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# DOLLAR DIPLOMACY OR DEBT TRAP? EXAMINING CHINA'S ROLE IN THE WESTERN HEMISPHERE

## HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE, CIVILIAN SECURITY, AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

May 9, 2019

**Serial No. 116–36**

Printed for the use of the Committee on Foreign Affairs

Available: http://www.foreignaffairs.house.gov/, http://docs.house.gov, or www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

36–227PDF WASHINGTON : 2019

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# DOLLAR DIPLOMACY OR DEBT TRAP? EXAMINING CHINA'S ROLE IN THE WESTERN HEMISPHERE

**Thursday, May 9, 2019**
**House of Representatives**
**Subcommittee on the Western Hemisphere, Civilian Security and Trade**
**Committee on Foreign Affairs**

*Washington, DC*

The committee met, pursuant to notice, at 10:03 a.m., in room 2172 Rayburn House Office Building, Hon. Albio Sires (chairman of the subcommittee) presiding.

Mr. SIRES. Good morning. This hearing will come to order. "Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere" will focus on China's growing role in Latin America, as well as its implication on United States national security.

Without objection, all members may have 5 days to submit statements, questions, and extraneous material for the record subject to the length limitation in the rules. I will now make an opening statement and then turn it over to the ranking member for his opening remarks.

Good morning, everyone. And thank you to our witnesses for being here today. I have long felt the United States does not spend enough time engaging with our own hemisphere. It is my view that on the successive administrations, both Democratic and Republican, the United States has played too little a attention to Latin America and the Caribbean. And it is now clearer than ever that China is filling the void.

Since 2002, China's annual trade with the region has increased from $17 billion to $300 billion. Seventeen countries in the region have now joined its Belt and Road Initiative. The Chinese Government has provided over $140 billion in loans to Latin American countries. And China has now surpassed the U.S. as the top trade partner for Brazil, Chile, and Peru.

Some of China's investments had helped countries build much-needed roads and bridges. However, I have deep concerns about the negative financial impact of many of these projects on our allies. Moreover, I believe China's involvement in the region poses significant national security challenges that we need to examine much closer.

In Venezuela, China has propped up a brutal dictator, providing $70 billion that enabled Maduro and his cronies to plunder State resources while mortgaging the country's future.

China's State-backed telecom giant ZTE has helped the Maduro regime develop a system of social control to monitor people's activi-

ties and voting behavior and distribute or withhold State resources depending on their loyalty to the regime.

In Ecuador, China has constructed a multi-billion dollar dam that is an engineering nightmare. The Coca Coda Sinclair Dam is only 2 years old but has thousands of cracks. It is routinely clogged with debris, and it sits next to an active volcano. In the words of Ecuador's energy minister, "China took advantage of Ecuador."

Now Ecuador is exporting 90 percent of its oil to China to pay back the debt for this disastrous dam.

China's engagement goes well beyond securing access to natural resources. Chinese State-backed companies have carried out over 20 port projects, obtaining access to strategic waterways like the Panama Canal and creating serious security concerns for the U.S. Its telecommunications companies ZTE and Huawei have built networks in at least 24 countries, despite their record of stealing intellectual properties and helping the Communist Party conduct spying and surveillance.

In the last 3 years, China has worked aggressively to isolate Taiwan, successfully persuading Panama, the Dominican Republic, and El Salvador to no longer recognize Taiwan. China also pursued an ambitious soft power agenda, opening more than 40 Confucius Institutes and bringing Latin American journalists to China to expose them to propaganda that whitewashes the Communist Party's repression of its own people.

We need to be clear-eyed about China's ambitions and the impact it is having in the region. And, we should meet the challenges of China's rise by deepening U.S. engagement with our own hemisphere, not by cutting our diplomatic and foreign assistance programs.

I look forward to hearing from the experts with us today about what the U.S. can do in coordination with our allies to address the China challenge and advance our shared interests.

Thank you. And I now turn to the ranking member, Mr. Yoho, from Florida.

[The prepared statement of Mr. Sires follows:]

**House Committee on Foreign Affairs**
**Western Hemisphere Subcommittee**

**Chairman Albio Sires (D-NJ)**

**Opening Statement –**
**"Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere"**
**Thursday, May 9, 2019**

- **Good Morning everyone and thank you to our witnesses for being here today.**
- **I have long felt the United States doesn't spend enough time engaging with our own hemisphere.**
- **It is my view that under successive administrations—both Democratic and Republican—the U.S. has paid too little attention to Latin America and the Caribbean.**
- **And it's now clearer than ever that China is filling the void.**
- **Since 2002, China's annual trade with the region has increased from 17 billion dollars to over 300 billion dollars.**
- **17 countries in the region have now joined its Belt and Road Initiative.**
- **The Chinese government has provided over 140 billion dollars in loans to Latin American countries.**
- **And China has now surpassed the U.S. as the top trade partner for Brazil, Chile, and Peru.**
- **Some of China's investments have helped countries build much-needed roads and bridges.**
- **However, I have deep concerns about the negative financial impact of many of these projects on our allies.**
- **Moreover, I believe China's involvement in the region poses significant national security challenges that we need to examine much more closely.**
- **In Venezuela, China has propped up a brutal dictatorship, providing nearly 70 billion dollars that enable Maduro and his cronies to plunder state resources while mortgaging their country's future.**
- **China's state-backed telecoms giant, Z-T-E, has helped the Maduro regime develop a system of social control to monitor people's activities and voting behavior and distribute or withhold state resources depending on their loyalty to the regime.**
- **In Ecuador, China constructed a multi-billion-dollar dam that is an engineering nightmare.**

- **The Coca Coda Sinclair dam is only two years old, but has thousands of cracks, is routinely clogged with debris, and sits next to an active volcano.**
- **In the words of Ecuador's energy minister, "China took advantage of Ecuador."**
- **Now Ecuador is exporting 90 percent of its oil to China to pay back the debt for this disastrous dam.**
- **China's engagement goes well beyond securing access to natural resources.**
- **Chinese state-backed companies have carried out over 20 port projects, obtaining access to strategic waterways like the Panama Canal and creating serious security concerns for the U.S.**
- **Its telecommunications companies, Z-T-E and Huawei (WAH- WAY), have built networks in at least 24 countries, despite their record of stealing intellectual property and helping the Communist Party conduct spying and surveillance.**
- **In the last three years, China has worked aggressively to isolate Taiwan, successfully persuading Panama, the Dominican Republic, and El Salvador to no longer recognize Taiwan.**
- **China has also pursued an ambitious soft power agenda, opening more than 40 Confucius Institutes and bringing Latin American journalists to China to expose them to propaganda that whitewashes the Communist Party's repression of its own people.**
- **We need to be clear-eyed about China's ambitions and the impact it is having in the region.**
- **And we should meet the challenge of China's rise by deepening U.S. engagement with our own hemisphere, not by cutting our diplomatic and foreign assistance programs.**
- **I look forward to hearing from the experts with us today about what the U.S. can do, in coordination with our allies, to address the China challenge and advance our shared interests.**
- **Thank you, I now turn to the Ranking Member for his opening statement.**

Mr. YOHO. Thank you, Mr. Chairman, I appreciate it. I appreciate our witnesses being here.

Before I start, I have got to give a shout-out to Mr. Dean Phillips of Minnesota. He and I participated last night in the celebrity chef cook-off for the March of Dimes, and he was the winner of the event. So, congratulations. We look forward——

Ms. PHILLIPS. Potato latkes, that is the magic, potato latkes.

Thank you, Mr. Yoho.

Mr. YOHO. You betcha, man. I appreciate you doing that. They raised $1.3 million for March of Dimes.

Mr. SIRES. Oh, that is great.

Mr. YOHO. It is.

I cannot thank you enough for having this hearing. And to stress the importance of this hearing, this is the third meeting on China in Foreign Affairs this week. If I am China, I would probably say, "Isn't that great. You know, they are focusing on us because we have done so much."

Yes, it is. And we commend them for their success, but not at the expense of other nations.

Mr. Chairman, I want to thank you for holding this hearing today on a very timely topic for China and the Western Hemisphere. The issue of China is one that I follow closely as the ranking member of the Subcommittee on Asia and the Pacific, and Nonproliferation.

First want to start off by recognizing the ranking member of this subcommittee, Mr. Francis Rooney, who is out recovering from his recent surgery. We wish him the best for his recovery and look forward to seeing him back here in this chair real soon.

I am deeply concerned about the increasing influence of China in the western hemisphere. Just last week I returned from a congressional delegation visit to the region with Chairman Sires, and Mr. Meeks, Ms. Torres. And it was clear to me in my conversation with many regional leaders that they also share our concerns toward China. The behavior of the Chinese Government and Chinese firms undermine the sovereignty of national security not just of their countries but of the United States and the western hemisphere.

The clearest example is China's involvement in Venezuela. It is no surprise that China has been involved in propping up the Maduro, the murderous regime of Nicolas Maduro. China invested over $67 billion in Venezuela and is still owed close to $20 billion. The Chinese chose to invest in Venezuela despite years of economic mismanagement by the Maduro regime and its overt contempt for democracy and the rule of law.

This is straight out of China's playbook for engagement throughout the world, and demonstrates how China refuses to adapt to international standards as it expands its global influence.

As the chairman brought up, with China's Belt and Road Initiative in Asia and Africa, the Chinese are now moving to implement the initiative in the western hemisphere, recently signing BRI agreements with Peru and Chile. Make no mistake about this, with their offer of the Huawei and ZTE technology that we know they have given to the Maduro regime, China is looking to harness and capture despotic, authoritarian regimes, and give them a tool that

they can manage their people and get their people to submit to serve their government.

We are so blessed in this country to have a government that we say our rights come from a creator, not from government; that government is instituted by we, the people, to protect our God-given rights. Our government empowers people. That is western democracy. That is what we do and that is what China, Russia, and these other countries that are involved, in this case China in the western hemisphere, they are picking up these people to take advantage of weak militaries and propping them up at the expense of the citizens.

Let me be clear, we are not telling sovereign nations who they can and cannot do business with. And we understand that China will remain a significant trading partner in the region, but it is important that our partners in the region are aware of the inherent risk of closer engagement with China that includes financial death traps, lack of transparency in business deals, and undue political influence, among others.

As you brought up, Ecuador is an unfortunate example of the risk of dealing with China. I am not going to repeat what you said, but the way I understand it, the hydroelectric dam that they built cannot even run at maximum capacity. I think it has only been run up to 50 percent capacity. And it vibrates so bad because of the poor stainless steel that was put in there that they are afraid to run it any higher. And then who would build at the base of a volcano, active one?

The lack of transparency in China's business deals are especially concerning for the region as it contributes to the widespread corruption that many of these countries are struggling to address, and erodes good governance.

Thankfully, some countries in the regions have begun to push back and wake up. We welcome these opportunities as the U.S. strives to be a partner of choice for all countries in the western hemisphere. However, many challenges remain in overcoming the allure of Chinese influence in the region, and it requires increased and strategic engagement in the region that demonstrates the short and long-term benefits of doing business with the U.S.

I was proud to lead on two important pieces of legislation, the BUILD Act, and the Championing U.S. Business Through Diplomacy Act that will play a critical role in countering China's influence. U.S. engagement in the region must continue to highlight the U.S. priorities: transparency, corporate social responsibility, the protection of intellectual property, and long-term sustainable results.

Congress will play a critical role in promoting the U.S. as the best partner of choice in the region, while also ensuring that China plays by international standards so it can help countries develop their own potential.

I look forward to the testimony of the three expert witnesses. And I yield back. Thank you.

Mr. SIRES. Thank you very much, Mr. Yoho.

Let me introduce first Ms. Margaret Myers, Director of the Asia and Latin America Program at the Inter-American Dialogue. She established the Dialogue's China and Latin America Working

Group in 2011 to examine China's growing presence in the region. Before arriving at the Dialogue, Myers worked as a Latin American analyst and China analyst for the U.S. Department of Defense.

We welcome you to the hearing.

We will then hear from Mr. Brian Fonseca, Director of the Jack D. Gordon Institute for Public Policy at Florida's International University's Steven J. Green School of International and Public Affairs.

Brian's technical expertise is in U.S. national security and foreign policy. Before joining FIU, Fonseca served as the Senior Research Manager for socio-cultural analysis as the United States Southern Command's Joint Intelligence Operations Center South.

Thank you for being here today.

And, finally, we will hear from Mr. Christopher Walker, Vice President for Studies and Analysis at the National Endowment for Democracy. Previously, Walker was Vice President for Strategic Analysis at Freedom House, and senior associate at the East-West Institute.

And thank you for being here today, Mr. Walker.

I ask the witnesses, please limit your testimony to 5 minutes. Without objection your prepared written statement will be made part of the record. Thank you so much. And make sure that you please turn your mic when you give your first 5 minutes. Thank you.

**STATEMENT OF MARGARET MYERS, PROGRAM DIRECTOR, ASIA AND LATIN AMERICA PROGRAM, INTER-AMERICAN DIALOGUE**

Ms. MYERS. Thank you. I would like to thank the committee and subcommittee chairman and ranking members, and other esteemed committee members for the opportunity to testify today. I will be summarizing my written testimony which I have submitted for the record.

As China engages more extensively and with a wider variety of economic sectors in Latin America, this is a critical moment to assess the type, scale, and effect of Chinese activity in the region, and to formulate a well-reasoned U.S. policy response. With this in mind I would like to offer just a few thoughts on the ways in which the China-Latin American relationship has developed over the past decade, how it is now evolving, and some implications for U.S. relations with the region.

I would first note the need for us to be very clear about the extent of Chinese engagement with Latin America. We have seen remarkable growth in Chinese activity in the region, but we are not seeing a headlong, unfettered advance on the part of Chinese actors. Chinese economic engagement, and influence for that matter, is unevenly distributed across the region.

China presumably has the most influence and the greatest capacity for exercising what some have called coercive economic diplomacy in those countries that depend heavily on Chinese trade, such as South America's major commodity exporters, or that have relied heavily on Chinese State finance or development assistance.

And there you have Venezuela, Brazil, Ecuador, Argentina, and some Caribbean countries, and a handful of countries in the Central American region.

China has indeed used its economic leverage in some of these countries to ensure, for example, that Chinese companies are awarded key contracts. There are also indications that some of these governments have weakened investment and other standards or are disregarding existing regulations to attract Chinese investment and facilitate trade.

That said, China's economic presence in the region does not always guarantee support for Chinese objectives. Some governments, like Costa Rica's, have been seemingly dismissive of China's interests or, as in Chile, resistant to China's model of government-to-government deal making.

Chinese companies have also frequently failed to deliver projects in Latin America, and Latin American companies have taken note of this. Even in those countries where they have relative carte blanche, which is due in large part to a failure to practice due diligence and accurately assess risk. But I should say, based on our own analysis, that they have been extraordinarily successful in acquiring and investing in port facilities.

The second point I make is that the China-Latin America relationship is evolving rapidly in ways that are both troubling and occasionally encouraging. China's economic objectives in Latin America are largely the same as they were about a decade ago: securing access to raw materials in export markets, promoting Chinese brands, and internationalizing Chinese firms. But the ways in which China defines these objectives and its approach to achieving them has changed over time, and will have some implications for regional welfare.

Efforts to integrate more extensively across the region's natural resource supply chains have left China with an increasingly dominant position in some of the region's strategic sectors.

China is also supplying the region with a very different set of products than it was a decade ago: high-tech electricity transmission lines, cutting edge telecommunications and surveillance equipment, for example. Some of these goods will be promoting of economic development, but the possible implications of others, like Chinese-made intelligence monitoring systems, as you have already mentioned, are exceedingly troubling.

On the more encouraging side, there are some limited indications that Chinese companies are embracing global standards for corporate social responsibility in particular. Some are also partnering more extensively with local and foreign firms when striking deals in the region. But these cases are, again, limited, and there are not any particular poster children, Chinese poster children in this respect.

And, finally, as concerns U.S. policy on the matter, I would simply say in the interests of time that the U.S. must recognize that it cannot replace China in Latin America. China plays a critical economic role at this point in the region that no other partner or group of partners can fill entirely. As a result, an us or them policy will be viewed as unrealistic by almost all governments in the region.

But, we can try to ensure best outcomes in the China-Latin America relationship, in addition to boosting outreach, including through the BUILD Act. And I commend Congressman Yoho on

his, for his great work on that. But I agree with Chairman Sires that even more must be done in terms of engagement.

The U.S. must also focus on strengthening governments, including transparency in fighting corruption, to ensure better results, and as level a playing field as possible for American and other international companies, or domestic companies for that matter.

The development and enforcement of rules-based trade and investment mechanisms will also be critical to ensuring regional stability and a strong U.S.-Latin America relationship in the years to come.

I will end my comments there. Thank you again.

[The prepared statement of Ms. Myers follows:]

HEARING BEFORE THE
HOUSE COMMITTEE ON FOREIGN AFFAIRS
Subcommittee on Western Hemisphere, Civilian Security, and Trade

# Dollar Diplomacy or Debt Trap?
# Examining China's Role in the Western Hemisphere

May 9, 2019

Margaret Myers
Director, Asia and Latin America Program
Inter-American Dialogue

I would like to thank Chairman Engel, Ranking Member McCaul, Subcommittee Chairman Sires, Subcommittee Ranking Member Rooney, and the other esteemed committee members for the opportunity to testify on the state of the China-Latin America relationship.

As China engages more extensively and with a wider variety of economic sectors in the Latin American and Caribbean (LAC) region, this is a critical moment to assess the type, scale, and effect of Chinese activity in LAC, and to formulate a well-reasoned US policy response. With this in mind, I offer a few thoughts, based on years of research and observation, on the ways in which the China-LAC economic relationship has developed over the past decade, is likely to evolve in the years to come, and implications for the US-LAC relationship.

## 1. China's economic impact and influence varies considerably across countries and economic sectors in the LAC region.

Although Chinese companies, banks, and, increasingly, embassies are present in most every country in LAC, China's footprint—and degree of economic influence, for that matter—is far more extensive in certain countries and economic sectors than others. China is arguably most influential, whether directly or indirectly, in those countries that depend extensively on its export markets or that have relied heavily on China's policy banks—China Development Bank and China Export-Import Bank—as a source of finance.

Of all of the countries in the region, South America's major commodity exporters have historically relied heavily on China as a destination for primary commodities. A 2017 study conducted by then economists at BBVA found that nine South American nations (in addition to Costa Rica) were highly dependent on China's export market, and that the largest South American exporters had high dependencies in four commodities—soy, oil, copper, and iron ore. China accounted for almost half of Brazil's total exports in 2017 and about 27 and 25 percent of Chilean and Peruvian exports, respectively. A considerable portion of Chile's total copper production is

destined for China in any given year, as are about 80 percent of Brazil's soybeans. This level of dependency isn't nearly as evident elsewhere in the region. China accounted for only about 2 percent of Mexico's and El Salvador's exports in 2017, by comparison.

Only a handful of LAC nations have relied heavily on Chinese state finance to date. Since 2005, approximately 93 percent of Chinese policy banks (China Development Bank and China Export-Import Bank) finance to the LAC region has been issued to just four countries—Venezuela, Brazil, Ecuador, and Argentina. This form of engagement has been in slowing as China's state banks offer fewer and smaller loans on average to LAC governments and state-owned enterprises, but China still provided roughly $7.7 billion in finance to LAC governments in 2018, with Venezuela accounting for nearly two-thirds of that.

Chinese foreign direct investment is a less prominent feature of Chinese engagement with the region, but receives considerable attention nonetheless—due in large part to the massive scale of certain Chinese construction projects. Like Chinese finance, Chinese foreign direct investment in LAC is concentrated in specific countries and markets. For many years now, Brazil has been far and away the top destination for Chinese investors, having attracted US$19.5 billion in Chinese direct investment flows from 2014-2017, including flows through intermediary countries, according to the Central Bank of Brazil. Most of China's still-limited private equity investment in LAC—part of a broader, global effort on the part of Chinese funds to diversify investment into growth industries in emerging economies—is also focused in Brazil.

Chinese investment is otherwise concentrated in a handful of industries across the region, including transport and other infrastructure and extractives. State Grid has established a remarkable presence in Brazil in just a matter of years, for example, with now-extensive investment in the country's electricity grid. Chinese mining interests are evident in Argentina, Bolivia, Ecuador, Peru, Venezuela, and several other countries, whether in copper, gold, iron ore, and lithium. Two Chinese firms—Shougang Hierro and Chinalco—are actively growing their presence in Peruvian iron ore and copper mining, respectively, after years of operations there.

Aside from anecdotally, there are few clear examples of China exerting whatever economic leverage it may have in LAC for its benefit, whether successfully or not. But China's relative importance as a trade and financial partner certainly has the potential to affect government-level decision-making vis-à-vis China. Some have speculated, for example, that China's growing economic leverage in the region has been used to ensure that Chinese companies are awarded key contracts. In other cases, China's influence is more indirect. Some have noted that Brazilian President Jair Bolsonaro's hands are relatively tied as concerns China policy, for example, despite his critical stance on China while campaigning for the presidency. Brazil's agricultural industry, which is strongly in favor of growing Brazil-China ties, features prominently among Bolsonaro's political base. In likely recognition of

China's strong economic ties to their countries, Presidents Mauricio Macri and Lenín Moreno have both engaged rather extensively with China, despite their initial critiques of Chinese deal-making in Argentina and Ecuador, respectively.

China's extensive relations with region don't always guarantee support for Chinese objectives, however. Some LAC governments have been seemingly dismissive of China's interests, and/or resistant to China's preferred model of deal-making, in spite of growing economic and political ties. Despite a relatively high degree of trade dependency on China and its 2007 decision to cut ties with Taiwan, Costa Rica has carried out just a handful of projects in cooperation with Chinese partners. Only one major investment project—a highway expansion—has been initiated since diplomatic relations were established over a decade ago. Another major deal—to expand the country's Recope refinery—was cancelled in 2016 following opposition from Costa Rican and other environmental groups.

Chile has also exercised considerable caution in its dealings with China despite a clear interest in growing the bilateral relationship. A Chinese-Chilean proposal for a high-speed train connecting Santiago, Valparaiso, and San Antonio has been under consideration for more than a year as officials evaluate the project's public interest, feasibility, and likely environmental effect.

It is still too early to tell how Panama will approach its newly-established relationship with China. The country saw a boom in Chinese engagement following President Varela's decision to cut ties with Taiwan, but most of China's activity there, with a few notable exceptions, is in the form of construction contracts—not foreign direct investment or policy bank financing. And China's trade with Panama is still quite limited. Panama isn't excessively economically dependent on China at present, in other words, but certainly sees opportunity to advance infrastructure and other plans by engaging more extensively with Chinese entities. Chinese acquisition of more major logistical assets in the country or major Chinese financing for the Panama City-David railway could considerably alter the Panama-China dynamic.

2. **China isn't always successful in LAC, even in countries where it has relative "carte blanche."**

Chinese companies and banks have been granted considerable access and leeway in Argentina (under Cristina Kirchner), Bolivia, Ecuador (under Rafael Correa), Venezuela and elsewhere in the region, but even so face numerous obstacles to successful project completion.

The failure of Chinese companies to practice due diligence in the region has frequently led to unforeseen conflicts and resulting project delays or cost overruns. The examples are numerous, even in countries where China has considerable economic leverage and strong government-to-government relations. Sinohydro has reportedly struggled to complete the El Sillar roadway project in Bolivia, for

example, forcing the government to recruit other companies to help with the project. A Chinese company's failure to consult with affected communities derailed the Rosita dam project in Bolivia. Failure to consult local communities also halted a Chinese mining project in Ecuador. And a bullet train project in Venezuela was abandoned several years ago, after years of delays and cost overruns. Corruption allegations have also impacted Chinese projects in LAC, including a Querétaro railway concession in Mexico and two hydroelectric dams in Argentina.

Many of China's proposed transport infrastructure projects never make it out of the planning phase. Of the about 150 transport infrastructure projects in which China has expressed interest since 2002, only about half had entered some phase of construction by the end of 2018. Many were cancelled or delayed indefinitely, or else are being studied by governments/companies or have yet to be awarded to specific developers. China's major cross-regional infrastructure proposals in LAC, such as the Bioceanic Railway, which would run between ports in Peru and Brazil, haven't moved far beyond the conceptual phase.

China's major banks have also had a mixed track record in LAC. Although most of China Development Bank's debt has been repaid by LAC governments, the financial institution stands to lose considerable money in Venezuela, the main LAC recipient of Chinese finance. Analysts have predicted Venezuelan default on oil-based payments to China as early as this year.

3. **The China-LAC economic relationship is evolving rapidly, in ways that are both encouraging and troubling.**

China's engagement with the LAC region is still largely supportive of Beijing's long-referenced "going-out" objectives, including securing access to raw materials, establishing new markets for Chinese exports, promoting Chinese brands, and internationalizing Chinese firms. But the ways in which China defines these objectives and its approach to achieving them has changed over time.

In some cases, the changes are mostly rhetorical. The Belt and Road Initiative (BRI) features increasingly prominently in Chinese policy toward the LAC region, but rather than replacing the decades-old "Going-Out Policy," the BRI would mostly appear to support its main tenets. China continues its quest for raw materials, export markets, and investment opportunity for Chinese companies, but now with the BRI as an overarching framework. Officially extended to the LAC region in 2018, the BRI's connectivity agenda envisions networks of cross-regional infrastructure that, if delivered, will (among other things) ensure more effective transport of primary commodities to port. Enhanced digital connectivity, another feature of the BRI, aims to advance Chinese telecommunications infrastructure and services in LAC and other regions, while also addressing global deficits in telecommunications connectivity.

Although China's objectives in LAC are largely the same as they were about a decade ago, new, more strategic efforts to realize them could have concrete effects on the region's welfare. Ongoing efforts on the part of Chinese companies to integrate more extensively across the region's supply chains (in production, processing, logistics, and marketing) have left China with an increasingly dominant position in some of the region's strategic sectors, for example, including agriculture in Argentina and energy distribution in Brazil.

China continues to view LAC as a critical export destination, just as it has for many years, but is now supplying the region with a very different set of products and services than it was a decade ago. Whereas Chinese exports to LAC used to consist primarily of low-value-added consumer goods, Chinese companies are increasingly selling a wide range of high-tech, high-skill products to the region, from rail carriages and ultra high voltage electricity transmission lines to cutting-edge telecommunications and surveillance equipment. Chinese goods, which often come at competitive prices, or with export financing, can be promoting of economic development in LAC by distributing much-needed electricity or connecting communities, for example. However, in other cases, their potential effect on democratic values and security in the region is of considerable concern. The possible implications of Chinese-made intelligent monitoring systems, variations of which have been implemented in Argentina, Bolivia, Ecuador, Panama, and Venezuela, are exceedingly troubling, for example. These systems are described by Chinese suppliers as promoting of citizen safety and security, but if used to exert social control (as they are in China or currently in Venezuela through the ZTE-backed "fatherland card"), can have critical implications for privacy and democratic governance.

Chinese investment and finance in LAC is also slowly diversifying, in ways that could be beneficial to the region. Chinese companies have supported local tech start-ups in LAC, for example, helping to boost regional innovation. China has also vowed to improve production capacity in LAC—some Chinese investment in regional manufacturing would appear to support this objective. Chinese private equity and portfolio investment is exceedingly difficult to track, however. So, for that matter, are the activities of Chinese commercial banks, which, among other functions, provide finance to Chinese companies operating in the region.

China's economic activity in LAC is still mostly evident in extractive industries and infrastructure, however, with some troubling effects. Concerns have surfaced for years about export "primarization" in the region, the effect of extensive Chinese demand for just a handful of LAC commodities, and the environmental impact of Chinese projects, which are concentrated in environmentally impactful industries. There are also indications that LAC governments are weakening investment and other standards or disregarding existing regulations to attract Chinese and other investment or to facilitate cross-Pacific trade. This is especially the case in sectors—e.g., mining, oil & natural gas, and agriculture—in which Chinese firms are quite active. Examples include changes to Peru's mining sector regulations, Argentine

public works bidding processes (since reversed), and Ecuador's removal of local partner stipulations in exchange for Chinese dam financing. A general lack of transparency in Chinese deal-making, especially for deals negotiated government-to-government, as China prefers to do, is also concerning and unlikely to lead to best outcomes in project development.

On the other hand, LAC governments and citizens would appear to be increasingly cognizant of the potential drawbacks of large-scale Chinese finance and infrastructure, despite growing, region-wide support for the BRI. Many in LAC view Venezuela and Sri Lanka as cautionary tales, having seen New York Times and other reporting on the latter. With these cases in mind, LAC governments and civil society will ideally be more attuned to the possibility of debt-related and other risks associated with no-strings-attached lending practices.

Also encouraging are efforts by some Chinese companies to embrace global standards for corporate social responsibility (CSR), the natural result, perhaps, of many years of "internationalization." Chinese firms are generally regarded as being good at compliance when local regulations are clearly-articulated and well-enforced, but some Chinese companies have gone beyond what is required by the law to ensure smooth operations and good relations with local communities. Some have voluntarily adopted international corporate social responsibility standards, for example, such as those outlined by the United Nations International Organization for Standardization, to apply to their operations. This is especially true of companies, such as those in the mining industry, that are required, due to the nature of their work, to stay in a community for an extended period of time.

Chinese companies are also increasingly partnering with local and foreign firms and when striking deals in the LAC region, including in the infrastructure space. Chinese involvement in consortia made up of diverse partners doesn't guarantee favorable outcomes but is thought to promote higher overall standards, including in the environmental and social realms.

4. **The US can't replace China in LAC, but can work to ensure best outcomes in the China-LAC relationship.**

The US is right to worry about the implications of certain forms of Chinese engagement with the LAC region. Regardless of intent, some Chinese activity in LAC is potentially harmful to regional governance and stability. This is especially the case in countries with relatively weak institutional oversight and those without a strong and active civil society and media presence.

Like the US, many LAC governments are also aware of the challenges associated with China's model of finance and investment. The region has taken stock of empty promises, projects-gone-wrong, and the problems associated with China's model of large-scale, no-strings-attached finance. But LAC will continue to view China as an exceedingly valuable partner. After nearly two decades of enhanced Chinese

economic engagement with the region, LAC governments and industries rely heavily on China's economic activity, especially in those sectors where few other investors or banks are present. This dynamic is unlikely to change in the coming years, especially if BRI-type projects are extended to the LAC region.

The US has made some commendable efforts to boost US activity in key sectors to offer an occasional alternative to Chinese engagement. The BUILD Act will double the amount of US development finance that the US offers around the world, including for infrastructure development. And there are plans to leverage this financing in key markets in LAC.

But the US must also recognize that China plays a critical role in LAC that no other major partner (or group of partners, for that matter) can fill. As a result, an "us or them" policy will be viewed as unrealistic by most all governments in the region. In addition to growing its overall economic activity and outreach in LAC, the US must focus limited resources on strengthening governance, improving transparency, and fighting corruption in the region to ensure best outcomes for LAC and as level a playing field as possible for US and other companies. Cooperation with like-minded countries in the region and elsewhere in the world on the development and enforcement of rules-based trade and investment mechanisms will also be critical to ensuring regional stability and a strong and vibrant US-LAC relationship in the years to come.

Mr. SIRES. Thank you.
Mr. FONSECA.

**STATEMENT OF BRIAN FONSECA, DIRECTOR, JACK D. GORDON INSTITUTE FOR PUBLIC POLICY, STEVEN J. GREEN SCHOOL OF INTERNATIONAL AND PUBLIC AFFAIRS, FLORIDA INTERNATIONAL UNIVERSITY**

Mr. FONSECA. Thank you, Chairman Sires, gentlemen. It is an honor, absolutely privilege to be here with you today to talk about China's, the role China plays in terms of its threats to U.S. national and regional interests.

Although there is certainly a strategic and even aspirational intent to China's rise, there still remains elements of opportunism that guide its global and hemispheric engagement. Chinese activities across the hemisphere vary in size and scope, as Margaret notes. And although it is well known, it is still important to note that, that Latin America is not the only space in which China is aggressively pursing relations.

And so, what that means is from a strategic security perspective China's engagement in the western hemisphere is undoubtedly part of a broader global effort aimed at shaping a world consistent with its authoritarian model. So, in general, I assess four areas where, excuse me, where Chinese engagement in the western hemisphere is challenging U.S. and regional national interests.

The first two include Chinese economic practices and the proliferation of Chinese surveillance and IT technologies, both of which I strongly feel undermine the efficacy of democratic institutions and expand Chinese influence across economic, political, and security landscapes.

Whether intentional or not, China's economic engagement enhances Chinese influence in these economic, political, and security spaces, but it also undermines already-struggling democratic institutions by inducing corruption and circumventing transparency and accountability, critical pillars to democratic governance.

Chinese engagement also undermines rule of law and bypasses important environmental and labor standards.

As far as Chinese investment in telecommunications, artificial intelligence, and other critical technologies, I feel it represents a serious concern for the United States. The concern is largely in the vulnerabilities of Chinese technologies from a technical perspective. There is also the potential to use technologies to serve as intelligence collection platforms against the United States and its partners in the region. And certainly there are questions about the overall impacts on digital sovereignty and norms.

Third is Beijing's complex information campaign where it is leveraging Chinese regional media platforms, Confucius Institutes, and overseas ethnic Chinese. And it is deepening people-to-people contacts in the region to build soft power and differentiate the Chinese brand from the United States.

And then, finally, Chinese military and security engagement is positioning itself as an alternative to U.S. security assistance, and could influence security calculations of countries in the region in the long term, while also providing China with importance access in this hemisphere.

Additionally, China is emphasizing engagement with Latin American law enforcement agencies in a comprehensive way. This shows that Beijing acknowledges that domestic security concerns are more prominent than external security threats for the region. The influence of military institutions across the region vary. You can take Argentina as an example where the minister of defense, that cabinet-level position, is usually afforded to a member of the opposition, which shows you the diminishing influence of militaries in the region. There is design to that.

I would also sort of suggest that China is also expanding, that China's expanding engagement in Latin America will probably not lead to direct military challenge to the United States in the near term, such as the establishment of soviet-style client State relationships, military bases in the region, or open funding of anti-U.S. insurgencies. This is not, however, due to benevolence, Chinese benevolence, rather I think it is simply not currently in its strategic interest to do so.

For now it is far more effective to buy its way into the region.

However, as Chinese corporations become more involved in Latin America, and Chinese communities grow with respect to the political profile in the region, China may be increasingly tempted to engage in security cooperation with governments of the region to protect the interests of its corporations and nationals. China's position in Venezuela is a glaring example of its willingness to go against the region when its interests are threatened.

So, how do we respond to Chinese engagement in the western hemisphere? So, let me lay out a few things I think might be prudent for us.

First, I think it is imperative that we disaggregate the good from the bad and resist labeling all Chinese activities as nefarious and antithetical to U.S. and regional interests. Not all Chinese engagement is designed to directly challenge the United States, and a great deal of it remains economic and opportunistic.

This competition does not have to be zero sum. And I fear labeling it, labeling the entirety of Chinese engagement in the region is detrimental to our own regional interests and could entice a self-fulfilling prophecy.

At the same time, we must be cautious in divorcing economic interests from political and security interests, and recognize that they are all very much interconnected. We should call it like we see it, and call out the Chinese—call out Chinese activities that we feel run counter to the short, mid, and long-term strategic interests of the region, while helping shape Chinese activities that benefit U.S. and regional interests.

Second, we should bolster the governance capacity of our partners in the region. The U.S. should reinforce democratic institutions and values that create resiliency against China's ability to leverage its engagement to promote authoritarian alternatives.

We should increase training in key areas such as human rights, transparency, anti-corruption, rule of law, and continue focusing on developing long-term, sustainable relations with key partners. This makes tools such as international military education and training, IMET, a key instrument in developing people-to-people connective tissue.

Third, we must truly embrace a whole of nation approach that strengthens our competitiveness in the region. Ultimately, this is about what we do and what we stand for far more than it is about China. The rapid growth of Chinese engagement in the western hemisphere should serve as a call, should serve as a call to competition, not a call to arms for the United States. And competition is something we do incredibly well.

But to borrow a sports analogy, you have to be on the field to compete. And that mean consistent presence, consistent presence and sustained engagement, a full court press of defense, diplomacy, and development efforts. The U.S. Government should also find new ways to foster greater people-to-people contacts through exchanges among academic institutions, civil society, and of course, the American private sector.

Strong personal relationships grounded in shared values are our greatest competitive advantage. That said, we must do better to guide, inspire, and support our private sectors into strategically important markets, especially in critical technology sectors. We should also evaluate the usage of the 160 Bi-national Centers for Latin America throughout the region.

Fourth, we should expand the franchise to include security engagement.

And then, finally, we must compete better in the information domain. The United States should expose and exploit the contradictions in Beijing's policy and the divisions that exist between China and the region, such as cultural differences, political differences, political systems, and business practices, including over-promising commitments and labor practices. I know——

Mr. SIRES. You need to wrap it up, Mr. Fonseca.

Mr. FONSECA. Yes, sir.

I know the Congress and members of this committee in particular are waking up to the fact that we need to pay more attention to this region. Nature abhors a vacuum, and if we are not engaged the Chinese will.

So, with that, I thank you for this amazing opportunity and I look forward to your questions.

[The prepared statement of Mr. Fonseca follows:]

"Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere"
Testimony by Brian Fonseca
Director, Jack D. Gordon Institute for Public Policy
Florida International University
Before the House Foreign Affairs Committee | Subcommittee on Western Hemisphere, Civilian Security, and Trade
May 9, 2019

Chairman Sires, Ranking Member Rooney, and distinguished members of the Subcommittee, it is my privilege to address you today on the challenges China poses to the national security of the United States and our partners in the Western Hemisphere.

Most experts agree, at least in part, that Chinese involvement in Latin America is largely a result of China's rise as a global economic power. China needs access to natural resources and markets critical to its growth, while Latin America has sought to diversify its economic engagement beyond the United States. Although there is strategic and even aspirational intent to China's rise, there remains elements of opportunism that guide its global—and hemispheric—engagement. Chinese activities across the hemisphere vary in size and scope, and although it is well known, it remains important to note that Latin America is not the only space that China is aggressively seeking to do business; India, Africa and the Middle East have all seen increased forms of Chinese economic, political and security engagements over the last decade. So, from the strategic security perspective we should view Chinese engagement in the Western Hemisphere as part of a broader global effort aimed at shaping a world consistent with its authoritarian model.

The question before us today is not whether China has emerged as a formidable global competitor; rather how and where will Chinese engagement in the Western Hemisphere challenge U.S. and regional national interests? And what can we do, now, to mitigate potential long-term concerns while continuing to foster a democratic, prosperous and secure Western Hemisphere?

In general, I assess four areas where Chinese engagement in the Western Hemisphere is challenging U.S. and regional strategic interests: the first two include Chinese economic practices and the proliferation of Chinese surveillance and IT technologies—both of which undermine the efficacy of democratic institutions and expand Chinese influence across economic, political, and security landscapes. Third is Beijing's complex information campaign where it is leveraging Chinese and regional media platforms, Confucius Institutes and overseas ethnic Chinese, and its deepening people-to-people contacts in the region to build soft power and differentiate the Chinese brand from the United States. And finally, China's military and security engagement is positioning itself as an alternative to U.S. security assistance and could influence the security calculations of countries in the region in the long-term, while also providing China with important footholds and access in this hemisphere.[1]

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[1] I would like to acknowledge the work of Thomas Breslin, Alexander Crowther, Evan Ellis, Eric Farnsworth, Robert Morgus, Frank Mora, Margaret Myers, and Alexander Morales, among others for contributing to the analysis contained in this written testimony. Much of their works is cited, but also comes from years of collaboration on China and its engagement in Latin America and the Caribbean.

**Economic Engagement**

It is clear that China has emerged as a viable economic and political partner in the region. China's economic engagement encourages and enables states to pursue more agency in their respective international diplomatic and economic engagements, and in return China extracts raw materials and accesses foreign markets to fuel its economic growth and satisfy the domestic demands of its population. There is nothing intentionally nefarious about that. Certainly, not all Chinese economic engagement is designed to undermine the sovereignty and security of nations in region. However, when taken in the aggregate—whether intentional or not—China's economic engagement enhances China's influence in economic, political and security spaces. It also undermines (already struggling) democratic institutions by inducing corruption and circumventing transparency and accountability—all of which are core pillars of democratic governance. Chinese engagement also undermines rule of law and bypasses important environmental and labor standards. That is, China isn't playing by the accepted rules of the game.

Beijing leverages a mix of economic and political practices designed to persuade Latin American countries to align with PRC domestic and foreign policy objectives. It uses trade and investment as means of influencing Latin American and Caribbean countries to provide favorable conditions for Chinese stakeholders. It is also mobilizing Chinese-owned companies such as Huawei and ZTE in the region to act in the interests of China's strategic objectives. For example, China uses the attractiveness of its large market and financing—often at the direction of Beijing—to obtain work projects and enter markets on its terms, force partnerships from which it can steal critical technology, and use its resources to advance its own position, especially in strategic industries like telecommunications, artificial intelligence, robotics, and big data.

China's infrastructure and investment initiatives in Latin America and the Caribbean long predates the introduction of the Belt and Road Initiative (BRI). However, the BRI provides a coherent strategic framework by which the Chinese plan to expand their political and economic engagement in the region and pivot from mainly infrastructure projects to developing more expansive commercial networks that include global services, e-commerce, logistics, energy, agribusiness, and innovation through science and technology hubs. China's BRI remains an ill-defined, undercapitalized response to increasing domestic needs for food, raw materials, and foreign markets; however, public statements by Chinese officials indicate the BRI to be part of China's enhanced, infrastructure-led engagement with the region aimed at achieving a similarly broad range of economic, strategic, and security related goals. These include resource acquisition and trade facilitation to employment of excess steel, transport security and possibly a forward military positioning in the region. The BRI, as a component of China's broader foreign policy objectives, will challenge democratic norms and the liberal economic order, thus helping to undermine U.S. influence and leadership in the region. The BRI will have some positive short to mid-terms impacts on the region's development; however, a large number of infrastructure projects will likely lead to increased environmental strain, especially if Chinese firms do not comply with regulations or if regional governments do not sufficiently enforce them.

**Proliferation of Chinese Technologies**

Chinese investments in telecommunications, artificial intelligence and other critical technologies represents a concern to the United States and nations in the hemisphere due to security vulnerabilities in Chinese technologies, the potential that these technologies could serve as intelligence collection platforms against the U.S. and our partners, and questions about the overall impacts on digital sovereignty and norms. It is clear that China's view of the internet is very different from the U.S.

Chinese firms like Huawei and ZTE have surged in quantity in the region, placing intellectual property, private data, and government secrets at risk. As of 2017, Huawei captured 7.6% of the market share for smart phones in Latin America and reporting for 2018 indicates that their revenue increased by about 21% —largely due to increased efforts in digital infrastructure and mid-range consumer products.[2,3] Huawei is willing to accept lower profit margins than its competitors in order to gain access to more market share, which spreads both its reach and the reach of the Chinese Communist Party (CCP).[4] While this would normally just be good competition, Chinese firms in general and Huawei in particular have, thus far, not adhered to standards of safety or privacy that leave them vulnerable to exploitation. This raises the concern of compromising the networks of our partners in the region.

As collection platforms, the United Kingdom, which has not banned Huawei, notes that "The number and severity of vulnerabilities discovered, along with architectural and build issues, by the relatively small team in HCSEC [Huawei Cyber Security Evaluation Centre] is a particular concern[5]." In the context of Latin America, the situation is troubling because, while the UK theoretically has the potential to undergo a costly retrofit and expel Huawei, Latin American countries may not have the resources or the will to do the same if it is found that Huawei is sending information back to China. This is indicative of the likelihood that Latin American countries may become dependent on Chinese telecommunications infrastructure. The concern is that the shortcomings in Huawei's engineering may be leveraged by Chinese intelligence to acquire sensitive information.

Further, Chinese investment in surveillance technology could impact digital sovereignty and norms in Latin America. In particular, China has installed surveillance systems in Ecuador, Bolivia, Panama, and Argentina.[6] A recent report by Evan Ellis argues that the spread of these systems can normalize

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[2] "2017: A Year of Mixed Results in the Latin American Smartphone Market," Counterpoint, Tina Lu, March 6, 2018, https://www.counterpointresearch.com/2017-year-mixed-results-latin-american-smartphone-market/

[3] Huawei Investment & Holding Co., Ltd. 2018 Annual Report," Huawei, March 27, 2019, https://www-file.huawei.com/-/media/corporate/pdf/annual-report/annual_report2018_en.pdf?la=zh

[4] Huawei global net profit margin was about 8% in 1Q 2019, while Samsung's (it's closest competitor globally by volume) was about 9.6% in 1Q 2019. It should be noted that industry analysts are saying that this is a higher than anticipated profit margin for Huawei and a lower than anticipated margin for Samsung; "Huawei Revenue Jumped 39 Percent to $27 Billion in First Quarter," Bloomberg, James Mayger, April 22, 2019, https://www.bloomberg.com/news/articles/2019-04-22/huawei-revenue-jumped-39-percent-to-27-billion-in-first-quarter; "Huawei Phone Buyers Don't Share Trump's Concerns," Bloomberg Opinion, Leonid Bershidsky, May 3, 2019 https://www.bloomberg.com/opinion/articles/2019-05-03/huawei-phone-buyers-don-t-share-trump-s-concerns; "Earnings Release Q1 2019," Samsung Electronics, April 2019, https://images.samsung.com/is/content/samsung/p5/global/ir/docs/2019_1Q_conference_eng.pdf

[5] "HUAWEI CYBER SECURITY EVALUATION CENTRE (HCSEC) OVERSIGHT BOARD ANNUAL REPORT" Huawei Cyber Security Evaluation Centre, March 2019 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790270/HCSEC_OversightBoardReport-2019.pdf

[6] "Chinese Surveillance Complex Advancing in Latin America," Newsmax, Evan Ellis, April 12, 2019,

the type of privacy violations authoritarian states commit against their populations. He argues that these systems can be used to acquire vast amounts of data on U.S. and the region. For the same concerns about Huawei expansion, it is possible that there are backdoors in the surveillance systems that allow China to collect information as national authorities use these technologies. This could place information of Latin American citizens in the hands of the Chinese government.

**China's Charm Offensive**

China is also engaged in complex information campaigns that erode Western sources of information, challenge Western narratives, and promote Chinese soft power. For China, information operations in the region are viewed as vital to combatting dissident movements such as the Falun Gong, further isolating Taiwan (where nearly of half of all countries that recognize Taiwan reside in Latin America and the Caribbean), masking Chinese human rights issues in Tibet and with Uyghur Muslims, and countering pro-democracy movements (take Venezuela as an example).

Using Chinese and regional media outlets and leveraging the more than 40 Confucius Institutes in the region, China presents alternative views on a wide range of topics. It also uses Confucius Institutes and Confucius Classrooms to promote Mandarin language—especially among overseas ethnic Chinese. This enables Beijing to communicate to and through vital overseas ethnic Chinese communities as a means of deepening organic influence in host countries. China also leverages its China-Latin America & Caribbean Press Center which hosts journalists from Latin America in China for extended stays of five to six months before going back home.[7] Regarding the success of these initiatives, polling indicates a steady increase in Chinese favorability in the region—in some cases surpassing the U.S. While this result can't be traced solely to Chinese information operations, it is likely that Chinese information campaigns have strengthened its overall brand in the region.

**China's Military and Security Engagement in the Region**

In the region, China has pursued a modest flow of military equipment, key leader engagement, the expansion of ports financed on Chinese credit, and made it a priority to engage domestic law enforcement organizations in the region. In regard to arms sales, the Chinese have provided over six hundred million dollars' worth of equipment since 2008 —placing them as the fifth largest arms exporter in the region. This number, however, is slightly deceiving in terms of desirability of Chinese arms in the region as over 87% of the value of its arms exports have been to Venezuela alone.[8] While Chinese arms are often cheaper than American equipment, China is still not able to compete with even the Russian alternatives on a sustained and competitive basis.

China has, in recent years, made it a priority to maintain high-level military-to-military contacts and offer training to Latin American militaries to strengthen defense ties in the region. From 2003 to 2016, South America received or attended 201 senior-level meetings with the Chinese armed

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https://www.newsmax.com/evanellis/china-surveillance-latin-america-cameras/2019/04/12/id/911484/

[7] "Chinese Media and Latin America: "Borrowing a Boat" to Set Sail," Jamestown Foundation, Sam Geall and Robert Soutar, July 10, 2018, https://jamestown.org/program/chinese-media-and-latin-america-borrowing-a-boat-to-set-sail/.

[8] "How dominant is China in the global arms trade?," China Power Team, China Power, April 26, 2018, Updated June 29, 2018, Accessed May 8, 2019. https://chinapower.csis.org/china-global-arms-trade/

forces.[9] Of these visits, almost half were spent in Chile, Brazil, or Cuba. Given that two of these countries are close American partners, it can be inferred that Chinese investment in high-level contacts is designed to explore potential openings for Chinese diplomacy. China also regularly deploys its hospital ship, the "Peace Ark," in an attempt to compete with the USNS hospital ship Comfort (again, taking a page from our book).

China has invested heavily in ports in the region and the example of Sri Lanka indicates that China is not above using it is financial leverage to secure leases for the use of ports.[10] These port agreements could be leveraged beyond commercial activities. Within Latin America, the three largest projects of port construction by cost are in Porto Sul, Brazil ($2.4 billion), Margarita Island Port in Panama ($1 billion), and Puerto Cortes, Honduras ($624 million). Each of these give China a firm financial stake in critical ports in Latin America that could be leveraged later to support global military deployments.[11]

Finally, the Chinese have publicly announced their intention to collaborate with Latin American law enforcement agencies in a comprehensive manner—as indicated in it's 2019-2021 CELAC-China plan.[12] This shows that Beijing acknowledges that domestic security concerns are more prominent than external security threats for most countries in the region. The influence of military institutions across the region varies—take Argentina where the Minister of Defense is one of three positions afforded to the country's opposition party.

China's expanding engagement with Latin America will probably not lead to a direct, military challenge to the U.S. in the near term, such as the establishment of Soviet-style client-state relationships, military bases in the region, or the open funding of anti-U.S. insurgencies. This is not, however, due to Chinese benevolence. Rather, it is simply not currently in its strategic interest to do so. For now, it is far more effective to buy its way into the region. However, as Chinese corporations become more involved in Latin America, and as Chinese communities grow with respect to their political profile in the region, China may be increasingly tempted to engage in security cooperation with governments of the region to protect the interests of its corporations and nationals—China's position in Venezuela is a glaring example of its willingness to go against the interests of the region when its interests are threatened.

**Recommendations**

So, how do we respond to Chinese engagement in the Western Hemisphere?

First, we should disaggregate the good from the bad and resist labeling all Chinese activities as nefarious and antithetical to United States and regional interests. Not all Chinese engagement is designed to directly challenge the United States and a great deal of it remains economic and

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[9] "Chinese Military Diplomacy, 2013–2016: Trends and Implications," Kenneth Allen, Philip C. Saunders, and John Chen, Chinese Strategic Perspectives 11 (July 17, 2017). http://www.ssri-j.com/MediaReport/DocumentUS/iNSSreportChinaPerspectives.pdf

[10] "The Future of Latin America and the Caribbean in the Context of the Rise of China," Evan Ellis, CSIS, Last modified November 2018. https://csis-prod.s3.amazonaws.com/s3fs-public/publication/181119_FutureofLatinAmerica.pdf.

[11] Op. Cit. "China's Engagement with Latin America and the Caribbean."

[12] "CELAC AND CHINA JOINT PLAN OF ACTION FOR COOPERATION ON PRIORITY AREAS (2019-2021)." CELAC, January 2018, http://www.itamaraty.gov.br/images/2ForoCelacChina/Joint-Action-Plan-II-CELAC-China-Forum-FV-22-01-18.pdf

opportunistic. This competition doesn't have to be zero sum, and to label the entirety of Chinese engagement in the region as detrimental to our and regional interests is intellectually lazy and could entice a self-fulfilling prophecy. At the same time, we must be cautious in divorcing economic interests from political and security interests and recognize that these are very much interrelated. We should call it like we see it and call-out Chinese activities that run counter to long term strategic interests of the region while helping shape Chinese activities that benefit U.S. and regional interests.

Second, we should bolster the governance capacity of our partners in the region. The U.S. should reinforce democratic institutions and values that create resiliency against China's ability to leverage its engagement to promote authoritarian alternatives. We should increase training in key areas such as human rights, transparency/anti-corruption and rule of law and continue focusing on developing long-term sustainable relations with key partners—this makes tools such as International Military Education and Training (on the security side) a key instrument in developing people-to-people relationships.

Third, we must truly embrace a "whole of nation" approach that strengthens our competitiveness in the region. Ultimately, this is about what we do and what we stand for, much more than it is about China. The rapid growth of Chinese engagement in the Western Hemisphere should serve as a call to competition—not a call to arms—for the United States. And competition is something we do very well. But to borrow a sports analogy, you have to be on the field to compete. And that means consistent presence and sustained engagement, a full court press of defense, diplomacy, and development efforts. The United States Government should also find new ways to foster greater people-to-people contacts—through exchanges among academic institutions, civil society, and American private sectors. Strong personal relationships grounded in shared values are our greatest competitive advantage.

We must do better to guide, inspire, and support our private sectors into strategically important markets—especially in critical technology sectors. United States Commercial Services operating in U.S. Embassies around the hemisphere could do more to court American enterprises. U.S. multinational corporations and non-governmental organizations are among the most critical tools needed to compete with China (and others) in the region. Finding a way to further work with U.S. multinational corporations to pursue strategic market/sectors will increase competitiveness in areas that the U.S. should maintain dominance, such as telecommunications, artificial intelligence, etc. While there may be a financial cost, it could increase transparency and promote good business practices to indirectly compete with China's strategy of abusing lack of transparency to secure business deals. This should be coupled with continued support for anti-corruption institutions in Latin America.

We should evaluate the usage of the 160 Bi-national Centers for Latin America (BNCs) currently operating in the region and explore ways to use them as a counter to Confucius Institutes and bolster U.S. image in the region. These BNCs are currently autonomous agents dedicated to teaching English that do not rely on much funding of the Department of State. The current quality and reach of these institutions vary due to different levels in quality instructors and funding

challenges that reduce the effective reach of these institutions, but they could serve as excellent tools to foster deeper people-to-people relationships.

Fourth, we should expand the franchise of our security engagement to include a more robust and intentional emphasis on domestic law enforcement engagement that competes with Chinese engagement in this space. Our traditional military-to-military relationships are strong; however, we lack a robust domestic law enforcement cooperation with our Latin American partners. Currently, our law enforcement cooperation takes the form of ad-hoc requests, while the Chinese have outlined engagement with law enforcement entities as a priority. Given that most threats faced in the region are internal, we should not cede influence space in domestic law enforcement to the Chinese at this point.

Finally, the United States must compete better in the information domain. The United States should expose and exploit the contradictions in Beijing's policy and the divisions that exist between China and the region, such as cultural differences, political systems, and business practices, including over-promising commitments and labor practices (using of Chinese labor). U.S. should help make the region aware of how China is undercutting the region's long-term economic and political interests. Additionally, China is sensitive about its global image; and, it sees negative perceptions as antithetical to its long-term economic and political interests. U.S. information operations should further expose China's authoritarian practices and long history of human rights violations. We currently lack the tools to propagate American values and ideas in a meaningful and consistent way absent executive-level guidance. Our public diplomacy should not be ashamed of using our history and culture to strengthen ties with the region, while remaining conscious of the complexity of our history with Latin America.

I know the Congress, and Members of this Committee in particular, are waking up to the fact that we need to pay more attention to this region. Nature abhors a vacuum, and if we're not engaged, China will be more than happy to fill that void. Maybe it's time for a regional initiative that recognizes the importance of this hemisphere—a Good Neighbor Policy 2.0—that enables the consistent presence and sustained engagement that are critical to ensuring our hemisphere—and our homeland's—security, stability, and prosperity. Again, thank you for this amazing opportunity and I look forward to your questions.

Mr. SIRES. Thank you, Mr. Fonseca.
Mr. WALKER.

**STATEMENT OF CHRISTOPHER WALKER, VICE PRESIDENT FOR STUDIES AND ANALYSIS, NATIONAL ENDOWMENT FOR DEMOCRACY**

Mr. WALKER. I would also like to thank the committee for the opportunity and privilege of presenting testimony on this timely and critical subject.

China's economic engagement in the western hemisphere has been notable for its speed and breadth. In a remarkably short period of time, China has become a major investor and trading partner with a growing number of countries throughout the region.

The central point I would like to emphasize, however, is that China's emerging relationship with countries in the region cannot be understood principally on the basis of dollars and cents. This is because China's engagement, under the direction of the Chinese party state, is multi-dimensional, and its interaction with countries in the hemisphere brings to bear a wide range of resources that include but also are beyond the realm of commerce and economics.

Through the Belt and Road Initiative and other forms of engagement, China's leadership is placing increasing importance on exerting influence and shaping political operating environments overseas. In fact, over the past decade China has spent tens of billions of dollars to shape public opinion and perceptions around the world into areas typically associated with soft power, which is understood as the ability to affect others by attraction and persuasion. Such efforts have included thousands of people-to-people exchanges, extensive cultural activities, educational programs, notably the ever-expanding network of Confucius Institutes, and the development of media enterprises with global reach.

Media and information are especially critical in this era. Although information is increasingly globalized and the internet is accessible to larger audiences, China and other authoritarian States have managed to reassert control over the realm of ideas. For too long, observers in the democracies interpreted authoritarian influence through an outdated lens, even as China embedded itself in democratic societies as part of autocratic regimes' broader internationalist terms.

China's engagement tends to be accompanied by an authoritarian determination to monopolize ideas, suppress alternative narratives, and exploit partner institutions. This unanticipated authoritarian engagement by States like China to exert influence abroad has created a need for new terms that can adequately describe this new situation. Chief among these is what we have termed "sharp power." This describes an approach to international affairs that typically involves efforts of censorship and the use of manipulation to degrade the integrity of independent institutions. And this was a term that we developed through a report we released in December 2017 titled "Sharp Power: Rising Authoritarian Influence."

And so, when we think about these issues we have to keep this framework in mind.

So, let me just say a few words about China's engagement in Latin American, given the wider context. The media sector is critical. Beijing strategy in this respect is multifaceted.

First, it seeks to disseminate its messages directly through its State media presence in the region. Chinese State media outlets Xinhua and Chinese Global Television, CGTN, do not openly disclose the number of staff or bureaus they have in the region, but clearly their presence is growing.

Second, China State media are entering into partnership agreements directly with local media outlets in Latin America, which include placing paid supplementary materials in local media, content-sharing agreements, placing other content into the wider media landscape, content co-production and training and exchanges of editors, journalists, and documentary film makers. As documented in our sharp power report, Argentina and Peru are among the countries that have various media partnerships with China.

In Peru's case, an agreement between CGTN and the National Institute of Radio and Television in Peru emphasizes joint collaboration in news exchange, co-production, technological cooperation, and personnel training and mutual visits.

In Venezuela, CGTN and teleSUR maintain a joint cooperation deal.

Technology is also critical. While a fuller picture of the technological reach of China in Latin America is only beginning to emerge, several recent reports have highlighted how Latin American governments are employing Chinese technologies in a variety of ways. Most notably, in Venezuela Reuters has reported how ZTE technology is powering the so-called "fatherland card."

In Ecuador, Foreign Policy magazine and The New York Times have recently described in striking terms how loans from China have enabled the Ecuadorian Government, under former President Rafael Correa, to purchase a nationwide network of 4,300 surveillance cameras from Huawei. And there is more to that story, but I am going to leave it there.

And let me just say a word about the Confucius Institutes, which get quite a bit of attention. But they are only one part of China's engagement in the education sector.

The Confucius Institutes are controversial principally because of their opacity and their, the way in which they operate on university campuses. The Chinese Government's staffing and control of curricula ensures that courses and programming will subtly promote CCP positions on issues deemed critical or sensitive to the Chinese authorities, such as territorial disputes or religious minorities in China.

So, I would just say in conclusion that we have not had a proper frame for understanding China's engagement with the world. And we have been slow to recognize that in an era of globalization, authoritarian regimes, including China, play by their own rules that are often predatory and are keen to remove the goalposts on the international level toward their authoritarian preferences.

So, very quickly, just five quick ideas for how we respond.

First, we have a pressing need to address the evident knowledge and capacity gap on China in Latin America and elsewhere.

Second, we need to shine a spotlight on authoritarian influence so that these societies can better understand it.

Third, we need to safeguard democratic societies in Latin America against undesirable Chinese party State influence.

And, fourth, we need to reaffirm support for democratic values and ideals.

And, finally, we need to learn from our democratic partners who have been more deeply engaged on these issues and can share essential learning with partners in Latin America that are in the earlier stage of their relationship with China.

Thank you very much for your attention.

[The prepared statement of Mr. Walker follows:]

**"Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere"**

Testimony before the U.S. House Foreign Affairs Committee, Western Hemisphere Subcommittee

Christopher Walker

Vice President, Studies & Analysis, National Endowment for Democracy

May 9, 2019

I would like to thank the Committee for the opportunity and privilege of presenting testimony on this timely and critical subject.

China's economic engagement in the western hemisphere has been notable for its speed and breadth. In a remarkably short period of time, China has become a major investor and trading partner with a growing number of countries throughout the region.

Putting the extent of this development into context, regional expert Eric Farnsworth writes in the most recent issue of the *Americas Quarterly* that "China's entry into the Americas is the most significant issue this century in hemispheric affairs" and that Latin America is "at an inflection point in terms of its relationship with China."

As China has gone global, the Chinese authorities have made their ambition clear, putting forward their conception of "Globalization 2.0": a vision of Party/State-driven international economic cooperation epitomized by the "Belt and Road Initiative" (BRI). These developments are of great relevance to U.S. allies and partners around the globe, including those in Latin America.

The central point I would like to emphasize, however, is that China's emerging relationship with countries in the region cannot be understood principally on the basis of dollars and cents. Therefore, I will not focus my remarks on the economic dimension of China's relationship with countries in the region. This is because China's engagement, under the direction of the Chinese Party/State, is multidimensional and in its interaction with countries in the hemisphere brings to bear a wide range of resources that include but are beyond the realm of commerce and economics.

Through the BRI and other forms of engagement, China's leadership is placing increasing importance on exerting influence and shaping the political operating environment overseas. In fact, over the past decade, China has spent tens of billions of dollars to shape public opinion and perceptions around the world into arenas typically associated with "soft power," a term coined by the American political scientist Joseph Nye and understood as the "ability to affect others by attraction and persuasion." Such efforts have included thousands of people-to-people exchanges, extensive cultural activities, educational programs (notably the ever-expanding network of Confucius Institutes), and the development of media enterprises with global reach.

Although information is increasingly globalized and internet access is spreading, China and other leading authoritarian states have managed to reassert control over the realm of ideas, something that has caught analysts and observers by surprise, given the longstanding assumptions about the presumed liberating effect of digital technologies. In China, the state dominates the information environment, and the authorities in Beijing use digital technologies to press their advantage at home and, increasingly, abroad. Taken together, these developments indicate a new and growing challenge at the level of ideas, principles, and values.

For too long, observers in democracies interpreted authoritarian influence through an outdated lens, even as China embedded itself in democratic societies as part of the autocratic regimes' broader internationalist turn. China, in particular, has established platforms for educational, cultural, and other forms of influence within societies. Such initiatives tend to be "accompanied by an authoritarian determination to monopolize ideas, suppress alternative narratives, and exploit partner institutions." The unanticipated ability of authoritarian states like China to exert influence abroad has created a need for new terms that can adequately describe this new situation.

Chief among such terms is "sharp power." This describes an approach to international affairs that typically involves efforts at censorship and the use of manipulation to degrade the integrity of independent institutions. Neither "hard" but nor really "soft," sharp power has the effect of limiting free expression and distorting the political environment, as explained in a December 2017 report by the National Endowment for Democracy's International Forum for Democratic Studies that coined the term.

China especially has cultivated economic leverage as a tool for getting others to play by its rules. Beijing's approach seeks to reduce, neutralize, or preempt any challenges to the regime's presentation of itself. The Chinese government often aims to portray the country as either a benign foreign influence or a successful example of economic development and modernization without democratic political institutions. Beijing does not hesitate to use its local allies and influence to seek to mute opposition to its projects.

In the introduction to a first-of-its-kind report, *Chinese Influence and American Interests*, released in November 2018 that was produced by the Hoover Institution and the Asia Society, the editors spoke to the changed approach by China's leadership. Until Party general secretary Xi Jinping came to power in 2012, the watchword among China's paramount leadership was to "keep your heads down and bide your time"; these Party leaders sought to emphasize that China's rapid economic growth and its move toward to "great power" status did not need not be threatening to the existing global order. However, since Xi Jinping assumed power, the situation has changed. Under his leadership, China has significantly expanded the more assertive set of policies initiated by his predecessor Hu Jintao, as that report observed. These policies not only seek to redefine China's place in the world as a global power, but they also have put forward the notion of a "China option" that is claimed to be a more efficient developmental model than liberal democracy.

In considering today's more internationalist China, we must be mindful to view its external power projection in a way that cannot be divorced from the political values by which the CCP governs at home.

On this count, a clearer picture of Beijing's intentions can be obtained from China's domestic political and media landscape. During the time since the 2008 Beijing Olympics, the Chinese authorities have intensified their suppression of dissent, silenced political opponents, inundated their citizens with propagandistic content, and co-opted independent voices, all while working to maintain the appearance of openness and modernity.

In recent years, the ideas realm in China has been steadily monopolized by the state and its surrogates, as the CCP has worked to eliminate any challenge to its position in the public discourse.

**Democratic Institutions and Public Sphere in Latin America**

Having set the wider context for China's engagement, I would like to touch on the Chinese authorities' projection of influence in Latin America. The pattern of activity that has become evident globally in several critical sectors is of direct relevance to the hemisphere.

**Media**

China's media engagement strategy is multifaceted. First, it seeks to disseminate its messages directly through its state media presence in the region. Chinese state media outlets Xinhua and China Global Television Network (CGTN) do not openly disclose the number of staff or bureaus operating in the region, but their presence is certainly growing, and as they have done in other regions of the world, they are increasingly hiring local reporters. China's ambassadors are also more actively engaging with local media by placing op-eds and providing interviews with local media outlets throughout Latin America and the Caribbean.

Second, China's state media are entering into partnership agreements directly with local media outlets, which include placing paid supplementary materials in local media, content-sharing agreements, content coproduction, and "training" and exchanges for media editors, journalists, and documentary filmmakers in China.

As documented in our Sharp Power report, in Argentina *Tiempo Argentino* inserted Xinhua's four-page supplement in 2015 as part of a larger cooperation agreement between Grupo Veintitrés and Xinhua. Grupo Indalo and Télam signed cooperation agreements with Xinhua during Cristina Kirchner's presidency.

Grupo América closed an agreement with *China Daily* to insert the four-page *China Watch* supplement in five of the group's newspapers. Grupo América also partnered with China Global Television Network (CGTN) to produce a series of documentaries. In 2015, *People's Daily* and *La Nación* made a public deal to jointly distribute news content.

More recently, during the G20 Buenos Aires summit, China Media Group (CMG) and Argentina Radio Television co-produced and aired on public television platforms in both countries two documentaries, "Glamorous Argentina" and "Glamorous China." ("Glamorous China in the Eyes of Argentine").

It is worth noting that Argentina's relationship with Moscow also deepened during the Cristina Kirchner's presidency. In October 2014, Russian President Vladimir Putin and Kirchner announced the start of RT broadcasts in the Spanish language to nation-wide audiences in Argentina. RT now broadcasts in Argentina, Venezuela, and Colombia and can be viewed on cable television networks in nearly every country in Central and South America, including Brazil and Peru. It is complemented by the print and online publication sponsored by *Rossiskaya Gazeta, Russia Beyond the Headlines,* which has been included as a supplement in Argentina's *La Nacion,* Brazil's *Folha de S.Paulo*, and Uruguay's *El Observador*. The Russian-state-backed information sources, like those of the Chinese, are differentiated by country with the goal of effectively influencing specific audiences.

An initiative by *Global Americans* has analyzed selected articles published by Russian and Chinese state media outlets to understand how they aim to portray current events in the western hemisphere for intended readers across the Latin American region, finding them in certain respects to be intentionally false or misleading.

In Peru, an agreement between CGTN and the National Institute of Radio and Television of Peru emphasizes joint collaboration in news exchange, co-production and non-newsworthy content swaps, technological cooperation, and personnel training and mutual visits. In Venezuela, CGTN and Telesur maintain a joint cooperation deal.

In Colombia, the popular *Semana* magazine published a special edition magazine in October 2018 titled, "China: Poder, Tradición, Comercio, Innovación", funded by China.

The third facet of China's media engagement strategy centers on building relationships with individual media editors and journalists from around the region. To highlight one recent example, alongside the G20 summit held in Buenos Aires, China organized the 2018 China-Latin America and the Caribbean Media Forum under the theme "deepening media cooperation to build a China-LAC community with a shared future." The forum drew representatives from 13 Chinese media outlets and more than one hundred news agencies from over 20 Latin American and Caribbean nations.

**Technology**

China is also using the export of its technology as a method of political and economic engagement in the region. While a fuller picture is only beginning to emerge, several recent reports have highlighted how Latin American governments are employing Chinese technologies that were developed within China to support state surveillance capacity and incentivize social management.

Most notably in Venezuela, *Reuters* reported how ZTE technology powering the *carnet de la patria*, or the "Fatherland Card," has enabled the Maduro regime to collect personal data and track citizens behavior, while also granting citizens preferential access to food rations and supplemental cash payments at the same time that living standards in the country have rapidly devolved into an humanitarian crisis.

In Ecuador, *Foreign Policy* and *The New York Times* have described in striking terms how loans from China enabled the Ecuadorian government under former President Rafael Correa's leadership to purchase a nationwide network of 4,300 surveillance cameras from Huawei and the state-owned company CEIEC for monitoring crime and coordinating humanitarian responses to natural disasters. But in addition to the 3,000 police employees monitoring the cameras in 16 observation centers, Ecuador's intelligence service also has access to the live feeds. Venezuela and Bolivia reportedly are also pursuing the acquisition of similar systems from China.

For many countries in Latin America, as in other developing economies around the world, the opportunity to import advanced technologies can be highly attractive. We can anticipate that governments across the region will continue to pursue such opportunities and welcome investments from China in this sphere. However, the wider societies of countries throughout the region must approach such technology-related deals with open eyes and with the information necessary to make fully informed decisions.

**Education**

*Confucius Institutes*

As is the case globally, Confucius Institutes are active and proliferating across Latin America. Santiago, Chile hosts a Confucius Institute Regional Center for Latin America which provides methodology trainings for Confucius Institute instructors based around the region.

Confucius Institutes are controversial because of the opacity with which they operate on university campuses. Although some observers note that many Confucius Institutes activities seem innocuous, emphasizing Chinese language instruction and cultural events such as film exhibitions, other elements of Confucius Institute programming are quite out of place in a university context. The Chinese government's control of staffing and curricula ensures that courses and programming will subtly promote CCP positions on issues deemed critical or sensitive by the Chinese authorities, such as territorial disputes or religious minorities in China.

In relative terms, many of the countries in the region are in the relatively early stages of their engagement with China. They therefore have the opportunity to build their respective relationships with China with open eyes. To do this, they will need to cooperate with and learn from countries, such as Australia, that are farther along on the learning curve in dealing with China's sharp power.

**Understanding China's Engagement: Authoritarian "Animating Principles"**

As we noted in our *Sharp Power* report, the overarching approach of China - and Russia, too - "stems from an ideological model that privileges state power over individual liberty and is fundamentally hostile to free expression, open debate, and independent thought."

There is clearly nothing "soft" about how these regimes treat the media, education, and the realm of ideas in their domestic environments. Should we view their outward-facing activities differently?

To put Beijing's operating approach into context, it is essential to understanding the animating principles that guide its governance model:

- State power is paramount
- Relatedly, non-governmental actors are marginalized, or excluded altogether
- Efforts are made to limit political expression and mute critics
- The rule of law is devalued and degraded

Why should we care about this dramatic buildup of influence by the authoritarians, and how should we think about it? After all, aren't China and other such states simply pursuing their own interests? They are, to be sure. But, as noted above, these interests are informed by autocratic political values and preferences that privilege state control.

As China has dramatically expanded its economic interests and business footprint around the globe through the Belt and Road Initiative and related efforts, Beijing has focused its influence on masking government policies and suppressing, to the extent possible, voices beyond China's borders that are critical of the CCP, as China expert Sarah Cook has written. It seeks to do so by coopting and manipulating targets in the media, academia, and policy and business communities. Such efforts furthermore seek to permeate institutions in democratic states that might draw attention or raise obstacles to the advancement of CCP interests, disincentivizing any such resistance.

As my colleague Shanthi Kalathil observes, it is not that China "attempts to control every facet of communication, or that it wants to impose its exact model of authoritarian governance everywhere. But it is increasingly true that Beijing's technology ambitions, combined with its attempts to determine on a global scale the parameters of "acceptable" speech and opinion with respect to China, pose clear threats to freedom of expression and democratic discourse outside its borders."

What we have been slow to recognize is that in an era of globalization, ambitious regimes that play by their own coercive and often predatory rules at home are keen to move the goalposts on the international level toward their authoritarian preferences.

**Crafting a Response to the China Challenge**

Any response to the challenge posed by China will first require dispensing with the inadequate framing of this issue as a simple choice of either shunning or engaging China, which is already deeply integrated into the international system, including increasingly throughout Latin America. Rather, it is the nature of the engagement with China that must be rethought.

The following are key steps, drawn from our Sharp Power report, which can be taken to address the Chinese government's influence efforts:

> **Address the evident knowledge and capacity gap on China.** Throughout Latin America—as in other regions around the world—information concerning the Chinese political system and its foreign policy strategies tends to be extremely limited. This places societies in the region at a distinct strategic disadvantage. There are few journalists, editors, and policy professionals who possess a deep understanding of China – the Chinese Communist Party, especially – and can share their knowledge with the rest of their societies in a systematic way. Given China's growing economic, media, and political footprint in these settings, there is a pressing need to build capacity to disseminate independent information about China and its regime. Civil society organizations should develop strategies for communicating expert knowledge about China to broader audiences. This should include a conscious effort to break down ordinary academic and policy barriers to enable collaboration between experts on China and regional specialists focused on Latin America.
>
> **Shine a spotlight on authoritarian influence.** Chinese sharp power relies in part on disguising state-directed projects as commercial media or grassroots associations, for example, or using local actors as conduits for foreign propaganda or tools of foreign manipulation. To respond to these efforts at misdirection, observers in Latin America need the capacity to put them under the spotlight and analyze them in an independent and comprehensive manner.
>
> **Safeguard democratic societies in Latin America against undesirable Chinese Party State influence.** Once the nature and techniques of authoritarian influence efforts are exposed, countries in the region should build up internal defenses. Authoritarian initiatives are directed at cultivating relationships with the political elites, thought leaders, and other information gatekeepers of open societies. Such efforts are part of Beijing's larger aim to get inside such systems in order to incentivize cooperation and neutralize criticism of their authoritarian regimes. Support for a robust, independent civil society—including independent media—is essential to ensuring that the citizens of democracies are adequately informed to critically evaluate the benefits and risks of closer engagement with Beijing and its surrogates.

**Reaffirm support for democratic values and ideals.** If one goal of authoritarian sharp power is to legitimize non-democratic forms of government, then it is only effective to the extent that democracies and their citizens lose sight of their own principles. The Chinese government's sharp power seeks to undermine democratic standards and ideals. Top leaders in the democracies must speak out clearly and consistently on behalf of democratic ideals and put down clear markers regarding acceptable standards of democratic behavior. Otherwise, the authoritarians will fill the void.

**Learn from democratic partners.** A number of countries, Australia especially, have already had extensive engagement with China and can serve as an important point of reference for countries in Latin America whose institutions are at an earlier stage of their interaction with Beijing. (See, for example, "China in Xi's "New Era": Overstepping Down Under" and "How China Interferes in Australia"). Given the complex and multifaceted character of Beijing's influence activities, such learning between and among democracies is critical for accelerating responses that are at once effective and consistent with democratic standards.

Mr. SIRES. Thank you, Mr. Walker. Now we will do members' questions.

I will lead it by saying one of the concerns that I have is the fact that for years we have not really focused, Democratic and Republican administrations, in this region. And now you take a look at China and it went from $17 billion to $300 billion. What is the total trade that we have with this region, about $800 billion?

Ms. MYERS. Eight hundred, for China?

Mr. SIRES. Yes. No, no, with this region, the western hemisphere. What is our trade?

Ms. MYERS. China and western hemisphere? Somewhere in the neighborhood of 500——

Mr. SIRES. No, our trade with the region.

Ms. MYERS. I do not know exactly the number of that.

Mr. SIRES. Anybody know? I think it is something like $800 billion.

Ms. MYERS. Something of that nature.

Mr. SIRES. OK, I just want to get confirmed. I do not remember the number.

My concern is if China went from 17 to 300, that is a sizable chunk. And I think we should be concerned on some of the things that they are doing.

And in your comment, Ms. Myers, you did not seem to be too concerned about China in the western hemisphere. Did I get the wrong impression?

Ms. MYERS. No, I am concerned about what China is doing in the western hemisphere. But I would simply say that we need to be very careful about not characterizing the entire western hemisphere as being, you know, under the thumb of China necessarily. It varies considerably. And considering that the U.S. has very limited resources and needs to apply them effectively, we need to think best about how to, how to allocate those resources.

So, we need to think about those particular countries that are under greatest threat of influence, nefarious influence in certain cases, and then those that are not, and then how to deal respectively with each of those nations.

Mr. SIRES. Well, I just get concerned how quickly they got there.

Ms. MYERS. Yes.

Mr. SIRES. So, the next thing is if we are not careful——

Ms. MYERS. It has been a remarkable rise, right.

Mr. SIRES [continuing]. It is going, the trade with China is going to be double.

So, I was just wondering anybody else have any comment, how quickly this went from 17 to 300?

Mr. WALKER. So, I think what I would emphasize in this context is that the trade number has increased but so has engagement in so many other spheres. And I think in the same way that the United States has been slow to recognize the abrupt and rapid engagement on the trade and commercial side, we have also been slow off the blocks to recognize the larger implications of China's engagement more broadly. And I think we are only starting to engage.

And I think this hearing and others that are happening in the next week or two are so important to start putting into perspective the scope of the challenge.

Mr. SIRES. And my other question, Mr. Fonseca, how can countries in the region avoid similar outcomes as the Ecuadorian experience with this dam and this now that they are exporting 90 percent of their oil to China?

Mr. FONSECA. Chairman, that is an excellent question. And I think, again, it centers on governance. It centers on our ability, and again why I should have put the onus on to our engagement and how we are able to shape some of those outcomes. I think that governance is a key issue.

If you look at that dam in particular, just about every Ecuadorian involved in that is now in jail on corruption charges. And so, you know, working that issue of governance, accountability, transparency, anti-corruption, I think those are really key in sort of creating environments that are more resilient to the types of Chinese economic activity.

Mr. SIRES. Yes?

Ms. MYERS. Might I add to that. Just we need to create or ensure a more inclusive environment at the very onset of the development of these projects. And that includes trying to ensure that civil society in particular is well advised and participating at, you know, the very earliest stages. Also, a strong media presence.

As it turns out, a lot of Latin American countries have been very responsive to New York Times reporting on cases like Sri Lanka and are very aware also of the challenges associated in Venezuela. These are important cautionary tales for them. They take them seriously and I think will apply them, in not all cases, but in some cases in their own decisionmaking.

Mr. SIRES. You know, I recently read an article where China bought a piece of property in Panama because they have this idea that they want to become the Amazon of the western hemisphere. I do not know if you read that article. But to me it is, like, really reaching, trying to usurp the U.S. influence in the area.

I am sorry, go ahead.

Mr. WALKER. So I think on these issues of how societies, open societies, democracies in Latin America can deal with engagement, which is really full spectrum engagement from China, is critical. And I think at this point, as I noted in the first kind of key issues is that until those societies have the ability to really understand China's foreign policy, the way in which its business operates, there will be at a strategic disadvantage.

And I think one of the things that we can do with our partners is to provide the sort of support and assistance that helps them help themselves. Because over the long haul if civil society, and journalists, and editors, and the policy community in Ecuador, where they really did not have, as I understand it, a vigorous discussion about the ECU 911 investment by China in their security system, which meant that the society really was not prepared for the wider implications of how this technology would be used, until that sort of knowledge and understanding grows some roots in Latin American societies they simply will not be equipped to deal with this challenge.

Mr. SIRES. My time is up.

Ranking Member Yoho.

Mr. YOHO. Yes, I cannot tell you how much I appreciate your testimoneys. I mean, you guys are spot on pretty much on everything. There is a few I disagree with.

But I think of right now this is probably being monitored in China through the CCT cameras or whatever. You know, we have a free society and so we value freedom of speech, freedom of thought, freedom of expression. They despise that. But, yet, here we are talking about them, so they know what our next strategy is.

I do not know, I can only assume in China they do not have open meetings like this saying this is what we are going to do in South America, this is what we are going to do. And I think we need to change our game plan.

We had that hearing yesterday and they were talking about the research and development that China does, these companies do. But those companies do not do that independently, it is the Chinese Government directing that, putting the money in that. And so, here we have the entrepreneurs, you know, the people out there creating. Yes, there is some government money in R&D, but we are solely dependent more, I think, on the entrepreneur. And I think we need to change a game plan here in the United States.

My questions to whoever wants to first answer this, what type of countries is most likely to partner with China, type of leader, the economy, strength of judicial system and rule of law? Anybody?

Mr. FONSECA. So, Congressman, I will take a first stab at it. I mean, for me, governments that are, you know, highly centralized, autocratic, have strong fear of opposition, you know, these are countries that seem to be aligned with China very early on.

If you look at the countries that China has considered, you know, considerable support for, Venezuela, you know, Ecuador under Correa, Bolivia, I mean these are countries that there was a natural gravitation for China to engage in this region.

And they are sort of like-minded. As I sort of referenced in my opening comments, I mean, there is a strategic interest in ushering in a global environment that embraces, accepts authoritarian political models.

Mr. YOHO. All right, go ahead.

Ms. MYERS. I would simply say that China is most likely to engage with all of the countries in the region but in very different ways. So, I mean, it is a completely opportunistic model. And so when there are opportunities to engage on a government-to-government level, which is the preferred model, they are going to do that. And that has been the case in Ecuador. That has been the case in Argentina under Cristina Kirchner. It has been the case in Venezuela. And often there you have very little transparency and you have, you know, deals that do not turn out well.

Mr. YOHO. Right.

Ms. MYERS. In other cases, Chile, there is a lot of engagement. And actually, frankly, I think some of that is a little bit worse than what we are seeing elsewhere because it is at the high, it is at the high tech level. It is going to ensure that China has a very critical place both in terms of establishing a presence for the renminbi in

the region, but also in terms of as a sort of beachhead for technology application and expansion.

But everywhere we are seeing things. It is just very, very different on a case by case basis.

Mr. YOHO. Yes. Mr. Walker, do you want to add to that or are you pretty much the same?

Mr. WALKER. Well, I think it is not surprising that China has a certain form of relationship with governments that are operating in a similar way, which is to say prioritizing State power, marginalizing independent voices, suppressing free expression. That comes naturally.

I think what is much more concerning in the last five to 10 years is the engagement that China has with other open societies and how it uses the open space and exploits it for purposes that are more consistent with those animating principles that you would find in China. And I think this is something that we have not quite come to terms with yet, and we are only in the early stages of understanding but it is something we have to accelerate our learning on quickly.

Mr. YOHO. All right, let me ask you this. When China comes to a country in Latin America do they bring their workers, material, build restaurants and hotels that they stay at and promote a Chinese economy? Or do they integrate the economies in those countries?

Ms. MYERS. That largely depends on the country and the regulations that they have and how much economic leverage they have in terms of negotiating.

Mr. YOHO. But in a country where you have got a despotic leader that is open for corruption and all that, what do you see?

Ms. MYERS. Yes, in those cases, yes, you do see Chinese workers coming.

Mr. YOHO. OK.

Ms. MYERS. Sometimes, or in small countries, you know, Bahamas, for example, that really do not have a lot of leverage in negotiations——

Mr. YOHO. Right.

Ms. MYERS [continuing]. You will see that happening as well. In Brazil, not really at all.

Mr. YOHO. OK. What is the attraction of partnering, countries partnering up with China, keeping in mind China is halfway around the world, versus partnering with the U.S.? Why China versus U.S.?

Has it been our absence or has it been our demand for all the things we believe in this country after 200-plus years of rule of law, equality, and freedom of speech and all that? What do you guys find? Mr. Walker?

Mr. WALKER. I think I have to say right at the outset that we need to recognize that in places like Latin America, sub-Saharan Africa, the Balkans, and elsewhere there is a real need for investment. It is a fact. And at a very basic level those societies are looking for investment, and China is offering it.

I think that is one part of the discussion. I think what we are missing at this point is a more rounded discussion on the implications of Chinese investment in these settings and what open and

free societies and investment from open and free societies have as a competitive advantage for our partners.

And I do not think we have made that argument as vigorously as we can. And we need to do that because China is making another argument, and I am happy to talk more about that. I——

Mr. YOHO. I am out of time. I would love to have another round if we get it. Mr. Chairman, thank you.

Mr. SIRES. Thank you.

Joaquin Castro.

Mr. CASTRO. Thanks, Chairman.

It was mentioned earlier that several of the Latin American countries had signed on to China's Belt and Road Initiative. Where does Latin America fit into China's Belt and Road Initiative? Anybody.

Ms. MYERS. Thank you. Yes, so it was in 2018 during the China-CELAC Forum that Latin America became officially part of the Belt and Road Initiative. But it is unclear what precisely that means at this point.

Mr. CASTRO. Sure.

Ms. MYERS. The Belt and Road has come to encomp—just simply encompass and define all of China's foreign policy.

Mr. CASTRO. Right.

Ms. MYERS. An ambiguous construct.

These 14 countries that have signed on now, I think most recently Peru, these are non-binding contracts, or they are not contracts at all, they are memorandums of understanding. But most importantly, I think, for China they indicate symbolically a support, a degree of support for China's broader foreign objectives and for China's presence in the region. So, at this point they are largely symbolic.

What Latin American countries are hoping for, frankly, is an infusion of capital, especially in the——

Mr. CASTRO. Sure.

Ms. MYERS [continuing]. Construction space.

Mr. CASTRO. Let me ask you now, we have had a big debate in this country about privacy and the ability of both government and private companies to review people's data, personal information. There are parts of China where people basically live in a surveillance State. And they have helped deploy that technology in other countries, including in places like Africa. Have we seen that in Latin America at all?

Mr. FONSECA. So, Congressman, I will take that one.

We are seeing the proliferation of Chinese telecommunications surveillance technologies in the region. Several countries have bought onto it. Ecuador, Bolivia, Argentina, others have sort of inquired about engaging and acquiring those kinds of technologies. I am not, I am not finding any evidence in which, you know, China has, has breached any serious privacy issues there.

I think one of the bigger challenges within this context of proliferation of technology is the actual security of the technology, of the technology itself. Right? Lots of independent studies out there sort of questioned the integrity of the systems, the cyber security components that are built into these technologies. You know, and so I think that is on one end.

The other end is, OK, that still may give China access to information in the future though, again, some small cases out there globally that have indicated in some, you know, some intentionality of the Chinese to be able to have access to that kind of data.

Mr. CASTRO. Well, it is clear that they are setting themself, themselves up in certain places to be able to collect data and keep that data and use it.

Mr. FONSECA. Yes. I mean, in addition to the surveillance, you know, systems, also the big data centers that they, they have been, you know, engaging on throughout the region.

So I think that, you know, it is hard to define the intentionality of it. We are not seeing evidence that it is actually occurring right now. But I do take your point, sir, that they are acquiring capability in the future that could be leveraged to acquire or breach privacy.

Mr. CASTRO. Thank you. Mr. Walker?

Mr. WALKER. Congressman Castro, you alluded to Xinjiang and others in your, in your outset of your question. In essence, without any checks on the development of technology within the People's Republic of China they are developing what some call a digital totalitarian surveillance state. The capacity to do this is baked into the technology that is being shared. We are seeing versions of this in Africa.

I think the Ecuador case is something that needs to be looked at very carefully because in the end it is not just about the technology, it is about the norms and standards that are around it. To the extent that the norms and standards that are being set within China tend to inform, say, the packages——

Mr. CASTRO. Right.

Mr. WALKER [continuing]. That come to Ecuador, that is a problem for all of us.

Mr. CASTRO. Well, it can become very tempting for governments when they have the capacity to surveil to actually engage in that deep surveillance.

Mr. FONSECA. Sir, if I may add one other.

Mr. CASTRO. Yes.

Mr. FONSECA. I mean, it is also important to note that the way China views the internet is distinctly different than the way we and the rest of, you know, sort of, you know, western nations view the internet. There, so, digital sovereignty becomes a really serious question about the norms and behavior, as Chris is referencing, that, that are being promoted by China.

Mr. CASTRO. Uh-huh.

Mr. WALKER. Just very briefly, this is a critical point and it is relevant to the region we are talking about but other regions. This, this argument that digital sovereignty should be paramount is a euphemism for State control of the internet. And what the United States and its allies in the democracies are fighting for is a multistakeholder approach not a multilateral approach that basically would keep independence in a multitude of voices involved in the internet and its governance. Whereas China's vision, along with countries like Russia and Saudi Arabia, is dramatically different.

And this has massive implications for the hemisphere.

Mr. CASTRO. Thank you all. I yield back.

Mr. SIRES. Congressman Michael Guest.

Mr. GUEST. Thank you, Mr. Chairman.

It appears to me from your testimony, both oral testimony and written testimony, that China is using a multifaceted approach, if you will, to gain influence in Latin American countries, that by way of investment, whether it be direct investment or loans, technology, 5G, surveillance equipment, education that you spoke of in the Confucius Institutes. And we are also now beginning to see military sales as well as military training and military exercises between the Chinese Government and governments within Latin America.

And, Ms. Myers, you spoke a few minutes ago that there are some countries that you feel that are at greater influence from China than others. And I am assuming that two of those would be Venezuela and Ecuador. What other countries in Latin America do you feel that are at greater threat to Chinese influence than others?

Ms. MYERS. Yes, I mean I was speaking from the economic perspective. And primarily it is those that are most economically dependent on China, either because they have a very, very small economy and are not receiving infusions of capital at all, or because they do not have access to international credit markets, as has been the case with Venezuela or Ecuador, Argentina in the past. Even Brazil has had some limited capacity there in recent years.

Or those that have a really, really dependent trade relationship with China. Brazil is, you know, a primary example there. Peru to a degree, Chile. These countries, despite having been critical at times of Chinese policy and Chinese deal making, have, you know, consistently worked to build even stronger relations.

You know, most recently we have seen Bolsonaro be very critical of, in Brazil be very critical of a lot of the deals that have been made in Brazil, and yet now we see most of Bolsonaro's cabinet and he himself talking fairly positively, positively about the relationship. And I think noting that this is one that is extremely important for Brazil and that they are not able to, to really change the fundamental value or, you know, the way in which they are engaging in China.

Mr. GUEST. And would you agree that based upon the dynamics of each country they are using different tactics, if you will, to gain influence?

Ms. MYERS. Yes. Chinese have an extraordinarily diversified approach to its engagement in Latin America. It is not at all a one-size-fits-all model. It depends on the type of governance that we see in a country, the structure of the economy.

China has used major infusions of State finance in countries that do not have access to international credit markets, for example. In other cases it is competing actively through public/private partnerships, or negotiating with the government on a wider variety of sort of technology or innovation packages.

But it really depends on the interests of the country and the various ways that they can achieve their own objectives there.

Mr. GUEST. Mr. Walker, let me ask you a question. In your written testimony you talk about technology, and we talk about China exporting, particularly to Venezuela, to some extent Ecuador, but

probably more Venezuela, technology that enables countries to collect personal data and track citizens' behavior.

Will you expand on that just a little bit, please?

Mr. WALKER. So, I think what is important to recognize is that the fundamental principles that China—and when I say China it is really important to emphasize meaning authorities in the Chinese party State—that they are developing a whole suite of technologies that are designed for what they call social management. And it is, again, a kind of catch-all for surveillance, personal control for controlling their citizenry. And in parts of the country this is already quite advanced.

I think what is so concerning now is that in a country like Venezuela, given the extraordinary degree of repression there, it is very hard for civil society to hold their own government to account.

Moreover, if we look at more open societies where there, there is an opportunity at least to have a meaningful discussion about what China calls the Digital Silk Road which they seem to be emphasizing more, it is in essence a piece of the Belt and Road Initiative but focused on providing loans and investments in the digital sector, I think we have to be incredibly vigilant in understanding the implications of this if we see more Ecuadors, if we see other countries that are adopting this technology. Because, as Congressman Castro alluded to, governments may be tempted to use these in ways that their own populations would not welcome.

And in the absence of meaningful debate and discussion at the outset of agreements that bring this kind of technology into countries, it is very hard to unwind it and uproot it.

Mr. GUEST. Thank you. Mr. Chairman, I yield back.

Mr. SIRES. Congressman Espaillat.

Mr. ESPAILLAT. Thank you, Mr. Chairman.

Ms. Myers, I want to ask regarding the access to capital, to financing, and the predatory practices that China has been engaging in with Latin American countries. In fact, many have considered that this is a sovereignty issue because they are sort of, like, strangled for decades financially.

What are the—I have been asking this question and I have not gotten a clear answer from anybody—what are the actual provisions of those loans that are predatory in nature that will strap countries for decades financially, and maybe put their own sovereignty in jeopardy?

Ms. MYERS. Well, these loans in Latin America are structured very differently than what we saw in Sri Lanka and in some other worrisome cases in Asia. And so, for that reason this notion of sort of debt trap diplomacy does not apply as clearly in the Latin American context.

Mr. ESPAILLAT. Oh.

Ms. MYERS. That does not mean that these are not problematic though.

One of the main features of the Chinese State loans, right, policy bank loans that we see in Latin America is that they are oil backed, a lot of them, not all of them. But to countries that, you know, have received a lot of them like Venezuela and Ecuador they are usually repaying these in oil. That was a way for China to miti-

gate its own risk. But it has become very problematic, you know, since oil, oil prices dropped a number of years ago.

The model does not work so well when that happens. And as a result, we have seen, you know, Venezuela really struggle to repay these loans. And a lot of the oil that they are sending is destined, essentially, for, for China and also for Russia to a degree. And this puts Venezuela in a very difficult position, obviously, but also other countries like Ecuador which has a similar model.

Also, in the case of Ecuador we have a very—there is a sovereignty question there in that Ecuador promised, received a lot of finance, promised a lot of oil in exchange, but that oil was not yet readily available. And so they had to make a decision to drill in a new area in the Yasuni, which is highly biodiverse, very controversial, in order to make that happen. And so that was something that was not forced upon them necessarily but was necessitated by this loan agreement.

So that, I would say, certainly is a sovereignty question.

And then overall, the debt, the debt issue is concerning just how much debt these countries have as a share of GDP. It is not all Chinese debt, though Chinese debt is a significant portion of it. And that, of course, has implications for long-term stability.

Mr. ESPAILLAT. Thank you. Anybody on the Chinese presence in the Panama Canal? I think we have sort of, like, ignored that a little bit. And I think it is crucial and strategically crucial that their presence there could be negative for U.S. investment and trade in general.

Anybody on their presence in the Panama? Mr. Walker or anybody? No one?

Ms. MYERS. The Panama case is I think a really fascinating one and one that we have to keep a very, very close eye on. It is kind of unclear how that is going to unfold. On the one hand we have, I mean there have been a slew of deals, as you all know. They have been well reported. It is shocking actually how much activity there is in Panama. But these are mostly construction contracts, they are not investments.

Mr. ESPAILLAT. OK.

Ms. MYERS. And Panama is not highly dependent from a trade perspective on China. So, I would not say that it has got this, you know, extreme dependency issue.

Nevertheless, there is a lot of interest in Panama in striking new deals, and a lot of interest on the part of Chinese companies in becoming even more extensively involved in some critical assets in Panama.

Mr. ESPAILLAT. OK.

Ms. MYERS. And so, if that happens, I think it has major implications. Already we are seeing major implications in very strategic areas in terms of potential surveillance and potential control over really critical assets that are, of course, critical to the United States from a trade perspective.

Mr. ESPAILLAT. OK. Regarding surveillance, any, can anybody shed light on the 16-story antenna in Argentina and what role is it playing regarding surveillance? Anybody?

Mr. FONSECA. Congressman, are you talking about the space——

Mr. ESPAILLAT. Yes, correct.

Mr. FONSECA. So, we are kind of classifying it as a black hole—no pun intended—given the sort of the nature of it. But it is one of these really unique arrangements in which no one outside of the Chinese Government actually has access to the facility. Right? It is written for a 50-year agreement. There are provisions where you can put pressure, and that recently happened in Argentina where they were able to restructure a little bit of that deal.

But, you know, my sort of, you know, my assessment on the ground is that Argentine Government officials cannot walk into that facility and get a good sense of what is going on. So, the speculation it is being used for things like intelligence collection, you know, but, but again there is, there is nothing out there really concrete that we can hang on outside of the fact that there is just a lot of privacy, you know, and sort of darkness surrounding that particular facility.

Mr. ESPAILLAT. Thank you. I am out of time. Thank you.

Mr. SIRES. Congressman Chris Smith.

Mr. SMITH. Thank you very much, Chairman Sires. And thank you, Mr. Yoho, for bringing up this very, very important subject of Chinese influence in Latin America.

Let me just preface my question. Over the last several years I have chaired the China Commission. My Subcommittee, which I chaired for years, on Human Rights, we held a whole series of hearings on Confucius Centers. We petitioned and got the GAO to do a major study about how many and what are the terms and conditions of those Confucius Centers.

I would ask that some of that be made a part of the record, if I could, Mr. Chairman, because it does underscore what is, I think, euphemistically called soft power. And there was an excellent piece in the National Endowment for Democracy called sharp power. Because the Chinese are really in a all-out surge for global domination.

I think it is real. I see it all over Africa. I have been on the Africa subcommittee for much of my time on this Committee and chairing or being ranking member now with Karen Bass. And, of course, in Latin America we are seeing, as one of our famous New Jerseyans has said, Yogi Berra, it is deja vu all over again.

Everywhere we look it is the same cookie cutter approach by the Chinese Government to influence other countries in this effort to, one, either fleece their raw materials as they have done so effectively at bargain basement prices, and that includes oil, wood, and other precious metals, but also to influence governments as you, all of you have made, I think, very clear.

I would ask, if you would, my first question would be about these Confucius Centers. One member put it at 19 Confucius class—39 Confucius Institutes and 19 Confucius classrooms in 20 Latin American countries. But what I think most people do not understand is that when these university presidents, including our State, Mr. Chairman, invite them in, the teachers are hand picked by Beijing. They are told there is no Tibet talk. There is no talk about Tiananmen. And there, you know, the three T's as they call it. And the bottom line is that any thought of human rights being discussed is a demonstrable no.

So, our own students, Mr. Chairman, are being inculcated in a very, very non-transparent effort to give Xi Jinping's view of the world every single day at the—you know, they claim that it is a way of getting value added, you know, perhaps more language skills, but there is a communist government agenda that permeates the entire thing. And it is all over Latin America, all over Europe, all over Africa, all over the world.

Their hope is to get to a thousand Confucius Centers in just a couple years. They are about halfway there. There are over 100 in our country.

And I have asked hard questions. We had NYU here testifying because they have a center, a Shanghai campus. And what kind of influence is it when they give you the building, they give you just about everything and allow you to charge $46,000 per student, which is unbelievably high in China, and how much human rights talk will go on in the campus in Shanghai? And who hand picks those students?

So, they are going all out in my opinion. The overarching question is about how they are trying to influence the elites, the academic community. And, you know, there is no academic freedom, I do not think, when you have a situation at the Confucius Center, certainly not within the confines of that.

So, your thoughts on that.

The issue of debt, which you have already delved into. But, again, I was running another hearing on Africa, Ethiopia to Djibouti and some of the other countries are so heavily indebted now, and if you could speak to it about the Latin American countries, because I think they are a little bit behind where Africa was. But they all said, what terms, what conditions. They are great. They got huge amounts of money and now they are, you know, it is like, like the Mafia, you know, the reasons why these loans went out were not just goodwill or even good business, it was influence.

We know in Brazil the FAO is now Brazil has it, the director general. But China is now likely—they are supporting the Chinese Government in getting that important U.N. position. So, you might speak—I know I am going a little long here—you might speak to the issue of what the Chinese are doing to influence the Latin American countries vis-a-vis the U.N. because we know, you know, they are making an all out effort to get the FAO top job. And there will be others that will follow.

So, if you could speak to those, I would appreciate it.

Mr. WALKER. So I might just say a word about the Confucius Institutes at the outset. And my understanding is that in Santiago, Chile, there is a one of its kind Confucius Institute Regional Center which provides training and support for all the Confucius Institutes in Latin America. So, this does not get so much attention but this is just a fact that you might find of interest.

And I think, as you stressed, Congressman, the features that accompany the Confucius Institutes that I find most striking are the way in which they operate within what should e an open academic setting in open societies. And I will just stress one point to provide a pattern that emerges across a host of the issues you alluded to, and that is in virtually all of these instances the agreements that

the Confucius Institutes have with the host institutions are confidential and not public. It is really a striking thing.

And that does not necessarily mean that the content is problematic, but it does suggest that this absence of transparency raises some questions about what the conditions are and so forth. I would note that at a bare minimum in, certainly in open societies, we need a better way to bring into the light things that are not in the sunshine.

And to the question that came up in the last round of questions on, on the satellite facility in southern Argentina, apart from all the other questions that are raised I think what is so striking, it was terribly difficult, as I understand it, for Argentine society to get a handle on what was really going on when that facility was coming online.

And in the same way with the loan question, I think, again, separate and part from any other aspect of this, what we should focus on is what we do not know about the loan because what I am seeing now in sub-Saharan Africa is that independent civil society and investigative journalists are learning after the fact about elements of the loan arrangements that they find striking in terms of prospects of ceding sovereignty if the loan obligations are not met in way that we have seen in other places that have been alluded to, like Sri Lanka. The country like Montenegro is in a very precarious position. Of course we know the story in Ecuador.

But I think this basic issue of transparency and how do societies that are engaging with China in the sphere of education, media, economics, technology have the ability for themselves to understand just the nature of these agreements and relationships?

Mr. SIRES. Thank you.

Mr. FONSECA. May I just add? Oh, I am sorry.

Mr. SIRES. We just ran out of time.

Congressman LEVIN.

Mr. LEVIN. Thank you, Chairman Sires. And welcome, everybody, I appreciate your participation here.

I wanted to explore further the implications of Chinese development projects for the people and environment of the Caribbean and Latin America.

A 2015 New York Times report on China's investment in international development rightly noted that China has a "shaky record when it comes to worker safety, environmental standards, and corporate governance." And in Asian countries, projects that are part of China's Belt and Road Initiatives have been criticized for degrading the environment, displacing communities, and threatening workers' livelihoods.

Ms. Myers, have we seen these sorts of effects in the western hemisphere with Belt and Road Initiative projects?

Ms. MYERS. We have, yes. I mean, whether they are called Belt and Road projects or not, they seem to be, you know, very characteristic of the, of the BRI, yes.

Some of the most, I think, concerning elements of Chinese engagement with the region are on the environmental and social side. Also, because Chinese are accepting projects that are of considerable political interest occasionally to leaders in the region but maybe not of benefit broadly speaking to the population. And they

are often projects, also, that have been rejected by multilateral development banks in the bank, Inter-American Development Bank for example, or World Bank, for good reason, because they do not meet safeguards in place.

And so as a result, you know, we have seen communities displaced. We have seen rather, you know, extensive environmental effects. And it is also because a lot of what China does is based in industry sectors that happen to have really extensive environmental impact extractive infrastructure.

And without the right safeguards in place to mitigate that then, then the problems really are quite extensive. So, yes, absolutely.

Mr. LEVIN. So, and if Chinese companies have been involved in these projects have they changed their behavior when there has been international criticism, if there have been pressures within the host countries, or local protests over whether it is environmental or labor, you know, practices?

Ms. MYERS. Yes, in some cases.

I alluded to some interests on the part of certain companies in adopting corporate social responsibility standards. That is happening on a very limited basis. It is, you know, good and encouraging. And if we can encourage that, that is great.

That usually happen when Chinese companies become publicly embarrassed and there is a reputational risk for China as a whole as a result. And usually that is the result of civil society intervention at whatever phase, or of media attention to a project gone wrong.

Mr. LEVIN. And do you see the likelihood based on what the projects that are ongoing or in development of further backlash in the years ahead, in the months and years ahead there?

Ms. MYERS. There are a couple of projects in Ecuador, for example, that will probably encounter some backlash. There are also projects where countries, or rather companies have not done any sort of consultation with local affected populations that will probably run into some major trouble, too.

And I would say any of the large-scale projects that have been proposed, the Peru-Brazil railway, things of that nature may not ever get off the ground because of the controversy that is associated with them. But if they were to would be, you know, focus of considerable attention.

Mr. LEVIN. And let me just ask you and others another quick, broader question about U.S. policy. Going back then to Mr. Tillerson as Secretary of State, the Administration has expressed concern about China gaining a foothold in Latin America and so forth. And yet we are pulling back our own involvement, for example, proposing massive cuts in foreign assistance, and now cutting off our aid to the Northern Triangle countries.

If China is indeed trying to gain a foothold in Latin America and the Caribbean, does it help or hurt their cause if the U.S. steps back and cuts foreign assistance to the region? How does this make sense, this policy of ours?

Ms. MYERS. I cannot imagine that less assistance or less attention from the United States will help our cause vis-a-vis China. We need to engage more extensively through the BUILD Act or other

mechanisms at the human level across the board in able to sustain a strong relationship and have any chance of competing effectively.

Mr. FONSECA. And, Congressman, I would just underscore that. I think it is vital that we remain persistent and engage with the region. I think this is vital to our interests.

You know, as I sort of referenced in my opening comments, you know, if we are not there to fill that space the Chinese likely will.

Mr. LEVIN. Thank you. I will just end, Mr. Chairman, by saying that I feel like this is, this committee is a bastion of bipartisanship, and I hope we can all work together to continue to aid and assist our friends south of the border here in this hemisphere. Thank you.

Mr. SIRES. Thank you, Mr. Levin.

Mr. Phillips, Congressman Phillips.

Mr. PHILLIPS. Thank you, Mr. Chairman, and to our witnesses.

The challenge we face vis-a-vis Chinese influence in Latin America I believe is both well articulated and well documented. And amongst the tools in our toolkit are, of course, the BUILD Act and the Americas Crece Initiative by the Administration. I am just curious from each of your perspectives, are either having any impact yet? And prospectively, are those two examples of initiatives in which we should be investing more heavily and more focused on?

Mr. Fonseca.

Mr. FONSECA. Yes, sir. Congressman, I think it is certainly the right approach. I mean, any way that we can continue to mobilize, guide, inspire, support our private sector engaging I think is really vital.

One thing that I will sort of note that I did not have a chance to in opening testimony was, you know, the ability to differentiate our security engagement. This is something that does not get a lot of traction.

I think we are best in class when it comes to mil to mil engagement; right? Where we are not really effective is in domestic law enforcement engagement and really institutionalizing our ability to bring law enforcement, you know, cooperation in any real meaningful way.

And I only say that because that is one of the areas in which I see China differentiating itself from the United States, it is engaging in the region in a robust, local, domestic law enforcement environment. And the Chinese have stated that as a emphasis as part of their, you know, their 2019–2021 plan, that they are going to continue to engage local law enforcement.

That is one of those areas I think we can continue to sort of pivot and cover ground because we do not want to cede that local law enforcement space to the Chinese.

Mr. PHILLIPS. I appreciate that.

Mr. Walker.

Mr. WALKER. This is a terribly important democratic governance question because, using the Ecuador case as an example, it was ostensibly domestic law enforcement that would be, that would have a privileged exclusive use of the ECU 911 system that China shared. In the end it ended up diffusing beyond that scope.

And so, in principle there is nothing to prevent that from happening in other countries in the region absent, in my view, the sort

of deep-rooted local capacity to understand these problems and deal with them over time.

Mr. PHILLIPS. Ms. Myers? And specific comments about I want to know if there is any evidence of the BUILD Act already having any influence, if it is resourced appropriately. And if not, you know, what we should do.

Ms. MYERS. I do not know of any specific examples in Latin America, unfortunately. I know that we had a meeting yesterday and there was concern on the part of a Caribbean representative that it would be difficult because of the middle income status of some Caribbean countries to actually apply those funds. It is possible but requires a lot of bureaucratic work.

And so any effort we can, you know, make, assuming that is an accurate statement, you all would know that, to make that an easier process and to really, you know, facilitate the quick, you know, application of these funds to needed areas I think would be particularly helpful.

In addition, I think these are both great initiatives. They are critical. It is important to apply them.

In addition to that, I think there is a need to work a little bit more behind the scenes on boosting regulatory capacity. I mean, if regulations are there they are followed, generally speaking, you know, if they are there and well implemented on helping civil society to understand this question a little bit better and on potentially talking to Latin American countries about investment review processes and how to implement those.

Mr. PHILLIPS. OK. One more question. Are any of you aware of any effort to compile an inventory of infrastructure efforts in Latin America and assess which ones might be vital to our security or economic interests?

Ms. MYERS. The Inter-American Dialogue I guess about 4 months ago we put together a comprehensive list of transport infrastructure——

Mr. PHILLIPS. Right.

Ms. MYERS [continuing]. Projects in particular, assessing each one according to its level of completion. Who, what actors are involved, which ones? China Railway stands out as being the prominent example of, or prominent investor in the region in this space. And by type: road, rail, ports, bridge, you name it.

What we found is that there are 150 projects that China has—transport infrastructure projects that China has expressed interest in since 2002. About half of those have materialized.

Mr. PHILLIPS. OK.

Ms. MYERS. But most of that over the past 5 years. So, definitely ramping up activity of late. And almost all of the really successful cases are in ports. Road and rail not as much, but there is some progress on that side as well.

What we are looking to do now is look at each of those successful cases, right, of investment and try and understand what the implications are from the security perspective to the end, and economics.

Mr. PHILLIPS. Would you all agree, though, that it is in our best interests to identify comprehensively, not just transportation related, but comprehensively all infrastructure projects in Latin

America, identify which ones are most impactful to us, and perhaps prioritize?

Ms. MYERS. Absolutely.

Mr. PHILLIPS. Mr. Walker.

Mr. WALKER. I would stress the technological dimension of this.

Mr. PHILLIPS. Yes, exactly.

Mr. WALKER. I think, if anything, Ecuador, Bolivia, and Venezuela are indicators that this can grow extensively and I just do not think we have a handle on it. So, it is a terrific point.

Mr. PHILLIPS. Thank you all. I yield back.

Mr. SIRES. Thank you. We will now go a second round of questions. Congressman Yoho.

Mr. YOHO. Thank you, Mr. Chairman.

Mr. FONSECA. Is that close? No. 1, thanks for being at FIU, it is an awesome university.

I think you were the one that said we need to separate the nefarious from, the good from the bad with China. I wish I had that level of optimism as I am more in line with Mr. Smith and some of the other members here, that would be like me saying I have cancer and that is good because it helped me lose weight, but knowing it is going to kill me in the end.

I just see nefarious things with China. I see no good with what they are doing. And I see their march around the world. And this goes back to, you know, studying this the last 7 years, is China's goal is it primarily trade, economic development, or is it strategic, imports and minerals, or bringing down western democracies in your opinion? And that is for the whole board.

Mr. FONSECA. So, Congressman, I will take a first shot at that. I think it is all of the above. And this is where I think it gets really tricky for us because, you know, I think we have to be careful in divorcing the economic from the security from the political. I think they are very much interrelated.

I think, again, there is a hint of opportunism that goes to what China does in sort of the global environment, but it is just so overwhelming and so much, you know, that I think that we should at least consider to pause and just sort of disaggregate what is good, what is bad. You know, in terms of the tactical operational level engagement I think it is vital.

If you look at, you know, and, Chairman, you referenced, you know, you know, north of $500 billion has been invested in the region in terms of economic activity from the Chinese. How is that, how is that investment actually changing the game in the region to promote good governance, to serve the——

Mr. YOHO. Exactly.

Mr. FONSECA [continuing]. Interests, you know, sort of that, you know, that we uphold? And so how do we engage China in a way that we can sort of shape some of that outcome and some of that behavior?

I am just I am somewhat concerned about creating a self-fulfilling prophecy.

Mr. YOHO. I am open for suggestions if you have them. Because, as you brought up, you know, they are partnering up with law enforcement.

Mr. FONSECA. Right.

Mr. YOHO. Well, I know the way they partner up with law enforcement is, hey, here is a tool you can monitor your systems like we do, or your citizens like we do. And I just do not see that paying off for long-term democratic societies that have the freedoms that we believe in in the western hemisphere. And I see it working totally against that ideology.

And I know China is offering their form of socialism with Chinese characteristics.

Mr. FONSECA. Right.

Mr. YOHO. Their characteristics are social monitoring, citizen scores, you know, the eroding of democracies and going to totalitarian and becoming a vassal State of China.

If you can convince me differently I would feel better, I would sleep better. Anybody?

Mr. WALKER. I think I would respond on the following way. They are related but distinct questions of what the Chinese authorities' goal is, and what the effect and impact of their engagement is. So, I think some of the speakers who were on panels yesterday talking about these issues talked about the paramount goal being the Chinese Communist Party staying in power.

And if you accept that presumption, it leads to a whole set of ideas beyond China's borders. But I think if we are talking about the impact and the effect, then it comes back to some of the things that you and your colleagues alluded to of how societies that are engaging with China safeguard their own freedoms when they may be encroached upon by China's engagement. And that is the question I think we have not come to terms with.

Mr. YOHO. Right.

Mr. FONSECA. Congressman, can I just do a quick followup?

Mr. YOHO. Sure.

Mr. FONSECA. Because I think it is an important question. You know, the engagement in the law enforcement space is largely because we are not there. You know, and I think that is an important sort of observation. They are engaging in that space because we are, frankly, not, not very effective in doing that.

Mr. YOHO. When you say we are not there, I look at all the foreign aid we have given to countries in Latin America, it is over $5 billion in the last 10 years, and a lot of that goes to good governance, lack of or getting rid of corruption, and law enforcement. Is it not our absence but is it resentment maybe of our system that puts too much pressure on a country, and it is, like, I would rather go to China because that way I can control my people?

Mr. FONSECA. I mean there may be some of those pressures there. You know, I suggest that sort of the technology itself, like surveillance systems themselves are not designed to go one way or the other, right, promote or not, you know, sort of autocratic behavior. It is really the governments that wield, you know, the power over those technologies. And this is where, again, it is space that if we can continue to engage our partners and shape those outcomes I think it is vital for regional and, you know, sort of U.S. national interests.

Mr. YOHO. I think long term we are going to do fine. You know, an oak tree when you plant an acorn it grows straight up. People

have a desire for liberties and freedoms. We provide that, they do not. Thank you.

Mr. SIRES. Thank you, Congressman.

Congressman SMITH.

Mr. SMITH. Thank you very much, Mr. Chairman.

Mr. Fonseca, I would like it if you could respond. But let me just ask another question, too, you might want to speak to as well.

In May 1994, President Clinton de-linked human rights with trade MFN with the PRC. He did it on a Friday afternoon. I held a press conference at about 6 o'clock. It is still on C-SPAN's archives. I worked along with now Speaker Pelosi in saying that there needs to be significant progress in the real of human rights or else MFN is a goner. Well, we lost that opportunity when the de-linking took place.

And that has turned out to be the most false narrative ever, that if we somehow trade more, China will matriculate from a dictatorship to a democracy. It has not happened. They now pose an existential threat, I believe, to their neighbors and perhaps beyond. Who is their natural enemy that they are so fearful of? It is that outward expansion, like Putin, not in a protection strategy that they have embarked upon.

When it comes to human rights they are a Tier 3 country on trafficking. And I wrote that law. They are an egregious violator of human rights, on human trafficking, sex and human trafficking. When it comes to religious freedom they are a CPC country, Country of Particular Concern. And it has gone from bad to work under Xi Jinping, as I think all of you know.

On December 27th, the Washington Post published an op ed that I wrote called "The world must stand against China's war on religion." And I would ask unanimous consent, Mr. Chairman, that that op ed could be made a part of the record.

Mr. SIRES. Without objection.

[The information referred to follows:]

The Washington Post

# The world must stand against China's war on religion

By **Chris Smith** | December 27, 2018

*Chris Smith, a Republican, represents New Jersey in the U.S. House of Representatives.*

Mihrigul Tursun said she pleaded with God to end her life as her Chinese jailers increased the electrical currents coursing through her body. Tursun, a Muslim Uighur whose escape led her to the United States in September, broke down weeping at a Nov. 28 congressional hearing as she recounted her experience in one of China's infamous political " re-education centers. "

It is an appalling story but one that is all too familiar as existential threats to religious freedom rise in President Xi Jinping's China. The world can't ignore what's happening there. We must all stand up and oppose these human rights violations.

The ruling Chinese Communist Party has undertaken the most comprehensive attempt to manipulate and control — or destroy — religious communities since Chairman Mao Zedong made the eradication of religion a goal of his disastrous Cultural Revolution half a century ago. Now Xi, apparently fearing the power of independent religious belief as a challenge the Communist Party's legitimacy, is trying to radically transform religion into the party's servant, employing a draconian policy known as sinicization.

Under sinicization, all religions and believers must comport with and aggressively promote communist ideology — or else.

To drive home the point, religious believers of every persuasion are harassed, arrested, jailed or tortured. Only the compliant are left relatively unscathed.

Bibles are burned, churches destroyed, crosses set ablaze atop church steeples and now, under Xi, religious leaders are required to install facial-recognition cameras in their places of worship. New regulations expand restrictions on religious expression online and prohibit those under age 18 from attending services.

Government officials are also reportedly rewriting religious texts — including the Bible — that remove content unwanted by the atheist Communist Party, and have launched a five-year sinicization plan for Chinese Protestant Christians.

These efforts have taken a staggering human toll. In recent months, more than 1 million Uighurs and other Muslims in the Xinjiang Uighur Autonomous Region have been detained, tortured and forced to renounce their faith. The U.S. government is investigating recent reports that ethnic minorities in internment camps are being forced to produce goods bound for the United States.

Yet, despite this anti-religion campaign, the Vatican has shown a disturbing lack of alarm concerning these threats and, instead, appears to be seeking a form of accommodation. In September, Vatican officials signed a "provisional agreement" that essentially ceded to the Chinese government the power to choose — subject to papal review — every candidate for bishop in China, which has an estimated 10 million to 12 million Catholics.

Cardinal Joseph Zen Ze-kiun, a retired bishop of Hong Kong, in September called the deal "a complete surrender" by the Vatican and an "incredible betrayal" of the faith.

At a congressional hearing I chaired in September, Tom Farr, president of the Religious Freedom Institute, testified that the government-controlled body charged with carrying out the policy, the Catholic Patriotic Association, had drafted an implementation document containing the following passage: "The Church will regard promotion and education on core values of socialism as a basic requirement for adhering to the Sinicization of Catholicism. It will guide clerics and Catholics to foster and maintain correct views on history and the nation."

One can hope that Beijing has made concessions to the church that have yet to be revealed. Initial reports are less than promising. Since the agreement was reached, underground priests have been detained, Marian shrines destroyed, pilgrimage sites closed, youth programs shuttered, and priests required to attend reeducation sessions in at least one province.

The Vatican should reconsider its arrangement with the Chinese government. But what can be done more generally in response to Xi's war on religion? The United States and several European countries have condemned it, but any nation that values freedom of religion should unite in denouncing China's treatment of Muslim Uighurs, Christians, Tibetan Buddhists and Falun Gong practitioners. In particular, Muslim-majority countries, strangely muted regarding the persecution of Muslim Uighurs, must protest these abuses even at the risk of endangering the benefits from China's "Belt and Road" infrastructure projects.

Sen. Marco Rubio (R-Fla.) and I have urged the Trump administration to use Global Magnitsky Act sanctions to target Chinese officials responsible for egregious human rights abuses. We have sought expanded export controls for police surveillance products and sanctions against businesses profiting from the forced labor or detention of

Uighurs. We have also introduced the bipartisan Uyghur Human Rights Policy Act of 2018 to provide the administration with new tools to comprehensively address the abuse.

The United States must lead the way in letting the Chinese Communist Party know that taking a hammer and sickle to the cross and enslaving more than 1 million Uighurs in an effort to erase their religion and culture are destructive, shameful acts that will not be tolerated by the community of nations.

Mr. SMITH. I appreciate that.

And I point out in the op ed, and many China scholars fully agree with this, that the ruling Community Party has undertaken the most comprehensive attempt to either control or to destroy all faiths, Falun Gong, Christianity, Muslims, Uyghurs, across the board, Tibetan Buddhists. And I do not know how that mindset does not bleed into their bad governance model that they are trying to promote worldwide. It has to at some point.

Their surveillance state, as we all know, is just every church now has to have a surveillance camera monitoring anything anyone might say.

So, my question is since all of these leaders now, not all, but many in the Latin American countries are reaching out to get these loans which now makes them indebted and beholding to China, and other kinds of cooperation, who among them, if any, has spoken out against this horrific repression of human rights in general and religious freedom in particular?

There is even a word for it, Sinicization, where everything that anyone of faith or faith body organization, they have to comport with and do everything according to the Communist model, even Christianity. You know, they are rewriting the Bible right now so that socialist principles will be embedded in the Bible, and whole parts of it are going to be excised out of the Bible.

So, my question is: are any of these world leaders, any Latin American leaders speaking out against this religious repression?

When Xi Jinping comes in, every leader should be saying, Hey, great to see you, but what are you doing on human rights? Look what you did to Liu Xiaobo who got the Nobel Peace Prize, he died in prison, never got attention for the cancer. They let him die from cancer. And I think that was an act of murder. And then simultaneously his wife was so maltreated as well.

What a bad governance model. Somebody has to hold Xi Jinping to account.

Please, and then Mr. Fonseca.

Mr. WALKER. So, I think we can broaden the question, Congressman. Who beyond the region is speaking out at a high political level from the democracies? And why are not they? I think it is a very good question.

And it leads to something that we did not touch on, but I think it is so critically important, and it is actually integral to the concept of sharp power, it is things that are not said for one reason or another. And I think when, when China, when the Chinese party State engages beyond its borders it certainly cannot control the entire environment in an open society. That is not what it is all about. It is about minimizing and sidelining those things that they would prefer not to have heard.

So, for a while it was the T's, it was Tiananmen, Tibet, Taiwan.

Mr. SMITH. Right.

Mr. WALKER. But I think there is some evidence to suggest that the space for sidelining discussions is growing. And this is something it is very hard to track. It is in essence trying to identify gaps, things that are not happening. But this is the preference I think you rightly identified of the leadership in Beijing.

And I think precisely because our assumption for the last quarter century that deepening economic engagement would lead to political liberalization and, hence, put our policies on a track that was in line with that overarching assumption, we have now come to realize that that is not the case, at least for now. And at some point in the future, you know, hopefully that will prove to be different but for now it is not the case. And it is not just China.

And I think as we come to grips with that we are trying to situate ourselves in terms of appropriate responses at a time when we are working at a disadvantage. And I think this is key. We are actually starting from a weaker position because we did not start to react, say, five or 10 years ago.

Mr. SMITH. Right.

Mr. WALKER. And it makes it more difficult to get civil society up to speed, to understand how the Chinese party State operates and so forth. And until we do that we are going to be at a disadvantage in meeting this challenge.

Mr. FONSECA. So, Congressman, I will add, you know, that we are, to underscore Chris' point, at a severe disadvantage when it comes to our ability to mount information campaigns that can rival, you know, sort of China's charm offensive as it has become to be know.

You talk at length about the Confucius Institutes and Confucius classrooms. You know, there are sort of Confucius Institutes well over 40, and this sort of notion of embedding Confucius classrooms in secondary educational institutions again is all designed to help cultivate a brand that China wants to wield as part of its portfolio soft power.

The other thing I think is really interesting in our space in the region is part of the charm offensive is designed to do a few things. Certainly one is the further isolation of Taiwan. And we keep talking about that, about half of the countries that still recognize Taiwan reside, you know, reside in this region.

The other is to continue to stomp out, neutralize dissident movements like the Falun Gong which is also, you know, sort of active in part of the region.

The third is really to sort of counter pro-democracy movements, right, again ushering in this, this notion of acceptability of the autocratic, authoritarian political models.

The other unique thing that is not, does not really get a lot of traction is about the large overseas ethnic Chinese communities. Right? And part of the role of Confucius Institutes and the charm offensive is teaching Mandarin language to overseas ethnic Chinese as a means of being able to communicate to and through these communities to continue to promote sort of Chinese domestic and foreign policy objectives.

And so that is all sort of cast underneath the notion of this charm offensive in which China has really actively been pursuing this.

Mr. SIRES. Ms. Myers, I want to give you the last words before I close this meeting here.

Ms. MYERS. Thank you very much.

I could not agree more. I mean, I think we can pretty much give up on the notion that China, due to its, you know, internationaliza-

tion over these many years, is going to change its standards, its ways, its approach to human rights and other, and other issues. It is not an ideal partner especially. And, you know, is even an enabler, I think, of some bad practices in the region, especially among those countries that have weaker institutions.

And that is why it is absolutely incumbent upon the Latin American countries themselves to have the right regulations, the right standards in place to guide China and to ensure best outcomes. And there are ways, I think, that the U.S. can ensure that those, those standards, those regulations are stronger at least than they are at the moment.

Mr. SIRES. Thank you. Before closing I just kind of find it ironic that the Communist Party has been bringing journalists from the region to China to sort of train them. It is a little bit ironic that such a closed society would actually tell the world that we are bringing journalists over to train them in journalism. Can you imagine that?

Well, look, thank you very much for being here. It has been a great hearing. And thank you for all of your patience, and the members also. Thank you.

[Whereupon, at 11:32 a.m., the subcommittee was adjourned.]

# APPENDIX

**SUBCOMMITTEE HEARING NOTICE**
**COMMITTEE ON FOREIGN AFFAIRS**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

**Subcommittee on the Western Hemisphere, Civilian Security, and Trade**

**Albio Sires (D-NJ), Chairman**

May 9, 2019

**TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS**

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere, Civilian Security, and Trade in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at https://foreignaffairs.house.gov/):

**DATE:** Thursday, May 9, 2019

**TIME:** 10:00 am

**SUBJECT:** Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere

**WITNESS:** Ms. Margaret Myers
Program Director
Asia & Latin America Program
Inter-American Dialogue

Mr. Brian Fonseca
Director
Jack D. Gordon Institute for Public Policy
Steven J. Green School of International and Public Affairs
Florida International University

Mr. Christopher Walker
Vice President for Studies and Analysis
National Endowment for Democracy

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON WESTERN HEMISPHERE, CIVILIAN SECURITY, AND TRADE HEARING

**Day** Thursday **Date** May 9, 2019 **Room** 2172

**Starting Time** 10:02 am **Ending Time** 11:32 am

**Recesses** [0] (____to____) (____to____) (____to____) (____to____) (____to____) (____to____)

**Presiding Member(s)**
Chairman Albio Sires

***Check all of the following that apply:***

**Open Session** [✓]
**Executive (closed) Session** [ ]
**Televised** [✓]
**Electronically Recorded (taped)** [✓]
**Stenographic Record** [✓]

**TITLE OF HEARING:**
Dollar Diplomacy or Debt Trap? Examining China's Role in the Western Hemisphere

**SUBCOMMITTEE MEMBERS PRESENT:**
See attendance.

**NON-SUBCOMMITTEE MEMBERS PRESENT:** *(Mark with an * if they are not members of full committee.)*

**HEARING WITNESSES: Same as meeting notice attached? Yes** [✓] **No** [ ]
*(If "no", please list below and include title, agency, department, or organization.)*

**STATEMENTS FOR THE RECORD:** *(List any statements submitted for the record.)*
Mr. Rooney SFR
Mr. Smith Op-Ed on China
Sires QFR

**TIME SCHEDULED TO RECONVENE** _____
or
**TIME ADJOURNED** 11:32 am

**Subcommittee Staff Associate**

**HOUSE COMMITTEE ON FOREIGN AFFAIRS**

*WHEM SUBCOMMITTEE HEARING*

| *PRESENT* | *MEMBER* |
|---|---|
| X | Albio Sires, NJ |
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| X | Andy Levin, MI |
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| | Ken Buck, CO |
| X | Michael Guest, MS |
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**Statement for the Record Submitted by Rep. Francis Rooney**
**HFAC WHEM Hearing: China in Latin America**
**May 9, 2019**

Chinese influence in the Western Hemisphere threatens to erode decades of American efforts to develop democracy, strengthen regional economies, and foster good will between partners in the region. China has engaged in a concentrated campaign to expand its access to Latin American economies, gain support for Chinese foreign policy priorities, and gain influence in the United States' near-abroad.

China is steadily becoming a reliable partner for a number of countries in Latin America. In just the last few years, China has closed the gap with the United States' leadership on regional trade and security. China is now Latin America's second-largest trading partner, fourth largest investor, and the region's largest creditor. Further, China has expanded its Belt and Road Initiative to include Latin America.

This investment in the region has created a steady flow of capital into states that often times do not have access to international capital markets due to risk of default, and to states that have been internationally isolated, undermining global cooperation on bad actors such as Cuba and Venezuela. This sort of investment by China serves two purposes: one, to provide access to new markets, especially in sectors such as mining and agriculture; and two, to win support for Chinese foreign policy goals—including its "one China principle" that seeks to minimize recognition of Taiwan.

Equally concerning for the United States is China's expanding security presence in Latin America. In recent years, China has increased foreign military exchanges with regional states such as Chile and Brazil. Chinese sales of arms and communication equipment has also expanded in the region, emboldening criminal regimes in the process. China's policy of "no questions asked," in which an arms buyer's record is not considered in an agreement, benefits regional autocrats in numerous countries, and undermines American security goals in the region.

The spectrum of Chinese involvement in Latin America weakens years of progress on human rights, the fight against corruption, and regional cooperation on security. While the United States may not be able to compete with China on a dollar-for-dollar basis, we must highlight the difference between American assistance that aims to promote freedom and build capacity in both the economic sector and civil society, and the Chinese transactional model that is indifferent to sustainable development and the rights of civil society. Moving forward, we must continue working with like-minded partners to build on past successes and mitigate opportunities for China to exert their malign influence in the region.

**Questions for the Record Submitted by Rep. Albio Sires**
**HFAC WHEM Hearing: China in the Western Hemisphere**
**May 9, 2019**

**Ms. Margaret Myers**

1. Since 2016, Panama, the Dominican Republic, and El Salvador have switched diplomatic recognition from Taiwan to China.
   - Are there specific investments, loan deals, or other economic benefits that these countries received, which you believe are linked to those countries' change of diplomatic recognition?

It is customary for China to offer support for certain projects or agree to trade/investment agreements in exchange for a country's decision to establish diplomatic ties with Beijing. Before the recent decisions by Panama, the Dominican Republic, and El Salvador, Costa Rica was gifted a soccer stadium in exchange for diplomatic recognition. China also offered support for a bilateral free trade agreement and two key Costa Rican infrastructure projects—the expansion of Route 32, a main transport artery, and development of the Recope refinery.

China is reported to have offered a package worth $3 billion in exchange for the Dominican Republic's diplomatic recognition, $1.6 billion of which was designated for infrastructure projects. The Dominican Republic has already secured a $600 million loan from China's Export-Import Bank to upgrade its power distribution systems, and President Medina has flagged additional projects for possible Chinese support, including the modernization of the Port of Arroyo Barril. In addition to infrastructure-related objectives, Dominicans are also hoping to grow and diversify trade with China through several new agreements, including a protocol on tobacco and related products.

In El Salvador, the Farabundo Martí National Liberation Front (FMLN) tentatively negotiated at least two major projects with China—renovation of the La Union port and a possible special economic zone, which would account for about 14 percent of Salvadoran territory and much of the country's coastline—before siding diplomatically with Beijing. The decision to cut ties with Taiwan was made just months in advance of the country's presidential elections. By promising infrastructure development in particularly underserviced areas, the FMLN reportedly aimed to improve its prospects in the February 2019 elections.

Some the deals that have materialized in Panama over the past year, including a series of construction contracts and a bilateral free trade agreement, were reportedly the product of negotiations with the Varela government as it contemplated cutting ties with Taiwan in 2018. But unlike other recent converts, Panama has been of considerable interest to the Chinese government and companies for many years. Chinese companies had invested large sums in Panama long before the decision to align diplomatically with Beijing. Huawei has been consolidating its presence in Panama (and much of the rest of Latin America) for many years, for example. And China's involvement in the Panama Canal and interest in its expansion was evident long before Panama's diplomatic switch.

2. El Salvador's President-Elect, Nayib Bukele, has been critical of China's role in El Salvador in some of his public comments.
   - How likely is it that Bukele will roll back certain aspects of El Salvador's cooperation with China?
   - What challenges or consequences could Bukele face if he opted to revert El Salvador's recognition back to Taiwan and opt out of El Salvador's cooperation agreement to join the Belt and Road Initiative?

Despite the Salvadoran president's recent criticism of China, it is unlikely that Nayib Bukele will reverse the FMLN's decision to cut ties with Taiwan. Even those Salvadorans that are critical of the decision and the way it was made are often cautiously optimistic about the prospects of enhanced economic engagement with China. That said, any proposed deals with China (whether under the guise of the Belt and Road or not) will be considered far more carefully under this new administration and made, ideally, with participation from a variety of stakeholders. The extent to which El Salvador will pursue stronger relations with China will also depend on the extent of US support for and cooperation with the Central American nation.

3. China has primarily used the Community of Latin American States (CELAC) and a series of China-CELAC forums to advance its diplomatic objectives.
   - Has greater diplomatic engagement translated into greater influence within longstanding institutions like the UN and Organization of American States? For instance, is there evidence that China's closer relations with specific countries in the region has made those countries more likely to support China's agenda in international fora, including by voting more frequently with China within the UN and other international institutions?

There is little evidence that China's more extensive diplomatic engagement with Latin America has translated into support for China's agenda in international organizations. In the limited analysis conducted on this topic so far, even extensive bilateral economic ties to China haven't clearly resulted in voting convergence. Some analyses, such as a cross-national study by Gustavo A. Flores Macías and Sarah E. Kreps of U.N. General Assembly (UNGA) votes on country-specific human rights resolutions between 1992 and 2006, found a positive correlation between growing Chinese trade with Latin America and voting records. But as the Brookings Institution's Ted Piccone indicates, toward the end of the studied time period, voting convergence tended to decline. Piccone's own analysis of voting patterns on country-specific human rights resolutions between 2005 and 2015 in the UNGA showed an increase in alignment with the United States rather than with China.

The Inter-American Development Bank's recent decision to cancel its annual meeting in Chengdu would suggest continued support for the US agenda in that particular institution, at least among a majority of shareholders—some of which have been the focus of Chinese diplomatic attention. Latin American nations are increasingly wary of being caught in the middle broader US-China strategic competition, however.

There is some anecdotal evidence that China's extensive efforts to build relationships with Latin American government officials and other elites (along with China's real and perceived value as

an economic partner) has led to favorable outcomes for Chinese companies in certain countries. Chinese diplomatic activity might also be shaping public opinion of China in Latin America, especially as compared to the United States. The Pew Research Center has noted an increase in positive perceptions of China among most all countries in the region. An abundance of Chinese entities, from the International Department of the Chinese Communist Party to think tanks and friendship organizations, are tasked with shaping China's external environment. They engage extensively with Latin American leaders (established and up-and-coming), academic institutions, communities of overseas Chinese, and other groups. Engagement with Latin American media is also growing in an effort to shape China's image in the region. Chinese actors have sought to exert influence in this space through a wide variety of means, including technical exchange and, according to Internews, investment in companies that hold shares in key foreign media outlets.

**Mr. Brian Fonseca**

1. Chinese telecommunications companies ZTE and Huawei have built networks in at least 24 countries in the region. In Brazil, Huawei constructed six out of the country's seven 4G networks and is angling to roll out its 5G infrastructure as well.
   - Are you aware of any countries in the region that have government institutions in place like the Committee on Foreign Investment in the United States (CFIUS), dedicated to screening these kinds of investments to evaluate any relevant national security concerns?
   - Would it be feasible for the U.S. to provide guidance or technical assistance to countries in the region to help them better evaluate the security implications of telecommunications investments?

2. It was documented that Chinese VN-4 armored personnel carriers were used against Venezuelan protesters in 2014. Are there other documented instances of authoritarian governments in the region using Chinese military equipment or weapons against their own people?

3. Chinese companies have carried out over 20 port projects in Latin America, acquiring access to existing commercial ports or helping construct new facilities, including on both sides of the Panama Canal.
   - Have these projects been profitable for Chinese state-aligned companies or do you believe China's main motive is to gain access to key shipping and maritime corridors?
   - From a U.S. national security perspective, how concerned should we be about China's port acquisitions on both sides of the Panama Canal and what steps can the U.S. government take to respond to this national security challenge?

Mr. Brian Fonseca did not submit a response in time for printing.

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