adversarial relationship with the United States, this political hurdle becomes far easier to clear. Thus, special attention should be paid to port projects in the Western Hemisphere's three consolidated, anti-U.S. dictatorships—Cuba, Nicaragua, and Venezuela. Chinese companies have already assisted with three port construction projects in Cuba, including the modernization of the port of Santiago de Cuba, as well as two in Venezuela.<sup>36</sup> The United States should remain vigilant for any proposed initiatives in these countries that could offer a permissive environment for the PLAN to operate.

Finally, the fourth criterion is the **criticality of a particular port** to global trade. The more that commerce passes through a given PRC port facility, the greater potential for information gathering and influence. In 2023, the ports of Manzanillo and Lázaro Cárdenas in Mexico, operated by Hutchison, ranked third and eighth respectively in LAC by throughput, while Hutchison's two ports along the Panama Canal, when combined, would fall between fifth and sixth.<sup>37</sup> The new port of Chancay currently ranks lower in this standing, but if plans materialize to expand its capacity to move up to 3.5 million twenty-foot equivalent units (TEUs), these numbers could catapult it to the third or fourth-place spot. The more China is able to exercise influence over major nodes of commerce, the more it helps to rewire global commerce toward Beijing—and concomitantly, away from the United States. In times of conflict or crisis, this could also increase China's ability to maintain access to the raw commodities, particularly minerals and foodstuffs, it imports from LAC, helping further insulate the PRC from economic pressure.<sup>38</sup>

## Recommendations

With enthusiasm for China's BRI waning in recent years, and following Panama's courageous decision to end its participation in BRI, the United States has several opportunities to advance maritime security and port infrastructure security. The United States must find a way to make a better offer to LAC.<sup>39</sup>

Yet, the United States cannot do this alone; it must rely on its partners and the multilateral financial banks to help ease the burden of responding to China's growing presence in LAC's port systems.<sup>40</sup> Countries such as Japan, South Korea, Taiwan, the Netherlands, and Australia are key partners in this endeavor.

**Conduct a study to review LAC port security.** Similar to the Biden administration's supply chain review meant to identify vulnerabilities in key supply chains, a study could identify data the PRC has access to and the intelligence and surveillance each of its LAC ports permits it. A mandated study would also force policymakers to develop their own methodology for a spectrum of concern. Relatedly, a study that identifies the ports of greatest concern could then recommend law enforcement cooperation with local authorities to target the potential criminal use of PRC ports and improve transparency at PRC port facilities.

**Insist on greater transparency in tenders, contracts, and operations.** The PRC excels at operating in opaque areas. LAC governments, too, have an incentive to reveal little about PRC port operations in their countries, and with greater PRC interest, tenders and contracts often fail to meet high standards. In LAC, the United States could select one or two ports to reform and ensure best practices. If reform is significant enough, Western companies will be more interested in operating LAC ports. This will require the United States to be more nimble and aware of opportunities when they present themselves. For instance, the United States was asleep at the switch when the Hutchison subsidiary Panama Ports Company received a 25-year no bid renewal of its two port concessions.<sup>41</sup> Washington "literally zoned out."<sup>42</sup> Likewise, the United States failed to help Peru push back against the PRC regarding the operation *and* ownership of the Chancay megaport by Cosco Shipping. The PRC insisted upon these terms even though the Peruvians found an "administration error" that contravened the country's domestic law.<sup>43</sup> Rather than help Peru wiggle out of the contract with legal assistance, the United States stood by while Peru actively changed its domestic law to permit an arrangement that was previously illegal.

**Maintain overhead imagery collection programs on select PRC ports.** The United States should maintain strong overhead imagery collection on Chinese owned and operated ports in LAC to ensure they do not expand or quietly but fundamentally alter their nature. When a commercial port in the United Arab Emirates was caught expanding to accommodate military vessels, the PRC was forced to cease construction. When this happens, the United States should leverage occasional public releases of classified intelligence to pressure local governments and the PRC alike to abide by contract terms.<sup>44</sup> Imagery collection is also imperative for fighting organized crime and the nexus of transnational organized crime to Chinese ports. The appendix at the end of this document provides one example of how commercial satellite imagery might be used in such a way.



**Leverage DFC and multilateral financial institutions to launch a port buyback program.** The United States should leverage the U.S. International Development Finance Corporation (DFC) and multilateral financial institutions to engage in port buyback programs where the PRC is the owner. In the cases where the PRC is the port operator, these institutions may consider supporting a program to help countries terminate agreements early and entice more transparent operators to bid on concessions. This would constitute an offensive equivalent to leveraging partners to ensure competitive bids against the PRC when LAC countries announce a bidding process for port construction. Similarly, short of buying out PRC owners, the United States should stand up a program to reduce Chinese equipment—both software and hardware—at LAC ports. Current U.S. law does not permit assistance to foreign ports to extricate Huawei equipment or ZPMC cranes, for instance. Another approach could leverage economic incentives to move away from Chinese equipment at LAC ports that exacerbate U.S. vulnerabilities.<sup>45</sup>

**Appendix: Selected Imagery of PRC-Owned Ports**

The below appendix contains images of relevant PRC port projects in Panama and Peru obtained by CSIS from Maxar Technologies.







<sup>1</sup> <https://www.washingtonpost.com/wp-srv/WPcap/1999-12/08/008r-120899-idx.html>

<sup>2</sup> <https://www.politico.com/news/2025/02/01/panama-trump-confrontation-war-00201759>

<sup>3</sup> <https://www.cfr.org/tracker/china-overseas-ports>

<sup>4</sup> <https://chinapower.csis.org/china-ports-connectivity/#:~:text=Learn%20more%20about%20the%20BRI,ports%20between%202010%20and%202019.>

<sup>5</sup> <https://www.csis.org/analysis/hidden-harbors-chinas-state-backed-shipping-industry>

<sup>6</sup> <https://www.foreignaffairs.com/united-states/chinas-port-power>

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- <sup>7</sup> <https://muse.jhu.edu/pub/6/article/855437/pdf>
- <sup>8</sup> <https://globalconnectivities.com/2024/06/the-port-of-chancay-at-the-centre-of-sino-peruvian-relations/>
- <sup>9</sup> <https://www.reuters.com/article/world/europe/china-merchants-buys-control-of-brazils-most-profitable-port-idUSKCN1BF03B/>
- <sup>10</sup> <https://www.csis.org/blogs/trustee-china-hand/chinas-evolving-conception-civil-military-collaboration>
- <sup>11</sup> <https://thediplomat.com/2017/04/chinas-answer-to-the-us-military-industrial-complex/>
- <sup>12</sup> <https://2017-2021.state.gov/military-civil-fusion/>
- <sup>13</sup> <https://www.bloomberg.com/news/articles/2025-01-07/us-blacklist-of-china-s-tech-giants-risks-even-faster-decoupling>
- <sup>14</sup> <https://dialogo-americas.com/articles/cosco-shipping-hidden-force-behind-chinas-navy/>
- <sup>15</sup> <https://www.voanews.com/a/us-analysts-beijing-mixing-military-and-commercial-interests-abroad-/6946010.html>
- <sup>16</sup> <https://www.csis.org/analysis/geopolitics-port-security-americas>
- <sup>17</sup> [https://www.uscc.gov/sites/default/files/2022-09/LOGINK-Risks from Chinas Promotion of a Global Logistics Management Platform.pdf](https://www.uscc.gov/sites/default/files/2022-09/LOGINK-Risks%20from%20Chinas%20Promotion%20of%20a%20Global%20Logistics%20Management%20Platform.pdf)
- <sup>18</sup> <https://thehill.com/opinion/cybersecurity/532583-for-chinese-firms-theft-of-your-data-is-now-a-legal-requirement/>
- <sup>19</sup> <https://www.wsj.com/politics/national-security/pentagon-sees-giant-cargo-cranes-as-possible-chinese-spying-tools-887c4ade>
- <sup>20</sup> <https://foreignpolicy.com/2023/09/20/china-shipping-maritime-logistics-lanes-trade-ports-security-espionage-intelligence/>
- <sup>21</sup> <https://www.bloomberg.com/news/articles/2021-11-24/china-blocks-access-to-maritime-shipping-data-ft-reports?sref=3OIZCXOE>
- <sup>22</sup> <https://maritime-executive.com/magazine/when-china-shanghais-your-port>
- <sup>23</sup> <https://direct.mit.edu/isec/article-abstract/46/4/9/111175/Pier-Competitor-China-s-Power-Position-in-Global?redirectedFrom=fulltext>
- <sup>24</sup> <https://crsreports.congress.gov/product/pdf/RL/RL33153/277>
- <sup>25</sup> <https://www.scmp.com/news/china/article/3262984/management-panama-canal-ports-hong-kong-firm-poses-risks-us-house-panel-hears>
- <sup>26</sup> <https://www.foreignaffairs.com/united-states/chinas-port-power>
- <sup>27</sup> <https://thehill.com/opinion/4533956-radical-transparency-is-democracys-secret-weapon-to-counter-china/>
- <sup>28</sup> <https://www.foreignaffairs.com/china/how-china-exports-secrecy>
- <sup>29</sup> <https://www.csis.org/analysis/are-chinese-ports-latin-america-preferred-organized-crime>
- <sup>30</sup> <https://earthleagueinternational.org/wp-content/uploads/2024/04/ELI-Operation-STELLA-MARIS-Investigative-Report-22-April-2024-1.pdf>
- <sup>31</sup> <https://foreignpolicy.com/2020/10/30/chinas-hunger-for-seafood-is-now-latin-americas-problem/>
- <sup>32</sup> <https://www.reuters.com/investigates/special-report/drugs-fentanyl-brokers/>
- <sup>33</sup> <https://porteconomicsmanagement.org/pemp/contents/part1/interoceanic-passages/main-maritime-shipping-routes/>
- <sup>34</sup> <https://americasquarterly.org/article/why-the-u-s-and-china-suddenly-care-about-a-port-in-southern-chile/>
- <sup>35</sup> <https://www.csis.org/analysis/paper-tiger-or-pacing-threat>
- <sup>36</sup> <https://www.csis.org/analysis/chinas-intelligence-footprint-cuba-new-evidence-and-implications-us-security>
- <sup>37</sup> <https://www.porteconomics.eu/ranking-2023-of-latin-american-ports-and-container-terminals-the-seesaw-game/>
- <sup>38</sup> <https://cimsec.org/to-prepare-for-pacific-war-by-2027-the-united-states-must-harden-its-southern-flank/>
- <sup>39</sup> <https://www.csis.org/analysis/enabling-better-offer-how-does-west-counter-belt-and-road>
- <sup>40</sup> <https://www.csis.org/analysis/responding-chinas-growing-influence-ports-global-south>
- <sup>41</sup> <https://www.csis.org/analysis/key-decision-point-coming-panama-canal>
- <sup>42</sup> <https://www.csis.org/analysis/panama-zoned-out-strategic-opportunity>
- <sup>43</sup> <https://foreignpolicy.com/2024/05/13/peru-learns-to-read-the-fine-print-in-china-deals/>
- <sup>44</sup> <https://www.wsj.com/articles/us-china-uae-military-11637274224>
- <sup>45</sup> <https://foreignpolicy.com/2023/09/20/china-shipping-maritime-logistics-lanes-trade-ports-security-espionage-intelligence/>



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**FOR A HEARING ON:**

*“Examining the PRC’s Strategic Port Investments in the Western Hemisphere  
and the Implications for Homeland Security, Part I”*

**BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON HOMELAND SECURITY  
SUBCOMMITTEE ON TRANSPORTATION AND MARITIME SECURITY  
119<sup>TH</sup> CONGRESS**



February 11, 2025



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Chairman Giménez, Ranking Member McIver, and members of the Subcommittee: Thank you for this opportunity to testify before you today. My testimony addresses “strategic port investments” of Chinese firms in the Western Hemisphere, and analyzes their implications for national security. Those investments most relevant to the Committee’s jurisdiction and oversight authority are five joint ventures involving PRC enterprises in cargo terminals in U.S. ports on the Pacific and Gulf coasts. Another ten current PRC port investments in Latin America and the Caribbean (LAC) may also bear on port operations and maritime infrastructure security within United States, and are therefore material to this analysis.

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## **I. China’s Positions in Western Hemisphere Ports**

Chinese companies have established full or partial ownership over terminal leases and operating concessions in seven countries in the Western Hemisphere: the Bahamas, Brazil, Jamaica, Mexico, Panama, Peru, and the United States.<sup>1</sup> PRC firms have also made previous, unsuccessful attempts to invest in port terminals in Argentina (Ushuaia), Brazil (São Luís, São Francisco), Canada (Québec), El Salvador (La Unión), and Panama (Isla de Margarita – Colón).<sup>2</sup> Two state-owned enterprise (SOE) conglomerates owned and administered by the central government,<sup>3</sup> China COSCO Shipping Corporation Ltd. (“COSCO”) and China Merchants Group Ltd. (“China Merchants”) are responsible for eight of these investments – including in all five of the U.S. ports. One Hong Kong-based (HK) private corporation, CK Hutchison Holdings Ltd. (“Hutchison”), and its multinational portfolio companies, hold the other seven in the hemisphere. Together, these “Big Three” Chinese port operating

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<sup>1</sup> These and other ports data cited in this testimony draw primarily from: Isaac B. Kardon, Wendy Leutert, “Appendix for ‘Pier Competitor: China’s Power Position in Global Ports,’ *International Security* 46, no. 4 (Spring 2022): 9-47, <https://doi.org/10.7910/DVN/LL9BKX>, Harvard Dataverse, V2. Observations in this dataset derive primarily from company annual reports, company press releases, securities filings and disclosures, State-owned Assets Supervision and Administration Commission of the PRC State Council (SASAC) documents and notices, industry media, and maritime research reports, i.e., Eleanor Hadland (ed), “Global Container Terminal Operators Annual Review and Forecast,” *Drewry Maritime Research* (2022-2023); S&P Global, “Sea-web Ports: Ports & Terminals Facilities & Capacities,” *S&P Maritime Portal* (February 2025). Supplementary data are drawn from Clark Banach, Jacob Gunter, “Mapping China’s Global Port Network. Horizon Europe 101061700 - Dealing with a Resurgent China (DWARC),” MERICS and Aletheia Research Institution (2024).

<sup>2</sup> NB. Hutchison’s concession at Buenos Aires Container Terminal SSA (BACTSSA) in Argentina ended in August 2023. Because the firm owned and operated that terminal from 2001-2023, it is still included in historical data on port calls analyzed in Section II and Annex B, but excluded from this contemporary analysis. See: CK Hutchison Holdings Ltd., “2024 Interim Report,” <https://doc.irasia.com/listco/hk/ckh/interim/2024/intrep.pdf>, p. 11.

<sup>3</sup> SASAC [国务院国有资产监督管理委员会], “List of Central SOEs [央企名录]” (June 27, 2023), <https://archive.ph/Cw7Gc>. Central SOE’s are managed directly by the PRC State Council SASAC, and their leadership are senior officials appointed directly by the state and are more directly answerable to party leadership. See Wendy Leutert, Samantha A. Vortherms, “Personnel Power: Governing State-Owned Enterprises,” *Business and Politics* 23, no. 3 (2021): 419–37, <https://doi.org/10.1017/bap.2021.5>.

companies account for 81% of the total PRC port investments overseas (77 of 95), and generally own minority stakes in the local SOEs and private enterprises involved in other projects.

In comparison to PRC port investments across Europe, Africa, and Asia, Chinese firms have established a relatively small presence in the Western Hemisphere. The 15 ports in the region (cf. 36 in Asia and 23 in Europe) account for 16% of all PRC overseas ports. Chinese companies initiated only five of the port projects in this hemisphere since 2013, demonstrating the lower priority Beijing places on the region, as well as its delayed marketing of Belt and Road Initiative (BRI) projects and financing to LAC countries. PRC firms partially own terminals in five U.S. ports: Houston, Los Angeles, Long Beach, and Seattle.

**Annex A**, Table 1 shows details about PRC-invested port terminals in the hemisphere.<sup>4</sup>

### **I(a). PRC positions in American ports<sup>5</sup>**

**Port of Los Angeles (LA):** China Shipping Group (merged with COSCO in 2016) formed a joint venture in 2001 to operate the West Basin Container Terminal (WBCT) in the Port of LA. COSCO owns 40% of the JV through a local subsidiary, the Taiwanese firm Yang Ming owns 40%, and Ports America owns the remaining 20%. The lease on this terminal was extended in 2021 for an additional nine years, to 2030. China Shipping operates 3 of the 14 berths at the terminal; the rest are operated by Yang Ming, with stevedoring services provided by Ports America. These operations account for roughly 20% of the twenty-foot equivalent unit (TEU) throughput at the port. Additionally, China's paramount leader Xi Jinping visited a China Shipping berth (number 100) at WBCT in February 2012 (when he was PRC Vice Chairman), accompanied by California Governor Jerry Brown and LA Mayor Antonio Villaraigosa.<sup>6</sup> At that time, a planned expansion of the terminal was entering its final stages after facing lawsuits over its environmental impact. The terminal was ultimately approved in 2019 by the Port of LA Harbor Commission, though this approval was based on new requirements for mitigation measures.<sup>7</sup>

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<sup>4</sup> Source: Kardon and Leutert, "Appendix for "Pier Competitor." Full size image artifact available at <https://claude.site/artifacts/363cffa0-ddbe-4401-a061-63ce0dea8dc0>.

<sup>5</sup> These descriptions draw on current data and prior testimony: Isaac Kardon, Testimony Before the U.S.-China Economic and Security Review Commission, Hearing China's Military Power Projection and U.S. National Interests, Panel II: Building an Expeditionary Force: Hardware, Logistics, and Bases, 116th Cong., Second Session (February 20, 2020), <https://www.uscc.gov/hearings/chinas-military-power-projection-and-us-national-interests>.

<sup>6</sup> "Xi Jinping Visits China Shipping Los Angeles Terminal on February 16 [习近平参观考察中海运洛杉矶码头]," Embassy of the PRC in the United States (February 17, 2012), <https://archive.ph/wip/NldRj>.

<sup>7</sup> These additional measures faulted COSCOs "languishing compliance" with emissions regulations. See Port of Los Angeles Environmental Management, "Final Supplemental Environmental Impact Report for the Berths 97-109 (China Shipping) Container Terminal Project," Executive Director's Report to the Board of Harbor Commissioners (September 26, 2019), [https://kentico.portoflosangeles.org/getmedia/4abf48f1-e449-4a2d-bdce-7cc704dfcc6c/Environmental\\_China-Shipping-FSEIR\\_Board-Report-FINAL](https://kentico.portoflosangeles.org/getmedia/4abf48f1-e449-4a2d-bdce-7cc704dfcc6c/Environmental_China-Shipping-FSEIR_Board-Report-FINAL).

**Port of Long Beach (LB):** COSCO partnered with Stevedoring Services America Marine (SSA) in 2002 to lease and operate Long Beach, Pier J. They took over a lease vacated by the Danish shipping and logistics firm, Mærsk. Their JV, Pacific Maritime Services LLC (PMS), is a private, Delaware-registered corporation that continues to operate the Pacific Container Terminal. COSCO is the majority shareholder (51%) through its New Jersey-based subsidiary COSCO Terminals North America. Decisions by the JV board require an “affirmative vote of at least 70% of the ownership shares of the members,” meaning COSCO does not hold an effective majority. SSA operates the terminals and COSCO provides cargo volumes and shipping services.<sup>8</sup> In 2018, COSCO acquired the Hong Kong shipping firm Orient Overseas (International) Limited (OOIL); however, a subsequent CFIUS review required the divestiture of OOIL’s wholly-owned Long Beach Container Terminal (LBCT) in order to complete the transaction.<sup>9</sup>

**Port of Seattle:** Two COSCO subsidiaries hold a collective 33.33% stake in Terminal 30 at the Port of Seattle through a JV with SSA Marine in place since 2007. As in Long Beach, SSA is the operator, and COSCO’s role as a minority shareholder is to drive cargo traffic through the terminal. According to port officials, there is also a COSCO contract or service agreement in place for container logistics at Terminals 25 and 28.

**Port of Houston:** In 2013, China Merchants acquired 49% of the public shares of the French firm CMA CGM’s port operating subsidiary, Terminal Link.<sup>10</sup> China Merchants therefore holds a proportional equity stake in the joint venture between Terminal Link Texas (51%) and Ports America (49%) at the Bayport Container and Cruise Terminals.<sup>11</sup> The Bayport container facility is part of a larger Houston port complex that is the leading overall handler of domestic and foreign waterborne tonnage in the country, and which conducts 34.4% of its container trade with the PRC, its largest foreign market.<sup>12</sup>

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<sup>8</sup> Federal Maritime Commission, “Pacific Maritime Services Cooperative Working Agreement,” *FMC Agreement*, No. 201122-002 (November 26, 2022), <https://www2.fmc.gov/FMC.Agreements.Web/Public/Document/30220>. CMA CGM, through its terminal operating subsidiary Terminal Link California LLC, acquired an undisclosed stake in this joint venture in 2012; Drewry Maritime Research reports that CMA CGM holds 10% of the equity, but COSCO’s ownership stake remains 51% (Drewry, “Global Containers,” 2022-2023).

<sup>9</sup> Orient Overseas Container Line, “Orient Overseas (International) Limited announces the sale of Long Beach Container Terminal to a consortium led by Macquarie Infrastructure Partners,” OOCL website (April 30, 2019), <https://www.oocl.com/eng/pressandmedia/pressreleases/2019/Pages/30Apr2019.aspx>.

<sup>10</sup> China Merchants Holdings (International) Company Ltd. (CMHI), “Discloseable Transaction in Relation to the Acquisition of 49% Equity Interest in Terminal Link SAS,” Hong Kong Exchanges and Clearing Limited (January 25, 2013), <https://www1.hkexnews.hk/listedco/listconews/sehk/2013/0125/ltm20130125584.pdf>.

<sup>11</sup> In a 2020 transaction, China Merchants acquired 49% of eight additional Terminal Link terminals. CMHI, “Update on Discloseable Transaction in Relation to (1) the Subscription of Mandatory Convertible Bonds Issued by Terminal Link and (2) the Loan Granted to Terminal Link, to Finance the Proposed Acquisition” (March 26, 2020), Hong Kong Exchanges and Clearing Limited, <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0326/2020032600599.pdf>.

<sup>12</sup> Port of Houston, “Trade Highlights and Performance Data,” Statistics (2022), <https://porthouston.com/about/our-port/statistics/>. Two thirds of regional container traffic transits two terminals at



**Port of Miami:** This South Florida Container Terminal (SFCT) is a joint venture between Terminal Link (51%) and A.P. Möller-Mærsk Terminals (49%), so China Merchants owns roughly 25% of the equity and receives proportional revenues from port throughput. Terminal Link and APM Terminals operate berths 110 and 99 in this modern, upgraded container terminal, with access to all major U.S. and LAC markets. As in Houston, China Merchants holds equity but also has no managerial or operational role in the terminal.<sup>13</sup>

### **I(b). Select PRC positions in Latin America and Caribbean ports**

Excluding the United States and Mexico, there are six PRC-invested ports in the rest of the hemisphere. Among them, those in Brazil, Panama, and Peru rate special attention as “strategic port investments” due to their geographic positions and connections to major markets and resources.

**Panama:**<sup>14</sup> The government of Panama granted two 25-year concessions to operate ports on either side of the Panama Canal in January 1997 to Hutchison’s Panama-incorporated subsidiary, the Panama Ports Company, S.A. (PPC). These concessions were automatically extended in 2021, without competing bids, for the period 2022 to 2047.<sup>15</sup> PPC holds a 90% stake in the concessions for the ports of Balboa (on the Pacific) and Cristóbal (on the Atlantic), with 10% retained by the Panamanian government. The contract preserves Panama Canal Authority (PCA) control over the canal and its approaches.

“Panama Law No. 5” establishes the statutory terms for Hutchison’s concession for the “development, construction, operation, administration and management of the port terminals for containers, RO-RO, passenger, bulk cargo, and general cargo in the ports of Balboa and Cristóbal.”<sup>16</sup> The law explicitly states that the contract is subject to the jurisdiction of the PCA (and therefore, to that of the government of Panama):

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the port of Houston, and Bayport is the larger of the two. See Port of Houston, “Container Terminals,” <https://porthouston.com/container-terminals/>.

<sup>13</sup> China Merchants has “board representation only” in Terminal Link, and thus no role in the management or operation of terminals in which they hold equity interest only. See China Merchants Port Holdings Company Limited, “Preliminary Offering Memorandum,” (July 24, 2018) <https://secure.fundsupermart.com/fsm/bond/relatedBondDocument/1126/CMHI%20OC.pdf>.

<sup>14</sup> Sarah Camacho, Junior Fellow in the Carnegie Endowment for International Peace Asia Program, contributed valuable research and analysis on Panamanian ports and throughput data in support of this testimony.

<sup>15</sup> According to Hutchison, “Hutchison Ports was previously audited by the Office of the Comptroller General of Panama in 2020 and 2021, and both audits showed that it had fully met its contractual obligations. The company also said it shares financial results audited by an independent external auditor with the Panamanian government on an annual basis and submits monthly reports to the Panamanian authorities.” “Li Ka-shing’s port company responds positively to Panamanian government investigation [李嘉诚旗下港口公司正面回应巴拿马政府调查],” *CNSS Comprehensive Compilation of Maritime Services Network* [海事服务网CNSS综合整编] (January 24, 2025), <https://archive.ph/aA2vG>.

<sup>16</sup> Ley 5 de 1997, G.O. No. 23,208 (Pan.)” <https://docs.panama.justia.com/federales/leyes/5-de-1997-jan-21-1997.pdf>.

By virtue of Article 310 of the Political Constitution that creates the Panama Canal Authority, and grants it powers and responsibilities, and also by virtue of the close connection between the Authority's activities and the operation of ports adjacent to the Panama Canal, the contract contained in this Law is approved subject to none of its clauses being interpreted in a way that conflicts with the powers, rights and responsibilities conferred to the Canal Authority in the cited constitutional provision or in the law that organizes it, especially regarding the use of areas and facilities, control of marine traffic and pilotage of vessels transiting through the canal and ports adjacent to it, including its anchorages and dry docks. (Annex X, Article 2)

Hutchison PPC exercises substantial control over terminal operations at the ports of Balboa and Cristóbal – but, like the other foreign port operators in the country, the firm must coordinate with, and remain subordinate to, the government's sole control over Canal operations.<sup>17</sup> For a ship to navigate the interoceanic route, PCA regulations dictate that it must be approved and assigned a space in the transit queue by the Panama Canal Maritime Traffic Control Center.<sup>18</sup> These regulations also define the scope of the “Canal” to include “the waterway itself, as well as its anchorages, berths and entrances; lands and sea, river, and lake waters; locks; auxiliary dams; dikes and water control structures, as established by the Organic Law.”

Hutchison PPC port operations on either side of the canal collectively moved an estimated 3.8 million TEUs in 2024, representing nearly 39% of the total throughput across five ports adjacent to the canal. This is less than the total throughput of the Colón port complex on the Atlantic side, where terminals operated by the American firm SSA Marine and the Taiwanese firm Evergreen moved over 4.7 million TEUs over the same period, accounting for 49% of the cargo volume. Another port facility on the Pacific side at the former American Rodman Naval Base in Balboa, Panama International Terminals, is operated by the Port of Singapore Authority (PSA), and mostly accounts for the remaining 12% of throughput. Individually, however, the largest single (sub)port is the Manzanillo International Terminal at Colón, where the consortium led by SSA Marine (including PSA as well as Panamanian investors) accounts for nearly 30% of the total throughput in 2024 (down from 31% in 2023 and 32% in 2022).<sup>19</sup>

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<sup>17</sup> The Board of Directors of the Panama Canal Authority, “Whereby the Regulation on Navigation in Panama Canal Waters is replaced,” Agreement No. 360 (December 12, 2019), <https://pancanal.com/wp-content/uploads/2021/12/Acuerdo-360.pdf>. Article 2, 14 (stipulating PCA control in the event of casualty or “significant events”), 15 (“taking control of response operations” in the event of “grounding, shipwreck, fire, spills, or any other incident that could result in the obstruction of navigation”).

<sup>18</sup> Canal de Panamá, “El Centro de Control de Tráfico Marítimo del Canal de Panamá,” Panama Canal Authority, <https://pancanal.com/el-centro-de-control-de-traffic-maritimo-del-canal-de-panama/>.

<sup>19</sup> Data sourced and analyzed by Sarah Camacho, derived from Autoridad Marítima de Panamá (AMP), “Memoria Institucional 2024” (November 2024), <https://www.amp.gob.pa/memoria/>, p. 68 and extrapolating annual totals from AMP, “Movimiento de Contenedores TEUs con 15.1% de Crecimiento” (January 24, 2025), <https://www.amp.gob.pa/noticias/notas-de-prensa/movimiento-de-contenedores-teus-con-15-1-de-crecimiento/>. This analysis contradicts the claim that “the canal’s two biggest ports are operated by a Hong Kong company” in Alexandra

A separate Panama port concession was awarded to the private PRC firm Landbridge Group in 2016, which partnered with central SOE China Communications Construction Company Ltd. (CCCC) to build, operate, and own a new terminal on Isla de Margarita in the Colón Free Trade Zone.<sup>20</sup> With a 5 million TEU designed annual capacity and bold ambitions to expand to a 11 million TEUs, this terminal would be the largest in Latin America. However, the Panama Maritime Authority revoked the concession in June 2021, claiming that the Landbridge-led consortium was out of compliance with contractual terms for failing to meet required levels of investment and employment of Panamanians. U.S. infrastructure investment firm Notarc Management Group subsequently partnered with the Mediterranean Shipping Company (MSC) to acquire the concession, rebranded as Panama Canal Container Port (PCCP).<sup>21</sup> Landbridge is currently fighting to reinstate its concession, refusing to join Notarc’s “sham arbitration” in Panama, and pursuing arbitration in Delaware district court and litigation for injunctive relief in Barbados (where Landbridge Holdings, Inc. is registered).<sup>22</sup> The project remains mired in controversy, but Notarc and MSC are reviewing the designs to resume construction on the 40% developed Isla de Margarita port.<sup>23</sup>

**Peru:** COSCO’s first foray into Latin American ports is a 2019 joint venture with Volcan Compañía Minera S.A.A. (Volcan) to develop a deep-water port at Chancay, 70 kilometers north of Peru’s capital, Lima. COSCO holds 60% of the concessionaire, Terminales Portuarios Chancay S.A. (TPC), with remaining shares held by Volcan, a Peruvian mining company producing zinc, lead, and silver.<sup>24</sup> In 2021, COSCO and Volcan signed an agreement with Peru’s National Port Authority (APN) granting TPC exclusive rights to build and operate the facility.

After the wide authorities granted to TPC under this concession met public scrutiny, APN cited an administrative error and filed a lawsuit to annul the exclusivity clause. COSCO threatened to withdraw and seek international arbitration. Peruvian authorities acquiesced,

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Stevenson, Keith Bradsher, “Trump, the Panama Canal and the Hong Kong Firm at the Heart of a Showdown,” *New York Times* (February 6, 2025), <https://www.nytimes.com/2025/02/06/business/panama-canal-ck-hutchison.html>.

<sup>20</sup> “Chinese companies start work on expanding Panama port – the infrastructure pie is huge [中企启动巴拿马港口扩建工程 基建蛋糕巨大],” *Xinhua News* (June 8, 2017), <https://archive.ph/cB3Fy>.

<sup>21</sup> Daniel Cancel, “Notarc Partners with MSC to Finish Panama Canal Container Port,” *Bloomberg* (May 18, 2022), <https://www.bloomberg.com/news/articles/2022-05-18/notarc-partners-with-msc-to-finish-panama-canal-container-port?embedded-checkout=true>; “MSC and Investors Replace Chinese to Build Panama Container Terminal,” *The Maritime Executive* (May 19, 2022), <https://maritime-executive.com/article/msc-and-investors-replace-chinese-to-build-panama-container-terminal>.

<sup>22</sup> Notarc Port Inv. LLC v. Landbridge Holdings, Inc., No. 1:24-cv-00254-GBW (D. Del. Mar. 15, 2024).

<sup>23</sup> “Panama Colón Container Terminal Controversy Builds,” *Port Strategy* (May 30, 2024), <https://www.portstrategy.com/port-and-terminal-news/panama-colon-container-terminal-controversy-builds/1494614.article?adredir=1>.

<sup>24</sup> COSCO SHIPPING Ports Limited, “Discloseable transaction in relation to the acquisition of interest in a container terminal in Peru,” Hong Kong Stock Exchange, Filing No. LTN20190123457 (January 23, 2019) <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0123/ltn20190123457.pdf>.

dismissing the lawsuit in June 2024, then passing a legislative amendment that gave APN the authority to grant exclusivity rights for a period of 30 years.<sup>25</sup> Separately, in October 2024, COSCO filed for a protective injunction in the Civil Court of Chancay against Peru's Supervisory Body for Investment in Transportation Infrastructure for Public Use (Ositrán), challenging its jurisdiction and oversight over its private and exclusive project.<sup>26</sup> The Chinese firm asserted that it was not properly considered a "service provider" regulated by Ositrán, demanding exclusive rights to control intermediary actors that usually provide port services like towing or piloting ships, transshipment and storage of goods, supply of fuel, and ship waste management.<sup>27</sup>

These legal proceedings were still underway during Xi Jinping's visit to Peru for the Asia-Pacific Economic Cooperation Forum (APEC) in November 2024, when he inaugurated the Chancay mega-port (remotely from Lima) alongside Peru's president, Dina Boluarte. The PRC is Peru's largest trading partner, and Chancay is expected to significantly reduce shipping times and increase shipping volumes between South America and Asia.<sup>28</sup> Boluarte lauded the port's potential to contribute 1% to Peru's GDP in 2025 and transform the nation into a "world-class technological and industrial center" and a major hemispheric logistics hub. To date, COSCO's lawsuit is still pending in Peruvian courts, and continues to generate controversy, but the port is operational and under COSCO control.<sup>29</sup>

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<sup>25</sup> "Peru's Government Resolves Dispute with COSCO Over \$1.3B Port Lease," *The Maritime Executive* (June 26, 2024), <https://maritime-executive.com/article/peru-s-government-resolves-dispute-with-cosco-over-1-3b-port-lease>.

<sup>26</sup> Alejandro Pizarro Choy, "Chancay Multipurpose Port Terminal," *The People's Map of Global China* (January 7, 2025), <https://thepeoplesmap.net/project/chancay-multipurpose-port-terminal/>; Julieta Pelcastre, "Peru's Chancay Port and the Risks of China's Growing Influence," *Diálogo Americas* (February 6, 2025), <https://dialogo-americas.com/articles/peru-chancay-port-and-the-risks-of-chinas-growing-influence/>; Lea Thome, "Chancay port opens as China's gateway to South America," *AidData* (November 14, 2024), <https://www.aiddata.org/blog/chancay-port-opens-as-chinas-gateway-to-south-america>.

<sup>27</sup> Gobierno del Perú, Decreto Supremo N° 044-2006-PCM y Modificatorias: Reglamento General del OSITRAN (2006), <https://cdn.www.gob.pe/uploads/document/file/1831738/decreto-supremo-044-2006-pcm-y-modificatorias-reglamento-general-del-ositrان.pdf?v=1619144426>.

<sup>28</sup> Peruvian Transport Minister Raul Perez stated: "Our goal is to become the Singapore of Latin America..We will have direct routes to Asia, in particular to China, which will reduce (shipping time) by 10, 15, even 20 days, depending on the route, compared to 35-40 days currently." Agence France Press, "Peru's Chancay: China's Megaport Of Entry To South America," *Barron's* (November 11, 2024), <https://www.barrons.com/news/peru-s-chancay-china-s-megaport-of-entry-to-south-america-5671f310>.

<sup>29</sup> Joana Cervilla, "Megapuerto de Chancay: oportunidades y desafíos de una obra que transformará el comercio regional y la economía peruana," *PuntoEdu PUCP*, November 11, 2024, <https://puntoedu.pucp.edu.pe/coyuntura/megapuerto-de-chancay-china-oportunidades-y-desafios/>; Renzo Gómez Vega and Inma Bonet Bailén, "China consolida su presencia en Latinoamérica con la inauguración en Perú del megapuerto de Chancay," *El País*, November 15, 2024, <https://elpais.com/america/2024-11-15/china-consolida-su-presencia-en-latinoamerica-con-la-inauguracion-en-peru-del-megapuerto-de-chancay.html>; Carol Yang, "Xi inaugurates Chancay port in Peru, unveiling the China-Latin America Corridor," *Lloyd's List* (November 15, 2024), <https://www.lloydslist.com/LL1151436/Xi-inaugurates-Chancay-Port-in-Peru-unveiling-the-ChinaLatin-America-corridor>; Universidad del Pacífico, "Observatorio de Chancay," Centro de Estudios sobre China y Asia-Pacífico (December 2024), <https://cechap.up.edu.pe/observatoriodechancay/>.

**Brazil:** China Merchants launched its first port project in Latin America in 2017, acquiring 90% of the Terminal de Contêineres de Paranaguá (TCP) 30-year lease agreement for the port of Paranaguá.<sup>30</sup> The managing director of China Merchants Port Holdings, Bai Jingtao, described Brazil as “China’s most important strategic partner in the region;”<sup>31</sup> other PRC corporate leaders welcomed the chance to “put Paranaguá on the map of the Belt and Road Initiative.”<sup>32</sup> By 2020, China Merchants moved to acquire the remaining 10% of the port lease from Brazilian minority investors, and then later that year, transferred 22.5% of their 100% shareholding to China Portugal Development Fund and the China LAC Development Fund. These Chinese state development funds were recruited into the project to “make use of their institutional coverage and in-depth understanding on Africa and Portuguese-speaking countries, to give full play to their capital operation capacity and assist the development and operation of the projects.”<sup>33</sup>

Paranaguá holds special appeal for Chinese firms because it is Brazil’s largest port for agriculture exports, and the PRC is the world’s largest agriculture importer. In the context of the burgeoning trade war with the U.S. in 2018 – during which China levied retaliatory tariffs across a range of American agricultural products – this new and expanded terminal provided necessary capacity for surging PRC imports of Brazilian soybeans, beef, pork, cotton, tobacco, oilseeds, and a range of other goods. The composition of China’s agriculture trade changed dramatically in this period to favor Brazil over the U.S., with the American share of Chinese agriculture imports declining from 21% to 12% from 2016 to 2018, while Brazil’s share increased from 18% to 26% over the same period.<sup>34</sup> China Merchants signed a letter of intent with Portos do Paraná, the state port authority, to extend their concession another 25 years and undertake capacity expansion at the port.<sup>35</sup> As trade tensions with the U.S. intensify, this port and its growing capacity will enable continued diversification of China’s trade in agriculture (as well as critical minerals), moving away from the United States and further consolidating its position as South America’s leading trade partner.

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<sup>30</sup> China Merchants Port Holdings Company Ltd., “Discloseable Transaction Acquisition of TCP in Brazil,” Hong Kong Exchanges and Clearing Limited (September 4, 2017), <https://www.hkexnews.hk/listedco/listconews/sehk/2017/0904/ltm20170904029.pdf>.

<sup>31</sup> “A Operadora Chinesa, China Merchants Port (CMPort) Anunciou A Compra, Por R\$ 2,9 Bilhões Do TCP De Paranaguá,” *Maxton Logística* (September 20, 2017), <https://maxtonlogistica.com.br/a-operadora-chinesa-china-merchants-port-cmpoort-anunciou-a-compra-por-r-29-bilhoes-do-tcp-de-paranagua/>.

<sup>32</sup> “Comércio da China com a América Latina cresce 18% no primeiro semestre de 2018,” *Xinhua* (September 9, 2018), <https://portuguese.news.cn/20180909/C9CA934558C00001E9F412A3EF6012EF/c.html>.

<sup>33</sup> China Merchants Group Limited, “CMPort Signs Agreement with China-Portugal Cooperation Development Fund for Port Development,” Portugal-China Chamber of Commerce & Industry (October 24, 2019), <https://ccilc.pt/en/imprensa/cmpoort-signs-agreement-with-china-portugal-cooperation-development-fund-for-port-development/>.

<sup>34</sup> Congressional Research Service, “China’s Retaliatory Tariffs on U.S. Agriculture: In Brief,” *CRS Report* no. R45929 (September 24, 2019), <https://crsreports.congress.gov/product/pdf/R/R45929>.

<sup>35</sup> Joshua Minchin, “China Merchants signs letter of intent with Brazilian port authority,” *Lloyd’s List* (November 7, 2024), <https://www.lloydslist.com/LL1151281/China-Merchants-signs-letter-of-intent-with-Brazilian-port-authority>.



**Other LAC ports:** Alongside Panama, Peru, and Brazil, PRC firms have also established port ownership and operations in the Bahamas, Jamaica, and Mexico. Of particular note are the four large, wholly-owned Hutchison port facilities in Mexico (as well as an intermodal logistics hub and a shipyard) that Hutchison management describes as “strategic ports on both coasts.” China-Mexico trade volumes rose 34.8% year-on-year in 2023, another 28% in the first half of 2024, and are likely to continue their breakneck growth with further U.S. tariffs.<sup>36</sup> This trade diversion to Mexico affords China with several advantages in trade wars with the United States, including the chance to diversify supply chains, leverage reduced tariff schedules under the U.S.-Mexico-China Agreement (USMCA), and access emerging markets in Latin America. (See **Annex A**, Table 2)

## **II. Security implications of Chinese ports in the Western Hemisphere**

The descriptions in the prior section lay out key characteristics of the most significant and strategic ports owned and operated by PRC firms in the hemisphere since these investments began in Panama, in 1997. They may implicate homeland security and regional maritime security through two main pathways: (a) port facilities and associated infrastructure used as platforms for People’s Liberation Army (PLA) military operations in the region, and (b) they introduce a range of physical and digital operational risks and vulnerabilities for U.S. ports and transportation systems.

### **II(a). Potential for Chinese military use of PRC companies’ port facilities**

Chinese companies’ hemispheric port investments are appropriately considered to hold both strategic and commercial value for the PRC. In the first instance, this is because virtually all cargo ports can facilitate both trade and military operations. Ocean ports with deep harbors (i.e., the projects which PRC firms generally pursue) can generally accommodate the massive cargo vessels employed by the contemporary shipping industry as well as the largest capital ships in any naval fleet. Such ports are essential for the conduct of international trade and commerce, granting the nation’s merchant fleet regular access to foreign markets and resources. Additionally, navies have historically been entrusted with the mission to protect these assets and commercial flows from disruption by military or irregular threats and to prevent raiding of their nation’s commerce. For a naval fleet, these facilities allow for sustained operations far from home shores – and in close proximity to major maritime chokepoints and vital sea lines of communication (SLOCs). Defense and, if possible, control of these critical geographies has historically provided strategic advantage to nations capable of building and properly employing sea power.<sup>37</sup>

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<sup>36</sup> Hutchison Ports, “The Rise of Hutchison Ports Network in Mexico,” *Hutchison Spotlight* (Winter 2024), <https://opportunity.hutchisonports.com/en/pdf/614>; Hutchison Ports Mexico, “Our Presence in Mexico” (2024), <https://hutchisonports.com.mx/>.

<sup>37</sup> See: Alfred Thayer Mahan, *The Influence of Sea Power Upon History, 1660-1783*, Boston: Little, Brown, and Company (1890).

Chinese strategists and leaders have internalized these Mahanian ideas in their efforts to build maritime power and achieve “national rejuvenation.”<sup>38</sup> In this respect, Beijing’s approach resembles that of U.S. President Theodore Roosevelt, an early champion of Mahan’s vision of sea power.<sup>39</sup> Both for the Washington of the early 1900s (and perhaps again today) and for Beijing over the last two decades, control over ports (and canals) and the SLOCs connecting them became core elements of national maritime strategy. As the central nodes in the transoceanic trade and production networks, ocean ports are essential to the stability of China’s maritime trade-oriented economy and provide the “maritime lifeline” for its overall political system.<sup>40</sup> Since the beginning of the 21<sup>st</sup> century, Beijing has implemented concerted industrial policies to develop immense scale in domestic and foreign port terminals, shipbuilding, shipping, ship owning and leasing, crane manufacture and delivery, container manufacture and leasing, shipping insurance, brokerage, and more.<sup>41</sup> With state support, leading PRC enterprises have successfully pursued extraordinary horizontal and vertical integration across global transportation and logistics sectors. By most measures except for naval capability, China is now the world’s leading maritime power.

China’s naval force, the Peoples Liberation Army Navy (PLAN), has made increasing use of port facilities abroad to expand its areas of operation, and to conduct gradually more sophisticated missions overseas. Protecting China’s overseas economic interests became an explicit PLA mission since 2003, and was formally adopted in 2015 as one of eight “strategic tasks” for the nation’s increasingly modern and capable armed forces.<sup>42</sup> Employing a single

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<sup>38</sup> Zhu Feng [朱锋], “The historical mirror of maritime powers and China’s current choices [海洋强国的历史镜鉴及中国的现实选择],” *People’s Forum Academic Frontiers* [人民论坛·学术前沿] (September 2022), <https://archive.ph/wip/c7ee3>.

<sup>39</sup> Theodore Roosevelt, “Our Need of a Navy. Captain’s Mahan’s New Book, ‘The Interest of America in Sea-Power,’” *The American Monthly Review of Reviews* 17 (January–June 1898): 71–72; Nicholas J. Danby, “The Roots of Roosevelt’s Navalism,” *Naval History* 35, no. 1 (February 2021).

<sup>40</sup> Xi Jinping stated that over 90% of China’s trade is seaborne in an address to a PRC port industry conference in 2017. “General Secretary Xi Jinping Reviews China’s Record of Port Development [习近平总书记关心港口发展纪实],” *Xinhua News Agency* [新华社] (July 5, 2017), <https://archive.ph/yXCHT>. Some PLAN analysts calculate that as much as 97% of China’s trade is seaborne: Hu Dongying [胡冬英], Huang Rui [黄锐], Cai Guangyou [蔡广友], “Several Thoughts on Advancing the Submarine Force to Distant Oceans [推进潜艇兵力走向远洋的几点思考],” *Ship Electronic Engineering* [舰船电子工程], No. 1 (2017), p. 1 [China Maritime Studies Institute translation]. The UN estimates that 80% of trade volume is seaborne. UN Conference on Trade and Development, UNCTAD Review of Maritime Transport, UNCTAD/RMT/2019/Corr.1 (New York: United Nations, 2019), p. 4; Isaac B. Kardon, Wendy Leutert, “Pier Competitor: China’s Power Position in Global Ports,” *International Security* 46, no. 4 (Spring 2022), pp. 24–25.

<sup>41</sup> U.S. Trade Representative, “Report on China’s Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance,” Section 301 Investigation (January 16, 2025), pp. 12–53, <https://ustr.gov/sites/default/files/enforcement/301Investigations/USTRRReportChinaTargetingMaritime.pdf>; Kardon and Leutert, “Pier Competitor,” pp. 9, 12, 27–29.

<sup>42</sup> Hu Jintao’s pronouncement in 2003 of “New Historic Missions” included overseas interests for the first time in the PLA mission-set. The 2015 PRC Defense White Paper further articulated a “far seas protection” objective that codified the PLAN’s central role in securing overseas economic interests. On the development of this increasingly international mission-set, see Jennifer Rice and Erik Robb, “The Origins of ‘Near Seas Defense and Far Seas Protection,’” *CMSI China Maritime Report*, No. 13 (February 2021), <https://digital-commons.usnwc.edu/cgi/viewcontent.cgi?article=1012&context=cmsi-maritime-reports>.

formal naval base, established in 2017 at Djibouti on the Horn of Africa, the PLAN operates extensively across every ocean and continent.<sup>43</sup> They are demonstrating that even without dedicated military facilities or basing arrangements, any PLAN vessel can call on a port to refuel, resupply, rest its crew, and make at least minor repairs.<sup>44</sup>

Chinese forces have not deployed regularly to this hemisphere. However, the PLA's extensive pattern of naval port calls, senior-level military visits, and exercises across the globe demonstrate a latent capability to project significant power across oceans and continents. To date, these activities have been concentrated in East Asia and the Indo-Pacific region; but ports in the Western Hemisphere have also provided limited logistical and likely intelligence support for PLAN operations.<sup>45</sup> **Annex B** details these patterns of activity, but several observations stand out:

- Figure 1: Comparison of the numbers of PLAN port calls in each world region, showing the most frequent areas of operation in the Middle East, Southeast Asia, Africa, and Europe. North and South America have hosted only 39 out of 413 (9.4%) total PLAN overseas port calls in the period 1997-2024.<sup>46</sup>
- Figure 2: Depiction of the geographic and temporal distribution of the 39 total PLAN port calls to 18 countries in the Western Hemisphere over the period 1997-2024. The chart shows an irregular pattern of visits by naval task forces and other naval missions (including for training exercises and humanitarian assistance operations). U.S. ports have hosted the largest proportion of these calls (nine), including as recently as 2016. Ecuador is the second-most frequented country (four).
- The most striking observation from Figure 2 is that there have been no documented PLAN calls in the hemisphere since 2018. The global pandemic radically decreased PLA activity overseas in the period 2020-2022, but the infrequency of prior port calls and total absence of more recent visits is remarkable and warrants further analysis.
- The 11 port calls to the hemisphere in 2015 are the high water mark in the region, though five of these visits were conducted by the hospital ship *Peace Ark* during its "Harmonious Mission-2015" tour.

The Figures in **Annex B** show a Chinese military force that is comparatively absent from the hemisphere, with no port calls whatsoever within the past seven years. There has been no observable pattern of calling disproportionately in countries where Chinese firms own or

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<sup>43</sup> See, e.g., Zhang Qianyi [张谦一], "Exploring the path to generate global combat capabilities [探索全域作战能力生成路径], People's Army [解放军报] (September 25, 2018), <https://archive.ph/1tpac>, p. 7; Ryan D. Martinson, "The Role of the Arctic in Chinese Naval Strategy," *China Brief* 19, no. 22 (December 20, 2019), <https://jamestown.org/program/the-role-of-the-arctic-in-chinese-naval-strategy/>.

<sup>44</sup> Barry Blechman, Donald Weinland, "Why Coaling Stations are Necessary in the Nuclear Age," *International Security*, Vol. 2, No. 1 (Summer 1977), pp. 88-99.

<sup>45</sup> Kardon and Leutert, "Pier Competitor," pp. 9-47.

<sup>46</sup> Port call data are sourced from: Center for the Study of Chinese Military Affairs, "Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024).



operate ports (denoted with asterisks in Figure 2) – with the notable exception of the United States. However, the Chinese-invested ports in LA/LB, Seattle, Houston, and Miami are not plausible platforms for any aggressive or otherwise unapproved PLA operations (except for probable intelligence collection and surveillance activities).<sup>47</sup> The material risks from Chinese assets at U.S. ports concern cyber disruptions and other non-kinetic operations addressed below. Overall, this pattern of military activity and diplomacy indicates a relatively modest approach by China to naval power projection in the Americas.

However, the port facilities in Panama, while never visited by PLAN vessels, are of greater concern from a military-strategic standpoint. While these terminals do not grant Hutchison any operational control or authority to regulate transits through the Panama Canal, their geographic position makes them consequential. The United States relies disproportionately on the efficient functioning of the canal, which provides the most efficient route between the U.S. Atlantic and Pacific coasts. Panama Canal Authority figures indicate that in 2024, 74.7% of all cargo moving through the canal has a U.S. port as its origin or destination; PRC-origin or -bound cargos came a distant second at 12%, highlighting the clear asymmetry in the great powers' dependence on the canal.<sup>48</sup> While PRC firms operate ports in the vicinity of other major chokepoints, including the Malacca Straits, Hormuz Strait, Bab el-Mandeb, and Suez Canal, the threat of severing (or simply delaying) Panama Canal access is more problematic from a homeland security perspective. By comparison to the geostrategic stakes at Panama, U.S. trade and military freedom of navigation do not face major risks in distant theaters – including in the Indian Ocean and South China Sea, where more far more capable groups of Chinese naval and joint forces routinely operate.

There is little possibility for Hutchison or any Chinese user of their facilities to use Balboa or Cristóbal as a fortress to project military power into the canal zone. There is also no requirement to make a port call at a PPC facility in order to transit the canal; and even if a port call is necessary for cargo operations or replenishment, there are multiple alternative port terminals operated by American, Singaporean, and Taiwanese firms adjacent to both Pacific and Atlantic approaches. Transiting vessels and cargos can be observed or surveilled easily from almost any vantage (including by live-feed cameras offered by the Panama Canal Authority).<sup>49</sup> The more worrisome potential vulnerability is that these approaches could be denied in a crisis. In order for American forces to transit from the Atlantic to rush to the Western Pacific in a crisis over Taiwan, for example, the time sacrificed to delay or denial at the Panama Canal could be the difference between operational success and failure.

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<sup>47</sup> The most recent PLAN call to a U.S. port was in December 2016, when a two Jiangkai II-class frigates and a Fuchi-class oiler made a “routine port visit” to San Diego for “sporting events and cultural exchanges.” This was the third PLAN visit to San Diego since 2014. “Chinese Navy Ships Visit San Diego,” U.S. Navy Press Office (December 7, 2016), <https://www.navy.mil/Press-Office/Press-Releases/display-pressreleases/Article/2256660/chinese-navy-ships-visit-san-diego/>.

<sup>48</sup> Autoridad del Canal de Panamá, *Informe de Gestión 2024* (September 2024), <https://pancanal.com/wp-content/uploads/2021/09/Informe-2024Esp76.pdf>.

<sup>49</sup> Canal de Panamá, “Multimedia,” Panama Canal Authority (2025), <https://multimedia.panama-canal.com/>.

Operating a port adjacent to the canal, however, does not afford any unique capability for the operator to obstruct safe transit through the waterway. As witnessed during the *Ever Given* crisis in the Suez Canal in 2021, a large cargo ship can intentionally or unintentionally impede all transit through narrow chokepoints for days or weeks. Scuttling a ship in the lock system or, more aggressively, emplacing naval mines in the harbor are other methods that could seize up a maritime chokepoint for an indefinite period. These and other methods create perhaps unavoidable vulnerabilities that do not arise from China's access to facilities adjacent to the canal. Chinese-owned or -flagged ships make regular transits through the canal and could readily be tasked with such a mission, should Beijing consider it advisable.

The correlation of forces in the Western Hemisphere, however, makes it inadvisable for Chinese leadership to test their military capabilities against the U.S. in or around the Panama Canal. Huge and enduring American advantages in combat power and readiness afforded by its proximity and presence in the region provide ample reason for Beijing to reject the idea of fighting symmetrically or kinetically in this hemisphere. Even efforts to interfere with the flow and positioning of U.S. forces is likely to be more costly than constructive, given close U.S. defense cooperation with the Panamanian government, which includes a bilateral ship boarding agreement (through the Proliferation Security Initiative) that would enable early detection and assertive action if there were plausible indicators and warnings of a threat to the canal's security.<sup>50</sup> U.S. military intervention in the hemisphere is also credible and not without precedent, particularly in Panama.<sup>51</sup> Further, after the reversion treaties restoring the Panama Canal Zone to Panamanian sovereignty, the U.S. Senate reserved a right to intervene again "in the event of armed attack against the canal, or when, in the opinion of the President, conditions exist which threaten the security of the Canal."<sup>52</sup>

The ports of Chancay in Peru and Paranaguá in Brazil are more remote from U.S. direct national security concerns. Even if Lima or Brasilia were to permit significant PLAN access to those facilities, their geography poses a lesser threat to American strategic interests. Any PLA status of forces or basing agreement with another nation in this hemisphere, whether in a PRC firm-owned port or not, would be interpreted in Washington as a serious threat. From Beijing's strategic vantage, then, there is very little to be gained by posturing itself to project marginally more combat power from a theater in which the U.S. military fields far superior capabilities and enjoys ready access. Testing America's long-standing exclusivity about hemispheric security would be a risky and counterproductive deviation from China's clear strategic imperatives, which remain anchored in the Western Pacific.<sup>53</sup>

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<sup>50</sup> U.S. Department of State, "U.S. and Panama: Maritime Ship Boarding Agreement," Department of State Archive (May 12, 2004), <https://2001-2009.state.gov/r/pa/prs/ps/2004/32414.htm>.

<sup>51</sup> "Panama invasion: The U.S. operation that ousted Noriega," *BBC* (December 19, 2019), <https://www.bbc.com/news/world-latin-america-50837024>.

<sup>52</sup> U.S. Congress, Panama Canal Act of 1979, Public Law 96-70, Title I, §1108, enacted September 27, 1979, 93 Stat. 458.

<sup>53</sup> U.S. Department of State, Office of the Historian, Roosevelt Corollary to the Monroe Doctrine (1904), Milestones: 1899-1913, <https://history.state.gov/milestones/1899-1913/roosevelt-and-monroe-doctrine>.

## **II(b) Non-traditional security considerations**

Chinese port investments in the hemisphere are unlikely to pose direct military threats to America's homeland security nor challenge its regional military predominance. However, they expose certain physical and digital vulnerabilities in U.S. maritime infrastructure and transportation networks that warrant heightened scrutiny and coordinated mitigation efforts. Building on the technical assessments by senior cybersecurity and maritime operational security experts from the Department of Homeland Security and Coast Guard in previous testimony before this Subcommittee, the following assessments draw on subsequent events and further consider the level and effect of party-state control over China's private firms and SOEs.<sup>54</sup>

The most probable risks posed by Chinese companies' port investments in the United States arise from PRC-made equipment and software nested within maritime infrastructure and transportation systems. By introducing so-called "Smart Ports" and their associated digital technologies and processes into critical infrastructure across the hemisphere, Chinese firms have installed a range of sensors, modems, software, and digital back doors that may readily enable intelligence collection and covert surveillance – and also hold some potential to disrupt vital operations at U.S. ports.<sup>55</sup> Certain well-documented exploits, like "Salt Typhoon," serve as cautionary examples, highlighting the potential for destructive or disruptive attacks within the existing threat landscape.<sup>56</sup>

Yet without direct observation, it is impossible to assess or predict the degree to which Chinese intelligence services and other state actors may exert positive control over PRC enterprises' equipment and software. Technical methods exist to remotely monitor and access the information and communication technologies of PRC firms operating overseas, in compliance with PRC regulations; these tend to enable broad surveillance and require data sharing for national security purposes. There can be no certainty about the multifarious uses state actors may find for these data (e.g., industrial espionage, intelligence collection, or cyber exploitation). However, the growing pervasiveness of Xi Jinping's "comprehensive national security outlook" means that this is a fast-moving target: firms that were once relatively free to operate more or less in line with foreign laws and norms are gradually losing that already-limited autonomy.<sup>57</sup> SOEs are already under close supervision and management, and will be responsive to political objectives. Firm leadership has been force-fed a comprehensive

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<sup>54</sup> U.S. Congress, House, *Evaluating High-Risk Security Vulnerabilities at our Nation's Ports*, 118<sup>th</sup> Congress (May 10, 2023), <https://www.congress.gov/event/118th-congress/house-event/115887>, p. 33

<sup>55</sup> Iris Deng, "What China is doing to make ports 'smart' and not prone to work stoppages," *South China Morning Post* (November 11, 2024), <https://www.scmp.com/tech/tech-trends/article/3285840/what-china-doing-make-ports-smart-and-not-prone-work-stoppages>.

<sup>56</sup> U.S. Department of the Treasury, "Treasury Sanctions Company Associated with Salt Typhoon and Hacker Associated with Treasury Compromise," *UST Press Release* (January 17, 2025).

<sup>57</sup> Chen Yixin [陈一新], "Fully Implement the Overall National Security Outlook [全面贯彻总体国家安全观]," *Qiushi* [求是] <https://interpret.csis.org/translations/fully-implement-the-overall-national-security-outlook/>.

diet of Xi Jinping Thought on cybersecurity and learned that: “There is no national security without cybersecurity.” This securitization has proceeded in waves of new laws and policies that demand invasive “data localization” and disclosure in order to “protect” commercial and personal information and communications networks.<sup>58</sup>

Even for private multinational firms based in Hong Kong, the business and political environment has rapidly come to resemble the situation of overt control over the private sector and civil society that prevails in mainland China. While even five years ago a firm like Hutchison could exercise a reasonably high degree of autonomy, company leaders are quietly but quickly growing pragmatic about obeying Beijing’s dictat. Meanwhile COSCO, as a central SOE, “assumes greater responsibility for political directives and priorities” than do private firms with leaders whose networks can “obscure company affairs from external [and party] scrutiny, or push back against administrative superiors.” Hutchison and its international stakeholders would surely struggle against attempts to deploy the PLA for any hostile purposes, thus weaponizing its global network of infrastructure assets and investments. Despite Hutchison’s greater remove from state control than its SOE counterparts, the firm observably does not deny berths to PLAN vessels that request to call.<sup>59</sup> In the normal course of diplomatic affairs, of course Panama would be entitled to reach its own sovereign decision about whether to authorize any foreign naval visit.

### III. Recommendations

- A. **China’s presence in U.S. ports presents unquantified but material risks to critical maritime and transportation infrastructure – but unwinding it recklessly will do more harm than good.** PRC firms’ partial ownership or operation of a small number of U.S. port terminals should not be the primary national security concern in this line of inquiry. These joint ventures fall under strict federal and local jurisdiction and supervision. Auditing and, if necessary, terminating, renegotiating, or forcing divestiture of port concessions is not likely to mitigate the more compelling risks associated with Chinese technologies present across a range of physical and digital transport and communications systems. Surveillance cameras, cranes, logistics software, shipping containers, and other technologies are embedded components of port systems and often necessary for stable operations – and not only at PRC firms’ port terminals. Sharper attention and stricter guidelines should be applied to mandatory cybersecurity screening across U.S. port networks, coupled with targeted investments to produce indigenous or friend-shored alternatives. Tariffs will be insufficient (and likely unnecessary) to wean

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<sup>58</sup> “Xi Jinping on Cybersecurity [习近平谈网络安全观],” *Qinshi* [求是] (September 19, 2016), <https://archive.ph/LS41V>. Xi stated that “At present, my country must quickly introduce basic cyberspace laws such as the Cybersecurity Law, E-Commerce Law, Personal Information Protection Law, Internet Information Service Management Law, E-Government Law, and Information Communications Law to safeguard network operation security, data security, and information content security in accordance with the law, and comprehensively promote the rule of law in cyberspace.”

<sup>59</sup> Among the 32 overseas ports with Hutchison terminals, just over a third of them (11) hosted at least one PLAN port call between 2001 and 2022.

U.S. industry off of risky PRC equipment at any price point, given the unavailability of substitutes and the long time-lags to purchase, manufacture, and install heavy machinery like ship-to-shore cranes.

- B. The Panama Canal is an enduring and vital national security interest, and the Panamanian government is our essential partner in its protection.** In order to maintain the efficient functioning of the waterway for both American and international commerce and free navigation, our governments should better coordinate efforts to ensure the neutrality and security of the Panama Canal. American leaders should stimulate private capital to invest in upgrading the canal system and adjacent port terminals, work cooperatively to improve the booking and auction system for transit slots, assist the audit process of the PPC concession, and share resources and intelligence that will enable Panamanian authorities to better monitor Chinese enterprises' activities across a range of port and canal infrastructure, including bridges, rail, road, and communications systems throughout the canal zone.
- C. Chinese military control over ports in the Western Hemisphere is unlikely and runs contrary to Beijing's strategic objectives in the region.** The correlation of forces in the hemisphere is balanced heavily in U.S. favor from a military standpoint. Any power projection the PLA may generate from access to deep-water ports is limited by its appetite for overt military rivalry in America's backyard. Those military activities that do occur are more likely to be associated with diplomatic outreach and intelligence collection, neither of which warrants forcing Latin American countries to choose a great power patron. A more effective strategy will be to reinforce America's strong defense partnerships across the region and cooperate more deeply with friendly countries to address their primary national security concerns. Beyond arms sales and military exercises, additional emphasis should go towards non-traditional security assistance like law enforcement equipment and training. These efforts will bear fruit for homeland security concerns about illegal immigration and drug trafficking.
- D. National maritime security requires global maritime partnerships.** China has achieved extraordinary scale and growing sophistication in its maritime industries, building a merchant and naval fleet that dwarfs our own, and driving unprecedented maritime trade volumes through its global network of ports. To compete with Chinese maritime power, Washington will need to pursue ambitious measures to restore our previous strength in the sector. Even with heroic industrial policy and private sector cooperation, there is no short- or even medium-term option to compete port for port or ship for ship with the PRC. But fortunately there is also no need to do so because American allies and partners in places like Japan, South Korea, Taiwan, and across Europe are sophisticated and capable shipbuilders, port operators, infrastructure developers, and equipment manufacturers. Appropriating funds and establishing authorities towards these ends should be priority legislative efforts, in particular the creation of a Maritime Security Advisor and Board to coordinate and oversee whole-of-nation maritime strategy.

## Annex A

**Table 1: Chinese firms’ ownership and operation of ports in the Americas**

Port Name	中文	Country	Terminal	PRC Owner (%)	Terminal Operator	Date
Freeport	弗里波特 / 自由	Bahamas	Freeport Container Port	Hutchison (51%)	Hutchison Port Holdings	1994
Paranagua (TCP Participações)	巴拉那瓜	Brazil	Terminal de Containeres de Paranagua (TCP)	China Merchants (100%)	Terminal de Containeres de Paranagua (TCP)	2018
Kingston	金斯敦	Jamaica	Kingston Container Terminal North, South, and West Terminals	China Merchants (49%)*	Terminal Link	2019
Ensenada	恩森那达	Mexico	Ensenada International Multipurpose Terminal (EIT)	Hutchison (100%)	Ensenada International Terminal	2001
Veracruz	韦拉克鲁斯	Mexico	Internacional de Contenedores Asociados de Veracruz (ICAVE Container Terminal) & ICAVE New Port	Hutchison (100%)	Hutchison Ports ICAVE	2001
Lázaro Cárdenas	拉扎罗·卡德纳斯	Mexico	Lázaro Cárdenas Terminal Portuaria de Contenedores (LCTPC) & Multipurpose Terminal (III)	Hutchison (100%)	LC Terminal Portuaria de Contenedores, S.A. de C.V	2003
Manzanillo	曼萨尼约	Mexico	Terminal Internacional de Manzanillo (TIMSA)	Hutchison (100%)	Hutchison Ports TIMSA	1999
Balboa	巴尔博亚	Panama	Panama Ports Company, S.A.	Hutchison (90%)	Panama Ports Company	1997
Cristóbal	克里斯托瓦尔 / 科隆	Panama	Panama Ports Company, S.A.	Hutchison (90%)	Panama Ports Company	1997
Chancay	钱凯	Peru	CSP Chancay Terminal	COSCO (60%)	Terminales Portuarios Chancay, S.A.	2019
Los Angeles	洛杉矶	USA	West Basin Container Terminal & China Shipping Container Terminal	COSCO (40%)	China Shipping NA / Yang Ming Marine Transport	2001
Long Beach	长滩	USA	Pier J - Pacific Container Terminal (PCT)	COSCO (51%)	Pacific Maritime Services	2002
Seattle	西雅图	USA	Terminals 25, 28, 30	COSCO (33%)	SSA Terminals	2007
Miami	邁阿密	USA	South Florida Container Terminal	China Merchants (26%)*	Terminal Link/APM Terminals	2013
Houston	休斯顿	USA	Bayport Container Terminal & Cruise Terminal	China Merchants (26%)*	Port of Houston Authority	2013

\* Terminal Link is a JV between China Merchants (49%) and CMA CGM (51%)

Data Source: Kardon and Leutert, “Appendix for “Pier Competitor.”

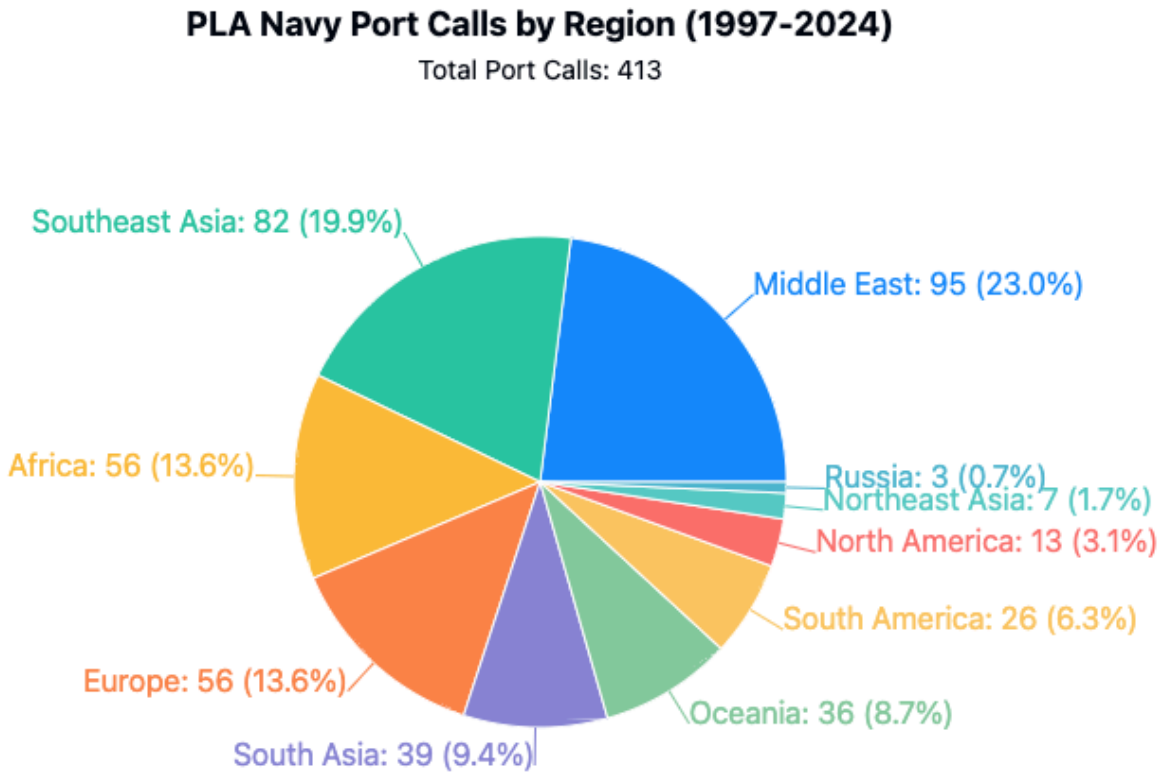
**Table 2: Latin America & the Caribbean Top Exports to China (2020-2023)**

Product	Share of total	Major Suppliers
Copper ores, concentrates	18.6%	Chile (51%), Peru (33%), Mexico (10%)
Soybeans, other oilseeds	18.1%	Brazil (93%), Argentina (6%)
Iron ores, concentrates	14.1%	Brazil (86%), Peru (7%)
Crude petroleum oils	10.9%	Brazil (81%), Colombia (14%)
Copper	5.6%	Chile (83%), Peru (14%)
<b>Total, top 5 products</b>	<b>67.2%</b>	

Data Source: Rebecca Ray, Zara C. Albright, and Enrique Dussel Peters, “China-Latin America and the Caribbean Economic Bulletin,” University Global Development Policy Center (2024).

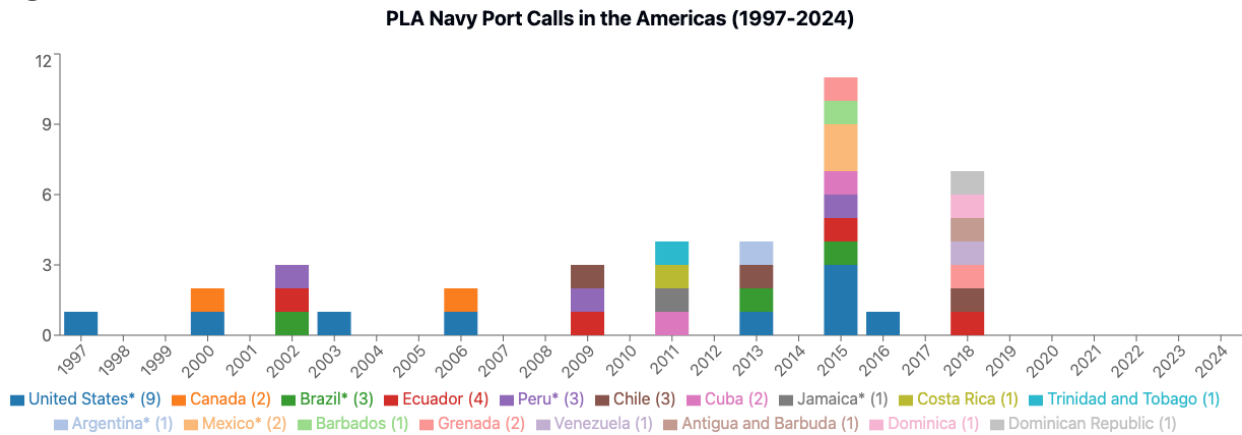
Annex B:

Figure 1:



Data Source: Center for the Study of Chinese Military Affairs, “Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024)

Figure 2:



\* Countries with PRC-owned/operated port facilities



Data Source: Center for the Study of Chinese Military Affairs, “Chinese Military Diplomacy Database v4 (Washington, D.C.: National Defense University, August 2024)



**Testimony of Cary Davis**  
**President & CEO, American Association of Port Authorities (AAPA)**  
**Before the Homeland Security Committee, Subcommittee on Transportation & Maritime Security**

***Examining the PRC's Strategic Port Investments in the Western Hemisphere and the Implications for Homeland Security, Part I.***

**Tuesday, February 11, 2025**

Chairman Gimenez, Ranking Member McIver, and distinguished members of the Subcommittee, thank you for the opportunity to testify today on critical issues for United States ports and our national security.

Before I start, I would like to thank the Committee for their bipartisan efforts to counter the flood of fentanyl, a substance that took the life of a dear friend of mine, Sam Spitz.

As the President & CEO of the American Association of Port Authorities (AAPA), the unified voice of the U.S. port industry for the last 113 years, I am honored to testify here. This is a special moment, since my former boss, former Congressman Dan Donovan, a man who I deeply admire, Chaired another Homeland Security Subcommittee.

According to a recently released economic contributions report from former CBO economists, our ports are responsible for \$2.89 trillion in economic activity and 21.8 million American jobs, or more than one out of every eight jobs in our nation's workforce.

Further, America's ports make trade possible, and they depend upon the support of the Federal Government and Congressional Committees like this one. I would like to emphasize today that China is investing in global port infrastructure because it recognizes the profound economic and geopolitical advantages that critical trade gateways provide.

The port industry believes that the best counter to growing Chinese influence, especially at ports in our hemisphere, is strong leadership by the United States through strategic port infrastructure investment. Investing in port infrastructure enhances economic growth and national security. The U.S. Committee on the Marine Transportation System (CMTS) found that maritime infrastructure investment holds the potential to produce returns of two to three dollars for every one dollar spent. If we want to counter Chinese influence at ports and secure a safe and prosperous economic future, we must provide a strong, attractive alternative through robust American investment.

We must strive to keep our port infrastructure modern and globally competitive. The funding enacted through the Bipartisan Infrastructure Law was historic, designating \$450 million annually from FY 2022-2026 for the Port Infrastructure Development Program (PIDP). This is significantly higher than previous annual funding levels for the grant program. However, total federal spending on water transportation remains around \$4.5 billion, while state and local governments contribute around \$6 billion annually to support the sector.

In recent years, AAPA ports also identified \$32.03 billion for landside infrastructure needs, which has continued to rise. Another example of this disparity in funding is the list of applicants and grantees for PIDP, a discretionary grant program administered by U.S. Department of Transportation

Maritime Administration that awards grants on a competitive basis to projects that improve safety, efficiency, and reliability of the movement of goods surrounding ports. This list shows that from 2019-2024, our ports requested over \$12 billion in funding from the program, with only about \$500 million allocated per year, meaning for every dollar awarded, ports requested \$4.50. That's an oversubscription rate of more than 4 to 1. Unfortunately, even at the height of federal port funding, the U.S. lags in comparison to China which (based on publicly available information) spends well over double the U.S in port investment. AAPA is currently researching this disparity and expects to share more in the coming months.

We also need to increase direct investments such as the Port Security Grant Program (PSGP). The PSGP is authorized by this Committee; however, it has unfortunately not been fully appropriated to its authorized level of \$400 million in well over a decade. This program is how we turn security concerns into actionable investments in resiliency. Yet, ports typically receive less than half of the Program, with the balance going to municipal police departments.

Another potential avenue for investment in American ports is through policies to manufacture and procure cargo handling equipment (CHE). Currently, China has an outsized market share of the world's port CHE because their government heavily subsidizes the industry, allowing them to sell equipment at a much lower rate than competitors. If Congress wishes to reverse this trend, we recommend implementing policies such as a qualified tax credit for U.S.-made CHE, which AAPA supports in collaboration with manufacturers. We recently brought American ports, terminal operators, equipment manufacturers, government officials, and other key stakeholders to the table to discuss how to make American-made CHE a reality. Our organization will continue leading this timely discussion when we host another meeting this spring and encourage members of this Committee to join.

While it would take years to stand up a domestic manufacturing base for the largest port equipment, in the near-term, Congress can incentivize friend-shoring with trusted allies to ensure that U.S. ports have access to secure, reliable, and modern equipment, while reducing reliance on single-source manufacturing. To incentivize procurement from our allies, we can easily streamline the waiver process for Build America, Buy American (BABA) provisions, ensuring that port infrastructure projects can proceed efficiently. Last year, Members of this Subcommittee published a report in conjunction with the Joint China – Select committee which recommended these BABA waivers and incentives for domestic manufacturing.

Another major hindrance to the growth, resilience, and modernization of ports are tariffs. Tariffs are a tax on American consumers that increase costs for businesses and individuals alike. They also reduce the efficiencies and wealth gained from trade and lower overall economic growth. America is a superpower because of free trade.

For ports specifically, tariffs lower cargo volume and throughput, which directly impacts a port's ability to raise capital for modernization, expansion, and employment, while also hampering their competitiveness in the global marketplace. Additionally, a reduction in port activity threatens thousands of American jobs tied to maritime commerce, further straining local and regional economies. A forward-thinking trade policy that minimizes unnecessary tariffs will ensure the continued vitality of U.S. ports and support economic prosperity across multiple industries.

While AAPA only advocates on behalf of U.S. port authorities, we believe that expanding our nation's investment in ports of allied countries is also critical to revitalize America's strategic maritime posture. Through programs such as the Sister Port Initiative at the Department of State, we can strengthen economic ties with Latin America and other regions, ensuring that American businesses benefit from efficient and cooperative trade. AAPA has collaborated with the State Department to set up two sister port partnerships in the past year to help foreign ports learn best practices from their American counterparts, and we look forward to continuing to participate in this program. We also continue to work closely with Latin American port authorities to promote shared economic growth and security, reinforcing U.S. influence in the hemisphere.

Chinese investment in U.S. ports is already closely controlled through robust regulatory frameworks, ensuring that any foreign investment in critical infrastructure does not pose national security threats. The Committee on Foreign Investment in the United States (CFIUS) is the primary mechanism for reviewing and mitigating any risks associated with foreign ownership or investment. CFIUS closely examines each individual investment to evaluate if it aligns with U.S. national security interests, which is a more precise approach than any blanket bans. Our current laws provide stringent oversight and protective measures to prevent exploitation or undue foreign influence.

Finally, the Coast Guard – one of many agencies overseeing and regulating ports – recently released several relevant regulations enhancing cybersecurity at ports. These include physical access safeguards on CHE sourced from China (MARSEC 105.5), restrictions on the operating systems they can run (Logink, which no U.S. ports use), and updated cybersecurity requirements (Cybersecurity in the Marine Transportation System). Additionally, ports are subjected to duplicative cyber incident reporting requirements, reporting to both the Coast Guard and CISA (CIRCA).

While maintaining the highest standard of security, it is important to recognize that discussions about Chinese investment in U.S. port terminals are properly contextualized. We are talking about minority stakes in a handful of individually leased terminals, not entire ports. A single port often consists of multiple terminals, each with separate operations and oversight.

Chairman Gimenez, Ranking Member McIver, and Members of the Subcommittee, thank you for your time and attention on our nation's ports and maritime industry. America's ports are vital to our national security, economic stability, and global trade. By making wise investments and leveraging our existing regulatory safeguards, we can, together, continue to ensure that our nation's ports remain competitive, keep America safe and secure, and realize a more prosperous and growing future for our nation and her people.

I look forward to your questions and working with this Committee to advance policies that support America's ports. Thank you.

###

TESTIMONY BEFORE THE COMMITTEE ON HOMELAND SECURITY  
SUBCOMMITTEE ON TRANSPORTATION AND MARITIME SECURITY

Examining the PRC's Strategic Port Investments in the Western Hemisphere and the  
Implications for Homeland Security

February 11, 2025

Statement by Matthew Kroenig

Vice President and Senior Director, Scowcroft Center for Strategy and Security, Atlantic Council  
Professor of Government and Foreign Service, Georgetown University

Chairman Gimenez, Ranking Member McIver, distinguished members of the committee, thank you for the opportunity to testify on the important topic of Chinese strategic port investments in the Western Hemisphere and the implications for US homeland security.

I want to assist your work by sharing insights gleaned from my more than two decades of experience working on US national security policy at the Central Intelligence Agency, Department of Defense, the Congressional Commission on the Strategic Posture of the United States, and now as a scholar at Georgetown University, and a vice president at the Atlantic Council.

My message today is simple: China's port investments in the Western Hemisphere pose a serious national security threat to the United States and its allies and partners in the region. Washington and regional states should work together to decouple from Chinese investments in ports and other areas critical to national security.

China poses the greatest contemporary threat to US national security. It is a comprehensive challenge with economic, technological, diplomatic, ideological, and military dimensions. Ultimately, the rivalry concerns the leadership of global order.

China employs overseas infrastructure investments, including in the Western Hemisphere, as part of its grand strategy. Countries in the Western Hemisphere are often attracted to China's infrastructure investments, but they come at a cost. Through its investments, China cements access to resources, captures elites, gains leverage over governments, shifts national policies in its favor, and undermines democratic norms, and transparency and environmental standards.

China's investments in ports, including in Peru and Panama, pose a number of threats to US homeland security. Chinese-operated ports are used to facilitate the shipment of fentanyl precursors to the United States. China exploits the presence of technology and access to data for an intelligence advantage. China could restrict or block access to ports, threatening American trade and economic wellbeing. In the event of a crisis or war, China could hinder the passage of American naval vessels, undermining American war plans. China could also use deep water ports to host People's Liberation Army Navy vessels, enabling the projection of military power into the Western Hemisphere.

As Secretary of State Marco Rubio correctly stated, this status quo is unacceptable. There are a number of steps the United States should take to counter Chinese port investments in the Western Hemisphere and protect US and allied security, freedom, and prosperity.

The United States should encourage countries in the Western Hemisphere to adopt a de-risking approach to China. Regional governments do not need to choose between the United States and China. They can continue lucrative trade with China in non-sensitive domains, such as agriculture. But US allies and partners should pursue a hard decoupling with China in areas of sensitive national security concern, such as: telecommunications, advanced technology, ground satellite stations, surveillance systems, military and intelligence cooperation, critical minerals, and critical infrastructure, including ports.

President Donald J. Trump said, “China is operating the Panama Canal and we didn't give it to China, we gave it to Panama, and we're taking it back.”

I applaud the Panamanian government’s subsequent decision to forgo renewal of their participation in China’s Belt and Road Initiative (BRI). Panama should use its current audit of operators in the Panama Canal area as an opportunity to sever the contracts with Chinese companies and to re-bid the contract to US or allied companies that will better ensure American and Panamanian interests.

Pressuring regional countries to de-risk from China will often be doing these countries a favor. Many Latin American countries entered into agreements with China years ago under previous governments, in a different geopolitical environment. Today, these same countries now understand that undue Chinese influence in sensitive sectors is not in their interest, but they do not have the ability to stand up to China on their own. Pointing to American pressure, as the “bad cop,” can help these countries take necessary steps that would be difficult to take on their own.

Washington cannot, however, expect regional countries to trade something for nothing.

The United States must provide credible and affordable alternatives to Chinese infrastructure investments. The US government cannot compete with Chinese-subsidized infrastructure investments on price or scale, but it has a number of other advantages.

First, it should incentivize its vibrant private sector to invest in the region. Institutions like the International Development Finance Corporation and the Export-Import Bank should continue their transformation into instruments to advance American interests in this new era of great power confrontation.

Second, the United States should leverage its global network of allies and partners for great power competition in the Global South. The European Union and US allies in the Indo-Pacific, such as Australia, Japan, and South Korea, have world class technology companies, extensive trade relationships in the Western Hemisphere, and significant foreign aid programs. To be most effective, however, the various activities should be brought together in a coordinated fashion, guided by Washington.

Third, the United States and its allies can compete on quality. While Chinese investments are often economically attractive, they come with strings attached. The United States and its free world allies can outcompete China on free and fair-trade practices, transparency, anti-corruption, rule of law, technical know-how, and high labor and environmental standards.

Finally, as the Trump administration looks to increase defense spending and debates regional priorities, it should boost the budget of US Southern Command and increase SOUTHCOM training and exercises with regional partners. In the worst-case scenarios, SOUTHCOM must be prepared to step in and secure access to ports and open sea lines of communication.

Appended to this statement is a copy of “A Strategy to Counter Malign Chinese and Russian Influence in Latin America and the Caribbean,” an Atlantic Council report I co-authored last year that explores these issues in greater detail and provides actionable recommendations.

I am honored that the Committee on Homeland Security has invited me to share my views on these challenges, and I look forward to taking your questions.



# A STRATEGY TO COUNTER MALIGN CHINESE AND RUSSIAN INFLUENCE IN LATIN AMERICA AND THE CARIBBEAN



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The **Scowcroft Center for Strategy and Security** works to develop sustainable, nonpartisan strategies to address the most important security challenges facing the United States and the world. The Center honors General Brent Scowcroft's legacy of service and embodies his ethos of nonpartisan commitment to the cause of security, support for US leadership in cooperation with allies and partners, and dedication to the mentorship of the next generation of leaders.

The Atlantic Council's nonpartisan **Adrienne Arsht Latin America Center (AALAC)** broadens understanding of regional transformations while demonstrating why Latin America and the Caribbean matter for the world. The center focuses on pressing political, economic, and social issues that will define the region's trajectory, proposing constructive, results-oriented solutions to inform public sector, business, and multilateral action based on a shared vision for a more prosperous, inclusive, and sustainable future.

The Scowcroft Center and Adrienne Arsht Latin America Center (AALAC) are grateful to Mr. Frederick Kempe and Dr. Alexander V. Mirtchev for their ongoing support of the Atlantic Council Strategy Papers Series in their capacity as executive editors.

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COVER: The Valley of Mexico from the Santa Isabel Mountain Range, 1875, by José María Velasco. Part of the Museo Nacional de Arte (MUNAL), Mexico City, Mexico. Used under a Creative Commons license.

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## Executive Summary

The United States and its allies are engaged in a global strategic competition with China and Russia. The primary theaters for this contest are Europe and the Indo-Pacific, but China and Russia also are increasing their malign influence in the Global South, including Latin America and the Caribbean. Their malign actions threaten the United States in its own hemisphere and must be a high priority for US foreign and defense policy.

The United States must actively compete with Russia and, especially, China; otherwise, nations in the region may continue to be persuaded to prioritize engagement with these autocratic rivals over the United States in all or most sectors. Unfortunately, the US approach to the region has been marked by strategic errors, including a problematic lack of attention and inadequate efforts to use all tools of national power to compete with China and Russia.

The consequences of inaction are too high. What might start, for example, as a set of seemingly harmless infrastructure projects could end up with Chinese control of vital chokepoints for sea lines of communication, such as the Panama Canal. More broadly, a failure to act appropriately now will leave the region under the influence of America's chief authoritarian rivals.

China and Russia have different goals and capabilities in the region. China seeks to leverage its economic power to increase its influence in the other areas of competition, with significant success to date, whereas Russia continues to support anti-American authoritarian regimes militarily and spread disinformation throughout the region to undermine US interests. China's economic engagement often aims to cement access to resources or shift the policies of countries in the region: guaranteeing access to critical minerals in Peru,<sup>1</sup> for example, or pushing countries to loosen ties with Taiwan.<sup>2</sup> China also operates spy stations in Cuba and has a hand in the US fentanyl epidemic that continues to cost tens of thousands of lives, with chemical precursors reaching Mexico via China. Russia, for its part, has pursued military partnerships with Cuba, Venezuela, and Nicaragua, including sending Russian forces to the region.<sup>3</sup>

A note on terminology: This paper is focused on *malign* forms of Chinese and Russian influence. Not all engagement between Latin American and Caribbean countries and China and/or Russia is inherently harmful from the perspective of US interests. This paper is concerned with countering those forms of influence that undermine the security, prosperity, and freedom of the United States and the region.

In addition to Chinese and Russian malign influence, however, the region also presents many opportunities for the United States to cultivate fruitful partnerships in the western hemisphere built on shared values. Outside of Europe and North America, the western hemisphere has boasted the highest proportion of democratically elected governments for the past three decades.<sup>4</sup> Most of the population of the region lives in a democracy, and support for democracy remains high.<sup>5</sup> There is a window of opportunity for a renewal of regional commitments to democracy and reform that the United States can—and should—capitalize on to reorient its relationship with the region.

Moreover, Latin America is home to major multinational firms that play a growing role in the global economy, and the Panama Canal serves as a vital transit point for US and global trade. The region's diverse and dynamic commercial landscape presents a compelling opportunity for mutually beneficial economic partnerships. On top of that, the region is rich in biodiversity, and regional partners could play a vital role in transitioning to clean energy and a green economy.

To address these challenges and opportunities, the Atlantic Council launched an eighteen-month project spearheaded by the Atlantic Council's Scowcroft Center for Strategy and Security in collaboration with the Adrienne Arsht Latin America Center. The project included a working group of experts, strategists, and former US and Latin American officials that met for three workshops. In addition, we commissioned five background papers that have been published alongside this final report. The project benefited greatly from the insight, experience, and expertise of the working group, and the authors are grateful for their input.

This strategy paper both reports on the depth and varied dimensions of the threats posed by China and Russia in the region and proposes a strategy to counter these threats while advancing US and regional interests.

Importantly, global and regional allies and partners will be critical to the success of this strategy. US allies in Europe and the Indo-Pacific have an interest in countering Chinese and Russian malign influence in the Global South, and Washington should harness its free world alliances and partnerships in this strategy. In addition, advancing US national interests in the hemisphere will depend on cultivating closer ties in the region by leaning into overlapping priorities and interests. Governments and populations in the region share an interest

1 "China Regional Snapshot: South America," House Foreign Affairs Committee, Office of Chairman Michael McCaul (website), last updated October 25, 2022, <https://foreignaffairs.house.gov/china-regional-snapshot-south-america/>.

2 Diana Roy, "China's Growing Influence in Latin America," Council on Foreign Relations, last updated June 15, 2023, <https://www.cfr.org/background/chi-na-influence-latin-america-argentina-brazil-venezuela-security-energy-bri->

3 *Hearings on Russia in the Western Hemisphere: Assessing Putin's Malign Influence in Latin America and the Caribbean Before the Senate Foreign Relations Subcomm. on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues*, 117<sup>th</sup> Cong. (2022) (statement of Dr. R. Evan Ellis, Senior Associate [Nonresident], Americas Program, Center for Strategic and International Studies, or CSIS), <https://www.csis.org/analysis/russia-western-hemisphere-assessing-putins-malign-influence-latin-america-and-caribbean>.

4 P. Michael McKinley, *The Case for a Positive U.S. Agenda with Latin America*, CSIS, April 22, 2021, <https://www.csis.org/analysis/case-positive-us-agenda-latin-america>.

5 Holly K. Sonneland, "Chart: Evaluating Latin American Democracies in 2022," Americas Society/Council of the Americas, January 11, 2022, <https://www.as-coa.org/articles/chart-evaluating-latin-american-democracies-2022>; McKinley, *The Case for a Positive U.S. Agenda*.



in countering malign forms of authoritarian influence. There is, of course, substantial heterogeneity across countries and operationalizing this strategy requires actions tailored to specific contexts.

This report identifies several goals to advance the security, prosperity, and freedom of the United States and Latin America and counter the malign influence of China and Russia.

First, the United States and regional partners should advance security in Latin America and the Caribbean (LAC). This will require reducing or eliminating Chinese and Russian military and intelligence activities in the region. It will also require preventing Chinese and Russian investments in sensitive national security areas. As this strategy will make plain in the following section, the United States and its allies and partners in Europe and the Indo-Pacific need to provide alternative avenues for security and intelligence cooperation and for infrastructure and technology investments.

Second, the United States should work alongside global and regional partners to enhance US and regional prosperity, predicated on free and fair trade, transparency, anti-corruption, the rule of law, and high labor and environmental standards. While the United States has already taken steps to limit ties to China in key sectors, both the United States and LAC countries will need to build on efforts to systematically “derisk” economic relationships with China and Russia including: a hard decoupling in areas of sensitive national security concern and countervailing measures such as tariffs to offset their unfair practices, while allowing or even promoting free and fair trade in nonsensitive areas such as agriculture. To reduce their vulnerability to economic coercion, countries of the region should diversify their economic partnerships, even in nonsensitive areas, to avoid becoming too dependent on

potentially hostile autocratic actors. To make up for potentially reduced Chinese and Russian trade and investment, the United States and its free world allies must offer attractive and affordable alternatives for regional economic development.

Finally, the United States and its global and regional partners should work to promote freedom, democracy, and human rights in the region. This will partly be the natural result of efforts to advance security and prosperity as Chinese and Russian malign influence is reduced and the influence of the United States and free world allies is enhanced. Advancing freedom in the region will also require countering Chinese and Russian disinformation and pressuring autocratic states in the region, while promoting democratic opposition movements.

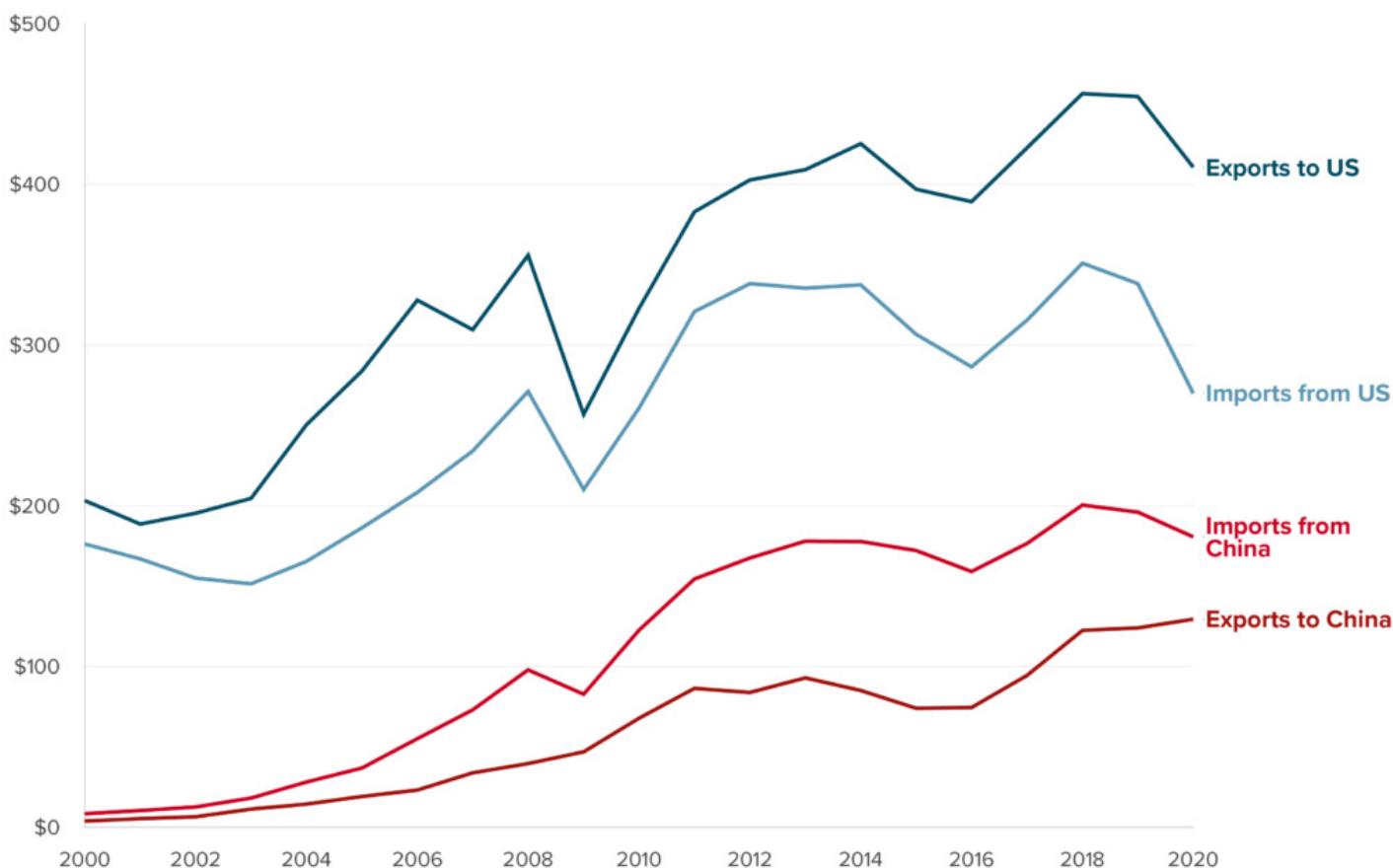
To achieve these goals, the United States should implement a strategy made up of the following four pillars:

- **Prioritize:** The United States must prioritize strategic competition with China and Russia in the western hemisphere, and in other regions around the world beyond the border regions of the Indo-Pacific and Eastern Europe. For too long, the United States has devoted insufficient attention to Latin America and the Caribbean. If the United States is to advance its interests, it must effectively counter malign influence from two adversaries in its home hemisphere.
- **Invest:** The United States must invest in American and regional innovation, private enterprise, and economic competitiveness. Much of this effort should focus on investment alternatives to companies and programs backed by the Chinese Communist Party (CCP). The United States will need to ensure it implements the appropriate domestic and foreign policies to encourage American innovation, investment in the hemisphere, and growth alongside regional partners.



## Latin American Trade with the United States and China

Despite China's various inroads in and attempts to curry favor with Latin America and Caribbean nations, at present, the United States remains the region's top trading partner, particularly in sectors of strategic importance.



- **Message:** The United States must compete more effectively in the information domain, spotlighting positive US engagement in the region, while highlighting negative forms of Chinese and Russian influence. This effort will require strategic messaging and a more robust public diplomacy apparatus.
- **Align:** While challenging today, the United States must work toward building multilateral frameworks of like-minded nations in the region (and globally) that advance mutual prosperity while being based on shared principles of respect for the rule of law, transparency, sovereignty, and the free market. There is, and for the foreseeable future will be, resistance in the region to joining coalitions with an explicitly anti-China orientation, as countries favor a diversity of partnerships. That, however, does not preclude the United States from constructing new frameworks in which to engage countries in the region, while also cultivating people-to-people connections and including other allies and partners to deepen ties in the region.

## Strategic Context

The strategy proposed in this paper seeks to counter Chinese and Russian malign influence across several domains: economic, technology, governance and diplomacy, and security. The strategy recognizes that the forms of influence undertaken in the region by China and Russia differ in nature. As the 2022 National Security Strategy states, China presents a more strategic, longer-term threat, while Russia is a more acute threat to the United States. Both powers seek to undermine US interests throughout Latin America and the Caribbean even though their regional efforts are not usually coordinated.

The most concerning elements of China and Russia's growing presence in the region are summarized herein.

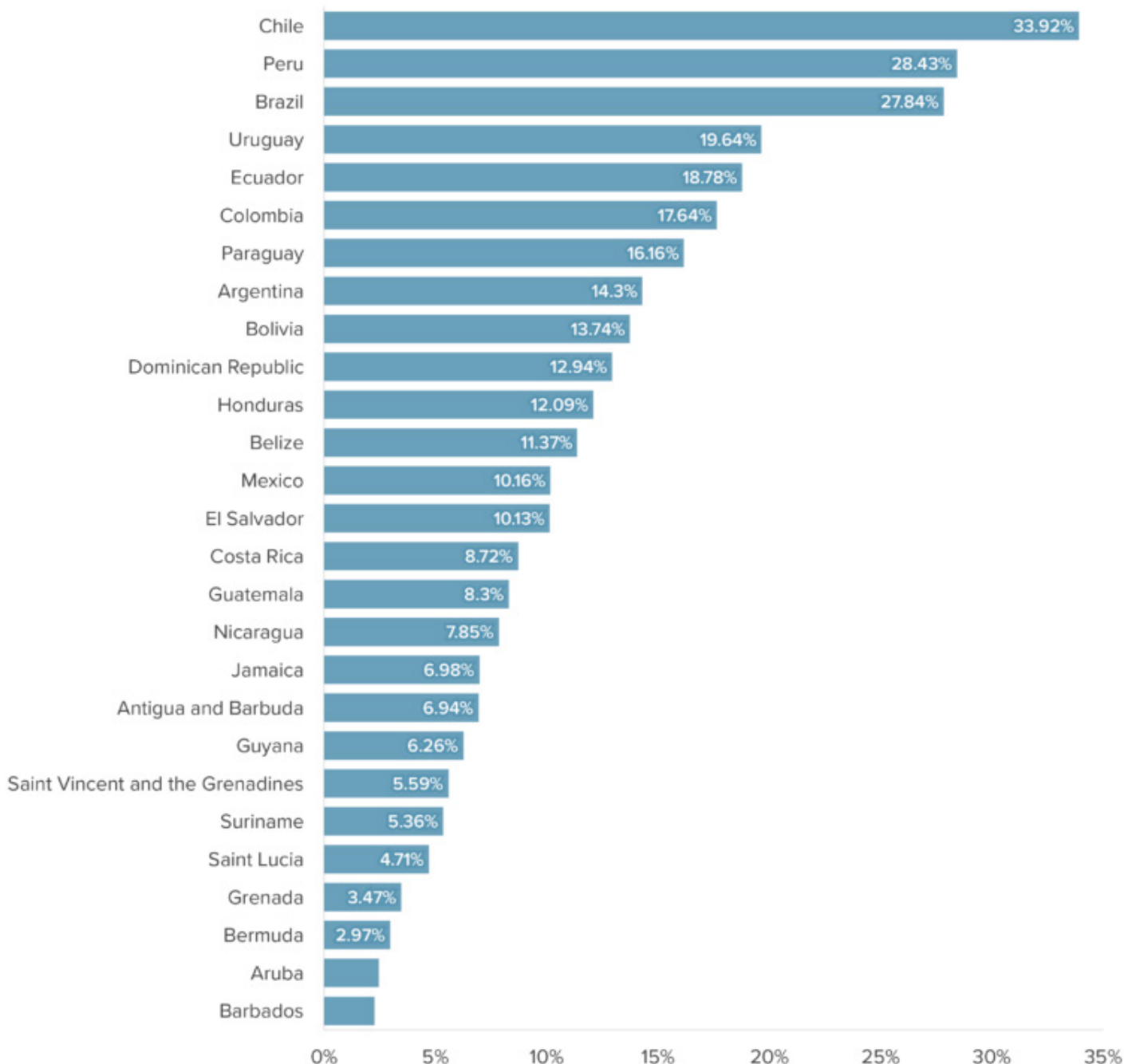
### Chinese Regional Influence

The goal of the People's Republic of China (PRC) is to supplant the United States as the world's dominant power.<sup>6</sup> In pursuit of this goal, the CCP leverages different instruments to seek greater influence in all regions of the world, including

<sup>6</sup> Rush Doshi, "The Long Game: China's Grand Strategy to Displace American Order," Brookings Institution, August 2, 2021, <https://www.brookings.edu/articles/the-long-game-chinas-grand-strategy-to-displace-american-order/>.

## Trade with China as a share of total trade

In the first two decades of the twenty-first century, China's trade with the region rose a dramatic twenty-six-fold from \$12 billion to \$315 billion, with projections estimating that these ties will more than double by 2035, reaching over \$700 billion.



Latin America and the Caribbean. In February 2023, the CCP fleshed out a vision for its Global Security Initiative, an effort to “present a more comprehensive vision of a new world order and formulate the ideological backbone for a global governance system that elevates Chinese influence at the expense

of American power.”<sup>7</sup> Increasingly, China has used its formidable economic capabilities, bolstered by Chinese activities in the energy and technology spheres, to dominate other major areas of competition, such as governance and security, which have significant and acute effects on regional stability. China’s

7 Michael Schuman, Jonathan Fulton, and Tuvia Gering, “How Beijing’s New Global Initiatives Seek to Remake the Global Order,” Atlantic Council, June 21, 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/how-beijings-newest-global-initiatives-seek-to-remake-the-world-order/>.

activities have made the CCP a powerful actor in the region and, depending on the issue and the country, the preferred partner over the United States.

China's engagement in the region is primarily economic, including substantial investments over time, which strengthens commercial ties between the region and China. Chinese economic engagement occurs through programs such as the Belt and Road Initiative (BRI) and more direct forms of bilateral trade and investment. Economic engagement often aims to cement access to resources or shift the policies of countries in the region; for example, guaranteeing access to critical minerals in Peru,<sup>8</sup> or pushing countries to loosen ties with Taiwan.<sup>9</sup> Recently, China's support for LAC nations has included both military aid and support for nations emerging from the COVID-19 pandemic, including through the provision of vaccines.<sup>10</sup> From the perspective of many in the region, China has posed as a productive and beneficial partner.

The threat posed to the US homeland by China has become clearer over the past year: a Chinese surveillance balloon traversing the United States prompted a dramatic Air Force downing off the East Coast as national news stations streamed coverage; China operates spy stations in Cuba and in the US homeland; China has a hand in the US fentanyl epidemic that continues to cost tens of thousands of lives, with chemical precursors reaching Mexico via China; and China has increased cooperation with transnational criminal organizations in the western hemisphere.

Unless the United States actively competes with China, regional nations may continue to prioritize engagement with the CCP over the United States in all or most sectors.

### **Economic Domain**

China's economic influence in the region is likely the most expansive and destabilizing for US interests.<sup>11</sup> These economic ties provide opportunities for malign influence in other areas, including governance, intelligence collection, and security. In

the first two decades of the twenty-first century, China's trade with the region rose a dramatic twenty-six fold from \$12 billion to \$315 billion, with projections estimating that these ties will more than double by 2035, reaching more than \$700 billion.<sup>12</sup> Several Latin American nations are part of the Asian Infrastructure Investment Bank, and twenty-one are now participating in the BRI.<sup>13</sup> Beijing has numerous free trade agreements with nations in the region; and PRC companies are involved in dozens of port construction projects throughout Latin America.<sup>14</sup>

As Laura Richardson, commander of the US Southern Command, noted in March 8, 2023, testimony before the House Armed Services Committee, China's investments in South America in "critical infrastructure, including deep-water ports, cyber, and space facilities," have the potential for dual use.<sup>15</sup> The CCP could, for example, use regional ports to restrict US naval activity.<sup>16</sup> Particularly concerning in this regard are Chinese companies working on, or attempting to bid on, projects related to the Panama Canal.<sup>17</sup> If China were to gain control over parts of the Panama Canal through seemingly benign infrastructure projects, then Beijing would control a vital waterway with the potential to constrain both US trade and military operations. Chinese economic activity in the region often occurs through state-owned enterprises, companies subsidized by the Chinese government, giving them a significant advantage in competing with local and international entities for various projects.<sup>18</sup>

China's economic threat to the region extends to other areas as well, including illegal and unregulated fishing, a consequence of the depletion of resources along China's own shores.<sup>19</sup>

### **Technology Domain**

China's growing investments in twenty-first century technology and infrastructure create a number of challenges for the United States, including for intelligence and securing supply chains. The Chinese technology company Huawei is responsible for sixty percent of the region's telecommunications in-

8 "China Regional Snapshot: South America," House Foreign Affairs Committee, Office of Chairman Michael McCaul (website), last updated October 25, 2022, <https://foreignaffairs.house.gov/china-regional-snapshot-south-america/>.

9 Roy, "China's Growing Influence."

10 Roy, "China's Growing Influence."

11 R. Evan Ellis, *A Strategy to Respond to Extra-Hemispheric Actors in Latin America and the Caribbean*, IndraStra Whitepapers, 2023, 13–14, <https://rev-anellis.com/A%20Strategy%20to%20Respond%20to%20Extra-hemispheric%20Actors%20in%20Latin%20America%20and%20the%20Caribbean%20-%20R%20Evan%20Ellis.pdf>.

12 Tatiana Prazeres, David Bohl, and Pepe Zhang, *China-LAC Trade: Four Scenarios in 2035*, Atlantic Council, May 12, 2021, <https://www.atlanticcouncil.org/in-depth-research-reports/china-lac-trade-four-scenarios-in-2035/>.

13 Roy, "China's Growing Influence."

14 Milton Ezrati, "China's Latin America Move," *Forbes*, accessed March 5, 2023, <https://www.forbes.com/sites/miltonezrati/2022/11/07/chinas-latin-america-move/>; and *Hearings on China's Role in Latin America and the Caribbean Before the Senate Foreign Relations Subcomm. on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues*, 117<sup>th</sup> Cong., 4 (2022) (statement of Dr. R. Evan Ellis, Senior Associate [Nonresident], Americas Program, CSIS), [https://www.foreign.senate.gov/imo/media/doc/033122\\_Ellis\\_Testimony1.pdf](https://www.foreign.senate.gov/imo/media/doc/033122_Ellis_Testimony1.pdf).

15 *Hearing Before the House Armed Services Comm.: US Military Posture and National Security Challenges in North and South America*, 118<sup>th</sup> Cong., 4 (2023) (statement of General Laura J. Richardson, Commander, United States Southern Command), <https://www.southcom.mil/Portals/7/Documents/Posture%20Statements/2023%20SOUTHCOM%20Posture%20Statement%20FINAL.pdf?ver=rxp7ePMqfX1aZVKA6dl3ww%3d%3d>.

16 *Hearing Before the House Armed Services Comm.*, 4 (statement of Richardson).

17 *Hearing Before the House Armed Services Comm.*, 4 (statement of Richardson).

18 *Hearing Before the House Armed Services Comm.*, 4 (statement of Richardson).

19 Steven Lee Myers et al., "How China Targets the Global Fish Supply," *New York Times*, September 26, 2022, <https://www.nytimes.com/interactive/2022/09/26/world/asia/china-fishing-south-america.html>.

frastructure.<sup>20</sup> Major regional players, such as Argentina and Brazil, are dependent on Huawei technology for their cellular networks.<sup>21</sup> Huawei is bound by PRC laws that obligate companies to provide information relevant to China's security to national security bodies within the PRC.<sup>22</sup> Other Chinese technologies that may pose a threat include the increasing prevalence of Chinese rideshare companies and scanner technology that collects personal data, and the emergence of "smart cities" throughout the region where Chinese companies have a significant presence.<sup>23</sup>

China also is making major investments in the region in the critical minerals necessary to many emerging technologies. Lithium is a strategically important material, essential to battery production and other technologies.<sup>24</sup> Half of the world's lithium reserves are contained in the "Lithium Triangle" nations of Argentina, Bolivia, and Chile, making the region a particularly attractive market.<sup>25</sup> Between 2000 and 2018, China poured \$73 billion into Latin America's raw materials sector with significant recent investments in lithium production.<sup>26</sup> If China gained a monopoly on critical minerals in Latin America, it could further restrict US access to vital materials needed for both the green energy transition and to develop and power emerging technologies.

Moreover, Latin America's green transition is largely funded by Beijing, with approximately 90 percent of all wind and solar technologies installed in the region having been produced by Chinese companies.<sup>27</sup> While Latin America's green transition is beneficial for the global environment, its dependence on China increases risks of coercion.

### Governance and Diplomacy Domain

Chinese economic investments allow China to exert malign influence in other ways, including on regional governance. Specifically, China has used its economic influence to push countries to end diplomatic recognition of Taiwan.<sup>28</sup> In the spring of 2023, Honduras announced that it would sever diplomatic

relations with Taiwan, becoming the fifth Central American nation to switch recognition to Beijing in the past few years, a trend indicative of Beijing's growing power.<sup>29</sup>

China is targeting international and regional institutions, such as the Organization of American States, the Inter-American Development Bank, the Caribbean Development Bank, and the Asia-Pacific Economic Cooperation, in an effort to exert greater power and control throughout the hemisphere. It does so by both diminishing US influence in these bodies and promoting its own alternative institutions such as the China Development Bank.<sup>30</sup>

China's prioritization of in-person diplomatic engagements and exchanges in the region further amplifies its malign influence. Since coming to power in 2013, President Xi Jinping has repeatedly traveled to the region, visiting at least a dozen countries.<sup>31</sup> Then-President Barack Obama made several trips to the region during his eight-year term, but presidential travel to the region has waned in recent years. President Biden has traveled to the region once since taking office in 2021, and from 2017 to 2020, President Trump made only one visit to the region, to Argentina for the Group of Twenty (G20).

China arranges other exchanges across Latin America and the Caribbean with political, business, and military leaders.<sup>32</sup> Concerningly, China also hosts meetings through CCP institutions, including the CCP International Liaison Department, to meet with political parties across the region.<sup>33</sup> Around 300 such meetings were held between 2002 and 2017, with little publicly available information on what was discussed.<sup>34</sup> Between 2020 and 2022, the United States had an opportunity to dramatically outpace China in regional engagement, given that COVID-19 restrictions significantly hampered the ability of senior Chinese officials to travel overseas. While US travel was also restricted, the constraints were less severe and did not last as long as in China. Now, however, that window has closed, and China may strive to make up for lost time in the region.

20 Celina Realuyo, "Countering China and Russia's Influence in Emerging Technologies and Cyberspace in the Americas," Paper, Atlantic Council, 2 [forthcoming]; and *Hearing Before the House Armed Services Comm.*, 5 (statement of Richardson).

21 Roy, "China's Growing Influence."

22 *Hearings on China's Role in Latin America and the Caribbean*, 6 (statement of Ellis).

23 *Hearings on China's Role in Latin America and the Caribbean*, 6–7, (statement of Ellis).

24 *Hearings on China's Role in Latin America and the Caribbean*, 3 (statement of Ellis).

25 Ezrati, "China's Latin America Move"; and Roy, "China's Growing Influence."

26 Roy, "China's Growing Influence."

27 Zdenka Myslikova, Nathaniel Dolton-Thornton, and the Conversation, "'Global China' Is a Big Part of Latin America's Renewable Energy Boom, but Homegrown Industries and 'Frugal Innovation' Are Key," *Fortune*, July 8, 2023, <https://fortune.com/2023/07/08/china-secretly-fueling-latin-america-renewable-energy-boom-chile/>.

28 *Hearings on China's Role in Latin America and the Caribbean*, 12 (statement of Ellis).

29 James Bosworth, "Taiwan Needs a New Approach in Latin America," *World Politics Review*, March 20, 2023, <https://www.worldpoliticsreview.com/honduras-taiwan-recognition-china-latin-america-investment/>.

30 "China's Engagement with Latin America and the Caribbean," CRS Report No. IF10982, Congressional Research Service, February 24, 2022, <https://sgp.fas.org/crs/row/IF10982.pdf>.

31 Roy, "China's Growing Influence."

32 Evan Ellis, "Chinese Security Engagement in Latin America," CSIS, November 19, 2020, <https://www.csis.org/analysis/chinese-security-engagement-latin-america>; *Hearing on China's Diplomatic and Political Approach in Latin America and the Caribbean Before the US-China Economic and Security Review Commission*, 117<sup>th</sup> Cong., 8 (2021) (statement of Dr. R. Evan Ellis, Latin America Research Professor, Strategic Studies Institute, US Army War College), [https://www.uscc.gov/sites/default/files/2021-05/Evan\\_Ellis\\_Testimony.pdf](https://www.uscc.gov/sites/default/files/2021-05/Evan_Ellis_Testimony.pdf); and R. Evan Ellis, *China's Advance in the Caribbean*, Wilson Center, October 2020, 5, <https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/China%E2%80%99s%20Advance%20in%20the%20Caribbean.pdf>.

33 Ryan Berg, "Chinese and Russian Influence on Governance, Institutions, and the Rule of Law in Latin America," Atlantic Council, 3 [forthcoming].

34 Berg, "Chinese and Russian Influence," 3.



China also has branched into the educational sphere, establishing Confucius Institutes across Latin America and the Caribbean to promote a positive view of China among the next generation of regional leaders.<sup>35</sup> In 2020, the United States designated the Confucius Institute US Center as a foreign mission of China due to the “opacity” and “state-directed nature” of the organization.<sup>36</sup> Chinese propaganda—through Xinhua News Agency, The People’s Daily, China Radio International, and other news and media agencies—bolsters these initiatives, amplifies CCP propaganda and misinformation, and expands China’s regional influence.<sup>37</sup>

Furthermore, competition for Chinese investment has exacerbated already pervasive networks of corruption and elite capture in the region, especially in countries with authoritarian or authoritarian-leaning regimes.<sup>38</sup> In Ecuador, for example, faulty and dangerous infrastructure projects have been negotiated in exchange for oil contracts.<sup>39</sup> Corrupt leaders, such as

Nicolás Maduro in Venezuela, are buoyed by Chinese loans and investment, at the expense of oppressed citizens.<sup>40</sup>

### Security Domain

In the security domain, increased Chinese military presence in the region is particularly alarming for US national interests given its proximity to the United States. China has targeted authoritarian and populist regimes in particular, having provided significant arms to Bolivia, Ecuador, and Venezuela.<sup>41</sup> China also supports militaries and police forces more broadly throughout Latin America and the Caribbean with training and equipment, in addition to participating in regional peacekeeping missions, exchanges, and humanitarian support through a People’s Liberation Army (PLA) hospital ship.<sup>42</sup>

In June 2023, news broke of an agreement between China and Cuba to establish a spy station to monitor signals intelligence and eavesdrop on US electronic communications.<sup>43</sup> It was later revealed that the base had been running for at

35 *Hearings on China’s Role in Latin America and the Caribbean*, 10–11 (statement of Ellis); and Ellis, *China’s Advance in the Caribbean*, 5.

36 “‘Confucius Institute U.S. Center’ Designation as a Foreign Mission,” US Department of State, August 13, 2020, <https://2017-2021.state.gov/confucius-institute-u-s-center-designation-as-a-foreign-mission/>.

37 *Hearing on China in Latin America and the Caribbean Before the U.S.-China Economic and Security Review Commission*, 117<sup>th</sup> Cong., 7 (2021) (statement of Dr. Ryan C. Berg, Senior Fellow, Americas Program, CSIS), [https://www.uscc.gov/sites/default/files/2021-05/Ryan\\_Berg\\_Testimony.pdf](https://www.uscc.gov/sites/default/files/2021-05/Ryan_Berg_Testimony.pdf).

38 Evan Ellis, *Populism, China, and Covid-19: Latin America’s New Perfect Storm*, CSIS, April 20, 2021, <https://www.csis.org/analysis/populism-china-and-covid-19-latin-americas-new-perfect-storm>.

39 Nicholas Casey and Clifford Krauss, “It Doesn’t Matter if Ecuador Can Afford This Dam. China Still Gets Paid,” *New York Times*, December 24, 2018, <https://www.nytimes.com/2018/12/24/world/americas/ecuador-china-dam.html>.

40 “China Regional Snapshot,” House Foreign Affairs Committee, Office of Chairman McCaul.

41 *Hearings on China’s Role in Latin America and the Caribbean*, 8 (statement of Ellis).

42 *Hearings on China’s Role in Latin America and the Caribbean*, 8–10 (statement of Ellis).

43 Warren P. Strobel and Gordon Lubold, “Cuba to Host Secret Chinese Spy Base Focusing on U.S.,” *Wall Street Journal*, last updated June 8, 2023, <https://www.wsj.com/articles/cuba-to-host-secret-chinese-spy-base-focusing-on-u-s-b2fed0e0>; and John Feng, “China’s Growing Clout on U.S. Doorstep,” *Newsweek*, June 16, 2023, <https://www.newsweek.com/china-us-cuba-spying-influence-latin-america-caribbean-1806510>.



least four years.<sup>44</sup> Beijing maintains ground satellite stations in Bolivia, Brazil, Ecuador, and Venezuela, and the largest space facility outside of China is in Argentina.<sup>45</sup> The space stations could be used to collect intelligence and intercept information from the United States.<sup>46</sup> The station in Argentina is particularly worrisome given the lack of access and oversight for Argentine officials.<sup>47</sup> A subentity of the PLA's Strategic Support Force (overseeing space, cyber, and electronic warfare) had been allowed access to two antennae out of the Santiago Satellite Station in Chile, which is owned and operated by the Swedish Space Corporation (SSC). In 2020, the SSC announced that it would not renew contracts allowing Beijing use of its Australian facilities due to concerns about intelligence gathering and surveillance, but there was no indication this would affect contracts with China in other parts of the world.<sup>48</sup>

## Russian Regional Influence

Russia's activities in the region center on primarily two objectives: first, orienting nations away from the United States, especially with military equipment and security cooperation and often in the service of buttressing authoritarian governments; and second, using propaganda and information warfare to curry favor with local governments and fuel anti-American sentiment. Russia does not have the economic and military might of China, and its activities in the region therefore are not as pervasive. Although Russian activity poses a less serious threat to US strategic interests in the region, countering Russian malign influence will advance American national security objectives and complement efforts to mitigate the threats posed by the increasing CCP presence throughout Latin America and the Caribbean.

In contrast to China's approach, Russia's engagement in the region is more opportunistic and sporadic in its effort to orient countries away from the United States. Russia has pursued military partnerships with Cuba, Venezuela, and Nicaragua. This has included dispatching Russian troops, planes, and ships to the region.<sup>49</sup> In the aftermath of Russia's invasion of Ukraine, Russia has sought to convey that it does not want countries to

have to choose sides between Russia and the United States when, in fact, it has used its war to drive a wedge in Western relationships with countries in the region.<sup>50</sup> Russia has encouraged the idea that US support for Ukraine and attempts by the United States to persuade Latin American countries to condemn Russia and support Ukraine is a form of modern-day imperialism.<sup>51</sup> This view has been amplified through Russia's use of disinformation and misinformation, which is primarily spread through media organizations, such as Sputnik Mundo and RT en Español. In the energy sector, Russia has its most significant investments in Venezuela, where Russian oil companies are well represented. In the wake of a full European Union embargo on Russian oil products, Russia has significantly boosted its exports to Brazil, Panama, Uruguay, Cuba, and other countries in the region.<sup>52</sup>

## Economic Domain

Russia's economic inroads in Latin America and the Caribbean, though less extensive than China's, cannot be ignored. Through the BRICS group (i.e., Brazil, Russia, India, China, and South Africa, with six additional nations to join in 2024), Russia has sought to undermine the US dollar through the establishment of a rival BRICS currency. The feasibility of this initiative is questionable, but its support among BRICS nations—and other countries harboring dollar-denominated debt—should be cause for concern to the United States.<sup>53</sup> While many factors militate against a complete transition away from US dollar dominance, the Atlantic Council's Carla Norrlof has warned, "For the first time since the collapse of the Bretton Woods gold standard, we are seeing a systemic limit on the dollar centered economic order and US foreign policy."<sup>54</sup>

Cultivating economic ties with economies in Latin America has helped Russia bolster its resilience against Western sanctions and restrictions. Following the invasion of Ukraine, Russian exports to Brazil, one of the largest economies in Latin America, surged by 106 percent.<sup>55</sup> In April 2023 alone, Brazil's imports of Russian oil rose by 53 percent, compared to a less than 1 percent surge the prior year.<sup>56</sup> US-led global efforts to

44 Karoun Demirjian and Edward Wong, "China Has Had a Spy Base in Cuba for Years, U.S. Official Says," *New York Times*, June 10, 2023, <https://www.nytimes.com/2023/06/10/us/politics/china-spy-base-cuba.html>.

45 Roy, "China's Growing Influence."

46 Matthew P. Funairole et al., "Eyes on the Skies: China's Growing Space Footprint in South America," CSIS, October 4, 2022, <https://features.csis.org/hid-denreach/china-ground-stations-space>.

47 *China's Role in Latin America and the Caribbean*, 6 (statement of Ellis).

48 Funairole et al., "Eyes on the Skies."

49 *Hearings on Russia in the Western Hemisphere*, (statement of Ellis).

50 Kirk Randolph, "Lavrov in Latin America: Russia's Bid for a Multipolar World," United States Institute of Peace, April 27, 2023, <https://www.usip.org/publications/2023/04/lavrov-latin-america-russias-bid-multipolar-world>.

51 Randolph, "Lavrov in Latin America."

52 "Russia Boosts Diesel Exports to Latin America Since EU Embargo," Reuters, April 10, 2023, <https://www.reuters.com/business/energy/russia-boosts-diesel-exports-latin-america-since-eu-embargo-2023-04-10/>; and *Hearings on Russia in the Western Hemisphere*, (statement of Ellis).

53 Joseph W. Sullivan, "A BRICS Currency Could Shake the Dollar's Dominance," *Foreign Policy*, April 24, 2023, <https://foreignpolicy.com/2023/04/24/brics-currency-end-dollar-dominance-united-states-russia-china/>.

54 Carla Norrlof, *Dollar Dominance: Preserving the US Dollar's Status as the Global Reserve Currency*, Atlantic Council, June 8, 2023, <https://www.atlantic-council.org/commentary/testimony/dollar-dominance-preserving-the-us-dollars-status-as-the-global-reserve-currency/>.

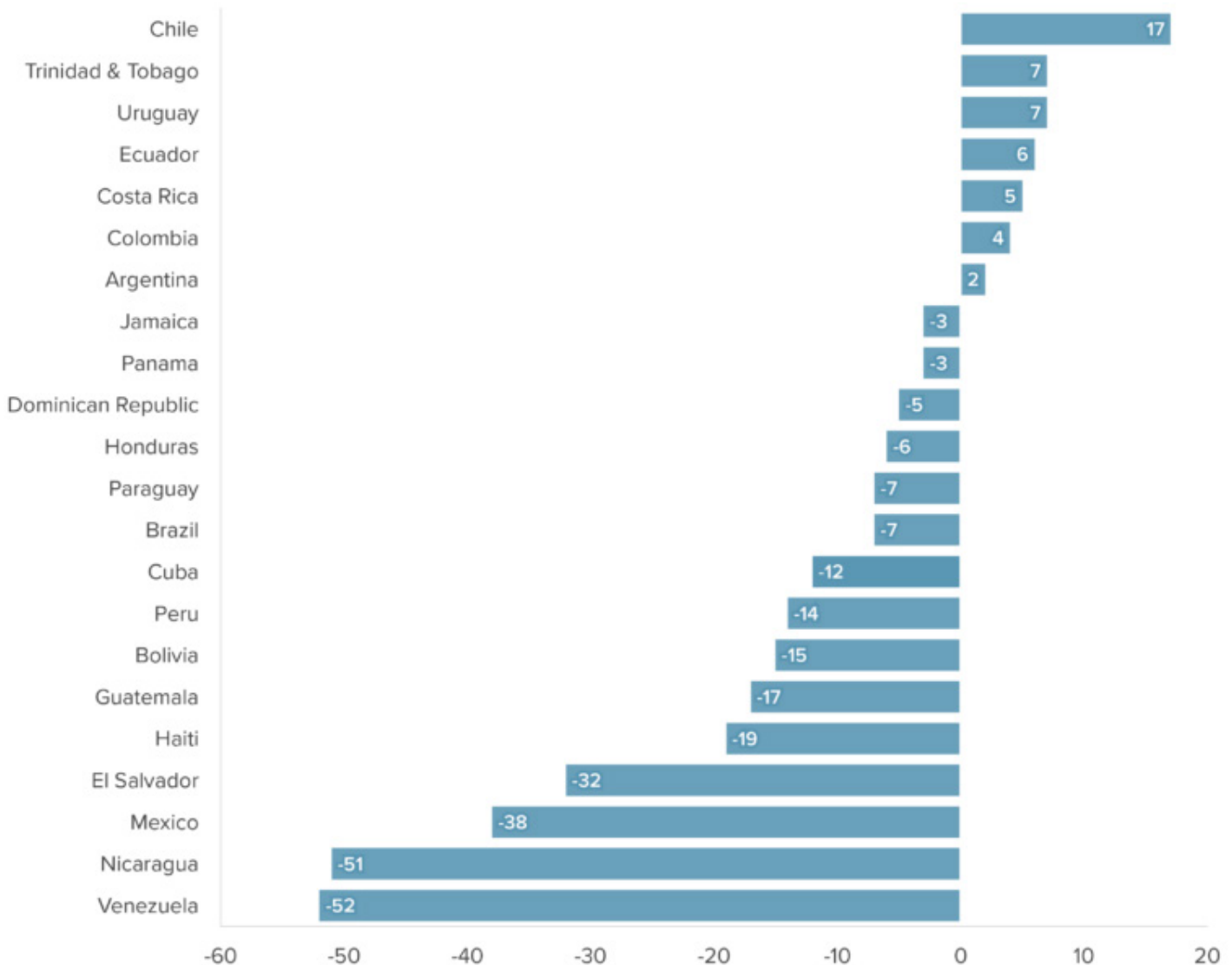
55 Lazaro Gamio and Ana Swanson, "How Russia Pays for War," *New York Times*, October 30, 2022, <https://www.nytimes.com/interactive/2022/10/30/business/economy/russia-trade-ukraine-war.html>.

56 "Brazil Imports of Russian Diesel Seen Surging to 53% in April: Report," Reuters, April 11, 2023, <https://www.reuters.com/markets/commodities/brazil-imports-russian-diesel-seen-surging-53-april-report-2023-04-11/>.



## Changes in Latin America and Caribbean country index rankings over a 10 year period

Globally, democratic norms and freedoms have been on a decline, and the Latin American and Caribbean region is without exception. Russian and Chinese autocratic influences only exacerbate these conditions. However, recent renewals of regional commitments to democracy and reform present a window of opportunity to combat this negative trend



Source: Economist Intelligence • Change in ranking of Latin American countries calculated based on 2012/2022 rankings. Change in ranking of Caribbean countries calculated based on 2013/2023 rankings.

economically isolate the Kremlin have not resonated in Latin America as they did in Europe.

### **Governance and Diplomacy Domain**

Russia's most prominent activity in the region arguably concerns the spread of disinformation and propaganda, which

pumps out anti-American sentiment. Russia's messaging apparatus is among the region's most formidable,<sup>57</sup> leveraging social media platforms including Twitter, Instagram, Facebook, and WhatsApp, bot technologies, and state disinformation outlets such as RT and Sputnik to spread narratives favorable to Moscow, undermine democratic institutions, and foment

57 Ilan Berman, "Russia's Propaganda Is More Persuasive Than We Think," *Newsweek*, January 5, 2023, <https://www.newsweek.com/russias-propaganda-more-persuasive-we-think-opinion-1771678>.

discord.<sup>58</sup> Russian information warfare has had notable success in Latin America, leveraging Spanish-language news media. RT en Español, for example, has sixteen million Facebook followers, which is triple the number of its English-language alternative.<sup>59</sup> Russia's efforts have borne fruit. In Mexico, 34 percent of people in one survey said they had a somewhat or very favorable view of Russia.<sup>60</sup>

Russia has focused particular attention on a concentrated set of anti-American, authoritarian states. Under Putin, Russia has continued close cooperation with Venezuela, Cuba, and Nicaragua, supporting these regimes through the use of military, economic, and political aid. Nevertheless, since launching its full-scale invasion of Ukraine, Russia has made overtures to states across the region, trying to diminish support for Washington and Kyiv. This has included deepening ties with Argentina, Mexico, and Brazil, all three of which abstained from a resolution approved at the Organization of American States to expel Russia as an observer nation.<sup>61</sup>

### Security Domain

A legacy of Russia's Cold War foray into the western hemisphere is the continued use of Soviet-era military equipment by countries across the region, including US partners. Since the end of the Cold War, Russia has continued military sales to its allies in the region. Russia's military support to the region has primarily centered on assistance to Cuba, Venezuela, and Nicaragua. Russia has provided substantial security support to all three regimes in the form of advanced equipment, arms, training, and troops.<sup>62</sup> American partners in the region including Colombia and Peru continue to use Russian equipment, and Brazil has explored modernizing its military through Russian equipment in the past.<sup>63</sup> Overall, the share of Russian arms sales to Latin America was approximately 20 percent between 2000 and 2017—about the same percentage as US sales to the region.<sup>64</sup>

Although Russian military activities are limited in scope in Latin America and the Caribbean, particularly as compared to China, they still provide a potential “port of entry” for Moscow.<sup>65</sup> For example, Russia maintains a permanent military presence of between 200 and 300 troops in Nicaragua.<sup>66</sup> Nicaragua is also home to a base for the GLONASS satellite system, Moscow's homegrown equivalent to the US-developed Global Positioning System (GPS).<sup>67</sup>

Through opaque organizations created under the guise of fostering economic and trade partnerships, the Kremlin has expanded its already extensive intelligence and cyber capabilities to the western hemisphere. A prime example is Russia's National Committee for the Promotion of Economic Trade with Countries of Latin America (NC SESLA), chaired and led by former high-level officials involved with Soviet and later Russian intelligence security services.<sup>68</sup> NC SESLA is a grouping of companies that provide intelligence and surveillance, including one that built a multibillion-dollar secure communications network for the Russian military.<sup>69</sup>

Regionally, Russia has expanded the use of its surveillance tool, the System for Operative Investigative Activities (SORM), which has the ability to intercept phone conversations, written communications, and track other internet-based communications. SORM has been exported to countries including Nicaragua and Venezuela.<sup>70</sup> In Russia, SORM is regularly weaponized against political opponents, dissidents, and activists to monitor and clamp down on their activities.<sup>71</sup>

### Opportunities for Positive US and Allied Engagement in Latin America and the Caribbean

In addition to the challenges posed by increasing Chinese and Russian influence, there are many positive reasons for the United States and its global allies and partners to engage the region. Latin America and the Caribbean are home to just under 660 million people, many of whom share a commitment

58 *Hearings on Russia in the Western Hemisphere*, 4 (statement of Ellis).

59 David Klepper and Amanda Seitz, “Russia Aims Ukraine Disinformation at Spanish Speakers,” Associated Press, April 2, 2022, <https://apnews.com/article/russia-ukraine-ap-top-news-facebook-europe-media-fb3758a9a1f182558976a3a4f3b121dd>.

60 Moira Fagan, Jacob Poushter, and Sneha Gubbala, “Overall Opinion of Russia,” Pew Research Center, July 10, 2023, <https://www.pewresearch.org/global/2023/07/10/overall-opinion-of-russia/>; and Richard Wike et al., “International Views of Biden and U.S. Largely Positive,” Pew Research Center, June 27, 2023, <https://www.pewresearch.org/global/2023/06/27/international-views-of-biden-and-u-s-largely-positive/>.

61 David J. Kramer, “Russia and Latin America After February 24,” George W. Bush Presidential Center, October 31, 2022, <https://www.bushcenter.org/publications/russia-and-latin-america-after-february-24>.

62 *Hearings on Russia in the Western Hemisphere*, 1 (statement of Ellis); Berg, “Chinese and Russian Influence,” 2; and John E. Herbst and Jason Marczak, “Russia's Intervention in Venezuela: What's at Stake?,” Policy Brief, Atlantic Council, September 2019, <https://www.atlanticcouncil.org/wp-content/uploads/2019/09/Russia-Venezuela-Policy-Brief.pdf>.

63 *Hearings on Russia in the Western Hemisphere*, 10–13 (statement of Ellis).

64 Julia Gurganus, *Russia: Playing a Geopolitical Game in Latin America*, Carnegie Endowment for International Peace, May 3, 2018, <https://carnegieendowment.org/2018/05/03/russia-playing-geopolitical-game-in-latin-america-pub-76228>.

65 *Hearings on Russia in the Western Hemisphere*, 6 (statement of Ellis).

66 Douglas Farah and Marianne Richardson, *Dangerous Alliances: Russia's Strategic Inroads in Latin America*, Institute for National Strategic Studies, 2022, 18–19, <https://ndupress.ndu.edu/Portals/68/Documents/stratperspective/inss/strategic-perspectives-41.pdf>.

67 Stephen Blank, “Russia's Ongoing Impact in Latin America,” Jamestown Foundation, April 11, 2023, <https://jamestown.org/program/russias-ongoing-impact-in-latin-america/>.

68 Farah and Richardson, *Dangerous Alliances*.

69 Farah and Richardson, *Dangerous Alliances*.

70 Robert Muggah, “With Russian Support, Nicaragua Smothers Dissent,” *Foreign Policy*, March 9, 2023, <https://foreignpolicy.com/2023/03/09/nicaragua-or-tega-crackdown-surveillance-authoritarianism-russia-opposition-dissent/>.

71 James Andrew Lewis, “Reference Note on Russian Communications Surveillance,” CSIS, April 18, 2014, <https://www.csis.org/analysis/reference-note-russian-communications-surveillance>.



to democracy, human rights, and sovereignty, as laid out at the Inter-American Democratic Charter, adopted in 2001 by all members of the Organization of American States.<sup>72</sup> In 2018, 25 percent of immigrants to the United States were from Mexico and another 25 percent were from elsewhere in Latin America. Across the region, 84 percent of the population still lives in a democracy, and while the percentage is declining, a large share of Latin Americans still see democracy as the ideal form of government.<sup>73</sup>

Latin America is home to major multinational firms that play a growing role in the global economy. In 2019, Brazil ranked third worldwide among countries that had companies attain “unicorn status,” with valuations of \$1 billion or more.<sup>74</sup> The region also contains the Panama Canal, which is critical for US and global trade. Forty percent of US container traffic makes its way through the Panama Canal, which transports \$270 billion in goods every year. The canal is especially important for US agricultural and energy exports, reducing the cost and time needed to transport goods to Asia.<sup>75</sup> The region’s diverse and

dynamic commercial landscape presents a compelling opportunity for mutually beneficial economic partnerships.

Latin America and the Caribbean contain 40 percent of the world’s biodiversity and 57 percent of its primary forests. The region’s forests and mangroves act as a carbon sink, holding ten times the amount of carbon that China creates each year.<sup>76</sup> Moreover, collaboration is urgently needed to address the effects of climate change on shipping through the Panama Canal, where low waters and changing weather patterns are negatively affecting trade.<sup>77</sup> When President Biden made his first calls to leaders in Argentina, Chile, and Costa Rica, he discussed climate change with his counterparts.<sup>78</sup> The LAC region has a vital role to play in the transition to clean energy and a green economy.

### Strategic Errors by the United States

The United States has made four strategic errors that have enabled China and Russia to develop increasing influence throughout Latin America and the Caribbean. These errors can and should be corrected.

72 “Population, Total-Latin America & Caribbean,” World Bank, accessed September 13, 2023, <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ZJ>; and Antony J. Blinken, “20th Anniversary of the Inter-American Democratic Charter,” Press Statement, US Department of State, September 16, 2021, <https://www.state.gov/20th-anniversary-of-the-inter-american-democratic-charter/>.

73 Sonneland, “Chart.”

74 McKinley, *The Case for a Positive U.S. Agenda*.

75 Lori Ann LaRocco, “U.S. Trade Dominates Panama Canal Traffic. New Restrictions Due to ‘Severe’ Drought Are Threatening the Future of the Shipping Route,” CNBC, June 24, 2023, <https://www.cnbc.com/2023/06/24/us-trade-dominates-panama-canal-traffic-a-drought-is-threatening-it.html>.

76 Gregory Watson, Xavier Debadé, and Alejandra Paris Gallego, “Nature for Latin America and the Caribbean’s Prosperity,” Inter-American Development Bank, March 13, 2023, <https://blogs.iadb.org/sostenibilidad/en/nature-for-latin-america-and-the-caribbeans-prosperity/>.

77 Somini Sengupta, “Climate Risks Loom Over Panama Canal, a Vital Global Trade Link,” *New York Times*, August 25, 2023, <https://www.nytimes.com/2023/08/25/climate/panama-canal-drought-global-trade.html>.

78 Lisa Viscidi, “Let’s Work with Latin America to Fight Climate Change,” *New York Times*, January 11, 2021, <https://www.nytimes.com/2021/01/11/opinion/biden-climate-change-latin-america.html>.



The United States has paid a problematic lack of attention to the region, which has resulted in the United States ceding unnecessary ground to China and Russia. This has been driven by a lack of adequate prioritization of Latin America and the Caribbean in strategic competition. This lack of attention has resulted in diminished resources and focus that could have been devoted to building strong, results-oriented partnerships that counter Chinese and Russian malign influence. Correcting this problem is a necessary step to success in the region and the United States must reprioritize the region amid new realities of strategic competition with China and Russia.

In addition, the United States has inadequately utilized all tools of national power to compete with China and Russia in Latin America and the Caribbean, especially with regard to fully utilizing economic tools and strategic messaging to counter Chinese and Russian malign influence.

Furthermore, there has been a failure to develop serious alternatives to the proposals and partnerships offered by China and Russia in the region. The United States must develop alternatives to Chinese regional projects, particularly in the economic sphere, and be clear that partnering with the United States offers a better path for independence, growth, and sovereignty.

Finally, the historic policies of the United States toward the region have bred distrust. During the height of the Cold War, and in the early part of the twentieth century, the United States regularly interfered in the domestic affairs of Latin American nations. Trust between many countries in Latin America and the United States is still low. Both China and to a lesser extent Russia lack the previous history of intervention in the region.

Failure to correct these errors and turn to a better strategy will have grave consequences for the United States. Should Chinese and Russian malign influence continue to grow unabated in the region, the geostrategic picture will be bleak for the United States. Technology and digital infrastructure in Latin America and the Caribbean will be closely tied to Chinese enterprise. This could increase vulnerability to Chinese intelligence gathering, while also enabling China to embed autocratic norms in the region's technological infrastructure. The net effect will be to corrode democracy and bolster authoritarian actors. The region will increasingly depend on China for trade and investment, including in sectors critical to national security. Democracy will retreat as China and Russia buttress authoritarian regimes and sow disinformation that undermines support for democracy. The consequences of inaction are too dire to keep making the same mistakes.

## Goals

To correct past mistakes, seize opportunities in the region, and counter Chinese and Russian malign influence, the United States and its global and regional allies and partners should pursue a new strategy for the western hemisphere. A good strategy starts with clear goals.

This report identifies several goals to advance the security, prosperity, and freedom of the United States and LAC and counter the malign influence of China and Russia.

- **Security:** The United States and regional partners should advance security in LAC. This will require reducing or eliminating Chinese and Russian military and intelligence activities in the region. It also will require preventing Chinese and Russian investments in sensitive national security areas. As this strategy will make plain in the following section, the United States and its allies and partners in Europe and the Indo-Pacific need to provide alternative avenues for security and intelligence cooperation and for infrastructure and technology investments.
- **Prosperity:** The United States should work alongside global and regional partners to enhance US and LAC prosperity, predicated on free and fair trade, transparency, anti-corruption, the rule of law, and high labor and environmental standards. The United States should build on its existing efforts and work with the region to derisk economic relationships with China and Russia. To make up for potentially reduced Chinese and Russian trade and investment, the United States and its free world allies must offer attractive and affordable alternatives for regional economic development.
- **Freedom:** The United States and its global and regional partners should work to promote freedom, democracy, and human rights in the region. This will partly be the natural result of efforts to advance security and prosperity as Chinese and Russian malign influence is reduced and the influence of the United States and free world allies is enhanced. Advancing freedom in the region will also require countering Chinese and Russian disinformation and pressuring autocratic states in the region, while promoting democratic opposition movements.

In pursuing this strategy, the United States should consider the following four benchmarks of success over the coming decade and beyond:

- **Chinese and Russian malign influence across critical domains identified in this paper (e.g., economy, governance, etc.) does not significantly advance and, in fact, is reduced.** The United States must take steps in the immediate term to prevent irreversible advancement by China and Russia across the domains under study. These efforts will be particularly important in sectors of acute relevance to US national security, such as the military and technological domains. Evidence of this objective being achieved would include a slowdown in new BRI or other Chinese investments and infrastructure projects, reduced or nonexistent efforts at further space and satellite cooperation, etc. At the same time, the United States would have begun working in earnest with regional partners to strengthen cooperation in these and other areas.
- **Critical national security sectors are secure.** The United States has secured key sectors from malign Chinese and Russian influence, ensuring that foreign competitors and adversaries do not have undue access to critical components of regional infrastructure, technology, and security. The United States is therefore insulated from potential

vulnerability in areas that could have direct and significant effects on US national security. Through partnerships with regional nations, the United States and the region enjoy secure supply chains, communication lines, critical infrastructure, and resource access.

- **America is the partner of choice for the region, economically and in other areas.** Much of China's malign influence in the region is linked to its economic relationships. Russia, albeit at a smaller scale, has also indicated a willingness to invest in multiple sectors across Latin America and the Caribbean. If successful, the United States will achieve measurable improvement in its level of trade, investment, and commercial partnerships in the region built on the basis of fairness, reciprocity, free market principles, transparency, and mutual benefit. It will have stepped up significantly on bilateral trade, investment, and other economic engagements throughout the region. The United States and US companies are also the favored partners in technology and security agreements. Respect for free markets, private-sector development, and innovation is increasingly the norm across the region in concert with expanded US-regional economic partnership.
- **Democratic principles and human rights are strengthened.** Democratic backsliding initially recedes, reversing recent trends towards autocracy. Indexes show authoritarian inroads diminishing, and even signs of democratic improvement on benchmarks assessing rule of law, open markets, and governance. Ultimately, governance in the region trends toward increased accountability, transparency, and respect for the rule of law, and away from authoritarianism, with increases in civil liberties and individual freedoms across the region.

## Elements of the Strategy

To achieve the goals outlined above, this strategy consists of four elements: prioritize, invest, message, and align. These pillars of action will make the United States and its free-world allies more competitive as a partner for Latin American and Caribbean countries, not only because of the values the United States espouses—importantly including respect for the rule of law, sovereignty, and independence—but also because the United States and its allies can offer compelling alternatives that will benefit these nations in multiple ways, including boosting economic prosperity, safeguarding democracy and freedom, and improving security. Some actions may need to precede others, though they should not necessarily be interpreted as sequential pillars.

Within these pillars, the United States and its allies should employ all tools of national power, including: economic, diplomatic, and military. Competing economically helps counter China in all domains. Improved diplomacy, including public diplomacy, counters the malign influence of China and Russia in the disinformation sphere and helps to ensure that the nations of the region understand the United States seeks to meaningfully engage the region as a trustworthy, reliable partner. Military engagement also has an important role to play, though the United States should eschew an overly militaristic approach, which risks fostering distrust given the history of US interventions in the region.

One key idea that cuts across the pillars outlined below is the need to derisk relations with China and Russia. Derisking is predicated on four components: First, the United States and Latin American countries should decouple from China in areas sensitive to national security. This includes leveraging tools



such as investment screening and export restrictions. Second, in areas where unfair trade practices are employed, the United States and regional countries should counter with tariffs or other countervailing measures. Third, consistent with the principle outlined at the start of the paper that not all forms of Chinese and Russian influence are malign, free and fair trade can continue in areas of minimal national security risk. Finally, as a rule, the United States and Latin American allies and partners should diversify economic relationships, even in nonsensitive areas, to reduce vulnerability to coercion.

### Prioritize

The United States and its allies must begin to prioritize the strategic importance of the western hemisphere in their broader national security strategy. US leadership in the region is critical to advancing US national security and prevailing in strategic competition around the world. The United States and its allies must place a high priority on dialogue and partnerships with nations in this region even as they continue to advance their interests in other important regions, such as Europe, the Indo-Pacific, and the Middle East.

For too long, the United States has taken the Latin American and Caribbean region for granted and failed to adequately recognize that the countries in the region are important partners. Success in strategic competition will demand a change in mindset that highlights the urgency of countering Chinese and Russian power in the home hemisphere of the United States. Nevertheless, the United States should not frame its engagement in the region only as a means to counter China and Russia; rather, the United States must also recognize the broader strategic importance of strong relationships with its Latin American and Caribbean neighbors.

Applying the aforementioned tools, the United States can prioritize Latin America and the Caribbean in several ways. Economically, the United States needs to devote substantial attention to the strategic sectors of energy, technology, space, and critical minerals, among others, where Chinese dominance and malign influence could more significantly undermine US interests. Already, the United States has taken some steps toward this end in recent years. For example, both the Trump and Biden administrations called for reviews of the US critical minerals supply chain and directed federal resources to strengthen the US mining sector. The launch of the Minerals Security Partnership in June 2022 was a good step,<sup>79</sup> but the failure to include any South American nations is a key oversight, and the United States should work to engage regional partners in the effort.<sup>80</sup>

Relatedly, the United States can reform its bureaucracy to better enable it to compete in the region. The Treasury and Com-

merce Departments, along with various economic entities in the US government, should be empowered and encouraged to lead efforts to more effectively engage in the region. While the State Department and Defense Department are vital for US foreign policy, economic institutions will be particularly important given China's leveraging of its economic heft in the western hemisphere. For many countries in the region, economic aid and fruitful commercial partnerships are a priority over other forms of engagement.

Still, the State Department, in particular, has an important role to play. Congress and the executive branch need to come to terms on ambassadorial appointments, ensuring the United States does not leave its embassies underserved in the region. Currently, seven ambassadorial appointments in the region are vacant.<sup>81</sup> In general, the United States must place a higher priority on direct engagement with the region by increasing the number of bilateral and multilateral engagements between regional actors and leading US national security, foreign policy, and economic officials. This LAC outreach includes, but is not limited to, increasing the number of state visits with nations, presidential and cabinet-level travel, and interagency cooperation as applicable. The United States must also prioritize attendance of high-ranking officials at regional and international fora. Since taking office, President Biden has visited Mexico but not South America. Secretary of State Antony Blinken has traveled more broadly, visiting nine countries in the region. A presidential trip to South America should be top of mind for President Biden and would be a clear way to show a commitment to the region.

The United States should also develop positions or offices within bureaus dedicated to addressing the challenge of strategic competition in Latin America. US officials should encourage allies and partners to develop similar, counterpart entities in order to facilitate coordination on policy toward the region.

This could also bolster US efforts to promote democracy in countries such as Venezuela, Cuba, and Nicaragua. As our colleagues Hardy Merriman, Patrick Quirk, and Ash Jain suggest in the context of advancing democracy broadly, "Departments and agencies within the US government should set up working groups to review options and establish improved processes for supporting [pro-democracy civil resistance] movements." The executive branch should position itself to be able to jump into action to support civil resistance movements, including through training.<sup>82</sup>

In the context of security cooperation, the United States can streamline provisions that make it harder to compete with Rus-

79 See "Minerals Security Partnership," US State Department (website), accessed January 15, 2024, <https://www.state.gov/minerals-security-partnership/#:~:text=Initial%20Announcement%20of%20the%20MSP,2022%2C%20Under%20Secretary%20Jose%20W.>

80 Zongyuan Zoe Liu, "How to Secure Critical Minerals for Clean Energy without Alienating China," Council on Foreign Relations, May 25, 2023, <https://www.cfr.org/blog/how-secure-critical-minerals-clean-energy-without-alienating-china>.

81 "Tracker: Current US Ambassadors," American Foreign Service Association, accessed January 17, 2024, <https://afsa.org/list-ambassadorial-appointments>. Ambassadorial nominations are pending for The Bahamas, Colombia, Haiti, and Peru.

82 Hardy Merriman, Patrick Quirk, and Ash Jain, *Fostering a Fourth Democratic Wave: A Playbook for Countering the Authoritarian Threat*, Atlantic Council, 2023, <https://www.atlanticcouncil.org/wp-content/uploads/2023/05/Fostering-a-Fourth-Democratic-Wave-A-Playbook-for-Countering-the-Authoritarian-Threat.pdf>.



sia, which has been a willing supplier of military equipment and training across the region. One such way to do so would be by reforming the “Leahy law,” the US government provision that prevents funds from going to train or equip armed forces accused of human rights violations. The process by which the State Department evaluates partner countries’ suitability for military assistance is lengthy and opaque, potentially causing yearslong delays to the establishment of security partnerships. Finding ways to make the process transparent and shorter—while maintaining its efficacy and integrity—would facilitate greater US military cooperation in the region. One way to do so would be to amend the condition that aid be suspended to an entire unit if one member of the unit is implicated in violating human rights. The current law states that aid cannot resume until the recipient country deals with the alleged offender, a process that is lengthy and may not ever occur. Streamlining access to arms sales, training, and intelligence cooperation would position the United States as a compelling alternative to China or Russia and demonstrate a commitment to regional security.

Moreover, and also in the security domain, the US Southern Command is underfunded relative to other commands, despite the fact that its responsibilities focus on areas in proximity to the United States.<sup>83</sup> Congress should increase funding for SOUTHCOM so that it can advance its mission and facilitate security partnerships in the region. SOUTHCOM also has a role to play in securing freedom of navigation in the western hemisphere and countering illegal or unregulated fishing that threatens maritime ecosystems and resource access for Latin American countries. This could take the form of more frequent deployment of US Navy or Coast Guard vessels to the region. Allies and partners with sufficient naval or coast guard capacity could also contribute, demonstrating broader free world resolve to uphold free seas and protect resources from predatory actors.

The United States also needs to prioritize border security to control migration and the flow of fentanyl and other drugs. While tougher security measures will help, this strategy will also incentivize migrants to stay in Latin America, as fruitful partnerships foster freedom and prosperity in the region.

Furthermore, the United States and its free world allies can increase development aid to the region. Between 1946 and 2019, the United States provided over \$93 billion of assistance to Latin America and the Caribbean.<sup>84</sup> While US assistance to the region peaked following President John F. Kennedy’s 1961 introduction of the Alliance for Progress (an anti-poverty initiative aimed at countering Soviet and Cuban influence), assistance steeply declined following the dissolution of the Soviet Union. Following its substantial fiscal year 2022 request, the Biden administration “requested more than \$2.4 billion of State Department- and USAID-managed foreign assistance for

Latin America and the Caribbean in FY 2023, which (in current dollars) is more funding than has been allocated to the region in any single year in more than a decade,” according to the Congressional Research Service.<sup>85</sup> While this is a positive trend, just over \$2 billion is not much money for a region comprising more than thirty countries.

Finally, the United States should reinvigorate its capacity to engage in robust public diplomacy and strategic messaging. This was an essential component of the US victory in the Cold War, and the US government should leverage strategic messaging to sound the alarm frequently and loudly on China’s predatory economic practices. The State Department’s Global Engagement Center and Voice of America (VOA), which enjoys wide reach in the region, should be adequately resourced and employed to promote US interests in the region. The Global Engagement Center, for example, is a critical player in US efforts to combat disinformation and propaganda. Beyond naming-and-shaming instances and perpetrators of disinformation, additional resources for Latin America-focused initiatives could buttress the center’s efforts to develop programs that build societal resilience to authoritarian narratives.

### **Invest**

Countering malign influence in the region will require the United States and its allies to diminish China’s troubling economic partnerships and investments in the region while boosting US and allied investment. To compete effectively, however, the United States must offer compelling alternatives. Competing will be more difficult in certain instances given the advantages the CCP has in exerting government control over business and society in China.<sup>86</sup> However, to date, the United States has not truly prioritized such competition.

Whereas the first pillar focuses on *prioritizing* engagement through, for example, high-level visits, adequately resourcing tools such as foreign aid and public diplomacy, and reforming regulations, this pillar explores ways the United States can *invest* in the region to offer compelling alternatives to China and Russia.

Toward this end, the United States and its allies should pursue trade, investment, and market integration with nations in the region based on principles of fairness, reciprocity, mutual benefit, and transparency. These will provide frameworks that will help to facilitate greater private-sector interaction between countries. Whereas China is more apt to leverage the power and wealth of the state, the United States’ prime economic asset is its strong private sector. Thus, any action that unleashes the US private sector to engage directly in the region is a boon to US efforts to encourage investment.

To achieve this, the United States must invigorate the various agencies that support US enterprises seeking to do business

83 Svetlana Shkolnikova, “Senators Call for Increased Funding for Poorly Resourced US Southern Command,” *Stars and Stripes*, March 24, 2022, <https://www.stripes.com/theaters/americas/2022-03-24/southcom-funding-senators-china-russia-defense-budget-5465561.html>.

84 Peter J. Meyer, “U.S. Foreign Assistance to Latin America and the Caribbean: FY2023 Appropriations,” CRS Report No. R47331, Congressional Research Service, January 6, 2023, <https://sgp.fas.org/crs/row/R47331.pdf>.

85 Meyer, “U.S. Foreign Assistance to Latin America and the Caribbean.”

86 Ellis, “A Strategy to Respond to Extra-Hemispheric Actors,” 19–20.

with foreign partners. The Export-Import Bank of the United States' China and Transformational Export Program (CTEP), for example, aims to aid exporters facing unfair competition from the PRC in foreign markets.<sup>87</sup> These entities elevate the competitiveness of the US private sector in international markets and actively compete with the global expansion of PRC investments and funding. Increased investment, support, and promotion of CTEP and other similar funding mechanisms will make the United States more competitive in the region.

The US International Development Finance Corporation (DFC) is another entity the United States can leverage to invest in the region and spur economic development. It can play an important role, for example, in supporting a healthy economy of small- and medium-sized enterprises. Just last year, for example, the DFC provided financing for small- and medium-sized enterprises in Paraguay.<sup>88</sup>

There also are opportunities to work through multilateral entities to advance commercial ties and encourage fruitful engagement between the public and private sectors. The Biden administration has begun taking steps to do this by, for example, committing in 2022 to provide a capital increase for IDB Invest, the private-sector arm of the Inter-American Development Bank.<sup>89</sup>

Relatedly, US government officials should work with regional counterparts and private-sector leaders to promote cooperation and joint ventures, particularly in sectors with critical national security implications. These actions would strengthen supply chains by advancing ally- and partner-shoring in the region. For example, the United States should deepen its relationships with countries in the Lithium Triangle, especially Chile and Argentina. Argentina's acceptance into the BRICS group of nations should serve as a wake-up call for the United States. In response, the United States should double down on economic aid and investment in the country, offering alternatives to China through investing in infrastructure and helping to modernize the Argentine military.

The United States and its allies should take an active role in promoting and building up local tech companies across the region, offering incentives for small start-ups to partner with American and allied tech giants. Currently, Huawei, the Chinese telecom giant, has cemented itself as a major player in the region due to its cost efficiency. Chinese subsidies make the cost of infrastructure and network service significantly lower than that of unsubsidized competitors, and the company operates on a massive scale relative to global competitors in its space. To technologically compete, the United States and its allies must present a viable, more cost-efficient alternate.

Given its size, dislodging Huawei will be difficult in the near term; therefore, the United States should first work with allies and partners to promote cost-effective digital-infrastructure partnerships with companies such as Nokia, Ericsson, and Samsung, both seeking ways to scale up Huawei competitors and make alternatives to Huawei more financially viable.

In addition, the United States and its allies should promote investment in and partnerships with the local technology ecosystems of countries across the region. This approach will have multiple benefits: it leverages engagement with allies and partners, including regional partners, to create a more diverse digital ecosystem that China is less capable of dominating.

One criticism of derisking is that countries cannot afford to derisk (e.g., Huawei is a more affordable partner than Samsung). As this section outlines, however, the way to address this is by investing in a diverse ecosystem of alternatives. For the sake of preserving democratic norms, derisking is an imperative, not a choice.

Most of the world's identified lithium reserves are found in this region, and lithium is critical for myriad technologies today, including electric vehicle batteries. Prospects for closer ties with Chile and Argentina may be more realistic in the near term than with Bolivia, the third country in the triangle, given tensions over human rights and drug trafficking.

Congress has a critical role to play in supporting capacity-building efforts and deepening security partnerships. Pending legislation such as the 2023 Western Hemisphere Partnership Act and the Caribbean Basin Security Initiative Authorization Act aim to strengthen the institutional and technical capacities of regional partners' military and law-enforcement institutions and advance democratic governance. There are provisions for arms sales, military aid, training, and more and both the Senate and the House must work to pass this legislation.

Similarly, the United States should strive to position itself as a more attractive partner in emerging domains such as outer space. China has pursued a bilateral model of engagement with Latin American countries when it comes to space, signing agreements with Argentina, Bolivia, Chile, Ecuador, and Venezuela.<sup>90</sup> Cooperation on space topics is realized through China's Space Information Corridor, part of the BRI.<sup>91</sup> Russia, for its part, has focused on space cooperation through the BRICS group.<sup>92</sup> Whether through government-to-government engagement (e.g., via NASA) or through private-sector partnerships (e.g., via SpaceX), the United States should pursue clos-

87 "China and Transformational Exports Program," US Export-Import Bank, accessed September 13, 2023, <https://www.exim.gov/about/special-initiatives/ctep>.

88 "DFC Provides More Than \$100 Million in Financing to Bolster Health, Agriculture, and Financial Inclusion in Latin America," US International Development Finance Corporation, June 10, 2022, <https://www.dfc.gov/media/press-releases/dfc-provides-more-100-million-financing-bolster-health-agriculture-and>.

89 "Statement on Capital Increase for IDB Invest," Inter-American Development Bank, June 10, 2022, <https://www.iadb.org/en/news/statement-capital-increase-idb-invest>.

90 Aleksandra Gadzala Tirziu, "China, Latin America and the New Space Race," Geopolitical Intelligence Services, July 4, 2023, <https://www.gisreportson-line.com/r/china-space-latin/>.

91 Tirziu, "China, Latin America and the New Space Race."

92 "Russia Offers BRICS Partners a Module on Its Planned Space Station," Reuters, July 24, 2023, <https://www.reuters.com/world/europe/russia-offers-brics-partners-module-its-planned-space-station-2023-07-24/>.



er ties to the region on space. NASA Administrator Bill Nelson had a fruitful trip to the region earlier this year, for example, during which Argentina signed onto the Artemis Accords, a US-led multilateral effort to expand space exploration. The US government should build on this progress, promote deeper regional engagement via the Artemis Accords, and expand multilateral astronaut training programs.<sup>93</sup>

## Message

The United States needs to compete more effectively in the information space, denying China and Russia opportunities to shape narratives in the region that are favorable to them without pushback. This requires robust diplomatic engagement, and a strengthened public diplomacy apparatus. The United States should make its presence in the region felt, proffering democratic norms, spotlighting its positive engagement, and warning of the dangers of negative forms of Chinese and Russian influence.

Toward this end, there are a number of steps the United States should take. Active, regular engagement in regional multilateral fora will be important for the United States to shape the direction of these entities. The United States should also confirm a regular timeline for the Summit of the Americas to convene.

It is unrealistic and impractical to expect Latin American and Caribbean countries to cease accepting investments from China or Russia, especially as LAC countries do receive some tangible benefits from engagement. On the other hand, in ad-

dition to making itself an attractive partner, the United States can provide input on best practices to build a robust regional infrastructure for reviewing foreign investments in areas critical to national and regional security. Currently, countries in the region, with the exceptions of Mexico and Brazil, have some of the lowest restrictions.<sup>94</sup>

As noted earlier in the paper, the United States should rein-vigorate institutions dedicated to strategic messaging and public diplomacy. VOA maintains significant capabilities to circumvent restrictions in areas where access to information is restricted.<sup>95</sup> A key part of this strategy will require that VOA prioritize the LAC region as a domain for strategic messaging. This messaging should stress that there is a clear difference between partnering with the United States versus with China or Russia, as the former can offer partnerships built on shared democratic principles and a heightened emphasis on transparency and respect of sovereignty, while the latter will seek a predatory advantage even if there is some near-term economic gain for both parties.

This messaging can use as its foundation the clear success of the rules-based international system over the past seven decades. Indeed, since the end of World War II, there has been unprecedented peace, prosperity, and freedom throughout the world when looking at metrics such as wartime casualties, gross domestic product per capita, and the increasing number of democracies globally.<sup>96</sup> Adherence to the norms and institutions of the rules-based international system has, and

93 C. Todd Lopez, "Space Plays Larger Role in US Southern Command's Mission," US Southern Command, August 4, 2023, <https://www.southcom.mil/ME-DIA/NEWS-ARTICLES/Article/3484881/space-plays-larger-role-in-us-southern-commands-mission/>.

94 "OECD Foreign Direct Investment Regulatory Restrictiveness Index," Organisation for Economic Co-operation and Development, accessed September 13, 2023, <https://goingdigital.oecd.org/indicator/74>.

95 "Audience and Impact: Overview for 2022," US Agency for Global Media, [https://www.usagm.gov/wp-content/uploads/2023/01/USAGM\\_Audience\\_and\\_Impact\\_Report\\_2022.pdf](https://www.usagm.gov/wp-content/uploads/2023/01/USAGM_Audience_and_Impact_Report_2022.pdf).

96 Ash Jain and Matthew Kroenig, *Present at the Re-Creation: A Global Strategy for Revitalizing, Adapting, and Defending a Rules-Based International System*, Atlantic Council, 2019, 14–15.



will be, a boon to human rights, anti-corruption efforts, and the rule of law in Latin America.

The US government should also leverage strategic messaging to counter Chinese and Russian disinformation in Latin America and the Caribbean. These messaging efforts should aim to prevent China and Russia from undermining democratic norms and institutions.

Empowering and engaging with local civil-society organizations is one means toward this end. For example, nongovernmental organizations and grassroots-led groups across Latin America have raised concerns about the environmentally harmful impacts of Chinese investments in the region.<sup>97</sup> Through entities such as the National Endowment for Democracy, the United States can strengthen these voices and also support other programs, including digital literacy efforts to build resilience to disinformation.

Finally, the United States should make clear what it is doing to support the region. For example, the United States substantially leads China in providing humanitarian assistance and disaster relief to the region. The United States must learn to highlight the real benefits it provides to nations across the region.<sup>98</sup> Furthermore, the United States remains the largest trade partner in Latin America as a whole, despite China's inroads.<sup>99</sup>

Public diplomacy efforts should also be complemented by behind-the-scenes, senior engagement between US officials and their counterparts, in which negative potential consequences of partnering with China (and the benefits of partnering with the United States) are repeated frequently. As noted earlier in this paper, the United States does not do a good enough job convincing countries of the risks posed by malign influence. Even reports from earlier this year of a Chinese spy base in Cuba were met with little publicly expressed concern by countries in the hemisphere, apart from the United States.<sup>100</sup> As one study noted, projects associated with Chinese infrastructure investment regularly posed several challenges to recipient nations, including severe financial burdens, a lack of transparency, and harm to local economies and environments. These risks need to be stated clearly and repeatedly, while positive alternative options for partnership are put forward.<sup>101</sup>

## Align

The final pillar of this strategy is for the United States to work toward building multilateral frameworks, cultivating peo-

ple-to-people connections, and deepening ties in the region with the help of other allies and partners. Any multilateral framework must offer tangible results to all partners and should be based on shared principles of respect for the rule of law, transparency, sovereignty, and the free market.

Toward this end, beyond just cultivating one-off trade agreements, the United States should seek to bring countries together, in either broad regional partnerships or minilateral groupings around matters such as equitable labor and environmental standards. China has faced protests in the region due to its support of projects with weaker environmental safeguards, for example, and partnerships around common principles could reduce Beijing's ability to compete in the region. Indeed, by forming coalitions around high standards for economic partnerships, the United States and regional partners can ensure a level playing field for their citizens to challenge lower quality CCP projects.

At the 2022 Summit of the Americas, the United States unveiled the Americas Partnership for Economic Prosperity.<sup>102</sup> However, the partnership has several shortcomings: it does not include the lowering of tariffs or offer other market incentives.<sup>103</sup> The Biden administration should prioritize making the Americas Partnership into a robust, lasting entity with continuity across future presidents, and a goal of the next summit should be to work toward concrete steps to open markets.

The United States should rally its allies in the free world to address the threats posed by Chinese and Russian malign influence in LAC. US officials should put concrete steps for countering these adversaries in the region on its agenda during bilateral and multilateral engagements with allies and partners.

The United States also should nurture people-to-people connections with the broader regional populace. One way to do this would be increasing the number of Fulbright scholarships that the United States offers and broadening the number of countries across the region in which Fulbright scholars can study and teach. Currently, Fulbright grants are not available to a number of countries in the region; expanding access to these grants can allow for the creation of greater and more lasting cultural connections. The United States should also devote additional resources to exchange programs, allowing more students from the region to study in the United States.

If the United States is able to offer compelling alternatives to China and Russia, particularly as an economic and security

97 Fermín Koop, "Latam NGOs Raise Concerns on Chinese Investments to UN body," *Diálogo Chino*, March 17, 2023, <https://dialogochino.net/en/infrastructure/364274-latin-american-ngo-concerns-chinese-investments-un/>.

98 Craig Fallor and Patrick Paterson, *Weathering the Storms Together: Improving US Humanitarian Efforts*, Atlantic Council, March 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/report/humanitarian-aid-defining-new-areas-of-us-lac-collaboration/>.

99 Roy, "China's Growing Influence."

100 Igor Patrick, "Why Reports of Chinese Spy Base in Cuba Are Met with Shrugs in Latin America, Where US Influence Is Waning," *South China Morning Post*, July 1, 2023, <https://www.scmp.com/news/china/article/3226144/why-reports-chinese-spy-base-cuba-are-met-shrugs-latin-america-where-us-influence-waning>.

101 Daniel Kliman et al., *Grading China's Belt and Road*, Center for a New American Security, April 8, 2019, <https://www.cnas.org/publications/reports/beltandroad>.

102 Steven Overly, "Biden's 'Ambitious' Economic Plan for Latin America Offers a 'Social Contract,' Not Trade Agreements," *Politico*, June 7, 2022, <https://www.politico.com/news/2022/06/07/biden-economic-partnership-americas-summit-00037621>.

103 Overly, "Biden's 'Ambitious' Economic Plan for Latin America."

partner, then it should be in a stronger position to build formal or semiformal multilateral partnerships in the region. Absent mutual benefits and transparency, the United States has little hope of bringing together regional partners. Key to this is building resilience among like-minded states so that they are able to resist the incentives offered by China and Russia.

In addition, apart from forming formal or ad hoc coalitions, the United States should play a leading role in regional organizations to ensure they are resourced sufficiently to execute their missions and that malign regional actors do not undermine these institutions' respect for principles such as rule of law and open markets.

Finally, the United States should engage its European and Indo-Pacific allies and support their existing endeavors aimed at fortifying their respective relationships with Latin America and the Caribbean. For the past decade, foreign direct investment from the European Union has outstripped that of the United States.<sup>104</sup> As part of its Global Gateway scheme, the European Union has sought to establish a rival BRI, with a €45 billion investment.<sup>105</sup> By combining their efforts and enacting joint region-specific strategies, the United States and Europe could collectively engage Latin America and the Caribbean and reduce authoritarian influence.

The Biden administration's announcement in September 2023 of a new Partnership for Atlantic Cooperation is a welcome step in the direction of greater transatlantic integration, including African partners. For now, the Partnership will focus on science and technology, a sustainable ocean economy, and climate change, with initial work "including scientific cooperation and shared research, information and maritime awareness, and development of a cadre of young Atlantic scientists."<sup>106</sup> This could serve as a stepping stone to deeper, formalized North and South Atlantic integration around a broader array of issues.

America's Asian partners, such as Japan and South Korea, should also play a role going forward. Both countries have recognized the value of engaging with LAC nations. Japan's then foreign minister, Yoshimasa Hayashi,<sup>107</sup> visited five coun-

tries in the region in spring 2023.<sup>108</sup> South Korea has an impressive trade relationship with the region, reaching a value of \$57 billion in trade in 2021.<sup>109</sup> The United States could promote engagement between its Asian partners and LAC nations through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Chile, Mexico, and Peru are all members, while Ecuador, Costa Rica, and Uruguay have applied to join. South Korea is seen as a potential applicant and its joining would further bind a key Asian ally with US partners in the western hemisphere.<sup>110</sup>

As a step toward integrating democratic allies and partners into a common alliance or partnership focused on technological innovation and norms, the United States and European Union should include regional representatives from Latin America in meetings of the US-EU Trade and Technology Council.

The United States also should work closely with allies and partners in the political realm, coordinating responses to violent repression by governments in the region and responding with multilateral punitive actions, including sanctions.<sup>111</sup>

In the long term, the United States should work toward integrating Latin American partners into a broader Democratic Trade and Economic Partnership, as proposed by one of the authors, Matthew Kroenig, and our colleague Ash Jain.<sup>112</sup> Toward this end, as the United States and its allies derisk their supply chains to minimize the involvement of China and Russia, they should encourage production on friendly shores in Latin America. A formal partnership or framework for cooperation would strive to better integrate democratic economies across the world in order to reduce strategic dependence on China and secure supply chains, while reducing trade and investment barriers.<sup>113</sup>

In sum, these four elements of the proposed strategy rely heavily on three particular tools of statecraft: economic influence, strategic messaging, and diplomacy. These recommendations are not intended to be at the expense of other important avenues of activity or potentially useful tools of implementation. However, this report does recommend the prioritization of these tools for maximum impact in targeting

104 *Foreign Direct Investment in Latin America and the Caribbean 2020*, United Nations Economic Commission for Latin America and the Caribbean, December 2020, <https://www.cepal.org/en/publications/46541-foreign-direct-investment-latin-america-and-caribbean-2020>.

105 Philip Blenkinsop and Andrew Gray, "EU Aims to Be 'Partner of Choice' for Latam, Caribbean in Pivot from China, Russia," Reuters, July 18, 2023, <https://www.reuters.com/world/eu-seeks-revive-latam-caribbean-ties-it-turns-away-china-russia-2023-07-17/>.

106 "Fact Sheet: 32 Countries Launch the Partnership for Atlantic Cooperation," White House Briefing Room, September 18, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/09/18/fact-sheet-32-countries-launch-the-partnership-for-atlantic-cooperation/>.

107 He now serves as chief cabinet secretary.

108 "Foreign Minister Hayashi's Visit to Latin America and the Caribbean," Ministry of Foreign Affairs of Japan, May 7, 2023, [https://www.mofa.go.jp/la\\_c/m\\_ca\\_c/page6e\\_000347.html](https://www.mofa.go.jp/la_c/m_ca_c/page6e_000347.html).

109 Mauricio Mesquita Moreira and Marcelo Dolabella, "Korea and Latin America and the Caribbean: Partners for Sustainable Trade and Investment," Inter-American Development Bank, September 29, 2022, <https://blogs.iadb.org/integration-trade/en/korea-and-latin-america-and-the-caribbean-partners-for-sustainable-trade-and-investment%ef%bf%bc/>.

110 Nick Perry, "Britain Officially Joins Asia-Pacific Trade Group That Includes Japan, 10 Others," ABC News, July 16, 2023, <https://abcnews.go.com/Business/wireStory/britain-officially-joins-asia-pacific-trade-group-includes-101320505>.

111 Merriman, Quirk, and Jain, *Fostering a Fourth Democratic Wave*, 17.

112 Ash Jain and Matthew Kroenig, *A Democratic Trade Partnership: Ally Shoring to Counter Coercion and Secure Supply Chains*, Atlantic Council, June 1, 2022, <https://www.atlanticcouncil.org/in-depth-research-reports/report/strategic-decoupling-building-a-democratic-trade-and-economic-partnership-d-tep/>.

113 Jain and Kroenig, *A Democratic Trade Partnership*.

the key areas of Chinese and Russian malign influence in the region. US activity will enable Washington to achieve the objectives defined in the goals section of this report.

## Guidelines for Implementation

- **Coordination and elevation of the Latin American and Caribbean bureaus within the US government.**

Successful execution of the strategy outlined in this paper requires robust staffing and resourcing of western hemisphere bureaus in the US government. The National Security Council, the Departments of Defense, State, Treasury, and Commerce, and the intelligence agencies, at a minimum, should increasingly look to invest in policies and personnel that emphasize expertise and focus on Chinese and Russian malign influence. It is essential that these agencies work in partnership, via coordination through the National Security Council, to ensure that goals are pursued in concert. It will be particularly vital that the economically focused staff at the Treasury and Commerce Departments, USAID, and the Development Finance Corporation, as well as within the White House and NSC, are closely integrated with bureaus and directorates focused on the security and technological implications of malign Chinese and Russian influence in the region.

- **Engagement with private-sector enterprises.** This strategy also depends on significant engagement with the private sector to ensure that the United States and its allies can offer competitive development, investment, and technological alternatives to those offered primarily by China. The US government must also work with companies to encourage “friend-shoring” supply lines to the western hemisphere and away from China through tax incentives or other means that boost their competitiveness when competing for contracts abroad. The US government should adopt domestic policies that favor innovation, business growth, and investment within the hemisphere.
- **Focus on substantive outcomes over mere rhetorical inroads.** Strategic messaging is a key component of the strategy outlined herein, but such messaging must be utilized to attain substantive outcomes. As such, it must be complemented by the economic and diplomatic tools of American power (outlined above). The United States must make real progress on developing sustainable partnerships. The Americas Partnership for Economic Prosperity, in its current form, is an example of a rhetorical inroad that has so far failed to advance key substantive outcomes. Announcements of future US engagement must include concrete policy developments that clearly boost investment and engagement in the region while having the buy-in of local partners.

## Risks, Criticisms, and Alternatives

- **Risks of economically based strategy relying on non-government efforts.** Relying on cooperation between the US government and the private sector must contend

with the difficulty of executing this effort in a democratic system. In contrast, the Chinese Communist Party, a totalitarian regime, exerts full control over every facet of Chinese society. The CCP’s ability to promote its companies through state-owned enterprises and subsidies puts US companies at a strategic disadvantage in certain instances. At the same time, the CCP can exert leverage over its companies and private industry in a way that the United States simply cannot do by virtue of its free and democratic system of government. Nonetheless, the US task does not have to be so complex. In fact, Washington needs to have national security priorities brought into its economic policy decision-making. The government should step up on this. Moreover, over the long term, the advantages of the US system of government should result in more innovation and prosperity: the key will be developing the right incentives and domestic policies to spur American innovation, research, and business. It is therefore essential that the national security apparatus of the US government work in concert with the economic agencies and Congress to ensure that American business thrives.

- **Opportunistic fence-sitting by countries in the region.**

Countries in Latin America and the Caribbean may seek close ties with both the United States and its competitors. Indeed, countries may voice support for US policies while still pursuing investments from or partnerships with China or Russia. This is a reality that the United States currently faces in Asia, where many of its key trade and security partners continue to maintain ties to Russia and China. To overcome this, the United States needs to pursue the strategy outlined here in a sustained, deliberate manner, with particular concentration on serving as an attractive partner that can offer greater benefits than others.

## Conclusion

Countering Chinese and Russian malign influence in the western hemisphere is an urgent and important challenge for the United States. Addressing it requires a clear set of goals, which this paper has sought to outline, as well as a defined set of pillars for achieving those goals. The United States needs to respect regional agency and diversity as it pursues this strategy, acknowledging that countries will likely still choose to engage with China and Russia to a certain extent.

Nevertheless, by following the strategy outlined here, the United States and its allies will be able to strengthen partnerships in the region, while diminishing Chinese and Russian malign influence across the economic, technology, governance and diplomacy, and security domains. In short, the United States and its free world allies will emerge as a favored partner and advance peace, prosperity, and freedom in the region for decades to come.



## About the Authors



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