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“China’s Activities in the Americas”

Chairman Duncan, Chairman Salmon, ranking member Sires, ranking member Sherman, distinguished committee members, thank you for the opportunity to share my views with you today regarding the activities of the People’s Republic of China (PRC) in the Western Hemisphere.

While I am a Research Professor at the U.S. Army War College Strategic Studies Institute, I am here today in my personal capacity and, as such, these views are my own and do not represent the position of the Army War College, the U.S. Army, or the Department of Defense.

Overview

The expanding engagement by the PRC with the Western Hemisphere during the past decade is well known, if often mis-characterized. Such engagement is primarily, but not exclusively, economic in nature, and under the right circumstances, could advance the development, prosperity, and even security of the region. Yet while producing *some benefits* for *some actors*, Chinese engagement with the region is also generating significant negative consequences, and is undermining the strategic position of the U.S., in the Western Hemisphere. My remarks are focused on those challenges, and the ways that the U.S. government can work with our Latin American and Caribbean partners to address them.

From the acceptance of the PRC into the World Trade Organization in 2001, until present, PRC bilateral trade with the hemisphere grew by a factor of almost twenty, from \$15 billion in 2001 to \$288.9 billion in 2013,¹ with China primarily purchasing low value added commodities from the region, such as iron, copper, and soybeans, and in return, selling it a broad array of manufactured products and services, including not only textiles, shoes, and toys, but also higher value-added consumer appliances, cars, tractors, telecommunication equipment, infrastructure projects, military goods, and even space launch services.

Although some commodity exporters such as Chile, Brazil, Peru, and Venezuela have run trade surpluses with the PRC, the overall balance of trade with the region has increasingly tilted in China's favor,² with economic problems in the PRC, and globally, decreasing the value of Latin American commodity exports to China, while PRC-based companies with ever more capable products and services, and growing capabilities for doing business in the region, increasingly penetrate its markets,³ and displace its exports from third markets such as the United States.⁴

The expansion of Chinese trade with Latin America also coincided with a significant growth of Chinese loans to the region, particularly to the nations of ALBA, Argentina, and the Caribbean. Between 2005 and 2013, leading Chinese financial institutions loaned \$119 billion to the region, far more than the corresponding total from the

International Monetary Fund and the World Bank.⁵ Of these funds, almost three-quarters went to Argentina, Venezuela and Ecuador, supporting efforts by relatively anti-U.S. regimes in those countries to divorce themselves from Western governments and financial institutions. An important portion of these loans also went for projects in the Caribbean, whose small bureaucracies and troubled economies made them willing to accept the government-to-government deals and the use of a principally Chinese labor force to execute the infrastructure projects paid for by those loans.

Beginning in approximately 2010, Chinese engagement with the region also shifted from one dominated principally by trade, to one in which Chinese companies operated on the ground in the region, in select sectors such as mining and petroleum, agriculture, construction, manufacturing, telecommunication, logistics and banking.⁶

The PRC has been relatively open about what it seeks in the region. In January 2015, during the ministerial level summit between the PRC and the Community of Latin American and Caribbean States (CELAC), China advanced a “roadmap” for its relationship with the region, highlighting six “fields” as cooperation priorities, consistent with its activities in the region to date: energy and resources, infrastructure construction, agriculture, manufacturing, scientific and technological innovation, and information technologies.”⁷

Yet the PRC and its companies have also frequently been less than transparent in pursuing those objectives. Moreover, it is not clear that the PRC believes that its pursuit of economic objectives in Latin America and the Caribbean is best supported by a region with strong regulatory institutions, competitive public procurement, and a close relationship with the United States.⁸

To some degree, the sectoral concentration of Chinese initiatives in Latin America and the Caribbean resembles that in Africa, characterized by proposed large-scale infrastructure projects which would facilitate PRC access to the region’s resources and markets. Prominent examples of the PRC approach in the Western Hemisphere include both projects openly embraced by the Chinese government, such as a proposed

railroad link from Bayovar, Peru to Açu, Brazil, as well as projects more nebulously tied to the Chinese government, such as the Nicaragua Canal.

China's new physical presence "on the ground," in the region has given Chinese companies and their government a vastly expanded stake in the internal dynamics of the countries where they operate, as they have dealt with local governments on issues from bids for public projects, to expropriating land, to receiving environmental approvals for construction projects, to favorable treatment on taxation issues.

Beyond governments, the new physical presence of Chinese companies in the region has forced them to engage with local labor forces, contractors, communities, competitors, social groups, and others impacted by their projects.

The Chinese physical presence in the region has also raised the issue of ensuring security for Chinese operations and personnel. Violence against Chinese-operated oil fields in Tarapoa⁹ and Orellana¹⁰ Ecuador in 2006 and 2007-2009, against the Colquiri mine in Potosi, Bolivia in 2012,¹¹ against the Patuca III dam project in Honduras in 2013,¹² and in Caquetá, Colombia in 2011, to include the kidnapping of three Chinese oil workers,¹³ are prominent examples, raising questions for the Chinese regarding use of private security, and possibly expanded security relationships in the region, in order to protect Chinese interests.

Particularly in the Caribbean basin, increased commerce, illegal migration, and workers brought in for construction projects have also expanded Chinese populations in the region, and has generated frictions with non-Chinese communities, including in violence against Chinese in Papitam and Maripaston (Suriname) in 2009 and 2011,¹⁴ in Buenos Aires in 2013, and significant protests against Chinese shopkeepers, in Santo Domingo in July 2013.¹⁵

An ever-more powerful and confident PRC has become increasingly assertive in advocating for the protection of overseas Chinese.¹⁶ When Jamaican Prime Minister Portia Simpson-Miller visited the PRC in August 2013, for example, Chinese premier Li Keqiang placed the issue of criminal violence against Chinese Jamaicans on the table,

obligating Simpson-Miller to implement a special program of police protection for the Chinese community.¹⁷

With respect to Republic of China (ROC), the PRC appears to have generally honored its informal 2008 agreement with the Taiwanese government of Ma Ying-jeou to suspend efforts to change the diplomatic posture of Latin American and Caribbean governments with respect to diplomatic recognition of the PRC vice the ROC.

Yet virtually all diplomatic communiques between the PRC and the governments of the region that recognize it include language reaffirming support for the “one china” policy, and for the PRC position on Tibet.¹⁸

Moreover, presidents of Latin American countries which do not recognize the PRC, including Fernando Lugo,¹⁹ Ricardo Martinelli,²⁰ Porfirio Lobo,²¹ and Mauricio Funes²² among others, have regularly, if unofficially, expressed interest in recognizing the PRC.

Beyond political leaders, PRC-based companies such as Sinohydro in Honduras, and the Chinese international trade promotion office (CCPIT), have been increasingly active in countries recognizing the ROC, suggesting that, were the “diplomatic truce” between the ROC and the PRC to break down, the PRC could rapidly put the remnants of Taiwan’s diplomatic legitimacy in the Western Hemisphere in jeopardy.

China’s Approach in the Hemisphere

China’s President Xi Jinping has engaged the hemisphere in a far bolder fashion than his predecessor Hu Jintao. In his first trip to the region, in May 2013, just two months after assuming the Presidency, Xi visited three countries in the region, all in close proximity to the United States: Costa Rica, Trinidad and Tobago, and Mexico.

President Xi’s next trip to the region, in July 2014, was even more symbolically challenging to the United States, focusing exclusively on countries with the U.S. has had difficult relations: Cuba, Venezuela, Brazil, and Argentina. The trip further included two strategically significant multilateral engagements: the sixth meeting of the BRICS in

Fortaleza, Brazil, and the first summit of the China-CELAC forum, which demonstrated the PRC's posture of framing its multilateral engagement with the hemisphere with institutions that exclude the United States.

In addition to these two trips, President Hu has also conducted significant interactions with the Presidents of Brazil, Chile, and Mexico on the sidelines of the November 2014 Asia-Pacific Economic Cooperation forum leadership summit in Beijing, and hosted a second, ministerial level forum with the CELAC countries in Beijing, in January 2015.

Beyond President Xi, significant Chinese engagement with the region has also included the trip two months ago by Premier Li Keqiang to Brazil, Colombia, Peru and Chile.²³

In general, the PRC has adopted a pragmatic, materialistic, politically agnostic approach in pursuit of its objectives in the region. It has focused on bilateral engagements built around loans and investment projects by Chinese companies, complimented by trade agreements, memorandums of understanding, or administrative certifications which "grant access" to the Chinese market for select categories of merchandise, frequently agricultural goods.

Particularly in the ALBA regimes, and in the smaller states of the Caribbean, the Chinese have also advanced their strategic commercial interests through loan funds, tied to infrastructure projects and product purchases from Chinese companies. In Venezuela and Ecuador, Chinese "loans-for-oil" deals have used linked contracts, on one hand to extend credit (often in RMB), through Chinese banks, for goods and services from PRC-based companies, from the purchase of Haier consumer appliances,²⁴ to the construction of hydroelectric facilities²⁵ and railroad lines.²⁶ Repayment of such loans is achieved through the delivery of oil, generally from fields under Chinese control, thus mitigating the risk of providing funds to the high political risk countries in which they are focused.

In the smaller countries of the Caribbean, the Chinese have established "loan funds" such as the Jamaica Development Infrastructure Program.²⁷ Such funds turn the tables on established public procurement procedures, to China's advantage: While continuing

to adhere to local public procurement rules to some degree, the Chinese establish a pool of money, to which the host government comes to the Chinese, with the requirement that such projects must be done primarily by Chinese companies and workers.

China has also applied the “loan fund” concept at the regional level, including a \$3 billion fund for projects across the Caribbean,²⁸ as well as a \$35 billion fund for Latin America as a whole,²⁹ yet to date, such funds have been little utilized.

PRC Objectives toward Latin America and the Caribbean

The near-term strategic objectives of the PRC in the Western Hemisphere are consistent with those in other parts of the world: (1) securing reliable access to primary products, such as petroleum and minerals necessary to sustain Chinese industrial production, capital formation, and urbanization, (2) reliable access to agricultural goods, particularly animal feeds such as soy and fishmeal, to produce the food to meet the needs of China’s 1.35 billion people, (3) reliable access to markets, as Chinese companies expand their capabilities in strategic, high value added sectors such as motor vehicles, electronics, telecommunications, aerospace and defense, construction, finance, and logistics, and (4) access to technology, often through commercial partnerships, to support advances in the aforementioned sectors, and indirectly, an economically diverse, prosperous, and powerful Chinese state.³⁰

The fact that such objectives are principally economic does not lessen the challenges that they present for Latin America and the Caribbean, the position of the U.S. in the region, or U.S. efforts to advance an agenda of democracy, human rights, market-oriented economies, and good governance.

Impact of PRC Engagement on U.S. and Regional Interests

While Chinese loans, purchases of Latin American primary products and foodstuffs, investments, and sales of products and services benefit a limited number of sectors and economic interests, they also indirectly contribute to inequality, corruption, violence, and

environmental problems, while undermining democracy and the rule of law in the region.³¹

With respect to economic impacts, Chinese imports from the region concentrate primarily on extractive industries and agricultural goods, acquired at their lowest possible point on the value added chain (for example, the acquisition of soybeans rather than soil oil, iron ore, rather than steel or cars, and crude petroleum, rather than refined products).³² In addition to the Chinese purchasing strategy, the concentration of Chinese investment and loans in these same primary product sectors, to include investments in, and loans for the infrastructure projects that facilitate resource extraction and market access, reinforces the region's concentration on low-value-added extractive activities.³³

Reciprocally, Chinese exports to the region focus on higher value added consumer and intermediate goods, competing with and adversely affecting similar industries in Latin America and the Caribbean in both domestic markets, as well as in third markets such as the United States.

The current slowing of the PRC economy promises to make such tendencies even more painful for the region, with lower Chinese commodity demand decreasing the net value to the region of Chinese commodity purchases, while weakness in Chinese domestic markets for consumer products and construction projects is likely to push Chinese banks and companies even more aggressively into Latin America and other parts of the world, in search of opportunities.

Expanded commerce between the PRC and Latin America and the Caribbean also multiplies opportunities for trans-pacific organized crime, including contraband goods and other illicit flows.³⁴ As illustrated by the network exposed during the February 2014 arrest of Mexican narcotraffickers "El Chapo" Guzman, the PRC and India are the two principal sources for precursor chemicals for drugs such as methamphetamines, produced in Latin America for export to the US market.³⁵ Reciprocally, Chinese companies are key purchasers of metals illicitly extracted from the region as scrap and through informal mining, in places like Michoacán, Mexico, and Madre de Dios, Peru.³⁶

Chinese companies have also been implicated in the supply of arms to the Latin American black market, including the March 2015 detention in Cartagena, by Colombian authorities, of a ship traveling from the PRC to Cuba, carrying a large, concealed stash of black powder and other military goods,³⁷ and the illicit purchase of 4,000 small arms from the Chinese arms company NORINCO by Colombian narco-trafficker Javier Antonio Calle Serna, using the forged signature of then Colombian Commander and Chief General Freddy Padilla.³⁸

The expansion of the Chinese business and financial presence in Latin America and the Caribbean has also proliferated opportunities for trans-Pacific money laundering. While the payment of fines by HSBC for laundering money for Mexico's Sinaloa Drug Cartel is the best known case,³⁹ anecdotal reports have emerged of the Brazilian gang First Capital Command,⁴⁰ and other Latin American criminal organizations, using Chinese banks and businesses for their laundering operations.

Trans-pacific criminal ties are an emerging threat which are likely to expand in coming years with emerging PRC-Latin America commerce, particularly since overwhelmed Latin American and Caribbean police forces lack the language skills and technical contacts in the PRC to effectively investigate cases and combat groups with trans-pacific ties.⁴¹

Beyond such adverse effects, PRC engagement in the region is also undermining democracy and good governance, as well as the Organization of American States (OAS)-led Interamerican system, through Chinese loans, investments, and commodity purchases that sustain the lives of populist regimes, and with them, their questionable adherence to norms of democracy, respect for private property and the rule of law, as well as their efforts (in conjunction with regional powers such as Brazil), to replace the inter-American system with structures such as UNASUR and CELAC, which exclude the US and Canada from a voice in the hemisphere.

According to the most authoritative academic database on Chinese loans to the region, 75% of the \$119 billion that Chinese banks have provided to the region between 2005 and 2019 went to the nations of ALBA and Argentina.⁴²

As an example of how China's resources has helped to extend the life of populist governments, the PRC provided \$4 billion to Venezuela prior to the October 2012 presidential election,⁴³ allowing its "Bolivarian Socialist" government to expand spending to increase electoral performance. The Ecuadoran government received a commitment for a \$1.4 billion loan three months prior to the March 2013 election, and although the money was technically not disbursed until after that election, Ecuador's anticipation of the funds arguably enabled its government to more freely use other funds during the campaign.⁴⁴ Similarly, the \$7.5 billion in new Chinese loan commitments to Ecuador made in January 2015 helps the country to cover a serious 2015 and 2016 budget shortfalls⁴⁵ brought about by sustained low international petroleum prices.

Most recently, the PRC has committed to provide \$10 billion in new funds to Venezuela. The money includes a \$5 billion loan through the Heavy Investment Fund, which is likely to be delivered in the October-November timeframe,⁴⁶ as well as a separate \$5 billion loan, agreed to during President Maduro's state visit to the PRC last week, which will be used to help expand petroleum production in oilfields controlled by the Chinese.⁴⁷ Both will thus be available to the embattled Maduro government during the run-up to the December 6th mid-term elections in that country.

Aside from their direct political benefits, in both the ALBA regimes and in other recipients of Chinese loans and investment, these resources have arguably undercut the leverage of Western governments and institutions such as the Interamerican Development Bank and World Bank, in advancing transparency, rule of law, and market-based lending practices.

China's willing to pour capital into Argentina and the countries of ALBA has created the illusion for their leaders that they can ignore long-established norms regarding the treatment of international creditors and investors by turning to Chinese loans, investments, and revenue streams. Moreover, by facilitating access to funds with fewer overt requirements for Western-style transparency and accountability, Chinese resources have arguably weakened the accountability of populist leaders to their

populations and institutions, and have facilitated the growth of corruption and poor governance in the region.

In addition, by extending the political and financial viability of these regimes, Chinese resources have indirectly facilitated their hosting of other extra-hemispheric actors with a far more openly adversarial posture toward the US, allowing Venezuela, for example, to bring Iranian “Qods” paramilitary forces into the region,⁴⁸ or supporting the solvency of anti-U.S. regimes with which Russia could negotiate to secure access for its military aircraft and warships to airfields in ports in the region, and possibly even intelligence gathering facilities, such as the re-opening Russia’s US-oriented intelligence gathering facility in Lourdes, Cuba.⁴⁹

PRC activities in strategically important sectors such as telecommunications and space also raise concerns for the U.S. and the region, particularly due to the concentration of such activities in the ALBA regimes, Argentina, and Brazil, with whom diplomatic relations have been strained.

To date, the PRC has developed and launched two satellites for Venezuela and one for Bolivia, and has co-developed and launched four satellites for Brazil under the CBERS program.⁵⁰ Follow-on satellites for Brazil,⁵¹ Bolivia,⁵² and Venezuela⁵³ are reportedly in the works, as well as the development and launch of Nicaragua’s first satellite by the Chinese defense communications company Xinwei,⁵⁴ whose principal shareholder, Wang Jing, is the Chinese billionaire behind the Nicaragua Canal project.

The PRC has also has constructed a space communications facility in Neuquén, Argentina, which has generated concern in the region due to the secrecy surrounding the enabling agreement between the PRC and the Argentine government, and the limited access of Argentines to the PRC-operated facility, despite being located on Argentine territory.⁵⁵

PRC Military Activities in the Hemisphere

The PRC has also expanded its military activities in Latin America and the Caribbean to a far greater extent than is commonly recognized, with potentially adverse impacts on

the strategic position of the U.S. in the hemisphere as both a partner of choice, and in a possible future conflict with the PRC.

Just as PRC-based manufacturers are moving up the value added chain into sectors such as autos, heavy equipment, and electronics, Chinese defense companies are also selling increasingly capable military goods to an ever-broader array of clients in Latin America and the Caribbean. Particularly in the last decade, defense sales and gifts by Chinese companies in Latin America and the Caribbean have expanded from clothing and small arms, to advanced weapons systems such as fighter aircraft, radars, armored combat vehicles, and military ships. The client base for the Chinese defense industry in Latin America and the Caribbean has similarly expanded beyond Venezuela, to include sales to Bolivia, Ecuador, Trinidad and Tobago, Peru and Argentina, among others.⁵⁶

Just last month, the Peruvian army took delivery on the first 27 of an order for 40 Type 90B 122mm Chinese multiple launch rocket vehicles,⁵⁷ in addition to previously acquired Chinese Beiben, Dong Feng, and Shaanxi military trucks, munitions, and a failed 2010 deal to acquire Chinese MBT-200 tanks.⁵⁸

The most significant recent PRC advance in military sales to the region, to date, is a commitment, made by the Argentine government in February 2015, to purchase 110 Chinese VN-1 8x8 armored personnel carriers, five 1,800-ton P-18A Malvinas-class ocean patrol vessels (OPVs), and 14 Chengdu Aircraft Corporation (CAC) FC-1 or JF-17 multi-role fighters,⁵⁹ although the Argentine military appears to be backing away from the fighter acquisition.⁶⁰

The sale of P-18 OPVs represents a significant advance by Chinese military shipbuilders into the Western hemisphere, building on the groundbreaking 2014 agreement for the delivery of one such ship to Trinidad and Tobago.⁶¹

Expanding PRC military activities in the region also include training and professional military education (PME).

Members of the Chinese People's Liberation Army (PLA) have, on multiple occasions, received instruction at Colombia's Tolemaida military base, not far from U.S. forces.

The PLA similarly sends officers to Brazil's renowned jungle warfare school in Manaus, among other facilities.

With respect to PME, virtually all of the countries in the region which diplomatically recognize the PRC send personnel to courses at the Institute of Defense Studies, part of China's National Defense University in Champing. Some Latin American militaries also sending personnel to Chinese command and to general staff courses in and around Nanjing, Shijiazhuang, and elsewhere in the PRC.⁶²

At the tactical level, Latin American military personnel regularly attend courses in the PRC for the operation and maintenance of the aircraft, vehicles, radars, and other weapons systems that the PRC sells to their militaries.⁶³ In the space sector, key Venezuelan and Bolivian government management and technical personnel have been trained in the PRC, as part of the collaboration through which the PRC built and launched satellites for their governments, and helped to construct supporting ground control facilities.⁶⁴

The Chinese military is also conducting an increasingly broad array of operations in the Western Hemisphere. The PLA has progressed from participation in *multilateral* humanitarian operations, maintaining a contingent of military police in the MINUSTAH peacekeeping force in Haiti from 2004 through 2012, to increasingly sophisticated *bilateral* engagements. These include an earthquake response exercise, held with Peru in November 2010,⁶⁵ as well as the deployment of the PRC hospital ship, *Peace Ark*, to the Caribbean in December 2011.⁶⁶ Plans are reportedly in place for the *Peace Arc* to return to the region before the end of 2016.

In addition to such humanitarian activities, in October 2013, during the impasse over the U.S. federal budget, a Chinese naval flotilla with two guided missile frigates crossed the Pacific and conducted combat exercises with the Chilean armed forces,⁶⁷ and subsequently, with those of Argentina and Brazil.⁶⁸

While the PLA has not yet openly pursued access to ports, airfields, or bases, or otherwise sought to establish a persistent military presence in the region, its military

activities in, and goals toward Latin America and the Caribbean are expanding. Indeed, the official PRC defense strategy white paper, released in May 2015, specifies safeguarding China's overseas interests, and international security cooperation as "strategic tasks" of the nation's armed forces.⁶⁹

Recommendations

The United States must not transform competition with the PRC in the Western Hemisphere into enmity. Yet it cannot turn a blind eye to the impacts of Chinese engagement on the region, and on the U.S. strategic position therein, even if short-term PRC intentions appear mostly benign. The security of the United States is bound to Latin America and the Caribbean through ties of geography, commerce, and family. As such, I respectfully submit that we have a responsibility to our citizens, and to our partners in the hemisphere, to ensure that the region's engagement with extra-hemispheric actors such as the PRC is consistent with U.S. objectives of democracy, development, and good governance there, and of course, the security of the U.S. homeland.

There are a number of steps that the U.S. can take in the near-to-mid-term, with the support of this Congress, to address the challenge of China's expanding presence in the hemisphere.

First, while the United States should not inhibit the nations of the region from maintaining political, economic, and military relations with whom they wish, it can and should help them to obtain the maximum possible benefit from their engagement with the PRC, while avoiding potential pitfalls and negative consequences. Doing so involves supporting and helping to strengthen Latin American and Caribbean institutions dealing with the PRC, including the strengthening of relevant legal frameworks, planning, analysis and negotiating capabilities in the region.

Second, the U.S. must work with its partners in both Asia and Latin America to support a trans-Pacific regime that is governed by the rule of law, and in which all nations, including the PRC, have the opportunity to reap the benefits of their governmental and private sector initiatives. To this end, it is important that Congress support the

completion and ratification of an effective Trans Pacific Partnership (TPP), and in the future, expansion of the TPP to accommodate participation by the PRC therein, in recognition of China's role as a key player in the Pacific community.

Beyond the TPP, the U.S. government can also do more to actively promote ties between partners in the hemisphere, and counterpart governments across the Pacific which share U.S. values and strategic interests, including (but not limited to), Japan, South Korea, Australia, and India. Possible facilitating mechanisms include scholarships in U.S. universities for Asian students developing skills for doing business with Latin America, and Latin students similarly seeking to do business in Asia. The U.S. can similarly expand programs to promote connections between Latin American businessmen and those in select Asian countries sharing our values, with through U.S. government-sponsored forums.

With respect to the military, PRC activities in the hemisphere should be carefully monitored, albeit not necessarily opposed; under the appropriate legal framework and conditions of transparency, Chinese military goods and assistance may help the governments of Latin America and the Caribbean to combat the grave problems of organized crime and delinquency that the region faces. Nonetheless, it is important that the U.S. closely monitor such Chinese activities, even while it insists on their transparency. Concurrently, it is important that the U.S. expand and strengthen its own theater security cooperation, including funding spaces in U.S. institutions for professional military education and training, to help ensure the continuing U.S. position as security partner of choice for the region.

Beyond monitoring Chinese activities and expanding U.S. theater security cooperation, those responsible for future planning in NORTHCOM, SOUTHCOM, and other relevant U.S. government organizations, should regularly, and thoroughly evaluate how, in the event of a major conflict, actors such as the PRC could leverage commercial assets and political and military relationships in the Western Hemisphere, to act against the U.S. in the region.

It is also important that the U.S. give more strategic priority to ensuring the functionality of an Interamerican system in which all states in the hemisphere, including the U.S., have a voice, so that the Western Hemisphere can engage the PRC and other extra-regional actors from a position of strength, within a framework of democracy, effective institutions, and the rule of law. The U.S. must make clear to the PRC and other extra-hemispheric actors that privileging CELAC or other multilateral institutions that deliberately exclude the United States and Canada, will be regarded as a hostile act.

Finally, this government must do more to advance a vision of what it stands for, and why the U.S. approach, if not always perfect, is the hemisphere's best bet to advance development, prosperity, and human dignity. In the words of the 2015 Quadrennial Diplomacy and Development Review (QDDR), "America is strongest when our optimism, integrity, ideals and innovation are a model for the world."⁷⁰ The U.S. vision should include, but not be limited to, four pillars: democracy, human rights, the rule of law, and freedom from corruption.

While the United States must always be respectful of the sovereignty and individual situations of the governments in the region, it cannot, and should not engage with the PRC in a value-free competition promising material benefits to win the loyalty of those currently in power. Indeed as the Chinese have already learned in Venezuela and Guyana, governments that provide access for benefits today, may not be in power tomorrow, and the governments that follow them may not look positively on particularistic, unjust, or unconstitutional deals that their predecessors have made with stronger states, be it the Chinese, the United States, or others.

The U.S. cannot exclude China from the hemisphere, but we can work respectfully to ensure that engagement advances the well-being of those with whom we share this hemisphere, within the framework of democracy, human rights, and the rule of law.

¹ *Direction of Trade Statistics*, International Monetary Fund, June 2014, p. 33.

² Based on the *Direction of Trade Statistics Yearbook*, International Monetary Fund, 2014, p. 137.

³ One of the most comprehensive economic studies regarding the negative impact of competition from the PRC on exports in Latin America and the globe is Débora Bellucci and Célio Hiratuka Módolo, “Impacto da concorrência chinesa em terceiros mercados: uma análise por regiões e por categorias tecnológicas,” http://www.anpec.org.br/encontro/2012/inscricao/files_l/i6-9a2f68519249af21127e6ef9db64ea2d.doc.

⁴ See, for example, Enrique Dussel Peters and Kevin P. Gallagher, “NAFTA’s Uninvited Guest: China and the Disintegration of North American Trade,” *CEPAL Review*, No. 110, August 2013, pp. 83-108.

⁵ “China-Latin America Finance Database,” Interamerican Dialogue, accessed January 18, 2015, http://thediologue.org/map_list.

⁶ For a detailed analysis of China’s expanding commercial presence in Latin America and the Caribbean since 2010, see R. Evan Ellis, *China on the Ground in Latin America: Challenges for the Chinese and Impacts on the Region*, New York: Palgrave-Macmillan, 2014. See also *La Inversión Extranjera Directa en América Latina: 10 casos de estudio*, Enrique Dussel Peters, Coord., Mexico City: UNAM, 2014, <http://dusselpeters.com/73.pdf>.

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