Chinese Neocolonialism in Latin America
An Intelligence Assessment
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Neocolonialism

Neocolonialism is the practice of using economics, globalization, cultural imperialism, and conditional aid to influence a country instead of the previous colonial methods of direct military control (imperialism) or indirect political control (hegemony). Neocolonialism differs from standard globalization and development aid in that it typically results in a country being rendered dependent, subservient, or financially obligated toward the neocolonialist nation. This can generate an undue degree of political control or spiraling debt obligations, which functionally mimics the mercantilist relationship between imperial nations and their colonies.¹

¹This assessment was produced under the auspices of the Analysis, Correlation, and Fusion Chief, 612th Air Operations Center. Comments and queries are welcome and may be directed to the Malign State Actor Cell at 520-228-6566, 987-0800 (secure) or to steffanie.urbano@us.af.mil, ~USAF-WCDMAZ_612AOC_@ af.ic.gov (secure).
The People’s Republic of China built increasingly strong ties with some African, Asian, and European nations that can arguably be characterized as classic neocolonialism. This intelligence assessment explores how Chinese activities in Latin America and the Caribbean are following this pattern of neocolonialism or “new-age imperialism.”

**Research Design**

**Impact.** While the scope of Chinese involvement in Latin America and Caribbean is well documented, the impact of growing Chinese influence is poorly understood and often dismissed. The aim of this study is to analyze how China is creating relationships with Latin American countries within the framework of neocolonialism, and the detrimental impact of this relationship on regional stability and US leadership. From a humanitarian perspective, the US emphasizes the importance of countries’ sovereignty and stability as key sociopolitical facets to ensure the safety and security of the local populace. From a political and economic stance, growing Chinese influence will directly affect, and likely hinder, US policy initiatives and economic agreements with Latin American countries. Furthermore, Chinese physical and influential presence in Latin America poses a threat to US national security given the geographical proximity to the US. This proximity would pose a challenge to the US’ long-used strategy of using geographic distance as a critical advantage for homeland defense.

This assessment builds off previous assessments and predictive analyses, utilizing precedents observed in Africa as a basis of understanding Chinese intent and identifying predictive indicators. China began aggressively expanding their presence in Africa before initiating similar programs in Latin America. This provides a time-based lens to examine China’s current progress in Latin America. Based on China’s current progress in Africa, a projected trajectory for Chinese influence and development in Latin America can be assessed. This means that China is farther along the timeline in Africa, but is following the same projected trajectory in Latin America.

**Constraints.** It is critical to note that the scope of this study was limited to unclassified, open-source reports, most of which were found through queries of public search engines available on government networks. Thus, materials from most foreign media outlets and unapproved websites have been excluded.

This resource limitation is likely an important factor when interpreting the results of this study due to limited inclusion of counterarguments to US policy or analyses of Chinese activity that parallels US foreign policy. Consequently, the scope of research is constrained and the unintentional exclusion of certain perspectives or arguments may be a limitation of the study.
Economics are the Principal Hammer

Using Debt to Coerce Support

One of China’s greatest weapons against financially strained Latin American countries is debt diplomacy. China leverages massive loans provided to Latin America to gain influence, force governments to commit to unfavorable terms, and manipulate national economies.

China’s overseas development policy, often referred to as “debt-trap diplomacy,” relies on indebted economies’ inability to repay high-interest Chinese loans as a means of ensuring their compliance in support of China’s geostrategic interests. China has been accused by members of the international community of requiring debt-ridden countries to participate in secret negotiations with closed bidding, and to accept non-competitive pricing on projects with requirements to contract Chinese state-owned or state-affiliated companies.

More than a decade ago, Chinese banks such as China Development Bank (CDP) and China Export-Import Bank (CHEXIM), became large lenders in Latin America. Between 2005 and 2020, accumulated loans amounted to more than $137 billion, with Venezuela, Brazil, Ecuador, and Argentina being the top recipients (See Figure 1). The majority of China’s lending, some 67% of total funds, financed energy projects, and 20% supported infrastructure projects.
loans typically lacked policy conditions, came with less stringent terms, and less rigorous environmental guidelines compared to loans available through major international financial institutions.\(^5\)

**Figure 2. CDB and CHEXIM Lending to LAC Governments, 2006-2020**

*Source: Author’s elaboration with data from Inter-American Dialogue and Boston University*

However, the quantity and size of these loans have notably declined in recent years (See Figure 2). In 2020, Chinese development loans to Latin America were non-existent—likely due to China’s COVID-damaged economy and its lack of confidence in the ability of struggling governments to make payments during the pandemic.\(^6\) On average, Latin America suffered a recession of approximately 8% of the total GDP due to COVID-19, making repayment of long-standing Chinese loans more difficult.\(^7\) The subsequent decline in lending, combined with the lack of payments from Latin American nations will likely spur even greater unfavorable circumstances for Latin American countries attempting to re-negotiate loans. Ultimately, this debt re-negotiation process, will likely lead China to manipulate current standing debts to its advantage—such as forcing the acquisition of critical infrastructure—before resuming mass lending in the region.

As an example of debt entrapment, Venezuela and the China Development Bank entered into a bilateral agreement—a loans-for-oil partnership—that extended credits to the South American nation in exchange for crude oil. The deal provided a steady supply of economically and politically tradable funds that no other international creditors could or would offer to Venezuela. For China, Ven-
Venezuela was a crucial partner in its efforts to control the region’s abundant natural resources, including its vast oil reserves, and in implementing its pugnacious foreign policy. However, the 2014 mass anti-government protests in Venezuela left the Maduro regime unable to honor the original terms of the $60 billion loans it had received from Beijing. Almost seven years later, Venezuela is still struggling to pay its outstanding debt to Chinese companies. As of August 2020, Venezuela still owed more than $19 billion to the Chinese and had negotiated an agreement with Chinese banks for a grace period that would last until the end of 2020. China’s massive loans forced Venezuela to become dependent on Chinese cash flows, becoming desperate enough to create legislation such as the Anti-Blockade Law (ABL). The ABL allows national and foreign investment in previously exclusive state-owned infrastructure. As Venezuela remains unable to afford basic necessities, the Maduro regime is forced to rely on external state actors. The deteriorated socioeconomic state of Venezuela gives China far more leverage over the country than it had at the time of the loan’s inception, and cements the neocolonialist relationship of Venezuelan financial dependence.

In 2018, a similar crisis befell Sri Lanka. After Sri Lanka struggled to make repayments on loans for the development of the Hambantota port, the Sri Lankan government engaged in months of negotiation with the Chinese government and ultimately handed over the port and 15,000 acres of land surrounding it to Beijing, who will control these valuable assets for 99 years. China will likely make a similar grab for Venezuelan oil infrastructure if Venezuela is unable to ultimately repay its outstanding debt.

New “Colonies”

Another tool that China uses that directly reflects traditional colonialism is the attempted creation of Special Economic Zones (SEZs) in Latin America. In 2018, China proposed a series of projects in El Salvador involving not only the construction and operation of port facilities, but also the establishment of six SEZs, which would encompass 14% of the national territory (See Figure 3). The most significant proposed projects focused on converting the port of La Unión into a regional logistics hub to be operated by Chinese companies. In particular, one provision of the proposed SEZs possessed all of the characteristics of the perfect deal: It would bar any company already paying taxes in El Salvador from buying into the SEZ. This portion of the proposal meant that US companies, such as Hanes (one of El Salvador’s largest employers) would be excluded from operations in the proposed Chinese SEZs.
Although there are no specifics on the financial aspects of the proposed SEZs, China is likely pursuing the establishment of SEZs in El Salvador to capitalize on the existing special customs arrangement between El Salvador and neighboring Guatemala and Honduras, thus expanding Beijing’s reach into Central America. These SEZs will likely further enable China and El Salvador to obtain their shared goal of transforming the Port of La Unión into a regional commercial hub. In the longer term, this is a direct path for China to form a pseudo-colony abroad.

A similar situation is already underway in Tanzania where China is demolishing five villages along the coastline to make space for a $10 billion Chinese-built mega-port and an SEZ backed by an Omani sovereign wealth fund. These examples fit the economic model for neocolonialism, as debt-trap diplomacy forces a dependency on Chinese monetary support, and the SEZs allow for unchecked Chinese economic and social expansion. Chinese financial institutions implement binding contracts for loans and conditions steepen, often using infrastructure or political deals as collateral. SEZs will ultimately support Chinese populations and state-owned enterprises abroad, while desensitizing the domestic population to Chinese presence. These factors play into China’s goal of projecting Chinese power and securing resource availability, while countering US influence.

Globalization

Trade as Collateral

Tied in with China’s economic strategies in Latin America is the use of globalization as a tool to neutralize the perception of Chinese presence and acquisitions under a benign guise of economic investment and trade in a region.
with heavy reliance on foreign investors and corporations. This positive association of Chinese trade tactics with globalization likewise casts Chinese presence, products, materials, workers, and so on, in a positive light—facilitating Chinese neocolonialism in Latin America. Total trade between China and the Latin American and Caribbean countries increased more than 1,600% from just under $18 billion in 2002 to $316 billion in 2019.

In 2020, despite the double-digit decline in world trade due to the pandemic,\textsuperscript{14} China’s total trade with the region dipped only slightly, by 0.32%, to $315 billion. In 2020, China’s imports from the region amounted to $165 billion, consisting primarily of natural resources, while China’s exports totaled $150 billion. (See Figure 4) China has become the top trading partner of Brazil, Chile, Peru, and Uruguay, and the second largest trading partner for many other Latin American and Caribbean countries. China has free trade agreements with Chile, Costa Rica, and Peru.\textsuperscript{15} This increasingly strong trade relationship leads many Latin American countries to acquiesce to China, giving Beijing extra leeway in both negotiations and overall control. China’s growing economic footprint in South America (which has seen a 480% rise in investment volumes between 2008 and 2018 and more than $150 billion in official lending between 2007 and 2017) positively impacted job creation, scientific innovation, and Latin America’s geopolitical relevance.\textsuperscript{16} Therefore while many Latin American countries recognize the drawbacks to relations with China, they are unable to turn down the short-term rewards.\textsuperscript{17}

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure4.png}
\caption{2020 Chinese Imports & Exports to Latin America}
\source{Author’s elaboration with data from A. Arredondo, Dialogo Americas}
\end{figure}

\textbf{Predatory Chinese State-Owned Enterprises}

Nonetheless, tensions have been brewing as a result of Chinese companies’ fickle product sustainability records and unwillingness to adopt meaningful corporate
social responsibility practices beyond official pronouncements. Host country resis-
tance to China's growing presence is especially evident in host countries where both
government regulatory capacity is weak and local populations are marginalized.18

For example, antagonism against Chinese state-owned enterprises (SOEs) is
particularly acute in Ecuador. Ecuador depends on China's oil rents for 26% of its
revenues and has a long tradition of resource nationalism. While oil and gas al-
ready comprise more than 60% of Ecuadorian exports to China, the Ecuadorian
government received $6.5 billion in loans from Beijing to finance its hydrocarbons
sector. China's largest oil project there, the $1.47 billion Andes Project, is entirely
located in the Amazon and primarily in the Oriente Basin and the Yasuní Na-
tional Park. Since August 2015, Chinese oil drilling in the park has sparked fierce
opposition from indigenous populations. The Ecuadorian central government’s
marginalization of indigenous companies since the early 2000s contributed to
infighting and environmental disputes that emboldened Chinese SOEs to act
aggressively. Chinese investments in Ecuador's mining and infrastructure sectors
have fueled a new wave of anti-government and anti-China protests. The situa-
tion has degraded to the point of causing social unrest in the local community,
with the government declaring a state of emergency. Members of the local and
indigenous communities are now internally displaced and cannot return to lands
occupied by Chinese SOEs.19

This case is a typical example of the dysfunctional interactions between Chi-
nese companies and local communities. Chinese companies are acquiring domes-
tic industries and repopulating them with Chinese workers and management.
Merger and Acquisitions (M&A) deals are one-time purchases orchestrated be-
tween Chinese and Latin American companies. Chinese M&A increased from
$4.3 billion in 2019 to $7 billion in 2020 and were almost entirely concentrated
on the region’s electrical infrastructure. Chinese companies and banks bought an
83.6% stake in Peru’s Luz del Sur, Peru’s largest electricity company, for $4.1 bil-
lion; purchased Chilquinta Energía, Chile’s third largest electric distributor, for
$2.4 billion; obtained a 50% stake in Chilean Eletrans for $217 million; and ac-
quired a 20% stake in ICBC Argentina assets for $181 million.20 Chinese compa-
nies are strategically pursuing Latin American companies that could lead to Chi-
nese control of the region’s critical infrastructure.

**Influence through Investment**

China invited Latin American and Caribbean countries to participate in the Belt
and Road Initiative (BRI), which is focused on spreading Chinese-backed infra-
structure development around the world. Currently, at least 19 countries in the
region are participating in the BRI. (See Figure 5) China leverages the BRI to
secure Latin American financial dependence on China for infrastructure construction projects, allowing for prolonged Chinese presence in Latin America. Similarly, China offers Latin American countries infrastructure and investment opportunities, such as 5G, Safe Cities, energy production, and transportation improvements. While some countries, such as Argentina, resisted BRI membership due to concern over US backlash, China continues to persuade these countries to join through investment opportunities. An example of these efforts can be found in Argentina, where China offered a large, comprehensive package of deliverables featuring several dormant elements of past bilateral agreements, including large-scale projects for constructing ports, dams, railroads, and nuclear power plants. However, whether branded BRI or not, virtually every new project in Latin America is now funded by Chinese commercial loans, which often enable China’s loan traps. The contracts for these projects include long-term Chinese engagement for funding, construction, maintenance, and support, allowing for the possibility, even likelihood, of sustained Chinese control.

Figure 5. LAC Countries Part of China’s BRI

Source: C. Devonshire-Ellis, Silk Road Briefing

Cultural Imperialism

The overseas Chinese community is estimated at a little more than 2 million in US Southern Command’s (USSOUTHCOM) area of responsibility (AOR). In Argentina, Brazil, Colombia, and Venezuela, the Chinese diaspora nearly doubled
between 2001 and 2011; it tripled in Chile and Mexico during that same timeframe (all are countries boasting strong economic ties with China). The Chinese-born population increased from 50,447 in 1990 to 118,714 in 2015 throughout Latin America and the Caribbean. (See Figure 6). The migration of families to join Chinese laborers already settled in Latin America underscores the pull of Chinese cultural gravity in Latin America. Critical to the original colonists’ approach was the creation of colonies and communities where domestic populations could settle and help administer distant lands.

Engaging the Chinese diaspora is a part of Beijing’s soft power strategy to counter negative views of China abroad and build a positive image to support expanded Chinese economic and political engagement—thereby increasing China’s overall global influence. Beijing often views people with Chinese heritage who are living elsewhere as a part of China, and has sought to strengthen its access to and relationships with these communities. China is leveraging the diaspora to facilitate economic relationships among host-country private and public sectors, isolate or erode Taiwanese legitimacy, and counter dissident messages. China engages overseas Chinese and associated diaspora organizations through information operations and cultural exchanges that impart China’s views on the members of the diaspora.

**Figure 6. Population Born in China by Current Region of Residence (1990-2017)**

Source: Author's elaboration with data from D. Goodkind, US Census Bureau
**Education as a Key Route**

China is using its global network of Confucius Institutes (CI) to project soft power throughout the world and, in particular, within the USSOUTHCOM AOR. The CI mission is to establish accredited Chinese schools in Latin America with the hope of attracting Chinese diaspora and strengthening Chinese cultural influence amongst local populations throughout the region. The Institutes promote pro-China discourse; the BRI; multinational scholastic/economic engagement; and the spread of Chinese language, culture, and ideology through foreign universities.

Currently, more than 100,000 people study in the 40 Institutes and 11 Confucius classrooms in Latin America and the Caribbean. (Figure 7) These centers have brought together Chinese writers and filmmakers with their Latin American counterparts and promoted exchange activities between Latin American and Chinese academics and intellectuals in the fields of commerce, social work, environmentalism, and educational technology.

**Cultural Exchanges**

![Figure 7. Confucius Institutes Around the Globe (2018)](image)

Source: I. Hall, WENR

One of China’s greatest strengths is its information operations that can influence both national and local governments as well as the general populace to favor Chinese involvement. China deploys a series of direct initiatives to influence political
elites, civil society, academics, and students in Latin America. Among the most successful of these initiatives are scholarships, courses, seminars, and invitations to events sponsored by the Chinese government and/or the Chinese Communist Party. From 2015 to 2019, China promised to provide 6,000 governmental scholarships, 6,000 training opportunities, and 400 opportunities for on-the-job master’s degree programs in China, to which they invited 1,000 politicians from Latin American countries. From 2016 to 2019, 24 Argentine officials, 9 Mexican civil servants, several Colombian officials and farmers, 80 Dominican civil servants, 15 Salvadorian officials, and multiple Brazilian officials attended seminars in China. These training programs expose the participants to a successful story of Chinese economic growth.  

China has been more successful in swaying Latin and Caribbean political and business elites than it has been at influencing the region’s media outlets and its consumers. China obtained timeslots in Chile’s media to show an “updated version” of different aspects of Chinese culture. Its visual presentation, content, and narrative style are modern and appealing; however the explicitly propagandist nature of the media content has been largely rejected by the Latin American populace.

Nevertheless, China aggressively pursues these soft power initiatives to exert influence across the AOR, similar to how a colonial power of the past promoted national sentiment in its subsidiary states.

**Conditional Aid**

**Vaccine Diplomacy**

One of China’s primary foreign policy objectives is the full recognition of the Republic of China and the dismissal of Taiwanese sovereign legitimacy. Beijing’s goal is to politically isolate Taiwan by luring away countries that currently maintain diplomatic relations with the state. Currently, nine of the 15 countries worldwide that recognize Taiwan are in Latin America and the Caribbean. The remaining 24 Latin American countries recognize and adhere to the One China Policy. (See Figure 8) Notably, as recently as 2017 and 2018, Panama, the Dominican Republic, and El Salvador rescinded their recognition of Taiwan in favor of the People’s Republic of China.  

Recently, China used COVID-19 vaccine diplomacy to prevent countries like Guatemala, Honduras, Nicaragua, and Paraguay, which all recognize Taipei, from receiving Chinese vaccines. Notably, Honduras, Paraguay, and more recently, Haiti, are at risk of switching recognition due to vulnerabilities caused by COVID-19, political unrest, and economic pressures. China has targeted Paraguay—Taiwan’s only remaining South American ally—with vaccine diplomacy due to
Paraguay’s low vaccination rate and high number of COVID cases. China continues to pressure Paraguay into disavowing Taiwan in exchange for vaccines and medical equipment.\textsuperscript{34}

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure8.png}
\caption{LAC Countries that Recognize Taiwan or China}
\textit{Source: C. Nugent, Time}
\end{figure}

\textbf{Military Occupation}

One of China’s primary strongholds in Latin America is the space observatory in Neuquén, Argentina. The China Satellite Launch and Tracking Control General (CLTC), a division of the People’s Liberation Army (PLA), financed and completed construction of this deep space communication station in the Neuquén province in 2017. The project drew scrutiny and suspicion due to the base being controlled and operated by the PLA. Argentina has the right to use just 10\% of the facility’s deep space antenna time per year, but it has not yet exercised this right. This facility may have utility beyond astronomical observation, such as potential intelligence collection use.\textsuperscript{35} The Neuquén space observatory is an example of conditional aid, as Argentina gained a new observatory for a low cost in exchange for hosting China’s military presence long-term and relinquishing use of the space site to Chinese entities.

\textbf{Extended Reach}

China’s new National Defense Law, enacted on January 1st, 2021, dramatically expands the nation’s military strategies. A new amendment specifically mentions...
the mobilization of military force to protect overseas Chinese citizens, organizations, facilities, and national interests. The amendment also builds the legal framework to expand the PLA’s overseas mission to include missions meant to secure Chinese BRI projects and to expand Chinese overseas basing. It also widens the scope of the law and provides legal grounds for full or partial military sovereignty, unification, territorial integrity, national security, and overseas interests.\textsuperscript{36}

In Latin America, political instability and attacks from domestic insurgents can threaten the safety of Chinese personnel and major infrastructure projects. So far, China has countered such threats by increasing arms sales and training to the local governments in the region, although much of the equipment has been of a logistical nature.\textsuperscript{37} However, this new amendment could justify Chinese military forces’ permanent presence in the region to protect Chinese national interests.\textsuperscript{38}

\textbf{A Global One China}

Latin American and Caribbean countries are exchanging their primary products for Chinese manufactured ones and China is dominating their local economies, leading countries to become heavily indebted to the PRC. China is likewise exerting greater weight on local political, cultural, and security dynamics, and Chinese abroad are establishing their own “expat enclaves.”\textsuperscript{39} However, it is necessary to note that China’s intentions with Latin America are as important as the level of influence they exert in each country. Chinese President Xi’s long-term international strategy is a large part of what drives China’s expansion into Latin America. The main element of his policy is the preservation of the Chinese people and culture. Everything China does revolves around the sustainability of the population long-term. Therefore, as China’s resources diminish within the country, the nation is forced to expand outward. This can be clearly observed in the Chinese diaspora, where immigration is used to shape overall sentiment and relations in a host country through influence operations and cultural amalgamation. However, population displacement is not solely intended to gain control of the region, but also to disperse Chinese persons to allow mainland China access to natural resource repositories. These events are the beginnings of their plan to eventually attain the true “One China” mantra—Chinese global hegemony, sustained through global immersion.

Great power competition can be seen around the globe, but the most notable examples of China’s neocolonialism can be found in Africa and Latin America. China has perfected their tactics, techniques, and procedures in Africa, and are now establishing the same roots in Latin America. While it is unlikely the US will be able to displace China as Africa’s greatest influence, there is still a possibility within Latin America.
Chinese Neocolonialism in . . .

Many Latin American and Caribbean countries reach out to the US as their preferred partner in economic, political, and military engagement, but, as of now, the US has not responded. The negligence of the US in Latin America is the opening malign state actors need to establish a strong base of operations in the Western Hemisphere. The opportunity to counter Chinese influence exists through trade agreements, humanitarian assistance, defense agreements, infrastructure investment, information operations, and so on. The US can intervene in Latin America to keep our neighborhood friendly, or it can sit back and watch it be overrun by malicious intent.

Notes

3. Ibid.
19. Ibid.
26. Ibid.
31. Ibid.


34. Ibid.


39. Ibid.


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