

# Outcompeting China in Latin America

## A Top National Security Priority

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China's influence in Latin America is growing, threatening the historic hemispheric agency of the United States. In order to counter Beijing's rising tide in the USSOUTHCOM area of responsibility, the updated National Security Strategy should provide increased resources, funding, and operational capabilities to help the command address this strategic competition.

Partner nations in the US Southern Command (USSOUTHCOM) area of responsibility (AOR) share, for the most part, geography, values, and philosophical alignment with the United States; however, they also provide an active arena for competition between the United States and malign state actors like China, Russia, and Iran.<sup>1</sup> In Latin America, America faces what may become the largest rivalry in its history as Beijing tries to supplant Washington's historical hemispheric agency. This emerging strategic competition calls for fundamental policy and strategy changes, diverging from the past 20 years of Global War on Terror-centric thinking and operations.

The March 2021 *Interim National Security Guidance* addressed this new reality, proclaiming “Democracies across the globe, including our own, are increasingly under siege” while “the distribution of power across the world is changing, creating new threats. China, in particular, has rapidly become more assertive.”<sup>2</sup> Reflective of this, the updated national security strategy should provide the basis for increased resources, funding, and operational capabilities to address this strategic competition where it is closest to home . . . in our hemispheric neighborhood.

Air Forces Southern (AFSOUTH), as USSOUTHCOM's air component, is dedicated to increasing Latin American security cooperation in support of the new defense strategy and establishing improved security partnerships while fortifying existing ones. US and partner military-to-military relationships are critical and have often provide steady, strong, and enduring stability across the AOR despite political turmoil. To continue this trend and outcompete our pacing threat, the People's Republic of China (PRC), AFSOUTH will promote active, responsive engagement that reflects military and inter-agency approaches and meets both US and partner goals for improved relations and reduced PRC influence.

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1. This article was first published in the *Journal of the Americas* 4 (1st ed., 2022).

2. Joseph R. Biden Jr., *Interim National Security Strategic Guidance* (Washington, DC: The White House, March 2021), 7–8, <https://www.whitehouse.gov/>.

## China's Growing Global Disposition

One of the PRC's primary soft power strategies is improved economic leverage in the AOR via its Belt and Road Initiative (BRI). The BRI is a global infrastructure development strategy adopted by the Chinese government in 2013 to invest in nearly 70 countries and international organizations. Though the BRI provides benefit to Latin American nations through much-needed investments and infrastructure, its attendant agreements create significant influence and financial advantages for the PRC.

The BRI is one of the PRC's primary baits for debt-trap diplomacy.<sup>3</sup> Through contractual stipulations and confidentiality clauses that bar borrowers from revealing terms and conditions of the engagements—or even the debts' existence—the PRC obtains sufficient leverage to manipulate countries unable to repay their loans through equity agreements.<sup>4</sup> Sri Lanka provides a cautionary example for the AOR; it had to hand over a strategic port to Beijing in 2017 when it was unable to pay off its debt to Chinese companies.

Despite the PRC's ascendancy through this and other programs in the hemisphere, it faces significant domestic and international challenges. As explained by Hal Brands and Michael Beckley, the PRC will grapple with an aging and shrinking workforce in the future. It is approaching a demographic precipice: from 2020 to 2050, the PRC will lose 200 million working-age adults (a population the size of Nigeria) and gain 200 million senior citizens. The consequences will be devastating, as current projections suggest the PRC's medical and social security spending will triple from 10 percent to 30 percent of its GDP by 2050 just to prevent millions of seniors from dying of impoverishment and neglect.

China's future sustainability is further constrained by depleted supplies of energy and raw materials as the PRC runs out of resources. Already, water has become scarce, and the country is importing more energy and food than any other nation, having ravaged its own natural resources.<sup>5</sup>

Questions about the PRC's innovation capability, inequality and corruption, risks to social stability, and the environment prevail as the country turns away from the package of policies that promoted rapid growth. Under Chinese President Xi Jinping, Beijing slid back toward totalitarianism. Xi appointed himself "chairman of everything," dismantled collective rule, and made adherence to "Xi Jinping thought," the ideological core of an increasingly rigid regime.

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3. Jennifer Hillman and David Sacks, *China's Belt and Road: Implications for the United States*, Independent Task Force Report no. 79 (Washington, DC: Council on Foreign Relations, updated March 2021), <https://www.cfr.org/>.

4. Thomas Kohlmann, "Cracks Appear in China's New Silk Road," *Deutsche Welle*, May 4, 2021, <https://www.dw.com/>; and Asian News International, "China Debt-Traps Nations with Confidentiality Clauses: Report," *NDTV*, August 25, 2021, <https://www.ndtv.com/>.

5. Hal Brands and Michael Beckley, "China is a Declining Power—and That's the Problem," *Foreign Policy*, September 24, 2021, <https://foreignpolicy.com/>.

In Xi's anti-corruption campaign (or, more accurately, purge), which began in 2012, about 1.5 million citizens from the Chinese Communist Party, military, public companies, and others perceived to be against his narrative have been killed, imprisoned, or removed from their jobs—all without a fair legal process. He relentlessly pursues the centralization of power at the expense of economic prosperity. State zombie firms are being propped up while “private” firms like Evergrande and Fantasia are starved of capital.<sup>6</sup>

Objective economic analysis is being replaced by government propaganda. Innovation is becoming more difficult in a climate of stultifying ideological conformity. The world is becoming less conducive to effortless Chinese growth, and Xi's regime increasingly faces the sort of strategic encirclement that once drove imperial German and Japanese leaders to desperation.<sup>7</sup> In light of these pressures, the PRC could attempt to use Latin America as leverage or a staging ground in a last-ditch effort to hold onto power. Through debt entrapment, contractual ambiguity, the new Chinese National Defense Law, or other malicious means, Latin America could find itself the victim of an increasingly parasitic relationship with the PRC (fig.1).<sup>8</sup>



**Figure 1. Examples of Chinese tactics in Latin America**

Source: Authors

6. Michelle Toh, “Foreign Investors Are Losing Out in Evergrande’s Battle to Survive,” CNN, October 3, 2021, <https://www.cnn.com/>; and Matthew Loh, “Chinese Property Developer Fantasia Just Missed a \$206 Million Repayment Deadline, a Sign That China’s Real Estate Woes Extend beyond Evergrande,” Yahoo News, October 4, 2021, <https://news.yahoo.com/>.

7. Brands and Beckley, “Declining Power.”

8. John Feng, “New China Defense Law Could ‘Justify’ PLA Action against U.S.-Think Tank,” *Newsweek*, January 13, 2021, <https://www.newsweek.com/>.

## **US Involvement**

### ***Whole of Government***

Top military officials at USSOUTHCOM have warned for years that the PRC is rushing to fill the power vacuum in the wake of Washington's focus on the Middle East. Washington's decreased attention on the Western Hemisphere allowed Beijing to prop up antidemocratic regimes such as Venezuela, fomenting disorder and unrest across the region.<sup>9</sup> In countering this, the United States must set realistic and achievable standards as there is no way to entirely remove the PRC from the equation.

There are, however, opportunities to decrease Chinese influence and the likelihood of Latin American and Caribbean nations defaulting to Chinese options. The concept has been described by academics and economists alike as "competitive coexistence." As in a capitalist economy, interdependent adversaries can coexist peacefully, accepting competition as a healthy way to bolster innovation and efficiency. This could both defuse tensions and provide a more constructive international narrative.

Latin American countries would benefit economically and politically, as they would be offered market choices versus policy-driven options focused on displacing another country. It would be impractical, and likely detrimental, to entirely remove the PRC from Latin America's economic and political spheres; but an improved, more symbiotic US relationship would reduce Latin America's overall dependence on Chinese options. The United States can viably compete with the PRC by simply shining a light on dishonest practices while providing better options to satisfy Latin America's needs.

This requires the United States to preempt PRC messaging—to drive the political narrative. Today, the PRC is faster, more responsive, and winning the information war. It provides singular solutions to countries otherwise without options.<sup>10</sup> If the United States could manifest the same efficiency in support of our Latin American allies, it could leverage and win strategic, controlled competition with the PRC, to bolster our reputation and influence in the AOR.

The United States can provide more holistic, whole-of-government support and leadership within the international arena to assist Latin America in diminishing its reliance on the PRC. This includes one of the most important political nexuses between the United States and Latin America—the Organization of the American States (OAS).

The OAS strategic pillars mirror US imperatives in the region and highlight the PRC's misalignment with closely held trans-American values. Unfortunately, some Latin American countries would argue, despite this, the OAS is one of the organizations most

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9. Lara Seligman, "Biden Urged to Focus on Long-Neglected Latin America as Chaos Erupts," *POLITICO*, July 15, 2021, <https://www.politico.com/>.

10. Victoria Chonn Ching, "Joining the Game: China's Role in Latin America's Investment Diversification," working paper, Boston University Global Development Policy Center (website), July 12, 2021, <https://www.bu.edu/>.

neglected by the United States.<sup>11</sup> The United States should ensure consistent, productive involvement in the OAS. As the Community of Latin American and Caribbean States (CELAC)—an organization that excludes the United States—increases its influence, supporting the OAS becomes even more vital. If Latin American nations find the OAS to be biased or unproductive, or if upcoming Brazilian and Colombian elections put parties into power that do not support the OAS, the organization will lose relevance, and CELAC will become the primary inter-Latin American assembly.

The PRC is also involved in CELAC, using it to spread its narrative, whereas the OAS is a US investment in the community, having a long-term commitment to the region. Similarly, the United States should leverage the United States-Mexico-Canada Agreement, Pacific Alliance, Southern Common Market, the Caribbean Community, Association of Caribbean States, and other trade and commercial integration organizations to continue building significant regional free and special trade relationships. Though not a direct member of all of these, the United States, through its trade representatives, can use these regional enterprises to help foster deeper commercial bonds addressing the hemisphere's economic deficits.

In 2022, the United States will also host the tri-annual Summit of the Americas, providing an opportunity for the current administration to emphasize response to the changing global economic landscape in order to meet twenty-first-century environmental challenges, improve social inclusion, and develop a new dialogue on governance embracing the region's diversity, as recommended by P. M. McKinley.<sup>12</sup> Doing so would allow shared concerns to be addressed with Latin America's priorities as the main feature.

There are additional ways the United States can mitigate the issues presented by the PRC's Belt and Road Initiative, such as the *America Crece* (Growth in the Americas) program, the Better Utilization of Investment Leading to Development (BUILD) Act, and the Group of 7's (G7) Build Back Better World (B3W).<sup>13</sup> The B3W launch event is planned for early 2022 and will include details aimed at allocating \$40 trillion for infrastructure projects over the next 14 years.<sup>14</sup> It provides sustained impact as an alternative to the PRC's BRI as it focuses on areas including climate, health, and digital technology.<sup>15</sup> These domains cover tourism, socioeconomic concerns, and citizen well-being—all areas the PRC is uninterested in developing.

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11. Andrea Barrera and Jack Kincaid, "Mexico Softens Tone on Possible OAS Shake-Up Plans," Reuters, September 17, 2021, <https://www.reuters.com/>.

12. P. Michael McKinley, *The Case for a Positive U.S. Agenda with Latin America* (Washington, DC: Center for Strategic and International Studies (CSIS), April 2021), <https://csis-website-prod.s3.amazonaws.com/>.

13. Sean M. Choquette, "US and China in Latin America: Tenets for Strategic Competition," 2021.

14. "Fact sheet: President Biden and G7 Leaders Launch Build Back Better World (B3W) Partnership," The White House, Statements and Releases (website), June 12, 2021, <https://www.whitehouse.gov/>.

15. Trevor Hunnicutt, "U.S. Plans Projects in Latin America Countering China's Belt and Road," Reuters, September 27, 2021, <https://www.reuters.com/>.

Through this project, Latin American countries will receive higher-quality products from the G7 and a sustainable solution to their needs. Additionally, to address the legal concerns associated with the BRI, the United States should offer third-party or neutral-state legal counsel to Latin American countries regarding foreign contracts. Third-party (US-endorsed or otherwise) review of these stipulations advice on contract law would force transparency into the PRC's actions. It would also insulate Latin American countries from disingenuous dealings, allowing Latin American nations to better assert their foreign policy on their own terms.

Ideally, these initiatives could improve US and Latin American teaming to supplant China as the world's preferred manufacturing base. For decades, the United States ceded much of its manufacturing base to the PRC to leverage the country's cheap labor supply. The world is now dependent on China for much of its global supply chain, posing a significant military threat as China could easily cut off critical defense resources. Rare earth materials such as steel and ferroalloys are key to the development and maintenance of warfighting hardware. They are necessary to produce nearly all technical components, such as microchips, and are almost exclusively sourced from overseas. This allows for deliberate interference with essential national security supply chains.<sup>16</sup>

Latin America now offers many of the same benefits China once offered via more affordable labor and flexible regulations, so there is an opportunity for US manufacturing infrastructure to develop closer to home with countries whose values are aligned. This will simultaneously undercut the PRC's monopoly and supply Latin America with greater economic power. Many Americans would rather see "Made in [Latin American Country]" than "Made in China" on the goods they buy.

### ***Air Forces Southern***

Military efforts in the region must align with a coherent whole-of-government approach. While USSOUTHCOM and AFSOUTH do not develop national policy or actions, they implement it and help provide bedrock regional stability through continued political-military engagement and rock-solid military-to-military relationships. As the PRC encroaches on the Western Hemisphere, trans-American shared concerns, history, and values based on geographic proximity are at risk. This is where USSOUTHCOM and, in particular, AFSOUTH, can provide pertinent, actionable intelligence and recommendations to reduce Latin American reliance on the PRC.

AFSOUTH can help accelerate foreign military sales, offer more affordable opportunities for partner military training, and increase information sharing and military interoperability. The March 2021 *Interim National Security Strategic Guidance* doubled down on partnership building in the region as vital to Western Hemisphere strength. The

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16. Jay Town, "China Exploiting Supply Chain Vulnerabilities," *National Defense* (website), December 9, 2020, <https://www.nationaldefensemagazine.org/>.

positive effects are multiplied when efforts are combined multilaterally to address common challenges, share costs, and widen the circle of cooperation.

To support this line of effort, AFSOUTH will increase partner-nation operations, activities, and investments that include training, partner-nation exercise support, professional military education, and key leader engagements. Bilateral ties can be fortified by negotiating adherence to international norms, invigorating cyber and space cooperation, and establishing information-sharing agreements, particularly in the space and cyber domains.

The slow and rigid declassification and dissemination of information to partner nations is clearly a barrier to timely support. Creation of an intelligence alliance encompassing Latin American countries for easier dissemination of classified information would improve and expedite collaboration between the United States and its Latin American partners. Such communication would improve our ability to relay regional threats and the global risk of Chinese activity in a more timely and explicit manner. Through a comprehensive common operating picture, the United States and its partners could more effectively communicate, interoperate, and defend our neighborhood from malign external influence.

USSOUTHCOM and AFSOUTH continue to increase partner-nation collaboration via senior leadership engagement and cooperation, contingency operations, subject matter expert exchanges, interoperability, and combined exercises. Successfully partnered exercises like Relampago VI, Resolute Sentinel 21, Cruzex, and Panamax promote regional interoperability and strengthen national ties.<sup>17</sup>

As the national security strategy evolves, resources and operational capabilities will be reallocated, many to elsewhere in the world. AFSOUTH will need to focus its limited resources on key opportunities to optimize its presence throughout the AOR. It will leverage opportunities like FIDAE 2022, the largest air and trade show in Latin America held biannually in Chile, to challenge PRC and Russian influence and military offerings.<sup>18</sup> Increasing opportunities for Latin American partners to attend American military schools or world-class exercises at the Nellis Test and Training Range and/or national and Joint readiness training centers will encourage improved collaboration between military forces and leadership. AFSOUTH must act faster to meet opportunities, becoming more responsive to our partners' requirements. It is of critical national interest to have US equipment, training, and procedures as the desired standard in our partner nations.

AFSOUTH will also endeavor to expand and accelerate foreign military sales in Latin America. Foreign military sales is a complex State Department program executed by the Defense Security Cooperation Agency, requiring congressional approval and coordination with private industry. AFSOUTH can better lobby for recommended or requested military equipment and seek to shorten approval and delivery times. Examples include fighter aircraft and ground-based radars for improved airspace awareness. Increasingly

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17. United States Southern Command (USSOUTHCOM), "Building Partner Capacity: Supporting Our Partners," USSOUTHCOM (website), n.d., accessed October 21, 2021, <https://www.southcom.mil/>.

18. R. Evan Ellis, *Chinese Security Engagement in Latin America* (Washington, DC: CSIS, November 2020), <https://csis-website-prod.s3.amazonaws.com/>.

ambitious opportunities include exporting variants of more complicated systems or upgradeable base platforms such as aircraft and surface-to-air missile systems that are modular to allow for upgrades in alignment with partner-nation budgets and needs. These can provide affordable, timely options to our Latin American allies to bolster their national defenses.

Finally, AFSOUTH can further US defense and cooperation strategies by leveraging its intelligence, cyber, and space enterprises to identify infrastructure and collaboration opportunities, highlight Chinese malign activities through key leader engagements and information operations, and cultivate more intentional multicountry sharing agreements. AFSOUTH's cyber subject matter experts can provide education on network security to protect partner-nation critical digital infrastructure against malign exploitation.

With the increasing ubiquity of space influence across the AOR, AFSOUTH should increase involvement in Latin American space infrastructure and programs to conduct operations and share with partner-nation equivalents. These programs, paired with other US-led capabilities, will foster trust through crisis prevention and response through both preemptive and reactive support (i.e., humanitarian assistance & disaster relief, COVID relief, weather support, political/social unrest, or food/water insecurity).

To better enable these efforts to compete in the gray zone, USSOUTHCOM and AFSOUTH require additional resources. Retired Admiral James Stavridis offered that USSOUTHCOM must practice medical and humanitarian diplomacy through the provision of hospital ships and airlifted clinics, timely responses to natural disasters, the humanitarian construction of schools and other infrastructure, and counternarcotics operations. These capabilities, he argued, are inexpensive and will achieve outsized effects.<sup>19</sup>

There is an urgent need for the current administration and the Department of Defense to dedicate more resources to the Western Hemisphere, and USSOUTHCOM in particular, in order to counter the PRC's predatory economics and illegal resource exploitation. As an example, the Pentagon could dedicate further resources or expand authorities for intelligence, surveillance, and reconnaissance detection and monitoring efforts to better assist partner nations in countering illegal, unreported, and unregulated fishing operations within their territorial waters. AFSOUTH could then actively illuminate these illicit activities in the information space to provide tangible examples that counter the PRC's unchecked narrative. Initiatives of this type are low-cost, effective ways for the combatant command to prevent continued PRC ascendance in the Western Hemisphere; however, they require some investment and prioritization by Washington.

To best defend the Western Hemisphere against malign state actor influence, Latin America must be reprioritized to defeat transnational threats and enhance regional political stability. Delays in partner support will manifest in adversary gains that could, in a not-too-distant future, develop into levels of PRC influence and presence that require greater investment and military actions.

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19. Seligman, "Chaos Erupts."



AFSOUTH, as a key component in SOUTHCOM's defense of the Western Hemisphere, requires proper support and resources to this end. Inaction could put at risk unrestricted access to the Straits of Magellan and increase vulnerability of our space assets through increased PRC observation, tracking, and targeting. Chinese basing could present very near and real threats. Chinese-owned and operated infrastructure could be postured for intelligence collection on US and host nation entities.

The United States cannot afford to lose Latin American partnerships and influence through inaction. We are preventing our own future success by allowing the growth of malign influence across the Western Hemisphere. Latin America has become key terrain in outcompeting the PRC and other adversaries while protecting strategic alliances. AFSOUTH must lead this fight through increased training, operations in the information environment, key leader engagements, partner-nation exercise support, and a keen focus on sharing intelligence and interoperability.

### **Trans-American Ideological Core**

Today, Latin American partners and the United States share a common history, culture, and vision for the future, though this was not always so. Through the American Wars of Independence in the late eighteenth and early nineteenth centuries, that were influenced by the American Revolution, independent nations formed. The hemisphere reshaped its cultural disposition after this colonial break, forming its own unique identity.

Though the United States fell into some of the same colonial behaviors as it developed into a world power, it eventually recognized and acknowledged these mistakes. Today, the United States is dedicated to the development of mutually beneficial bilateral and regional partnerships. The modern Western Hemisphere boasts trans-American standards like respect for democratic values, energy security, economic prosperity for a burgeoning middle class, infrastructure development, and improved fiscal resiliency that are based on human rights, universal liberal governance precepts, privacy, and free global commons.

Latin America's political transformation since the 1990s has been profound. It now boasts the highest proportion of democratically elected governments outside Europe and North America, tying the United States and Latin America together through democratic ideals. In the economic sphere, Latin America developed from an insular region dependent primarily on commodity exports, into an increasingly dynamic region integrated on a global scale.<sup>20</sup>

Self-determination and democracy remain at the forefront of Latin American political thought despite recent regional and global events that have led to a backslide in several Latin American countries.<sup>21</sup> In this environment, it is more important than ever for the

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20. McKinley, *Positive U.S. Agenda*.

21. Daniel Zovatto, "The Rapidly Deteriorating Quality of Democracy in Latin America," Order from Chaos, Brookings Institute (blog), February 28, 2020, <https://www.brookings.edu/>.

United States to support our partners through high-quality, transparent initiatives that meet their needs and bolster their democratic institutions.

In sum, the United States must continue to build synergistic relationships with Latin American nations that take advantage of cultural similarities, mutual benefit, and shared values. As the United States implements a more partner-focused approach, goals should emphasize community, cultivation of new relationships, and revitalization of current ones. This will help prevent our Latin American partners from defaulting to China as a partner of necessity—and the US military has a key role. Recognizing America's greatest strategic asset as its alliances and partnerships, AFSOUTH must lead, continuing its legacy of strong regional partnerships and accelerating the development of improved operations, activities, and investments in the USSOUTHCOM AOR. ➔✳

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